

Serbia

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1. The development of SMEs in the last 10 years

The dynamic development of SMEs and private entrepreneurship in Serbia and FRY started at the end of 1989 and during the 1990s by passing the set of reform laws in the economic system of that time, in particular the Law on Enterprises and amendments to the Private Work Law (currently the Law on Private Entrepreneurs), thus creating opportunities for private initiatives and entrepreneurship in all sectors of the economy.

The development of SMEs can be divided into periods:

- Initial "upswing" period 1990-1992
- Period of stagnation 1993-1998
- Period of recession 1998- 2000

SME development and private entrepreneurship has been characterized by their leaning on their own resources and personal skills and by absence of any real, long-term and systemic material, financial, information, counselling, programmatic, education, organization or any other support, during the entire previous period.

Number of active enterprises as to the size 2001-2004

	Small	Medium	Large
2001	61,248	2,737	1,130
2002	63,915	2,218	738
2003	66,091	2,129	662
2004	73,097	2,121	667

Increase in number of active enterprises:

2000-2003 - the increase of 6000

2004 - the increase of 7000,

2005 - more than 10500 new enterprises were registered.

It is estimated that there is a great potential for maintaining this dynamism. At the same time the number of registered shops in 2005 reached the figure of around 243.000.

2. Legal and administrative environment for supporting the development of SMEs

Approximately 200 laws passed since March 2004. Nearly 100 laws related to economic environment:

- Law on Bankruptcy Proceedings (avg. 7 years -> 1 year)
- Business Registration Law (51 day -> 5 days)
- Company Law

- A package of tax laws, including VAT

Council for Regulatory Reform was established.

"Serbia is Number One Business Reformer in the World", - World Bank, Doing Business 2006

Why is Regulatory Reform a priority for Serbia? Because there are still several regulatory problems!!!

These problems are the following:

- Lack of regulation in certain areas, excessive regulation in other areas;
- Quick drafting and adoption of laws without any impact analysis;
- No central registry of regulations with positive legal security;
- Old fashioned way of thinking – all problems can be overcome by regulating and lack of insight in alternative methods.

All the above problems increase regulatory risk which is not favourable for investments.

The goal of regulatory reform in Serbia is the creation of a legal framework for the development of the economy and society in general. **REDUCE REGULATORY RISK!**

The means for achieving the above goal are:

- In the initial phase of the reform, mostly deregulation (replacement of obsolete norms), and as reforms proceed, more regulation;
- Consolidation of existing and building of new institutions necessary for the functioning of the legal system (ex. reform of the judiciary, Business Registers Agency, Real Estate Cadastre...)
- Education within the institutions which implement reforms.

3. Contributions and effects of SMEs in national economic and social development

Small and medium-sized enterprises in 2004:

- employed 54% of total employees in the economy,
- 31,9% of total capital
- realized 52,5% of the total revenue,
- 53,6% of total profit
- 44,5% of total loss

Small and medium enterprises and sole traders employed:

- In 2001 - 44,7% of the total employees in the Republic of Serbia
- In 2003 - 53,8% of the total employees
- In 2004 - around 1,144.000 employees (55,8% of the total employees).

4. Representative structure of SMEs on national level

The Law on Social and Economic Council was enacted in November 2004. The National Social and Economic Council was set up in March 2005. The objective of the Council is to facilitate agreements between key social partners and reach a consensus on key social issues as a precondition for successful reforms.

The Programme of Activities of the Ministry of Trade, Tourism and Services defines the need to reorganize chambers of commerce in order to create modern business and professional economic associations.

As regards the Serbian Chamber of Commerce, the process of modification of its organization is underway.

The Association of Entrepreneurs launched an initiative for the setting up of a Crafts Chamber based on best practices from the EU and the activities in this context have been initiated. This step is expected to contribute to better representation of interests of crafts and to improve the level of services provided to the members.

The Ministry of Economy, through its Department for SME Development and Private Entrepreneurship, is supporting direct dialogue with the representatives of the Association of Entrepreneurs and Serbian Chamber of Commerce, concerning the problems that obstruct the business operations of entrepreneurs and the proposals for measures that could help to overcome such problems.

Through their membership in the Serbian Employers Union, in the structure of which SMEs prevail, small enterprises and entrepreneurs have been given adequate representation in the social and economic councils set up at the local level. Social and economic councils have so far been set up in 43 municipalities in Serbia, each with 1-2 representatives of SMEs or entrepreneurs.

5. The role of SMEs in political decision making

The Government of the Republic of Serbia has adopted the Plan for Stimulating Small and Medium-sized Enterprises and Entrepreneurship Development in the period 2005-2007, which proposes measures to support the development of the SMEE sector. The Plan is in line with the principles of the European Charter for Small Enterprises.

In the Plan, in order to ensure better representation of interests of SMEs and entrepreneurs through dialogue with the Government, the establishment of SMEE Forum has been proposed.

6. The future and challenges of SMEs

Until now the focus was on building of the SME support institutions system and facilitating the conditions for the establishment of new enterprises.

In the coming years, the implementation of the Plan for Stimulating the SMEE Development 2005-2007 is expected to improve the conditions in which this sector operates.

The National Economic Development Strategy is in the preparation process and it will clearly provide directions towards further development and define the role of the state in encouraging development.

Following the adoption of the Strategy the Government will implement measures to support:

- ENHANCING ENTERPRISE COMPETITIVENESS,
- PROVIDING SUPPORT FOR ENTREPRENEURSHIP DEVELOPMENT AND UTILIZING ENTREPRENEURIAL POTENTIAL

Programmes for ENHANCING ENTERPRISE COMPETITIVENESS will provide:

- Support for enterprise investment in technology development and innovations
- Support for enterprise internationalization
- Introduction of strategies for increasing productivity growth
- Linking of enterprises and development clusters

Programmes for the SUPPORT OF ENTREPRENEURSHIP DEVELOPMENT AND UTILIZING ENTREPRENEURIAL POTENTIAL will be aimed at:

- Promoting entrepreneurship and development of a favourable business environment
- Supporting establishment and development of SMEs and investments.