



2019 SBA Fact Sheet

SERBIA

Key points

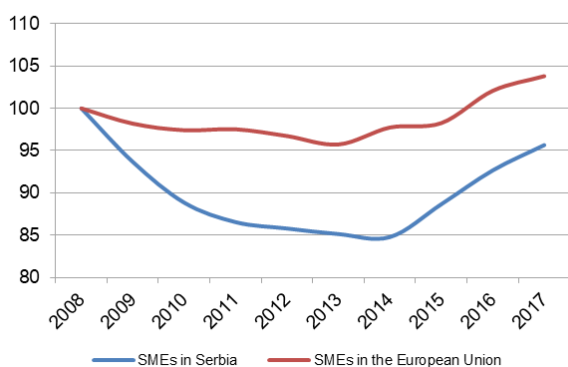
Past SME performance¹: SMEs in Serbia account for 66.3 % of employment and 55.6 % of value added, similar to the respective EU averages of 66.5 % and 56.3 %. SMEs played a significant role in the upswing of the Serbian 'non-financial business economy'. In 2012-2017, SME value added increased by 31.5 %, while SME employment increased by 11.5 %.

Implementing the Small Business Act for Europe (SBA): Serbia's SBA profile is in line with the EU average. The country is aligned with the EU average in four out of the ten SBA principles, 'second chance', access to finance, skills & innovation and environment. Nevertheless, the country performs below the EU average for two principles: 'responsive administration' and internationalisation.

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, the country should develop performance measurements for policy-making activities and put more emphasis on implementing the 'think small first' principle. Although access to finance has improved, own resources remain the principle source funding for SMEs. New financial instruments need to be developed to better respond to the needs of SMEs, particularly the most innovative ones. 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, tailor-made measures are needed to link incoming investors with domestic suppliers, integrating them further in their value chains. Similarly, the ongoing programmes for internationalisation of SMEs need to be stepped up to reach a higher number of beneficiaries.

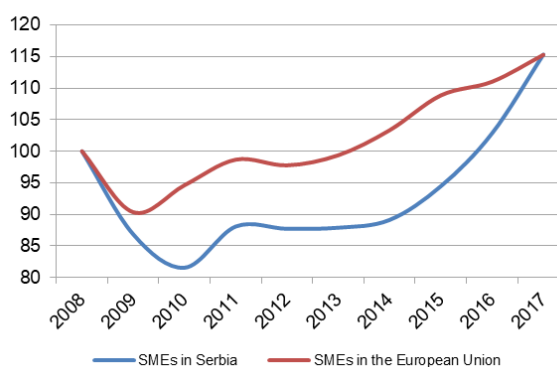
Number of persons employed in SMEs

(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		EU-28	Serbia		EU-28	Serbia		EU-28
	Number	Share	Share	Number	Share	Share	Million €	Share	Share
Micro	294 876	95.8 %	92.9 %	442 332	33.2 %	29.4 %	3 799	20.3 %	20.5 %
Small	10 122	3.3 %	5.9 %	203 675	15.3 %	20.2 %	2 868	15.4 %	17.6 %
Medium-sized	2 288	0.7 %	1.0 %	236 836	17.8 %	16.9 %	3 717	19.9 %	18.1 %
SMEs	307 286	99.8 %	99.8 %	882 843	66.3 %	66.5 %	10 384	55.6 %	56.3 %
Large	521	0.2 %	0.2 %	447 849	33.7 %	33.5 %	8 289	44.4 %	43.8 %
Total	307 807	100.0 %	100.0 %	1 330 692	100.0 %	100.0 %	18 673	100.0 %	100.0 %

These are data for 2017 provided by the 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. 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.

In 2017, SMEs were responsible for 66.3 % of all employment in the Serbian 'non-financial business economy' and they generated 55.6 % of overall value added. These shares are almost identical to the respective averages of 66.5 % and 56.3 % for EU SMEs. 99.8 % of all firms in the Serbian 'non-financial business economy' are SMEs, with almost one third of SMEs (30.5 %) operating in the *wholesale and retail trade* sector, generating 27.3 % of total SME value added and 29.8 % of total SME employment. The *manufacturing* sector comes a close second in importance for Serbian SMEs, accounting for 25.5 % of total SME value added and 28.5 % of total SME employment.

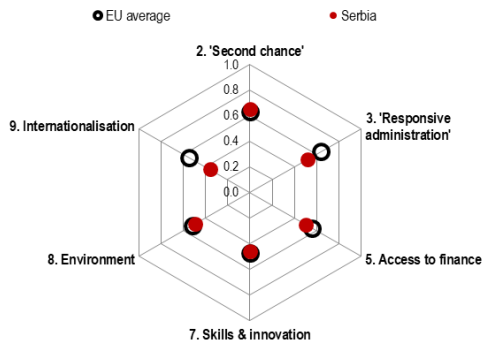
The average share of EU SMEs in the overall 'non-financial business economy' is 99.8 %, an identical share to that of Serbian SMEs. Also similar to Serbia, *wholesale and retail trade* is, on average, the largest single EU sector, accounting for an average of 26.0 % of all EU SMEs, 22.1 % of total SME value added and almost one quarter (24.6 %) of SME employment.

However, the productivity of Serbian SMEs, calculated as value added per person employed, is almost four times lower than the EU average of EUR 43 600, amounting to only EUR 11 750.

In 2012-2017, SMEs in the Serbian 'non-financial business economy' consistently generated value added growth totalling 31.5 %. SME employment growth was lower than that of SME value added, at 11.5 %. For EU SMEs, in the same period, average value added growth was only 17.9 %, 13.6 percentage points below that of Serbian SMEs. The average rise in EU SME employment was also significantly lower than that of Serbian SMEs, increasing by only 7.3 %.

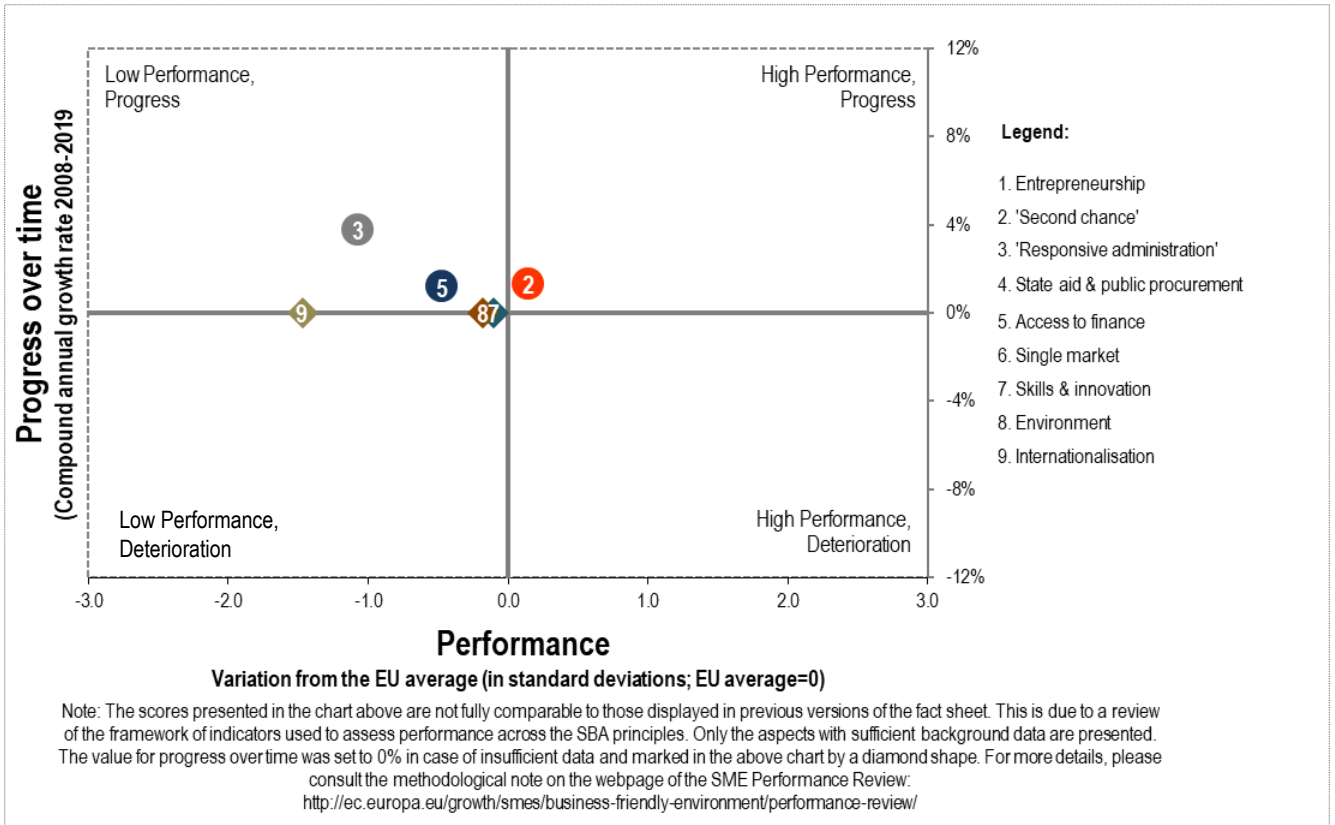
Most recently, in 2016-2017, Serbian SME value added increased by 12.1 %, the highest year-over-year growth of the past five years. This was accompanied by a slight increase in SME employment of 3.2 % and an increase in SME productivity of 8.6 %.

2. SBA profile²



Overall, Serbia's SBA profile is in line with the EU average. The country is aligned with the EU average in the 'second chance' areas as well as for the access to finance, the skills & innovation and the environment principle. Nevertheless, the country performs below the EU for 'responsive administration' and the internationalisation principles.

SBA performance of Serbia: state of play and development from 2008 to 2019⁵



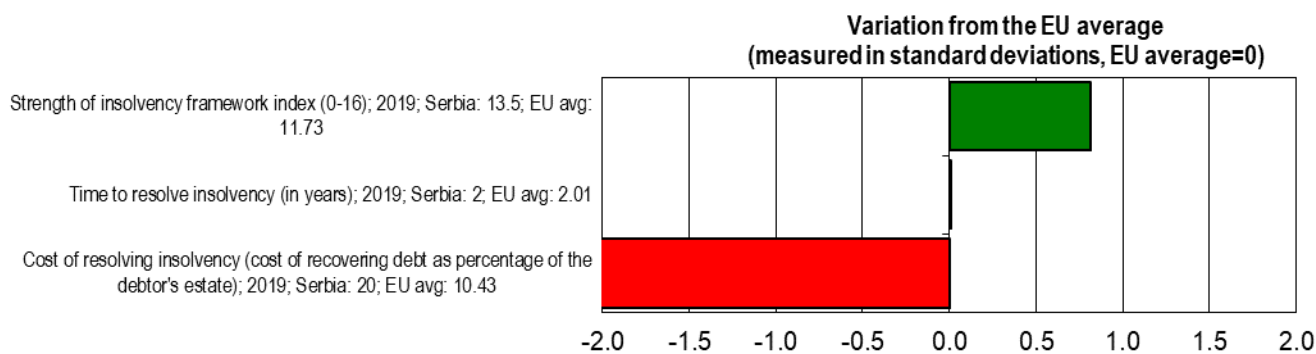
3. SBA principles⁴

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’



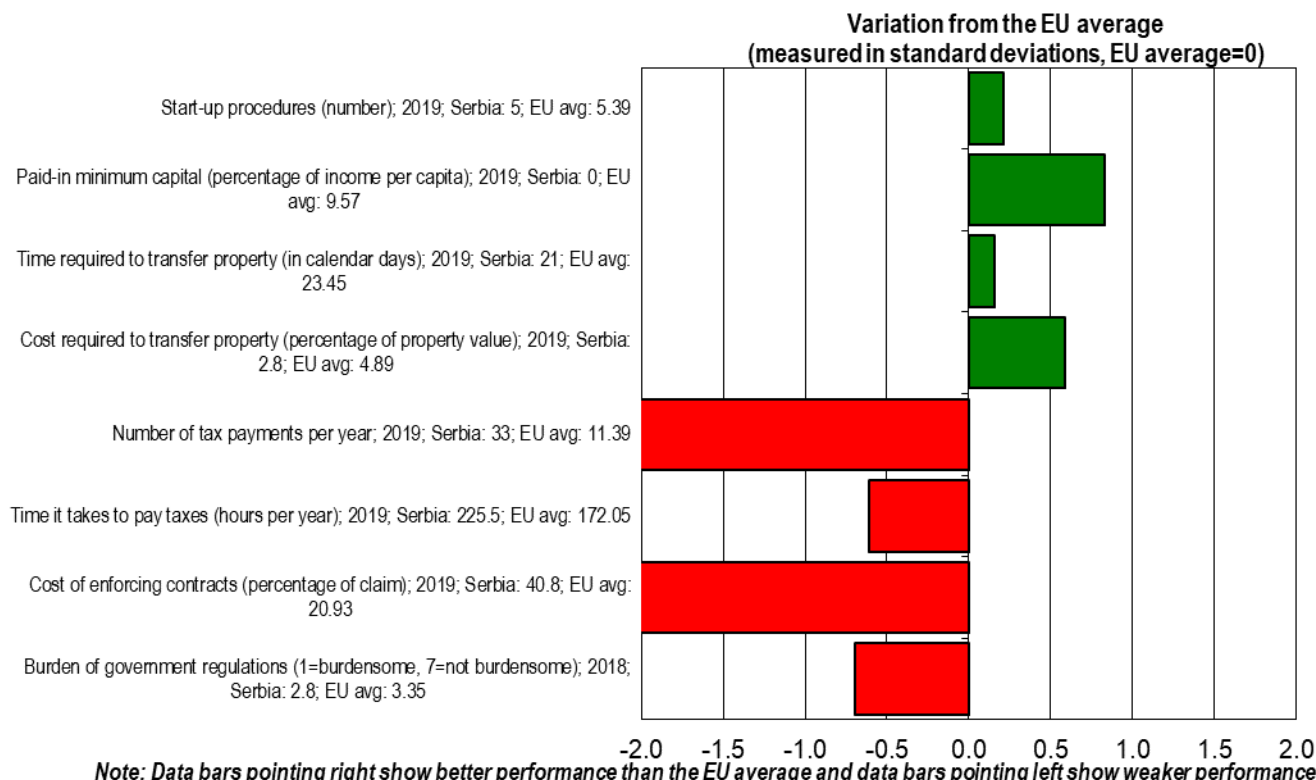
Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

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

insolvency framework but performs critically below the EU average in the cost of resolving insolvency. In comparison with the EU countries, only one country performs below Serbia in the cost of resolving insolvency, all the other EU countries scoring above Serbia.

Overall, Serbia performs in line with the EU average for this SBA principle. Serbia scores above the EU average in the strength of

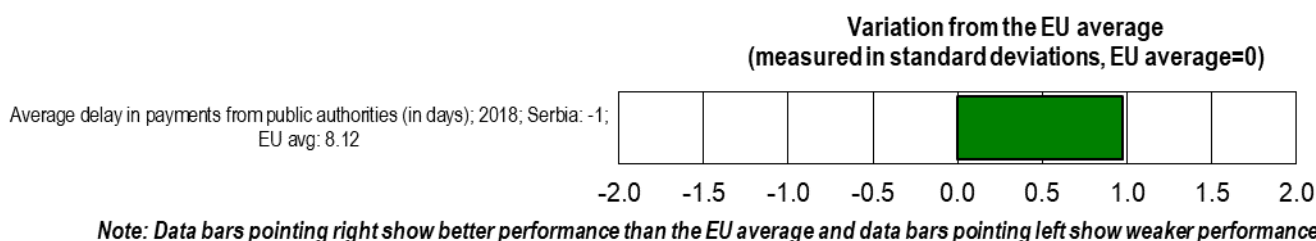
3.3 ‘Think Small First’ and ‘Responsive administration’



The ‘think small first’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SMEs’ interests into account 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 performs below the EU average in the area of ‘responsive administration’. However, significant progress in the overall performance has been achieved in this principle, the country being on a substantial upward trend since 2008. The country is performing significantly low in the number of tax payments per year and in the cost of enforcing contracts. Finally, some improvements have been observed for Serbia in the burden of the government regulations, from 2.6 in 2017 to 2.8 in 2018, on a scale from 1 to 7.

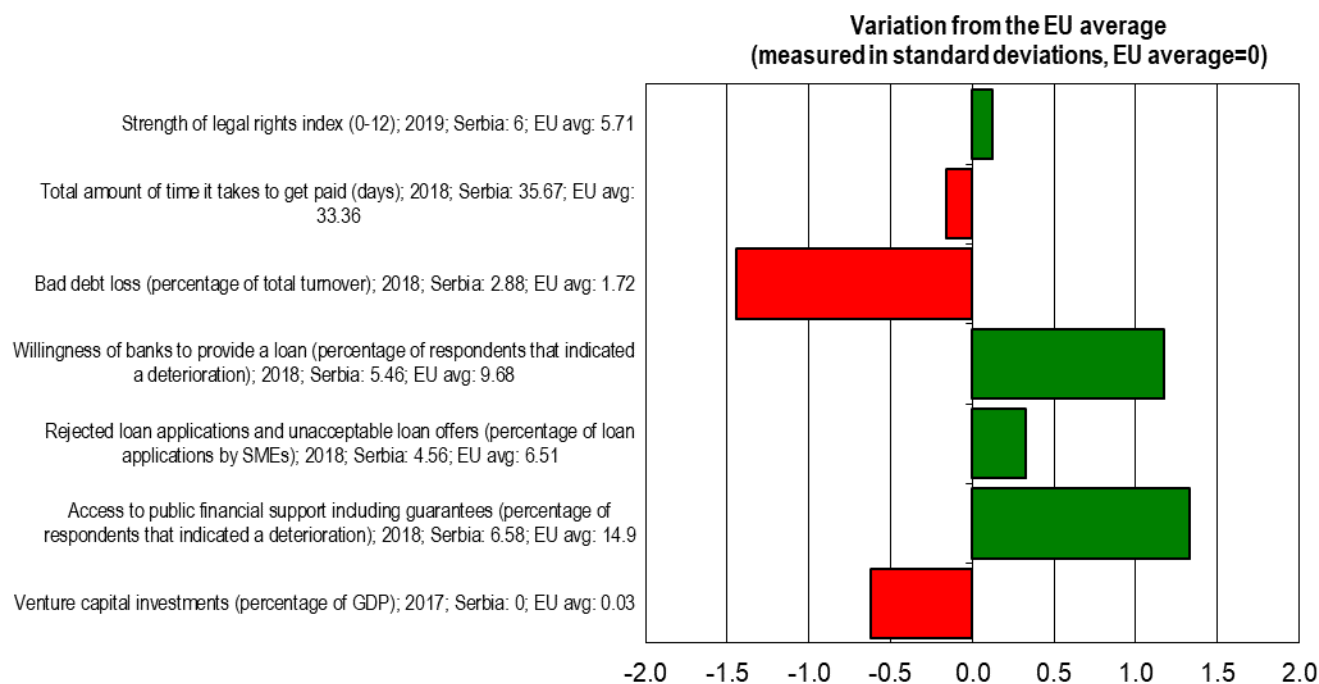
3.4 State aid & public procurement



Only one indicator is available for Serbia in the area of state aid and public procurement. The average delay in payments from public authorities is performing well, being above the EU

average. In addition, significant improvements have been achieved compared to 2017, where the score for this indicator reached 4 days.

3.5 Access to finance

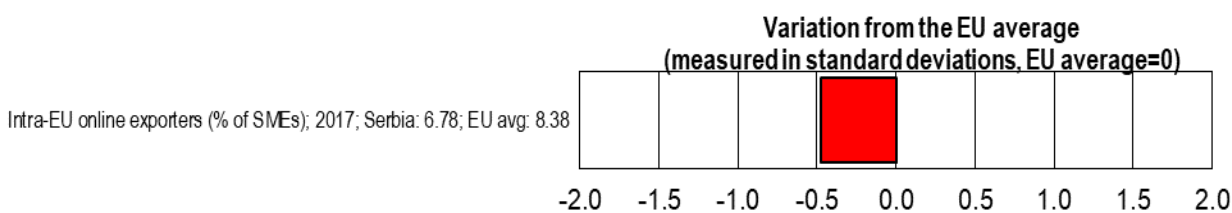


Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

In the area of access to finance, Serbia is performing in line with the EU average. In addition, some moderate improvements have been achieved since 2008 for this SBA principle. Significant ameliorations were reached between 2017 and 2018 in the number of days it takes to get paid, from 39.3 days in 2017 to

35.7 in 2018. Similarly, the scores for bad debt loss, rejected loan applications, access to public financial support and willingness of banks to provide loans improved between 2017 and 2018 in Serbia.

3.6 Single market

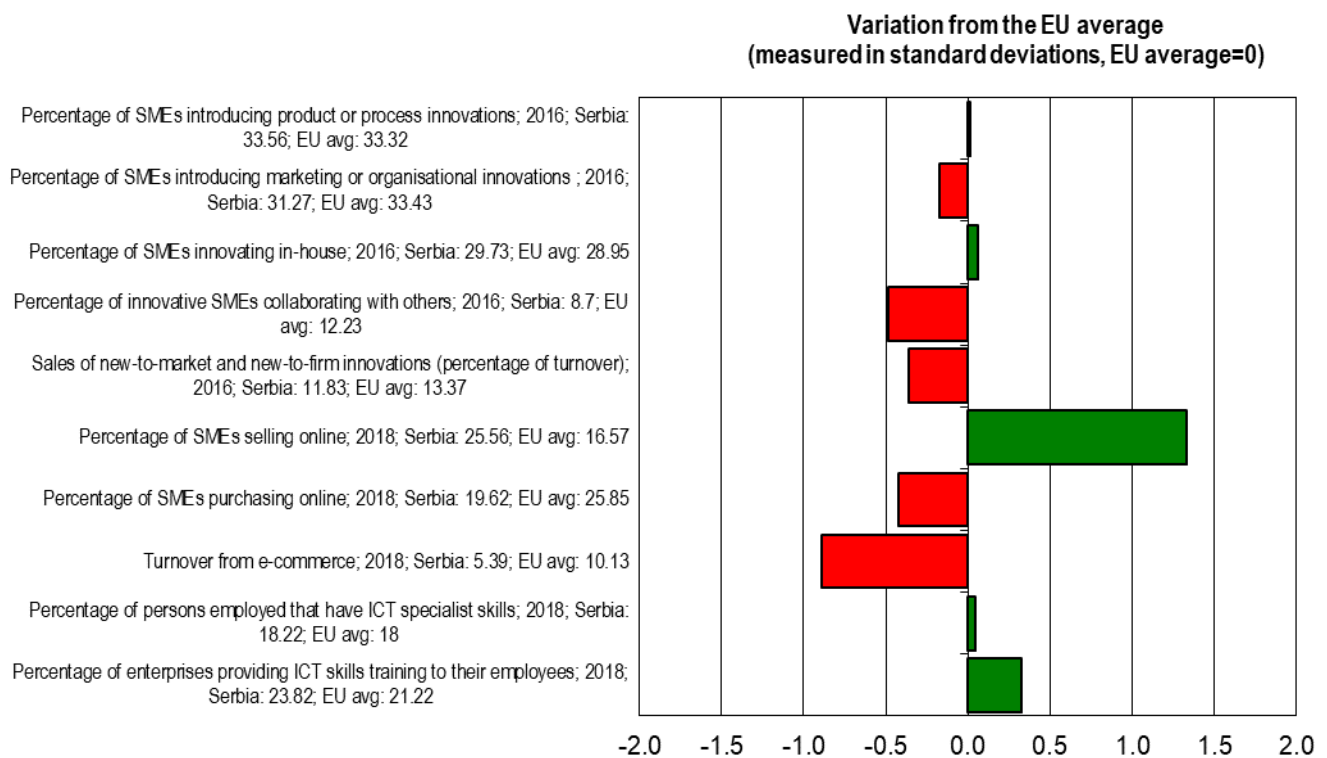


Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

As Serbia is not an EU Member State, no relevant comparable data on EU legislation transposition and trade within the single market is available. The one indicator available points to market access above the EU average for firms operating in the online

market, where the country is performing in line with the EU average, reaching 6.8% in 2017 of the SMEs exporting intra-EU online compared to the EU average of 8.4%.

3.7 Skills & innovation

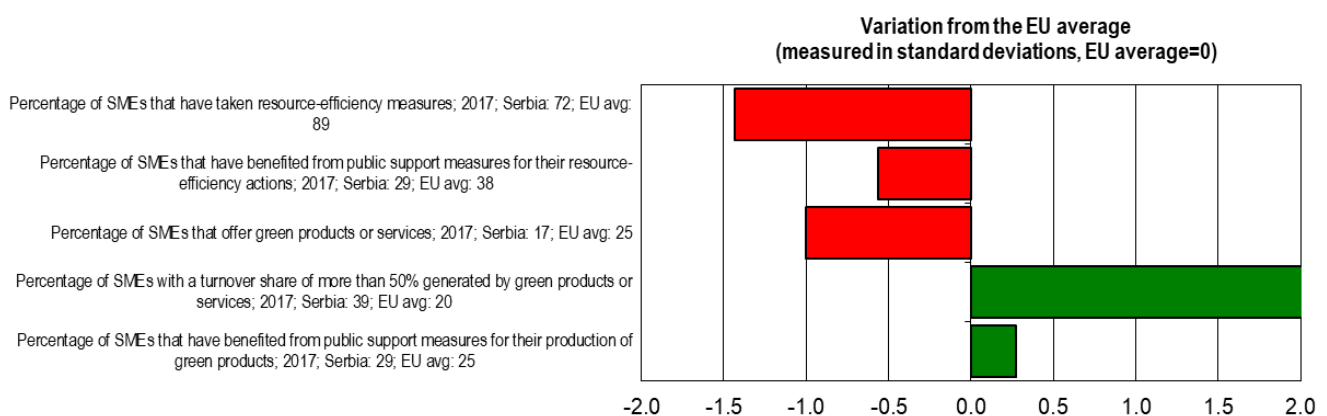


Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Serbia is performing in line with the EU average in the area of skills and innovation. Between 2017 and 2018, improvements have been reached in the proportion of SMEs selling online (from 23% in 2017 to 25.6% in 2018), while the proportion of SMEs purchasing online decreased (from 22.6% in 2017 to 19.6% in 2018). Nevertheless, the turnover from e-commerce increased

over the same period, from 4 to 5.4. Finally, significant deteriorations can be observed between 2017 and 2018 in the percentage of persons employed that have ICT specialist skills (from 20.7% in 2017 to 18.2% in 2018) and in the percentage of enterprises providing ICT training to their employees (from 31.1% in 2017 to 23.8% in 2018).

3.8 Environment

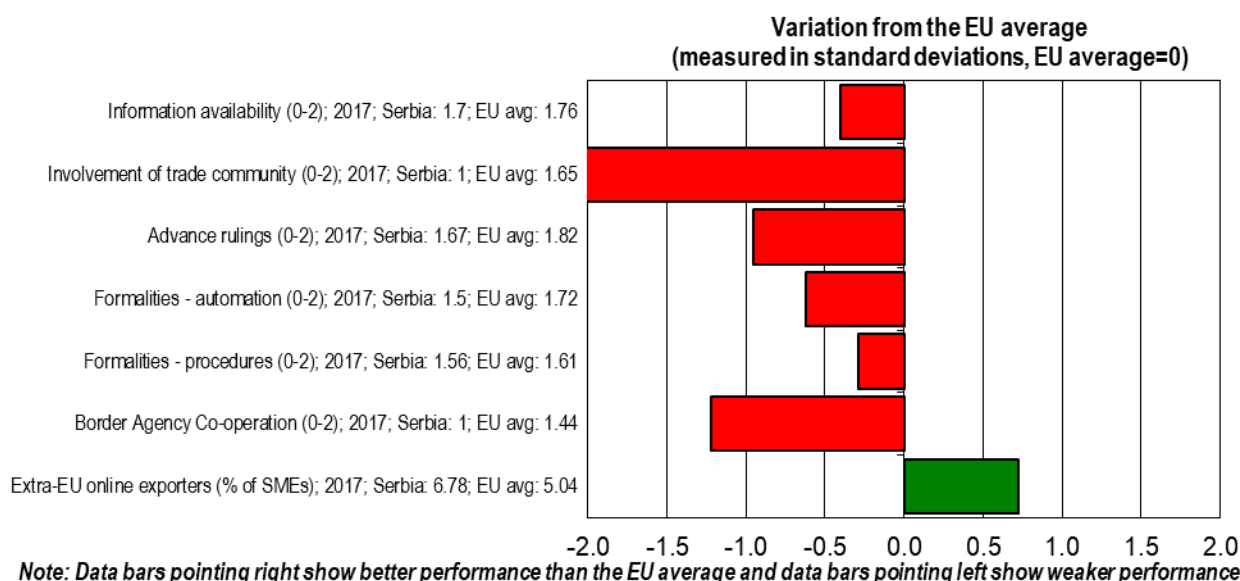


Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Serbia is performing in line with the EU average in the environment SBA principle. In comparison with the European countries, Serbia is performing significantly above the average in the proportion of SMEs with a turnover share of more than 50%

generated by green products or services. However, there is still room for improvement when it comes to the proportion of SMEs taking resource-efficiency measures, as well as the proportion of SMEs offering green products or services.

3.9 Internationalisation



Serbia is performing below the EU average for this SBA principle. Serbia is performing significantly low in the involvement of the trade community, being outperformed by all the European countries and scoring 1 in 2017 in comparison with the EU average of 1.65 (on a scale from 0 to 2). In addition, the country

is performing above the EU average in only one indicator (extra-EU online exporters), outlining that there is significant room for improvement in the country in this SBA principle.

4. Interesting initiative

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

Supplier Development Programme

Following considerable success in previous years in attracting inward foreign direct investments, particularly in the field of manufacturing, Ministry of Economy and Development Agency of Serbia (RAS), with the support of the World Bank, have created the Supplier Development Programme. The Programme was introduced in 2018 and the operational phase has commenced in 2019.

The Programme aims to establish market linkages between multinational companies present in Serbia having their manufacturing operations as potential buyers (and actual advisors) on one side and Serbian SMEs as potential suppliers of direct material to those multinational companies on the other side. The Programme will provide direct grants of up to 23 million dinars (approx. EUR 200.000) to SMEs satisfying the Programme criteria. The total budget of the Programme is 463 million dinars (approx. EUR 4 million).

The Programme will increase the competitiveness of national economy and support integration of Serbian companies into global value chains. Adopting business standards by the local companies in line with the requirements of international business community will lead to improvement and tailoring of domestic products and will allow those companies to become more competitive on international markets.

Moreover, the Programme will contribute to the creation of new jobs through increase of placement of local companies to the multinational companies but also to a better integration of foreign investors into the economic system in Serbia.

Finally, thanks to the availability of high quality local suppliers, the programme will improve the position of Serbia as the investment destination.

References:

<http://ras.gov.rs/en/>, Development Agency of Serbia (RAS)

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. They do not and cannot reflect all measures the government has taken over the reference period. This SBA fact sheet is not related to other SBA assessments carried out with a different methodology.

SME Performance Review:

https://ec.europa.eu/neighbourhood-enlargement/policy/policy-highlights/sme-performance-review_en

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 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 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 2019 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. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. 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 2019. 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 2018 and the first quarter of 2019. Only those measures were selected which are expected to have the highest impact in the SBA area in question