



Key points

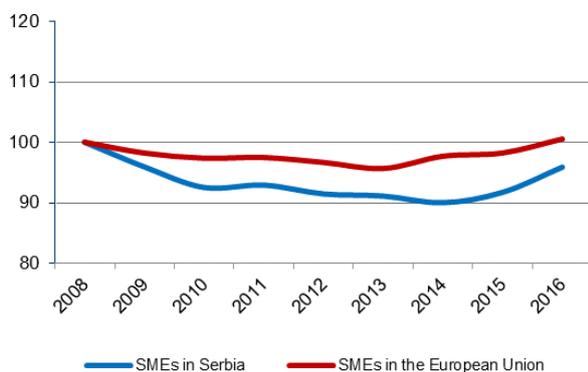
Past & future SME performance¹: The importance of SMEs for the economy has increased with the ongoing economic recovery. In 2016, employment in the SME sector stayed below the respective pre-crisis levels (2008), but value added of SMEs to the economy is higher than before the crisis. These developments point at increased efficiencies and productivity within SMEs. As Serbia's economy continues growing by the current high growth rates, which are forecast by the Commission to be sustainable, SMEs are expected to be taking even more important role in the economy.

Implementing the Small Business Act for Europe (SBA): Serbia made some progress in implementing the SBA, most notably by further strengthening public support for SMEs. Coordination between various bodies has been enhanced and there is a comprehensive, although slow paced work ongoing to further reduce administrative burden, both in terms of cost and time. Access to credit has improved, mainly on the back of the general economic expansion. SMEs growth continues to depend on their own resource and simple credits, but new more complex financing instruments are in the pipeline. The Innovation Fund has developed a set of instruments, which has been proven as particularly useful for high tech SMEs. These instruments should be further expanded and adopted by other funding agencies.

SME policy priorities: Serbia provides a comprehensive support to SMEs, but needs to increase predictability of the general business and administrative environment. To this end, efforts to screen and evaluate costs of administrative obligations should be stepped up. In every policy, there should be more emphasis on the 'Think Small First' principle. A more decisive regulatory action is needed to offer to SMEs a wider set of financing instruments and thus further improve their access to finance. In this context, SMEs would also benefit from more transparent and better prepared public procurement procedures. In view of the opportunities offered by the constantly growing FDI in Serbia, efforts to establish links between domestic and foreign firms should be stepped up.

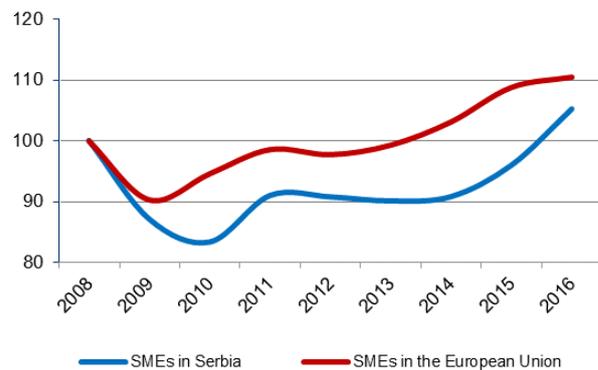
Number of persons employed in SMEs

(Index: 2008=100)



Value added of SMEs

(Index: 2008=100)



About the SBA fact sheets

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs.

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1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Serbia		EU28	Serbia		EU28	Serbia		EU28
	Number	Share	Share	Number	Share	Share	Million €	Share	Share
Micro	78 049	86.3 %	93.0 %	215 064	20.2 %	29.2 %	1 428	9.5 %	20.4 %
Small	9 713	10.7 %	5.9 %	193 919	18.2 %	20.1 %	2 524	16.8 %	17.8 %
Medium-sized	2 170	2.4 %	1.0 %	224 883	21.1 %	17.0 %	3 305	22.1 %	18.4 %
SMEs	89 932	99.5 %	99.8 %	633 866	59.5 %	66.4 %	7 257	48.4 %	56.6 %
Large	489	0.5 %	0.2 %	430 776	40.5 %	33.6 %	7 726	51.6 %	43.4 %
Total	90 421	100.0 %	100.0 %	1 064 642	100.0 %	100.0 %	14 983	100.0 %	100.0 %

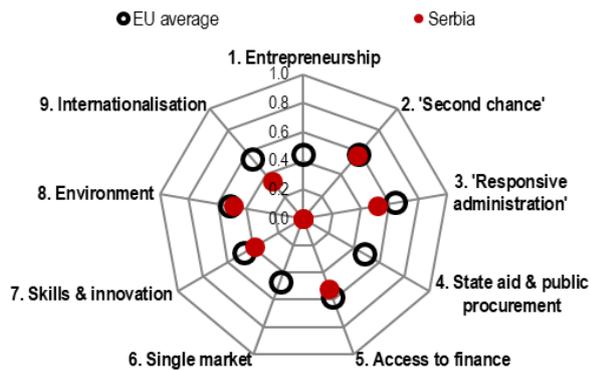
These are data for 2016 provided by the State Statistical Office of the Republic of Serbia and Eurostat (Structural Business Statistics Database) and were processed by DIW Econ. The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health (In the publication of SBA Factsheet 2017, a larger population was included, thus last year is not comparable with this year. The data in the table SBA Factsheet 2017 included sole traders which amounted to 276.342 units). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

Attention: VA in million Euros! (not billion)

In Serbia, nearly 48 % of value added and around 59 % of national employment is generated by SMEs, compared with

an average of 56 % of value added and 66 % of national employment in the EU.

2. SBA profile²



Serbia made further progress in implementing the Small Business Act. Since 2008, Serbia has put in place policy measures addressing all SBA policy areas. Overall, Serbia continues to follow a positive trend, with a well-developed approach to SME policy.

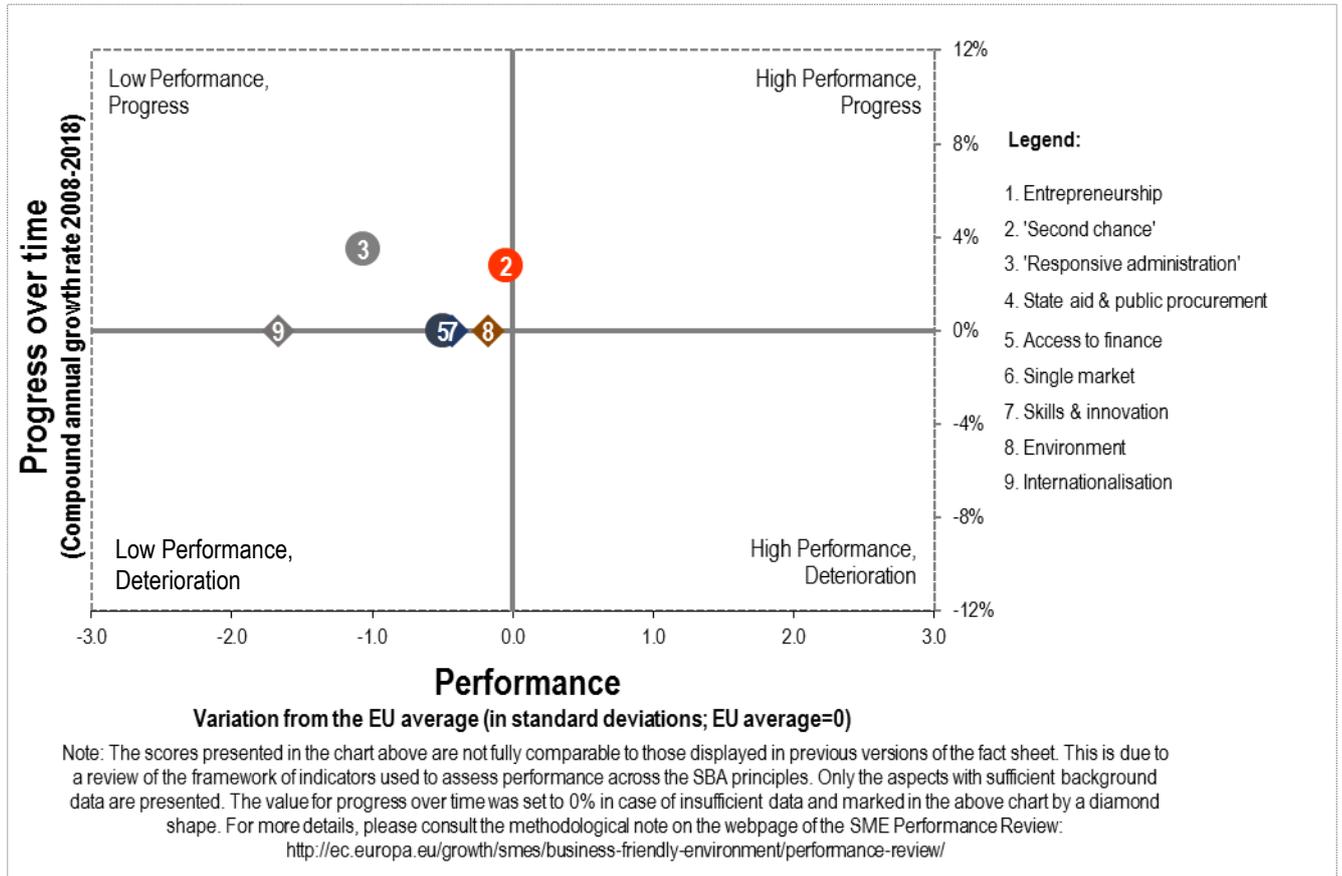
In general, the indicators used to assess SBA performance show close to average performance compared to EU peers. This is consistent with the level of economic development in Serbia. The recent high growth rates of the economy, benefit also the SME environment, hence it can be expected that Serbia will start closing the gap.

In some areas, the state of policy needs to be treated with caution. SBA indicators measuring attitude to entrepreneurship or the state of state aid and public procurement support are missing.

Access to finance was assessed very positively last year, while the picture is more nuanced this year, potentially due to more robust data.

The picture on internationalisation is excessively negative in view of very positive trade dynamics with the EU and all other trading partners.

SBA performance of Serbia: state of play and development from 2008 to 2018⁵



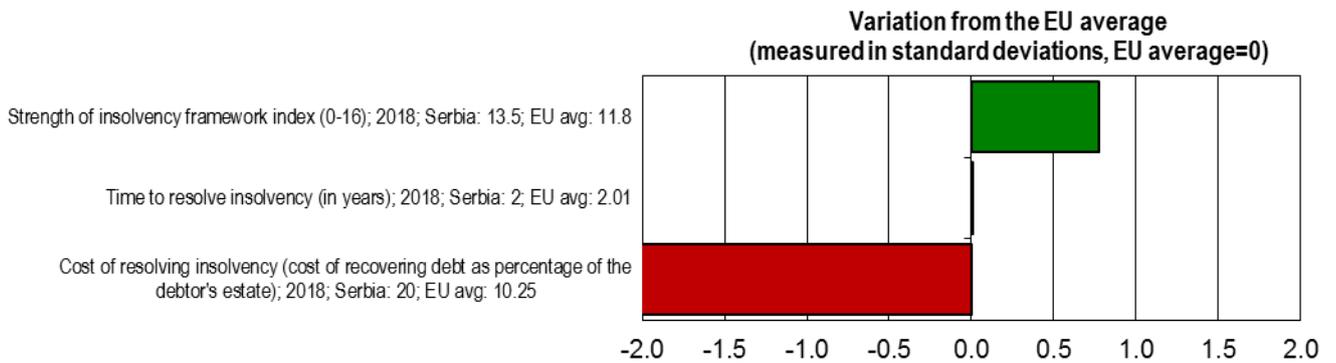
3. SBA principles⁴

3.1 Entrepreneurship

Regarding the indicators related to this principle, no sufficient data has been collected. Therefore, it is not possible to draw any

general conclusions on the performance on entrepreneurship vis-à-vis the EU.

3.2 ‘Second chance’

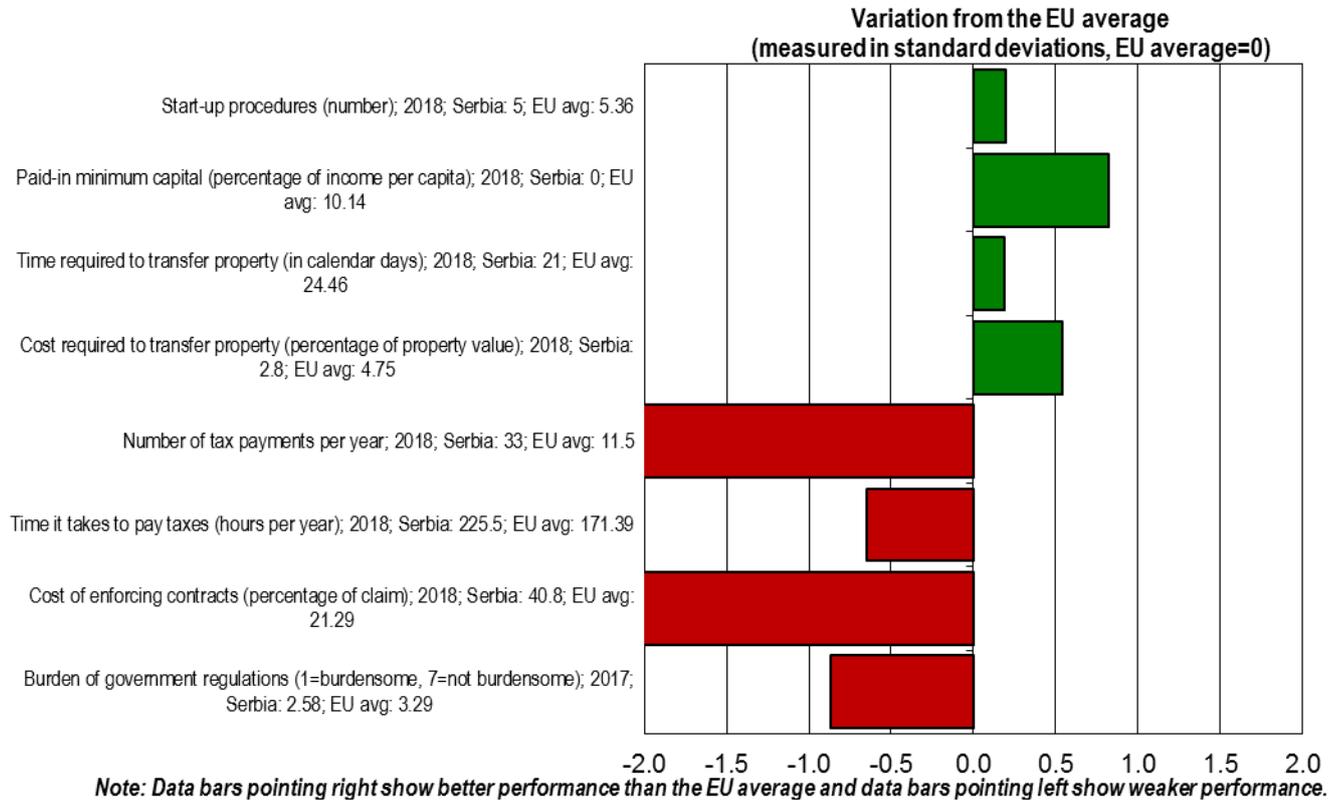


‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly.

the legal framework for insolvency is good and can be implemented timely, there are high cost for recovering debt.

Serbia’s score regarding opportunities given to entrepreneurs who failed but would like to try again is at the EU average. While

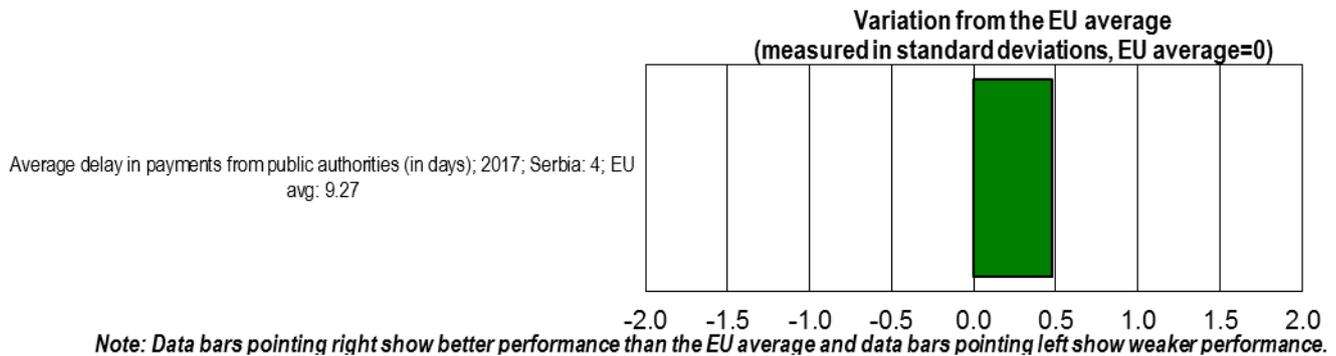
3.3 ‘Think Small First’ and ‘Responsive administration’



The ‘think small first’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to consider SME interests at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply. ‘Responsive administration’ refers to public administration being responsive to the needs of SMEs.

Serbia’s overall performance in this area is slightly below the EU average and is at the same level as last year. Nevertheless, Serbia is doing better than the EU when it comes to the cost of transferring property and the cost for starting a business (i.e. paid-in minimum capital).

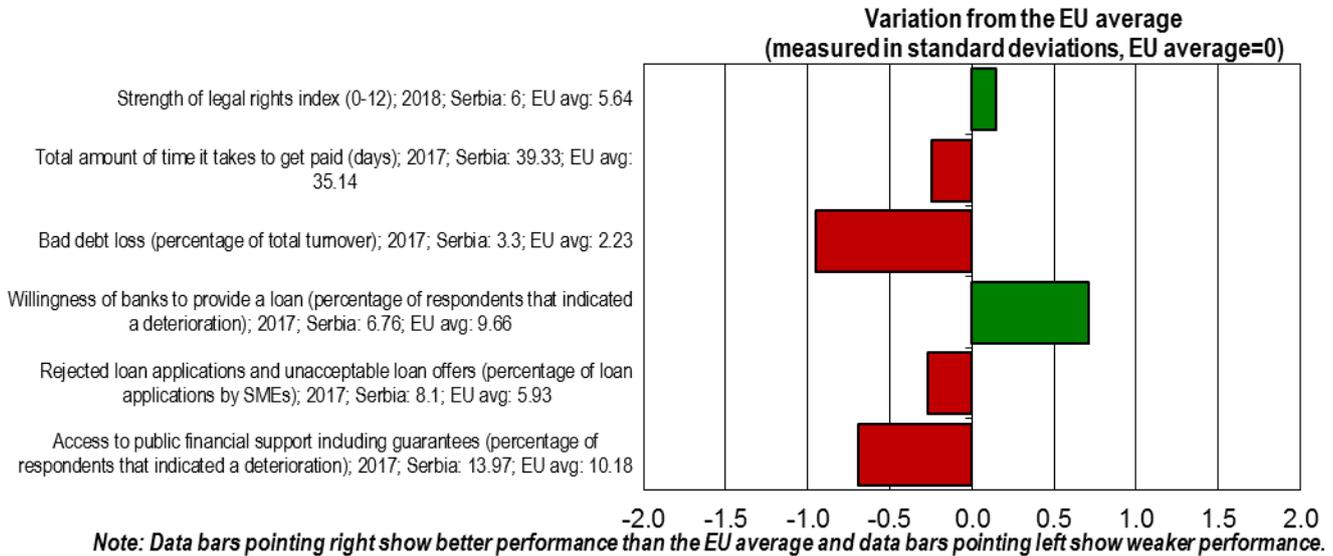
3.4 State aid & public procurement



As there is no sufficient data available for Serbia in this domain, no general conclusions can be drawn on its performance.

However, the average delay in payments from public authorities is less than the EU average.

3.5 Access to finance



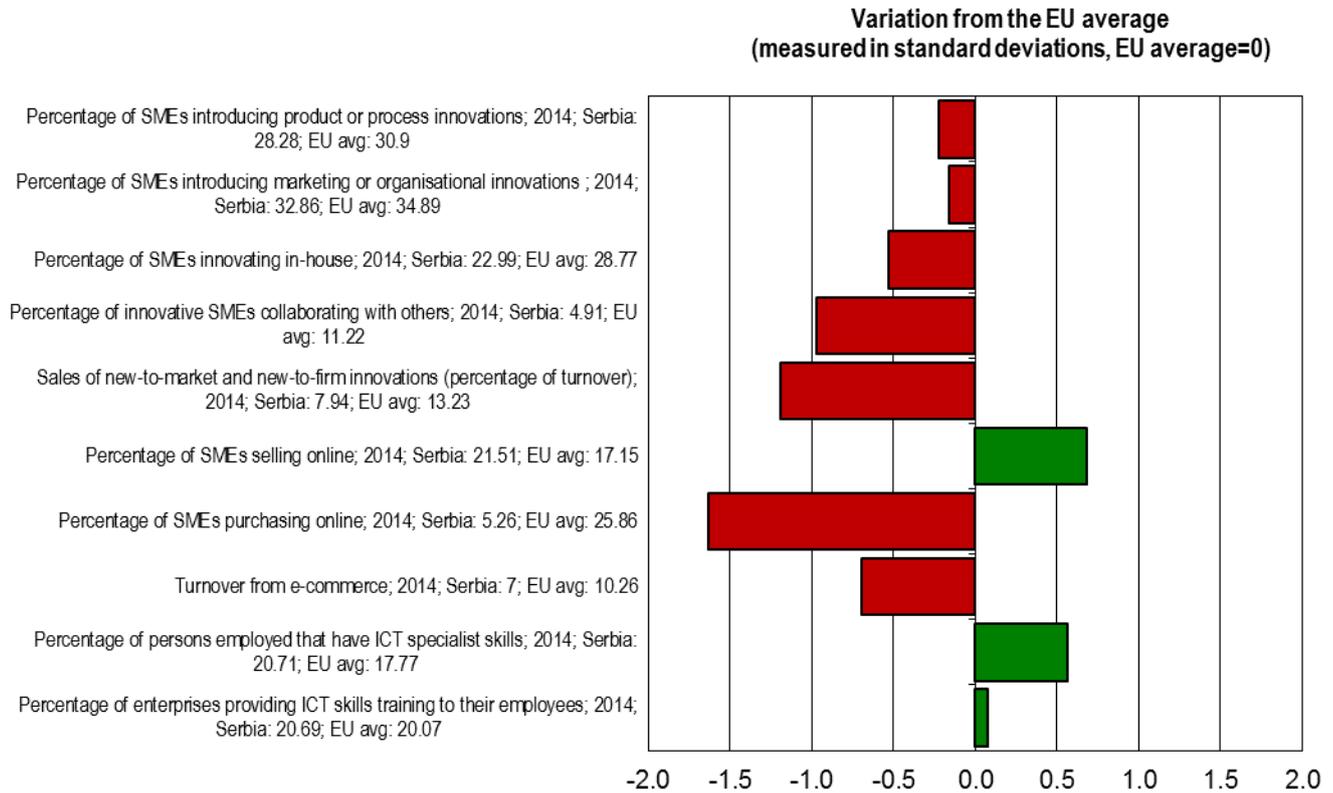
Last year, the SBA fact sheet showed that access to finance for SMEs in Serbia was better than in the EU. As explained on that occasion, the overall result was most probably distorted by missing critical data. The picture is corrected this year. The indicators more realistic reflect problems that SMEs face getting finance and Serbia is overall ranked below the EU average.

The willingness of banks to provide loans has increased in parallel with the macroeconomic recovery, but other indicators explain why the situation is worse in the EU, in particular concerning the quality of the legal framework, times to receive funding and the general availability of public financial support.

3.6 Single market

As Serbia is not an EU Member State, there is no relevant comparable data regarding the single market.

3.7 Skills & innovation



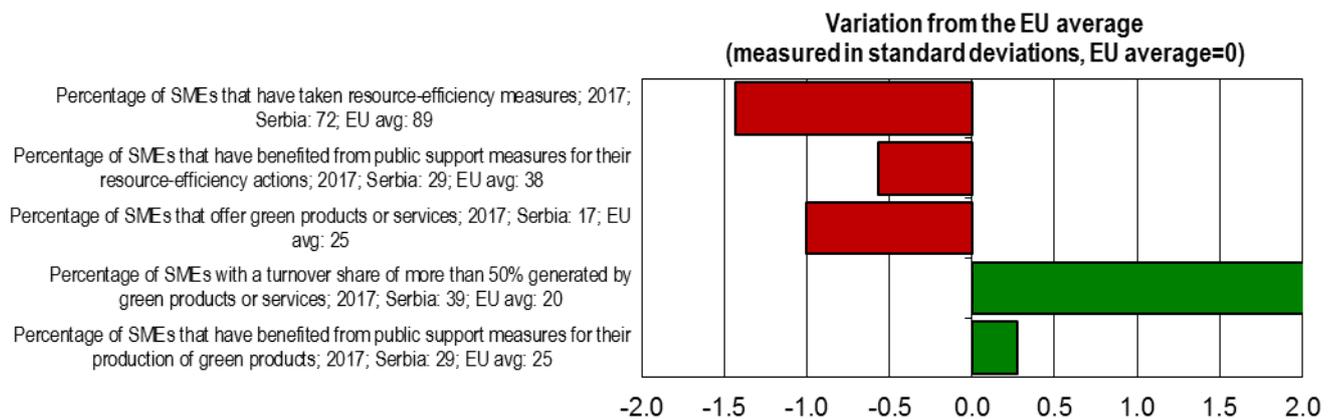
Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Data for Serbia in the chart above are in the case of Serbia the same as last year and were collected in 2014. Changes in the chart are due to new data for the EU and consequent changes in the EU average.

Serbia's performance remains slightly below the EU average.

While Serbia's SMEs innovate less than their EU peers, it is generally recognised that the country is advanced in the IT sector.

3.8 Environment

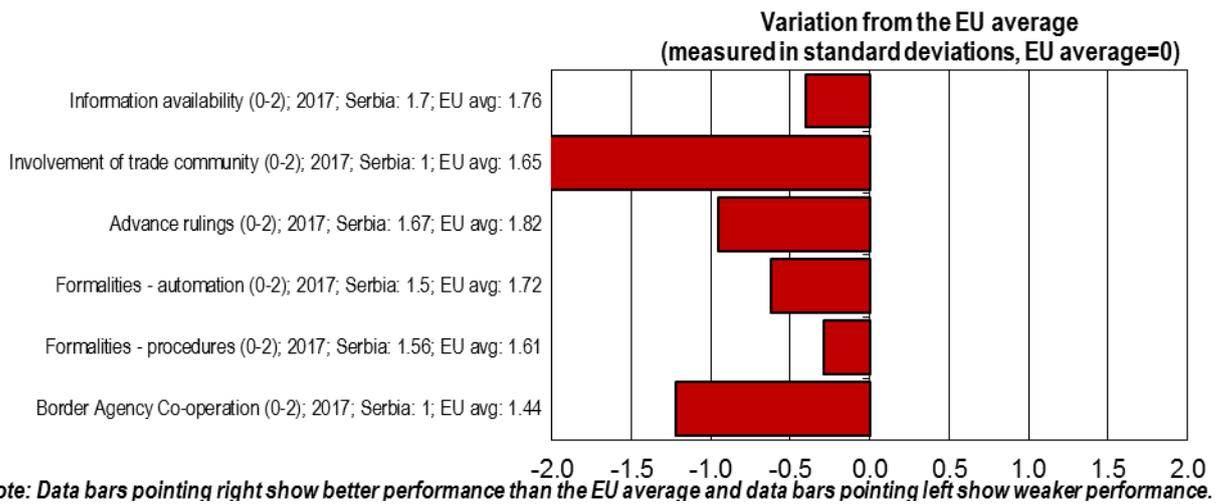


Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Serbia continues to underperform compared to the EU average in this area. The overall performance in most individual indicators deteriorated.

Historical data show a lack of progress made in this SBA principle. On the positive side, SMEs can benefit from measures incentivising energy efficiency and the use of renewable resources of energy.

3.9 Internationalisation



Serbia's performance in the area of internationalisation continued to be below the EU average. The bad score reflect the general negative attitude of business towards services provided to support trade. However, Serbia's trade volume is increasing by the rate of over 10% every years, so it is possible that this negative score does not fully reflect the situation on the ground. Many initiatives to improve trading times have been take and implemented in the context of the Regional Economic Area in the Western Balkans



4. Interesting initiative

Below is an example of an initiative from Serbia to show what governments can do to support SMEs:

Innovation Fund of Serbia

The Innovation Fund of Serbia (IF) is a key institution supporting innovative activities and managing funding for innovation. The IF contributes to the overall innovation system by supplying finance and ideas on how to engage with innovative SMEs. In particular, the IF promotes linkages between researchers and entrepreneurs.

From 2011 to 2016, the IF implemented the Innovation Serbia Project, financed from the European Union's Instrument for Pre-Accession and administered by the World Bank, piloting the Mini Grants and Matching Grants Programs, designed to support both startups and existing innovative SMEs. In 2016, the IF launched two new pilot programs: the Technology Transfer Facility Program, which aims to encourage the transfer of technology from the public academic sector to the commercial sector; and the Collaborative Grant Scheme for R&D Organizations and Private Sector Enterprises, which provides support to innovative projects with commercial potential created in cooperation between public R&D organizations and private SMEs. In December 2017, the IF launched the Innovation Vouchers Scheme as an additional service line for SMEs which require services of public R&D organisations.

The IF has established a competitive international project evaluation process based on merit and quality for the Mini Grants Program, the Matching Grants Program and the Collaborative Grant Scheme Program. Assessment of Project Proposals is entrusted to the IF's independent Investment Committee, which is supported by international peer reviewers with both academic and entrepreneurial experience.

References:

www.innovationfund.rs

Important remarks

The European Commission produces the SBA fact sheets, which combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of national policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures considered relevant. They do not and cannot reflect all measures the government has taken over the reference period.

SME Performance Review:

<http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

grow-spr@ec.europa.eu

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

Endnotes

¹ The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2016, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008–2015 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

² The 2018 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

³ The quadrant chart combines two sets of information. Firstly, it shows current 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 the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2018. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2018. All SBA principles, with the exception of the 'Think Small First' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

⁴ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2017 and the first quarter of 2018. Only those measures were selected which are expected to have the highest impact in the SBA area in question.