



CARDS

Country

Serbia and Montenegro

Implementation period

2002-2007

Loan

Total €15 million

Results

Loan from Revolving Credit Fund to finance new dairy equipment and increase quality and quantity of production

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Loans spur on small business growth in Serbia and Montenegro

Funding business

In the wake of the 1990s Balkan war, the European Union – through the European Agency for Reconstruction – has provided the National Bank of Serbia and Montenegro with funds to be dedicated to providing start-up capital to help the ailing small business sector.

With a first grant of €5 million in June 2001, and subsequent grants in December 2001 and September 2002, the money has been used to create a Revolving Credit Fund (RCF). To date, the fund has disbursed €15 million and helped almost 200 enterprises, creating some 2000 new jobs in the process.

Banking on new business

The RCF works on the basis of sound economic principles, supporting only well-planned investments to expand production and employment in firms, while fostering the sustainable development of both the participating banks and their clients.

Lending under the RCF is administered through four local banks: Eximbanka, Novsadska banka, Cacacska banka and Zepter banka..

The Kuč dairy story

Within the framework of the project, Jezdimir Kuč approached Zepter banka in Kragujevac in October 2002 about a loan to upgrade his 11-year-old dairy and, in so doing, continue 200 years of family tradition.

At the time, the farm was processing 17,000 litres of milk a day into such products as cream, yoghurt, feta cheese and soft cheese. The dairy markets itself as a producer of good quality, homemade foods.

Today, with new equipment from local and European suppliers, the dairy is processing 38,000 litres of milk a day. And the number of workers employed has doubled from 30 to more than 65.



New equipment for making UHT feta cheese, for example, has helped Kuč more than triple production from 300 litres per hour to 1000 litres (1500 litres of milk makes 300 litres of feta).

The loan of €200,000 is repaid quarterly over a maximum of five years, with an interest rate of 10% per annum.

Home-grown help for the community

Kuč is the biggest dairy in the area and the first to get an RCF loan. The investment has helped the company to increase production and, with new Danish-made equipment, to improve quality control. Its products – like the traditional kajmak butter-cheese – are available throughout Serbia and as far away as Croatia, Macedonia and Bosnia.

Eyeing potential markets outside the region, Kuč is waiting for news of his export licence which would allow his dairy to sell to EU countries, especially Germany and Denmark.

The dairy's growth and continued expansion helps the local economy and provides more jobs for surrounding villagers. Its success is being watched by other small businesses in the region.

Kuč is realistic about his achievements, saying that the business would probably have prospered as well without the Agency loan. "But it would have taken longer to secure [a commercial] loan and would not have been as efficient," he concludes.