

**EUROPEAN CHARTER FOR SMALL ENTREPRISES**

**REPORT ON SMALL ENTERPRISES  
IN THE REPUBLIC OF SERBIA**

**According to European Commission Questionnaire for 2005**

**PART 1: GOOD PRACTICE IDENTIFICATION**

## 1. ENTREPRENEURIAL EDUCATION AND TRAINING

Actions recommended according to the Charter:

- Nurture entrepreneurial spirit and new skills from an earlier age and throughout the education system.
- Develop specific business related modules in education schemes at the secondary level, in colleges and universities.
- Promote the entrepreneurial efforts of the young to be entrepreneurs.
- Develop appropriate training schemes for managers in small enterprises.

### 1.1. Please describe progress made over the last 12 months in achieving the Charter's objectives

1.1.1. The Ministry of Economy<sup>1</sup> has prepared the *Plan for Stimulating SMEE Development 2005 – 2007* which is currently in the process of being adopted by the Government of the Republic of Serbia.

The Plan's objectives are to:

- ↪ Improve the conditions in which small and medium enterprises and shops/sole traders operate,
- ↪ Encourage entrepreneurship – defined as the readiness of people to take risk and start their own business, employing themselves and the others.

The Plan identifies six priority fields of policy activity and for every field, measures and activities have been defined, institutions, time frames, indicators for implementation of those activities, funds and fund sources for the implementation of those plans. One of the priority fields relates to *Raising the Level of Knowledge and Skills in the SME Sector*. Therefore, from the perspective of entrepreneurial education and training in the Republic of Serbia, the following issues are of particular relevance:

- ↪ Studying entrepreneurship and its introduction into the formal education curriculum
- ↪ Enriching the contents of informal entrepreneurial education
- ↪ Redefining and strengthening the links between the economy and educational and scientific-research institutions
- ↪ Adaptation of the activities of scientific-research institutions to meet the needs of the economy
- ↪ Integration of SME sector needs into the education system for adults, that is, implementation of a permanent entrepreneurship education programme.

1.1.2. The Ministry of Labour, Employment and Social Policy<sup>2</sup> has prepared the **National Employment Strategy<sup>3</sup> 2005-2010** which was adopted by the Government of the Republic of Serbia in May 2005. The Strategy has been harmonized with EU Employment Strategy based on which the Ministry, in cooperation with other institutions, is preparing the *Action Plan for Employment 2006*. The **National Employment Service** will be responsible for the implementation of this Action plan through the application of active employment policy measures, including training for start-ups and promotion of entrepreneurship.

According to the National Employment Plan, the main priority will be education and training for entrepreneurship, and education institutions will be required to harmonise their education programmes and focus them on the educational needs of local labour markets.

## 1.2. ENTREPRENEURSHIP WITHIN FORMAL EDUCATION

### 1.2.1. Elementary Education

At elementary education level in the Republic of Serbia, there are no special programmes or educational courses specifically directed towards the introduction of entrepreneurship. Schools organize various events for encouraging innovativeness and entrepreneurial spirit amongst children. Such events include: display of pupils' works for sale, local competitions, activities related to the collection and sale of books, secondary raw materials, performances, etc. There are no systematized data on these activities.

<sup>1</sup> <http://www.mpriv.sr.gov.yu/>

<sup>2</sup> [www.minrzs.sr.gov.yu](http://www.minrzs.sr.gov.yu)

<sup>3</sup> <http://www.minrzs.sr.gov.yu/vest.asp?l=s&v=v&ID=141>

### **1.2.2. Secondary Education**

In addition to activities organized for implementing Entrepreneurship as a secondary school subject, a number of extra-curricular activities for encouraging entrepreneurial spirit amongst the young are being implemented. These activities include exhibitions or fairs, providing school specific services, promotions within "career days", sports competitions and fashion shows aimed at raising funds, excursions, publishing school papers, etc. There are no systematized data on these activities.

#### **1.2.2.1. Secondary Schools – High Schools**

Extra-curricular programmes for the development of entrepreneurial abilities are being implemented in 10 (8, 3%) of the 120 High Schools in Serbia, according to the programme **Junior Achievement Young Enterprise (Junior Achievement in Serbia – JAS)**<sup>4</sup>.

#### **1.2.2.2. Vocational Education**

During 2005, at the initiative of different projects, Entrepreneurship started to be implemented through experimental programmes as a compulsory or optional subject in 150 (45%), out of 333 secondary vocational schools.

*The objective of the Experimental Teaching Programme for Entrepreneurship is the strengthening of the entrepreneurial and innovative spirit of pupils, achieving basic competence in starting one's own business and linking that knowledge with the possibilities within the profession for which the pupil is trained.*

In co-operation with **the Ministry of Education and Sport, the Vocational Education and Training Reform Programme**<sup>5</sup> (an EU-funded project managed by the European Agency for Reconstruction) has been encouraging the inclusion of entrepreneurship as part of the educational process in the following form:

- ↳ The subject Entrepreneurship has been studied in 62 experimental schools (since September 2005) in 4 fields: 1) agriculture, food production and processing, 2) electrical engineering, 3) mechanics, and 4) medical and social protection.
- ↳ Compulsory general vocational subject with 56-64 classes a year (in total approximately 640 classes). The subject Entrepreneurship is studied within 10 educational profiles, while, within 8 profiles, pupils may opt for Entrepreneurship as an optional subject, with 28-64 classes. Pupils study Entrepreneurship in the final two grades of their education (third and fourth).
- ↳ The Training Program for teachers in Entrepreneurship, which has included trainers from 5 Continuing Education Centres which offer entrepreneurship modules to the local markets and cooperate with local labour bureaux. Through the "cascade" model of training, 15 trainers, including the teachers from the BIP Project, have conducted two-day training courses in Entrepreneurship for new teachers (about 60 teachers were included).

Through cooperation between the **Ministry of Education and Sport**<sup>6</sup> and **GTZ**, the following Programmes were successfully implemented by the end of year 2005:

- ↳ Experimental profiles Banking Officer /Financial Officer – are implemented in 28 schools; New educational profile Business Administrator, which was introduced in GTZ supported schools, contains entrepreneurship related elements; pupils have practical drill sessions in the school; Training Bureaux have been formed; and there is a simulation of SME work;
- ↳ A Program for experimental education profile - Banking Officer, has been prepared in cooperation with the Republic Agency for SME Development, which has included the subject Entrepreneurship as an optional subject. The subject will be implemented in the final two grades (third and fourth), i.e. in the schoolyear 2007/2008, with 60 classes a year.
- ↳ Training of 6 teachers within the CEFE (Competency-based Economies through Formation of Enterprises) training course for development of entrepreneurial education, skills and the way of thinking.

During 2005, through the support from the **Ministry of Education and Sport**, the implementation of two extra-curricular programmes for the development of entrepreneurial abilities for Secondary Vocational School pupils has continued.

- ↳ **Business Innovation Programs (BIP)**<sup>7</sup> from Norway, in cooperation with the **NGO "Civil Initiatives"** is implementing the project "Youth Entrepreneurship" in 10 Secondary Schools. This Project aims to

<sup>4</sup> [www.ja-serbia.org](http://www.ja-serbia.org)

<sup>5</sup> <http://www.vetserbia.edu.yu/>

<sup>6</sup> <http://www.mps.sr.gov.yu/>

<sup>7</sup> [www.bips.no/s-and-m.html](http://www.bips.no/s-and-m.html)

encourage the entrepreneurial spirit of secondary school pupils through the establishment of pupils' enterprises as a component of this programme. During this period, **70 pupil's enterprises** were founded; **the Second Fair of Youth Entrepreneurship** and the parallel **Conference "Youth Entrepreneurship as a National Interest"** was held, where recommendations were made for further development of youth entrepreneurship.

↳ **Junior Achievement Young Enterprise (Junior Achievement in Serbia – JAS)**<sup>8</sup>. The Programme contains training in Applied Economics, Company Programmes and computer simulation of company operations – management and economics simulation exercises. The Programme encompasses 60 vocational schools in Serbia, in which 100 pilot classes have been formed.

At the beginning of 2005, the **Ministry of Education and Sport of the Republic of Serbia, the Government of Austria and Culture Contact** from Austria started the **ECO NET 3<sup>9</sup> Project**. This Project supports Secondary Vocational Education and applies to Schools of Economy, where pupils can gain managerial experience through simulation of company operations.

At the initiative of the *VET Reform Programme*, the **Serbian Chamber of Commerce and Centre for Enhancement of Education– Vocational Training Centre** – have formed *Standing Committees for identifying the needs of the economy in relation to professional profiles (ISOR Committees)*. The committees have as their objective early recognition of the need for skills in the economy and, pursuant to this, submitting requests to the Ministry of Education and Sports to adapt current or include new educational profiles. Members of Standing Committees are representatives of companies from the SME sector, but also of large companies. Standing Committees have identified and concluded that entrepreneurial abilities should become central elements in any educational profile. It has been recommended that Entrepreneurship should have a modular structure within the curriculum, and not to be incorporated into other contents, but implemented as a separate subject (module).

### **1.2.3. Tertiary Education**

At the level of higher<sup>10</sup> and University<sup>11</sup> education in the Republic of Serbia, educational institutions in the public and private sector offer educational programmes and/or the possibility of gaining special academic qualifications in the area of SME management and entrepreneurship, for example:

**Faculty of Economy in Belgrade** - entrepreneurship is studied as a separate subject during the final year of the four year course of studies;

**Faculty of Organizational Sciences in Belgrade** – a separate subject in regular four-year courses and Specialist Post-graduate courses "Managing Small Enterprises" after completion of which one is awarded the title of **SME Specialist**;

**Technical Faculty – Cacak** – for the academic year 2004-2005 a separate 3-year regular study programme "Entrepreneurial Management" has been adopted, with the possibility of achieving the title of **Graduate Engineer of Entrepreneurial Management**. This Faculty also provides a one-year Specialist Study Programme for managers of the local SMEs;

**Faculty of Management of Braca Karic University in Belgrade** - entrepreneurship is studied as a separate subject in the second year of regular studies, as well as within the subject "Managing Small Companies" in the fourth year of study;

**Faculty for Entrepreneurial Management of Braca Karic, University in Novi Sad** where students within the four-year study programme can achieve the VII degree of vocational training and achieve the title of **Graduate Engineer of Entrepreneurial Management**;

**Faculty for Management of Small Enterprises in Belgrade** - within the four-year study programme students can achieve the VII degree of vocational training and achieve the title of **Graduate Manager of Small Enterprises**;

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<sup>8</sup> [www.ja-serbia.org](http://www.ja-serbia.org)

<sup>9</sup> <http://www.mps.sr.gov.yu/code/navigate.php?Id=312>

<sup>10</sup> <http://www.mps.sr.gov.yu/code/navigate.php?Id=187>

<sup>11</sup> <http://www.mps.sr.gov.yu/code/navigate.php?Id=113>

**Faculty for Management in Novi Sad** – entrepreneurship is studied in the third year of studies, at the Department of Operational Management;

**High Business School in Belgrade** – within the regular courses, a group of subjects has been included from the field of small business economy;

**High Technical School for Industrial Management in Krusevac** – enables achieving higher education, that is VI-1 degree of vocational education within two profiles (courses lasting two years): industrial profile – training middle level of management in companies and profile for small business – training for independent operation of one's own business.

During the last year, significant moves were made in relation to modernization and implementation of teaching programs for the subject *entrepreneurship*, which are in line with the recommendations of the Bologna Declaration. In the first instance, there are new teaching techniques and the increasingly important utilization of practical examples. The emphasis is on an interactive approach placing the student at the centre of the teaching process, enabling him to create actively the study programme based on the offer of a great number of optional subjects and content. However, the subject *entrepreneurship* is insufficiently studied within the teaching curricula of the group of Technical Faculties. Modern business practice shows that the mix of technical knowledge and entrepreneurial and managerial skills is one of the key prerequisites for successful business and for commercialising new products, services and projects. In this context, through more flexible teaching curricula, the technical faculties should offer to future experts the possibility to complete their knowledge, by adding *knowledge on entrepreneurship* as mandatory or optional subjects.

In December 2004 a three-year Project was initiated "*Private Sector Development*" implemented by **ATA**<sup>12</sup> (**Academic Training Association**), financed by the Ministry of Foreign Affairs of the Netherlands. The main Project objective is stimulation of regional cooperation and capacity building of various stakeholders<sup>13</sup> from Bosnia and Herzegovina, AP of Kosovo, Macedonia, and Serbia and Montenegro through various activities in the fields of private sector development and European economic integration. Within the Project, special activities are envisaged, which have as their aim enhancement of long term cooperation between academic institutions, especially Faculties of Economy in the West Balkans region:

- ↳ **Research Projects in the field of private sector development, regional economic cooperation and European Union standards' implementation**, which will be implemented by the Faculties and students from the region. The research results will be used for development of new or improvements to existing programmes in the Faculties of Economy.
- ↳ **30 Programmes for professional practice exchange (so-called Internships)** lasting three months in the region and in the Netherlands, aimed at students attending the final year of their studies in order to increase their employment prospects and towards strengthening links between the business and educational sectors.
- ↳ **Regional cooperation in Business Plan compilation for advanced students of the Faculties of Economy**, in order to stimulate entrepreneurship, aimed at promoting a business-minded culture. The two best Business Plans shall be awarded 10,000 euros, that is, 5,000 euros each as start-up capital for business idea implementation.
- ↳ **Designing of 18 modules for development of professional abilities**, for instance: compilation of the Business Plans, Business English, Tax Regulations, Human Resources Management, Business Communication, etc, that would be directly aimed at achieving the special knowledge and skills necessary for work in small and medium size companies.

### 1.3. ENTREPRENEURSHIP WITHIN INFORMAL EDUCATION

Just as in the previous period, the informal sector – state and private - has developed its educational content even more intensively in the form of various training courses and seminars, which try to meet the needs of small enterprises and entrepreneurs. The institutions offering programmes of informal education for SMEE, whether with regard to entrepreneurship or other fields important for SMEE, are: **Republic and Regional Agencies for SMEE Development, National Employment Service (NES), Chambers of Commerce, professional and**

<sup>12</sup> <http://www.antenna.nl/ysy/new/2/psddetails.html>

<sup>13</sup> State-owned companies, Chambers of Commerce, Universities, Business Associations, etc.

**expert associations, private consulting and educational institutions as well as scientific-research institutes, Workers, People's and Open Universities, foundations, humanitarian organizations, etc.** Some of these educational services are available to the users free of charge or at prices lower than those of the market (implemented with the financial support of the state or donor organisations). The other services are offered on a commercial basis.

1.3.1. **By 2005, the National Employment Service<sup>14</sup>** had developed a **network of 16 Business Centres**. About 20.000 beneficiaries, primarily unemployed people, were included through all kinds of activities of Business Centres. 11.500 persons were trained in seminars conducted by NES trainers, and 11.250 have started their own businesses.

These Business Centres are organisational units of NES' branch offices, thus regional coverage is ensured, and they represent the main actors in increasing employment by encouraging entrepreneurship. The beneficiaries of these Centres are those who seek employment – all categories of unemployed, surplus employees, employers/entrepreneurs, and others. The Centres provide information-advisory and educational services. These services are continuous and in line with the needs of beneficiaries, and one-day seminars are organized and conducted by NES trainers, with workshops lasting for 3 hours each. The Centers provide advice on the issues related to labour and employment, business registration (company/shop), financial sources, and legal advice on preparing regulatory acts, etc. The seminar contents are focused on motivational training, meeting legal regulations and business planning, while workshops are aimed at self-assessment by the trainees in order to see whether they have entrepreneurial skills and the bases for business plan preparation.

A unique standard model of seminars held by NES trainers has been identified, with NES trainers being certified lecturers. Educational pilot programmes that are implemented within the projects are licensed (for example, "Promotion of Employment" Project of the World Bank, "Youth Entrepreneurship" - Norwegian model, etc.).

1.3.2. Under the **Contract on Business Cooperation between the Republic Agency for SME Development and Entrepreneurship and the National Employment Service** from 2002, training courses have provided for starting and operating a business. These courses are intended for unemployed persons, surplus employees (facing redundancies) and employees of the NES. In the period from September 2004 to June 2005 the Republic Agency for SMEE Development provided 63 two-day training courses "How to start a business" for the unemployed and surplus employees at the branch offices and services of the National Employment Service. Total number of 1689 unemployed participated in these training courses. Regional Agencies were included in the Seminar implementation, and the NES Centres in the territories that they cover. In addition to these, an additional training course was held for those who are registered as unemployed with the NES: two-day seminars "Marketing Plan" – with 37 participants, and "Business Plan"- with 26 participants and two one-day seminars "Value Added Tax"-with 69 participants.

Through the procedure for approval of the funds to the NES, based on the self-employment subsidy, as well as on micro-credits from the Development Fund of the Republic of Serbia, help and support are envisaged within the activities implemented by the Business Centres. Namely, all interested persons submitting requests for grant funds are included in educational programmes. The education related data is contained in the documents for submission of the request.

At the end of last year, links with companies facing heavy redundancy problems were initiated. The aim was to ease the problems posed by large-scale redundancy. The employers were informed of the possibility of the NES offering information-counseling and educational services. Training courses were realised for employees of PC "Rembas" mines, Resavica/Despotovac, companies from Cacak: "Litopapir" "Prvi maj", "Hidrogradnja", "Stocar", "FRA", "Spektar", "Magnohrom", "7. juli", "Partizanka" and Stock Company "Galad" Kikinda.

At the end of October 2004, the Republic Agency for SMEE Development, in cooperation with the Regional Agency for SMEE Development "Zlatibor" ltd., Uzice, held a seminar on "How to start a business" for young people in Prijepolje within the Project "Strengthening Economic Capacity of the Youth of Prijepolje", which is coordinated by NGO "Nova Vizija" from Prijepolje and funded by EAR.

The Republic Agency for SMEE Development and UNIDO ITPO Rome organized a workshop on SME DEVELOPMENT SUPPORT MECHANISMS – Clusters, Networking, Financial sources, Promotion and best practice examples, on 27 May 2005, within the Project "Capacity Building in the Republic Agency for SMEE

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<sup>14</sup> <http://www.rztr.co.yu>

Development", which is being implemented with the support of the Ministry of Foreign Affairs of the Republic of Italy, Embassy of the Republic of Italy in Serbia and Montenegro, Lazio Region and Bologna Province.

1.3.3. **The Education and Vocational Education Center of the Serbian Chamber of Commerce**<sup>15</sup> organized and held during the last year 91 seminars, covering 32 topics, attended by 2,964 participants with a total of 176 effective seminar days. Two of them specially directed towards small enterprises (up to 50 employees) were:

- ↳ *What investors should know during construction of facilities in Serbia*; Programme topics: legal framework; development of urban plans; urban environment; displacement; plans and designing; approval of the site; resolving property relations; cost control; planning construction; technical check and utilization permit;
- ↳ *Improvement of transport and trade in the South Eastern Europe*; Programme topics: transport documents; Incoterms 2000; international banking payments; customs procedure and electronic customs clearance;

**The Vocational and Professional Education Centre of the Serbian Chamber of Commerce and "Hans Zeidel" Foundation** organized **five days Management Training TOPSIM**<sup>16</sup> in October 2004 for the general managers of firms – managers, directors and heads of certain sectors. This seminar covered techniques in handling processes, decision-making and company administration through simulation of specific circumstances. It is performed through simulated activities, covering five stages of the decision making process, within which the measures are implemented for successful company growth and development, indicated by valorization through the prices of stocks.

In cooperation with the **Education and Vocational Education Centre of the Serbian Chamber of Commerce and the GTZ**, an introductory course for entrepreneurs was held in May 2005, which was attended mainly by representatives of institutions and associations for which the problems of entrepreneurship form one of the basic tasks of their engagement. An **"Information Workshop"- CEFE**, was held in order to improve entrepreneurial skills, through a set of training instruments, coupled with an active and dynamic work approach and learning from work experience methods, designed to develop and increase managerial and personal abilities. **The CEFE** in Serbia is implemented within the **GTZ Project "Support to Economic Development and Employment"** (WBF) and includes an "Information Workshop" for those who plan to start their own businesses, as well as for managers-entrepreneurs wishing to make a qualitative move in their business.

1.3.4. **The Republic Development Bureau**<sup>17</sup> and **Gea College** from Ljubljana held 3 seminars for entrepreneurs in October 2004. The topics included: strategic marketing, financial operations, and entrepreneurial innovations. Seminars were attended by 100 participants. During April 2005, also in cooperation with Gea College, the following seminars were held: management teams formation, international marketing, and business agreements and communication techniques. These seminars were targeted at entrepreneurs, managers, agencies for SMEE development and public administration. They were attended by 100 participants.

1.3.5. **The Belgrade Chamber of Commerce**<sup>18</sup> - **Business Education and Quality Improvement Centre**, held 47 seminars, workshops and other forms of training for 2573 participants, during 2004. According to the topics in entrepreneurial education, the structure of participants was as follows:

- ↳ Seminar "BUSINESS COOPERATION BETWEEN SMALL AND MEDIUM-SIZED ENTERPRISES AND EUROPEAN UNION", attended by 60 participants.
- ↳ Within the series of seminars on "CURRENT THEMES", 32 seminars were held, with the following topics: Value Added Tax (with 916 participants); International Accounting Standards (with 196 participants); Preparation of Consumers and application of fiscal cash registers (with 812 participants); Law on Accounting and Auditing 2004 (with 180 participants). CURRENT THEMES, on which seminars are organized, respond to educational needs of SMEs and entrepreneurs, which arose because of changes caused by transitional trends.
- ↳ TRAINING COURSE IN MANAGEMENT has been realised in cooperation with the Austrian Chamber of Commerce – Institute for Economic Promotion (WIFI), where technical assistance was provided, and 197 participants attended the training. Management Training is intended for higher management of various sectors, with a view to handling techniques and company management methods through specialized

<sup>15</sup> [http://www.pks.co.yu/pks/servlet/XMLProcesor?i\\_sys=pks&i\\_xml=a502&i\\_xsl=s517&i\\_param=ID|12](http://www.pks.co.yu/pks/servlet/XMLProcesor?i_sys=pks&i_xml=a502&i_xsl=s517&i_param=ID|12)

<sup>16</sup> [http://www.pks.co.yu/pks/servlet/XMLProcesor?i\\_sys=pks&i\\_xml=a101&i\\_xsl=s101&i\\_param=ID%7C889](http://www.pks.co.yu/pks/servlet/XMLProcesor?i_sys=pks&i_xml=a101&i_xsl=s101&i_param=ID%7C889)

<sup>17</sup> <http://www.razvoj.sr.gov.yu/>

<sup>18</sup> <http://www.kombeg.org.yu/>



seminars: Negotiating and Motivation; Managing International Projects; Control, Clients, Risk Management, Export Marketing. The training was completed by passing the examination and by participation in a study tour to Vienna in order to take part in the AWO Business Forum in the Austrian Chamber of Commerce. Diplomas presented to those passing the course are recognized in EU countries.

1.3.6. Through its educational and consulting activities, **NGO Civil Initiatives**<sup>19</sup> has participated in the implementation of the Project “**Youth Education Centre**”, organized by NGO “**Talas**” from Aleksinac. Within this project, young people are trained and encouraged to become actively engaged in seeking jobs. In addition to educational workshops (Computer and the English Language Courses), young people are being encouraged to become professionally oriented and prepared for the selection of a profession (writing CVs and motivation letters, preparation for the first job interview). In addition, job search data bases have been created and also partnerships built between the young, local entrepreneurs and branch offices of the National Employment Service These represent significant project activities. This project involved 300 young people, aged from 17 to 28, who, in this “learning model” where the young educate and support other young people, demonstrated an excellent example of how self-improvement can be encouraged amongst young people and their social position improved. Taking into consideration the motivation related to self-employment and entrepreneurship, which is the output of this project, the **Civil Initiatives** and National Employment Service started a partner pilot project aimed at encouraging youth entrepreneurship, in September 2005. Through educational training and consultancies in the area of entrepreneurship, and by providing grants for start-ups, it will be possible for young people in two pilot cities (Aleksinac and Zajecar) to apply the knowledge they have acquired and implement the idea of self-employment.

#### 1.4. PROMOTING ENTREPRENEURSHIP IN THE REPUBLIC OF SERBIA

**The Ministry of Economy – Department for Development of SMEs**<sup>20</sup> organised the Second Annual Conference «*Small and Medium Size Enterprises – Drivers of Economic Development*» on 30<sup>th</sup> November 2004, with 6 separate workshops, attended by over 200 Serbian and international experts from the Ministries, Governmental Agencies, donor organizations, Embassies, Municipalities, banks, non-governmental organizations, regional agencies and the private sector.

Within the Programme “*Assistance to the Government of the Republic of Serbia in the Implementation of Democratic Reforms’ Programme*” of the Kingdom of Norway, the **Department for SME Development, Ministry of Economy**, organised in December 2004 a Seminar on Pre-Accession Funds for around 20 representatives of interested institutions, and also on EU programmes intended for member states, which are slowly opening up for the Republic of Serbia, and which could be utilized for SME development.

The Third *International Entrepreneurship Fair “BUSINESS BASE”*<sup>21</sup>, organized by the **Republic Agency for Development of Small and Medium Size Enterprises and Entrepreneurship** and by Belgrade Fair, was held in Belgrade from 30<sup>th</sup> November to 3<sup>rd</sup> December 2004. Approximately 250 companies participated and presented themselves at the *BUSINESS BASE*, as direct exhibitors, and also as co-exhibitors within the group presentations. About 10 000 visitors attended the Fair. Companies from almost all fields of activity participated, and the foreign visitors to the Fair facilitated numerous contacts and the creation of conditions for stronger business cooperation.

**The Second Fair of Youth Entrepreneurship and the Conference “Youth Entrepreneurship as a National Interest”**<sup>22</sup>, organized by NGO “**Civil Initiatives**” and **Business Innovation Programmes** from Norway, in cooperation with **the Ministry of Education and Sport of the Republic of Serbia**, were held in Belgrade, on 16 March 2005. Parallel with the Fair, the conference “**Youth Entrepreneurship as a National Interest**” was held. Recommendations were made for further development of youth entrepreneurship in our country, stressing all the advantages that the business sector and other public institutions may have from educating young people in entrepreneurship.

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<sup>19</sup> <http://www.gradjanske.org/>

<sup>20</sup> <http://www.mpriv.sr.gov.yu/>

<sup>21</sup> <http://www.sme.sr.gov.yu/aktuels.htm>

<sup>22</sup> [http://www.bip.no/best\\_2004.html#Serbia](http://www.bip.no/best_2004.html#Serbia)

The activities of the **Republic Development Bureau**<sup>23</sup> in 2004 regarding the improvement of the status and prospects for SMEE sector development are presented in the following publications and analyses:

- ↪ **Developmental Profile of Serbia** (publication in Serbian and English, March 2005). The publication presents the most important development achievements in Serbia, with special emphasis on institutionalized solutions and the creation of a new investment climate, especially conditions for establishment and development of SMEs.
- ↪ **Report on the Status Within the SMEE Sector in Serbia for 2003**. The aim of the Report was to create a standard, adequate methodology for the analysis and evaluation of the status of the SME sector, and to evaluate the measures undertaken so far, based on experiences in transitional countries, in implementing similar policies. The report also took into account the domestic conditions influencing the formulation of the **Plan for SMEE Development Support for the period 2004-2007**, and how the maximum effects could be achieved.
- ↪ Analysis of the **100 Most Successful Companies in Serbia in 2003** (June 2004), systematized according to their achieved profit, identifies in a comprehensive way the main individual contributors to economic development and gives a more complete insight into the existing economic structure. The basic aim of the Analysis was to identify the most profitable companies, their status and influence on economic trends, and to demonstrate the need to enhance the economic environment.
- ↪ **Developmental Atlas of Serbia - DAS** (publication in Serbian and English, March 2005) gives in a clear and indicative way a regional picture of the economic structure, degree of development and the privatization process in the Republic. It contains: (1) a survey of basic indicators (area, number of inhabitants, number of employees, number of unemployed, national income per capita, share of industrial and agricultural revenue), (2) number of companies according to their size and assets, (3) number of shops/sole traders, (4) companies – holders of economic activity (five largest companies in the municipality according to the number of employed workers). For every company basic indicators were given (number of employees, fixed assets, revenue, profit, loss and accumulated loss) and (5) privatization process – number of companies according to the privatization method (auction, tender, restructuring) and a survey of companies sold.
- ↪ **Serbian Economic Diagram (SED) and Information on Contemporary Macroeconomic and Economic Trends**. Within the monthly information for Government and Ministries on contemporary economic trends in the Republic, development of entrepreneurship and the SMEs has been specially covered: financial support and subsidy funds, institutional infrastructure and its regional presence, legal regulations, implementation of the Development Strategy for SMEE in the Republic of Serbia 2003-2008. Within the SED - full Analysis of Economic Trends, by the end of October 2004, a short analysis of trends in the SMEE sector for the period 2000-2003 was presented, and within the Spring Analysis (May 2005) *Basic Operational Results of the Economy and SMEE in 2004*.

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<sup>23</sup> <http://www.razvoj.sr.gov.yu/>

## 2. CHEAPER AND FASTER START-UP

Actions recommended according to the Charter:

- To influence the decrease in costs in order to start operations, as well as of the time and procedures necessary for registration of new companies in line with the most competitive world standards.
- To enable on-line access for company registration.

Targets from the 2004 exercise:

### Serbia:

(1) Start of implementation of services from the support package for business start-ups (with the assistance of the European Agency for Reconstruction). Support to the Republic Agency for SME Development to formulate and implement a Pilot programme: Support Scheme for Establishing new Companies, consisting of training and credit for establishing new companies. (First half of 2005)

(2) introduction of the system for on-line registration of companies after enactment of the Law on Business Entities' Registration (1<sup>st</sup> January 2005), to finalize the process of formation of the Agency for Business Registration, to adopt the Electronic Operations Act and change other regulations envisaging delivery of verified documents. Until adoption of the Law, that is, changes to the Law, undertaking of a certain number of procedures related to company registration on-line shall be allowed, such as downloading of forms, browsing through the data base, registering company name, etc. (September 2004)

### 2.1. Please describe progress made over the last 12 months in achieving the Charter's objectives.

The Government of the Republic of Serbia has in the last 12 months undertaken specific activities in order to improve the conditions for business start-up. These changes have taken place in the context of the legal environment and provision of non-financial and financial support which have been identified as priority areas in the *Plan for Stimulating the SME Development 2005 – 2007* which is currently in the process of approval by the Government of the Republic of Serbia.

2.1.1. The most important change in the legal environment pertains to the adoption of the Law on Business Entities and the Law on Electronic Signature (see Part 3.2 and 9.1 of this Report). Also, the implementation of the Law on the Agency for Business Registers has begun and the Law on Registration of Business Entities. By adoption and implementation of new legal solutions, a much quicker and cheaper start-up of business activities has been facilitated.

**The Agency for Business Registers**<sup>24</sup> has been established by the Law on the Agency for Business Registers (published in the "Official Gazette of the RS", no. 55 dated 21<sup>st</sup> May 2004). In introducing the new registration system, the Agency for Business Registration took over authority for registering business entities from the Commercial Courts and local self-government bodies. The Agency has been founded in order to achieve greater economy, access to data and the formation of a unique centralized data-base – records on registered business entities, financial leasing contracts and pledges. The new system of registering business entities enables interested parties to commence their business activities more quickly and easily, and make updated data available to their potential business partners. The company registration process has been shortened and under optimum conditions can be as short as 2 days.

The period for registering the business activity of an entrepreneur after completion of the documents takes one day and there is no deposit for establishment. Only local administrative taxes have to be paid, which on average

<sup>24</sup> <http://www.apr.sr.gov.yu/aprweb/default.aspx>

amount to around 15 euros. An entrepreneur may start operations in many activities without costs related to inspection bodies.

2.1.2. Non-financial support is procured through the activities of the **National Employment Service (NES)** and the **Republic Network of Regional Agencies/SME Centres**.

Within the **NES**, a *network of 16 entrepreneurial centres* has been developed<sup>25</sup>. Within the network, one-day information courses are organized «Become an Entrepreneur», primarily for those registered as unemployed on the NES list. These courses are free of charge for the unemployed. During 2004, 384 courses were held with 7,955 participants. In the first four months of 2005, 91 courses were held with 2,139 participants.

Within the Centres, legal assistance was provided, together with advice on the method of business registration (company and shop/sole trader). Different types of topic workshops are organized within the Centres, and advice given to those who have received financial assistance from the NES for starting their business, as well as to those who are still thinking about starting their own business.

Also, cooperation has been achieved with representative unions and preliminary training of workers was provided for those who might become jobless arising from the restructuring of large companies and from the privatization process. Information-educational training courses are also held, which have self-assessment by the employees as their aim in order to see whether they have entrepreneurial skills and to find out how to transform their potential business ideas into their own enterprises.

Financial support for start-ups has been intensified during 2004-2005. Within the **NES**, *the practice of granting subsidies has continued, for self-employment of unemployed persons registered on the NES list*. The subsidies are granted to those persons whose business development programme has been approved by the NES. During 2004, 10,074 programmes were approved, 8,834 were implemented and the total disbursed subsidy amounted to 834 million dinars (around 10 million euros). The amount of individual once-off assistance amounts to 70-150 thousand dinars (on average 1,000 euros), depending on the target group.

**The Republic Agency for SME Development**<sup>26</sup> through the network of Regional SME Agencies offers a range of business and advisory services to potential entrepreneurs. Within the network, basic and advanced training courses have been organised, stimulating the development of start-ups. Based on the Contract of the NES with the Republic Agency, trainers from the National SME Agencies Network held 54 two day trainings on «How to start a business» with a total of 1,422 participants in 2004, at 20 NES branch offices.

2.1.3. *The Programme Development Support for Start-Ups* within the **Serbian Development Fund**<sup>27</sup> has provided a micro-credit line in 2005 for the unemployed. The total fund amounts to 600 million dinars. Conditions are very beneficial for those preparing to start their own business:

- ↳ Credit amount from 5 to 20 thousand euros
- ↳ Annual interest rate 1%
- ↳ Repayment period of 3-5 years, with a 1 year grace period
- ↳ Collateral 1:1
- ↳ Business registration within 60 days from the date of granting credit and employing staff envisaged by the investment programme.

2.1.4. During 2004, **the Ministry of Agriculture, Forestry and Water Management**<sup>28</sup> has provided financial support available to all those who registered as agricultural businesses. All registered farms are eligible to apply for short-term and long-term credits with the Ministry. Credits are implemented through commercial banks and the budget for earmarked credits in 2004 was 3.7 billion dinars.

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<sup>25</sup> <http://www.rztr.co.yu/preduzetnistvo.htm>

<sup>26</sup> <http://www.sme.sr.gov.yu/>

<sup>27</sup> <http://www.fondzarazvoj.sr.gov.yu/>

<sup>28</sup> <http://www.minpolj.sr.gov.yu/>

**2.2. Please describe if and how the targets have been met. Where targets are not met, explain delays and proposals for catching up.**

2.2.1. **Implementation of the Enterprise Development and Innovations Grant Scheme.** The EU funded **Support to Enterprise Development and Entrepreneurship Programme (EDEP)**<sup>29</sup>, which is managed by the **European Agency for Reconstruction**, commenced in December 2004. Within the project, the Grant Scheme for the support to enterprise development and innovations is being implemented. The Grant Scheme, with 2, 05 million euros value, has as its objective to support projects and offer assistance in business development, especially for “innovative” businesses. The Grant Scheme was launched in July with the deadline for submissions being 19 September 2005. The scheme had the following priorities:

**Priority 1: ENTERPRISE DEVELOPMENT ACTIONS: Supporting the development of enterprise and entrepreneurship through actions to:** to increase the number of start-up businesses; increase the competitiveness of existing businesses; and to support the development of entrepreneurial infrastructure and entrepreneurship awareness.

**Priority 2: INNOVATION DEVELOPMENT ACTIONS: Supporting the development of innovative enterprises through action to: strengthen innovative support organizations, promote co-operation in research and development amongst businesses; to improve the competitiveness of enterprises; and to promote the awareness of innovation** (See sections 8.1.5. and 8.2.1 for further reference to the Innovation Enterprise Scheme).

In July and August 2005, 19 promotional meetings were held in different parts of Serbia, attended by over 1250 people. Following these meetings, there has been extensive media coverage in most of the national press and reports on national TV news programmes. In addition, there has been significant press and TV coverage in all of the local areas where meetings were held. 1300 copies of the CD with all of the Grant Scheme documentation were distributed to potential applicants at the promotional meetings. The meetings were attended by a wide range of representatives of businesses, local authorities, chambers of commerce, educational institutions and businesses support organizations. The Project Team has been able to respond on many issues raised by potential applicants.

The Grant Scheme received over 370 applications. A wide range of organizations made submissions, including the network of 13 regional SME agencies currently operating in Serbia, relevant entrepreneurs, and a number of regional chambers of commerce. The assessment process by expert team is under way.

2.2.2. The aim set for 2004 has been achieved in its entirety. The **Law on Registering Business Entities** has been adopted (see Part 3.1. of the Report). *The Agency for Business Registers is operational from the 1<sup>st</sup> of January 2005.* The **Law on Electronic Signatures** has been adopted (see Parts 9.2. and 9.3. of the Report). Undertaking a certain number of procedures related to company registration on-line has been enabled, such as downloading of forms, on-line completion of forms, browsing through the data base, reservation of business entities' name, etc. Although technical possibilities for complete on-line registration have already been established, it will only be possible in practice after the start of implementation of the Law on Electronic Signatures and of relevant by-laws (roughly from September 2005.).

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<sup>29</sup> [www.edep-serbia.net](http://www.edep-serbia.net)

### 2.3. Please complete the following table (time in working days, amounts in Euro)

	Institution in charge of registration The Agency for Business Registers		Additional procedures/ documents (customs duties, statistics, taxes, work ability/health certificates)		Permits/approvals (construction permits, area related requirements)*	
	Minimum under optimum conditions (that is, correct registration form) or according to the Law.	Value of realistic cross section	Minimum under optimum conditions (that is, correct registration form) or according to the Law.	Value of realistic cross section	Minimum under optimum conditions (that is, correct registration form) or according to the Law.	Value of realistic cross section
<b>Number of steps</b>	1 - verification of the Founding Act (if there are several founders) or of a Decision in Court. Within this step also falls verification of signature – "ОП" form  2 – payment of the equity–commercial bank  3 – payment of taxes for services offered by the Agency for Business Registers  4 – submittal of documents to the Agency for Business Registers	1-2	1 – company seal production (without this there is no further step)  2 – opening of the current account  3 – submission of requirement for granting Tax Identification Number ("ПР1" form)- granting TIN lasts 3-5 days  4 – registration of the founder for insurance – Pension and disability insurance and health insurance  5 – if the workers are also registered alongside the founder, the steps are as follows: a) application to the National Employment Service - form E-1 and E-3 b) registering the person responsible for payment of contributions – "РОД1" в) registration of employees for Pension and disability insurance and for health insurance  6 – submission of forms for company income tax and VAT application	2-5	3-5	5
<b>Time in working days</b>	2-9 For new companies, registration of business entities lasts 2 days, and for change of status up to 9 days	4-6	3-15 days	7	– Construction permit: 3-6 months  – Requirements regarding certain activities (pharmacies, food): 7 months	5 months
<b>Costs in euros without depositing equity</b>	20 - 100	60	* ) payment for company seal - on average around 20  **) for the other steps (customs, statistics, taxes, work ability/health certificates) there are no taxes	20	– Construction permit: 500  – Requirements regarding area for individual activities: 150	700
<b>Costs in euros as a percentage of the GNP per capita</b>	1.22 – 5.61	3.37	* ) around 1.22  **) -	1.22	- 28.06  - 8.41	39.29

\* Issuance of permits/approvals (construction permits, requirements regarding area) takes place at the level of local self-government, so the conditions for their collection differ in the municipalities of the Republic of Serbia. Data presented in the table pertain to the example of Kragujevac municipality.

## **2.4. What is the amount of initial capital that a company has to deposit (in Euro)?**

2.4.1. Initial equity capital is 500 euros (Limited liability company) to 25,000 euros (Open Joint-stock company) depending on the form of the business entity. The equity is not in the form of a deposit, but is paid into a temporary account of the business itself, and immediately after registration is completed, it is available to the business entity.

2.4.2. There is no deposit for registering shops. Only local administrative fees are paid, which on average amount to 15 euros. An entrepreneur may start operations in the majority of activities without costs related to inspection bodies.

## **2.5. Is on-line registration possible?**

See answer 2.2.2.

## **2.6. Please describe the number of steps and the involved institution and the number of estimated days per step.**

- ↳ Step 1 – Bank: concluding Contract for opening current account – one day
- ↳ Step 2 – The Agency for Business Registers: submitting request for registration – 4-6 days
- ↳ Additional procedure (after registration) – Tax Administration: collecting tax identification number (TIN) – around 7 days

## **2.7. Which of these steps are or will be integrated in a one-stop shop construction? Please describe.**

The only remaining step that should be integrated into the establishment of one-stop-shop is the possibility to receive TIN from the Business Registers' Agency.

## **2.8 To what extent and in which step is a “silence is consent” principle introduced. Please describe and mention the number of days after which consent is considered obtained in absence of a formal response.**

The legal deadline for implementation of this provision is 10 days - until November 2005, which it will be shortened to five days.

### 3. BETTER LEGISLATION AND REGULATION

Actions recommended according to the Charter:

- Screen new regulations to assess their impact on small enterprises and entrepreneurs. Simplify rules, wherever possible.
- Adopt user-friendly administrative documents.
- Consider the exemption of small enterprises from certain regulatory obligations.

Targets from the 2004 exercise:

**Serbia:**

(1) To pass the Law on Business Entities (new Company Law)

#### 3.1. Please describe progress made over the last 12 months in achieving the Charter's objectives.

3.1.1 In the Republic of Serbia during the last 12 months, the following laws have been passed or amended<sup>30</sup> relevant for the SME sector:

- ↺ The Labor Law (15 March 2005)
- ↺ Mediation Law (24 February 2005)
- ↺ Law on the Protection of the Environment (21 December 2004)
- ↺ Fiscal Registers Law (21 December 2004)
- ↺ Law on Electronic Signatures (21 December 2004)
- ↺ Law on the Peaceful Settlement of Labor Disputes (15 November 2004)
- ↺ Law on the Civil Procedure (15 November 2004)
- ↺ Enforcement Law (15 November 2004)
- ↺ Company Law (15 November 2004)
- ↺ Law on the Protection of Competition (16 September 2005)
- ↺ Tourism Law (30 May 2005)

3.1.2. The text of the draft **Entrepreneurs' Act**<sup>31</sup> is under preparation. This also aims to reduce administration between the entrepreneurs and local self-government in the procedure for registering entrepreneurial shops and which will therefore add to creation of a better legal environment for the development of entrepreneurship and the opening of new entrepreneurial shops. This Law will add to the harmonization with the Law on Business Entities ("Official Gazette of the RS", number 125/04) which is completely harmonized with the primary and secondary legal sources of the EU (Instructions 68/151/EE3, 77/91/EE3, 78/660/EE3, 78/855/EE3, 82/891/EE3, 83/349/EE3, 84/253/EE3, 89/666/EE3, 89/667/EE3, 90/605/EE3, 92/101/EE3, 2001/65/EE3, 2003/58/EE3) and with the Law on Registering Business Entities ("Official. Gazette of the RS", number 55/04). This is in line with the principles of the European Charter for Small Enterprises, especially regarding reducing the start-up costs, time and procedures necessary for registration and greater utilization of funds for electronic communication (objective/benchmark 1).

3.1.3 A **Rule Book on Determining the Jobs Considered as Artistic and Old Trades, that is, Folk Arts and Crafts**<sup>32</sup> has been approved ("Official Gazette of the RS", number 21/05). The Rule book was enacted on the 12<sup>th</sup> March 2005 and the Ministry of Economy of the Republic of Serbia has formally recognized and numbered the old and artistic trades and folk arts and crafts, in order to offer support within the system for the preservation and development of these skills through different types of assistance (directed initiatives for reducing the VAT rate and the basis for mandatory employees' insurance, etc.).

<sup>30</sup> <http://www.parlament.sr.gov.yu/content/cir/akta/zakoni.asp>

<sup>31</sup> [http://www.mpriv.sr.gov.yu/upload/documents/zakoni/pdf/nactr\\_zakona\\_o\\_preduzetnicima.pdf](http://www.mpriv.sr.gov.yu/upload/documents/zakoni/pdf/nactr_zakona_o_preduzetnicima.pdf)

<sup>32</sup> [http://www.mpriv.sr.gov.yu/upload/documents/pravilnici/pravilnik\\_umetnici\\_poslovi.pdf](http://www.mpriv.sr.gov.yu/upload/documents/pravilnici/pravilnik_umetnici_poslovi.pdf)



### 3.2 Please describe if and how the targets have been met. Where targets are not met, explain delays and proposals for catching up.

The objective set for 2004 has been achieved.

The new **Company Law**<sup>33</sup> was adopted by Parliament and entered into force on 30 November 2004.

New provisions replace completely the previous Law on Enterprises which has been in force since 1996 (except for the Articles pertaining to the socially-owned companies which remain in force) regulating the rights and obligations of entrepreneurs, partnerships and limited partnerships, joint stock companies and limited liability companies, changes of status (association, merging), and liquidation of a business entity which is not in bankruptcy.

Simultaneously, the new Law retains the basic structure and legal form of companies from the existing law. Accordingly, the new Law does not require existing companies to restructure, change their form, or re-register. However, existing companies will have to harmonize their management structure with the new Law within 2 years from the adoption of the new Law (for instance a limited liability company may have either a Management board or a Director, but not both)

The most important improvements which will affect SMEs are:

- *Limited Liability Companies.* Parts of the Law relating to limited liability companies are made more flexible. Especially, some provisions (voting, formalities during the member meetings, Board of Directors...) which have been described in greater detail, but these are so-called "default" provisions – that is, provisions that would apply only if the members of a company had not agreed differently in writing.
- *The smallest amount of equity necessary to form a limited liability company.* The smallest amount of equity has been reduced from 5,000 US dollars to just 500 euros.
- *Corporate Governance.* A large number of changes encourage good corporate governance and protect investors in all types of companies. These changes are made in line with best practices international examples.

### 3.3 Does your country have regulatory impact assessments? Please describe.

The **Regulatory Reform Council** <sup>34</sup> was established by Government decision in 2003, with the mandate to «follow work and development of private entrepreneurship and companies, to start initiatives and make proposals for changes to existing and passing of new laws, other regulations and general enactments, to give preliminary opinions on Draft Laws and other regulations which are to be considered by the Government, in relation to issues significant for work and development of private entrepreneurship and companies.» In undertaking these actions, the Government of Serbia has recognized the need to dedicate more attention to domestic legislative and regulatory processes for establishing the environment that would enable development of private enterprises and economic growth.

In October 2004, the Government introduced mandatory *Regulatory Impact Analysis of all proposed legislation* (laws as well as decrees and other legal instruments).

To implement RIA, the Ministry of Economy and Ministry of Finance proposed that the Government adopt amendments to the Rules of Operation of the Government on 14<sup>th</sup> October 2004 (published in the Official Gazette of the Republic of Serbia No.113/04), which provide that *for each new law, and other regulatory instruments such as decrees and orders, the responsible ministry will prepare a justification statement containing the answers/analysis to a set of questions developed in accordance with the OECD RIA recommendations.*

More precisely, for each new law and the other regulatory instruments such as decrees and orders, the Ministry in charge shall be obliged to prepare a justification statement which would provide answer to the key questions (Box 1). Also, in order to secure coordination and quality control of RIA undertaken, *the Government empowered the Council for Regulatory Reform (established by the Government in 2003) to undertake this function.*

<sup>33</sup> <http://www.mpriv.sr.gov.yu/upload/documents/zakoni/pdf/Zakon%20%20privrednim%20drustvima.pdf>

<sup>34</sup> <http://www.mpriv.sr.gov.yu/code/navigate.asp?Id=122>

**Box 1. Key questions that should be answered by the Regulatory Impact Analysis , which have been presented in the Rules of Procedure of the Government of the Republic of Serbia**

- What does the problem pertain to?
- Why is Governmental action necessary for resolving the problem?
- What are the objectives of the Governmental action?
- What options for resolving problems have been taken into consideration? Why the recommended option represents the best approach?
- Do positive effects justify costs? Who does the problem influence and who will be influenced by the solutions for problems proposed in the enactment? What are the costs that the enactment application might cause to consumers and companies, including the SME? What are the influences on the market and market competition? (In this part, one should determine the expected positive effects and costs of the proposal. To determine what groups shall have benefits and costs, as well as what is the scope of those influences.)
- Did all interested parties have a chance to present their attitudes?
- How would the proposal be implemented?

This significant reform has been supported by the World Bank SAC II conditions.

Also, by Decision of the Government and in accordance with the amendments to the Rules of Operation of the Government (both published in the Official Gazette of the Republic of Serbia No.113/04), the mandate of the Council for Regulatory Reform was widened with the additional task *to coordinate and assist Ministries in the performance of the RIA as well as to perform quality control of the RIA's performed within the ministries*. The Council is now chaired by the Minister of Economy. The Council established a Secretariat comprising of three members: the Secretary, one Legal Advisor and one Economic Advisor.

The Council for Regulatory Reform has initiated a training programme for the implementation of RIA. In March 2005, an introductory two day training session was held, and a further week's training is planned for the beginning of July 2005. The World Bank Institute is financing the training courses. With this aim a manual on the preparation of analysis of regulatory effects will be compiled and published for state body employees. This manual will be used as a guide for decision makers and analysts in order to help them undertake an analysis of regulatory effects during decision-making and ensure quality in the evaluation of the regulatory effects, as well as in performing analysis of regulatory effects.

## 4. AVAILABILITY OF SKILLS

Actions recommended according to the Charter:

- Ensure that training institutions, complemented by in-house training schemes, deliver an adequate supply of skills adapted to the needs of small business, and provide lifetime training and consultancy.

### 4.1. Please describe progress made over the last 12 months in achieving the Charter's objectives

4.1.1. **The Republic Agency for SMEE Development**<sup>35</sup> has planned the programme for preparation and training of expert associates („Training of trainers“), modeled in such a way as to support the requirements of the **National Employment Service**<sup>36</sup> for the formation of an expert collaborators' team, who in the short and long term, would work in the regional branch offices and services with the target groups of unemployed in the sphere of entrepreneurial development and assistance during self-employment. During November 2004, the seventh in a series of Seminars was held, «How to Start a Business» (attended by 33 participants) intended for counselors employed with the branch offices and services of the NES throughout Serbia, which are very important for directing the unemployed to start their own business, and to resolve their status in this way. In this period, the following programmes were held: three *Training of Trainers* seminar attended by 32 participants; *additional Training of Trainers* trained within the Training of Trainers programme of the NES (29 attendees), seminars: *Value Added Tax, News on the Legal Regulations, How to start a business* for expert associates' additional education and vocational retraining in the National Employment Service (30 participants).

NES trainers provide continuous support to NES employees from other sectors in their professional training in entrepreneurship, in order to contribute to entrepreneurship development. The training has encompassed around 600 NES employees (30%) so far.

NES Business Centres offer services to current entrepreneurs, covering the following topics: Sustainability of newly-founded enterprises and meeting legal and other obligations, support to human resources development (giving advice on engaging and professional training of staff), individual educational work with entrepreneurs. Cooperation has been established with associations of entrepreneurs which are established within regional chambers.

4.1.2. In the period June – November 2004, the *BTA Project (Business Technical Assistance)* was implemented. In cooperation with the partners from **Reggio Emilia** and the **Regional Agency for Economic Development of Sumadija and Pomoravlje from Kragujevac**<sup>37</sup> three sectors of strategic significance for regional development were defined: metal processing, processing of wood and furniture production, and food production. Within those three sectors, 12 companies were selected using 2 selection levels - available databases of the Regional Agency and direct contact with the Departments of Economy of the regional municipalities, in order to represent the companies equally by territorially. The selected companies were made the subject of in-dept analysis and their detailed profiles were prepared in each case. Also, the basic status analyses in the selected sectors were performed. The activities included the preparation for a visit by an Italian expert who had a task of offering consulting services in direct contact with the managers of the selected companies, in order to define strategic directions for growth and development of these companies.

In March 2005 the implementation of the “FORMAT” Project commenced, in cooperation with partners from the Italian town Reggio Emilia. This Project was intended for training the managers of the companies from the region of Sumadija and Pomoravlje, in key areas related to operations, in the sphere of internal organization of the companies, as well as strategies for market presentation. The Training is organized by the Regional Agency in cooperation with the training centres from Reggio Emilia, and is being implemented by the local experts.

<sup>35</sup> <http://www.sme.sr.gov.yu/>

<sup>36</sup> <http://www.rztr.co.yu/preduzetnistvo.htm>

<sup>37</sup> [www.smerakg.eunet.yu](http://www.smerakg.eunet.yu)

4.1.3. **Belgrade Chamber of Commerce<sup>38</sup> and Cologne Chamber of Skilled Crafts – Association for Education and Consulting**, have organized training, within the SEQUA Programme<sup>39</sup>, for the employees of Belgrade Chamber of Commerce. The aim of the training was to provide know how to the consultants in order to improve the effectiveness and quality of providing services to small and medium-sized enterprises and entrepreneurs through the following seminars: Bases for successful advice to enterprises and entrepreneurs; Consulting services for founding an enterprise; Consulting services for emerging enterprises, optimisation, rationalisation; Advice on expanding businesses abroad; Consulting services for enterprises in crisis/prevention of insolvency; Consulting services in transfer of enterprises/successors; Exchange of experience in consulting practice. On the completion of the training, consultants have taken theoretical and practical examinations in order to receive certificates which are accepted in EU countries. Total number of certified consultants was 6.

4.1.4 The Project of *Non-Financial Support to SME Development in Serbia* (2001-2004) financed by the EU took initial steps in identifying the network of service providers, as well as providers of different training and consulting services, in seven Regional SME Agencies created under the project. One of the defined tasks, of the current EU Project »*Support to Enterprise Development and Entrepreneurship in Serbia*« includes further strengthening and expansion of this network. The aim of these activities is that the end users (SMEs and entrepreneurs) should have access to an adequate supply of quality training and consulting services adjusted to their needs. In this context, the Project will support the Republic Agency for SMEE Development and the network of regional SMEE Development Agencies in preparing a project for accrediting the service providers as well as for implementation of initial courses for Trainings of Trainers and of consultants in various fields. The key element of the whole process relates to the definition of adequate accreditation bodies and rules at the national level with the responsibility of regional agencies and local actors for managing the network of accredited service providers, as well as strengthening the capacity of institutions and individuals offering training and consulting services. This will add to higher quality provision of these services and to a greater extent satisfy the needs of SMEs and entrepreneurs at the local level.

4.1.5. **Development and implementation of the Business Administration System (BAS) for continuing vocational education and training** – The development of this system and the participation of regional chambers of commerce was initiated through cooperation among the Vocational Education and Training Programme, Serbian Chamber of Commerce – Vocational Education Service, 5 Regional Centres for continuing education for adults, 4 regional chambers of commerce and Belgrade Chamber of Commerce. BAS aims to offer training and continuing vocational education services at the regional level, primarily for SMEs, entrepreneurs and unemployed, through partnership of two types of institutions. BAS focuses on skills and knowledge in the field of business administration, particularly in the following functional areas: Finance, Management, Marketing and Sales, Production Planning, Logistics.

#### **4.2 Please describe if and how you have been able to respond to the analysis drawn up by the ETF last year of your national report.**

In order to enable better coordination between the state and social partners in the field of education and training, the **Department for Development of SME** within the **Ministry of Economy**, responsible for activities related to the implementation of the European Charter on Small Companies, responded to the initiative of the **European Training Foundation (ETF)**<sup>40</sup> for the Western Balkans countries. This initiative was aimed at providing technical assistance directed towards the formation of the *National Partnership for Entrepreneurial Training*.

Specifically, the ETF prepared a proposal for forming partnerships and presented it to the European Charter National Coordinators and initiated a competition between the eight qualifying countries. Project proposals had to be delivered to the **ETF** during May. The Republic of Serbia has been approved to implement this project, being one of the four countries with the best and with the highest quality applications.

The basic aim of this Project is the enhancement of competition in the EU partner countries of South Eastern Europe and Moldova, through strategic promotion of entrepreneurial training, as a part of the wider efforts of these countries to harmonize their national policies with the spirit and principles of the European Charter.

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<sup>38</sup> <http://www.kombeg.org.yu/>

<sup>39</sup> Technical assistance from the Government of the Federal Republic of Germany

<sup>40</sup> [www.etf.eu.int/entrepreneurshiplearning](http://www.etf.eu.int/entrepreneurshiplearning)

During the Project Phase I, the National partnership for entrepreneurial training was established, comprising the following national partnership institutions:

- ↔ Ministry of Economy – Department for SMEE;
- ↔ Republic Agency for SMEE Development;
- ↔ The Ministry of Education and Sport;
- ↔ The Ministry of Finance;
- ↔ Serbian Chamber of Commerce;
- ↔ Belgrade Chamber of Commerce;
- ↔ Republic Development Bureau;
- ↔ Faculty of Economy, Belgrade University;
- ↔ National Employment Service;
- ↔ NGO “Civil Initiatives”.

The two main tasks that the Partnership will perform during the Project implementation, together with ETF experts, are: 1) capacity building of the national coordinators for compilation of annual reports in the fields 1. and 4. of the European Charter; 2) development of draft Entrepreneurial Training and Self-employment Policy document. The Project implementation is ongoing.

## 5. ON-LINE ACCESS PROMOTION

### Recommendations in accordance with the Decree:

- To encourage public institutions to increase possibilities for electronic communication with the small enterprise sector, allowing for enterprises to obtain advice, fill out applications, and provide evidence for tax return or to provide simple information through on-line access.

#### 5.1. Please describe progress made over the last 12 months in achieving the Charter's objectives

The Government of the Republic of Serbia has determined that the creation of an «information technology society» is one of its priority tasks. Within this concept, issues pertaining to the following information technology fields will be tackled: development of the communications infrastructure, education for the population, enactment of laws in the field of e-business and transformation of state administration, transformation with the emphasis on e-work, i.e. underpinning transformation in all state administration institutions within the state system, aimed at strengthening of e-business and access to different areas through the Internet. The **Ministry of Science and Environmental Protection**<sup>41</sup>, supported by **UNDP** and in cooperation with sector institutions, initiated the design of an *Information Technology Society Strategy*<sup>42</sup> in February 2005. Strategy will define a concrete framework for promotion of on-line access within the state administration and of e-business: e-government, administration, health sector, education, economy and financial institutions, for the purpose of providing access to these institutions through public communication networks.

According to the **Republic Institute for Information Technology and Internet**<sup>43</sup> data, the situation in this field has been presented through usual division of on-line access at three levels:

1. **One-way communication** i.e. providing information on relevant documents, laws, regulations as well as important developments and decisions in the field of macro and microeconomic policy, located on web pages of the state administration institutions (Parliament, Government and all Ministries, as well as Agencies, have their own web presentations, where data from their scope of work may be obtained), primarily **Ministry of Finance**<sup>44</sup> (laws, important documents, agreement with IMF, changes in VAT policy).
2. **Two-way communication** – on the **Tax Administration**<sup>45</sup> web site, in addition to current information, laws, regulations, codes and statistical data, there is an option to pose questions i.e. two way communications. The content and style of the answers are not tailored to SME needs with regard to a direct approach and simplicity (Style and terminology, which are not easy to understand outside of state administration, has been retained). Forms for different applications may be obtained (around 30 forms). Also, a direct (on-line) search for registered VAT taxpayers in the Register is possible.
3. **On line services** provided, relate to the calculation of control numbers for public income payment<sup>46</sup>, made possible since 1<sup>st</sup> January 2004. The electronic submission of tax returns made possible for higher taxpayers, is extended to smaller taxpayers as well, and the criteria for entering the circle for which this service is possible, are governed by Code on Criteria for Establishment of Large Taxpayers («Official Journal RS», No. 123/2003) since 1<sup>st</sup> January 2005.

**The National Bank of Serbia**<sup>47</sup> - Solvency Centre<sup>48</sup> based on Regulation on Modalities for Submission of Financial Reports and Data Procession thereof („Official Journal RS“, 10/2004), applied since 12<sup>th</sup> February 2004, enables submission of consolidated financial reports electronically, and the associated

<sup>41</sup> <http://www.mntr.sr.gov.yu/mntr/sr/topic.php?id=289>

<sup>42</sup> document will be completed by September 2005 at latest

<sup>43</sup> <http://www.rzii.sr.gov.yu/>

<sup>44</sup> <http://www.mfin.sr.gov.yu/>

<sup>45</sup> <http://www.poreskauprava.sr.gov.yu/>

<sup>46</sup> <http://www.poreskauprava.sr.gov.yu/>

<sup>47</sup> <http://www.nbs.yu>

<sup>48</sup> <http://cb.grf.nbs.yu/>

fee amounts to less when compared with fees for submissions made in paper form. This service is provided equally to SMEs and Large Legal Entities.

**The Agency for Business Registers**<sup>49</sup> carries out certain procedures in the re-registration process of Business Operators into the Register, as well as the new registrations through electronic application supported with respective paper documents. Certificates on re-registration of Business Operators into the Register may be obtained electronically as well.

The e-government introduction process, at the Local Self-Management level is well underway. Around 20 municipalities in Serbia have web sites (including Cukarica, New Belgrade, Palilula, Zvezdara, Pozarevac, Nis, Subotica, Kikinda, Kovacica etc.), where citizens can obtain information about competent bodies and services, the content of respective regulations and procedures and other material. Some municipalities have made possible the submission of requests pertaining to individual public documents (birth certificate and citizenship certificate) through the Internet, and delivery to home addresses.

Internet presentations of the **Republic**<sup>50</sup> and **regional agencies**<sup>51</sup> for **SME development** are useful sources of information for small enterprises with regard to the general business environment, legal frameworks for business, available financial sources, and services offered by those institutions (training programs, consultations, consulting etc.).

**The Serbian Chamber of Commerce**<sup>52</sup> actively contributed to the introduction of information technology for 145 general associations of entrepreneurs and it is actively involved in their networking and provision of information and data feedback. An Entrepreneurs' Info-desk was established<sup>53</sup>, oriented exclusively towards questions and answers on SME-related issues. During the first four months of 2005, 1247 SME related questions were answered and databases on new and old machinery and equipment, credit lines and leasing were set up and applications for registration of shops and enterprises were designed etc.

**The Republic Development Bureau**<sup>54</sup> web site displays information on the scope of RDB. RDB Internet presentations are useful sources of information for small enterprises with regard to the general business environment and the level of SME sector development in Serbia. Direct access to the SME business co-operation network – **Business Co-operation Network (BCN)** is of special importance; here, in addition to information on business meetings, SMEs may electronically acquire membership of the network.

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<sup>49</sup> <http://www.apr.sr.gov.yu>

<sup>50</sup> [www.sme.sr.gov.yu](http://www.sme.sr.gov.yu)

<sup>51</sup> Regional Agencies/Centres:

Belgrade – [www.mspbg.co.yu](http://www.mspbg.co.yu)

Kragujevac – [www.smerakg.co.yu](http://www.smerakg.co.yu)

Krusevac – [www.mspks.co.yu](http://www.mspks.co.yu)

Nis – [www.ranmsp.co.yu](http://www.ranmsp.co.yu)

Novi Sad – [www.almamons.co.yu](http://www.almamons.co.yu)

Subotica – [www.smer.co.yu](http://www.smer.co.yu)

Uzice – [www.mspue.co.yu](http://www.mspue.co.yu)

Zajecar – [www.msp-timok.co.yu](http://www.msp-timok.co.yu)

Zrenjanin – [www.mspzr.co.yu](http://www.mspzr.co.yu)

<sup>52</sup> <http://www.pks.co.yu>

<sup>53</sup> [http://www.pks.co.yu/infodesk/servlet/infodesk.XMLProcesor?i\\_sys=infodesk&i\\_xml=a100&i\\_xsl=s100&i\\_pagenumber=1&i\\_numberrecords=10&i\\_sql=ID|1](http://www.pks.co.yu/infodesk/servlet/infodesk.XMLProcesor?i_sys=infodesk&i_xml=a100&i_xsl=s100&i_pagenumber=1&i_numberrecords=10&i_sql=ID|1)

<sup>54</sup> [www.razvoj.sr.gov.yu](http://www.razvoj.sr.gov.yu)

## 6. GETTING MORE OUT OF THE SINGLE MARKET

### Actions recommended according to the Charter:

- Pursue reforms aimed at the completion in the EU of a true internal market, user-friendly for small business, in critical areas for development of small businesses, including electronic commerce, telecommunications, utilities, public procurement and cross-border payment systems.
- Apply European and national competition rules to make sure that small businesses have every chance to enter new markets and compete on fair terms.

### 6.1. Please describe progress made over the last 12 months in achieving the Charter's objectives

**Serbian Investments and Export Promotion Agency<sup>55</sup> (SIEPA)** was established in order to contribute to improvement of business conditions in Serbia and to increase the competitiveness of Serbian enterprises on foreign markets, and in particular in the field of export promotion. A large part of the export-promotion activities undertaken in the previous period, was developed through the *'Export Development Programme'*, an EU-funded Project, managed by the European Agency for Reconstruction. The Irish Consulting Company *TDI (Trade Development Ireland)* provided the technical support for this programme.

In late 2004, SIEPA completed the *SEMDAS* Project, which provided 1.14 million Euros to Serbian export enterprises. The Project was realized with the assistance of EAR through its Export Development Programme, and with funds earmarked by the European Union, in order to encourage private entrepreneurship and create preconditions for Serbia's export development. *SEMDAS* is a marketing promotion project related to Serbian exports, allowing domestic companies to receive concrete financial aid for the first time, based on the principle of non-repayable grants equal to 50% of the project costs. Grants ranged from 5 000 to 50 000 euros. During 2004, six open competitions were held, and there were 192 applications for grants. Ninety-two of them were supported.

An enterprise could apply only if it was a private company engaged in production, software development and international exchange related to design services and trade, and if it represented Serbian manufacturers. Also, the enterprise had to be financially capable of ensuring the sustainability of activities started by the project and to be able to finance the rest of the project, to have achieved positive business results in the previous two years, and production related firms needed to have more than 25 employees. The following activities were supported through *SEMDAS*: market research or external consultants' services; participation at international business fairs; product design; testing of products i.e. registration; introduction of quality systems; package design; visits by foreign buyers; visits to foreign markets and design of promotion material. The average of approved assistance for all 6 application periods amounted to 11 700 Euros, so that 98 Serbian enterprises will spend on average around 23 400 Euros for marketing activities related to promotion of exports.

The International Linking Programme *SILBAS* comprises 1) visits of business delegations to foreign markets and of foreign buyers' business delegations to Serbian enterprises and 2) visits to and presentations at fairs.

1) *Business Delegations*. Within the Export Development Programme, a part of the funds is earmarked for organization and partial coverage of the costs of business delegations. In 2004, the Agency organized two business delegations:

1. The delegation visit to Budapest consisted of 8 Serbian fashion industry enterprises (5<sup>th</sup> and 6<sup>th</sup> October 2004) in order to review export possibilities in the Hungarian market;

2. Simultaneously with the presentation of 10 Serbian enterprises at the SIAL fair, the largest food industry fair (Paris, 17-21<sup>st</sup> October 2004), the Agency organised and partly financed the visit of a business delegation. Six enterprises participated in this delegation: Donimpex, Foodland, Frigo Nais, Ares, 7. Juli and Sirogojno. Enterprise representatives visited the fair, and although they did not exhibit their products, they achieved significant success during business negotiations organised by the Agency. A large number of contacts with potential buyers, as well as agreed export operations, show that there is a substantial need for organised

<sup>55</sup> [www.siepa.sr.gov.yu](http://www.siepa.sr.gov.yu)



presentations by the Serbian food industry, and it can be expected that these visits may lead to positive results as well.

2) *Fairs*. In order to increase competitiveness of domestic producers on foreign markets, SIEPA organised presentations at the most significant fairs. According to the export potential representation principle at national (common) level, the best of Serbia was presented at the following fairs: SIAL (Paris, 17– 21<sup>st</sup> October 2004) – the largest European fair of producers, distributors and the food industry importers; SYSTEM 2004 (Munich, 18-22<sup>nd</sup> October 2004) – information technology fair; AUTOMECHANICA (Frankfurt, 14-19<sup>th</sup> September 2004) – presentation of Serbian Automobile Industry at the largest European fair of automobile industry etc.

The final event was held in early December 2004 and related to presentation of the first „*SIEPA Exporter of the Year Award - 2004*“. Approximately 200 representatives of the High Diplomatic Corps, international financial institutions, Government of the Republic of Serbia, as well as representatives of domestic and foreign companies, participated at the presentation of the award. The award was presented for 3 categories – for the best exporter of the year, for the best new export product and for conquering a new market, as well as the special Award for the Exporter of the Year in the small and medium enterprises category.

The award for the best exporter in the small and medium enterprises category was presented to enterprise „Enterijer Jankovic“ I.I.c. which produces construction joinery (doors and windows) of exceptional quality for installation in the most prestigious business, public and private buildings. In addition to the Exporter of the Year statue, the winners of awards obtained the right to use the stamp and logo of this award, which they will be able to apply to all of their promotion material as well as to their products.

## **6.2. Please describe the various ways in which you are attempting to make your companies more competitive on foreign markets.**

6.2.1 The overall activity of the SIEPA in the field of Export Promotion is conducted in order to increase the competitiveness of domestic producers in foreign markets. The following export promotion activities are deemed as those which may directly increase competitiveness on foreign markets and provide the greatest aid to Serbian enterprises:

- ↳ **Financial aid to enterprises for export oriented marketing activities** – The success achieved by the SEMDAS program indicates the need to continue with this programme. In co-operation with the Ministry of Agriculture, Forestry and Water, funds have been provided from the Republic of Serbia budget to provide financial aid for food industry enterprises to introduce ISO and NASSR standards.
- ↳ **Financial aid to enterprises for presentations at international fairs** – Visits to the largest fairs in Europe were sponsored through the SIBLAS programme. This has increased the presence of Serbian companies at large international events, a number of articles appeared in the international media, as well as the tangible business transactions concluded by enterprises during the fairs, indicating the importance of this type of promotion for the Serbian economy. Fairs and other forms of international links make it possible to learn more about existing competition in the international market, their products, prices, new technologies and trends etc. Due to the great importance that this support represents for enterprises, in cooperation with the Ministry of Agriculture, Forestry and Water, provisions have been made from the Republic of Serbia's Budget for presentations at major and regional international fairs related to food products, as financial support to food industry enterprises.
- ↳ **Commercial Information System** – this was started as a part of the Export Development Programme, and will continue to be developed in accordance with exporters' needs. In today's business world, accurate information increases the competitiveness of the enterprise. This system of commercial information allows simple searches of all information of interest to exporters. The system has two parts, but in time, the intention is to develop it into a comprehensive system, able to provide all necessary information to exporters.
- ↳ **Training** – During 2004, through the training programme, carried out within the Export Development Programme, more than 100 representatives of enterprises completed training. Training was given in basic topics related to exporting. Currently, the second round of training is being carried out, with the participation of previously trained trainers. Training of this type will certainly be continued in the future, and the commencement of training on the importance and introduction of ISO and NASSR certificates, has been scheduled for the second half of 2005, since respective information packages will have been created by that time.

- ↪ **Supplier's database** – in order to put foreign buyers in contact with Serbian producers at short notice and easily, the Agency is currently creating a suppliers' and exporters' database, whose services and products meet international standards. The databases are continuously updated. The objective is to input data on 500 Serbian enterprises with this unique promotion material. The databases will serve as promotion of exports, and also the promotion of Serbia as an investment location, therefore, potential investors will be informed in advance about the capabilities of domestic producers as potential suppliers.
- ↪ **Connecting businessmen** – Due to the great importance of this means of connecting businesses, the Agency will continue to work on the establishment and progress of the Association of Exporters, automobile industry clusters, wine producers clusters and others.

6.2.2. Within the **INDE Project (Information Development)** carried out within the European Union Programme for cross-border cooperation - **INTERREG IIIB (2000-2006)**, the **Republic Development Bureau**<sup>56</sup> participates as the sole national representative. The Program includes six countries: Italy, Austria, Greece, Croatia, Slovenia and Serbia. The main project objectives are as follows:

- ↪ Identification of needs and conditions for expansion of production clusters and local SME systems;
- ↪ Strengthening sustainable development and cooperation between institutions at intermediary level;
- ↪ Creating / granting assistance to SME centres;
- ↪ Development of methods for territorial and sectoral marketing to improve access to knowledge and exchange of products, which will be supported by the Information Society.

6.2.3 **The Serbian Enterprise Development Project (SEDP)**<sup>57</sup> is a USAID-funded programme tasked with helping businesses in Serbia to create well-paid, skilled jobs by improving market competitiveness. SEDP helps companies build on their advantages, add unique value to products, and get those products to the right customers. By building on local advantages in resources, geography, and technical skills, businesses are ensured a strong and sustainable market position. Adding unique value to goods increases revenues and protects companies from less expensive competition. International experience has shown that this strategy is essential to job creation and long-term economic growth.

SEDP has identified six industry sectors in Serbia for their potential advantages on international markets: fruit products, tourism, furniture, pharmaceutical research, information and communications technology, and apparel. SEDP carefully reviews the strengths, weaknesses, and opportunities for each sector, and then works with businesses and government to improve the competitive positioning of the sector. SEDP accomplishes its mission by:

- ↪ Providing companies with expert consultation;
- ↪ Making new international market contacts and providing timely market intelligence;
- ↪ Working with industry and government to remove legal and regulatory barriers;
- ↪ Bringing advanced production technology to Serbia;
- ↪ Promoting foreign and domestic investment;
- ↪ Providing matching grants to help companies innovate and introduce international standards;

SEDP brings individuals and companies together to build stronger sectors. SEDP helps businesses combine efforts to influence policy. By creating links between industries and universities, SEDP helps ensure that students get the right skills for market demands. By working with the Government of Serbia counterparts in export promotion, foreign affairs, and economic relations, SEDP creates sustainable lines of communication that help industries adapt and reach new markets.

Ensuring that international investors and buyers have confidence in Serbia as a place to do business is essential to increasing exports and foreign investment. SEDP works with businesses in Serbia and the Serbian Investment and Export Development Agency (SIEPA) to redefine Serbia's image abroad.

<sup>56</sup> <http://www.razvoj.sr.gov.yu/>

<sup>57</sup> [http://www.usaid.org.yu/center/program\\_news/programs.php?id=123&region=s&parent\\_id=2](http://www.usaid.org.yu/center/program_news/programs.php?id=123&region=s&parent_id=2)

## 7. TAXATION AND FINANCIAL MATTERS

### Actions recommended according to the Charter:

- Adapt tax systems to reward success, encourage start-ups, favour small business expansion and job creation, and facilitate the creation of and succession in small enterprises. Apply best practice to taxation and to personal performance incentives.
- Improve the relationship between the banking system and small enterprises by creating appropriate access conditions to credit and to venture capital.
- Improve access to the Structural Funds.

### 7.1. Please describe progress made over the last 12 months in achieving the Charter's objectives

#### 7.1.1. Taxes

In the Republic of Serbia, the Fiscal Laws regulate the tax base, tax rates and taxpayers, mandatory social insurance contributions, and partly fees. For other public revenues, taxpayers, tax base and rate of tax burden are defined by Republic Government Enactments, municipal decisions or decisions of public companies. Also, the laws regulate numerous tax exemptions and tax reliefs.

**Corporate Income Tax Act**<sup>58</sup> was revised in 2004, so from the 1<sup>st</sup> August 2004 for companies, and from the 1<sup>st</sup> January 2005 for entrepreneurs performing independent operations, the rate of corporate income tax, that is, of independent activity licence tax has been decreased from 14% to 10%. The Republic of Serbia has the lowest and the most simulative corporate income tax rate in the region and in Europe. Also, tax credits have been introduced for taxpayers from 16 manufacturing activities (for example, agriculture, fishing, production of textile yarns and fabrics, and production of metal products). Taxpayers have been granted the right to a tax credit amounting to 80% of the value of investment in capital assets, while the tax credit is acknowledged without limitation in relation to the tax in the year of the investment.

In the current system of taxes and contributions, there are no special selective measures for stimulation of entry (start-up) for new entrepreneurs and SMEs. The proportion of salaries taken up with personal income tax and contributions for mandatory social insurance is still relatively high. The total rate amounts to 53.70% of gross income. The income tax rate is proportional and currently stands at 14%. The total rate of contributions for mandatory social insurance (for pension and disability insurance, for health insurance and for insurance in the case of unemployment) since the 1<sup>st</sup> July 2004 is 35.80% (17.90% from gross income imposed on the employee, and 17.90% from gross income imposed on the employer).

In order to reduce tax burdens, from the 1<sup>st</sup> July 2004 the tax on the salary fund of 3.5% has been rescinded by the Law on Contributions for Mandatory Social Insurance<sup>59</sup>, stipulating that contributions for mandatory social insurance should be calculated and paid by application of the lowest monthly basis for contribution (40% from the average monthly income in the Republic paid in the previous three-months period) if the monthly income is lower than that, then it applies to the highest monthly base (five times the amount of average monthly income in the Republic) if monthly income is higher than the highest monthly basis for contribution.

Fiscal reliefs have been provided for employment of new workers, as follows:

- The Law on Contributions for Mandatory Social Insurance<sup>60</sup> which came into force from the 1<sup>st</sup> September 2004 provided for exemption, under prescribed conditions, from payment of obligatory tax contributions imposed on employers (in total 17.90%), lasting two years, for newly employed persons older than 50 years 100%, and for the unemployed older than 45 years 80%.

<sup>58</sup> [http://www.parlament.sr.gov.yu/content/cir/akta/akta\\_detalji.asp?Id=156&t=Z](http://www.parlament.sr.gov.yu/content/cir/akta/akta_detalji.asp?Id=156&t=Z)

<sup>59</sup> applied from the 1<sup>st</sup> September 2004

<sup>60</sup> [http://www.parlament.sr.gov.yu/content/cir/akta/akta\\_detalji.asp?Id=157&t=Z](http://www.parlament.sr.gov.yu/content/cir/akta/akta_detalji.asp?Id=157&t=Z)

- through changes and amendments of the Citizens' Income Tax Act<sup>61</sup>, which came into force on 1<sup>st</sup> January 2005, the employer is under prescribed conditions exempt from payment of income tax for newly employed people in the period from the 1<sup>st</sup> January to 31<sup>st</sup> December 2005, lasting one year.

All of the tax incentives introduced into fiscal system, by decreasing the licence tax rate, special incentives for employment and strengthened work of all inspections, especially labour inspection, will result in a reduction in the scale of the 'black' market sector, especially illegal work and performing unregistered activities.

### 7.1.2. Finance

One of the most important priorities for support of entrepreneurial development is the provision of various kinds of SMEE funding. Recent changes have occurred in relation to changes in the legal environment, the establishment of necessary institutional infrastructure, and the provision of necessary funds.

During 2004 laws were passed aimed at improving market conditions to facilitate operations and provide greater freedom of capital movement. The most significant laws passed were: Business Entities' Registration Act, Law on Agency for Registering Business Entities, Executive Procedure Act, Bankruptcy Act, Law on Licensing Trustee in Bankruptcy, and changes to the Guarantee Fund Act<sup>62</sup>. At the same time, laws which were adopted earlier, such as Financial Leasing Act, have become fully operational. Changes have also been made to the Rule Book on the Operation of the Development Fund of the Republic of Serbia.

The most important advance in creating the necessary infrastructure is the establishment of the Agency for Registering Business Entities<sup>63</sup>, as well as the establishment of the Financial Leasing Register<sup>64</sup> within the Agency, which starts its operations on the 1<sup>st</sup> January 2005. Register of the Lien of Retention<sup>65</sup> should start its operations within the Agency from the 1<sup>st</sup> July 2005.

During 2004, the **Fund for Insurance and Crediting Foreign Trade Activities (SMECA)** was established. The Fund is a specialised financial organisation providing export oriented companies with: insurance cover for export orders, funding of working capital for production of export goods, issuing guarantees for participation in tenders, for good performance and return of advance payment, factoring or purchase of receivables based on export before maturity and provision of guarantees for importing machinery and equipment necessary for production of export goods. The Fund's working capital has been provided by the World Bank - 11.5 billion euros - and by the Italian Government - 9.5 billion euros. The World Bank<sup>66</sup> is responsible for the administration of the Fund.

The **Development Fund of the Republic of Serbia**<sup>67</sup> Programme for 2004 states that basic objectives should be: more harmonized regional development, credits for SMEs, stimulation of exports and – for the first time – credits for production and catering activities of entrepreneurs and independent shops. During 2004 credits were approved, with repayment periods of up to five years, grace periods of one year and annual interest rates of 1-5%. Credits are implemented with commercial bank guarantees. For SME credits, some 4 billion dinars of long-term credits have been placed, which is 7% more than planned. Around 34 billion dinars have been utilized for long-term credits to shops. It is envisaged that about 14 000 work places will be created through credit investment programs in the SMEE sector. The Fund policy for 2005 envisages continuation of priority funding for the SMEE sector, especially for programmes providing for investment in new programmes, technical-technological modernization, more complete utilization of facilities, as well as for export programmes intended for winning new markets. Credit priority will be given to programmes providing greater employment, quicker return of funds, greater participation of own funds, and the achievement of higher levels of exports. It is planned that around 3.9 billion dinars will be provided as for credits to SMEs, that is, around 84% of total Fund assets. For credits to entrepreneurial shops, 220 billion dinars has been earmarked, that is, around 4% of Fund assets.

**The Development Fund for AP Vojvodina**<sup>68</sup> has during 2004 funded SME projects and projects of future entrepreneurs. The funds were allocated to individuals and active working entrepreneurs working for up to 3

<sup>61</sup> [http://www.parlament.sr.gov.yu/content/cir/akta/akta\\_detalji.asp?Id=59&t=Z](http://www.parlament.sr.gov.yu/content/cir/akta/akta_detalji.asp?Id=59&t=Z)

<sup>62</sup> <http://www.parlament.sr.gov.yu/content/cir/akta/zakoni.asp>

<sup>63</sup> <http://www.apr.sr.gov.yu/aprweb/default.aspx>

<sup>64</sup> <http://www.apr.sr.gov.yu/aprweb/lizing.aspx>

<sup>65</sup> <http://www.apr.sr.gov.yu/aprweb/zaloge.aspx>

<sup>66</sup> <http://www.worldbank.org.yu/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/SERBIAEXTN/0,,contentMDK:20054992~menuPK:300922~pagePK:141137~piPK:141127~theSitePK:300904,00.html>

<sup>67</sup> <http://www.fondzarazvoj.sr.gov.yu/>

<sup>68</sup> [www.vdf.org.yu](http://www.vdf.org.yu)

years, having their headquarters in the territory of APV, in order to procure capital assets (equipment or mechanization), foundation stock or livestock or the construction of irrigation systems. Credits of up to 1,000,000 dinars have been placed. Since April 2005, the Fund has provided finance for development projects with no upper investment limit at interest rates of 2.8 – 4.2% annually, repayment period of 3 to 5 years (+ currency clause) and starting period up to 12 – 24 months (in this period capitalised interest has been calculated). Participation of own funds is a minimum 50%.

**The Guarantee Fund**<sup>69</sup> was established by the Government of the Republic of Serbia for the purpose of stimulating small and medium-sized enterprises, entrepreneurs and farms with a view to the Fund becoming an effective low-profit financial institution<sup>70</sup>. The main function of the Fund is to stimulate loans by taking part of the risk for long-term bank loans – by issuing guarantees for a part of the loan (usually 50%, and 80% at most) that banks approve to small and medium-sized enterprises and entrepreneurs. In this way, the Fund is obliged to pay off the guaranteed amounts to creditors in case the loan beneficiary does not meet its obligations. Guarantees are issued mostly for long-term loans with the highest annual interest rate of 12%, a fee is charged of up to 1% of the total value of the approved loan and free from any other fees charged for clients. The highest amount of a guarantee for a single business entity is 550,000 Euros, while the share of a bank in the value of issued guarantees may be 20% of the Fund's capital. Agreements on regulating mutual relationships have been concluded with 31 banks, and cooperation established with 17 banks. The total nominal value of guarantees and super-guarantees that are issued upon the request from a bank may be 2,5 times higher than the value of the Fund's capital, and for a single bank, it can amount to 20% of the amount of Fund's capital. Priority is given to the following projects: start-up projects, export projects, high technology projects, projects for increasing employment and projects which are being implemented in underdeveloped areas. In the period July 2004-March 2005, 1,050 guarantees have been issued, with the total value of 8, 5 million euros.

**The Guarantee Fund for AP Vojvodina**<sup>71</sup> has announced a call for proposals for short-term loans for SMEs for export preparation of up to 5,000,000 dinars with an annual interest rate of 12% and with a repayment period of 6 months.

**The Guarantee Fund "City to City"**<sup>72</sup> began operating in November 2004. The Agreement on Establishment of the Fund was signed by **UNOPS** (United Nations Office for Project Services), **Kontinental Bank** and **Regional SMEs Development Agency - Alma Mons**, Novi Sad. The initial fund capital was provided from a donation by the Italian Government. Additional resources were contributed by the following Italian institutions: the Municipality of Modena, Region Emilia Romagna, Fidindustria (guarantee consortium), Unicredit banca, Banca popolare dell' Emilia Romagna and Banca popolare di Verona e Novara. The Fund is modelled on the Italian guarantee consortiums. The beneficiaries of the guarantees are legal entities and natural persons established in the Juzno-backi District. The Guarantee Fund issues credit guarantees to SMEs, entrepreneurs and would-be entrepreneurs in the amount of 50-70% of the qualifying loan.

The restructuring of the banking sector is still underway. There is a continuing inflow of banks with foreign capital and local banks are being merged and privatized. The **Agency for Bank Deposit Insurance, Rehabilitation, Bankruptcy and Liquidation**<sup>73</sup> is implementing the rehabilitation process in 3 banks, while 8 banks are undergoing bankruptcy or liquidation proceedings. The State owns more than 50% of capital in 9 banks, while it is a minority shareholder in a further 5 banks. The privatisation process has been initiated in 12 banks; one bank has been privatised, tendering procedures for three banks are underway, while four banks are preparing for publication of their calls for tenders.

Alongside the bank sector restructuring process, in order to build the capacities of local banks and to ensure a stable supply of financing arrangements for the SME sector, the **National Bank of Serbia**<sup>74</sup> has entered into commercial arrangements with several international organisations. These include the *Revolving Fund* (EU donation), *EIB* credit, the *Fund for Serbia* (KfW credit line supported by other institutions and governments) and the recently signed arrangement with the Italian Government. The key principle for the conclusion of these arrangements is the selection of local banks that will provide credits to their SME sector clients in accordance

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<sup>69</sup> [www.gf.co.yu](http://www.gf.co.yu)

<sup>70</sup> The Guarantee Fund became operative as of July 2004

<sup>71</sup> [www.garfondapv.org.yu](http://www.garfondapv.org.yu)

<sup>72</sup> <http://www.almamons.co.yu/frontoffice/index.php>

<sup>73</sup> <http://www.bra.gov.yu/>

<sup>74</sup> <http://www.nbs.yu/>

with the criteria agreed with the foreign partners. All these arrangements enable the local banks to partly overcome the problem posed by the lack of high-quality long-term assets and thus to improve their offer to the SME sector.

By March 2005, some 2000 applications had been received through the *Revolving Fund*, of which nearly 500 had been rated as positive, while 242 credits had been approved and executed. The average value of such credits is approximately € 92,000; some € 27 million have been placed and 2230 new jobs have been generated. The average job cost exceeds € 10,000. As regards credit utilization, the purchase of equipment accounts for 85% of these credits, while the remainder has been used for business capacity building. This arrangement involves the following banks: EKSIM, Novosadska, Zepter, Cacanska and Komercijalna. EKSIM Bank and Novosadska banka together have placed more than 60% of the resources.

*Within the framework of EIB credits*, an agreement on implementation of the second tranche, amounting to € 45 million, was concluded in 2004 and should take effect in the course of 2005.

*The Fund for Serbia* has so far placed approximately € 33 million in the SMEs sector. The average loan amount is € 13,000 and the average repayment time is 27 months; 77% of all resources are designated for the acquisition of fixed assets, while the remaining 23% is designated for working capital. The following banks are included in the implementation of this arrangement: Komercijalna, Zepter, EKSIM, Kulska and ProCredit Bank. A decentralised credit granting system has been developed within this programme.

Implementation of the arrangement concluded with the Italian Government, amounting to € 33.25 million, is in the stage of final technical preparations. 70% of this credit line will be used for the purchase of equipment and technology from Italy, while 30% will be used for the provision of working capital. This arrangement involves EKSIM Bank, Komercijalna and Delta Banka. Credit terms for final beneficiaries are as follows: amount of credit € 50,000 – € 1,000,000, maturity period 8 years, grace period of 2 years and max. 6.5% interest rate annually.

EBRD actively takes part in the provision of necessary financial resources for SME sector funding. In addition to direct funding of business projects, EBRD has granted a credit line of € 5 million to the Cacanska Bank for SME loans.

**The National Savings Bank**<sup>75</sup> grants micro- and small credits amounting to € 10,000 and 50,000 € respectively. So far, approximately € 10 million has been placed. The Bank has 4 regional centres (decentralization of decision-making) and 74 branch offices. The concept of SMEs lending has been developed through cooperation with Sparkasse.

**ProCredit Bank**<sup>76</sup> achieves best results in SME sector lending. It is a development oriented bank whose credit operations are focused on loans for small and medium-sized enterprises. Since the Bank began operating<sup>77</sup> to the present day, 54,674 credits have been disbursed to SMEs, totalling € 313.6 million. In the period 1 January 2004 – 31 May 2005, the bank disbursed 36,753 credits to SMEs, in the total amount of € 184.90 million. a total of 37,176 credits, in the total amount of € 135.6 million, are currently being repaid to the bank.

By end of May 2005, **Opportunity International Savings (OIS)** has provided a total of more than 6,000 loans valued at 12.2 EUR. OI estimates that it has helped generate nearly 3,000 new jobs. OIS currently has an active portfolio of approximately 300 clients. OIS is the only legally registered microfinance institution disbursing loans to refugees and the most vulnerable. OIS was profitable after only six months in operation. OIS now has branches in seven key cities, and hired an additional five Loan Officers in South Serbia, including Presevo, Vranje, Leskovac, and Pirot. Most of these cities will have new branches to be opened.

OI is currently offering the following loan types:

- ↔ Micro Loans: 500 – 5,000 €
- ↔ Micro Business Loans: 500 – 5,000 €
- ↔ Micro Agro Loans: 500 – 5,000 €
- ↔ Small Business Loans: 5,000 – 10,000 €
- ↔ Business Development Loans: 10,000 – 100,000 €

During 2004 and in early 2005, the scope of the SME funding was expanded through the availability of leasing arrangements. From May 2003, the date when the Financial leasing Law became effective – until early 2005 –

<sup>75</sup> <http://www.nsb.co.yu/>

<sup>76</sup> [www.procreditbank.co.yu](http://www.procreditbank.co.yu)

<sup>77</sup> in April 2001

some € 220 million of leasing arrangements were realized, of which 60% was for vehicle purchase and 40% for equipment. In the course of 2005, upon establishment of the Leasing Register at the Business Registers Agency<sup>78</sup>, this type of funding is expected to expand further.

**7.2 Describe the state of play in your country in connection with the following financial instruments:**

- ↪ *Micro-credits and micro-credit organizations:* (see sections 2.1.2 – 2.1.5 of the Report)
- ↪ *Guarantee funds and mutual guarantee funds:* (see section 7.1.2)
- ↪ Non-traditional financial instruments have not been introduced in Serbia as yet (*risk capital, business angels etc.*)<sup>79</sup>.

**7.3 Describe the development trends in private banks that grant loans to small enterprises and the main problems in this field.**

See Section 7.1.2 of the Report.

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<sup>78</sup> <http://www.apr.sr.gov.yu/aprweb/lizing.aspx>

<sup>79</sup> see Benchmark 3

## 8. STRENGTHEN THE TECHNOLOGICAL CAPACITY OF SMALL ENTERPRISES

Actions recommended according to the Charter:

- Strengthen programmes aimed at promoting technology dissemination towards small enterprises as well as the capacity of small business to identify, select and adapt technologies.
- Foster technology co-operation and sharing among different company sizes and particularly between European small enterprises, develop more effective research programmes focussed on the commercial application of knowledge and technology, and develop and adapt quality and certification systems to small enterprises.
- Support actions at national and regional levels aimed at developing inter-firm clusters and networks, enhance pan-European co-operation between small enterprises using information technologies, spread best practice via co-operative agreements, and support co-operation between small enterprises in order to improve their capabilities to enter pan-European markets and to extend their activities in third country markets.

Targets from the 2004 exercise:

### Serbia:

(1) Development of the National Innovation Strategy within the new EAR project "Support to Enterprise Development and Entrepreneurship Programme" (the first draft version of NIS is due in autumn 2005)

(2) Promotion of innovative enterprises within the new EAR project "Support to Enterprise Development and Entrepreneurship Programme" through providing assistance to the Ministry of Science and Environmental Protection and the Republic Agency for Development of SMEE in the process of designing and making operational the grant scheme for innovative enterprises, as well as training of service and training providers for the implementation of programs targeted at technological and innovative capacity building in SMEs (autumn 2005)

### 8.1. Please describe progress made over the last 12 months in achieving the Charter's objectives

8.1.1 The **National Innovation Audit** and **National Innovation Strategy (NIS)** are being produced within the framework of the EU-funded Programme "Support to Enterprise Development and Entrepreneurship" (managed by the European Agency for Reconstruction).<sup>80</sup>

To date, with the support of the **Ministry of Science and Environmental Protection**<sup>81</sup>, a substantial quantity of the data required for the development of the NIS has been collected. One of the sources of information is a nation-wide Innovation Survey ("National Innovation Audit") is now nearly complete. The Innovation Audit is designed to cover the key aspects of the national innovation system in Serbia and consists of the following seven components:

- ↙ Enterprise survey (600 enterprises to be surveyed)
- ↙ Innovation Policy survey
- ↙ Innovation Support Survey
- ↙ Innovation Scoreboard Indicators
- ↙ Innovation Focus Groups
- ↙ Innovation Case Studies
- ↙ Assessment of funding sources for innovation

**National Innovation Strategy.** Further progress has been made on the preparation of the National Innovation Strategy. Within the framework of the EU Programme "Support to Enterprise Development and Entrepreneurship", a high-level round table has been held with representatives of the key ministries on innovation

<sup>80</sup> [www.edep-serbia.net](http://www.edep-serbia.net)

<sup>81</sup> <http://www.mntr.sr.gov.yu/mntr/>



policy framework and options for formulating strategic innovation priorities in Serbia. Currently, the project is forming a high-level Innovation Task Force (ITF) which will be responsible for the development of the Innovation Strategy document. The first meeting of the ITF is planned for October 2005.

**8.1.2 Raising innovation awareness and promotion of innovation.** Within the framework of the EU Programme "*Support to Enterprise Development and Entrepreneurship*", various activities related to innovation promotion have been launched. Apart from regular meetings with Ministries, Research and Development Institutes, Universities, Regional Agencies and Chambers of Commerce, two workshops on innovation have been held within this Project:

- ↳ The first workshop "Innovation Policy" was organised in cooperation with the Ministry of Economy and the Ministry of Science and Environmental Protection on 5 April 2005. This workshop was targeted mainly at policy-makers and stakeholders and it involved more than 30 participants.
- ↳ The second workshop "National Innovation System" was held in cooperation with the Serbian Chamber of Commerce on 11 May 2005 and included representatives of more than 70 institutions relevant for innovation.

Apart from these two major events, there were also four round table meetings in the first half of 2005, which were devoted to discussions on the implementation of the Innovation Audit and on the NIS.

The project website has been developed, with a section on the Innovation component. It provides relevant information on issues related to innovation, project activities, copies of workshop presentations and links for downloading useful documents and presentations<sup>82</sup>.

**8.1.3 Government financial assistance to innovative SMEs.** The Government of the Republic of Serbia, through the **Ministry of Science and Environmental Protection**<sup>83</sup> and in cooperation with other *Ministries, the University of Novi Sad, the Serbian Chamber of Commerce, Republic SMEs Development Agency, the Intellectual Property Office of Serbia and Montenegro, the Statistics Bureau of Serbia, R&D and educational institutions, local authorities* etc., has inaugurated the **BEST TECHNOLOGICAL INNOVATION IN SERBIA CONTEST 2005**<sup>84</sup>. The best innovation contest should contribute to the promotion of entrepreneurship in Serbia and to raising awareness of the importance of innovation, improving knowledge of modern technologies, and plans for overall progress in Serbian society. The initial award fund is CSD 1,500,000, while enterprises will be awarded with favourable bank credits from banks sponsoring the contest.

The key objective is to provide as many potential techno-entrepreneurs, both individuals and legal entities, with the necessary information and to highlight all opportunities and also obstacles that need to be overcome in order to bring attractive business ideas or innovations to implementation and market valuation. This will be done through training organized at Regional Chambers of Commerce in Serbia. In this way, the participants will be able to apply the knowledge gained during the contest (organization of working teams, education, market research, development of business plans etc.) when analysing the potential of their other ideas; thus, the benefits from participating in this contest are manifold.

The deadline for submission of applications expired on 25 April 2005. Short-listed teams in the respective categories of natural persons and legal entities which will take part in the competition have been announced.

**8.1.4. Donor funding for innovation.** Within the framework of the EU Programme "*Support to Enterprise Development and Entrepreneurship*", grant funding has been made available for enterprise development and innovation (2,050,000 Euro). Following a broad promotional campaign, over 370 applications have been received, a large proportion of which are project proposals related to innovation.

**8.1.5. Capacity building and development of human potential for innovation.**

Within the framework of the EU Programme "*Support to Enterprise Development and Entrepreneurship*", final preparations are being made for selection, training and accreditation of 25 Serbian Innovation Management consultants. Participants will be selected from all over Serbia and upon completion of the course, will be able to

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<sup>82</sup> [www.edep-serbia.net/english/innovation.html](http://www.edep-serbia.net/english/innovation.html)

<sup>83</sup> <http://www.mntr.sr.gov.yu/mntr/>

<sup>84</sup> <http://www.inovacija.org/>

provide innovation management support to enterprises either within the existing business support structures, or set up their own businesses providing innovation support services to enterprises.

**8.1.6. Legal framework for Innovation.** The Ministry of Science and Environmental Protection is currently finalising the draft Law on Innovation Activities (see Benchmark 2).

**8.2. Please describe if and how the targets have been met. Where targets are not met, explain delays and proposals for catching up.**

8.2.1 The target is fulfilled partially. The first draft version of *National Innovation Strategy* is due to be completed before the end of 2005. The initial framework for NIS drafting was presented to the representatives of relevant ministries on 31 May 2005. It was agreed to set up the Innovation Task Force which will take part in NIS formulation. Subgroups will include policy-makers, representatives of the R&D sector and the industry.

8.2.2 The target is fulfilled in modified form – by consolidating the Start-Up Scheme and Innovation Grant Scheme (See section 8.1.4. of the Report). Within the framework of the project "*Support to of Enterprise Development and Entrepreneurship*", one of the two components of the *Grant Scheme* for enterprise and innovation development support will be used in the achievement of the objectives set out in this section of the Charter. Through this scheme, the following measures for the development of technological and innovative capacity of SMEs will be achieved:

- Measures promoting co-operation in research, development and innovation involving enterprises, educational and research organisations;
- Measures to support product and process innovation and the commercialisation of technology at the level of enterprises, enterprise support organisations, universities and R & D institutions;
- Measures to support innovation activities within enterprises;

**8.3. Does your country have business/ technology parks or are these planned? Please provide details.**

At present, the Republic of Serbia does not have any science and technology parks. However, the Ministry of Science and Environmental Protection is making provisions which would allow the first Science and Technology Parks to be established (drafting of the Law on Innovation Activities (see Benchmark 2), and the Feasibility Study for the creation of STPs in Serbia is underway) and to enable the establishment of STPs in all university centres along and near the A10 Corridor (Belgrade, Novi Sad, Nis, Kragujevac).

## 9. SUCCESSFUL E-BUSINESS MODELS AND TOP-CLASS SMALL BUSINESS SUPPORT

Actions recommended according to the Charter:

- To encourage small enterprises to apply best practice and adopt successful business models which will enable them to prosper in the new economy.
- Development of an IT system and a business support system, of networks and of services that are simple in terms of access and understanding while being relevant from the aspect of business requirements.

Targets from the 2004 exercise:

**Serbia:**

- (1) Adoption of the Law on Electronic Signature (end of 2004)

### 9.1 Please describe progress made over the last 12 months in achieving the Charter's objectives

According to the data provided by the Republic Bureau of Informatics and Internet<sup>85</sup>, electronic business has substantially improved and expanded during the last 12 months, particularly in the sector of SMEs dealing with ICT (production, trade and services). Furthermore, significant improvements have also been achieved in the application of electronic business in banking, retail and wholesale.

The Republic Development Bureau<sup>86</sup> is the holder of the project "**Development of Entrepreneurship and SMEs in Southeast Europe**", which is being implemented under the auspices of SP SEE (Stability Pact for Southeast Europe), as a specific system of incentives for the development of SMEs and entrepreneurship in SE Europe. In 2004, the Project included three subprojects, among which the most important one was the *Business Co-operation Network (BCN)*. BCN facilitates and supports all types of bilateral and multilateral cooperation between SMEs; enables exchange of information based on: supply and demand for goods and services, opportunities for all types of cooperation between SMEs (licence, technology, agency, subcontracted works), merger, purchase and takeover of enterprises, privatisation opportunities and public tenders; provides general information on local economies, legal systems and information concerning the opportunities for SMEs.

### 9.2. Please describe if and how the targets have been met. Where targets are not met, explain delays and proposals for catching up.

The objective set in 2004 has been achieved.

**The Law on Electronic Signature<sup>87</sup>** was enacted at the session of the **National Assembly of the Republic of Serbia<sup>88</sup>** held on 21 December 2004. The Law came into force on the eighth day of its publication in the "Official Gazette of the Republic of Serbia" (No. 135/04).

In order to implement this Law, adequate bylaws have been prepared, namely the following:

- ↳ Bylaw on Technical and Technological Procedures for Creating a Qualified Electronic Signature and Criteria for Means used to create a Qualified Electronic Signature.
- ↳ Bylaw on Register of Certification Bodies issuing Qualified Electronic Certificates in the Republic of Serbia
- ↳ Bylaw on detailed requirements for Issuance of Qualified Electronic Certificates
- ↳ Bylaw on Records of Certification Bodies

These Bylaws are expected to be publicised (they have been adopted and signed by the Minister of Science and Environmental Protection). Enforcement of the Law and regulations will commence as of 1 September 2005.

<sup>85</sup> <http://www.rzii.sr.gov.yu/>

<sup>86</sup> <http://www.razvoj.sr.gov.yu>

<sup>87</sup> [http://www.parlament.sr.gov.yu/content/cir/akta/akta\\_detalji.asp?Id=190&t=Z](http://www.parlament.sr.gov.yu/content/cir/akta/akta_detalji.asp?Id=190&t=Z)

<sup>88</sup> <http://www.parlament.sr.gov.yu/>

### 9.3. Is an e-signature law adopted? Is it in force and implemented?

**The Law on Electronic Signature** governs the use of electronic signatures in legal affairs and other legal actions and business operations, as well as the rights, obligations and responsibilities in connection with the electronic certificates, unless provided otherwise by special laws.

Pursuant to this Law, the electronic signature, in the context of electronic data, has identical legal effects and power of evidence as own signature, or signature and stamp, have in the context of data presented on paper. The Ministry in charge of information society<sup>89</sup> will determine the technical and technological procedures for creation of a qualified electronic signature and the criteria that need to be met by means that are used for creation of qualified electronic signatures. Implementation of this Law will be fully possible upon authorization of Certification Bodies which will be issuing digital signatures. A qualified electronic certificate within the meaning of this Law is deemed to be an electronic certificate issued by a Certification Body in charge of issuing qualified electronic certificates.

Although the number of Internet users is steadily increasing, particularly after 2002 (the number of users increased from about 700,000 to 1,200,000 in 2003, while in 2004 the number of Internet users reached approximately 2,200,000<sup>90</sup>), more intensive growth of e-business and Internet services is expected to follow after the completion of legal regulation and after the establishment of certification bodies in charge of issuing digital signatures.

### 9.4. Please describe how many of the following business support structures operate in your country and give a brief assessment of their functioning

#### 9.4.1 Local/regional business support centres

Three major SMEs support structures in Serbia are the **Regional SME Support Agencies/Centres, the Chamber Network of Serbia and the Business Centres of the National Employment Service**

9.4.1.1 **The Republic SMEE Support Network**<sup>91</sup> covers more than 80% of the territory of Serbia (excluding Kosovo and Metohija) and, through its activities, contributes to propagation of the entrepreneurial spirit and promotion of the concept of entrepreneurship, with a view to creating a more favourable climate conducive to SME development. At the end of 2004, the Republic Network included 14 institutions: the Republic Agency and 13 Regional Agencies/Centres, with about 12 sub-centres.

In the period December 2001 – December 2002, with EU support channelled through EAR, Agencies/Centres were set up in Kragujevac (now with an office in Jagodina), Nis (with offices in Pirot and Prokuplje), Krusevac (with office in Kraljevo and Cacak), Zajecar (with offices in Knjazevac, Bor and Negotin), Zrenjanin (with offices in Vrsac, Pancevo and Kikinda), Uzice (now with an office in Prijepolje) and Belgrade; support by UNOPS and GTZ has enabled setting up the Agency/Centre in Novi Sad, and by GTZ in Subotica; while the setting up of the Agency/Centre in Novi Pazar was supported by SDC. The Regional Agencies are incorporated as limited liability companies, with relevant local organizations as their founders (local self-government bodies, regional Chambers of Commerce, associations of entrepreneurs, business associations, banks, institutes, university schools etc., including in most cases the Government of Serbia). In the course of 2003 and 2004, two Regional SMEs Development Agencies were set up by Decrees of the Government of Serbia: “Sombor”, which covers the Zapadno-backi District, and “Sabac”, which covers the Macvanski District. In the second half of 2004, two more agencies were included in the Republic Network: 1) “REEDA” Regional Agency for Economic Development and Entrepreneurship of the Jablanicki District Ltd., with head office in Leskovac and 2) “VEEDA” Regional Agency for Economic Development and Entrepreneurship of the Pcinjski District Ltd., with head office in Vranje. In early 2005, a sub-office of the “VEEDA” Regional Agency for Economic Development and Entrepreneurship of the Pcinjski District Ltd. was set up in the Municipality of Bujanovac. These institutions have been set up with financial assistance from the Dutch Government and technical support from ILO (International Labour Organization) and UNDP (United Nations Development Programme) which will be disbursed during the next three

<sup>89</sup> Ministry of Science and Environmental Protection - <http://www.mntr.sr.gov.yu/mntr/>

<sup>90</sup> data from the Information Technology Association of the Serbian Chamber of Commerce

<sup>91</sup> <http://www.sme.sr.gov.yu/mrezas.htm>

years and with the involvement of stakeholders of both Districts (local self-government bodies, banks and successful companies).

On of the four main components of the new project "*Support to Enterprise Development and Entrepreneurship*" managed by the European Agency for Reconstruction concerns further support for capacity building and development of regional SMEs agencies set up with assistance from the EU. Specialist training and monitoring will be organised in order to upgrade the skills of staff employed at the Regional Agencies. Assistance will be provided for further capacity building within the Agencies in order to enable them to provide higher-quality services to their clients in order to help them work more efficiently with the financial institutions, donors and support organizations.

The results of activities undertaken by the **Republic SME Development Agency and the Republic Network** in 2004 can be summed up as follows:

Republic Agency and Republic Network	Help Phone	Consulting (financial and legal)	Business Plan (assistance and drawing up)	e-mail answers	Education	
					No. of seminars	No. of trainees
	7619	4283	190	2509	278	5837

9.4.1.2. The **Serbian Chamber of Commerce**<sup>92</sup> represents the common interests of enterprises and other economic operators *vis-à-vis* the government authorities and organizations in the process of development of the economic system, economic policy measures and economic and business conditions. The Serbian Chamber of Commerce has a separate Department of Small Business and Entrepreneurship, managed by a vice-President. The Chamber is the gathering point and the venue for discussions between the representatives of business – aligning of interests and activities of different enterprises, identification of common positions, exchange of experiences and establishment of mutual business links. As such, the Serbian Chamber of Commerce is a professional institution that provides its members (enterprises, banks, cooperatives etc.) with specific information and offers them technical assistance and consulting services. The Chamber Network of Serbia<sup>93</sup> covers the whole territory of Serbia and includes the Serbian Chamber of Commerce, the Belgrade Chamber of Commerce and Chambers of Commerce in Leskovac, Nis, Krusevac, Zajecar, Kragujevac, Valjevo, Pozarevac, Pancevo, Sremska Mitrovica, Novi Sad, Zrenjanina, Kikinda, Sombor and Subotica.

9.4.1.3. **Business Centres of the National Employment Service**<sup>94</sup> operate in 16 municipalities: Belgrade, Novi Sad, Nis, Kraljevo, Valjevo, Sombor, Sremska Mitrovica, Uzice, Jagodina, Vranje, Kosovska Mitrovica (the only office of this kind in Kosovo and Metohia), Novi Pazar, Loznica, Pozarevac, Krusevac and Cacak. These Business Centers provide the following services:

- ↪ Motivational training for entrepreneurship;
- ↪ Information and advice (choice of appropriate legal form, procedure for registration of the business/enterprise, sources of finance, tax liabilities etc.);
- ↪ Technical assistance in the preparation of the Business Plan;
- ↪ Business training for the unemployed and the redundant (organisation of information and educational seminars for would-be entrepreneurs);
- ↪ Advising of employers and job seekers in connection with the regulations in the field of labour and employment (in accordance with Article 30 of the Employment Law).

92 <http://www.pks.co.yu>

93 [http://www.pks.co.yu/pks/servlet/XMLProcesor?i\\_sys=pks&i\\_xml=a10&i\\_xsl=s503&i\\_param=](http://www.pks.co.yu/pks/servlet/XMLProcesor?i_sys=pks&i_xml=a10&i_xsl=s503&i_param=)

94 <http://www.rztr.co.yu/preduzetnistvo.htm>

## 9.4.2 Business Incubators

9.4.2.1 On 19 May 2005, in Knjazevac, *the first business incubation centre in Serbia began operating*<sup>95</sup>. The first nine small enterprises have joined the BIC membership upon conclusion of agreements on business and technical cooperation and are currently moving into the BIC premises. Financial resources for the first stage of operations have so far been allocated by the Open Society Fund (East-East Programme), CHF (USAID – CRDA programme) and OSCE. The decision on admission of these enterprises to the business incubator was made by the Council composed of representatives of local authorities, banks, associations of private entrepreneurs, the IMT Engines Factory and the “Timocki” Club. This decision enables the selected enterprises to spend the first three years of their business life in the incubator.

The “Timocki” Club, as a project partner, is responsible for the adaptation of the IMT Engines Factory premises and their conversion into the Business Incubation Centre. One part of the production plant owned by IMT Knjazevac, with a total floor surface of 1,000 m<sup>2</sup> and a parking area of 200 m<sup>2</sup>, has been rearranged into the future incubation centre. The building is equipped with all necessary infrastructure facilities: water supply, heating and air-conditioning. The area has been subdivided into 11 smaller units which will be occupied by 10-12 enterprises; however, the construction units can subsequently be rearranged to suit the users' needs. The incubator will provide the start-up enterprises with all facilities necessary for successful work and development: a joint conference and presentation room with all necessary equipment, two rooms for meetings and workshops, consultations with the Regional SMEs Development Centre in Zajecar, tutorial work with each enterprise individually during the initial 6-month period, charge-free access to the Internet, bookkeeping services at lower prices and marketing assistance.

The implementation of the Business Incubator Project is expected to contribute to the development of local business, new employment and the promotion of links between enterprises, the local authorities and the non-governmental sector. As an efficient tool for SMEs development, the incubator will ensure education for and assist in the business activities of the existing SMEs in Knjazevac and create the supporting infrastructure for self-employment and the reduction in social tensions. The partners in this project are IMT Knjazevac, the Municipal Council of Knjazevac, Regional Chamber of Commerce, Regional SMEs Development Agency “Timok”, the Entrepreneurial Association of Knjazevac and the National Employment Service (the Knjazevac office).

9.4.2.2 The “**ENTRANSE**” Programme was launched in October 2004 and is funded by the **Norwegian Government**. ENTRANSE aims to achieve the following goals:

- ↪ Setting up of a business incubator in Nis
- ↪ Design of a “Step-by-Step” Guide for setting up of business incubators
- ↪ Design of a reference book/plan for training in the field of business start-up
- ↪ Transfer of practical skills to start-up entrepreneurs
- ↪ Training of future incubator managers and national trainers
- ↪ Support to the Regional SMEE Development Agency in Nis
- ↪ Cooperation with business and academic institutions and associations
- ↪ Support to the development of a resource centre (unit) for incubators and training within the Republic Agency for SMEE Development

The primary objective of the ENTRANCE Business Incubator in Nis is to stimulate businesses with development potential in the region. The initial stage includes the analysis of the business idea, product quality, market potential and qualifications of the entrepreneur himself, as well as access to financial resources. The incubator will be available to enterprises during the initial stages of their development. The scope of activities covered by the incubator includes also risk assessment and filtering of high-risk projects or business ideas.

At this point, the project is at in the incubator construction stage. The local infrastructure and network of institutions, including local self-government bodies, the University, the Chamber of Commerce, the Regional SMEs Development Agency, the Machine Industry of Nis (within the premises of which the future incubator will be situated) etc., have already been established. Currently, the entrepreneurs who will be admitted to the incubator are being selected and the incubator management appointed. An individually tailored training programme for business start-up, based on best practices, will serve as the model for setting up and operating of business incubators in other parts of Serbia.

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<sup>95</sup> [http://www.chfserbia.org/media/news/2005/0404\\_sr.htm](http://www.chfserbia.org/media/news/2005/0404_sr.htm);  
[http://timokregion.com/vesti/biznis\\_inkubator\\_otvaranje.htm](http://timokregion.com/vesti/biznis_inkubator_otvaranje.htm)

### 9.4.3 Clusters

**The Ministry of Economy**<sup>96</sup> and the **Ministry of International Economic Relations**<sup>97</sup> have defined a Pilot Project for cluster development in 2005. Financial resources have been earmarked for this purpose in the 2005 State Budget. The Ministry acts as a catalyst in the cluster development process and does not replace the market mechanisms. It does not define the fields in which clusters should be developed, does not lay down the strategy, rules, organizational form and management processes of clusters, nor does it elect or appoint cluster staff. All these issues are subject to the decisions of the actors, i.e. their managers, employees and owners. The ministry solely supports the achievement of the objectives of a cluster through specific measures.

Key objectives of the Cluster Development Pilot Project are as follows:

- ↪ To build the capacity of enterprises to utilize technological developments,
- ↪ To eliminate the obstacles for increased productivity,
- ↪ To prepare the enterprises for operations in foreign markets,
- ↪ To attract foreign direct investments,
- ↪ To reinforce partnerships with other enterprises in the region.

Measures to achieve the objectives of the cluster:

- ↪ Support to cluster infrastructure development,
- ↪ Facilitating of the establishment of links between enterprises;
- ↪ Linking the enterprises and the holders of knowledge (university schools, R&D institutions);
- ↪ Strengthening of individual and joint opportunities for partnerships at different levels, with a view to improving efficiency.

Budgetary resources will be allocated on the basis of a public call. The call for proposals will be open to all interested groups of enterprises and development institutions with clustering programs compatible with the above objectives. The budgetary resources will be used to cover a certain share of the actually incurred expenses.

In order to identify a potential cluster, the Ministries launched the *Initiative for an Automotive Cluster* in the second half of 2004. A Task Force was set up and it helped to formulate the key assumptions for supporting cluster development in Serbia, i.e. for adoption of a PILOT Project. The Task Force included representatives of the Ministry of Economy, the Ministry of International Economic Relations, the Ministry of Science, Serbian Chamber of Commerce, SIEPA, large and small manufacturers of automotive parts and equipment and an independent consultant. The composition of the Task Force reaffirms the principle of common public and private interest. The goal of the Task Force is to give as impartial an overview of the situation in the automotive parts and equipment industry as possible – to define strengths and weaknesses, to identify the competitive position in the region and to propose a clustering project.

Two informational seminars were organized in April 2005 and one workshop was held in May 2005 in order to promote clustering of enterprises.

In August 2005, the Ministry of Economy has announced a “Public call for proposals for stimulating cluster development in 2005”. All interested groups of companies, maximum 9, and institutions and/or relevant organization, minimum 3, are entitled to participate with their projects proposals for clustering. Budgetary resources will cover up to 50% of real expenses; they are restricted and will support projects with the highest potential for networking and influence on economic dynamism. Public call for proposals was opened on 12<sup>th</sup> September 2005.

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<sup>96</sup> <http://www.mpriv.sr.gov.yu/>

<sup>97</sup> <http://www.mier.sr.gov.yu/>

## 10. DEVELOP STRONGER, MORE EFFECTIVE REPRESENTATION OF SMALL ENTERPRISES' INTERESTS AT UNION AND NATIONAL LEVEL

### Actions recommended according to the Charter:

- Review how the interests of small businesses are represented at national level, including through the social dialogue.

#### 10.1. Please describe progress made over the last 12 months in achieving the Charter's objectives

10.1.1. The **Law on Social and Economic Council**<sup>98</sup> was enacted in November 2004. This Law governs the setting up and operation of social and economic councils and tripartite bodies consisting of employers' and employee's representatives and the Government, i.e. local self-government at the national, provincial and local levels. The arrangements adopted provide for a more efficient establishment and development of social dialogue in issues relevant for the achievement of economic and social interests of employers and employees.

The **National Social and Economic Council** was set up on 28 March 2005. The objective of the Council is to facilitate agreements between key social partners. The essential activity of the Serbian Social and Economic Council is the adoption of a long-term social programme which would provide for more equal balancing of the burden of transition throughout the whole society; this can be achieved only if the parties concerned reach a consensus on key social issues as a precondition for successful reforms. The need to establish social dialogue at the local level is particularly emphasized, as it will bring about decentralization in the system of industrial relations.

10.1.2. The Programme of Activities of the **Ministry of Trade, Tourism and Services**<sup>99</sup> defines, among the priority institutions relevant for the market that have to be established, the need to reorganize chambers of commerce in order to create modern business and professional economic associations.

A thorough reform of the chamber system in Serbia is necessary in order to improve the institutional infrastructure of the economy so as to enable it to represent the needs of the economy in a more efficient manner *vis-à-vis* the Government and to service the business needs of the economy.

As regards the **Serbian Chamber of Commerce**<sup>100</sup>, the process of modification of its organisation is underway. The **Association of Entrepreneurs** has 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.

#### 10.2. Please describe the ways in which in your country small companies can influence draft legislation and policy proposals? Name a few recent examples and indicate how business' interests were taken into account and/or how their proposals were integrated into the final legislation/ measure.

10.2.1. The **Ministry of Economy**<sup>101</sup>, through its **Department for SME Development and Private Entrepreneurship**, has established direct dialogue with the representatives of the **Association of Entrepreneurs and Serbian Chamber of Commerce**, concerning the problems that impede the business operations of entrepreneurs and the proposals for measures that could help to overcome such problems.

At the joint meeting of representatives of the Ministry of Economy and of the Association of Entrepreneurs, held on 15 April 2005, the following were identified as outstanding issues:

- ↳ Normative regulation of value added tax and taxation, and problems encountered in the implementation of regulations (unclear and vague regulations, internal instructions that provide conflicting interpretations of legal norms, behaviour of inspectors in the course of an inspection call etc.);

<sup>98</sup> [http://www.parlament.sr.gov.yu/content/cir/akta/akta\\_detalji.asp?Id=174&t=Z](http://www.parlament.sr.gov.yu/content/cir/akta/akta_detalji.asp?Id=174&t=Z)

<sup>99</sup> <http://www.minttu.sr.gov.yu>

<sup>100</sup> <http://www.pks.co.yu>

<sup>101</sup> <http://www.mpriv.sr.gov.yu/code/navigate.asp?Id=20>



- ↪ Inadequate response of the market inspectorate in the context of suppression of the "gray economy" (the entrepreneurs pointed out that inspections are usually carried out in the premises of the registered economic operators, while the unregistered ones remain out of the inspectorate's reach);
- ↪ The amount of compulsory taxes and contributions and the manner of their calculation and payment (a request was made to reduce the bases and to provide for adequate calculation of bases for types of work other than regular full-time employment);

In accordance with the stated initiatives and proposals for possible resolution of these outstanding issues, the Ministry of Economy, on 5 May 2005, sent notifications with enclosed Conclusions of the Association of Entrepreneurs, Serbian Chamber of Commerce, to other ministries and institutions (Ministry of Finance, Tax Administration, Pension and Disablement Insurance Fund for Independent Activities, Ministry of Trade, Tourism and Services and Ministry of Labour, Employment and Social Policy), in order to provide them with adequate information and help them to identify the opportunities for overcoming the problems encountered by the entrepreneurs, both through the forthcoming amendments of regulations and through their respective activities. 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.

10.2.2. Through their membership of the **Serbian Employers Union**<sup>102</sup>, 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.

In the town of Sremska Mitrovica, the president of the Municipal Social and Economic Council is the owner of a small enterprise. The cooperation within the Council led to a public-private partnership, which led to the launching of initiatives for special SME and entrepreneurship support programs, with adopted best practices and specific measures and activities that will be needed in order to eliminate obstacles, insofar as the Municipality is empowered to do so; these for the most part concern better organization and higher efficiency of municipal services that serve the purposes of local economic development, construction of an industrial zone for SMEs and entrepreneurs etc.

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<sup>102</sup> [www.poslodavci.org.yu](http://www.poslodavci.org.yu)

## PART 2: PLANS AND OBJECTIVES (BENCHMARKS)

### Optional Part of the Questionnaire

The final list of objectives will be defined in the Final Report for 2005, after the adoption of the Serbian Government's Plan for Support to SMEs and Entrepreneurs 2005 – 2007.

#### Charter area: **3. BETTER LEGISLATION AND REGULATIONS**

Objective/Benchmark 1: new Private Entrepreneurs Law

Type of measure that will be undertaken (legal measures, reorganization, other activity): This Law will be harmonised with the Commercial Companies Law, which is fully in line with the primary and secondary sources of EU law, and with the Law on Registration of Economic Operators. The current legal arrangement will remain in force until 31 December 2005, i.e. private entrepreneurs will be registered with their municipalities until that date; as of 1 January 2006, all entrepreneurs will be registered with the Business Registers Agency.

Deadline/implementation period: 31 December 2005

#### Charter area: **3. BETTER LEGISLATION AND REGULATIONS**

Objective/Benchmark 2: new Innovation Activities Law

Type of measure that will be undertaken (legal measures, reorganisation, other activity): The Ministry of Science and Environmental Protection has drafted the Law on Innovation Activities which is in the process of being considered by the Government. This Law will simplify access to public funds not only by state owned organisations but also by innovative enterprises and organizations.

Deadline/implementation period: end of 2005

#### Charter area: **3. BETTER LEGISLATION AND REGULATIONS**

Objective/Benchmark 3: new Investment Funds Law

Type of measure that will be undertaken (legal measures, reorganisation, other activity):  
The draft version of the Law on Investment Funds, which is currently being in the Parliament procedure, should create the possibility for establishing non-traditional financial instruments (risk capital, business angels, etc.)

Deadline/implementation period: end of 2005

#### Charter area: **4. AVAILABILITY OF SKILLS**

Objective/Benchmark 4: Accreditation Scheme for Service Providers

Type of measure that will be undertaken (legal measures, reorganisation, other activity): In cooperation with the EU-funded "Support to Enterprise Development and Entrepreneurship Programme" the Ministry of Economy will establish an accreditation scheme for business services providers, which will meet EU standards. The Scheme will be operated by recognized Serbian institutions in cooperation with the Institute of Business Advisers, Great Britain.

Deadline/implementation period: Summer 2006

#### Charter area: **6. GETTING MORE OUT OF THE SINGLE MARKET**

Objective/Benchmark 5: Branding Scheme for Regional Agencies for SMEE Development

Type of measure that will be undertaken (legal measures, reorganization, other activity):  
The Ministry of Economy and the EU-funded "Support to Enterprise Development and Entrepreneurship Programme" will develop common standards in the operations and systems and the delivery of services by the

Regional Agencies for SME Development as a network, followed by the introduction of a national brand for the Agencies in order to achieve a higher profile and joint marketing of services.

Deadline/implementation period: Autumn 2006