

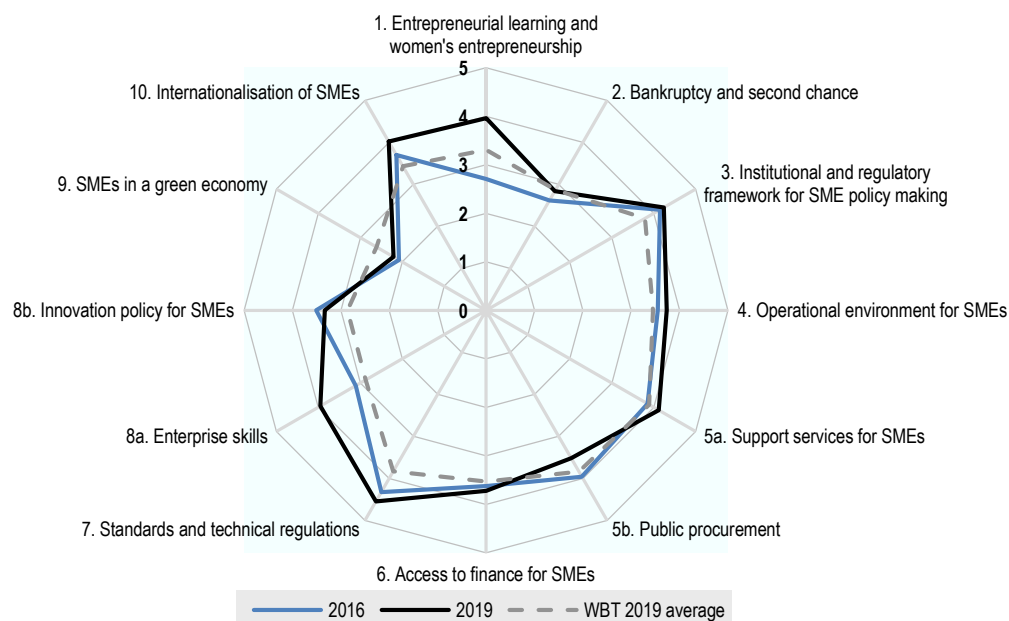
Chapter 18. Serbia: Small Business Act profile

This chapter covers in depth the progress made by Serbia in implementing the Small Business Act for Europe (SBA) over the period 2016-18. It starts with providing an overview of Serbia's economic context, business environment and status of its EU accession process. It then provides some key facts about SMEs in the Serbian economy, shedding light on the characteristics of the SME sector. It finally assesses progress made in the 12 thematic policy dimensions relating to the SBA during the reference period, and suggests targeted policy recommendations.

The full version of this chapter is available at <https://doi.org/10.1787/g2g9fa9a-en>.

Key findings

Figure 18.1. Small Business Act scores for Serbia (2016 and 2019)



Note: A direct comparison of the scores between the 2016 and 2019 assessments for Dimension 1 (entrepreneurial learning and women's entrepreneurship) and Dimension 8a (enterprise skills) should be treated with caution as the assessment methodology has changed significantly. See the Policy Framework and Assessment Process chapter and Annex A for information on the assessment methodology.

Serbia has made progress in implementing the Small Business Act (SBA) since publication of the previous report – the SME Policy Index: Western Balkans and Turkey 2016 (Figure 18.1). With a well-developed approach to SME policy, Serbia has rolled out a number of measures and programmes during the assessment period to stimulate private sector development. The main achievements that have helped Serbia boost its performance are as follows:

The institutional framework has been strengthened, enabling greater consideration of SMEs' interests in policy making. The Council for SMEs, Entrepreneurship and Competitiveness became operational in November 2017, two years after it had formally been established as an occasional working body. In addition to monitoring and co-ordinating the implementation of the SME Development Strategy 2015-20, it also provides suggestions and initiates customised programmes for SMEs. It is expected that the council will give a boost to the embedding of the “think small first” principle when developing new policies.

Starting a business has become easier, faster and cheaper. Following a comprehensive business reform, the company registration process has been further simplified. The improved operational efficiency of the Serbian Business Registers Agency has played a pivotal role in bringing down the number of days and procedures to start a business, from 11.5 days and 6 procedures in 2015 to 5.5 days and 5 procedures in 2018.

Support measures for SMEs have gained traction. The Ministry of Economy of Serbia launched the Year of Entrepreneurship in 2016, which has since grown into a Decade of Entrepreneurship. As part of this it has substantially enhanced overall financial and non-financial support to SMEs, and increased the scope of business support services to include a wider range of customised programmes. The uptake of these services by SMEs is remarkably high.

The amount of loans in local currency has increased, enhancing SMEs' access to bank finance. Thanks to the partial implementation of the National Bank's Dinarisation strategy, as well as greater macroeconomic stability, the interest differential of local currency loans has begun to reduce. This development has seen SME lending accelerate, and the overall liquidity of the banking system improve.

Rapid strides have been made in improving the innovation infrastructure linking business with academia. The Belgrade Science and Technology Park has become fully operational, and currently houses a large number of start-ups. Similar institutions are being constructed in other economic hubs, such as Novi Sad and Nis. The government has moved beyond relying on international donors to support innovation and allocated significant public funds for this purpose, including EUR 2 million to establish smaller regional innovation centres across the country.

Entrepreneurial learning is better mainstreamed across the curriculum. In lower secondary education, including vocational education and training schools, entrepreneurship has been introduced as a separate subject, supported by a multitude of practice-based activities. In higher education, university curricula have been modernised, and new start-up development and intellectual property management courses have been developed.

Priority areas

This report identifies six priority areas in which Serbia should intensify its efforts:

- **Make better use of evaluation in the policy cycle.** Serbia needs to start systematically evaluating its interventions under its SME Development Strategy to ensure optimal use of scarce public resources in the long term. In addition, it needs to assess the impacts of various policies to see whether SMEs are disproportionately affected or disadvantaged compared to larger companies.
- **Diversify sources of finance, especially for micro and small enterprises.** The legal and regulatory framework in Serbia is preventing a fully fledged microfinance industry from emerging. Legislation should be introduced to enable lending by microfinance institutions, which would operate in under-served areas and provide more appropriate credit products for micro and small enterprises.
- **Focus on raising awareness and providing guidance to SMEs in adopting environmentally sound practices.** Activities aimed at raising SMEs' awareness of the benefits and opportunities offered by going green should be designed and implemented. To ensure complementarity among the various support measures aimed at SMEs, the Development Agency of Serbia (RAS) – in consultation with the Ministry of Environment – could assume the task of co-ordinating the implementation of these activities.
- **Roll out supplier development programmes.** The current financial schemes offered by RAS fall short of truly helping SMEs integrate into European and

global value chains. New support programmes need to be developed that underpin the linkages between SMEs and multinational enterprises (MNEs). These should include matchmaking services and targeted advice to SMEs on upgrading their production process to better cater for MNEs' supply needs.

- **Design policy tools to reduce cultural stigma around failed entrepreneurs, and to promote a second chance.** Appropriate legal measures distinguishing between honest and fraudulent bankruptcies should be complemented with cultural campaigns, promoting a fresh start and a culture that values failure.
- **Improve SME access to public procurement.** Serbia still lacks a fully fledged electronic procurement system and online portal. SMEs are disproportionately affected by not being able to submit tenders or request to participate through electronic means.

Economic context and role of SMEs

Economic overview

Serbia is an upper-middle income economy, with a gross domestic product (GDP) of USD 14 049 per capita in purchasing power parity (PPP) terms in 2017 (World Bank, 2018^[1]). With a population of 7 million, Serbia has the largest domestic market in the Western Balkans. Its economy is consumption-driven and dominated by services, whose contribution to value added amounted to 50.0% of GDP in 2017. Moreover, the services sector employs 56.6% of the total labour force (World Bank, 2018^[1]; ILO, 2018^[2]). The second largest sector in terms of value added is industry, contributing 26.4% of GDP, whereas agriculture, forestry and fishing generated only 6.0% of GDP (World Bank, 2018^[1]). Despite the modest contribution to value added, agriculture accounted for 19.0% of employment, while the industrial sector employed 24.4% of the workforce in 2017 (ILO, 2018^[2]).

Since 2016, GDP growth has been stable – at around 2.5% – even though it declined to 2% in 2017, due to the disruption of energy production and declining agricultural output caused by the weather conditions (severe winter and a drought). Over the short to medium term economic growth is expected to pick up, driven by increased investment and the recovery of consumption as wages increase and the fiscal consolidation programme gradually expires. GDP growth reached 4.9% in the first quarter of 2018 and 4.8% in the second quarter, boosted mainly by household final consumption reaching the highest rate of growth since before the 2008 global economic crisis (increasing by 3.1%) (EC, 2018^[3]). This growth was equally fuelled by public consumption, which accelerated from 2.3% in the first quarter to 5.3% in the second quarter of 2018 (EC, 2018^[3]).

Economic activity continues to be supported by strong export expansion and rising investment, including foreign direct investment (FDI) (EC, 2018^[3]). FDI inflows have reached pre-crisis levels and are much more diversified, directed mainly toward the manufacturing sector. Nevertheless, foreign investments have benefited from a considerable amount of state aid and have remained technologically less sophisticated (EC, 2018^[3]). The EU's contribution to total FDI in Serbia was 66% in 2016.

Export and import amounts have both grown steadily since 2013. Electrical machinery, vehicles and machinery (including computers) are Serbia's main export products. Among the top ten export products, iron and steel represented the fastest growing export category – an increase in value of 57% from 2016 to 2017 (World Bank, 2018^[4]). The EU is Serbia's biggest trading partner. Its current account deficit had been declining, but in 2017 it almost doubled due to higher imports of energy and consumer goods (World Bank, 2018^[5]) (Table 18.1). The net FDI increase of 27.1% was, however, more than enough to finance the current account deficit, and contribute positively to the balance of payments (World Bank, 2018^[5]).

Inflation has been stable since 2014 and has stayed close to the 3% target set by the Serbian Central Bank. It peaked at 4% in April 2017 and then fell to 3% in December 2017 (World Bank, 2018^[5]). The pick-up in inflation was driven by rising food and energy prices, while core inflation (excluding food, energy, alcohol and tobacco) remained broadly unchanged (EC, 2018^[3]). Due to stable inflation expectations in 2018, the Central Bank has kept its key policy rate on hold at 3% (EC, 2018^[3]).

For the first time in almost a decade, the government fiscal balance saw a surplus of 1.2% of GDP in 2017 as a result of successful fiscal consolidation. Strong revenue collection,

spending controls and under-execution of public investment were the major elements in the recent consolidation (World Bank, 2018^[5]). Due to the fiscal surplus and a favourable dollar/euro exchange rate, a sharp decline of public debt was recorded in 2017 (from 74.7% in 2015 to 61.6% of GDP). The trend has continued in 2018, falling to 59.6% of GDP in July 2018 (Ministry of Finance, 2018^[6]). A similar trend was observed with external debt, which has been on a constant downward trend since 2015 (Table 18.1).

However, significant contingent fiscal risks still stem from large, unreformed state-owned enterprises, while public administration “rightsizing” is progressing slowly (EBRD, 2017^[7]). In addition to these risks, the absence of comprehensive and efficient state aid control puts the sustainability of the positive budget balance at risk. This is especially important in the context of FDI, since there has been no comprehensive cost-benefit analysis of the policy of offering substantial subsidies to attract FDI (EC, 2018^[8]).

Despite the slower GDP growth in 2017, unemployment fell from 15.3% in 2016 to 13.5% (World Bank, 2018^[5]). Serbia’s unemployment rate remains one of the lowest in the Western Balkans and Turkey (WBT) region,¹ although it is still relatively high compared to the EU (7.6%) and OECD (5.8%) averages in 2017 (OECD, 2018^[9]; OECD, 2018^[10]). With 2.9 million people employed in the second quarter of 2018, total employment reached its highest level since 2014, in spite of a constantly decreasing population (EC, 2018^[3]). Even so, informal employment, most of it in agriculture, remained high at 21% of the total (EC, 2018^[3]). Serbia’s labour force participation rate still remains low, at 53.5%, driven up by a high youth unemployment rate (40% of the labour force aged 15-24) and a high share of those who are not in education, employment, or training (17.6% in 2017) (OECD, 2018^[10]). Skills mismatches represent a key obstacle to young people entering the labour force, while low skill levels hinder the chances of the adult population (aged 25-54) of finding decent jobs (EC, 2018^[8]).

Table 18.1. Serbia: Main macroeconomic indicators (2013-18)

Indicator	Unit of measurement	2013	2014	2015	2016	2017	2018
GDP growth	% year-on-year	2.6	-1.8	0.8	3.3	2	3.3 f
Inflation	% average	7.9	2.1	1.4	1.1	3.1	1.7 f
Government balance	% of GDP	-5.5	-6.6	-3.5	-1.2	1.1	0.6 f
Current account balance	% of GDP	-6.1	-6	-3.5	-2.9	-5.2	-5.5 p
Exchange rate RSD/EUR ¹	Value	113.1	117.2	120.7	123.1	121.4	118.2*
Exports of goods and services ¹	% of GDP	41.2	43.4	43.8	47.2	49.3	52.4 a
Imports of goods and services	% of GDP	51.9	54.2	52.9	54.2	57.5	61.5 a
Net FDI ¹	% of GDP	3.8	3.7	5.1	5.2	6.2	6.8 a
External debt	% of GDP	74.8	77.1	78.3	76.5	69.5	..
Gross international reserves	% of GDP	8.7	7.7	7.7	7.2	6.2	6.4 a
Unemployment ¹	% of total active population	22.1	19.2	17.7	15.3	13.5	12.1 f
National GDP	USD billion	45.5	44.2	37.2	38.3	41.4	..

Note: RSD: Serbian dinar; ^f forecast; ^a average of 1st and 2nd quarter; ^p projected; * average of 1st, 2nd and 3rd quarter.

Sources: ¹ EC (2018^[3]), “EU candidate countries’ and potential candidates’ economic quarterly (CCEQ): 3rd quarter 2018”, https://ec.europa.eu/info/publications/economy-finance/eu-candidate-countries-potential-candidates-economic-quarterly-cceq-3rd-quarter-2018_en;

EBRD (2018^[11]), *Transition Report 2018-19*, <https://2018.tr-ebd.com/downloads/>;
Eurostat (2018^[12]), *National Accounts (Including GDP) (dataset)*, <https://ec.europa.eu/eurostat/web/national-accounts/data/database>.

Business environment trends

Serbia's business environment has slightly improved since the last SBA assessment, mainly due to new regulatory reforms to reduce the complexity and costs of doing business. A legal framework has been established which regulates the administrative and parafiscal burden on business entities. Moreover, at the time of writing, the Law on Charges for the Use of Public Goods was being drafted, which aims to regulate various issues relevant to determining and paying charges.

To improve enterprises' access to better infrastructure, public-private partnerships (PPPs) are becoming increasingly popular and the preferred option for implementing local and national infrastructure projects, as underlined in Serbia's Economic Reform Programme (Box 18.1). By the end of 2017, 56 PPP project proposals had been approved – mainly local projects in the field of urban and suburban passenger transport and heat and electricity generation using renewable energy sources.

In addition, Serbia has endeavoured to improve the efficiency of public enterprises, by proceeding with the announced debt restructuring of the natural gas company, Srbijagas, and implementing the optimisation plan for the public power utility enterprise, Elektroprivreda Srbije (EPS). As well as introducing voluntary termination of employment with severance payments, the optimisation plan had reduced the number of employees in EPS by 2 987 at the end of 2017.

Despite these positive developments, the business environment in Serbia is still hampered by a number of challenges, including the costly, unpredictable and non-transparent system of parafiscal charges; red tape; and difficult access to finance, especially for SMEs (EC, 2018^[8]). The lack of any financial alternatives to bank loans especially hampers SMEs' access to finance. The planned improved regulation of financial markets to provide additional financing instruments keeps being delayed by the Serbian Government. (For more information on key financial indicators in Serbia, see The OECD Scoreboard Indicators) Unfair competition from state-owned enterprises and the informal sector have also complicated doing business in Serbia.

Another problem that hampers SMEs' capacity to do business is corruption. Quantitative data from Transparency International supports this finding. Serbia scores 39 in Transparency International's 2018 *Corruption Perceptions Index*, which positions it as the 87th least corrupt economy out of 180 countries and territories (Transparency International, 2019^[13]).

In the interviews conducted with SME owners and entrepreneurs in Serbia as part of the SBA assessment,² interviewees underlined that the operational environment did not allow SMEs to take advantage of market opportunities, or to compete with larger firms on an equal footing. Unequal governmental support for domestic versus foreign enterprises is also identified as one of the impediments for doing business. It is estimated that foreign companies receive several times more subsidies than domestic SMEs, and this is only partially justified by the higher productivity of FDI (EC, 2018^[8]).

Box 18.1. Serbia's Economic Reform Programmes

Since 2015, all EU candidate countries and potential candidates are obliged to prepare Economic Reform Programmes (ERPs). ERPs prepare the enlargement countries for their future participation in the EU's economic policy co-ordination procedures. They also play a key role in improving economic policy planning and steering reforms to sustain macroeconomic stability, boost competitiveness and improve conditions for inclusive growth and job creation.

The ERPs contain medium-term macroeconomic projections (including for GDP growth, inflation, trade balance and capital flows), budgetary plans for the next three years and a structural reform agenda. The structural reform agenda includes reforms to boost competitiveness and improve conditions for inclusive growth and job creation in the following areas:

1. public finance management
2. energy and transport markets
3. sectoral development
4. business environment and reduction of the informal economy
5. trade-related reform
6. education and skills
7. employment and labour markets
8. social inclusion, poverty reduction and equal opportunities.

The European Commission and the European Central Bank then assess these seven programmes. This forms the basis for a multilateral economic policy dialogue involving the enlargement countries, EU Member States, the Commission and the European Central Bank. The dialogue culminates in a high-level meeting during which participants adopt joint conclusions that include country-specific policy guidance reflecting the most pressing economic reform needs.

The findings of the Small Business Act assessment for the Western Balkans and Turkey provide the analytical background and guidance to the seven EU candidates and potential candidates in identifying the key obstacles to competitiveness and economic growth, and in developing structural reform measures to overcome them.

Source: EC (2018^[14]), *Economic Reform Programmes: Western Balkans and Turkey* <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-erp-factsheet.pdf>.

In the World Bank's *Doing Business 2018* report, Serbia ranked 43rd out of 190 countries, up four places from the previous assessment. In particular, Serbia is among the 10 economies that have implemented the most regulatory reforms for reducing the complexity and cost of business since 2015. The main changes that have occurred are summarised in Table 18.2 (World Bank, 2017^[15]).

Table 18.2. Recent business reforms in Serbia

	Reforms making it easier to do business	Reforms making it harder to do business
Doing Business 2018	<p>Starting a business has been made simpler by reducing the signature certification fee and increasing the efficiency of the registry, reducing the time for business registration.</p> <p>Registering property has become more reliable by implementing a geographic information system.</p> <p>Enforcing contracts has been made easier by adopting a new enforcement law that broadens and clarifies the responsibilities of enforcement agents as well as the powers of the courts during the enforcement process.</p>	None
Doing Business 2017	<p>Starting a business was simplified by reducing the time to register a company.</p> <p>Dealing with construction permits was speeded up by implementing an online system and streamlining the process of obtaining technical conditions for building permits.</p> <p>Registering property: the property transfer process was simplified by introducing effective time limits.</p>	None

Note: Only reforms which had either a positive or a negative impact on conducting business were considered.
Source: World Bank (2018^[16]), *Business Reforms in Serbia*, www.doingbusiness.org/en/reforms/overview/economy/serbia.

EU accession process

Serbia was granted EU membership candidate status in March 2012. The Stabilisation and Association Agreement came into force in September 2013. Since January 2014, Serbia has been in accession negotiations, and as of October 2018, it had opened 14 out of 35 negotiating chapters, two of which had been provisionally closed.

Chapter 20, Enterprise and Industrial Policy, is one of those negotiating chapters, and was officially opened by Serbia on 27 February 2017. The chapter aims to strengthen competitiveness, facilitate structural change and encourage a business-friendly environment. Implementing the ten SBA principles is one of the requirements of this chapter. The findings and recommendations published in the *SME Policy Index: Western Balkans and Turkey 2019* provide the monitoring and guidance for Serbia to prepare and meet the requirements of Chapter 20.

In the latest EU progress report, Serbia's economy is assessed as being moderately prepared in terms of enterprise and industrial policy (EC, 2018^[18]). It acknowledges progress in promoting entrepreneurship and facilitating access to finance for SMEs; this was also highlighted by the previous SME Policy Index findings (OECD, 2016^[19]). Going forward, it calls on Serbia to:

- develop a comprehensive industrial policy based on EU principles and use the findings of the smart specialisation exercise³
- make efforts to improve the predictability of the business environment, with the emphasis on improving the issue of unpredictable parafiscal charges.

In February 2018, renewed momentum for EU accession of the Western Balkans economies was heralded by a statement from the European Commission seeking “a credible enlargement perspective for an enhanced EU engagement with the Western Balkans” (EC, 2018_[20]). The Commission launched its new Western Balkans accession strategy, which details six flagship reform initiatives. These initiatives include addressing key issues on the rule of law, security and migration, increased connectivity and neighbourly relations. They also incorporate important elements that support SME policy and Chapter 20 preparedness in the *acquis*, namely socio-economic development and a digital agenda.

EU financial support

Serbia and Serbian enterprises benefit from a wide range of EU-funded support programmes. In fact, the EU is the largest provider of financial assistance to Serbia, with a total of EUR 2.5 billion earmarked for the period of 2007-20 under the EU pre-accession funds. About 9% of this amount has been allocated solely to strengthening private sector development.

Funding is also available to support SMEs, including raising capital for start-ups, providing subsidised loans and guarantees, as well as fostering their skills and financial education. These are offered and co-ordinated through the European Investment Fund, the Western Balkans Investment Framework, the European Investment Bank, the European Bank for Reconstruction and Development, and the Western Balkans Enterprise Development and Innovation Facility. They are implemented through various programmes, such as COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises), InnovFin (Horizon 2020), the Programme for Employment and Social Innovation, the European Structural and Investment Funds, and the SME Instrument.

Since 1999, European Investment Bank loans to Serbia have totalled EUR 5 billion, whereas close to EUR 117 million in grants have been disbursed under the Western Balkans Investment Framework, leveraging investments estimated at EUR 2.25 billion.

SMEs in the national economy

There are two definitions of small and medium-sized enterprises in Serbia: the SME definition in the Law on Accounting and Auditing, used for accounting purposes and financial reporting; and the definition in the Decree on Rules for Granting of State Aid, used for granting state aid (Table 18.3).

For the purposes of financial reporting as practised in the EU, Serbia uses a definition in Law on Accounting and Auditing. Its categorisation thresholds (turnover and balance sheet) differ from those in the EU definition, but the definition is harmonised with relevant EU directives from the field of corporate accounting and legal auditing. It is adapted to the specific context of the economy concerning financial criteria. Employment criteria are the same as in the EU definition.

The SME definition in the Decree on Rules for State Aid Granting is of great practical importance as it is used to allocate state support to SMEs. It is aligned with the EU definition for small and medium-sized enterprises, including provisions related to linked and partnership enterprises. Differentiation between the micro enterprise and small enterprise categories is still needed to ensure full harmonisation.

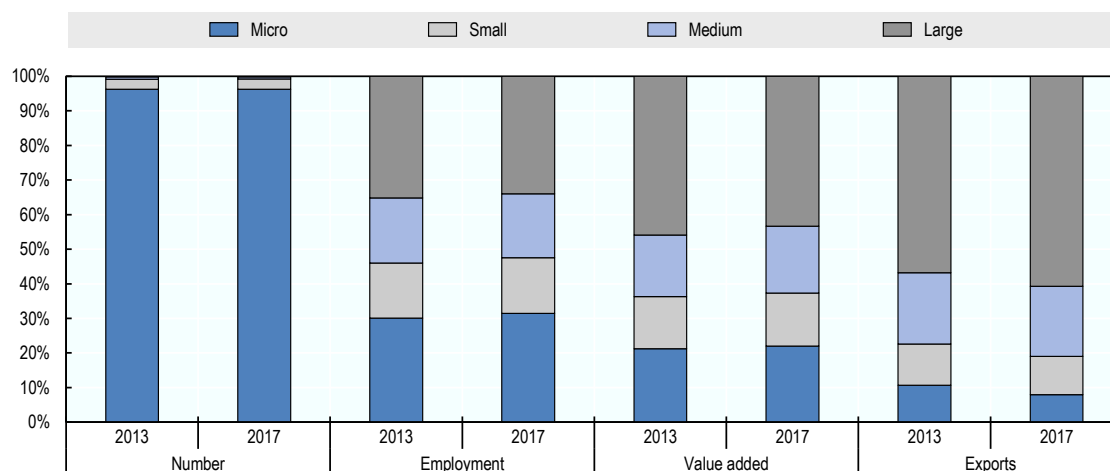
Table 18.3. Definition of micro, small and medium-sized enterprises in Serbia

	EU definition	Law on Accounting and Auditing	Regulation on Rules for State Aid Granting
Micro	< 10 employees ≤ EUR 2 million turnover or balance sheet	< 10 employees < 0.7 million operating revenues < EUR 0.35 million circulating assets	Not applicable
Small	< 50 employees ≤ EUR 10 million turnover or balance sheet	< 50 employees < EUR 8.8 million operating revenues < EUR 4.4. million circulating assets	< 50 employees ≤ EUR 10 million turnover or balance sheet
Medium-sized	< 250 employees ≤ EUR 50 million turnover ≤ EUR 43 million balance sheet	< 250 employees < EUR 35 million operating revenues < EUR 17.5 million circulating assets	< 250 employees ≤ EUR 50 million turnover ≤ EUR 43 million balance sheet

Sources: Republic of Serbia (2013^[21]), *Law on Accounting*, www.paragraf.rs/propisi/zakon_o_racunovodstvu.html; Republic of Serbia (2014^[22]), *Regulation on Rules for State Aid Granting*, www.mfin.gov.rs/UserFiles/File/drzavna%20pomoc/Uredba%20o%20pravilima%20za%20dodelu%20drzavn%20pomoci.pdf.

In 2017 SMEs dominated the economy's business sector, accounting for 357 234 enterprises and 99.8% of the total business population. The vast majority were micro enterprises (96.2%) (Figure 18.2). SMEs in Serbia employed nearly 65% of the total business labour force, while on average SMEs generated an estimated 54.1% of the business sector's value added in 2017. This is the lowest share in the WBT region – similar to Turkey – as also noted in the previous assessment. SME contribution to overall exports has decreased marginally, from 43.2% to 39.3%, mainly due to a decline in the share of micro enterprises in exports – from 10.8% in 2013 to 7.9% in 2017 (Figure 18.2)

The share of businesses owned by women in Serbia is not known, as the Statistical Agency of Serbia does not collect data on this indicator as part of its structural business statistics.

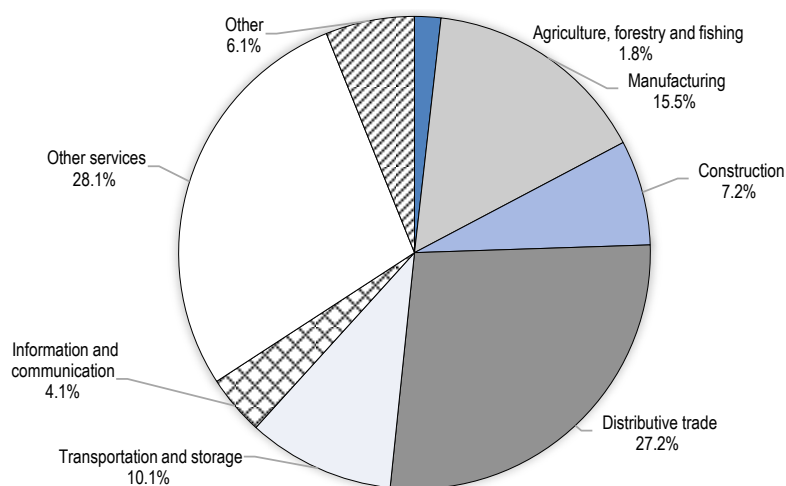
Figure 18.2. Business demography indicators in Serbia (2013 and 2017)

Source: Statistical Office of Serbia; Ministry of Economy (2018^[23]), Report on Small and Medium-Sized Enterprises in Serbia for 2017, SME and Entrepreneurship Department, Ministry of Economy of the Republic of Serbia.

StatLink  <http://dx.doi.org/10.1787/888933937926>

When it comes to the sectoral distribution of SMEs in Serbia, distributive trade accounts for 27.2% of the total SME population, whereas 15.5% of all SMEs in Serbia operate in the manufacturing sector (Figure 18.3). The share of SMEs in both sectors has decreased since the last assessment, from 34.0% to 27.2% in distributive trade and from 18.0% to 15.5% in manufacturing. This indicates a recent shift of SME activities to the services sector. Ten percent of Serbian SMEs are active in the transportation and storage sectors, a share that has slightly decreased since the previous assessment (12.0%).

The distributive trade sector, manufacturing and services dominate the Serbian business scene – not only for the number of SMEs operating in them, but also for their contribution to total employment (75.8%) and value added (73.2%) (Ministry of Economy, 2018^[23]).

Figure 18.3. Sectoral distribution of SMEs in Serbia (2017)

Note: The sector classification generally follows the Statistical Classification of Economic Activities in the European Community (NACE) Rev.2 classification of productive economic activities with the following exceptions: “Utilities” represents the sum of “Electricity, gas, steam and air conditioning supply” (D) and “Water supply, sewerage, waste management and remediation activities” (E); “Distributive Trade” covers “Wholesale and retail trade; repair of motor vehicles and motorcycles” (F); and Other Services here consists of (I) Accommodation and food service activities, (L) Real estate activities, (M) Professional, scientific and technical activities, (N) Administrative and support service activities as well as (S) Other service activities. For more information, consult NACE Rev. 2 Classification.

Source: Ministry of Economy (2018^[23]), *Report on Small and Medium-Sized Enterprises in Serbia for 2017*, SME and Entrepreneurship Department, Ministry of Economy of the Republic of Serbia.

Serbia is characterised by a highly concentrated territorial distribution of SMEs. SMEs are primarily clustered in and around the economy’s main commercial hubs, especially Belgrade, which accounted for around one-third of all SMEs, one-fifth of all SME employment, and one-quarter of total value added generated by the SMEs in the whole economy in 2017 (Table 18.4) (Ministry of Economy, 2018^[23]).

Table 18.4. Number of registered companies in Serbia by enterprise size and region (2017)

Region	Enterprise size, by number of persons employed					Share of total number of enterprises
	0-9	10-49	50-249	250+	Total	
Belgrade	111 717	4 080	866	204	116 867	32.6%
Vojvodina	87 182	2 795	642	153	90 772	25.3%
Šumadija and West Serbia	89 648	2 381	541	93	92 663	26.0%
South and East Serbia=	55 734	1 327	323	71	57 455	16.1%
Serbia	344 281	10 583	2 372	521	357 757	100 %

Source: Ministry of Economy (2018^[23]), *Report on Small and Medium-Sized Enterprises in Serbia for 2017*, SME and Entrepreneurship Department, Ministry of Economy of the Republic of Serbia.

Assessment and recommendations

Process

The Small Business Act (SBA) assessment cycle was launched in Serbia with a kick-off meeting in Belgrade on 28 September 2017. The meeting was organised in co-operation with the Ministry of Economy, which acts as the SBA Co-ordinator, nominated by the European Commission, and which is responsible for implementing the SBA principles.⁴

During the meeting, the new assessment framework (see Annex A for details) was presented to line ministries and public institutions so they could contribute to the information collection process. The two documents making up the assessment framework, the questionnaire and statistical data sheet, were explained in depth to the participants, directing particular attention to the newly added questions and indicators.

Following the launch event, the Directorate for Small and Medium-sized Enterprises and Entrepreneurship under the Ministry of Economy distributed the questionnaire to the appropriate counterparts in the ministries and government agencies, and sent the statistical sheet to the National Statistical Office of Serbia. From September to December 2017, the necessary data and documentation were compiled, subsequent to which the questionnaire was completed by the Ministry of Economy of Serbia. In so doing, a score for each policy dimension was assigned, accompanied by a justification. The completed

questionnaires and statistical data sheet were sent to the OECD team on 29 December 2017 for review.

The review of the inputs by the OECD and the partner institutions revealed the need for additional information on statistical data. This was requested from the National Statistical Office of Serbia, who sent back the updated statistical sheet on 26 January 2018.

Meanwhile, an independent assessment was also conducted by the OECD and its partner organisations. This was based on inputs from a team of local experts in Serbia, who collected data and information and conducted interviews with key public and civil society stakeholders, as well as with SME representatives.

Following the completion of the government self-assessment and independent assessment, a reconciliation meeting was organised by the OECD and the European Bank for Reconstruction and Development (EBRD) in Belgrade on 28 March 2018. The meeting aimed to fill any remaining information gaps in the questionnaire, while also serving as an opportunity to seek the views of a broad range of policy stakeholders on how SMEs are affected by current policies, and what else can be done across various policy areas to improve SMEs' performance and competitiveness in Serbia. For the two policy dimensions whose assessment was led by the European Training Foundation (ETF) – entrepreneurial learning and women's entrepreneurship, and enterprise skills – similar meetings took place in Belgrade on 20-22 February 2018.

The reconciliation meeting allowed the OECD and partner organisations to consolidate the assessment findings. They also evaluated the final scores under each policy dimension presented in this report (more information on how the scores are calculated can be found in the Policy Framework and Assessment Process chapter for details). They presented the preliminary findings and scores to SBA Co-ordinators at a meeting in Paris on 12 July 2018. The draft SME Policy Index publications and the SBA Assessment profile of Serbia were made available to the Serbian Government for their review and feedback from August to October 2018.

Scoring approach

Each policy dimension and its constituent parts are assigned a numerical score ranging from 1 to 5 according to the level of policy development and implementation, so that performance can be compared across economies and over time. Level 1 is the weakest and Level 5 the strongest, indicating a level of development commensurate with OECD good practice (Table 18.5).

For further details on the SME Policy Index methodology and how the scores are calculated, as well as the changes in the last assessment cycle, please refer to Annex A.

Table 18.5. Description of score levels

Level 5	Level 4 plus results of monitoring and evaluation inform policy framework design and implementation
Level 4	Level 3 plus evidence of a concrete record of effective policy implementation.
Level 3	A solid framework, addressing the policy area concerned, is in place and officially adopted.
Level 2	A draft or pilot framework exists, with some signs of government activity to address the policy area concerned.
Level 1	No framework (e.g. law, institution) exists to address the policy topic concerned.

Entrepreneurial learning and women's entrepreneurship (Dimension 1)

Serbia has made great progress since 2016 (Figure 18.1). The score for entrepreneurial learning has increased to 3.70, while the score for women's entrepreneurship stands at 4.35 (Table 18.6). This makes Serbia one of the leaders in the region in this policy area, alongside Turkey and closely followed by Montenegro.

Table 18.6 Scores for Dimension 1: Entrepreneurial learning and women's entrepreneurship

Dimension	Sub-dimension	Thematic block	Serbia	WBT average
Dimension 1: Entrepreneurial learning and women's entrepreneurship	Sub-dimension 1.1: Entrepreneurial learning	Planning and design	3.33	3.73
		Implementation	4.06	3.61
		Monitoring and evaluation	3.33	2.57
		Weighted average	3.70	3.43
	Sub-dimension 1.2: Women's entrepreneurship	Planning and design	4.33	3.57
		Implementation	4.43	3.16
		Monitoring and evaluation	4.20	2.37
		Weighted average	4.35	3.12
Serbia's overall score for Dimension 1			3.96	3.31

State of play and key developments

Entrepreneurial learning

Serbia has been gradually building the policy and legislative basis for developing entrepreneurial learning⁵ as a multisectoral government priority, and as part of an overall policy framework for national entrepreneurship support and human resource development. Both the Strategy for Entrepreneurship and Competitiveness 2015-2020 and the Industrial Policy of Serbia 2011-2020 are part of this framework. The Strategy for Entrepreneurship and Competitiveness 2015-2020 and the National Youth Strategy 2015-2025 contain measures for enhancing entrepreneurship and youth employment, including the provision of practical entrepreneurial experience. The action plan for implementing the Government of Serbia's Work Programme 2017-2019 sets goals for establishing a functional education system and developing entrepreneurial competences at all levels of education. It includes measures to support the national framework of student practice and student co-operatives, as well as to launch an analytical system for monitoring of entrepreneurial education.

Various pieces of educational legislation contribute to entrepreneurial learning: the Education Strategy until 2020, the Law on the Foundations of the Education System, the Law on Pre-school and Primary Education, and the Law on Secondary Education.

2017 saw a major step forward in promoting entrepreneurial learning with the National Assembly adopting two new laws: the Law on Dual Education and the Law on Higher Education.⁶ The Law on Dual Education – the main, current legislative vehicle of entrepreneurial learning introduction in vocational education and training (VET) – supports Serbia's economic and social reform steps towards EU membership. It aims to establish the conditions for acquiring, improving and developing competences in line with labour market needs, while contributing to a stronger and more competitive economy. Establishing the new Department for Dual Education and Entrepreneurship at the Ministry of Education during the last assessment period has boosted the economy's

progress by setting up an institutional structure for implementing a policy on lifelong entrepreneurial learning.

A formal entrepreneurial learning policy partnership was established in 2011 between the key government agencies – the Ministries of Education, Science and Technological Development, Economy and Regional Development and other ministries – and the Chamber of Commerce, the Employers Union and other private and public organisations. However, this has been inactive during this assessment period. The current national entrepreneurship policy co-ordination body – the Council for SMEs, Entrepreneurship and Competitiveness – is responsible for the broad range of policy issues and, according to the stakeholders in Serbia, needs to pay more attention to developing entrepreneurship key competences among young people. It should ensure the implementation of a holistic vision for promoting entrepreneurship key competences in education, and the smooth progression along different stages of the lifelong entrepreneurial learning system.

Entrepreneurial learning in Serbia is gradually moving to the cross-curricula, “integrated key competence” approach. Entrepreneurship key competences are included in the curricula at several education levels. Since the adoption in 2013 of the Standards of General Cross-Curricular Competences for the End of Secondary Education, which includes entrepreneurship as one of the competences, it has been embedded in both the lower secondary and VET curricula at the system level.

In **lower secondary education**, entrepreneurship key competences are supported by integrating interpersonal competences across all subjects, as well as through a wide use of project work (compulsory for all students from the 1st to the 4th grade). This is underpinned by guidelines for teachers in facilitating the key competence development of their students.

In **secondary VET schools**, entrepreneurship key competences are developed through a dedicated subject and supported by a multitude of practice-based activities under the auspices of the Law on Dual Education. The law’s provisions are being introduced step by step into the Serbian education system. Serbia’s new dual VET education system aims to modernise both the content of curricula, and to introduce the new career guidance and counselling measures. It also defines the new rights and responsibilities of pupils, parents, schools and employers as equal partners of system-level co-operation between the education institutions and enterprises.

In **higher education**, entrepreneurship key competence is now being implemented through co-operation between the Ministry of Education, Science and Technological Development and the network of state and private universities. Transformation is underway at system level through the project “Institutional framework for development of the third mission of universities in Serbia” (IF4TM), supported by Erasmus+. Mapping continuing education and lifelong learning activities under the project has allowed for a profound analysis of the state of entrepreneurship development in higher education. Recommendations made by the IF4TM have also been adopted, including establishing an institutional framework for enhancing the entrepreneurship competence of university students through measures supporting lifelong learning. These include modernising university curricula; introducing start-up development and intellectual property management courses, innovative projects with enterprises and open innovation campaigns; and setting up technology transfer centres and business technology incubators. This is a major step forward in implementing the recommendations made in the 2016 SBA assessment, which urged Serbia to make changes at the system level and to introduce entrepreneurial learning in higher education.

Other education levels are still catching up in making the key competence approach systemic, despite the broad scope of existing activities. These include introducing student co-operatives, implementing project-based public-private partnerships in upper secondary education and various ad-hoc pilot initiatives in primary education.

It is important to acknowledge that Serbia has responded to the adoption of the European Entrepreneurship Competence Framework (EntreComp) in 2016 through survey-based piloting of **national examination instruments** for evaluating students' interpersonal competences (at 7th grade of primary schools and 3rd grade of secondary schools). The instruments assess student learning outcomes in four cross-curricula competences: problem solving, digital competence, tolerance and entrepreneurial competence, and a responsible attitude towards the environment. The aim of the pilot was to consider the new evaluation framework and to test ways of assessing key competences that are in line with the EU competence frameworks.

During this SBA assessment period, Serbia has introduced various programmes for **in-service teacher training** in entrepreneurship key competence development and the use of active learning methods.⁸ There are examples of teacher training on the development of learning outcomes: in primary education, the training included project teaching, project planning, entrepreneurship, and monitoring and evaluation of teaching and learning. In secondary education and VET, the training looked at the use of active learning methods. Pre-service teacher development is the next challenge.

Entrepreneurial learning is subject to monitoring under the Strategy for Education and Education 2017-19, and as part of the dual education legislation, SME strategy, as well as specific programmes and initiatives. An entrepreneurial learning evaluation framework is being developed at a system level as a feature of the new education quality framework. A working group has been tasked with developing new standards, indicators and school self-evaluation procedures. This is prompting an entrepreneurial spirit and contributing to educators' awareness of the importance of students' entrepreneurship competence development from an early age. It will also be necessary to design specific measures for tracking graduates and evaluating the impact of entrepreneurship key competence development on their career satisfaction and pathways.

Women's entrepreneurship

The Strategy for Supporting the Development of Small and Medium Enterprises, Entrepreneurship and Competitiveness 2015-2020 and its action plan include women's entrepreneurship as a sixth pillar. Women's entrepreneurship involves cross-sectoral policy support, as it also features in the Annual National Employment Action Plan, which aims for the equal participation of unemployed women in the labour market through support to women's entrepreneurship. Moreover, the National Employment Service ensures a specific focus on supporting women's economic engagement within the employment policy. Gender sensitivity is a government priority. Serbia has a comprehensive gender policy framework, consisting of the National Strategy for Gender Equality 2016-2020 and the Implementation Action Plan (2016-2018), as well the Strategy for Prevention and Protection against Discrimination and Implementation Action Plan (2014-2018). Both promote women's economic activity, creativity and skills development to unlock their economic potential in Serbia.⁹

According to the *Gender Analysis for Serbia* report, the share of entrepreneurial women has been increasing – from 7.9% in 2007 to 14.9% in 2011 and to 31.7% in 2014. However, only 19.6% of female entrepreneurs run enterprises (Dokmanovic, 2016_[24]).

The women's entrepreneurship policy area actively engages public and private partners and creates government policies and support measures. Initiatives are carried out through working partnerships that are strong and informal, but active. The Co-ordination Body for Gender Equality could potentially be an umbrella for a structured partnership for women's entrepreneurship. However, it was not actively engaged in overseeing or co-ordinating activities on women's entrepreneurship during the period of this assessment. Numerous government and non-government organisation (NGO) partners co-operate to support women's entrepreneurship under a variety of programmes and strategies. These include the Ministry of Economy, the Development Agency of Serbia, the National Employment Agency, the Women's Business Association (WBA), the Serbian Chamber of Commerce, the Development Fund and the Export Credit and Insurance Agency of the Republic of Serbia. International and private partners include the European Commission, EBRD, GIZ (*Gesellschaft für Internationale Zusammenarbeit*), the United States Agency for International Development (USAID) and Ernst & Young.

For example, women are a priority target group within some SME training and support programmes implemented by RAS. The number of women who have received government programme support under RAS has been increasing, and in some programmes, women exceed 50% of participants. The Ministry of Economy and the Development Agency of Serbia both support women's entrepreneurship promotion events through the communication measures of the Strategy for Supporting the Development of Small and Medium Enterprises, Entrepreneurship and Competitiveness 2015-2020. This includes joint activities with the WBA. For example, a "Success Flower" award is dedicated to sharing good practices, and increases the visibility of women's entrepreneurship, networking, mentorship, support to female start-ups, support to sustainable women's businesses and promoting role models to potential entrepreneurs.¹⁰

Serbia demonstrates good practice in the region through offering state finance to activities implemented by **non-government providers** that prioritise women's entrepreneurship. Examples include:

- A project implemented by the WBA on increasing the innovation and business capacities of SMEs through supplier chains.
- The Regional Conference on Women, Family and Entrepreneurship of Young People during the Year of Entrepreneurship in Serbia (2016) organised by the Human Rights Centre.

NGO partners such as WBA also advise the government on policy priorities for women's entrepreneurship support.

In 2016-17, the Ministry of Economy and the Development Agency of Serbia implemented a number of women's entrepreneurship programmes; the RAS has been **monitoring and evaluating** these programmes, financed by the Serbian government or donor-financed projects. Monitoring reports are issued under the SME strategy, and the National Employment Office annual report is also available. RAS commissions external experts to conduct surveys which it uses to prepare an annual Programme Monitoring and Evaluation Report based on pre-defined performance indicators.

The way forward for Dimension 1

Serbia has substantially advanced the design and implementation of policy in entrepreneurial learning, and further developed co-operation with non-government partners for promoting women's entrepreneurship. It has been investing resources in

developing legislation, supplying education and training services, communication and awareness-raising measures. However, challenges remain. The following steps could help advance progress on this dimension still further:

- **Strengthen the co-ordination of government policy actions for lifelong entrepreneurial learning.** The government should ensure that the Council for SMEs, Entrepreneurship and Competitiveness gives increasing attention to developing the education sector. Its role could be strengthened for facilitating collective efforts of key stakeholders around the common vision for entrepreneurship key competence development. The council might consider the following measures to consolidate policy actions: overseeing the design and implementation of policy actions across different sectors and levels of education; defining entrepreneurial learning aspects within the dual education concept in VET and across all other forms and phases of lifelong learning; and placing a stronger focus on teacher competence as a key factor of entrepreneurial learning. The council should reinforce the compulsory provision of practical entrepreneurial experience in upper secondary, VET and higher education. These actions would benefit from applying the EntreComp framework to refine the integrated learning outcomes in the curricula and to strengthen impact evaluation and student-tracking measures.
- **Reinforce the new role of the teacher as a facilitator of students' entrepreneurship key competence development.** Attention should be given to pre-service teacher training across the system, enabling teachers to become facilitators of entrepreneurship key competence development and to apply new methods of active teaching and learning.
- **Pay special attention to progress in developing key competences across levels of education.** The design and implementation of competence-based education programmes should be scaled up to cover all levels of formal education, and to bring entrepreneurship key competence development in primary and upper secondary education to a system level. Counterparts need to make the entrepreneurial learning concept clear to local stakeholders – putting the focus on the development of entrepreneurial personality and not necessarily oriented at start-up creation, and distinguishing it from the dual education approach. The focus should be on teachers' capacity, teaching methods and the new role of a teacher.
- **Ensure better co-ordination and consolidation of government policy actions for women's entrepreneurship.** Serbia needs to refine the focus and increase the role of the Co-ordination Body for Gender Equality in the design and implementation of policies, support measures, and budget funds. In doing so, it should also ensure that gender sensitivity checks are consistently applied to all policy areas affecting women's entrepreneurship in order to make them gender sensitive.
- **Improve policy evaluation.** Implement the comprehensive evaluation of women's entrepreneurship support programmes, ensuring availability and quality of data disaggregated by sex.

Bankruptcy and second chance (Dimension 2)

Serbia's performance on bankruptcy and second chance policies has improved since 2016 (Table 18.7). Its score has increased from 2.62 to 2.84 (Figure 18.1), making it equal to the regional average of 2.87 and ranking it third among the seven assessed economies.

Table 18.7. Scores for Dimension 2: Bankruptcy and second chance

Dimension	Sub-dimension	Thematic block	Serbia	WBT average
Dimension 2: Bankruptcy and second chance	Sub-dimension 2.1: Preventive measures		2.29	2.39
	Sub-dimension 2.2: Bankruptcy procedure	Design and implementation	4.08	3.71
		Performance, monitoring and evaluation	1.90	2.46
		Weighted average	3.21	3.21
	Sub-dimension 2.3: Promoting second chance		1.84	1.93
Serbia's overall score for Dimension 2			2.84	2.87

According to the OECD *Financing SMEs and Entrepreneurs 2018* scoreboard, the share of SME bankruptcies in 2013 was 12% – a decrease of 4.76% since 2012 (OECD, 2018^[25]).

State of play and key developments

Preventive measures and bankruptcy procedures

Serbia's SME Development Strategy sets "improvement of the legal framework for establishing, operating and closing of business entities" as one of the objectives for the period 2015-20. However, the strategy does not provide any further details on how this overarching objective will be achieved. Its corresponding action plan includes only one activity in this area, a promotional campaign to promote positive attitudes about providing second chances and encouraging entrepreneurs to start new business ventures after previous business failures. Although this activity had been planned for 2016, it had not been realised at the time of writing.

Serbia's legal framework for insolvency is based on the insolvency law,¹¹ which governs the manner and conditions for initiating and conducting bankruptcy proceedings, including liquidation and reorganisation. Since the previous assessment, the Serbian Government has introduced new amendments to the insolvency law that came into force on 25 December 2017. The most important amendments include:

- **Improving the position of secured creditors:** creditors now have more control over the enforcement of collateral. The new amendment grants them the right to take over the sale of collateral, right of first refusal over a buyer in a direct sale, and the right to bid for the collateral with their claim.
- **Composition of the board of creditors:** secured creditors have the right to appoint one representative to the board of creditors. The board has been shrunk from nine to seven members.

- **Speeding up the process by reducing the threshold for liquidation** vote from 70% to 50% of creditors' aggregate claims. The unsecured creditors who hold 50% or more of the value of all the claims of bankruptcy creditors may decide at the first creditors' hearing that the debtors should immediately go to bankruptcy.
- **Limiting the number of insolvency reorganisation plans:** once a reorganisation plan has been proposed, it can only be modified once following objections raised by creditors. This amendment was introduced as a reaction to the previous situation, in which there was no formal limit on the number of reorganisation plans – this was sometimes abused in practice in order to prolong the process.

Besides this amendment to the insolvency law, no structural changes have been introduced to the insolvency regime since 2014. Therefore, Serbia has recorded no change in score since the last assessment for the time and cost of bankruptcy procedures. However, the recently introduced limitation on the number of insolvency reorganisation plans might reduce the average time for resolving insolvency in future years.

In 2018, the average time for resolving insolvency was two years, and insolvency procedures cost 20% of the debtor's estate.¹² Major expenses include remuneration of the insolvency representative (up to 10-15%), attorneys' fees (up to 5-6%), accountants' fees (up to 3%), auctioneers' fees (1%) and court fees (1%). The average recovery rate for creditors has increased from 32.5 cents for every dollar owed in 2016 to 34.5 cents in 2018, but it is still far below the OECD average of 69.8 cents and EU-13 average of 50.2 cents (World Bank, 2017^[15]).¹³

The economy's early warning infrastructure remains undeveloped. Serbia's current system only identifies companies when they are already distressed, while an early warning system should identify distressed companies early enough to allow for a customised reorganisation.

Serbia has various registers that provide information on companies. Both the National Bank of Serbia's Register on Enforced Collection of Claims and the Business Entities Register contain information on companies which have undergone the preliminary proceedings for opening a bankruptcy file. The Serbian Business Register Agency (SBRA) also provides online public information about companies which have initiated insolvency proceedings. Furthermore, the Bankruptcy Estate Register, which began to operate as a single centralised body under the SBRA on 23 January 2010, publishes electronic information on debtors whose assets and properties are temporarily legally owned by the state.

The Serbian legal framework allows entrepreneurs to go into mediation as a pre-bankruptcy alternative way to settle debts. However, this mediation cannot be considered a preventive method, as bankruptcy proceedings need to be initiated first in order to use the out-of-court settlement method. The creditors or the bankruptcy administration, with the consent of the creditors' committee, may propose the resolution of a dispute through mediation – a procedure that cannot take more than 30 days. Exceptionally, in justified cases, an extension of this deadline may be granted, but for no longer than 60 days from the date of the conclusion of the investigation hearing.

Promoting second chance

The government does not provide any support programmes to promote second chances among entrepreneurs who have gone bankrupt. It should also be underlined here that personal bankruptcy does yet not exist in Serbia. Consequently, Serbia lacks a structural

and planned approach to promote second chance and overcome the cultural stigma associated with failure.

The only reference made to second chance policies is in the SME Strategy 2015-20. Linked to the second principle of the Small Business Act, the strategy foresees the “Improvement of legal framework for the establishing, the operating and the closing of business entities” without providing any further details. In the action plan one activity (a promotional campaign) was planned for 2016 but not realised.

The SBRA collects data on ongoing and closed bankruptcy cases. However, Serbia does not undertake any regular monitoring and evaluation of bankruptcy or second chance policies.

The way forward for Dimension 2

Serbia has a comprehensive legal framework for its insolvency regime, and has taken positive actions to improve the efficiency of its insolvency proceedings. Nevertheless, there is room for further improvement in the following areas:

- **Develop a fully fledged early warning system:** SME owners have a tendency to underestimate their financial difficulties and to resist taking action to alleviate their hardship. Therefore, Serbia should consider introducing a system which would convince these entrepreneurs to initiate recovery measures. While this system might take different forms, the first step should be to devise special detection procedures that would screen SMEs and monitor them for early signs of financial difficulties. Second, these SMEs need to be approached and offered advice on objectively assessing their financial situation, and the different options available to them for recovery. Once they are better informed, SMEs will be able to take the required steps at an earlier stage, increasing their chances of survival.
- **Enhance co-ordination between different institutions.** The new amendments to the insolvency law were drafted by the Ministry of Economy, although the Ministry of Justice is responsible for its implementation. This is likely to complicate co-ordination, resulting in sub-optimal outcomes. Enhancing co-ordination among relevant public institutions would help the Serbian Government to design tailor-made policies and respond to the needs of SMEs when it comes to bankruptcy and second chance policies.
- **Enhance the monitoring and evaluation of bankruptcy and second chance policies.** The government needs to better evaluate the impact of its current insolvency framework on enterprises, and to use the results to create a more SME-friendly business environment. This task could potentially be assigned to the SBRA, which is already collecting some quantitative data.
- **Improve the legal framework and develop initiatives to reduce cultural stigma surrounding failed entrepreneurs.** A clear distinction has to be made between measures or regulations that apply to fraudulent bankruptcies and those that apply to honest ones – this distinction can be instrumental in changing society’s attitude towards debtors. However, such amendments in the legal framework alone would not suffice: they should be complemented by initiatives promoting fresh starts and a culture that is receptive and tolerant of failures. Workshops and seminars aimed at sharing the lessons learned from previously bankrupt entrepreneurs can reduce the stigma related to bankruptcy and failure (see Box 18.2 for a Spanish example).

Box 18.2 A second chance to run a business in Spain

Under Spain's "A second chance to run a business" programme, the Directorate-General of SME Policy and the Institute for the Creation and Development of the Enterprise (INCYDE) Foundation have organised a number of training activities aiming to convince society and entrepreneurs that honest entrepreneurs who have gone bankrupt should have a second chance. Under this banner, a set of activities has been devised on topics such as starting a new business, motivation, and converting an error into an advantage. These have been incorporated into each Spanish region's Entrepreneurs Day in locally chosen activities ranging from workshops, seminars, talks by experts, and meetings between entrepreneurs, to other novel formats such as "entrepreneur theatre" or "entrepreneur cinema". These training activities have been co-financed by the European Social Fund through its Adaptability and Employment pillar. In total, 70 training activities were organised in 2010, reaching out to 6 000 entrepreneurs or potential entrepreneurs.

The success of this measure is due to the close co-operation among all those involved in the Entrepreneurs Day at national, regional and local level. Furthermore, the INCYDE Foundation has adopted the principle that second-chance entrepreneurship is necessary, showing great dedication and devoted considerable resources in pursuit of that aim. Entrepreneurs have responded well to the initiative and evidence suggests that they are better able to cope with failure as a result.

Source: EC (2018^[26]), *Small Business Act – Database of Good Practices*, http://ec.europa.eu/growth/tools-databases/sme-best-practices/SBA/index.cfm?fuseaction=practice.detail&gp_pk=7750&tr_pk=6710.

Institutional and regulatory framework for SME policy making (Dimension 3)

With a score of 4.24 (Table 18.8), Serbia is the regional leader in this dimension alongside Montenegro. Serbia's SME policy framework is quite advanced – a comprehensive SME strategy is in place and its implementation is going to plan. However, Serbia has made only incremental progress during this assessment cycle. Its score in 2016 was 4.1 (Figure 18.1), so it was starting from an already high base. This suggests a slight stagnation, especially in its monitoring and evaluation of policies.

Table 18.8 Scores for Dimension 3: Institutional and regulatory framework for SME policy making

Dimension	Sub-dimension	Thematic block	Serbia	WBT average
Dimension 3: Institutional and regulatory framework for SME policy making	Sub-dimension 3.1: Institutional framework	Planning and design	4.73	4.06
		Implementation	3.93	4.06
		Monitoring and evaluation	4.71	3.92
		Weighted average	4.33	4.03
	Sub-dimension 3.2: Legislative simplification and regulatory impact analysis	Planning and design	4.20	4.00
		Implementation	4.09	3.25
		Monitoring and evaluation	4.20	3.23
		Weighted average	4.15	3.47
	Sub-dimension 3.3: Public-private consultations (PPCs)	Frequency and transparency of PPCs	4.36	3.86
		Private sector involvement in PPCs	4.33	4.26
		Monitoring and evaluation	3.67	2.73
		Weighted average	4.21	3.79
	Serbia's overall score for Dimension 3		4.24	3.79

State of play and key developments

Institutional framework

Serbia's institutional framework has remained solid, with a comprehensive SME development strategy (2015-20) and an operational SME agency in place. Since the last assessment, Serbia has paid more attention to policy implementation, as observed by its "Year of Entrepreneurship" initiative in 2016. Under this initiative the government has increased its financial and non-financial support to SMEs. It has also increased the amount of grants available to SMEs, targeting investment, internationalisation and innovation (EC, 2017^[27]). Its success led to the government establishing the "Decade of Entrepreneurship" in Serbia for 2017-2027.

In addition, the Council for SMEs, Entrepreneurship and Competitiveness, which was entrusted with the task of monitoring the SME strategy implementation, became operational in November 2017 – two years after it had formally been established. However, since it only started operating recently, to date no comprehensive monitoring of the SME development strategy has taken place.

During this assessment cycle, the government has put more emphasis on tackling Serbia's informal economy, introducing its National Programme to Combat the Grey Economy in

2015. This programme formally proclaimed 2017 and 2018 as the years for combatting the informal economy. The programme has adopted a new action plan for 2017/18, comprising 107 measures to improve control over financial flows and reduce administrative burdens on businesses. It has particularly focused on improving the co-ordination of inspection services through a unified information platform called e-INSPEKTOR. By June 2018, some of the inspection services had already been harmonised with this platform, while the plan is to have all 42 inspection services connected by mid-2019, which will enable full transparency and contribute to efforts to reduce the informal economy.

Legislative simplification and regulatory impact analysis

Since 2004, regulatory impact analysis (RIA) has been applied to major regulations (all new laws and strategies), while the SME Test is planned to become a part of its methodology by the end of 2018.¹⁴ The institution responsible for RIA is the Public Policy Secretariat (PPS), which reviews RIA reports and gives an opinion on them. In 2017, the PPS provided opinions on 59 RIA reports prepared by line ministries. During the assessment period, the government introduced a Regulatory Reform Strategy (2016-20), with the aim of carrying out large-scale reviews of business-related legislation. To that end, a centralised database will be created listing all business-related legislation to be simplified (Box 18.3). The PPS is the key institution in charge of co-ordinating the implementation of this strategy.

Box 18.3 Strategy for Regulatory Reform in Serbia (2016-20)

The Strategy for Regulatory Reform 2016-20 is the key strategic document in the area of legislative simplification. Through this document, the government has established the strategic guidelines for the next five years for creating a more efficient and effective public administration, providing maximum benefits for citizens and businesses. The strategy is also intended to implement the Public Administration Reform Strategy, thereby completing the overall reform process in this field.

The overall goal of the regulatory reform strategy is to create a system of managing public policies and legislative processes based on facts and data and the principles of good regulatory practice. The strategy's four specific objectives are: 1) improving the public policy management system; 2) improving the legislative processes and quality of regulations; 3) simplifying administrative procedures; and 4) improving the role of citizens in the system of managing public policies.

As part of this process, a review of all legislation is currently in progress. So far, about 2 000 pieces of business-related legislation have been found in 600 different documents. The final result will be a unique and centralised database of all business-related legislation. In this context, the government recently signed an agreement with the International Finance Corporation to implement a Business Environment Improvement Project up until 2021. The aim of the agreement is to reduce the administrative procedures that business entities face. It will involve the analysis of 1 750 administrative procedures related to doing business and provide suggestions for their simplification, optimisation or abolition. One of the goals is to enable 100 procedures to be carried out electronically.

The project is expected to realise savings of at least USD 8 million in the business sector

and increase competition by removing at least two anti-competition practices in each selected field. Creating a better business environment could increase investment including foreign direct investment, strengthen competitiveness, increase employment and improve standards of living.

Sources: PPS (2018^[28]), *Business Environment Improvement Project 2018-2021*, <https://rsjp.gov.rs/>; information collected from the government over the course of this assessment.

Public-private consultations

Public-private consultations (PPCs) are formally required in Serbia. There is a centralised government portal listing all the ongoing PPCs, and consultations are open to all interested participants. Since the last assessment, the main development has been increased private sector participation in PPCs. In particular, the Serbian Chamber of Commerce has undertaken measures to enhance participation by SMEs in PPCs by establishing a Council for SMEs. This council is comprised of both members and non-members of the Chamber of Commerce, thus enhancing its outreach and ensuring full SME participation in discussions on business-related legislation.

Despite all these positive developments, 60% of laws relevant to business did not go through a public hearing in 2017, 90% were made by urgent procedure, while half of all draft laws were not available on the relevant ministry websites. Moreover, the private sector is resentful that even when their feedback is sought, it is usually late in the process. This leaves little room for the regulation or document concerned to be adjusted, creating a feeling among private sector representatives that it is futile to participate in PPCs. In a similar vein, written public consultations are not systematically organised through a single obligatory central portal, as ministries only publish consultations on their own websites.

Recognising these shortcomings, the PPS, the National Alliance for Local Economic Development (NALED) and USAID initiated the Public-Private Dialogue for Growth Project in Serbia in 2018, with the aim of building effective and sustainable co-operation and communication between the state, businesses and civil society (Box 18.4).

Box 18.4 The Public-Private Dialogue for Growth Project (2018-21)

A pilot project on public-private dialogue launched in 2013 led to the successful reform of construction permits in Serbia. Based on this success, a more comprehensive project – Public-Private Dialogue for Growth – has been developed with the aim of creating effective dialogue between the public and private sector. Its key activities and expected results in the period 2018-21 are:

- capacity building for public-private dialogue in state institutions and six selected businesses associations or civil society organisations
- support for advocating and implementing six key reforms to improve the business environment
- creating the first guide, online training programmes, models and tools for public-private dialogue
- establishing the Public-Private Dialogue Hub as a central place for public-private dialogue.

For the first two years of the project, three business associations and three priority reform topics were selected to receive public-private dialogue support, jointly conducted by the state and business community. These are the Beekeeping Association of Serbia, which initiated the issue of tackling bee poisoning; the Association for the Development of Entrepreneurship, which advocates improving the lump-sum taxation system; and the Agro Cluster of Serbia, which is dedicated to eliminating regulatory obstacles to organic production.

Sources: PPS, NALED, USAID (2018^[29]), *Public Private Dialogue for Growth*, www.jpd.rs/o-projektu.php; information collected from the government over the course of this assessment.

The way forward for Dimension 3

Serbia has established a solid institutional and regulatory framework for SMEs. Moving on, it should place more emphasis on the following points:

- **Improve monitoring of SME policies and start evaluating their effectiveness on the ground.** The Ministry of Economy is in joint charge of monitoring the implementation of the SME Strategy with the Council for SMEs, Entrepreneurship and Competitiveness. The Ministry of Economy reports quarterly to the council, which is then supposed to submit an annual report on the strategy's realisation to the government. However, since the council started its duties quite late as mentioned above, regular monitoring of the strategy is in question. In addition to this, there has not yet been any evaluation of the effectiveness of the business-enabling measures. It is now essential to move forward and assess the real impact of the policies. This assessment, which should be both backward and forward looking, would need to examine whether SMEs are disproportionately affected or disadvantaged compared to large companies. If this is the case, the government should review the policy actions and introduce changes to tackle the challenges that SMEs are experiencing. One of the mechanisms for this action is the SME Test, which has yet to become mandatory in Serbia.
- **Make RIA findings binding for line ministries.** RIA practice is quite advanced in Serbia, with a well-functioning institution – the PPS – in charge. However, while the PPS provides opinions on RIA reports, there is no obligation for line ministries to comply with their findings. If the findings do not result in tangible modifications of the proposed legislation, this diminishes the value of the RIA exercise. The government should therefore consider introducing a legal mechanism that would make it compulsory to implement the recommendations in the RIA reports for the institutions proposing the legislation.
- **Enhance the quality of the PPC process.** Even though Serbia has a theoretically flawless public-private consultation mechanism in place, in practice it has not yet achieved the desired level of success. First, the quality of the PPC process is not uniform across institutions. Second, the transparency of the PPCs needs to be improved since it is left up to each ministry to publish the draft regulations and documents for consultations on the single governmental e-portal. Third, PPC is very commonly circumvented through an urgent adoption procedure. To overcome these irregularities and increase compliance with the PPC requirements, Serbia should consider introducing a central co-ordination unit within the

Ministry of Economy or the Office of the Prime Minister that would oversee the proper use of the single government portal for consultations and act as a quality check and a control mechanism.

Operational environment for SMEs (Dimension 4)

Serbia has made limited progress in this dimension since the 2016 assessment. Its score has increased from 3.61 to 3.73 (Figure 18.1), placing it third in the WBT region, slightly above the regional average of 3.45 (Table 18.9).

Table 18.9. Scores for Dimension 4: Operational environment for SMEs

Dimension	Sub-dimension	Thematic block	Serbia	WBT average
Dimension 4: Operational environment for SMEs	Sub-dimension 4.1: Digital government services for enterprises	Planning and design	4.25	4.07
		Implementation	3.69	3.47
		Monitoring and evaluation	2.33	2.05
		Weighted average	3.52	3.29
	Sub-dimension 4.2: Company registration	Design and implementation	4.67	4.48
		Performance	4.03	3.72
		Monitoring and evaluation	4.54	3.59
		Weighted average	4.49	3.97
	Sub-dimension 4.3: Business licensing	Licence procedures	3.25	3.67
		Monitoring and streamlining of licence system	3.93	3.18
		Weighted average	3.59	3.43
	Sub-dimension 4.4: Tax compliance procedures for SMEs	SME tax compliance and simplification procedures	No scores	
		Monitoring and evaluation of SME- specific tax measures		
Serbia's overall score for Dimension 4			3.73	3.45

Note: A new sub-dimension 4.4 on tax compliance procedures for SMEs was added at the request of the assessed economies, to better reflect the complexity of the overall picture of the operational environment for SMEs, however, as it is a pilot analysis this sub-dimension has not been included in the scoring.

State of play and key developments

Digital government services for enterprises

In December 2015 the Serbian government adopted the Strategy for e-Government Development of the Republic of Serbia 2015-2018. This strategy defines the basic goals and priorities for improving the state of electronic administration. It also sets out the steps required to develop the national e-Government Portal (www.euprava.gov.rs/). In this context, the government is making considerable efforts to adjust its legal framework to digitalise the services it offers to enterprises:

- In January 2018, the government adopted the Electronic Document Law, the first law of this type in Serbia. This brings Serbia into line with the EU 910/2014 eIDAS Regulation¹⁵ on electronic signature. The law allows citizens to use their electronic signature in electronic communications when carrying out various transactions. Currently, the use of electronic signatures is only available for a limited number of services, such as filing tax returns, pensions and cadastre-related services.

- In April 2018, the government adopted a law on e-government which introduces a legal framework to facilitate electronic communications among citizens, legal persons, non-government organisations and administrative bodies.
- In June 2018 the law on the Registration Procedure with the Cadastre of Real Estate and Utilities entered into force. It aims to change the method of filing applications related to the cadastre, and to accelerate the process by introducing an obligation for various authorities to submit their documents to the cadastre electronically.

Serbia has been participating in the Open Government Initiative since 2013, aiming to make public services for SMEs more transparent and better quality. In 2016, the government adopted the second Action Plan on Implementation of the Open Government Partnership Initiative in the Republic of Serbia in 2016 and 2017 (Open Government Partnership, 2018_[30]). Since the previous assessment, Serbia has launched the National Open Data portal as a part of the Open Data – Open Opportunities project co-ordinated by the United Nations Development Programme Serbia (see Box 18.5). Since its launch in October 2017, 22 public institutions have made 85 datasets publicly available through the portal, comprising 245 individual files.

Box 18.5. The Open Data – Open Opportunities project (2017-19)

The Open Data – Open Opportunities project aims to support the development of an open data ecosystem in Serbia that will catalyse better government services to citizens and generate economic growth. The project, initiated in 2017, is implemented by the United Nations Development Programme (UNDP) in partnership with the Office for Information Technologies and E-Government, with financial support from the World Bank and the United Kingdom's Good Governance Fund.

The project follows the recommendations set out in the Open Data Readiness Assessment conducted by UNDP and the World Bank, and is in line with the Serbian Strategy for e-Governance Development 2015-18 and its action plan.

The goal is to establish the National Open Data Portal (www.data.gov.rs), a central place where data from state authorities will be aggregated and made available to citizens, companies and NGOs. Its expected benefits are:

- **To increase accountability and transparency in government administration** by creating an adequate legal framework, and by enabling services such as anti-corruption apps and websites to use open data to make officials' work and decisions more visible, leading to greater accountability.
- **To improve the business climate by spurring entrepreneurship and encouraging private-sector development:** as more small companies emerge, more useful information can be extracted from the business ecosystem, creating new and knowledge-intensive business services.

As part of the project, the Office of Information Technology and E-Government organised the first ever Open Data Week in March 2018 in various cities across the country, including Belgrade, Novi Sad, Indija, Šabac, Vršac, Valjevo and Subotica. The workshops gathered representatives from start-ups, SMEs, researchers and other relevant stakeholders. They informed participants about the information available through the

National Open Data Portal and taught them how to use it.

Future key activities envisaged under this project include developing the knowledge and skills of government employees in data processing; stimulating co-operation among the public, private and civil sector; and supporting the use of open data and data literacy

Source: UNDP (2018^[31]), *Open Data - Open Opportunities*,

<http://www.rs.undp.org/content/serbia/en/home/projects/opendata.html>; UNDP (2015^[32]), *Open Data*

Readiness Assessment: Republic of Serbia,

http://www.rs.undp.org/content/dam/serbia/Publications%20and%20reports/English/UNDP_SRB_ODRA%20ENG%20web.pdf.

Business registration and licensing

Entrepreneurs in Serbia can register their companies through the Serbian Business Register Agency. Although this operates as a one-stop shop, entrepreneurs cannot complete all the necessary registration and notification procedures on line. The registration procedure starts by submitting the application (which can be obtained at the SBRA or downloaded from its website), along with the required supporting documents and proof of payment of the prescribed fees. This can be done directly at the SBRA head office in Belgrade, at one of its administrative units or by mail.

Despite the fact that online registration is still not available, Serbia has made significant progress in the last three years in simplifying business registration. In 2016, it reformed its business registration process by reducing the signature certification fee and improving the registry's efficiency. As a result, the number of days needed to start a business in Serbia fell from 6.5 days in 2016 to 5.5 in 2018. Similarly, the cost of starting a business fell from 6.5% of income per capita in 2016 to 2.2% in 2018 (World Bank, 2018^[4]).

In contrast to business registration, Serbia does not yet have a centralised location where SMEs can find out about licensing procedures and which types of licences are applicable to their businesses. Different licences are under the competences of different institutions. The Chamber of Commerce and Industry of Serbia guidelines¹⁶ do explain about the licenses needed when establishing a business. However, the latest version was published in 2014; since then a number of procedures have changed but it has is not yet been updated.

The government started to simplify the licensing process under the Instrument for Pre-Accession Assistance (IPA) programme as part of a project to carry out its Action Plan for Improving the Business Environment. The aim is to support the implementation of the remaining priority reforms and activities included in the action plan. This project will focus on reducing the legal, regulatory and administrative obstacles to doing business in Serbia, making the business environment more favourable and predictable. However, two years after the project's launch, only construction permits have been simplified. In 2016, the government made dealing with construction permits faster by implementing an online system through the SBRA and streamlining the process for obtaining building permits.

Tax compliance procedures for SMEs

Unincorporated SMEs in Serbia can benefit from a lump-sum type of presumptive income tax scheme, used by almost 110 000 entrepreneurs constituting more than 30% of businesses. The collected data demonstrate that this type of taxation is most frequently used by taxi drivers, legal professions, hairdressers and programmers (USAID, NALED,

URP, 2018^[33]). SMEs operating in wholesale and retail, hospitality, financial mediation and real estate are not eligible to apply for this scheme. Applicants must first file a form, and based on the information provided, the tax inspector determines a monthly lump sum income on which tax and contributions are paid. This income is the base on which tax is paid at the rate of 10% (Lazarević, 2008^[34]).

This scheme allows entrepreneurs approved by the tax administration to pay the same amount of income tax each month, regardless of their turnover. However, a recent study finds a number of shortcomings in this lump-sum taxation system, highlighting the unnecessary administration burden and unpredictability in terms of costs of doing business for entrepreneurs. For instance, when starting a business, entrepreneurs do not know if the “lump-sum” status will be granted to them, since the decision is taken only after registration. They cannot therefore calculate whether starting a business would pay off. Moreover, tax decisions indicating the liabilities to be paid are issued with several months of delay. Based on these findings, NALED initiated a project in 2018 with the support of USAID to reform the lump-sum taxation system, by improving the regulations on granting lump-sum status to businesses, and making the scheme more efficient by introducing economic data exchange among public institutions (USAID, NALED, URP, 2018^[33]).

SMEs in Serbia also benefit from a value-added tax (VAT) registration and collection threshold of RSD 8 000 000 (around EUR 67 600), below which they are not obliged to register for a VAT remit. SMEs are also allowed to use cash accounting for VAT purposes.

As for other tax simplifications, the government has extended to December 2019 the legislation which grants micro and small enterprises, as well as sole proprietors, a 75% refund on personal income tax paid for new employees.

The way forward for Dimension 4

Despite some improvements in the operational environment for SMEs, some challenges remain. Serbia should consider taking the following steps:

- **Continue to expand the use of digital authentication to widen the range of e-services.** E-signatures or digital authentication is only available for a limited number of e-services, such as filing social security returns, with entrepreneurs needing to be physically present to complete the process. The government needs to expand the use of digital authentications to allow SMEs to complete as many administrative procedures as possible on line.
- **Introduce electronic distribution and nomination of licence officers.** Serbia is currently in the process of establishing an e-licences portal with the aim of getting all information and applications on line. Serbia should also consider improving the platform by assigning the officials responsible for licences digitally. This would increase transparency, avoid conflicts of interest and improve SMEs’ trust in government. Moreover, it would help to speed up administrative procedures, while ensuring more efficient staff allocation.
- **Implement simplified tax regimes by measuring the effective burden created on SMEs.** The introduction of simplified tax procedures for SMEs could be based on close monitoring of the effective tax burden on SMEs, in order to best meet their needs. The current lump-sum tax regime needs to be reviewed, and should be redesigned or replaced with other presumptive tax regimes to allow SMEs

greater certainty regarding tax liabilities. Turnover is the most common criterion for determining eligibility for the various simplification measures observed in OECD and G20 countries. Its appeal relies on the fact that almost every SME will know the value of its total sales, therefore making it relatively easy to monitor and comply with. Eligibility criteria might also encompass objective parameters such as electricity consumed, floor space or facilities, or total number of employees. Box 18.6 provides some examples from OECD countries which may be valuable here.

Box 18.6. Income tax simplification measures in OECD countries

- Australia reduces the period within which a notice of assessment can be issued by the Commissioner of Taxation, whereas this compares to four years for other taxpayers. Australia also has pay-as-you-go instalments based on gross domestic product adjusted notional tax. SMEs that are full self-assessment taxpayers are eligible for the GDP adjusted notional tax method of calculating instalment liabilities. This removes the requirement to calculate instalment income themselves, reducing compliance costs.
- Canada provides a shorter reassessment period for SMEs' income returns when they are individuals or Canadian-controlled private corporations, limiting the assessment period to three rather than the four years that applies to certain other taxpayers.
- In the Slovak Republic, unincorporated self-employed business owners are not subject to the minimum tax regime.
- Other countries simplify compliance obligations for SMEs for transfer pricing documentation. For example, in Denmark SMEs are only required to prepare and retain transfer pricing documentation for businesses with persons that are resident in a country that is not a member of the EU or the European Economic Area, and which does not have a double taxation agreement with Denmark. SMEs that qualify for this preference must have less than 250 employees, a balance sheet of under DKK 125 million (Danish krone) or a turnover of less than DKK 250 million.

Source: OECD (2015^[35]), *Taxation of SMEs in OECD and G20 Countries*, <http://dx.doi.org/10.1787/9789264243507-en>.

Support services for SMEs (Dimension 5a)

Compared to the latest 2016 Small Business Act assessment, Serbia has improved its overall dimension score in business support services (BSS) for SMEs from 3.85 to 4.12 (Figure 18.1). This is the second highest score in this dimension for all the West Balkan and Turkey economies (Table 18.10).

Table 18.10. Scores for Dimension 5a: Business support services

Dimension	Sub-dimension	Thematic block	Serbia	WBT average
Dimension 5a: Business support services for SMEs	Sub-dimension 5a.1: Business support services provided by the government	Planning and design	4.26	3.84
		Implementation	4.37	3.68
		Monitoring and evaluation	4.36	3.19
		Weighted average	4.33	3.63
	Sub-dimension 5a.2: Government initiatives to stimulate private business support services	Planning and design	4.43	4.67
		Implementation	3.57	3.85
		Monitoring and evaluation	4.00	4.07
		Weighted average	3.91	4.14
	Serbia's overall score for Dimension 5a		4.12	3.89

State of play and key developments

In 2016, the economy established the Development Agency of Serbia (RAS), which replaces the Serbia Investment and Export Promotion Agency and the National Agency for Regional Development. RAS is the leading public institution for providing SMEs with BSSs. Shortly after its establishment in 2016 it conducted a training needs analysis among SMEs, surveying 159 micro, 112 small and 14 medium-sized enterprises. Serbia has also made progress in extending its BSS outreach during the assessment period.

The Law on Regional Development (Article 41) allows RAS to accredit regional development agencies (RDAs) to implement BSS programmes, using public funds. In order to become an RDA and to qualify for RAS accreditation, a company or association needs to be established as a limited liability company and be majority-owned by the local government. While there were only two accredited RDAs in 2012, there were 14 in 2016 (OECD, 2016^[19]) and 16 RDAs in 2018, providing BSSs to SMEs throughout the whole economy. In 2017 RAS, alongside the Ministry of Economy, launched the Standardised Set of Services programme, implemented by accredited RDAs. Within the programme framework RDAs provide SMEs with information, training, advisory services and mentoring, while promoting entrepreneurship.

Serbia provides a wider range of BSSs than other WBT economies, ranging from general information on business topics (e.g. relevant legislation for starting a business, how to develop a business plan, available financial and non-financial BSS) to training, mentoring and consulting. The mentoring support provided within the Standardised Set of Services programme is particularly noteworthy (see Box 18.7). The programme's methodology was conceived by RAS in collaboration with the Japan International Cooperation Agency.

Bosnia and Herzegovina, Montenegro and the Republic of North Macedonia are expected to roll out the same programme in coming years.

Box 18.7. The Development Agency of Serbia's standardised mentoring service

Background

The Development Agency of Serbia's (RAS) mentoring programme is designed to provide timely, continuous mentoring support to SMEs and start-ups with growth potential at crucial stages of their business paths. The programme began in 2005 using business support methodology developed by the National Agency for Regional Development in co-operation with the Japan International Cooperation Agency (JICA). In 2008, following a three-year pilot period that saw positive results, RAS standardised the programme and has run it ever since.

Programme activities

The mentoring programme follows a sequence of main steps: 1) diagnosis; 2) analysis and action plan (proposing measures to improve the business); 3) intervention (implementing the proposed measures; and 4) evaluation and tracking.

The programme allocates an expert mentor to spend a certain number of hours (from 25 to 50 hours per beneficiary) at the beneficiary's premises. The mentor and the SME's director jointly conduct a diagnosis to understand the business's operations, the reasons for any current problems or obstacles to further development, and the areas with the most growth potential. Based on these identified factors, the mentor and the beneficiary prepare a plan/development project. The business support plan could potentially relate to any functional area of the enterprise, including organisational structure, human resources management, financial management, logistics and distribution, production-technological processes, intellectual property and quality systems. Depending on the need, the mentor could also refer the SME to more specialised consulting services.

Impact

- 2005-06: 37 civil servants received certified training by JICA
- 2006-09: more than 700 businesses supported
- 2011-12: 268 SMEs supported
- 2013-14: 213 SMEs supported
- 2015-16: 204 SMEs supported
- 2017: 253 SMEs supported

Results and feedback from SMEs (up to 2015)

- 99% of beneficiaries completed the entire programme
- 92% of beneficiaries felt there was a positive impact on some aspect of their business
- 95.2% of beneficiaries accepted almost all the proposed measures to improve their business.

It is also worth noting that the programme gave a significant number of RAS personnel the opportunity to upgrade their skills and knowledge. This professional development has had a positive impact on the RAS and, in turn, enabled the agency to provide long-term

support to the national SME base via the same trained civil servants. The programme also contributed to raising awareness among Serbian SMEs on the importance and benefits of expert advisory support and non-financial business support schemes.

Success factors

While the programme faced a number of challenges during its planning and implementation phase due to bureaucracy and public sector systemic delays, it nonetheless achieved all its objectives. Furthermore, its results were so positive that they led to the mentoring programme being institutionalised in 2011 as a standard service for SMEs in Serbia, delivered by the RAS with support from JICA.

Sources: RAS (2017^[36]), *Create Life: Public Call for the Implementation of Standardised Mentoring Service*, Development Agency of Serbia, <http://ras.gov.rs/en/sme-development/public-calls/create-life-public-call-for-the-implementation-of-standardised-mentoring-service>; information collected from RAS over the course of this assessment.

Raising SMEs' awareness of government BSSs and providing them with easily accessible and centralised information about their availability remains an area for improvement in most WBT economies. Serbia does relatively well in this area. As described above, in 2016, it launched the Year of Entrepreneurship, when it started 33 financial and non-financial support programmes. The initiative has now grown into the Decade of Entrepreneurship and a dedicated website (www.godinapreduzetnistva.rs/) provides a single comprehensive information point on government BSSs from different public institutions. This makes it easier for SMEs and start-ups to navigate between the various BSSs provided by different government institutions.

Initiatives such as the Year of Entrepreneurship may have contributed to a relatively high uptake of BSSs by SMEs. In 2017, 5.1% of all SMEs in Serbia used a publicly (co-) funded BSS, while only 3% of SMEs did so in the other five Western Balkan economies on average, according to data received for this assessment.

Regarding monitoring, Serbia performs better than most other WBT economies. In particular, it collects SMEs' comprehensive feedback on the effectiveness and quality of publicly provided BSSs; readjusts services based on monitoring results; and makes RAS' annual performance reports publicly available, thus increasing transparency.

The way forward for Dimension 5a

Despite very positive developments which make BSS provision in Serbia particularly strong compared to other WBT economies, some challenges remain. These can be overcome by the following actions:

- **Better tailor BSSs to SMEs' needs in line with the training needs analysis results:** Serbia's SME Development Strategy 2015-2020 action plan has not been renewed since it was phased out in 2016, which might hinder the timely implementation and effective monitoring of measures to foster BSS provision. Similarly, while RAS conducted a training needs analysis (TNA) among SMEs in 2016, it did not use the results to better tailor business support services to SMEs' needs. Serbia should develop a new action plan to reach the objective formulated in the SME strategy. The action plan should be built on a detailed assessment of the previous action plan's success, prioritising actions where implementation has not yet followed suit and including measurable targets to facilitate monitoring. In

addition, it should respond to SMEs' demands reflected in the TNA in order to fill the gaps in BSS provision, to better target the support provided and to create more effective BSS provision systems. Taking the TNA's results further into account would help RAS and other relevant institutions ensure that BSS programmes and initiatives are tailored to the characteristics and dynamics of micro and SME beneficiaries, as well as to the industry sector they belong to, and to their stage of development and actual experience in the market. Serbia should also consider calling in an independent institution to conduct an in-depth evaluation of its BSS provision, assessing the impact of BSS programmes according to key performance indicators.

- **Extend the accreditation procedure to include more private sector BSS providers.** Over the last ten years RAS has accredited a number of RDAs, entitling them to public funding to implement BSS programmes. However, only limited liability companies which are majority-owned by local governments are entitled to accreditation. In order to stimulate private sector BSS provision, accreditation should also be opened up to private sector providers which are not (part-) owned by local governments. Therefore, Serbia should consider establishing an accreditation system of private sector consultants and trainers who SMEs could use under co-financed support programmes. Such an accreditation system could be designed in co-operation with recognised professional bodies and ensure that private sector providers have a minimum required level of experience and qualifications. This would guarantee the quality of services delivered and, as a consequence, have a positive impact on SMEs' growth and encourage SMEs to be more enthusiastic in seeking the benefits of privately delivered BSS.
- **Introduce tools, such as an online portal, to help SMEs navigate and find private consulting services that would address their needs.** Governments, i.e. SME agencies or dedicated public institutions, can play an important role in helping SMEs identify the most suitable private BSS provider, without crossing the line of prescribing one particular service provider. To date, Serbia's relevant institutions for BSS do not provide an online database with accredited private sector consultants. In order to facilitate the growth of a diversified BSS market, Serbia should continue to use co-financing schemes and create a database of private sector experts, specialists and consultants. This database should be kept up to date, promoted among the SME base and made easily accessible to the public.

Public procurement (Dimension 5b)

Serbia has obtained the weighted average score of 3.52 for this dimension (Table 18.11), which is the lowest score among the region's seven assessed economies. It is also a worse result than in 2016 (4.5; see Figure 18.1). However, it should be noted that due to changes in the assessment methodology the scores obtained in 2019 are not totally comparable with those in 2016.

Table 18.11. Scores for Dimension 5b: Public procurement

Dimension	Thematic block	Serbia	WBT average
Dimension 5b: Public procurement	Policy and regulatory framework	3.59	3.92
	Implementation	3.57	4.05
	Monitoring and evaluation	3.39	3.24
	Weighted average		
Serbia's overall score for Dimension 5b		3.52	3.84

State of play and key developments

The basic legal act for public procurement – the Public Procurement Law (PPL), adopted in 2012 – was last amended in 2015. There have been no legislative changes to public procurement in the assessment period. In 2017, the Public Procurement Office (PPO) started to work on the draft of the new PPL which will implement the 2014 EU Public Procurement Directives. Its adoption is expected at the beginning of 2019. In 2016, the PPO published its *Guidelines for Increasing Participation of Small and Medium-Sized Enterprises in Public Procurement Procedures*. The guidelines present the analysis of the obstacles faced by SMEs in accessing public procurement contracts, while proposing a number of actions and solutions to improve the current situation.

The 2012 PPL is based on the general principle of bidder equality, but gives mandatory preference to domestic companies, whose bids benefit from a 5% preferential factor. As of 1 September 2018, since the expiry of the transitional period envisaged in the EU-Serbia Stabilisation and Association Agreement, this preferential treatment is also available to bidders from EU countries. The draft of the new PPL, in its current form, does not provide for domestic preferences and envisages equal treatment of all economic operators regardless of their origin. Access to public procurement contracts in Serbia is open to economic operators who may be natural or legal persons, as well as groups of these persons. Contracting authorities should set non-discriminatory and proportionate requirements for participating in procurement. Those requirements should also be related to the object of the procurement. The PPL provides for the possibility that a winning bidder entrusts execution of a part or parts of the contract to third parties (subcontractors). Legal provisions envisage limitations on subcontracting however: the share of the total procurement value which may be entrusted to subcontractor(s) may not be greater than 50% of the value of the contract. If the estimated value of procurement exceeds the amounts referred to in the PPL, the contracting authorities may require bidders to subcontract a certain share of the contract to SMEs.

The PPL provides a number of solutions which are helpful from an SME perspective. Rather than requiring bidders to submit documents or certificates with their bids, the contracting authority may stipulate in the tender documents that the fulfillment of all or some individual requirements is to be proved by a statement from the bidder, confirming that it fulfills the relevant requirements. The contracting authority would then only ask

the bidder with the most advantageous bid to supply original documents of the required evidence before awarding a contract. It may also request the originals or certified copies of all or some of the proof. The contracting authority does not have to ask a bidder to supply all of the proof when it already has adequate evidence from the same bidder from previous public procurement procedures. The contracting authority may not refuse a bid as unacceptable because it does not contain evidence defined by the PPL or by the tender documents, so long as the bid included a website address containing the requested data and which is publicly accessible. Finally, the PPL allows bidders to use the Register of Economic Operators held by the Agency for Economic Registers. Those economic operators who are listed do not have to provide evidence that they fulfil the contractors' requirements; theoretically it is sufficient to prove that they are listed in the register, or indicate the internet address where the relevant information is publicly available. In 2017, 10 418 economic operators were listed in the register.

The Public Procurement Office is the main institution responsible for public procurement. Its duties include providing interpretations and support for implementing public procurement rules, both for contracting authorities and economic operators; monitoring the application of the PPL; issuing implementing regulations; and disseminating information about public contracts. The PPO supports SMEs by providing advice, free of charge, on applying public procurement provisions. SMEs can obtain advice via telephone calls, e-mails or by post. The PPO also publishes regular reports on the functioning of the public procurement system in Serbia. These include statistical data on the average number of submitted bids in public procurement procedures, concluded contracts, their value and number, procedures, subject matters and the share of foreign economic operators who were awarded contracts in a given reporting period. The reports contain very limited statistical data about economic operators (in particular SMEs) who were awarded contracts. Serbia has not yet implemented a full electronic procurement system and electronic functions are limited to basic services such as publishing procurement notices and tender documents on the Public Procurement Portal. However, a fully electronic public procurement in Serbia is envisaged in the draft of the new PPL, including a new Public Procurement Portal.

The Republic Commission for the Protection of Rights in Public Procurement ensures that economic operators' rights are protected in public procurement procedures. The commission is an independent review body whose members are appointed by parliament. Applicants file a request for rights protection to the contracting authority and a copy is submitted to the commission. The economic operator may then submit an appeal to the commission against the contracting authority's decision within three days of receiving the decision. This time period is too short to satisfy the requirements of EU Public Procurement Remedies Directive.

The way forward for Dimension 5b

As mentioned above, Serbia has established a solid institutional and regulatory framework for public procurement. Going forward, it should give more emphasis to the following points:

- **Further align national legislation with EU rules and international good practice.** In particular:
 - ensure that economic operators have access to public procurement on an equal footing regardless of their origin

- remove restrictions on subcontracting, such as limiting the maximum share of the procurement contract that may be subject to subcontracting
 - extend the respective time periods for applying for public procurement legal protection measures in line with the EU Remedies Directive.
- **Introduce a fully electronic public procurement system,** including communications, as well as tender submissions or requests to participate by electronic means. Since electronic procurement became, in principle, mandatory in the European Union as of 18 October 2018 there are plenty of good examples of electronic procurement in the EU countries.

Access to finance for SMEs (Dimension 6)

Serbia has made further progress in the area of accessing finance for SMEs, slightly improving its performance to a score of 3.72 (Table 18.12) compared to the previous assessment (Figure 18.1). This score makes Serbia the highest performer in the Western Balkans and second overall in the WBT region after Turkey. Most notable progress has been made in the area of bank finance, primarily due to the improved performance of the banking sector and increased macroeconomic stability.

Table 18.12. Scores for Dimension 6: Access to finance for SMEs

Dimension	Sub-dimension	Thematic block	Serbia	WBT average
Dimension 6: Access to finance for SMEs	Sub-dimension 6.1: Legal and regulatory framework	Creditor rights	4.27	4.20
		Register	4.45	4.58
		Credit information bureau	5.00	4.55
		Banking regulations	4.50	3.79
		Stock market	3.29	2.93
		Weighted average	4.38	4.14
	Sub-dimension 6.2: Sources of external finance – bank financing	Banking lending practices and conditions	3.12	2.92
		Credit guarantee schemes	2.33	2.30
		Weighted average	2.80	2.67
	Sub-dimension 6.3: Sources of external finance – non-bank financing	Microfinance institutions	2.00	3.57
		Leasing	3.30	2.84
		Factoring	3.25	2.45
		Weighted average	2.85	2.95
	Sub-dimension 6.4: Venture capital ecosystem	Legal framework	2.55	2.32
		Design and implementation of Government activities	2.86	2.48
		Monitoring and evaluation	1.00	1.48
		Weighted average	2.38	2.22
	Sub-dimension 6.5: Financial literacy	Planning, design and implementation	2.78	2.44
		Monitoring and evaluation	1.00	1.19
		Weighted average	2.42	2.19
Serbia's overall score for Dimension 6			3.72	3.53

State of play and key developments

Legal and regulatory framework

Serbia has a well-developed legal framework for secured creditors, including out-of-court settlements. Court processes appear to have become more efficient in recent years, although concrete legal changes are yet to be seen to accelerate enforcement procedures, which remain a bottleneck. Serbian banking regulations are overall in line with Basel II and Basel III recommendations.

Some progress has been made in implementing the National Bank's dinarisation strategy in recent years. Amid increasing macroeconomic stability, the interest differential of local currency loans has reduced, resulting in the first local currency bond, issued by the EBRD in 2016. The dinarisation of deposits has also accelerated. Despite these positive signals and some measures to reduce foreign currency lending, the impact of the dinarisation

strategy has been limited to date, and euroisation levels remain systemic at around 70% of the loan portfolio. This can pose a particular problem for SMEs, which are more likely than large companies to be unhedged against foreign exchange risks. Further efforts are required to reduce the high level of foreign exchange-indexed loans, as prioritised in the new Policy Coordination Instrument agreement between Serbia and the International Monetary Fund in 2018.

The infrastructure around credit history is solid. A cadastre and a registration system for pledges over movable assets have been in place for several years, and are largely functional and actively used by the local banking system, even though not fully available online. A privately run credit information bureau has been in place since 2004, covering 100% of the Serbian adult population. However, due to Serbia's unique regulation that requires personal consensus to any credit search, public availability is limited, and access to non-bank financial institutions also remains limited.

Some progress has also been made in strengthening capital market supervision, as the capital market law was amended in 2016 to reduce risks of market manipulation. While no dedicated regulation is yet in place to support SME access to capital markets, the Belgrade Stock Exchange is increasingly focused on supporting SME listings, and has been running an SME pre-listing support programme in collaboration with the EBRD since 2018 to increase SME listing capacity. However, further awareness building is needed about the benefits of capital markets finance, including a South East Europe link, to fully exploit capital market finance opportunities for SMEs.

Sources of external finance for SMEs (bank financing, non-bank financing and venture capital)

Bank lending remains the dominant source of private sector financing, at 43% of GDP in 2017. However, the overall share of banking sector assets in the financial sector has fallen slightly, which suggest an increasing up-take of non-bank financial instruments. In addition, SME lending in particular has accelerated in light of decreasing interest rates and the banking system's overall liquidity. Progress has also been made in reducing the systemically high levels of non-performing loans (NPLs), a key constraint for private sector lending identified in the 2016 assessment (Figure 18.1) for statistical data on SME financing in Serbia). As Serbia is actively implementing an action plan with support from the EBRD, the International Finance Corporation, International Monetary Fund and the World Bank, NPL levels have fallen significantly – from over 20% in 2015 to below 10% at the end of 2017, which is expected to have further spillover effects and reactivate banks' lending appetite in the short to medium term. Serbia has also re-introduced a credit guarantee scheme during the assessment period, launched in 2018 with support of the EU-backed West Balkans Enterprise Development and Innovation Facility (WB EDIF). This triggered considerable interest in the local banking system and is expected to be scaled up in the future.

No progress has been made to facilitate microfinance activities. The government's SME Development Strategy and Action Plan (2015-2020) envisaged establishing a legal framework for non-bank, non-deposit credit institutions with a deadline of 2016; however, a working group that was set up by the National Bank of Serbia in early 2016 has not yet made any recommendations.

A legal framework for leasing and factoring is in place, and these types of financial product have increased in use over the last few years. In 2016, the EBRD made a number of recommendations for reforming the existing factoring legislation, in addition to

highlighting obstacles such as the Act on Late Payments in Commercial Transactions and Anti-Money Laundering requirements. The Law on Factoring was amended in 2018, introducing new requirements for end-borrowers; however, further clarification is required to define local providers' obligations to perform due diligence on customers, and the Serbian Government is yet to take comprehensive action in response to the recommendations.

Efforts have been made to build an environment conducive to innovation in recent years. As a result, venture capital (VC) activities have gained some momentum. While a dedicated legal framework is not yet in place and VC funds are unable to register in Serbia, they are allowed to operate under a broader law on investment funds. Since the previous SME Policy Index, the WB EDIF's Enterprise Innovation Fund – to which Serbia has also contributed – has become fully operational. It has made seven investments into Serbian start-ups, which is more than half of the total number of the fund's investments. This suggests an overall improvement in the innovation capacity of Serbian enterprises and a return of investors' appetite for the Serbian economy, but there is need to sustain efforts in the medium term, including enhancing operations of the Serbian business angel network.

Financial literacy

Serbian SMEs have one of the highest levels of financial literacy in the Western Balkan region, though it continues to be well below those of European peers. The Financial Literacy Strategy of the National Bank of Serbia focusses on educating the wider population. It runs a website, *Tvoj novac*,¹⁷ which provides information about types of financial product. There are also plans to launch a pilot project in collaboration between the Ministry of Education, Science and Technology and the payment cards provider Visa, aimed at including financial literacy in the national curriculum. Focusing specifically on financial awareness of the private sector economy, the Chamber of Commerce and Regional Development Agencies also provide financial management training throughout the economy, and the Serbian Banking Association actively promotes financial awareness.

The way forward for Dimension 6

Progress has been made to facilitate SME access to finance in recent years, but momentum should be maintained to sustain access to credit and to increase the resilience of local financial markets.

- **Step up implementation of the dinarisation strategy.** Exchange rate risks persist due to the continuing euroisation of loans, especially for smaller businesses. More concrete and effective measures to increase local currency lending in line with the government's dinarisation strategy with the National Bank of Serbia would be important.
- **Diversify sources of finance for SMEs.** To broaden the funding sources available to SMEs, the government should introduce legislation to enable lending by microfinance institutions. It should also consider a reform of the legal framework for factoring in light of the EBRD's recommendations. Introducing legislation more conducive to VC operations within Serbia could further help to facilitate equity-based financing. International financial institutions are ready to provide support in all these areas.

Standards and technical regulations (Dimension 7)

Serbia's score of 4.55 in the area of standards and technical regulations is the highest in the Western Balkans – only Turkey fares better (Table 18.13). Serbia is also one of the two economies that improved its overall score compared to the 2016 assessment (Figure 18.1). The increase from the score 4.33 to 4.55 largely stems from improvements achieved in overall co-ordination and alignment with the EU *acquis*, particularly in technical regulations and market surveillance.

Table 18.13. Scores for Dimension 7: Standards and technical regulations

Dimension	Sub-dimension	Thematic block	Serbia	WBT average
Dimension 7: Standards and technical regulations	Sub-dimension 7.1: Overall co-ordination and general measures		4.00	3.12
		Technical regulations	5.00	3.87
	Sub-dimension 7.2: Harmonisation with EU <i>acquis</i>	Standardisation	4.50	3.97
		Accreditation	4.92	4.53
		Conformity assessment	4.73	3.65
		Metrology	5.00	4.47
		Market surveillance	4.60	4.43
		Weighted average	4.79	4.15
	Sub-dimension 7.3: SME access to standardisation	Awareness raising and information	4.83	4.24
		SME participation in developing standards	3.50	2.57
		Financial support to SMEs	3.60	2.39
		Weighted average	3.98	3.07
	Serbia's overall score for Dimension 7		4.55	3.83

State of play and key developments

Overall co-ordination and general measures

The Ministry of Economy is responsible for the overall policy and co-ordination of technical regulations and quality infrastructure, and its “Strategy for Improving the Quality Infrastructure System in the Republic of Serbia 2015-2020” constitutes the overarching policy document.

Since 2011 an online portal, TEHNIS, has provided all the relevant information for enterprises on the technical regulations for placing products on the domestic, European and international markets (Box 18.8). In addition, the Chamber of Commerce of Serbia runs a quick and easy online tool that allows manufacturers to check if their products comply with the relevant regulations. These cover all the EU Directives under the New Approach¹⁸. Both of these initiatives are instrumental in supporting SMEs that usually lack the time and resources to gather the relevant information and apply them to their operations.

Box 18.8. Serbia's information portal TEHNIS

In most of the economies, information on export requirements and compliance mechanisms, where available, are fragmented. There are no dedicated websites that include all the necessary information and guidance for SMEs to navigate through the regulations and standards requirements. Equally, SMEs often lack information on the support schemes available to them. A well-designed and comprehensive pool of information would therefore benefit SMEs, which often do not have time, resources or the personnel capacity to gather information from various sources, institutions and websites. This poses another challenge to SMEs when accessing international markets and upgrading their production.

A practice that stands out in the region is the TEHNIS website in Serbia, run by the Ministry of Economy (Sector of Quality and Product Safety). This portal not only includes an overview of relevant regulations but also information on how to comply with them. The website covers information on all elements of quality infrastructure; and also contacts, brochures, events and the latest news. Legislation is presented thematically, providing information about the respective directives, such as in the field of machinery, with corresponding guides on how to comply with the requirements. TEHNIS also allows companies to assess legislation in preparation, conformity assessment bodies and recognised foreign certificates.

Source: Ministry of Economy (2018^[37]), *Sector for Quality and Product Safety*, www.tehnis.privreda.gov.rs.

Harmonisation with the EU acquis

National legislation has been further amended to reflect EU sectoral legislation, and a regularly monitored and evaluated strategy guides the transposition of EU legislation. The training needs of institutions implementing technical regulations were assessed in Serbia at the beginning of the transposition process, and the staff trained accordingly.

Serbia has also made significant progress in transposing the European standards into national ones. As of September 2018, the adoption rate for European standards had reached 98%. The Institute for Standardization of Serbia (ISS) is operational and adequately staffed, with 61 employees as of February 2018. ISS became a full member of the European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC) on 1 January 2017. Serbia is also a full member of the International Organization for Standardization (ISO), the International Electrotechnical Commission, and the European Telecommunications Standards Institute.

Serbia has satisfactory physical capacity and competence to carry out conformity assessment in priority sectors, and enough accredited conformity assessment bodies (OECD, 2018^[10]). Currently, there are 628 accredited conformity assessment bodies (CABs), 49 of which are designated (compared to 37 in 2016). These bodies are easily accessible for SMEs through an online register on the national accreditation body's website, which provides detailed information on the types of activities they undertake, e.g. testing, inspection and certification.

The Accreditation Body of Serbia (ATS) is adequately staffed and operational, with 40 full-time employees along with 350 external auditors and technical experts. Its staff regularly undergo technical skills development trainings. However, with the significant

increase in the number of applications for accreditation in 2017 – by more than 20% - and the expected trend of a similar increase in the coming years, ATS foresees a growing need for a larger number of employees, auditors and technical experts.

ATS is a member of the European co-operation for Accreditation (EA) and, having successfully undergone a peer evaluation in 2018, its status as a Multilateral Agreement (MLA) signatory will continue for the next four years. Of the signatories in the Western Balkans region, Serbia's EA MLA covers the greatest number of accreditation areas, including calibration, testing, inspection, products certification, management systems certification and certification of persons. Serbia is also a signatory to the International Accreditation Forum MLA, and the International Laboratory Accreditation Cooperation Multilateral Recognition Agreement. This means that conformity assessments carried out by accredited Serbian CABs are accepted across borders, relieving SMEs from the burden and cost of double assessments when exporting.

In the field of metrology, harmonisation with key EU regulations continues, and six new by-laws were published in 2017 to transpose the European Directives. In 2018, rulebooks on non-automatic weighing and measuring instruments were adopted with the aim of harmonising national legislation with the EU directives. The Directorate of Measures and Precious Metals has 93 employees, but still suffers from a lack of metrology engineers and technicians. It is currently drafting a strategy and new action plan for the harmonised and non-harmonised areas to meet requests from the European Commission. It is well integrated into the international metrology structure, as a member of the European Association of National Metrology Institutes, the International Bureau of Weights and Measures and the International Organization of Legal Metrology, as well as an associate member of the European Cooperation in Legal Metrology.

Market surveillance activities fall under the responsibility of the Ministry of Trade, Tourism and Telecommunications, and are monitored by the Product Safety Council. In 2017, the market surveillance authorities carried out 5 254 inspections on compliance and product safety, withdrawing 1 228 hazardous products from the market. However, a legal basis has not yet been created for product contact points (PCPs) to work in compliance with the EU *acquis*. EU regulation prescribes the creation of product contact points to provide information on the technical rules for a specific product in the national territory, and whether the product is subject to prior authorisation under national laws. It also gives information about the principle of mutual recognition and the contact details of the competent authorities. PCPs also provide information on the available remedies in the event of a dispute between the competent authorities and an enterprise.

SME access to standardisation

Serbia's performance in providing information on standards and raising awareness of their benefits is the highest among the WBT economies.

The ISS web page regularly provides information on new standards developed by CEN and CENELEC. It also publishes handbooks in Serbian on implementing standards and organises regular meetings with SMEs to provide in-depth information on the newly adopted or developed standards in co-operation with the Chamber of Commerce. Most notably, ISS has been running a service called "Open Door for SMEs" that allows SMEs to benefit from free consultation with the ISS staff whenever they require assistance on implementing standards.

Although several measures are in place to increase SME participation in developing new standards, participation remains below par. ISS extends invitation to SMEs through phone calls to join its technical committee meetings, and organises them in different cities across the economy. However, Serbia has not implemented any financial measures or ICT-based innovative tools which aim to facilitate SME participation in developing standards.

In terms of supporting SMEs in acquiring standards, Serbia is one of the only two WBT economies along with Turkey that offers standards to SMEs at reduced prices. ISS also prepares standard packages for different areas (e.g. quality management), which are available in electronic format and sold at prices that are significantly lower than the aggregate price of individual standards. In 2018, ISS compiled standards for information technology, and started offering two packages in that area.

SMEs can also benefit from financial support for implementing standards by the Development Agency of Serbia. SMEs can get reimbursed for up to 50% of the costs of implementing standards, and the certification or recertification of products.

The way forward for Dimension 7

Despite a number of improvements in this policy area and Serbia's solid position as the second-best performer in the WBT region, some challenges remain. These can be tackled through the following steps:

- **Explore collaboration with regional peers as a cost-effective way to ensure the provision of quality infrastructure services.** In Serbia and other Western Balkan economies, quality infrastructure bodies are either understaffed or their staff composition does not encompass an adequate number of engineers and technicians. As improvements in human resource capacities require considerable investments and tie up resources on a long-term basis, policy makers in Serbia should, together with their peers in the Western Balkans, aim at establishing quality infrastructure at regional level. Services that have a high cost but often a low demand in smaller economies would benefit from economies of scale, if their geographical coverage is enhanced so that they serve regionally. Moreover, quality infrastructure bodies should explore opportunities to diversify their revenue sources and roll out additional services. These would support them in achieving a level of financial independence.
- **Establish product contact points.** Serbia is yet to establish product contact points, which should provide information about technical rules on products and implementing the mutual recognition principle to enterprises and competent authorities.
- **Increase the number of standards in the Serbian language.** The adoption of standards is generally undertaken using the cover method, i.e. translating the standard's cover page only – posing a challenge to their wider adoption by SMEs. Given the linguistic similarities of the region, Serbian authorities could consider collaborating with its regional peers in translating the EU standards.

Enterprise skills (Dimension 8a)

Serbia scores 3.95 in this dimension, putting it in the position of top performer in the region for enterprise skills (Table 18.14).

Table 18.14. Scores for Dimension 8a: Enterprise skills

Dimension	Thematic block	Serbia	WBT average
Dimension 8a: Enterprise skills	Planning and design	4.50	3.38
	Implementation	4.00	2.83
	Monitoring and evaluation	3.00	2.29
	Weighted average	3.95	2.87
Serbia's overall score for Dimension 8a		3.95	2.87

State of play and key developments

The Ministry of Economy implements SME support measures for skills development under the Economic Reform Programme (2017-2019) financed by the state budget and co-financed by donor funds. A major support package for SMEs is included in the Programme of Standardised Set of Services for SMEs operated by the Development Agency of Serbia. The challenge Serbia will face is addressing skills needs under the upcoming Smart Specialisation Strategy, which will require flexibility in education and training provision with actions that particularly target the micro and small spectrum of SMEs in the smart specialisation priority areas.

The Strategy for Supporting the Development of Small and Medium Enterprises, Entrepreneurship and Competitiveness 2015-2020 and the Implementation Action Plan gives focused attention to the specific quality assurance measures of the training supply. This includes the accreditation system of training providers and the training needs analysis (TNA), which has become a regular activity since the last SBA assessment, as part of the SME skills intelligence framework. The Serbian Chamber of Commerce and Industry's Educational Centre conducts an annual TNA for SMEs. Annual action plans for the upcoming year are based on the results of the analysis. The intelligence framework also includes a survey data, analysis of training and advice services to SMEs prepared by the Development Agency of Serbia, and the SME skills intelligence collected by the National Employment Office under the Annual Employment Plan. The RAS evaluation is applied to introduce improvements to the current training programme delivery and new training (e.g. e-business training). The Ministry of Economy, in co-operation with other institutions, prepares annual reports on SME support and reports on the implementation of SME strategy.

However, there is not enough integration of monitoring and evaluation efforts across the programmes and parts of government. There are many new programmes, such as those targeting e-business with the EU, but the monitoring and the data collection are carried out by different public agencies.

In terms of the scope and quality of SME training programmes, Serbia is one of the regional leaders. Its programme of Standardised Set of Services for SMEs is delivered by the accredited Regional Development Agencies and covers four groups of standardised services: information, training, consulting and promotions.

The programme includes a start-up component that comprises training, legal advice, guidance for beginners in business and grants for establishing businesses. Some programmes by RAS and the National Employment Office also provide pre-start-up training and are intended for potential entrepreneurs. There are programmes for various target groups of entrepreneurs: youth (e.g. the “Youth Caravan” by the Serbian Chamber of Commerce and Industry and the Youth Business Forum, financed by RAS); women entrepreneurs (e.g. “Support to Women Entrepreneurship by linking them to value chains” run by the Association of Women entrepreneurs and Serbian Chamber of Commerce and Industry and financed by RAS); training programmes for SME growth; investment readiness; digital skills for SMEs; and so on. Two modules under the Programme of Standardised Set of Services for SMEs aim at SMEs exporting for the first time, and those preparing for the EU Single Market. Other programmes have included Support to the Internationalization of Businesses, Entrepreneurs and Clusters in 2016 and an open public call to participate in the Programme of Support of Competitiveness, Productivity and Internationalisation of SMEs in 2018. Both gave additional incentives to SMEs who have the potential to trade with the EU Single Market. Information on these training programmes is available on the Development Agency of Serbia website.

The way forward for Dimension 8a

It is recommended that Serbia increases its focus in the next period on better co-ordinating and consolidating the rich supply of training and support programmes required to increase the effectiveness and efficiency of government actions. Budget flows and institutional actors are numerous, and lack of oversight and co-ordination at the policy level might cause duplication and gaps in supply. The following actions are also important:

- **Strengthen the role of the Council for SMEs, Entrepreneurship and Competitiveness.** As an official co-ordination structure, the council can take up the role of overseeing, monitoring and evaluating all SME skills’ development programmes and measures, as well as being responsible for effective co-ordination between different partners. The council’s role could be strengthened to ensure better institutional sustainability of support efforts and evaluation of the impact of government’s investment into SME skills support.
- **Consolidate all available monitoring and evaluation data.** The monitoring and evaluation results from different, parallel programmes should be put together to inform policy analysis and evaluate the quality, effectiveness and efficiency of implementation measures.
- **Prepare evaluation reports.** While new programmes are being developed, regular evaluation should be a mandatory feature of their design. It is crucial to produce regular reports summarising the evaluation results and make them publicly available.

Innovation policy (Dimension 8b)

Serbia is one of the better-performing economies in the WBT region in terms of how innovation policy for SMEs is designed and implemented. With a score of 3.33, it is only slightly behind North Macedonia (3.34) and Turkey (4.08), whereas all other economies in the region score far below 3 (Table 18.15). Serbia's performance has slightly improved since 2016 (from 3.31; see Figure 18.1) and the economy has shown consistent efforts to improve innovation by SMEs since 2010.

Table 18.15. Scores for Dimension 8b: Innovation policy

Dimension	Sub-dimension	Thematic block	Serbia	WBT average
Dimension 8b: Innovation policy for SMEs	Sub-dimension 8b.1: Policy framework for innovation	Strategic approach	3.60	3.46
		Co-ordination of innovation policy	3.67	2.97
		Implementation of innovation policy	4.14	3.04
		Weighted average	3.88	3.15
	Sub-dimension 8b.2: Government institutional support services for innovative SMEs	Incubators and accelerators	3.43	2.99
		Technology extension services for established SMEs	1.00	1.74
		Weighted average	2.46	2.49
	Sub-dimension 8b.3: Government financial support services for innovative SMEs	Direct financial support	4.20	3.76
		Indirect financial support	1.00	1.38
		Weighted average	2.92	2.81
	Sub-dimension 8b.4: SME and research institution collaboration and technology transfer	Innovation voucher schemes and cooperative grants	4.00	2.52
		Institutional infrastructure for industry-academia co-operation	3.00	2.72
		Intellectual property rights	3.50	3.00
		Weighted average	3.50	2.70
Serbia's overall score for Dimension 8b			3.33	2.86

State of play and key developments

Policy framework for innovation

Since the last assessment, Serbia has adopted a Research for Innovation Strategy (in 2016) and an associated action plan (in 2018). The government has in parallel launched work on the economy's first Smart Specialisation Strategy, with support from the EU Joint Research Centre (JRC). In 2017, the government established a Ministerial Council for IT and Innovative Entrepreneurship. Even though the council does not include private sector representatives, it has consulted broadly with companies, especially when developing measures to boost IT entrepreneurship – the council's key focus. Most importantly, Serbia has gone beyond relying on international financial institutions to support innovation, and in 2017 for the first time allocated significant budgetary

resources for innovative enterprises. EUR 3 million was allocated to the Innovation Fund in 2017, which was doubled to EUR 6 million in 2018.¹⁹

The government is in the process of significantly modifying the entire legal framework for research and innovation. The key objective of the reforms is to switch to a new model of financing for research activities in the economy. The new model transitions from entirely project-based financing to a mix of highly competitive project-based financing and performance-based institutional funding. Public consultations for the new Law on Science and Research have been concluded and this draft law reflects the new financing model.

In addition, the new institutional framework foresees the establishment of a Science Fund as an implementing agency for funding research activities, thereby separating policy design from implementation in this area. A law on the Science Fund was adopted in December 2018 and work is in progress to set it up at the time of writing.

Government institutional support services for innovative SMEs

Even though many incubators exist across the economy, there is no coherent government programme to support incubators. Some financing is available through the Serbian Development Agency and through the Ministry of Education, Science and Technological Development, but these programmes operate with low budgets and there has been no evaluation of their effectiveness. However, the government announced the establishment of regional innovation centres in 2018, and has allocated about EUR 2 million for this purpose. Each individual centre can apply, through an open call for proposals, for support of up to 400 000 EUR.

Government financial support services for innovative SMEs

The Serbian Innovation Fund (IF) is the key implementing agency for innovation policy and has significantly increased its scope of operations since 2016. It continuously runs its two key financing instruments (mini grants of up to EUR 80 000 and matching grants of up to EUR 300 000). In 2017 for the first time, these programmes received budgetary support and are no longer completely dependant on Instrument for Pre-Accession (IPA) financing. The IF's capacities for operating the programmes and due diligence have increased. The institution remains devoted to independent and international evaluation processes in all its programmes.

SME and research institution collaboration and technology transfer

For the first time, Serbia has introduced specialised instruments to promote and support business-academia collaboration. In 2016 the IF introduced collaborative grants for joint business-academia projects (financing up to EUR 300 000) and launched innovation vouchers in 2017 with great success and interest from both the business community and academic partners (Box 18.9). A new round of both instruments was launched in October 2018. Finally, the IF also runs a technology transfer facility which provides both expertise and funding to researchers wishing to commercialise their technologies. So far, there are 19 technologies in the pipeline and 3 technology transfer deals have been made through the support of this facility. Further funding is available to support new projects.

Infrastructural support for business-academia collaboration is also being improved in Serbia. Since 2016, the Belgrade Science and Technology Park has become fully operational and houses a large number of tech companies and start-ups. Similar

institutions are being constructed in Novi Sad, Nis and Kragujevac, as the key university centres.

Box 18.9. Fostering industry academia collaboration in Serbia

While successfully piloting its first two grant programmes for innovative companies, the Serbian Innovation Fund recognised that over 30% of all project proposals had included some form of co-operation with R&D institutions. In response, the fund designed a new grant programme, the “Collaborative Grant Scheme for R&D Organisations and Private Sector Enterprises”, with the aim to encourage SMEs and public sector R&D institutions to engage in joint scientific research and development projects. The programme, launched in 2016, is supported with EUR 2.4 million in EU IPA funds, and an additional EUR 1 million from the Ministry of Education, Science and Technological Development of the Republic of Serbia.

Under the programme, the Innovation Fund helps fund commercially oriented research and development projects by co-financing up to 70% of the cost, with a cap of EUR 300 000 per project, helping to significantly reduce the financial risk of possible failure. Funds are disbursed on a quarterly basis against deliverables, thereby ensuring transparent financial management of the grant financing and procedural compliance.

The selection of projects is done through a highly competitive international, independent and meritocratic two-step evaluation process, including both technical peer reviewers and a five-member investment committee with ample international expertise in technology and investments.

During the pilot, the Innovation Fund received 96 applications, greatly exceeding the originally expected turnout. Of these, 28 projects were pre-selected for consideration, and 14 projects were awarded financing with a total amount of EUR 3 million. This was complemented with an additional EUR 1.37 million in private-sector co-financing. By mid-2018, after approximately 1.5 years of development, five projects had already resulted in new developed products, and four projects had seen the successful adoption of technology transfer practices.

The design and functionality of the programme is very much demand-driven and responds to a specific market failure identified during the implementation of previous programmes. In addition, the two-stage independent and international evaluation processes ensured a merit-based selection, based on the potential for commercialisation and market impact. Lastly, the programme has benefitted from a strong communication campaign, including the organisation of open days, and matchmaking activities between SMEs and R&D institutions, to raise awareness and encourage applications.

Source: Serbian Innovation Fund.

The way forward for Dimension 8b

It is evident that Serbia has continuously boosted efforts to support innovative SMEs in recent years, especially through direct financing instruments and policy measures to connect business and academia. However, some challenges remain. These can be addressed through the following measures:

- **Scale-up financing for innovative SMEs by introducing indirect financing instruments.** The demand for financing is still higher than its availability and

innovative enterprises struggle disproportionately with business environment challenges that effect all SMEs. Moving forward, the economy could benefit from introducing indirect financing for innovative enterprises through, including but not limited to, tax incentives and demand-side policies (e.g. public procurement).

- **Further improve co-ordination of innovation policies.** Co-ordination can be further improved by bringing the private sector on board throughout the policy-making and implementation process. In addition, there is still lack of clarity surrounding the roles of the Ministerial Council for IT and Innovative Entrepreneurship, the National Council for Science and Technological Development, the Ministry of Education, Science and Technological Development and the Office of the Minister without Portfolio for Innovation and Technological Development.
- **Improve monitoring and evaluation (M&E) in all government programmes.** Even though M&E is built into the IF's programmes, it is often lacking from other government initiatives and would, if introduced properly, ensure optimal use of scarce government resources in the long term. Programmes run by the Ministry of Education, Science and Technological Development are often continued for many years without any analysis of their effects.

SMEs in a green economy (Dimension 9)

Serbian performance in the area of SME greening is quite low at 2.21 (Table 18.16), although it has slightly improved since the last assessment when it scored 2.08 (Figure 18.1). Even objectives for SME greening have become part of the SME strategy (2016-2020), they have not been translated into concrete actions. Along with Kosovo* and Albania, Serbia is among the three lowest-performing economies in the region.

Table 18.16. Scores for Dimension 9: SMEs in a green economy

Dimension	Sub-dimension	Thematic block	Serbia	WBT average
Dimension 9: SMEs in a green economy	Sub-dimension 9.1: Framework for environmental policies targeting SMEs	Planning and design	3.80	3.81
		Implementation	2.00	2.56
		Monitoring and evaluation	1.50	2.12
		Weighted average	2.44	2.85
	Sub-dimension 9.2: Incentives and instruments for SME greening	Planning and design	2.19	2.32
		Implementation	2.17	2.76
		Monitoring and evaluation	1.40	1.72
		Weighted average	2.02	2.42
Serbia's overall score for Dimension 9			2.21	2.61

State of play and key developments

Framework for environmental policies targeting SMEs

Environmental policies targeting SMEs are included in two national strategic documents. The first, the SME Development Strategy (2015-2020), underlines promotion of eco-innovation and resource efficiency (in particular energy efficiency) as two important objectives under the fourth pillar “Improving sustainability and competitiveness of SMEs”. The measures supporting these objectives are the organisation of awareness-raising workshops on eco-innovation and the green economy, and the provision of expert support to those companies that are preparing eco-innovation project proposals for Horizon 2020²⁰ funding. The second document is the National Programme of Environmental Protection (2010-2020), which proposes incentives for companies that invest in cleaner production, waste management and other environmentally friendly practices. Nevertheless, no budgets have been mobilised within any ministry for realising these measures.

The Chamber of Commerce and Industry of Serbia (CCIS) advocates for SME greening and participates in the strategy development process. Since August 2016, the CCIS has been implementing a project aimed at promoting eco-innovation through providing training and grants to start-up companies and entrepreneurs to develop their “new green business ideas”. In addition to this, in September 2018, the CCIS implemented a pilot programme “Academy for Circular Economy”, which provided advice to SMEs on how to transition towards a more circular business model. The CCIS has also established an

* This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo’s declaration of independence.

Eco-portal, which offers important information on environmental standards, eco labelling, and green public procurement. Another CCIS portal intended to provide information on energy-related greening issues - the “Green energy” Portal - is in the final stage of preparation.

Incentives and instruments for SME greening

Some positive developments as regards financial incentives have emerged since the last assessment. A new initiative – Green Innovation Vouchers – was launched in December 2017 by the EBRD and the Austrian DRIVE (Delivering Resource Efficiency InVEstments) Programme. This is a significant new financial instrument for SMEs, despite being one-off and donor-based. In addition, Serbia re-established its Green Fund at the beginning of 2017 – four years after the previous Environmental Protection Fund had been closed. However, for now, SMEs are not covered by the fund, since it focuses on large, mainly infrastructural, projects, such as the establishment of waste treatment facilities.

Some environmental criteria for procuring products and services are included in the Law on Public Procurement. The law is a prerequisite for using public procurement as a tool to foster eco-innovation and to increase the demand for environmentally friendly products and services. Specifically, under Article 13, consideration is given to the environmental impact of procured goods, highlighting that the government should opt for products and services which do not come at the cost for the environment and which contribute to energy savings. In certain cases, when financially justified, it is recommended that the costs of the entire life cycle of the procured product should be taken into account when making a procurement decision. However, there is no evidence been so far that this aspect of public procurement has been used to influence procurement decisions.

The way forward for Dimension 9

Despite some positive developments to include greening measures in the SME development strategy and some other national policies, their implementation remains limited. Limitations related to provision of SME greening instruments and incentives continue to persist. In order to move forward in this area and capitalise on the momentum, the government should consider the following:

- **Develop a co-ordination body or a unit for SME greening.** The SME greening measures foreseen in the SME strategy have not been implemented and no institution seems to be in charge of their realisation. This points to the rather ad-hoc nature of SME greening in Serbia, which is yet to be treated in a holistic and operationalised manner. Creating a body or a unit in charge of co-ordinating the implementation of SME greening measures could ensure that the measures foreseen in the strategy are translated into concrete actions. This role could be assumed by the Development Agency of Serbia (RAS), in close co-ordination with the Ministry of Environment. Whichever unit is entrusted with this task, it should ensure efficient and effective co-ordination among various government institutions to avoid duplication and to increase the uptake of the measures.
- **Target the demand side when developing SME greening policies,** i.e. focus on raising awareness and providing advice and guidance to SMEs in adopting environmentally sound practices. Activities aimed at raising awareness of the benefits and opportunities offered by going green are already part of the SME strategy. Further actions for their full realisation are needed in the upcoming

period. The government might opt for creating an information-based tool – an e-portal that would gather all information on greening practices (advice, informational and methodological materials) in one place. In addition to this, disseminating guidance through workshops and training, as well as successful case studies, could be an important step in this regard. In doing so, Serbia could work with international organisations and regional peers to identify examples of good practices and to enhance its own governmental capacity to support SME greening. Ireland sets a good example which could be emulated in Serbia (Box 18.10).

- **Enhance financial support to SME greening.** The new Green Innovation Voucher is an important step forward in supporting SMEs' transition to a green economy. However, this is a single, donor-driven initiative. Given the success of the initiative among SMEs, the government should consider transforming it into an annual programme financed by public funds. In addition to this, the newly established Green Fund could expand its scope, and include specific financial programmes to support SME greening as well. Moreover, the government might consider facilitating SMEs' access to green finance by introducing a dedicated loan guarantee scheme or subsidising interest rates for green project loans.

Box 18.10. Ireland's Green Business Programme

In 2011 the Environmental Protection Agency of Ireland formed the Green Business Programme under its National Waste Prevention Programme. Its aim was to deliver substantive resource efficiency improvements and cost savings through waste prevention and reductions in water and energy consumption. The programme is managed by the Clean Technology Centre (CTC) at the Cork Institute of Technology. The CTC, established in 1994, has a team of experts in resource efficiency and waste prevention.

The Green Business Programme provides a range of services to help SMEs increase their resource efficiency: site visits, guidance documents, online tools, seminars and community networking. By registering at www.greenbusiness.ie and using the online audit tools, users can start to measure their resource use and identify where savings could be made. Businesses can request a site visit, during which a Green Business Advisor will visit their premises and identify free and low-cost measures that will lead to cost savings. The service is free of charge, and operated by the CTC on behalf of the Environmental Protection Agency.

To date, with an annual budget of EUR 350 000, the Green Business Programme has visited 270 enterprises from a range of sectors (food processing, banking, public sector, small retailers) and identified an estimated EUR 10 million of savings for its member enterprises (EUR 6.2 million in energy, EUR 2.7 million in waste and EUR 1.2 million in water). The individual savings identified ranged from EUR 2 000 to EUR 200 000.

Some of the lessons learned from the experience of Green Business is that SMEs are not monitoring their utility costs and are unaware of the extent of waste. In addition, they are unaware of the opportunities to reduce waste at no cost or low cost as well as the opportunities to improve their bottom line and enhance their image. They often also have no awareness of the assistance available to improve their environmental performance.

The example of Green Business demonstrates how a cost-efficient and effective support mechanism can be designed, involving co-operation between the government and

academia, which brings various benefits just by identifying potential savings that businesses are usually unaware of. The model underlines the importance of providing advice and guidance to SMEs to “go green”.

Sources: Green Business Programme (2019^[38]), *Green Business website*, <http://greenbusiness.ie/>; EPA (2014^[39]), *Green Business Initiative*, www.epa.ie/waste/nwpp/gbi/#.W1opW_Zul2w; EPA (2019^[40]), *National Waste Prevention Programme*, www.epa.ie/waste/nwpp/.

Internationalisation of SMEs (Dimension 10)

Serbia's performance in providing support for the internationalisation of SMEs remains the highest amongst the Western Balkan economies at 4.02 (Table 18.17) and is outperformed only by Turkey. Since 2016, its score has slightly improved, from 3.70 (Figure 18.1). This improvement has been most notably due to the development of support programmes for integration into global value chains and the economy's incremental start on promoting the use of e-commerce by SMEs.

Table 18.17. Scores for Dimension 10: Internationalisation of SMEs

Dimension	Sub-dimension	Thematic block	Serbia	WBT average
Dimension 10: Internationalisation of SMEs	Sub-dimension 10.1: Export promotion	Planning and design	4.67	4.86
		Implementation	4.91	4.24
		Monitoring and evaluation	3.71	3.01
		Weighted average	4.60	4.18
	Sub-dimension 10.2: Integration of SMEs into global value chains	Planning and design	4.60	3.58
		Implementation	4.43	3.08
		Monitoring and evaluation	2.33	1.76
		Weighted average	4.06	2.97
	Sub-dimension 10.3: Promoting the use of e-commerce	Planning and design	3.29	3.45
		Implementation	2.00	2.26
		Monitoring and evaluation	1.00	1.36
		Weighted average	2.19	2.44
Serbia's overall score for Dimension 10			4.02	3.43

State of play and key developments

SMEs in Serbia have been modestly increasing their volume of exports in goods over the assessed period. However, their share of exports fell from 44.8% to 39.3% between 2014 and 2017. This was the second-lowest share in all the WBT economies after North Macedonia.²¹ In the EU, the median value of exporting SMEs' share in the value of exported goods stood at 42% in 2016²² (Eurostat, 2018^[41]).

Serbia improved in the perceived efficiency of its customs clearance process in the World Bank Logistics Performance Index between 2014 and 2016, and was the third highest performer for this indicator in the WBT region in 2016 (World Bank, 2018^[42]). Meanwhile, the import/export costs related to border compliance remained stable in Serbia between 2014 and 2017 (at USD 52/USD 47 respectively) (World Bank, 2018^[42]). In 2017, the costs to import in terms of border compliance in Serbia were lower than the OECD average of USD 114, but higher than the EU average of USD 29, while the costs to export were much lower than the OECD (USD 153) and EU (USD 85) averages (World Bank, 2018^[42]).

Export promotion

Serbia's export promotion programmes targeting SMEs are directly linked to its SME Development Strategy 2015-2020. The Serbian Development Agency (RAS) has been the responsible institution for export promotion in Serbia since 2016 (overseen by the Ministry of Economy). Serbia is one of the only two WBT economies along with Turkey

whose export promotion agency is not challenged by limited human and financial resources – 15 of RAS' 70 staff members have been dedicated to operate its two export promotion programmes.

RAS supports SMEs to foster their export competitiveness through two pilot programmes, the Export Promotion Programme and the Exporter Support Programme, rolled out from March 2017 to a value of RSD 105 million in total (around EUR 865 000). In creating these programmes, RAS held continuous informal consultations with its Chamber of Commerce.

The Export Promotion programme has two components: (1) support for individual exhibits at international fairs abroad, covering up to 50% of companies' individual costs with a total budget of RSD 40 million (around EUR 330 000); and (2) the organisation of company visits abroad, with RSD 20 million set aside (around EUR 115 000) to cover 50% of costs in each programme in the form of grants of up to RSD 1 million (around EUR 8 200). Between March 2017 and the time of writing, 63 SMEs received support to the value of RSD 37 million (EUR 305 000) for international business fairs while one SME received assistance for a company visit abroad (EUR 4 600) under this programme.

The Exporter Support programme, launched in March 2017, also has two components: (1) Preparing for the First Export (EUR 100 000), which provides co-financing to the value of 60% in grants for organising thematic workshops on exporting for SMEs; and (2) Improving the Capacity of Exporters (EUR 335 000), which provides 50% in co-financing to SMEs for implementing international standards, certification and re-certification, export plan development and providing tailored training for export and for designing of new products or new packaging design. Two SMEs received support for the first component, to the value of RSD 1.1 million (around EUR 9 000); while 65 SMEs were supported through the second component, for a sum of 30.3 million (around EUR 250 000). In terms of monitoring, RAS's programmes have yet to be evaluated.

RAS is also implementing the World Bank "Competitiveness and Jobs" project (March 2016 to June 2019), which also includes measures to support export promotion. Likewise, the Enterprise Europe Network supplements SME internationalisation in Serbia through a two-year budget of EUR 96 000 to support business meetings and international company visits and the provision of information on foreign markets.

In order to facilitate access to finance for export-oriented SMEs, Serbia has also made an effort to treat domestic SMEs equally to foreign companies. An amendment to the Law on Investment now enables domestic companies to receive the same subsidies for investment as foreign companies. Meanwhile, Serbia's Export Credit and Insurance Agency (AOFI) offers export credit insurance, financing, factoring, and guarantees to Serbian exporters. It plans to further tailor its financing instruments to better fit the needs of SMEs under its work plan for 2018.

Integration of SMEs into global value chains

There were no government programmes in place to support the integration of SMEs into global value chains at the time of the previous assessment. Serbia has now improved on this situation by introducing programmes to support SME integration into supply chains. RAS commenced its Support Programme for the Development of SME Competitiveness in March 2017 with a total available budget of RSD 100 million (around EUR 825 000) (RAS, 2017^[43]). It has three main components: capacity building, support to business networks, and support for integration into supply chains. For this last component, the on-

going programme has provided financial support to 20 enterprises to the value of RSD 28.9 million (around EUR 240 000), mostly for purchasing equipment to support their upgrading within supply chains, and for harmonising their operations with international standards. Thus, indirectly, it can be argued that it helps SMEs reach the standards needed to supply to exporters (often multinational companies).

RAS has also provided support to clusters through three programmes. First, the above-mentioned Support Programme for the Development of SME's Competitiveness provided three clusters with a total amount of approximately RSD 3.6 million (around EUR 30 000) in 2017. Eligible activities for co-financing under the programme include procurement of joint production equipment; infrastructural furnishing of the existing or new joint workspace; renovation of the existing or new joint workspace; and development of joint production processes.

Second, cluster support is also provided through the Support Programme for the Development of Business Institutional Infrastructure, which also operates through a co-financing scheme of 50% grants and 50% private funds to provide support to develop clusters, and to stimulate business associations, among other activities.²³ In 2016, 14 clusters were supported with a total amount of RSD 33 million (around EUR 270 000). Finally, clusters can also benefit from other government-supported programmes, such as the Support Programme for the Promotion of Economic Development Projects.²⁴

All in all, the state of cluster development in Serbia as perceived by private sector actors has improved according to the World Economic Forums' Global Competitiveness Index, though it is still perceived to be weaker than most economies of the WBT region (WEF, 2017^[44]). Meanwhile, perceptions of local supplier quality have improved in the same index, though it also remains below the WBT average (WEF, 2017^[44]).

Promoting the use of e-commerce

Serbia is strengthening the regulatory foundations of its digital operational environment. It undertook legislative reforms and adopted a new legal framework for e-commerce in October 2017, regulating electronic documents, electronic identification, electronic signatures and stamps, and the electronic submission of documents. Its passage is expected to significantly facilitate the regulation of e-commerce by providing it with a sound legal basis.

Serbia's framework for consumer protection is fully aligned with the EU, including alternative dispute resolution (OECD, 2018^[10]). Additionally, its law on unauthorised advertising also makes reference to e-commerce practices (OECD, 2018^[10]). Serbia also updated its Law on Payment Services in 2015 to allow Serbian companies to receive payments from abroad. However, establishing systems that enable online payments via credit card is still difficult, as noted in private sector interviews. In terms of initiatives to support e-commerce amongst SMEs, Serbia has a dedicated website which provides information about upcoming events and relevant legislation on e-commerce. The pilot e-business Development Programme which commenced in May 2014 has since phased out (Box 18.11).

The National Bank of Serbia collects data on the number and volume of e-payments. In 2017, the total value of payment transactions for the purchase of goods and services via the Internet was RSD 21.23 billion (around EUR 175 million)²⁵ (NBS, 2018^[45]). Serbia has an active engagement in e-commerce: in 2018, it had the highest percentage of individuals purchasing on line out of the WBT economies, at 35%, though it still lagged

behind the EU average (60%) (Eurostat, 2018^[46]). It also had an exceptionally high percentage of SMEs selling online in 2018, at 26% compared to the EU average of 17% (Eurostat, 2018^[46]).²⁶

Box 18.11. The e-business Development Programme in Serbia

E-commerce previously gained traction in Serbia through the support of the EU. The pilot e-Business Development Programme ran from May 2014 for a duration of 30 months to the value of EUR 2.5 million, with the aim of providing technical assistance targeted at improving the business, legal and regulatory environment for e-commerce. Its actions included mapping out the legal and regulatory bottlenecks for e-commerce and producing recommendations for legislation in line with the EU legal framework.

The programme garnered the attendance of over 700 SME representatives at e-business training sessions. The issue of trust in the digital economy was brought into the limelight through 35 capacity-building workshops on digital economy, e-business, e-commerce, and combating of cyber-crime. A pilot e-Trustmark certificate which was awarded to 66 Serbian SMEs (up to November 2016). The e-Trustmark certificates' validity ran to the end of November 2017 and terminated along with the programme. The Center for Development of e-commerce and protection of consumers on the Internet from Novi Sad will continue accreditations and delivering the e-Trustmark to entrepreneurs in Serbia.

Source: Delegation of the EU to the Republic of Serbia (2016^[47]), *E-business in Serbia Improves with EU support*, <https://europa.rs/e-business-in-serbia-improves-with-eu-support/?lang=en>.

The way forward for Dimension 10

The impact of programmes supporting the internationalisation of SMEs is yet to be felt, as most of them have only been launched since March 2017. Meanwhile, SMEs' value in exports is increasing at a slow pace and their overall share of exports is decreasing compared to large enterprises.

Private sector interviews indicate low awareness of the support programmes available for export promotion, as well as persistent difficulties arising from the administrative procedures required to export. Likewise, firms pointed to poor familiarity with the incentives for engaging in e-commerce. Moreover, they continue to experience difficulties in securing international transactions via online payments. Taking these into account, Serbia should consider the following recommendations:

- **Increase SMEs' awareness of the programmes available for export promotion.** Although RAS's website publishes all calls for its programmes, SME awareness of available programmes remains low, indicating a greater need for information to be "pushed" out to SMEs more effectively. Greater circulation of information can be achieved through online platforms which actively engage SMEs through the creation of online profiles and which promote networking amongst SMEs (EC, 2007^[48]).
- **Design supplier development programmes.** Targeted support can be provided through coaching and mentoring SMEs in key areas such as design and production engineering. This may include sending in technical teams to advise on upgrading, as well as assisting SMEs in developing negotiating capacities with MNEs to establish and improve their supplier development programmes

(UNCTAD, 2010^[49]) (OECD, 2008^[50]). The provision of match-making services between SMEs and MNEs, which match MNE needs with SME competences, could particularly facilitate the formation of MNE-SME linkages. The comprehensive supplier development programme implemented by the Czech Republic represents a very successful example of strengthening the linkages between MNEs and SMEs, and in enhancing SMEs' capacities to export (see Box 18.12).

- **Aim for strong and comprehensive monitoring and evaluation** using concrete measures and key performance indicators to conduct long-term impact assessments of programmes. Focus on evaluation and incorporate feedback gained from private sector actors throughout the implementation of programmes to ensure relevant and tailor-made support that caters to SME-specific needs (OECD, 2018^[51]).
- **Develop programmes that promote e-commerce.** Following its pilot “E-Business Development” programme, Serbia should aim to ensure continuous support to businesses engaging in e-commerce and continue to promote awareness of the benefits of e-commerce amongst SMEs and consumers.

Box 18.12. The Czech Republic's Supplier Development Programme

The Czech Supplier Development Programme in Electronics and Automotive was implemented by CzechInvest between 2000 and 2002. The programme aimed at improving the competitiveness of Czech SMEs to the level required to enter global value chains by becoming suppliers to MNEs. A related objective was to develop a local world-class supplier base.

A dozen MNEs were involved throughout the project and 45 SMEs received targeted training based on needs discovered during business reviews. The MNEs were closely involved from the outset. They were asked to nominate companies for the programme, although other sources were also used to identify companies with potential which had had no or little contact to date with MNEs. In total, 200 companies were reviewed in detail, of which 73 were invited to participate to achieve the programme target of 45 companies.

A two-day business review was undertaken in each of the 45 companies. This was based on the European Foundation for Quality Management model and looked at the whole business. In addition to focusing on the most important areas of performance to meet MNE requirements, the aim was to get participation and buy-in from company management and convince them of the value of a process, which would require a major commitment of management time if it was to be worthwhile.

The main output of the business review was a short-term (six months) self-improvement action plan. This was essentially about helping companies to help themselves, working with company management to benchmark them against MNEs' international standards and competitive requirements, and to review the way forward for their business. To help the companies implement their short-term action plans, a series of general workshops was held, focusing on the key areas for improvement identified in the first round of business reviews. These tended to be in softer management skills and awareness rather than technical skills; the two broad themes of the workshops were strategy and change, and operational efficiency.

At the end of the six months, a second round of one-day business reviews was undertaken, solely by the external assessors, to gather the information needed to select 20 companies for the final intensive support phase. The project established a selection system that was as objective and transparent as possible, balancing companies' current performance and capability, and their commitment and capacity for improvement demonstrated between the two business reviews.

This final phase was the crucial stage in developing the companies to meet internationally competitive standards. It provided individually tailored and targeted one-to-one support, as opposed to the more general support given up to that point. This was delivered by an individual mentoring team for each company, consisting of an EU expert lead mentor and a Czech independent consultant (thus ensuring the transfer of skills and experience for future programmes, as well as giving the advantages of local knowledge and language). This phase lasted six months within the formal pilot, but continued thereafter.

All the business reviews and other support were free, but companies joining this stage of the programme were charged a small standard fee of CZK 50 000 (Czech koruna, about USD 1 600 at the time), to establish the principle of charging in line with best EU practice – where similar support was normally provided on a matched funding basis. All companies in the programme continued to receive general support.

The Czech Supplier Development Programme succeeded in strengthening local companies' skills and enhancing the benefits of FDI to the local economy. Suppliers have upgraded their processes and products. The business reviews showed an increase in company performance in the areas required to meet MNE requirements. An evaluation 18 months after the end the programme surveyed all 45 companies participating in the pilot. It found that 15 companies had gained new business which they attributed to the programme, with these contracts worth USD 46 million for the period 2000-03. Four companies had also found new customers abroad, and three had obtained contracts for higher value-added content. The share of components sourced from Czech companies by the MNEs participating in the programme increased from a range of 0%-5% at the start to 2.5%-30% by 2004.

Source: WEF (2016^[52]), *Manufacturing our Future: Cases on the Future of Manufacturing*, http://www3.weforum.org/docs/GAC16_The_Future_of_Manufacturing_report.pdf.

Conclusions

Serbia has made major strides in implementing the SBA principles since 2016. Its institutional framework has become more conducive to SMEs' interests, and the importance of entrepreneurship in driving economic growth has been increasingly mainstreamed in the policy-making process. Moreover, the number of publicly funded support measures tailored for SMEs has proliferated, and more public resources, both financial and human, have been allocated to these measures.

All these improvements have helped Serbia to become one of the best performers of the seven economies assessed. Yet, certain SBA principles still warrant immediate attention. To level the playing field between SMEs and larger enterprises, public procurement policies need to be better designed, making it even more straightforward to submit tenders and requests to participate. Greening policies targeted at enterprises are in their infancy, at best. Serbia should build greater awareness that resource efficiency measures

are effective in boosting SMEs' competitiveness, beyond their impact on the environment.

As Serbia has moved a long way in designing and implementing various programmes and policies targeted at SMEs, it is a good point at which to initiate an in-depth evaluation. This evaluation would not only justify the allocation of significant public resources for SME development, but would also be pivotal in adjusting the current set of services with a view to increasing their efficacy and impact.

Notes

¹ The WBT region refers to the six pre-accession Western Balkan economies (Albania, Bosnia and Herzegovina, North Macedonia, Kosovo, Montenegro, and Serbia) and Turkey. Unless otherwise specified, reference to the "region" in this publication implies these seven economies.

² For more information about the private sector interviews, see Annex C.

³ Smart specialisation originated in the EU as a concept for stimulating innovation-driven regional growth. Smart specialisation strategies are about enabling regions to turn their assets, strengths and competitive advantages into marketable goods and services and, ultimately, economic growth. Human capital, knowledge dissemination and transfer, as well as support to entrepreneurship are all key elements in successful implementation of smart specialisation strategies. For more information, please see Chapter 9 on enterprise skills and Box 10.1 in Chapter 10 on innovation policy for SMEs.

⁴ In EU countries, SME Envoys are appointed by the national government to report on the uptake of the SBA and to promote SMEs interests through government bodies. Although these SME envoys do not exist in pre-accession countries, Serbia's Ministry of Economy acts as the SBA Co-ordinator responsible for implementing the SBA principles.

⁵ ETF defines entrepreneurial learning as: "All forms of education and training (formal, informal and non-formal) which contribute to an entrepreneurial spirit and behaviour with or without a commercial objective".

⁶ The Law on Higher Education provides new principles for higher education in Serbia. These will be gradually introduced to support better links with pre-university education, promote co-co-operation with employers and the industrial sector, strengthen the innovative and entrepreneurial component of higher education, and improve the relevance of higher education to both society's and labour market's needs

⁷ One of the two objectives of the project is to strengthen the entrepreneurial component of higher education, which will lead to the introduction of entrepreneurial modules into study programmes and the development of entrepreneurial skills among university graduates. The project has also contributed to policy development. To give just one example: it provided inputs into the new Law on Higher Education, aiming to educate a creative and entrepreneurial young generation that would acquire knowledge on a lifelong basis.

⁸ These accredited programmes can be found in the *Catalogue of Continuing Professional Development of Teachers, Educators and Professional Associates* for the school year 2016/2017 and 2017/2018. Information on implementation and training quality, as well as the number of trained teachers, is available at the Institute for the Advancement of Education, Centre for Professional Development of Teachers (www.zuov.rs/programi1/Odrzani.aspx).

⁹ Among the strategic objectives of the Strategy for Gender Equality 2016-2020 there are several of critical importance for women's entrepreneurship: promotion of a culture of gender equality, change of traditional gender patterns, improvement of the status of women, systematic integration

of gender mainstreaming into decision making, as well as implementation and monitoring of public policies. The Ministry of Economy, in co-co-operation with policy implementing institutions, runs a gender sensitivity check of existing programmes.

¹⁰ To give just two examples of successful women's entrepreneurship promotion and good practice sharing activities in Serbia: the gender-based mapping of organic and traditional food producers in Western and South Serbia, and the "Girls Day" which provided an opportunity for over 7,700 female students of final years of primary and secondary schools from fifty towns across Serbia to visit over 100 companies, schools and faculties.

¹¹ All relevant laws and amendments can be found on the Bankruptcy Supervision Agency web site: <http://alsu.gov.rs/dokumenta/zakoni/>.

¹² A debtor's estate is the property that creditors can take while the debtor is in bankruptcy.

¹³ EU-13 – Bulgaria, Croatia, Cyprus,** the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic and Slovenia.

** Footnote by Turkey: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus. Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the "Cyprus" issue.

Footnote by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

¹⁴ The SME Test analyses the possible effects of EU legislative proposals on SMEs. See https://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/sme-test_en.

¹⁵ See https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2014.257.01.0073.01.ENG.

¹⁶ See <http://www.pks.rs/SADRZAJ/Files/CMIP/vodiceng%20maj%202014.pdf>.

¹⁷ For more information, see www.tvojnovac.nbs.rs.

¹⁸ See <https://www.cen.eu/work/supportLegislation/Directives/Pages/default.aspx>

¹⁹ In addition, the Ministry of Education, Science and Technological Development, through 8 published public calls so far, supported 397 innovation projects and 51 infrastructure projects in the total amount of EUR 10.8m (period 2007-2017).

²⁰ Horizon 2020 is the biggest EU-funded Research and Innovation programme covering the period from 2014 to 2020. The overall objective of the programme is to ensure Europe produces world-class science, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering innovation. With a nearly EUR 80 billion of funding it promotes research and innovation, by facilitating the commercialisation of innovative ideas from the lab to the market. In particular, Horizon 2020 provides grants to research and innovation projects through open and competitive calls for proposals. Legal entities from any country are eligible to submit project proposals to these calls. Participation from outside the European Union is explicitly encouraged.

²¹ Due to unavailability of more recent data, this statement refers to North Macedonia's 2016 data for SMEs share of exports (which was at 31.6% that year).

²² This refers to the 2016 median value of 27 EU Member States (the EU-28 minus Malta) and includes intra EU and extra EU trade.

²³ The activities covered by the programme are as follows: the operationalisation of science and technology parks and incubators, development of support services for innovative SMEs, joint science-economy projects, development of clusters, stimulation of business associations, and creation of value chains.

²⁴ Launched in 2017, the programmes targets the promotion of entrepreneurship and best practices with a focus on youth and women's entrepreneurship; the preparation of analyses and research in order to increase the competitiveness of SMEs; developing new services for SMEs; and the improvement of existing services for SMEs. In 2017, 9 clusters were supported to the value of RSD 14.6 million (EUR 123 000).

²⁵ Values were converted according to the official 2017 exchange rate of the National Bank of Serbia.

²⁶ The Eurostat indicator refers to SMEs, excluding in the financial sector, employing between 10 and 249 employees.

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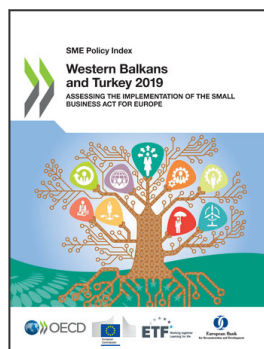
Annex 18.A. The OECD Scoreboard Indicators

Annex Table 18.A.1 Scoreboard for Serbia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	EUR million	2 858	3 994	3 966	4 202	4 320	4 352	4 061	4 779	5 332	5 529
Share of SME outstanding loans	% of total outstanding business loans	21.02	20.97	20.58	21.25	21.57	21.27	21.2	25.52	28.54	30.13
New business lending, SMEs	EUR million	2 027	3 409	3 015	3 190	3 323	2 771	2 302	2 717	3 308	4 010
Share of new SME lending	% of total new lending	..	..	..	..	37.49	30.64	32.45	40.16	39.09	39.75
Short-term loans, SMEs	EUR million	1 000	1 265	1 356	1 436	1 308	1 257	1 386	1 405	1 338	1 372
Long-term loans, SMEs	EUR million	1 858	2 729	2 610	2 766	3 012	3 096	2 675	3 374	3 995	4 156
Share of short-term SME lending	% of total SME lending	34.98	31.67	34.2	34.17	30.28	28.87	34.13	29.4	25.09	24.82
Government guaranteed loans, SMEs	EUR million	0.25	0.19	297.9	522.71	390.28	568.94	341.66	750.04	126.31	13.09
Non-performing loans, SMEs	% of all SME loans	6.72	10.56	18.86	21	22.64	26.15	28.05	27.08	26.55	20.12
Interest rate, SMEs	%	10.69	10.9	10.57	10.06	9.72	8.15	8.03	7.25	6.12	5.01
Interest rate, large firms	%	6.32	8.04	7.23	7.36	7.88	6.6	6.34	5.18	3.33	3.12
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	31.62	38.78	43.14	44.51	45.59	53	55.06	53.13	48.98	40.89
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	14.94	16.46
Rejection rate	1-(SME loans authorised/ requested)	18.66	17.25	28.42	27.13	15.77	32.02	32.18	25.15	24.27	28.08
Utilisation rate	SME loans used/ authorised	71.75	81.66	88.2	67.76	83.83	86.11	87.92	86.47	87.76	87.98

Note: There is a break in the time series for Outstanding SMEs loans, total, in 2012, when an additional bank was added to the data, contributing to the increase in volume

Source: OECD (2018), Financing SMEs and Entrepreneurs 2018: An OECD Scoreboard, OECD Publishing, Paris, https://doi.org/10.1787/fin_sme_ent-2018-en.



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