

The fact sheet in a nutshell:

- ✓ Serbia's SME sector is an important provider of jobs and growth in the Serbian economy
- ✓ However, between 2008 and 2009 the SME sector shed 65.000 jobs, which represents 7% of its total workforce
- ✓ Serbia scores on par or below the EU average in the five SBA principles for which indicators are available
- ✓ In 2010/2011, Serbia has addressed all of ten SBA areas by means of targeted policy measures

About the SBA Fact Sheets¹:

The Small Business Act (SBA) is the EU's flagship policy initiative in support of Small and Medium-sized Businesses.

The annually updated fact sheets contribute to a better understanding of recent trends in the SME environment and policy on a national level.

1. SMEs in Serbia – basic figures

	Number of Enterprises			Employment			Value added		
	Serbia	EU27		Serbia	EU27		Serbia	EU27	
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	274.021	95,9%	92,1%	377.599	31,6%	29,8%	3	22,3%	21,9%
Small	6.065	2,1%	6,7%	181.914	15,2%	20,4%	2	15,7%	19,0%
Medium-sized	2.173	0,8%	1,1%	228.071	19,1%	16,8%	3	18,3%	17,7%
SMEs	282.259	98,8%	99,8%	787.584	65,9%	67,0%	8	56,3%	58,7%
Large	484	0,2%	0,2%	406.845	34,1%	33,0%	6	43,7%	41,3%
Total	285.641	99,0%	100,0%	1.194.429	100,0%	100,0%	14	100,0%	100,0%

The source of the figures for Serbia, for year 2009, is the Report on Small and Medium Sized Enterprises for 2008 and 2009 produced by the Serbian government. The data for EU 27 are based of 2002-2006 figures from the Structural Business Statistics database (Eurostat). The data cover the 'business economy' which includes industry, constructions, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data does not cover the enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health.

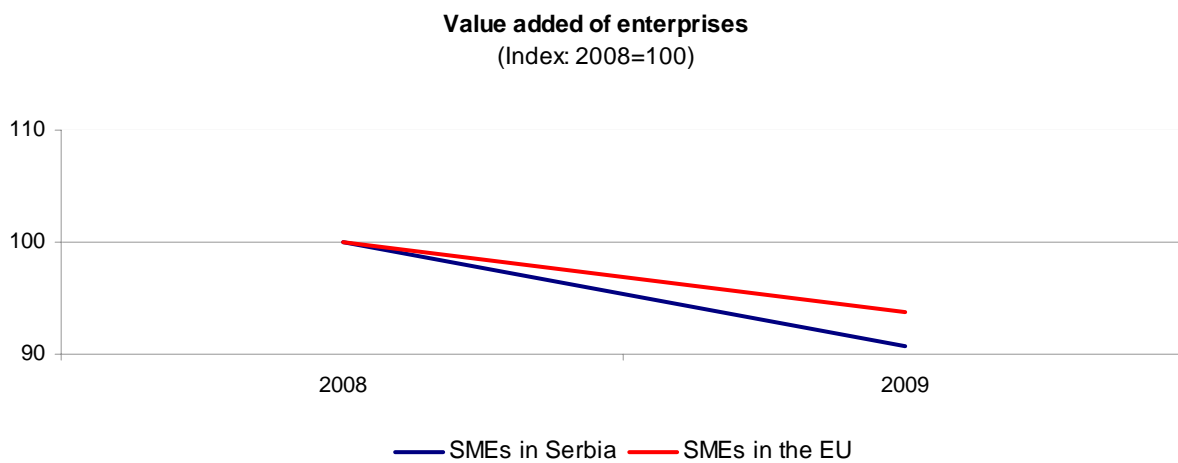
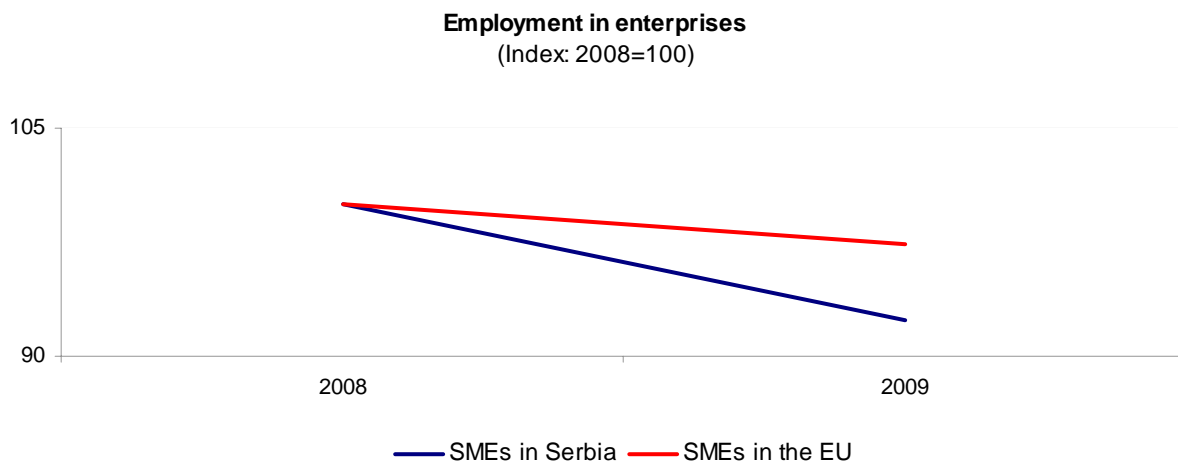
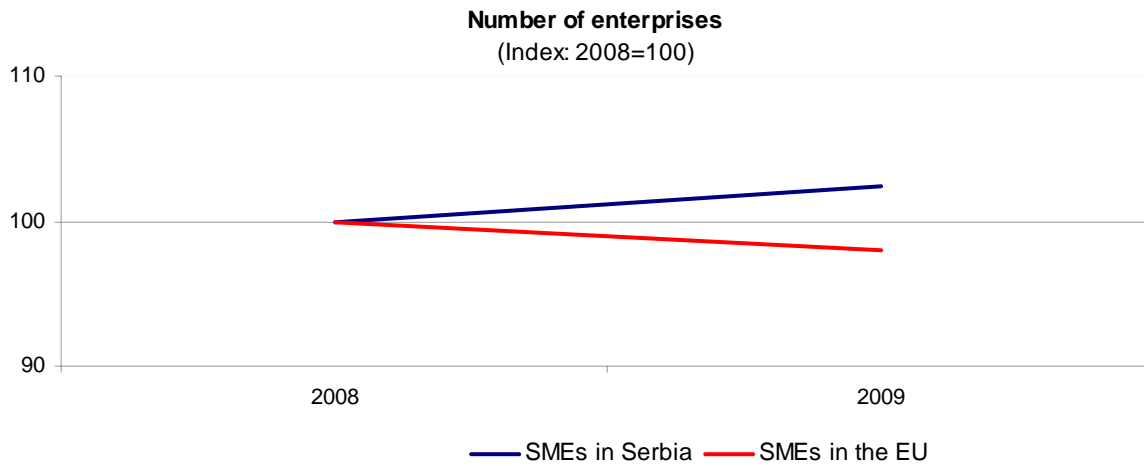
Serbia is characterised by a large proportion of SMEs in general, and of micro firms in particular. Just like the other countries in the European Union, Serbia is relying heavily on the small and medium sized enterprises for providing growth and jobs. In terms of size class breakdown, the Serbian SME sector closely reflects that of the EU average, with micro and small enterprises accounting for nine out of every ten enterprises. Looking at employment, it is clear that the SMEs are all the more important since they provide work for two thirds of all Serbians employed in the non financial business economy. On average, an SME in Serbia employs 2,8 workers which is significantly lower than the EU average of 4,2 persons, reflecting the considerably smaller scale of Serbian enterprises.

In terms of sectoral distribution, more than 44% of the Serbian SMEs are active in service sectors such as renting and business services, transport, tourism or

constructions, 37% are active in trade and only about 19% work in manufacturing.

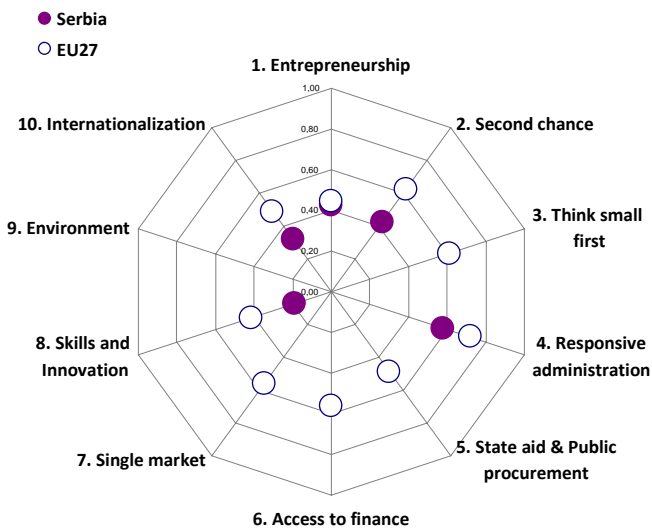
Looking at developments from 2008 to 2009, it is evident that the Serbian SMEs have fully felt the effect of the financial and economic crisis. Thus, 65.000 jobs were lost in SMEs, representing 7%, their work force in 2008. The worst hit were the small and medium enterprises active in the construction sector, followed by the ones in trade.

SME trends over time in Serbia



2. The SBA profile of Serbia

Serbia's performance against the EU average by SBA area²

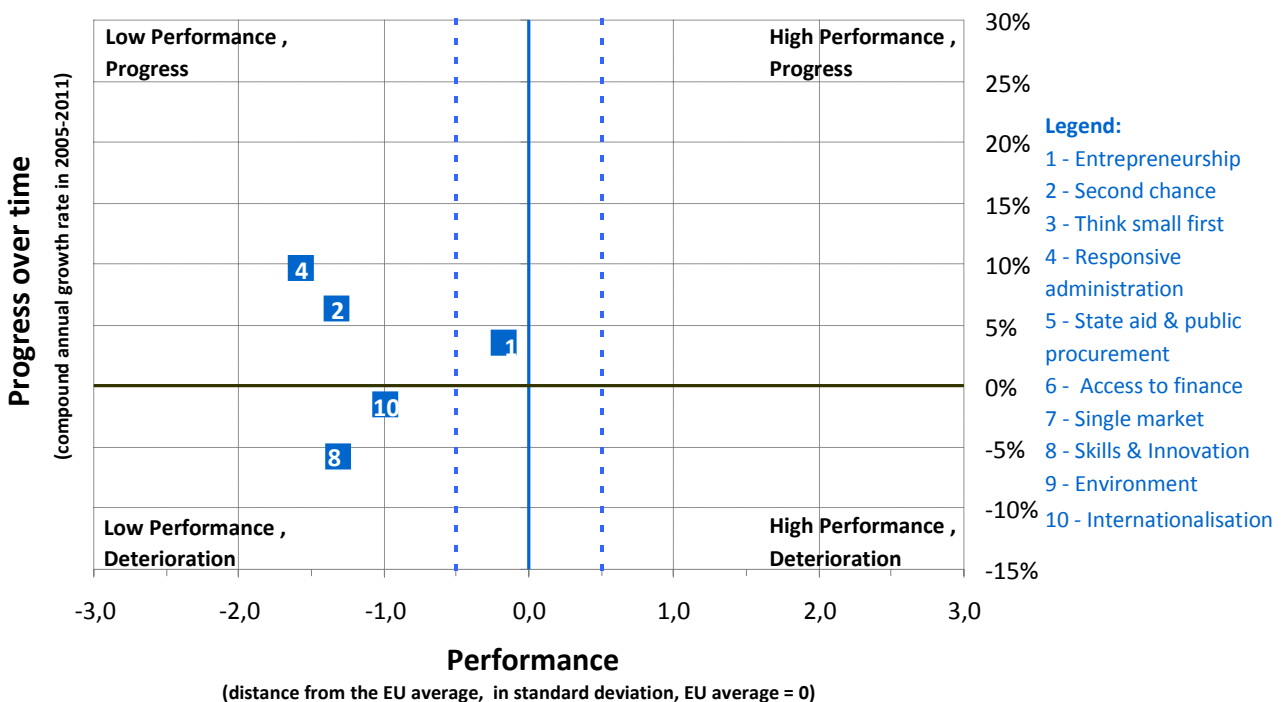


Overall, the available SME-relevant statistics show an SBA profile for Serbia which leaves room for improvement. The country performs on a par with the EU-average in Entrepreneurship, while for the remaining SBA principles for which scores are available - namely Second chance, Responsive administration, Skills and innovation, and Internationalization – it falls behind.

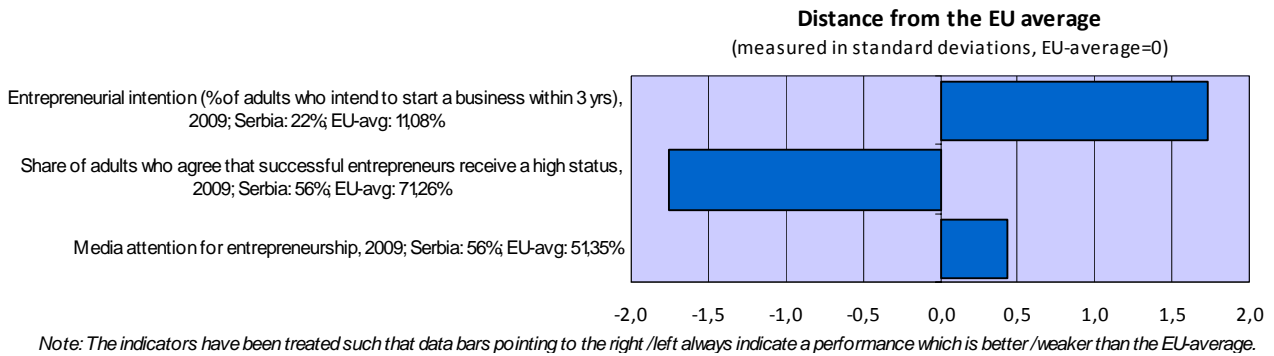
This picture is complemented by a policy record showing that the Government has addressed all of the ten principles of the Small Business Act by means of targeted policy measures.

When Serbia's performance is compared with its own past results, a more encouraging picture emerges, where it is clear that a majority of policy areas have achieved considerable progress in recent years³.

Serbia's SBA performance: Status quo and development over time, 2005-2011⁴



I. Entrepreneurship



On balance, Serbia performs on a par with the EU average but at the level of the individual indicators the situation is mixed.

There is room for improvement in particular in what concerns the society's view on entrepreneurs, which in Serbia is clearly less positive than in the EU on average. Improving the media image of entrepreneurs could have a positive multiplier effect on citizens' willingness to assume the risks of business enterprise. Despite these results, the future entrepreneurial intentions of the Serbian population are significantly above par.

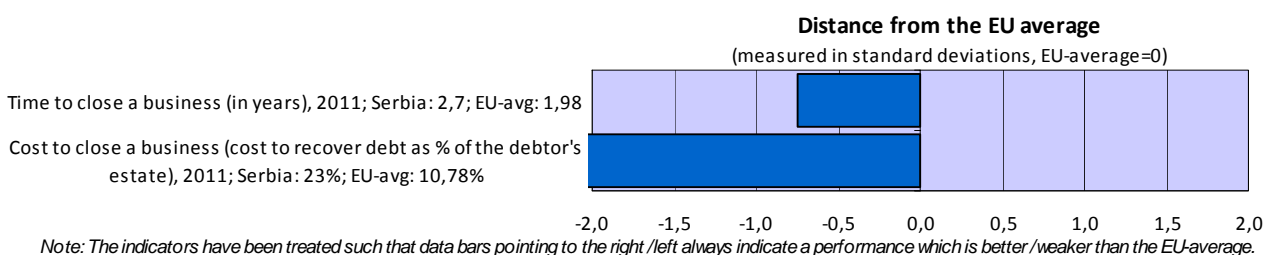
Looking across at public policies in support of entrepreneurship, some developments are notable. The Ministry of Economy and Regional Development and Ministry of Education launched initiative for establishing a wide partnership in the field of entrepreneurial education. In December 2010, key stakeholders signed a protocol on cooperation, whose primary objective is formulation and implementation of strategy for entrepreneurial education at all levels. In 2011, the plan is to finalize drafting of strategic documents. A new manual "Development of Entrepreneurship as a Key Competence in General Secondary Education" was developed.

With the support of the South East European Center for Entrepreneurial Learning (SEECCEL), an expert group has prepared multi-module pilot programs for entrepreneurial learning at ISCED 2 and ISCED 5/6 level, which will be launched in 2011.

In 2010, amendments to the Law on Legal Entity Profit Tax improved the tax measures for transfer of businesses. National Employment Service initiated "Family Entrepreneurship - micro-business" project. The project represents a mentor training program, and provides logistical support to families in local communities, who want to start a private business or improve an existing family business.

The European Network of Female Entrepreneurship Ambassadors (WENS), co-financed through CIP-Competitiveness and Innovation Framework Programme was established in 2010. The project will be implemented through the following activities: selection of ambassadors; promotion of women's entrepreneurship at the national level addressing the Ambassador groups of women in schools and universities, contacts with community groups, etc.

II. Second chance



Serbia falls behind the EU average in the SBA area of Second chance, and appears not to offer the most

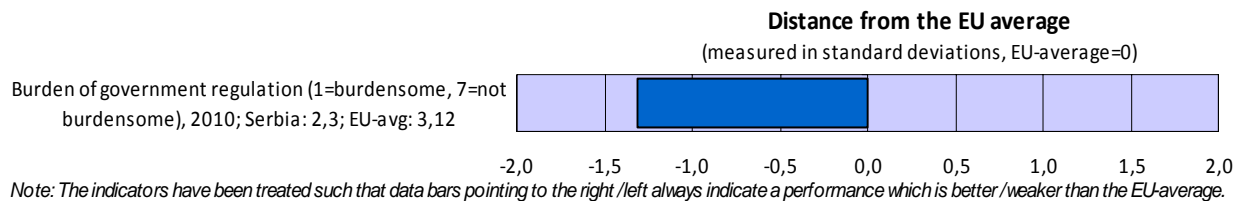
favorable conditions for an entrepreneur facing bankruptcy. This is due mainly to the comparatively longer

time and higher cost necessary for winding down a business.

On the policy front, these challenges were addressed through a new Bankruptcy Law which came into force in January 2010 and 11 bylaws related to the bankruptcy were adopted during 2010. One of the key changes of the bankruptcy framework is the introduction of pre-packaged reorganization with the aim to provide faster resolution for companies in financial distress and reduce direct and indirect bankruptcy costs.

The Draft Law on Voluntary Corporate Financial Restructuring is being prepared with the assistance from the IMF and was adopted by the Government and submitted to the Parliament. This Law will establish legal and institutional mechanism for out-of-court corporate financial restructuring for those companies which are in financial difficulties (inability to pay debts - illiquidity, imminent inability to pay debts - imminent illiquidity or over-indebtedness), in order to prevent their formal insolvency proceeding.

III. Think Small First



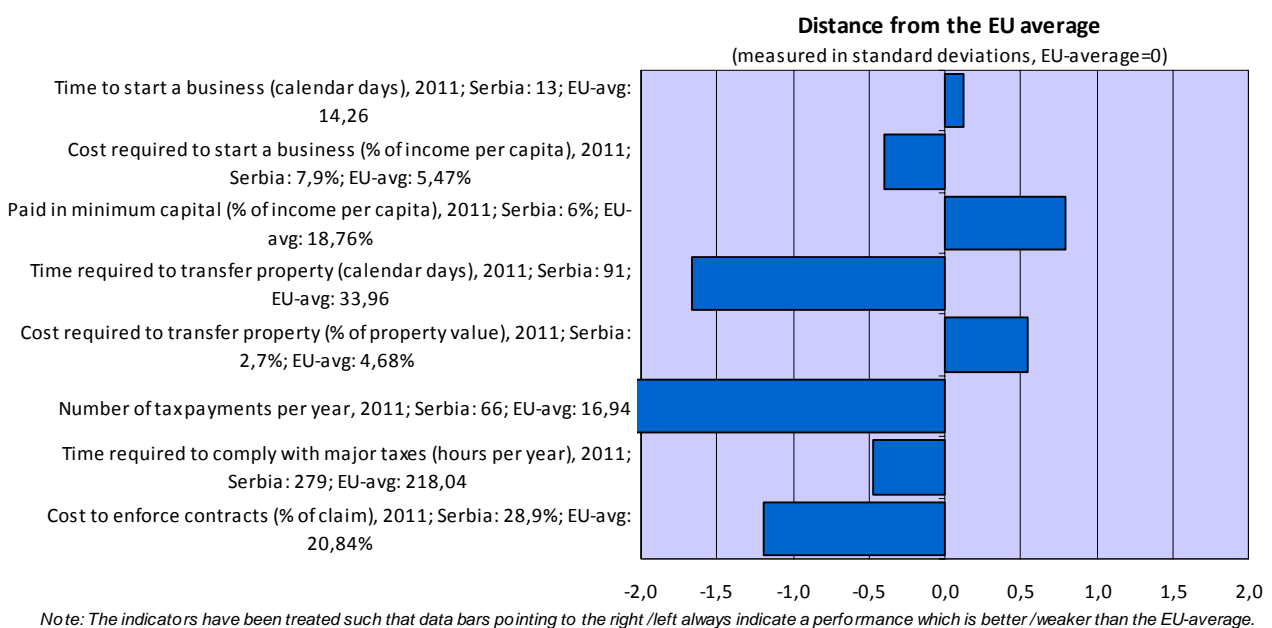
The one indicator available in this SBA area clearly outperforms the EU-average, suggesting that the Serbian enterprises feel to be burdened by government regulations in general, to a higher degree than the enterprises in the EU countries.

On the policy side, in November 2010, the Office for Regulatory Reform and Impact Assessment (ORRIA), as a permanent service of the Government, was founded by

the Decree of Government. The Office will, after short transition period, replace the Council for Regulatory Reform and the Comprehensive Regulatory Review Unit as temporary Governmental bodies.

Revised guidelines for Regulatory Impact Analyses (RIAs) were published by the government in 2010. They include specific guidance on the measurement of potential administrative and compliance costs.

IV. Responsive Administration



Although Serbia has been catching up during the past years, it still lags behind the European average as regards responsive administration.

Of all the indicators measuring progress in this area, those important for day-to-day business operations show the higher need for improvement: the number and duration of tax payments in Serbia reveal a heavier and less efficient tax administration system. Similarly, the efficiency of the judicial systems in solving contractual disputes – as measured by the cost to enforce contracts - falls behind the EU average.

The start up conditions – in particular the time and paid in minimum capital necessary for opening a business are more favorable for would be entrepreneurs in Serbia than other EU countries, but the cost thereof estimated at 7,9% of income per capita is still comparably higher than in the EU (5,4%).

In accordance with amendments to the Rules on the allocation of tax identification number of legal entities, businesses and other entities, for which the registration authority the Agency for Business Registers ("Off. Gazette

of RS, no. 32/2009 and 70/2010), simultaneously with a decision on the establishment of companies Business Registration Agency issues Tax Identification Number.

Revised guidelines for Regulatory Impact Analyses (RIAs) were published by the Secretariat of the Council for Regulatory Reform in 2010. They include specific guidance on the measurement of potential administrative and compliance costs (standard cost methodology).

The new E-government Portal was launched (Internet page: <http://www.euprava.gov.rs>).

Tax administration established a national multi-functional Contact Centre. The Contact Centre is located in Belgrade and start with around 50 full-time specialized staff of first line agents, back-office agents, supervisors and other operational support staff.

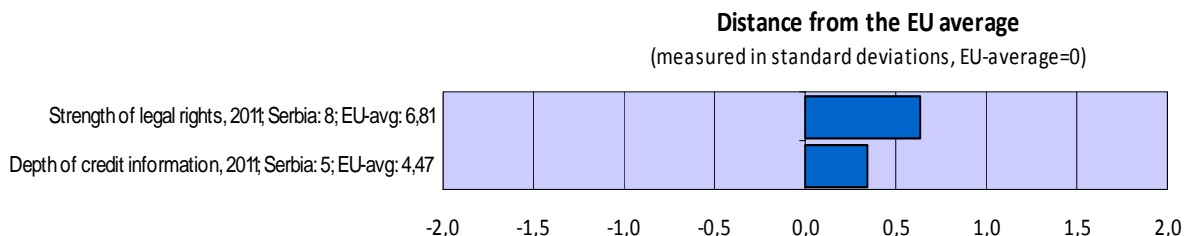
V. State aid and Public procurement

There are no indicators available for Serbia and it is therefore not possible to draw any conclusions about Serbia's performance in this area.

On the policy front, in 2010, the Regulation on Manner and Procedure for State Aid Notification ("Official Gazette of

RS" No. 13/2010) and the Regulation on Rules for State Aid Granting ("Official Gazette of RS" No. 13/2010) containing the provisions directly related to SMES were adopted.

VI. Access to finance



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

There are only two indicators available for Serbia in this area, none of which actually measures access to finance and private capital for SMEs. It is therefore not possible to draw any general conclusions on this basis.

Nevertheless, it seems that the creditors in Serbia enjoy a higher degree of protection through collateral and bankruptcy laws than in the EU on average, which should generally facilitate lending. At the same time, the indicator measuring the reliability and coverage of public and

private credit bureaus which is an important element of a stable financial market is also slightly above the EU average.

When **looking across at policy**, in 2010, amendments of the Law on Enterprise Profit Tax, which changed title into the Law on Legal Entity Profit Tax (Official Gazette of RS, No. 18/10), were introduced. The Law on Legal Entity Profit Tax has improved the tax measures and incentives for encouraging investments, in respect to: tax

exemptions, tax deductions, (direct and indirect) tax

credits, tax holidays and tax consolidation.

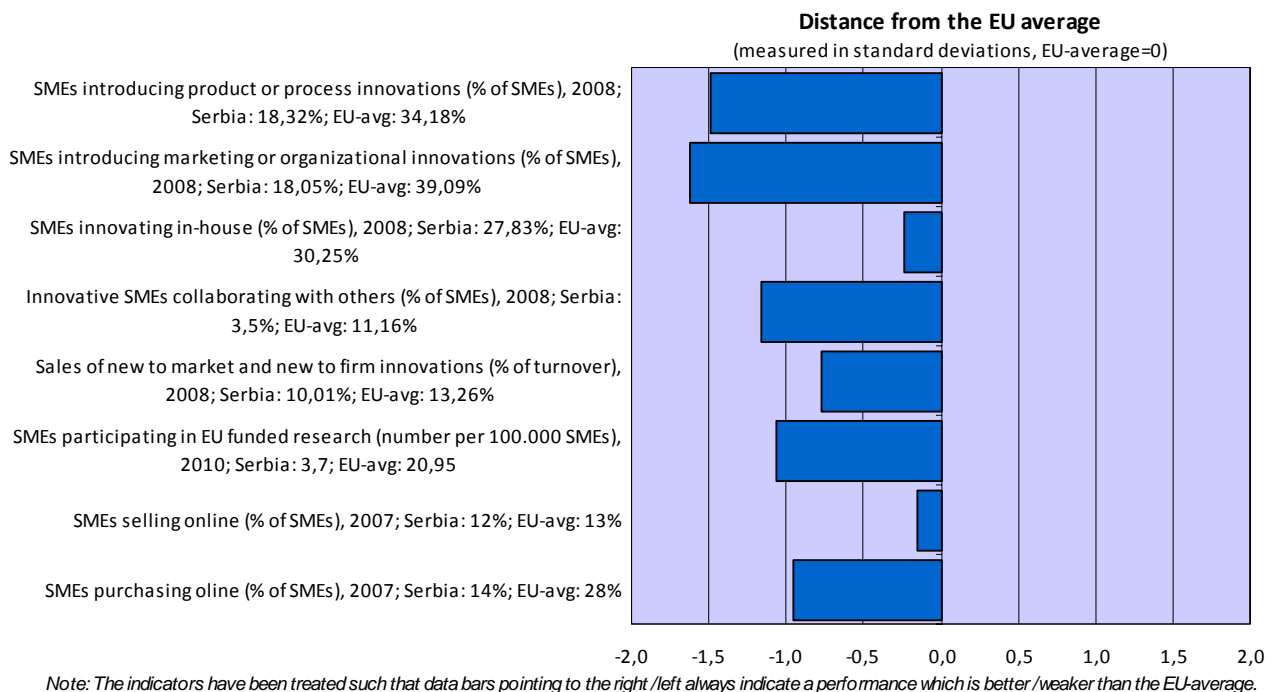
VII. Single market

There are no indicators available for Serbia and it is therefore not possible to draw any conclusions about Serbia's performance in this area.

On the policy front, under the Technical Assistance to Key Institutions of Quality Infrastructure in Serbia Project

25 two days and 16 one-day seminars aimed at raising awareness of entrepreneurs about the importance of standardization and application of standards were delivered.

VIII. Skills and innovation



In this area, which covers both skills and innovation aspects, Serbia scores below the EU average.

All of the core indicators of innovation are below par. Accordingly, SMEs in Serbia are less likely to introduce innovations, collaborate with each other or innovate in-house. The firms that do innovate are also less successful than their EU peers in converting these new products or processes into sales revenues.

Beyond the innovation indicators, the Serbian SMEs perform below average on the other aspects that characterise this area, such as their IT readiness as defined by their ability to sell their products and make purchases on-line.

On the policy side, the Ministry of Science and Technological Development has: implemented "The competition for the best technological innovation in 2010" for three categories of competitors: implemented innovations, innovative ideas and resources.

In May 2010, the EU Instrument for Pre-Accession Assistance (IPA) funded the Improved SME Competitiveness and Innovation Project (ICIP), which provides assistance to the Ministry of Economy and Regional Development (MERD) and the National Agency for Regional Development to improve the quality, range and availability of business support services for the SME sector in Serbia and to support a business environment and associated institutional capacity that will foster the development of innovative and competitive SMEs.

The project Support to Enterprise Competitiveness and Export Promotion (SECEP), prepared the mapping of the clusters as a result 6 priority clusters were determined. Through the web page "Serbian Clusters" (www.klasteri.merr.gov.rs) one can be informed on all news, announcements, and other events.

In 2010, the Education and Information Centre (EIC) within the Intellectual Property Office, was opened. The EIC

works on the awareness of the social importance of the intellectual property and development of the professional

abilities. The project is funded by the European Union and implemented by the European Patent Office.

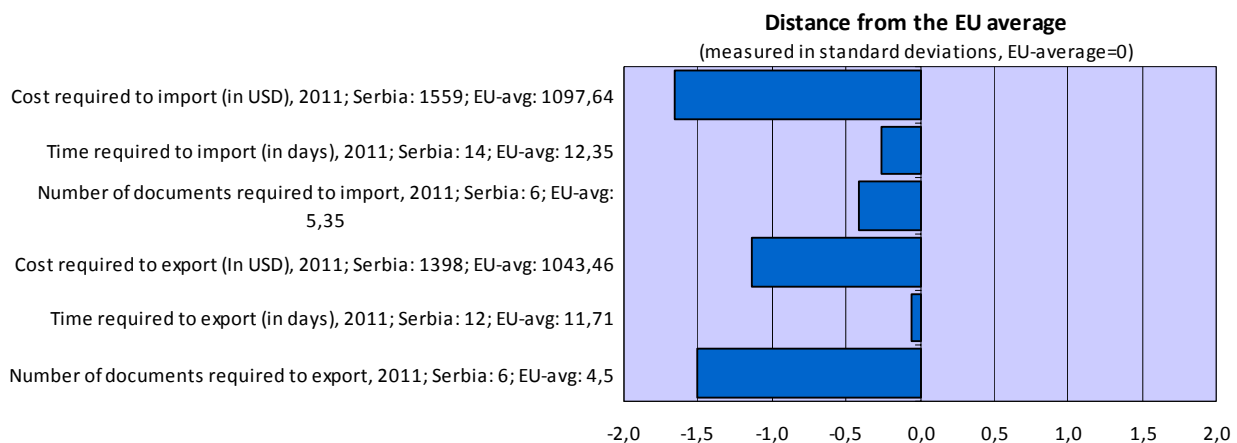
IX. Environment

There are no indicators available to demonstrate Serbia's performance in the area of environment.

Nevertheless, Serbia has undertaken some **policy efforts** to create a sound basis for future green growth. The new Law on Fund for Environmental protection came into force on September 2009 dedicating Fund's resources to fund programs, projects and other activities in the field of

conservation, sustainable use, protection and improvement of the environment, as well as in energy efficiency and use renewable energy sources. In October 2009, the Government adopted the Decree on the amount and conditions for awarding incentive funds. Amounts are adjusted on the annual basis. However, so far the incentive is related only to recycling of used rubber.

X. Internationalisation



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

Based on the available indicators for measuring internationalization, Serbia is trailing behind the EU average. This situation is determined by the general framework conditions for trading, as there are no performance-related indicators available to measure the extent to which Serbian SMEs actually engage in exporting or importing. Thus Serbia appears more bureaucratic than the other EU countries in what concern both the time and cost as well as the number of documents necessary for trading abroad.

On the policy front, in November 2010, the Franchising Centre within Serbian Chamber of Commerce organized the First International Franchising EXPO with support from the Ministry of Trade and the Serbia Investment and Export Promotion Agency (SIEPA). The aim was to promote and advertise the franchise business, link large companies, as franchise givers, and small and medium-sized companies, as franchisees, including know-how as one of the most important elements of that relationship.

Serbian Chamber of Commerce, in cooperation with VOKA of the East Flanders Chamber, implemented project Plato Serbia with the aim to the transfer of know-how from the Flemish partners and their big companies to the Serbian partners and SMEs.

The project Support to Enterprise Competitiveness and Export Promotion (SECEP), financed by the European Union IPA fund, within the component - Supply Chain Development (Supplier Development Programme) deals with improvement of the performance of Serbian companies (SMEs) through improving product quality and business acumen so that they may become effective and efficient suppliers to Multi-National Companies working / operating in Serbia.

Within the Enterprise Europe Network (EEN) project, in 2010, the new program for 2011/2012 year was adopted including a set of ten activities that will enable small and medium sized businesses to link up with foreign customers and improve business performance in international markets.

Good practice

To illustrate the efforts of the government to promote SMEs, the statistical and policy information of the fact sheet is enriched by an example of a good practice in SME policy.

The new bankruptcy law was adopted in December 2009 and is effective since the end of January 2010. In order to create incentives for the debtor to timely signal that it has financial difficulties, the new bankruptcy law has introduced the possibility of accelerated reorganization proceedings through the adoption of a pre-packaged reorganization plan (articles 158-160 of the Law on Bankruptcy). The new mechanism is held to be less damaging, less expensive and less stressful than traditional reorganization. The aim is to avoid the worst possible outcome and to enable debtors to reach a mutually beneficial agreement with creditors on how to overcome financial difficulties. The pre-packaged reorganization plan could be submitted only by the debtor. The adoption of the plan requires the consent of a simple majority within each class of creditors. The proceedings for the adoption of a plan are envisaged to be rather short and fast, with a maximum duration of 30 days or exceptionally 60 days as of the day of commencement. In practice, the bankruptcy judge simultaneously opens the insolvency proceeding, confirms the adoption of the reorganization plan and closes the insolvency proceeding. The adopted reorganization plan is binding on all creditors. One year since the adoption the mechanism was successfully applied in several notable cases (both SMEs and large companies) and in the time of financial and economic crises that leaves many companies distressed, this mechanism for the resolution of financial distress was an important and well received contribution.

About the SBA fact sheets

The Small Business Act (SBA) fact sheets are produced by DG ENTR as part of the SME Performance Review (SPR) which is its main programme for economic analysis of SME issues. The SBA fact sheets combine the latest available statistical and policy information for the 27 EU Member States and another 10 non Member States which also contribute to the EU's [Competitiveness and Innovation Framework Programme](#) (CIP). The fact sheets - produced annually- help to structure the available information so as to facilitate assessments of the SME policy assessments in the framework of the SBA implementation monitoring. The fact sheets refrain from policy evaluations, but are to document the status quo and progress in the different SBA areas. The SBA Fact Sheets are not standalone instruments. They do not constitute a comprehensive assessment of Member States' policies and should be regarded as a supplement to, and not a substitute for, available national publications. A good example for this is the policy information contained in the fact sheets: the fact sheets cite only those policy measures that were deemed by local SME policy experts of being of particular relevance. They do not -and cannot- reflect all measures undertaken by the government in the particular period of time. As a complement to the fact sheets additional policy information can be found on a database also located on the SPR-website. Please refer to the methodological note when reading this SBA Fact Sheet.

For more information

SME Performance Review:

http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm

Small Business Act:

http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm

The European Small Business Portal:

http://ec.europa.eu/small-business/index_en.htm

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¹ The SBA fact sheets 2010-2011 benefitted substantially from input by the European Commission's Joint Research Centre (JRC) in Ispra, Italy. Most notably, important improvements in the methodological approach, statistical work on the dataset as well as the visual presentation of the data are owed to the JRC.

² The SBA radar chart plots for the different SBA areas the relative position of an individual country vis-a-vis the respective EU-wide area average. The individual values represent averages across all available indicators for this area. The scaling range is from "0" (minimum or "worst in the -EU-27- class") to "1" (maximum or "best in class"). The EU-average is located between those extremes and plotted as a grey band in the chart. The area average for principle 9 ("environment") is missing for all countries due to a lack of data.

³ The policy measures presented in this SBS fact sheet may only be a selection of the entire range of measures undertaken by the Government in the year 2010 and the first three months of 2011. The selection was done by the SME policy country expert contracted by Ecorys (DG ENTR's lead contractor for the 2010-2011 fact sheets). The experts were asked only to select those measures that, in their view, were the most important, i.e. were expected to have the biggest impact in the specific SBA area. The complete range of measures that the experts compiled in the framework of producing this years' fact sheets will be published in the form of a policy database on the DG ENTR website alongside the fact sheets.

⁴ The quadrant chart combines two sets of information: firstly it shows on the status quo performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for EU-27. The vertical corridor marked by the dotted lines defines the EU-average. Secondly, it reveals the progress over time, i.e. the average annual growth rates for the period 2005-2011. The growth rates are those of the individual which the different SBA area averages are made up of. Hence, the location of a particular SBA area average in any of the 4 quadrants, provides not only status quo information about where the country is located in this SBA area relative to the rest of the EU at a given point in time, but also to what extent there was an improvement in the period 2005-2011.