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Abbreviations and Acronyms

AOFI	Serbian Export Credit Agency
ALCS	Association of Leasing Companies in Serbia
B2B	Business to Business
BELEX	Belgrade Stock Exchange
DF	Development Fund
EIB	European Investment Bank
EIF	European Investment Fund
ENIF	Enterprise Innovation Fund
EU	European Union
GDP	Gross Domestic Product
HHI	Herfindahl-Hirschman Index
IFI	International Financial Institution
IT	Information Technology
MoE	Ministry of Economy
MoF	Ministry of Finance
MoJ	Ministry of Justice
MSME	Micro-, Small-, and Medium-sized Enterprise
NBFI	Non-Bank Financial Institution
NBS	National Bank of Serbia
NPL	Non-Performing Loan
OECD	Organisation for Economic Co-operation and Development
PCG	Partial Credit Guarantee
PE	Private Equity
RSD	Serbian dinar
SC	Securities and Exchange Commission
SME	Small- and Medium-sized Enterprise
VC	Venture Capital
WBG	World Bank Group

Executive Summary

Serbia's financial sector is weakly diversified, limiting firm's growth and development. Firms need access to fit-for-purpose financing that meets their needs at various stages of their growth trajectory, from venture capital to bank financing, to capital market solutions. However, Serbia's financial sector continues to be bank-dominated, with negligible pension and mutual fund sectors and small leasing, factoring and insurance markets. This means that there are limited alternatives to bank financing if firms want to grow and expand. Limited diversification also means that the private sector is vulnerable to fluctuations in the credit cycle and has limited opportunities to bridge funding shortfalls through other sources.

Micro, small and medium enterprises (MSMEs) face challenges in accessing suitable financing and those challenges are particularly severe for micro-enterprises and start-ups. Based on demand and supply side information available, it appears that while established SMEs are relatively well served by commercial banks, micro enterprises face challenges when seeking bank financing as banks' lending standards are strict, requiring good credit history, sufficient collateral, and large turnovers. SMEs experience similar challenges when they are not able to provide sufficient collateral or good financial accounts. Banks seem to have limited appetite to expand lending to micro enterprises given that it requires a different, cost-intensive lending methodology. In addition, while SMEs are relatively well served by the banking sector, they are hardly making use of other sources of financing that may be more appropriate for their needs. This includes factoring, leasing, and private equity/venture capital financing. The awareness and understanding of these alternatives is also limited, additionally affecting uptake.

A stronger microcredit industry may be able to address the market gap identified in access to finance for micro enterprises. Given that commercial banks are not considering this segment as a priority and that there are currently no other financial institutions addressing the needs of micro enterprises, sustainable microcredit providers could fill this gap. Without a clear legal and regulatory framework, it is unlikely though that a sustainable microcredit industry will develop. Lessons learned from success cases and from past crises could usefully inform a framework suitable for the Serbian market, which should build on strong consumer protection and market conduct requirements.

Factoring and leasing are alternatives to bank financing but are underutilized by MSMEs. The factoring market has at best been stagnating for the last years. Factoring products offered are reflective of a market in its early stages of development. Supply chain finance (reverse factoring) could be a potential for growth and innovation in the market, especially when offered through an on-line platform. However, obstacles related to the legal recognition of electronic signatures for such transactions need to be addressed. In addition, legal requirements for enforcing factoring contracts in courts need to be clarified and the feasibility of recording invoices in a pledge registry should be assessed. The leasing sector could play a stronger role in financing MSMEs if certain shortcomings were addressed. Amendments to the Law on Financial Leasing to allow, among others, for operating leases, and changes to the tax treatment of leasing would enable market development. A recently arisen challenge regarding the legal protection of leased assets urgently needs to be addressed to not stifle market development.

The market for private equity and venture capital is at an early stage of development. While there seems to be more private equity (PE) capital available than actual investment opportunities currently, demand for venture capital (VC) from the start-up industry outstrips supply. Only one PE fund currently focuses on SMEs. The environment in which funds are operating is generally perceived as conducive, but the Law on Alternative Investment Vehicles, which is being drafted, may increase

the focus on the industry and help spur the development of the market. Efforts by the government to make the market more investment friendly, especially by reducing fees and taxes, are appreciated by the industry. The government could play a stronger role with providing market-friendly incentives for SMEs to grow and by investing in the education of business owners and managers, including with respect to the advantages and disadvantages of different financing modalities.

There is an opportunity for Fintech players to make a substantial contribution to MSME finance in the future. Fintech companies are emerging across the world with innovative solutions that can lead to efficiencies at each step of the lending process and that can disrupt the entire lending value chain. Once the Payment Service Directive (PSD) 2 has been transposed in Serbia, banks will be required to provide third-party access to current account data and allow third parties to initiate payments on behalf of others, including MSMEs. This can be a boost for the incipient fintech industry in Serbia.

While SMEs are a priority for the Serbian government, current financial support programs are not effective. Serbian development finance institutions face considerable problems as confirmed by recent diagnostic studies. Current efforts to draft a Development Finance Strategy and analyze market failures and appropriate institutional frameworks are a step in the right direction and are expected to improve the impact of development finance in the future.[1]

This report provides an overview of the demand and supply side of MSME finance as well as certain aspects of the enabling environment. A detailed analysis of the financial sector infrastructure for MSME financing and the secured transactions framework was outside of the scope of this report but would be a useful complement. Equally useful would be a detailed analysis of bank efficiency, including competition and profitability aspects, and its effect on MSME finance.

1 These initiatives are supported under the under the World Bank-financed State-Owned Financial Institutions Strengthening Project.

Table 1 provides a high-level summary of the main policy recommendations.

Table 1. Summary of main recommendations

Recommendation	*Responsible Authority*	*Time-frame*
Regularly publish data on MSME lending, make it more visible, and expand the currently available data to include MSME loans as part of the overall business loan portfolio of banks	NBS	I
Consider feasibility of offering a partial credit guarantee for bank lending to start-ups and micro-enterprises, tied in with the development of the Development Finance Strategy	MoE, MoF	ST
Undertake an assessment of the secured transactions framework and financial sector infrastructure and of bank efficiency, including competition and profitability aspects, and the effects on MSME finance	NBS, donors	I
Consider establishing a legal and regulatory framework for microcredit providers, building on the activities of the NBS working group	NBS, MoF	ST
Assess obstacles related to the legal recognition of electronic signatures for factoring transactions and increase the usage of electronic invoices	MoF	ST
Explore the development of on-line platforms for reverse factoring	MoF, private sector	MT
Clarify legal requirements for enforcing factoring contracts in courts	MoF	ST
Assess the feasibility of registering invoices in a pledge registry	MoF	ST
Consider amending the Law on Financial Leasing to stimulate market development	NBS, MoF	ST
Revise taxation framework applicable to leasing to provide a level playing field between different types of financing	MoF	ST
Resolve the problem of inadequate protection of leased assets	MoJ	I
Pass the Law on Alternative Investment Vehicles, after consultation with the industry	MoF	I
Raise public awareness on alternatives to debt financing	MoF, NBS, SEC	MT
Transpose PSD 2 into local law	NBS, MoF	ST
Develop and adopt a Development Finance Strategy	MoE, MoF	ST

1 "I-Immediate" is within one year; "ST-near-term" is 1–3 years; "MT-medium-term" is 3–5 years.

I. Financial Sector Overview

Serbia's financial sector is bank-dominated. The banking sector accounts for over 90 per cent of overall financial sector assets (Table 2). Foreign-owned banks hold the largest share of banking sector assets, followed by state-owned banks and local private banks. The insurance industry is the second most important sector in the financial system, but it is underdeveloped in a regional and European comparison (see below). Bank-dominated financial sectors are common in Europe and especially the South East Europe (SEE) region.

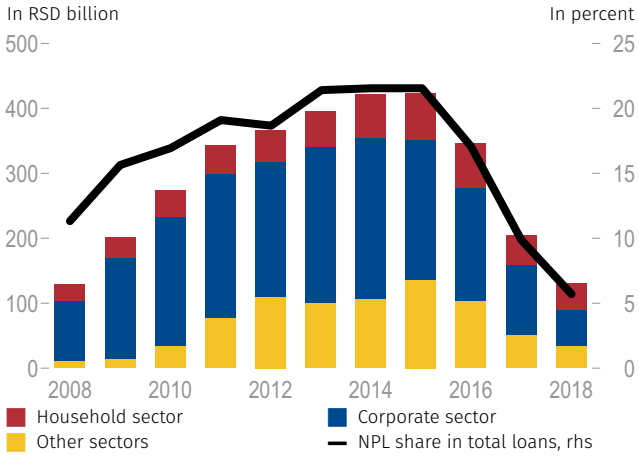
Table 2. Serbia's financial sector structure

	2010			Q2 2018		
	No	*RSD billion*	*%*	*No*	*RSD billion*	*%*
Banking system	33	2,534	91.8	28	3,476	90.3
State-owned banks	8	454	16.4	5	570	14.8
Local private banks	4	217	7.9	3	268	7.0
Foreign-owned banks	21	1,863	67.5	20	2,639	68.6
Non-bank financial institutions	51	226	8.2	44	372	9.7
Insurance companies	26	117	4.2	21	254	6.6
Pension funds	8	10	0.4	7	38	1.0
Leasing companies	17	99	3.6	16	80	2.1

Source: NBS.

The financial sector has largely recovered from the impacts of the global financial crisis in 2008. Financial stability indicators, including on asset quality, continue to improve. Capital adequacy and liquidity levels are in line with the EU and non-performing loans (NPLs) dropped by over 15 percentage points since 2014 (from a high of 23 percent to 5.7 percent as of end-2018 (preliminary data; Figure 1). The drop in NPLs was mainly a result of write-offs, but NPL sales have also started to increase. The NPL Resolution Strategy was an important catalyzer for this improvement. The drop in NPLs is likely to have contributed to bank's expansion in their lending activity. While pockets of vulnerabilities remain, especially in some domestic and state-owned banks, it is an opportune time to focus on the role the financial sector can and should play to further enable economic growth and job creation.

Figure 1. Non-performing loan development



Source: NBS.

Financial intermediation lags behind the EU and corporate lending remains sluggish. Private sector credit to GDP stands at about 44 percent in Serbia compared to over 80 percent in the EU.[2] While credit growth has picked up, household lending is still growing faster than corporate lending (12.5 compared to 7.8 percent percent as of December 2018). Banking system efficiency also lags compared to the EU with high overhead costs (3.6 compared to 1 percent of total assets) and relatively high net interest margins (4.7 compared to 2 percent).[3] Enabling lending to firms is important to support

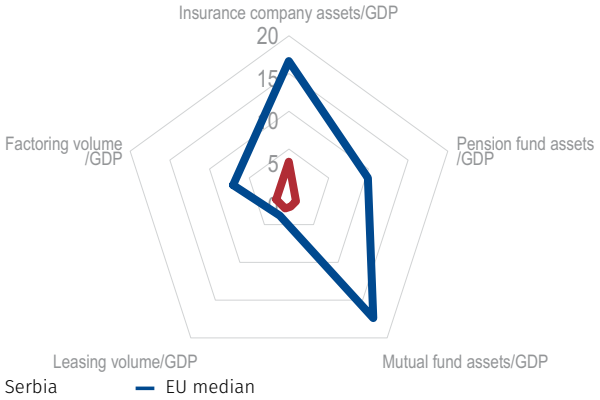
2 Finstats, 2017.
3 Finstats, 2017. EU median for EU numbers.

economic growth. In addition, savings are low compared to the EU median (30 compared to 67 percent of adults saved in the past year) and most savers do not use formal financial institutions.[4]

The financial sector is weakly diversified, limiting alternatives to bank financing and making the private sector vulnerable to external shocks. Compared to the EU, Serbia has negligible pension and mutual fund sectors and small leasing, factoring and insurance markets (Figure 2). Market capitalization and yearly turnover on the BELEX are on a downward trend (Figure 3). The stock market capitalization to GDP is 13.4 percent compared to an EU average of 48 percent. This means that there are limited alternatives to bank financing if firms want to grow and expand. It also means that the private sector is vulnerable to fluctuations in the credit cycle—as experienced during the global financial crisis—and has limited opportunities to bridge funding shortfalls through other sources.

Figure 2. Indicators of financial sector diversification, 2017

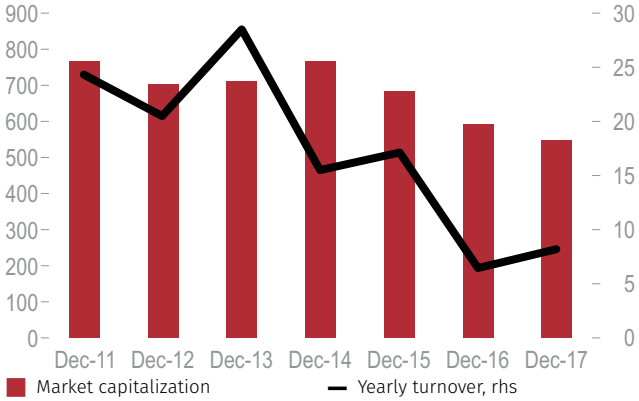
In percent of GDP



Source: Finstats.

Figure 3. Stock market cap and trading volume, 2011–2017

In RSD billion



Source: BELEX.

4 Findex, 2018.

II. Demand for MSME Finance

Most firms in Serbia are MSMEs. MSMEs constitute over 99 percent of all businesses and employ over 65 percent of the labor force (Table 3).[5] It is estimated that they account for about 58 percent of gross value added and 45 percent of total exports. The share of MSMEs in total firms is in line with the EU average (SBA Factsheet Serbia, 2017). Most MSMEs are active in the trade sector, followed by manufacturing. It is assumed that there is also a sizable informal economy, estimated to account for between 20-30 percent of GDP (USAID, 2013).

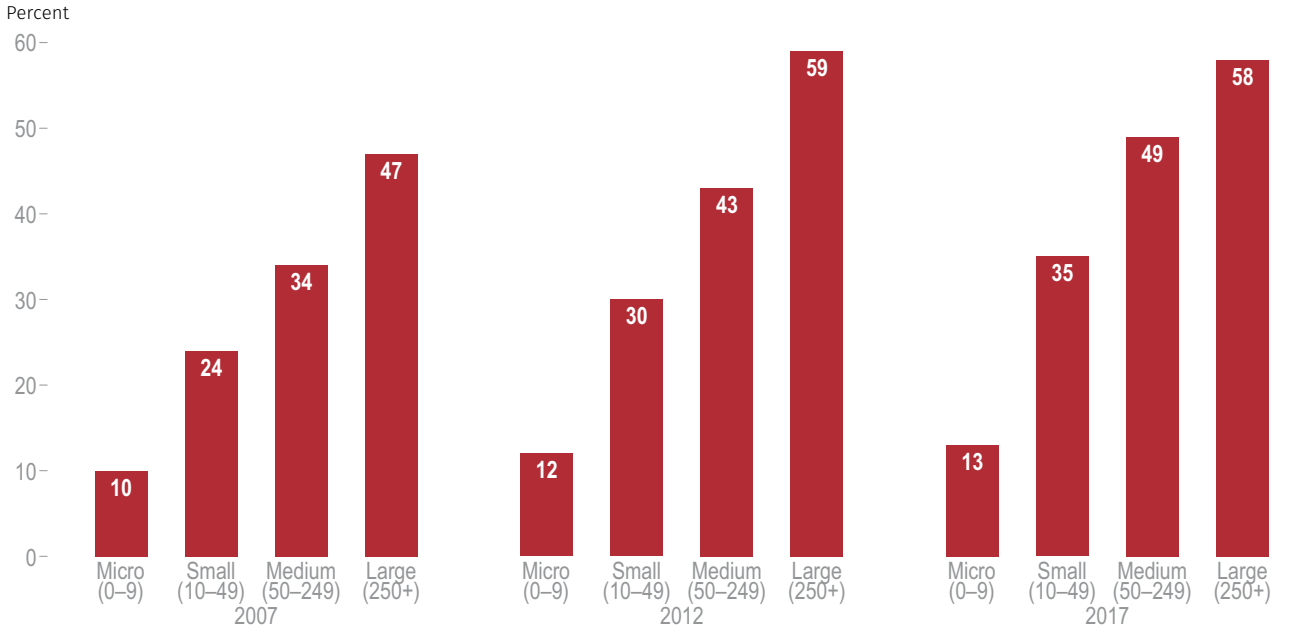
Table 3. Most firms are MSMEs

	Number of firms		*Number of employees*	
	Number	*Share (%)*	*Number*	*Share (%)*
Micro	312,887	96.2	387,278	31.7
Small	9,531	2.9	190,936	15.6
Medium	2,182	0.7	223,505	18.3
Large	494	0.2	418,538	34.3
Total	325,094	100	1,220,257	100

Source: Serbia State Statistical Office via OECD, 2015.

Usage of loans is strongly correlated with firm size. Based on data from the Serbian firm registry, which includes information on all firms registered in the country, loan usage depends strongly on firm size.[6] In 2017, only 13 percent of micro firms used a loan compared to 58 percent of large firms (Figure 4). The change in loan usage between 2007 and 2017 was highest for small and medium-sized firms. In comparison, Enterprise Survey data from 2013 shows relatively equal usage of loans between micro, small and medium-sized firms at about 50 percent of the sample and 66 percent of large firms. This shows that the Enterprise Survey sample is overestimating loan usage.

Figure 4. The smaller the firm, the less loans are used



Source: Staff calculations based on Serbian firm registry data.

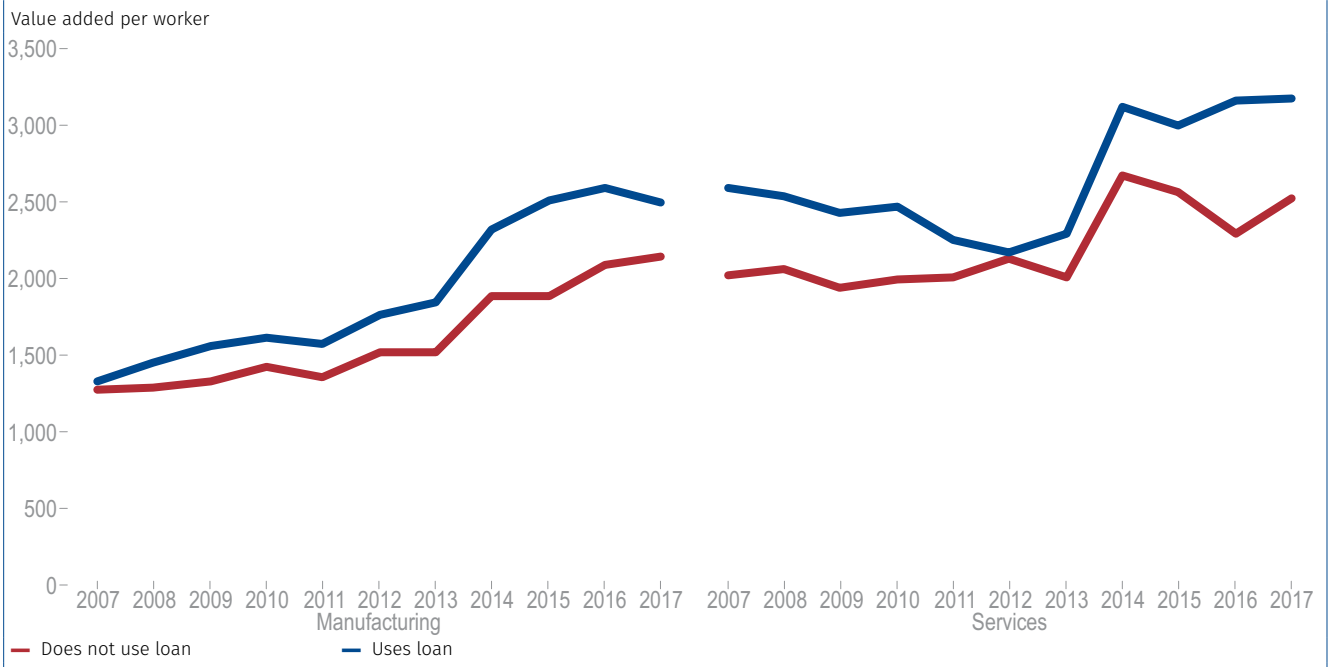
5 MSMEs are defined in the Serbian Accounting Law (2013) as follows: Micro firms up to 10 employees, EUR 700k annual turnover, EUR 350k total assets; Small firms up to 50 employees, EUR 8.8m annual turnover, EUR 4.4m total assets; Medium firms up to 250 employees, EUR 35m annual turnover, EUR 17.5m total assets.

6 Loan usage is approximated using a variable indicating whether or not the firm is paying interest on loans from banks or other financial institutions.

External financing for firm investments is largely provided by banks. Based on the 2013 Enterprise Survey data, firms rely mostly on banks for external financing—on average, 15 percent of their external financing for investments is provided by banks. However, most of their investments are funded from internal sources (56 percent). Supplier credit accounts for 11 percent of financing and equity for 8 percent, on average. For working capital, firms use supplier credit more than bank financing (18 compared to 12 percent of working capital).

Firms that use loans are more productive. An analysis of the firm registry data shows that loan usage is correlated with productivity (Figure 5). Value added per worker has been consistently higher for firms that use loans since 2007 in both manufacturing and services industries. It is important to note that this only indicates a correlation, not a causal relationship, i.e. it is not possible to determine whether loans make firms more productive or whether productive firms are more likely to use a loan.

Figure 5. Firms with loans tend to be more productive



Source: Staff calculations based on Serbian firm registry data.

Micro firms encounter the greatest difficulties in accessing suitable financing followed by small and medium-size firms, and financing constraints vary by firm location. Micro firms are most constrained financially, followed by small firms (Figure 6).[7] Financing constraints vary by region, with the highest actual financing constraints observed in Vojvodina, followed by the Southern and Eastern regions. Perceived financing constraints are considerably higher than observed financing constraints—38 percent of firms consider themselves as being financially constrained compared to an actual observed 25 percent (Figure 6 and 7).[8] Firms who face the highest actual constraints (micro firms and those located in Vojvodina) have their expectation most closely aligned with reality, while large firms and those located in Belgrade show the greatest divergence in perceived versus actual constraints. According to the SAFE Report 2017, access to finance ranks below the availability of skilled staff and managers, regulation, competition, and costs of production and labor in a cross-section of 200 interviewed MSMEs, with 9 percent identifying it as the most important obstacle for the firm.[9]

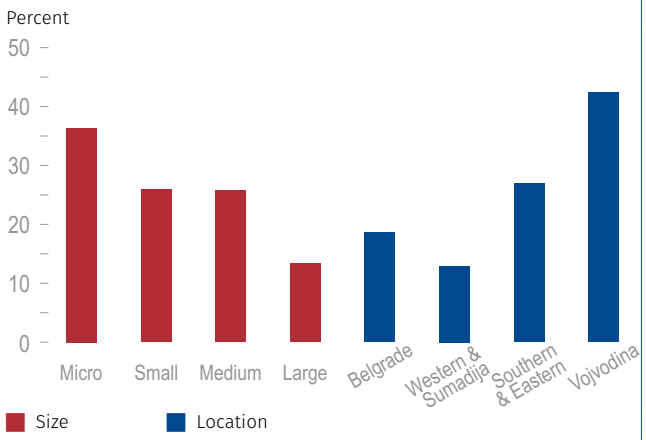
7 Financially constrained firms are defined as firms that either had their loan application rejected or firms that did not apply for a loan because of either complex application procedures, interest rates, collateral requirements, insufficient loan size or maturity, or because they thought it would not be approved. Enterprise Survey, 2013.

8 Firms with perceived financing constraints are defined as those firms that consider access to finance as either a moderate, major or very severe obstacle to their business operations. Enterprise Survey, 2013.

9 ECB, 2017. Survey on the access to finance of enterprises, country data.

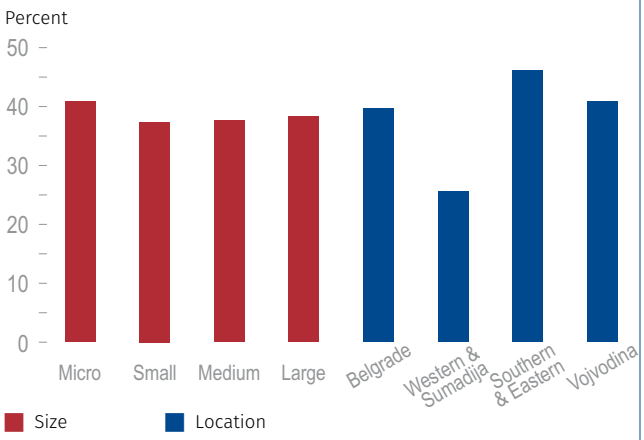
Considering that the Enterprise Survey sample overestimates loan usage (see above), it is likely that the numbers in Figure 6 underestimate the actual financing constraints. They should therefore be interpreted as a lower bound estimate.

Figure 6. MSMEs face greater constraints in accessing financing than large firms



Source: Enterprise Survey, 2013.

Figure 7. Perceived financing constraints are higher than observed constraints



Source: Enterprise Survey, 2013.

Firms see interest rates as the main disincentive to apply for a loan.[10] The large majority of firms who applied for loans was approved (96 percent). However, 39 percent of interviewed firms did not apply for a loan despite having need for external financing. Of the firms that did not apply for a loan for reasons other than not needing external financing, the majority identified interest rates as the main deterrent (71 percent).[11] Complex application procedures were cited by 8 percent of firms. Given that interest rates have come down since 2013, from about 8 to about 5 percent on average (see Section III), reasons may be different by now and should be analyzed once the new Enterprise Survey data will be released for Serbia. This is expected in the latter part of 2019. However, according to the SAFE Report 2018, interest rates are still seen as the most important deterrent for applying for bank loans for those businesses that could benefit from external financing.[12]

A recent study conducted by the EIB confirmed that micro enterprises have the highest unmet demand for financing.[13] The study found that access to bank financing is limited for micro enterprises, as banks' lending standards are strict, requiring good credit history, sufficient collateral, and large turnovers. Micro enterprises also seem to have challenges with defining their needs and coming up with good business plans, due to low managerial skills, which affects their access to bank financing. In contrast, the study found that the demand for loans from small and medium-sized enterprises is generally met by the banking sector. However, there may be an unmet demand for other financial products outside of debt financing. Given the lack of awareness of other financial instruments, quantifying the demand for these products was difficult.

10 Enterprise Survey, 2013.
11 Percentages based on 84 firms that were deterred from applying for financing.
12 ECB, 2018. Survey on the access to finance of enterprises, country data.
13 EIB, 2017. *Ex-ante* study to assess the potential future use of Financial Instruments to deploy IPA resources in support of Small and Medium Sized Enterprises (SMEs) in Serbia – Final Report.

III. Supply of MSME Finance

There are a range of institutions providing financial products and services to MSMEs in Serbia. These include commercial banks, microfinance institutions, leasing companies, factoring companies, and private equity and venture capital firms. Table 4 provides an overview of these providers. There are also several government programs supporting MSME financing (see Chapter V). Overall, most financing to MSMEs is provided by the banking sector given the bank-dominated structure of Serbia's financial system.

Table 4. Types of financial service providers in Serbia

Type of financial service provider	*Primary supervisory authority*	*Number of institutions*
Commercial Banks	NBS	27
Microcredit Providers[1]	N/A	1
Leasing Companies	NBS	17
Factoring Companies	Ministry of Finance	~14
Private Equity & Venture Capital Firms	Securities Commission	~10

Source: NBS, MoF, meeting participants. Data as of December 2018.
Note: [1] There is no license for microcredit providers in Serbia. The institution referred to is not a licensed microcredit provider but registered as a limited liability company for consulting services. However, since it offers products that can traditionally understood as microcredit, the name "microcredit provider" is used. The table does not list payment service providers.

A. Commercial Banks

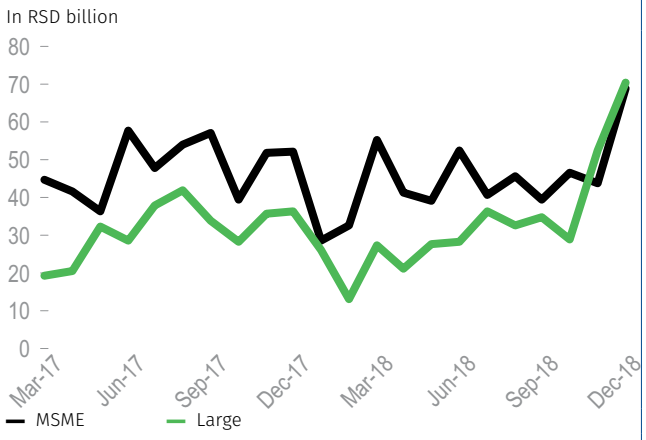
The banking sector can be considered as competitive based on standard concentration measures.[14] The five largest banks hold about 55 percent of total banking sector assets and 56 percent of total deposits. The Herfindahl-Hirschman Index (HHI) is below 900, indicating a competitive market place. The HHI has been decreasing over the past years. The loan to asset ratio stood at about 63 percent as of Q2 2018. About 20 percent of assets are invested in government securities.

SMEs are a strategically important segment for many commercial banks.[15] Large corporates are well-served in Serbia and the market is highly competitive. The same holds for the consumer lending segment, where margins have been shrinking. While consumer lending is still the focus for some banks, several commercial banks have started to place more emphasis on banking SMEs, strengthening their investments in that area. While the SME segment is considered competitive by the banks, they still see potential for growth in the market, making it a potentially profitable focus for future growth. Some banks reported SME portfolio growth rates of about 20 percent per annum. Available data up to 2016 estimates that SME loans constitute approximately 30 percent of total outstanding business loans.[16]

About half of all new business loans issued by banks are extended to MSMEs. As of March 2017, the NBS started collecting data from banks on new MSME loans extended, following the national definition in the Serbian Accounting Law (2013). Data on the share of MSME loans in the total loan book is not yet available. While the percentage varies by month, recently about half of all new business loans extended by banks are provided to MSMEs (Figure 8). In some months, the share reached 70 percent. Within the MSME segment, most loans are issued to small enterprises at an average of 26 percent of all new business loans during 2018 (Figure 9). Microenterprise loans comprised about 12 percent, medium-enterprise loans 21 percent and large-enterprise loans about 41 percent of new business loans in 2018.

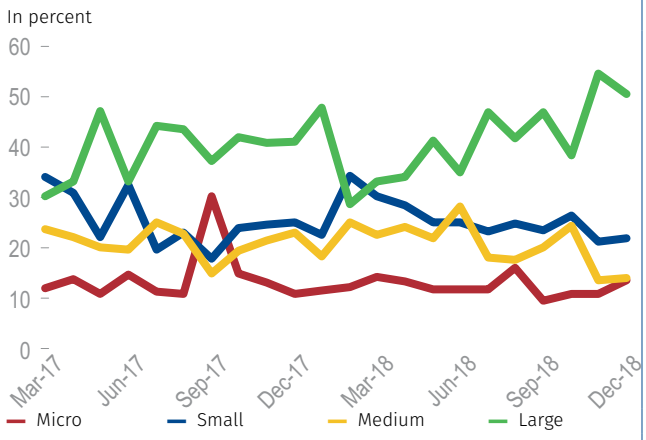
14 Source: NBS.
15 This section is largely based on information received during interviews with commercial banks conducted for this note.
16 OECD (2018). Financing SMEs and Entrepreneurs 2018.

Figure 8. Most new business loans extended are to MSMEs



Source: NBS, 2019.

Figure 9. Of all new MSME loans, most are extended to small enterprises



Source: NBS, 2019.

While more than ten percent of new business loans are issued to microenterprises, banks report that this segment is not strategically important. Most banks offer financing to microenterprises through their consumer lending department rather than corporate departments. Even banks that have historically served micro enterprises such as ProCredit and Opportunity Bank, have shifted their focus towards SMEs. Banks interviewed for this study mentioned that formalizing micro enterprises is challenging and that they see limited potential for their growth. Banks also consider their financial statements as unreliable.

Banks use their own definitions of what constitutes an SME, not following the national definition. Many banks either use loan size or annual turnover as proxies for what constitutes an SME, however definitions vary widely between institutions. Available data on SME financing is limited. Banks mentioned that they would benefit from published information on SME financing to better assess the developments of the market and their own market position The NBS recently started collecting data on new MSME loans and intends to expand this to cover all outstanding business loans over time. The information is available on the NBS website, under the Interest and Exchange Rate information. The data could be made more visible by clearly indicating that it covers business loans by firm size and not only interest rates. Given that definitions used by banks vary widely, it is useful that the NBS decided to collect the information based on the national definition, which allows comparing MSME lending across institutions and assessing changes over time.

SMEs are mostly served through corporate lending departments, but some banks have separate SME departments. Most banks interviewed for this study serve SMEs as part of corporate lending, with some banks including small enterprises under retail lending. Banks with a focus on SMEs as part of their business strategy have dedicated SME departments. Micro enterprises are exclusively served under retail lending, if at all.

Commercial banks generally offer the same products to SMEs than to other corporates or retail customers, but access to long-term financing remains limited. Banks provide overdrafts, letters of credit, short-terms loans, investment loans, and guarantees as well as transaction and deposit accounts. In 2016, the percentage of short-term loans (up to one-year duration) in total SME loans was about 25 percent.[17] Working capital loans are usually available up to a maximum maturity of three years and some banks offer investment loans up to 15 years for SMEs. However, long-term financing is still comparatively more difficult to obtain for SMEs. This is a result of bank's liability

17 OECD, 2018. Financing SMEs and Entrepreneurs 2018.

structure which is still largely dependent on demand- and short-term deposits. The need to control maturity mismatches affects the extent to which banks are willing to provide long-term financing.

Interest rates for MSMEs have come down in recent years. This is mainly due to the decrease in the NBS key policy rate, lower money market rates, and a lower country risk premium, but also a reflection of the decrease in NPLs and more competition. As of December 2018, interest rates for new MSME loans were on average 3.6 percent compared to 3.3 percent for large enterprises.[18] Banks interviewed for the study mentioned that margins have become tight because of the low-interest rate environment, limiting bank's appetite to lend to riskier clients. Banks reported low NPL rates for their SME portfolios, around 2 percent.

Loans are largely provided in FX, exposing SMEs to currency risk. The currency structure of banks' loan portfolios remains dominated by foreign currency, mainly Euro. At end-Q2 2018, FX and FX-indexed loans accounted for about 69 percent of total loans. The figure is nearly identical for FX and FX-indexed deposits. External financing received by banks is also largely provided in FX, explaining the preeminence of FX-lending. Given the stable exchange rate environment in recent years, SMEs have not been exposed to undue risk and have indeed preferred FX-loans because of the lower interest rates. However, SMEs without a natural hedge through income in FX are exposed to currency risk. In times of currency fluctuations, this can quickly transfer into credit risk on bank's loan books. The NBS is implementing a dinarization strategy, which intends to address this challenge.

Collateral requirements remain an obstacle for SMEs, though conditions have improved. As of 2016, 41 percent of SMEs needed collateral to obtain a loan compared to 55 percent in 2013.[19] Small loans are often provided solely based on promissory notes. Larger loans require collateral covering at least the value of the loan. Banks also accept movable collateral and reported the enforcement of collateral as relatively straightforward. Judicial inefficiency was mentioned as a constraint, however, which is why out-of-court execution is preferred. Collateral requirements are more challenging for micro firms given that they often lack access to hard collateral. Banks reported that the private credit bureau is used widely and considered reliable.

Improving the quality of financial management and financial reporting of SMEs could increase their access to financing. According to a recent study conducted by the Center for Financial Reporting[20], weak financial management skills were cited as the most significant obstacle for SMEs to access financing. This includes difficulties to identify and clearly express financing needs, develop realistic business plans, and present reliable financial statements. To address these challenges, the study recommended to (i) create a standard template to supplement loan applications, (ii) use a limited assurance product (not a full audit) to review key aspects of financial information provided, and (iii) invest in capacity development of SMEs. Given that these challenges are even more severe for micro enterprises, similar recommendations could be applicable to them as well.

Banks make use of partial credit guarantees and credit lines offered by IFIs to increase their exposure to SMEs. Guarantee instruments provided by EIF, COSME[21] and others are being used by several banks and considered useful for expanding their SME portfolios to riskier segments. Credit guarantees typically cover about 50 percent of the exposure. Some banks mentioned that higher coverage ratios would be useful to expand into certain market segments that are considered too risky in the current environment (e.g., micro-enterprises and start-up loans).IFIs have in part been reluctant to cover these segments because there is less clarity around the legal and regulatory framework for

18 NBS, 2019. Interest rate are a weighted average between local and foreign currency rates.
19 OECD, 2018. Financing SMEs and Entrepreneurs 2018.
20 Center for Financial Reporting/ World Bank Group, 2017. Small and Medium Enterprises: Financial Information as a Catalyst for Lending.
21 An EU financing program that aims to support the competitiveness of SMEs.

microfinance for instance (see discussion in Section III.B), but in principle IFI guarantees could be extended to cover these riskier segments. Banks are also entering into agreements with IFIs to access credit lines that help them extend the maturities of their SME loans. Substantial support is provided through funding made available from EU sources (see Annex).

Banks consider government-led programs as largely irrelevant for their lending activity. Support provided through institutions such as the Development Fund or the Serbian Export Credit Agency (AOFI) were not viewed as competition or potentially crowding out private sector financing. However, banks viewed these government-supported programs as ineffective and would prefer more incentive-based programs (e.g. through PCGs) rather than direct lending by state institutions. In those cases where government institutions have offered PCGs directly, those programs have been less used than those offered by IFIs and their effectiveness is less clear. As part of the discussions around the Development Finance Strategy (see Section IV), consideration should be given to which institution(s) is/ are best placed to offer guarantee instruments in the future to make them most effective and efficient.

Based on demand and supply side information available, it appears that SMEs are relatively well served by commercial banks, with little to no unmet demand. However, micro enterprises are not well-served by the banking sector and there does not appear any appetite to expand this segment given that it requires a different, cost-intensive lending methodology compared to SME financing. In addition, while SMEs are well served by the banking sector, they are hardly making use of other sources of financing that may be more appropriate for their needs. Examples include factoring, leasing, or private equity/ venture capital financing. The awareness and understanding of these alternatives is also limited, additionally affecting uptake.

While the enabling environment was not mentioned by banks as a significant constraint to MSME lending, a more thorough assessment would be useful. A detailed analysis of the financial sector infrastructure for MSME financing and the secured transactions framework was outside of the scope of this report but would be a useful complement. Banks mainly mentioned challenges in the judicial system as a constraining factor, but there may be other areas in need of improvement. Equally useful would be a detailed analysis of bank efficiency, including competition and profitability aspects, and its effect on MSME finance. This would require detailed bank-by-bank data.

B. Microcredit

The microcredit sector consists of only one institution.[22] Agroinvest, owned by Vision Fund International, has been operating in Serbia for 15 years. The company has about 18,000 clients, served through 20 branch offices, and a total loan portfolio of about EUR 18 million. The average loan size is EUR 1,200. Agroinvest's focus is on the agricultural sector and remote rural areas, which are not well served by commercial banks. The company has been profitable as of 2017.

The development of the microcredit sector has been stifled by the absence of a legal basis for non-bank credit providers. Several years ago, two additional microcredit institutions used to operate in Serbia but reportedly they both left the market because of the challenging legal framework. Agroinvest is registered as a limited liability company for consulting services in the absence of a legal basis for microcredit companies. This legal grey zone requires the company to work through a partner bank for all loans issued. In practice this means that Agroinvest attracts new customers and assesses

22 There is no license for microcredit providers in Serbia. The institution referred to in this section is registered as a limited liability company for consulting services. However, since it offers products that can traditionally understood as microcredit, the name "microcredit provider" is used. This should not be understood as meaning that it is formally licensed to carry out these activities.

the clients' creditworthiness and then moves the client over to the partner bank which disburses the loan and handles the entire business relationship.

The current partnership model renders microcredit expensive. Given the need to work through banks, interest rates are shared between Agroinvest and its partner bank, which increases the total costs to the customer. Interest rates are currently about 3 percent per month. Agroinvest estimates that those could be halved if they did not need to work through a partnership model. Reportedly, NPLs stand at 1.3 percent, which would be low for a microcredit provider.

An enabling legal and regulatory framework may be able to spur the development of the market. A 2013 USAID study recommended the development of a microcredit law that strikes a balance between minimum regulatory requirements, e.g. for licensing and registration, permissible activities, ownership and governance, supervision, and reporting, and keeping the framework light enough to not overregulate the industry.[23] It also argued for strong consumer protection requirements, market conduct regulation, and enforcing anti-money laundering/ combatting the financing of terrorism (AML/CFT) standards, largely aligned with those applicable to banks. According to Agroinvest and others interviewed for this study, there appears to be a large appetite from microfinance institutions abroad as well as strategic investors to invest in Serbia if a conducive legal and regulatory framework was put in place as the market is perceived as large and unsaturated.

A microcredit-only license would not necessarily require prudential regulation as public savings would not be put at risk. Many countries have started with a microcredit-only license (e.g. Romania, Montenegro). Over time, some allowed for deposit-taking microfinance institutions with stricter requirements, but still applying a risk-based approach in line with the guidelines issued by the Basel Committee on Banking Supervision.[24] Microcredit providers would not necessarily need to be overseen by the National Bank of Serbia (NBS) given that they would not pose a systemic risk, but this is ultimately a policy decision. Some countries opted for reporting to the Central Bank (e.g. Montenegro), others for reporting to the Ministry of Finance or another Ministry, and some even for a self-regulatory approach through an industry association.

Microcredit providers could be regulated through a stand-alone law, a combined law for non-bank financial institutions (NBFIs), or as part of the Banking Law. Romania for instance started with a stand-alone microcredit law and later on replaced it with a wide-ranging NBFI law. Montenegro regulates microcredit as part of the Law on Banks and requires supervision by the Central Bank of Montenegro, allowing for tighter control of the sector.

A stronger microcredit industry may be able to address the market gap identified in access to finance for micro enterprises. Given that commercial banks are not considering this segment as a priority and that there are currently no other financial institutions addressing the needs of micro enterprises, sustainable microcredit providers could fill this gap. Microcredit requires a different lending technology that is rather resource-intensive in comparison to SME financing and that is usually only successful if economies of scale can be reached. Without a clear legal and regulatory framework, it is unlikely that a sustainable microcredit industry will develop.

It is recommended that the authorities consider the establishment of a legal and regulatory framework for microcredit. A working group was set up within the NBS in 2016 to discuss the merits and risks associated with a dedicated legal and regulatory framework for non-deposit taking institutions. The working group is currently undertaking a comprehensive analysis of such frameworks

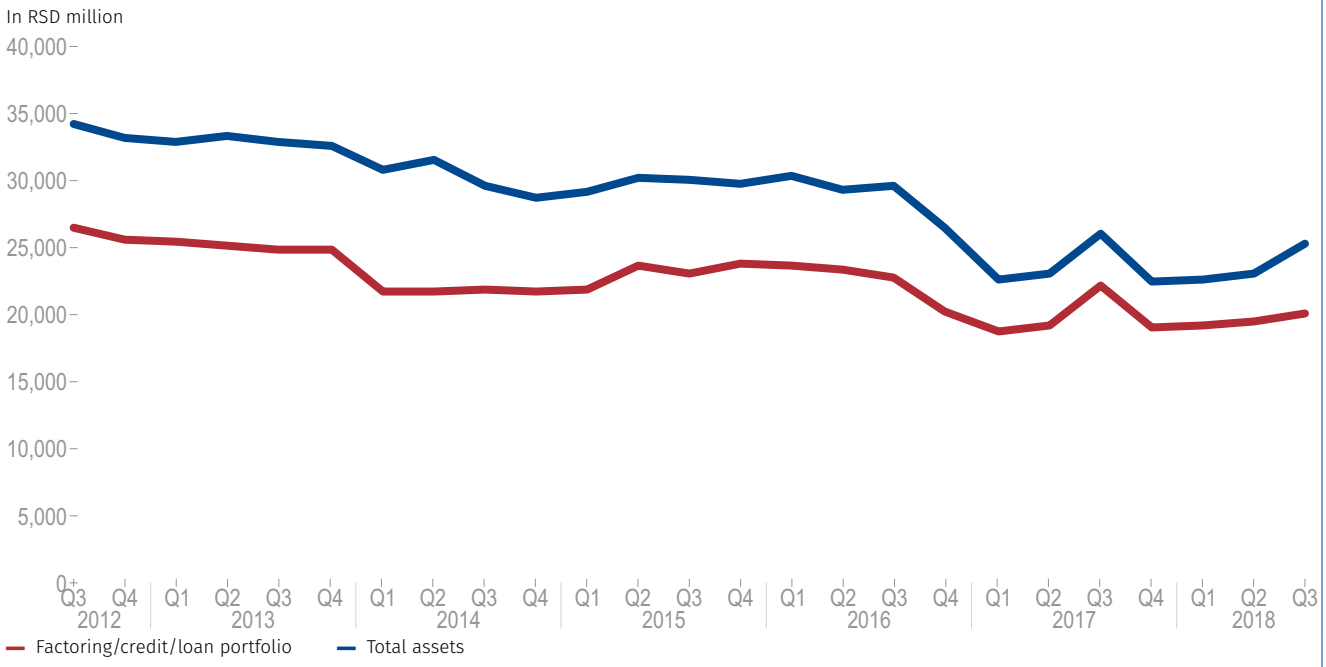
23 USAID Business Enabling Project, 2013. Recommendations for a legal and regulatory framework for microfinance in Serbia.
24 BCBS, 2010. Microfinance activities and the Core Principles for Effective Banking Supervision.

within the EU. As mentioned above, there are several ways in which a microcredit framework could be designed. Given the negative experience with the microfinance crisis in Bosnia among others, there is an understandable reluctance in Serbia to establish a legal basis for microcredit. However, there have been many successful microfinance models around the world and lessons learned from success cases and from past crises could usefully inform a framework suitable for the Serbian market. One lesson learned from past crises is for instance that consumer protection and market conduct requirements are of utmost importance to prevent overindebtedness and the build-up of risks.

C. Factoring

Serbia's factoring market is weakly developed. Factoring is predominantly offered by banks. Of the about 14 factoring providers as of December 2018, 8 are commercial banks, 5 are local independent factoring companies and one is a state-owned provider, the Serbian Export Credit Agency (AOFI). No large international factoring house is operating in the country. The factoring volume was estimated at 1.6 percent of GDP in 2016 compared to 7 percent on average in the EU (see Figure 2). The market declined in terms of portfolio and total assets until 2017 (Figure 10). It recently started growing again, but very slowly.

Figure 10. Factoring market development has been weak



Source: NBS, 2019.

There is considerable potential for factoring given that payment delays are common in Serbia. Firms usually face delays in collecting payment on their invoices, with micro- and small enterprises disproportionately affected. According to research undertaken by EOS MATRIX/IPSOS in 2016 on a sample of 200 medium-sized and large firms, time to payment in business-to-business (B2B) transactions in Serbia was among the longest in Europe. Only 12 percent of all B2B payments were made in under 30 days, and the average time to payment was 46 days. These arrears create cashflow problems and impact operations. Firms usually use invoice discounting to solve cash-flow problems, but factoring can be an even more effective instrument, especially if it is without recourse.

A dedicated Law on Factoring was introduced in 2013. The law provided legal clarity to the factoring market and helped spur its development. According to the law, factoring companies have to report

to the Ministry of Finance. Since banks deal with factoring in-house rather than through separate companies, the lines between their factoring and lending business becomes blurred, however. While banks perceive that standards are higher for them than for factoring companies since they also need to comply with NBS regulations, they recognize that it is easier for them to attract business given their large customer base.

Factoring products offered are reflective of a market in its early stages of development. Most companies offer domestic factoring with and without recourse, the latter meaning that the firm purchasing the receivables assumes responsibility for collecting on the invoice. Export financing is only scarcely available. Some companies have recently introduced supply chain finance (reverse factoring), a facility in which a large buyer becomes the main client and its suppliers receive financing for their receivables at more attractive terms since they can benefit from the better credit risk of the large buyer. According to interviews, the reverse factoring product has led to increased demand. Factoring providers also report that it is easier to work with larger clients since they are familiar with factoring from other countries while SMEs are only vaguely familiar with the product and prefer loans, especially given the currently low interest rates.

Supply chain financing or reverse factoring, especially when offered through an on-line platform, could create momentum for the market. Compared to other countries in the region, Serbia has a relatively large number of high-quality buyers and a few well-developed supply chains. One bank has recently introduced its own supply-chain platform; however, these platforms can be even more impactful when offered at a national level. One of the best-known cases is the on-line factoring product offered by National Financiera in Mexico, but there are several others, including private solutions offered by Fintech providers (see Box 1).

Reverse factoring at scale can only be successful if electronic signatures are legally recognized to enable secure and legally binding factoring transactions. According to interviews conducted, some contracts can be signed electronically in Serbia. However, it appears that electronic signatures are not recognized at the cadaster office or for credit agreements. There also seems to be uncertainty whether electronic signatures would be acceptable in court. While a detailed assessment of the legal framework around electronic signatures was beyond the scope of this assessment, this is an area that needs further analysis. If current obstacles can be remedied, the factoring market would have higher prospects of developing and innovating.

There are a few other obstacles impacting the development of the factoring market. Difficulties in enforcing the payment of receivables in courts has led factoring providers to ask for additional "notifications" signed by an authorized representative of the company every time a client presents a receivable to be factored. This makes frequent transactions cumbersome and in fact more time-consuming and costly than issuing a loan. Court procedures for factoring cases are perceived to be difficult, partly because there is limited understanding of the nature of factoring transactions. There is also no pledge registry where invoices can be recorded, which increases the risk for factoring providers as they have no means to verify whether invoices have already been factored elsewhere.

Box 1. Supply chain financing platforms

In supply chain financing or reverse factoring, lenders enter into a contractual relationship with a large buyer, usually a large domestic or internationally accredited firm, and offer regular financing of receivables to the buyers' suppliers. Suppliers receive better financing conditions since they can benefit from the lower credit risk of the large buyer, while buyers may be able to benefit from more attractive sales offers from their buyers.

Reverse factoring products can be made even more efficient if offered through on-line platforms that connect lenders, buyers, and suppliers. One of the best-known cases is the on-line factoring product (called "Cadenas Productivas", or "Productive Chains" program) offered by National Financiera (Nafin) in Mexico.[25] However, there are several others, including TREFI in Peru[26], TreDS in India[27]. This is also an area that lends itself well to Fintech players providing the on-line technological solution that connects the different players.[28] An important prerequisite for such platforms to be successful is that electronic signatures need to be legally recognized in the country to enable secure and legally binding factoring transactions.

As an example, the Nafin program works by creating "Chains" between big buyers and small suppliers.[29] The whole process, including the sale of receivables from the supplier and the transfer of funds to the supplier, is done electronically. SMEs need to register and have an account with a bank or factor that has a relationship with its buyer. The funds are transferred to the supplier's bank account, and the bank becomes the creditor. The bank collects the loan amount when the buyer pays the supplier (in 30 to 90 days).

Nafin also handles the sale and delivery of electronic documents. The suppliers and Nafin sign a pre-agreement allowing the electronic sale and transfer of receivables. Additional contracts between the banks and buyers and Nafin define their obligations, such as the requirement for buyers to remit factored receivables to the banks directly.

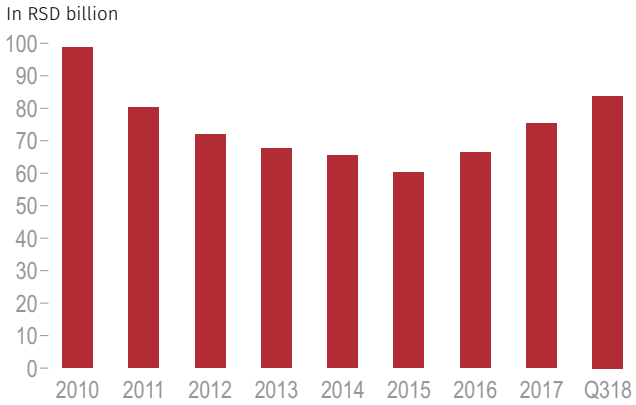
Once a supplier delivers its goods and an invoice to the buyer, the buyer posts a "negotiable document" on its Nafin webpage, equal to the amount that Nafin should factor. Any lender that has a relationship with the buyer and the supplier and is willing to factor the receivable can be selected by the supplier based on the quote for the interest rate at which the specific lender is willing to factor the receivable. This increases competition and ultimately reduces interest rates. Once a financier has been selected, the amount of its negotiable document less interest is transferred to the suppliers' bank account. When the invoice is due, the buyer pays the factor directly. All factoring is done without recourse.

25 https://www.nafin.com/portalnf/content/cadenas-productivas/.
26 http://trefi.pe/en/home/.
27 http://www.rxil.in/AboutTreds/WhyTreds.
28 See, for instance, https://www.accion.org/innovating-invoice-financing-latin-america/.
29 See Leora Klapper, "Export Financing for SMEs: The Role of Factoring," The World Bank Group, International Trade Department, Trade Note 29, September 15, 2006.

D. Leasing

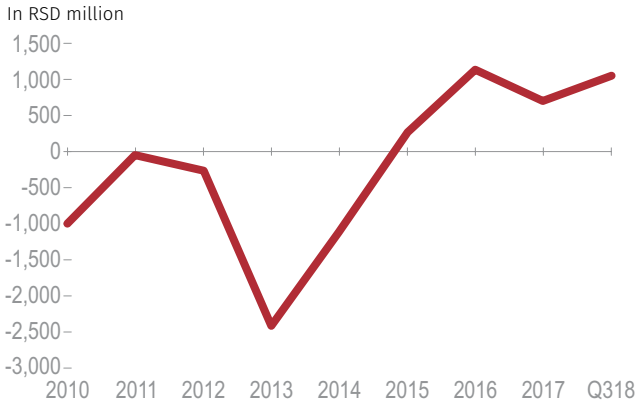
Serbia's financial leasing market is small but growing after being hit hard by the financial and economic crisis. As of end-2018, 17 financial leasing companies operated in Serbia, three of which were under liquidation by the NBS. The majority of companies are owned by banks. After several years of a declining asset base and negative net profits, a result of the global financial and economic crisis, the financial leasing sector returned to growth and profitability in 2016 and 2015, respectively (see Figures 11 and 12). According to the Association of Leasing Companies in Serbia (ALCS), about 70 percent of all financial leasing provided is for MSMEs. Financial leasing is primarily provided for commercial vehicles (40 percent), equipment (30 percent), and passenger vehicles (30 percent).

Figure 11. Financial leasing company assets started growing again in 2016



Source: NBS, 2019.

Figure 12. Financial leasing market returned to profitability in 2015



Source: NBS, 2019.

The Law on Financial Leasing of 2003 provides the legal framework for the market, designating the NBS as the supervisor, but does not allow for operating leasing. Financial leasing companies are regulated and supervised by the NBS. The 2003 law that regulates financial leasing does not allow companies to engage in operating leasing.[30] Operating leases can be offered by separately incorporated companies, outside the supervision of the NBS, but the split framework makes it cumbersome to engage in both types of leasing. ALCS estimates that the overall leasing portfolio could increase 20–30 percent if operating leases were allowed. There is an ongoing effort to amend the Law on Financial Leasing to allow for operating leasing and address several other concerns of the ALCS and the market, as summarized in the 2018 White Book issued by the Foreign Investors Council ('White Book').[31] These concerns relate to the minimum capital requirement for leasing companies, which is considered too high, and the issue that charged parking fees incurred by the user of a leased vehicle are currently sent to leasing companies. It would be useful to accelerate this process to further enable growth of the market.

The tax treatment of leasing puts the market at a disadvantage to banks. The two tax aspects that would benefit from changes to the legal framework are (i) interest from financial leasing incurs VAT, and (ii) write-offs of receivables trigger an income tax obligation for leasing companies as write-offs are treated as "other revenue". These issues put financial leasing at a disadvantage to lending as both result in higher costs to the financial leasing company which end up being transferred to the customer. Regarding (i) the White Book recommends that the Law on Value-Added Tax be revised to exempt leasing companies from paying VAT on interest, similar to the exemption granted to credit and

30 Operating leases differ from financial leases in several ways. One of the most important differences is that in operating leases, ownership of the asset remains with the lessor and the asset is returned by lessee after the lease period (similar to renting), while in financial leases there is an ownership transfer option at the end of the lease period.

31 http://www.fic.org.rs/projects/white-book/white-book-publication.html.

insurance services. Regarding (ii), a change to the Law on Personal Income Tax would be required to provide equal treatment to banks, insurance companies and leasing companies and clarify that write-offs should not trigger an income tax obligation.

A recent challenge has emerged regarding the legal protection of leased assets, which requires urgent attention. Per a ruling of the Supreme Court in Serbia, misappropriation of leased assets does not constitute a criminal offence as financial leasing contracts involve the acquisition of property rights. This implies that financial leasing companies have no means to enforce their ownership of the leased assets. This situation could undermine the entire financial leasing market if not resolved.

E. Private Equity and Venture Capital

The private equity (PE) and venture capital (VC) industry consists of about 10 active funds as of December 2018. Most funds focus on private equity with three funds offering venture capital for start-ups and early-stage businesses. Most private equity funds focus on larger enterprises. Only SEAF, an investment management group that provides growth capital and business assistance to SMEs in emerging and transition markets, appears to be focusing on SMEs. According to the Serbia Private Equity Association, the total amount of funds invested is about EUR 1 billion. Most PE funds focus on the IT sector which appears to be promising for fast growth and high returns. SEAF focuses on production businesses and retailers instead, but only made ten investments in the last ten years.

Appetite from PE funds to invest in Serbian businesses appears to be higher than available investment opportunities. Estimates from the Serbia Private Equity Association suggest that the potential capital that could be deployed through PE far exceeds actual demand. Business owners are still reluctant to work with investment funds and to relinquish full control of their businesses. There seems to be a general preference for debt financing since it is easier to understand, especially in the current low-interest environment. Finding good investment opportunities also remains challenging for some of the PE funds, especially if they do not have infrastructure on the ground, as is the case with many of the regional funds.

In contrast to PE, there seems to be excess demand for VC from the start-up industry. The active funds, the Enterprise Innovation Fund (ENIF) managed by South Central Ventures, StartLabs, and Eleven Ventures, focus on early stage high-growth companies mainly in the tech sector. South Central Ventures offers seed funding up to USD 100,000 per company while StartLabs goes up to USD 50,000 for an equity stake of 10–15 percent. Eleven Ventures is based in Bulgaria, but also invests in Serbia with pre-seed funding up to EUR 100,000 for an equity stake of 10–12 percent. South Central Ventures offers early stage and growth investments of up to EUR 3 million per company and Eleven Ventures can follow with additional funding as well. All companies offer mentorship to the companies they invest in and connections to boosters, angel investors and VCs internationally. Eleven Ventures is an accelerator at the same time. All funds also invest in other countries in the region. South Central Ventures had nine investments and StartLabs had about seven active investments in Serbia as of end-2018. Eleven Ventures has invested in about more than 15 companies in Serbia. Demand for VC funding seems to be greater than the available supply, suggesting that there is space for more funds to come in.

The environment in which funds are operating is generally perceived as conducive. Exiting investments, especially in SMEs, remains challenging. The stock exchange is not a viable option and capital markets generally are not used by SMEs. Efforts by the government to make the market more investment friendly are appreciated by the industry. One of the biggest obstacles to SME growth was mentioned as the high fees and taxes which are burdening SMEs and deterring investment. A need

to build capacity and increase the know-how of business owners and managers was also mentioned as important, with the Innovation Fund referred to as a positive example for developing the sector. The government could play a stronger role with providing market-friendly incentives for SMEs to grow and by investing in the education of business owners and managers, including with respect to the advantages and disadvantages of different financing modalities.

The Law on Alternative Investment Vehicles may increase the focus on the industry and help spur the development of the market. While funds did not report challenges with the current legal framework, the Law on Alternative Investment Vehicles will increase the attention devoted to the fund industry while harmonizing the framework with EU guidelines. The law is currently being drafted and is expected to be passed into law in 2019. It will be important to properly consult the industry on the draft to make sure that it is business enabling.

F. Fintech

There is an overall opportunity for Fintech players to make a substantial contribution to MSME finance in the future. In the addition to the factoring example mentioned above (see Box 1), Fintech companies are emerging across the world with innovative solutions that can lead to efficiencies at each step of the lending process—from loan origination to servicing. For instance, fintech can automate credit assessments and use alternative data (such as utility bill payments, social media data, mobile phone data, psychometric data etc.) to determine the creditworthiness of potential borrowers. Peer to peer lending and crowdfunding platforms are disrupting the entire lending value chain by offering a platform outside of the typical financial institutions MSMEs are used to interact with. These channels are particularly valuable for firms that are credit constrained due to a lack of credit history or sufficient collateral.

The fintech market in Serbia is still nascent. One example of a successful Serbia-based fintech is TradeCore, offering a broker management software that includes innovative features simplifying customer onboarding and ID verification, among others, and wanting to expand into regtech. Another example is iPay, the first e-money institution that was licensed in Serbia and a local solution for e-payments. There is also a small crowdfunding scene.

The transposition of the Payment Service Directive (PSD) 2 will give non-banks such as Fintech providers a better entry point. The NBS is spearheading an initiative to transpose PSD 2 into local law. Once the process is completed banks will be required to provide third-party access to current account data and allow third parties to initiate payments on behalf of others, including MSMEs. This can be beneficial for fintechs and a boost for the incipient fintech industry in Serbia. While a detailed stocktaking of the current stage of the fintech industry was beyond the scope of this report, it would be a useful undertaking going forward to better understand how this development can be enabled.

IV. Public Policies and Programs Related to MSME Finance

SMEs are a priority for the Serbian government, articulated through its 2015–2020 SME Development Strategy and Action Plan. The Strategy has six pillars: Pillar 1: Improving the Business Environment, Pillar 2: Improving Access to Sources of Funding, Pillar 3: Continuous Development of Human Resources, Pillar 4: Enhancing the Sustainability and Competitiveness of SMEs, Pillar 5: Improvement in the Approach to New Markets, and Pillar 6: Development and Promotion of Entrepreneurship. Within Pillar 2 the focus is on improving the quality and offer of the banking sector to SMEs, the development of new financial instruments, and the improvement of the ability of SMEs to access various sources of financing.

Government-supported financing is mainly provided by the Development Fund (DF) and the Serbia Export Credit and Insurance Agency (AOFI). These non-deposit-taking financial institutions report to the Ministry of Economy and provide direct loans, guarantees, export credit insurance, factoring, and export financing to enterprises. As confirmed by recent diagnostic studies[32], lack of proper oversight and governance, poor credit policies and decisions as well as limited accountability of the institutions have resulted in significant problems. Consequently, the government adopted conclusions on the DF and AOFI, mandating them to address the challenges identified, and established a working group to identify options for providing development finance more effectively in the future. The Development Finance Strategy is expected to be adopted by end 2019.[33] As part of the development of the strategy, a thorough assessment of market failures that should be addressed by development finance will be undertaken. Depending on the outcomes of that work, an appropriate institutional framework to address the challenges will need to be identified.

Other government-supported SME support programs are mostly offered through the Development Agency of Serbia and the Innovation Fund. A recent review of these programs found that only few are supporting start-ups and their ecosystem (apart from those offered by the Innovation Fund).[34] It also concluded that programs could be better targeted at SMEs that can grow rather than those generally eligible, and that monitoring and evaluation should play a stronger role in designing and implementing these programs. There are no government programs offering non-debt financing to start-ups or early stage high risk businesses. This may be included in the Development Finance Strategy currently under preparation if deemed of sufficient importance by market participants and stakeholders.

32 The independent external assessment for the DF and AOFI were completed in June 2017 and revealed significant weaknesses. NPLs at both institutions were found to be very high. Other identified weaknesses include corporate governance, operational efficiency, accounting irregularities and mis-valuations.
33 This work is supported under the World Bank-financed "State Owned Financial Institution Strengthening Project".
34 See draft "Public Expenditure Review of Small and Medium Enterprise and Competitiveness Programs in Serbia", World Bank.

Annex

EU-funded programs related to Access to Finance (http://access2finance.eu)					
Financial intermediaries	*Type of finance*	*Amount of finance*	*Investment focus*	*Additional information*	*Sources of finance*
National Bank of Serbia	Loan/ Guarantee	< 25,000,000 €	All sectors/ general	Focus: in particular in the fields of environmental protection and improvement, rational use of energy, infrastructure, including health and education, industry, tourism, trade and services.	EIB
UniCredit Bank Serbia JSC	Loan/ Guarantee	< 150,000 €	All sectors/ general, Start-up, early stage		COSME
Banca Intesa AD Beograd	Loan/ Guarantee	> 10,000 € < 150,000 €	All sectors/ general		COSME
Banca Intesa AD Beograd	Loan/ Guarantee	> 25,000 € < 7,500,000 €	All sectors/ general, Research, development, innovation, Start-up, early stage		InnovFin
Société Générale Banka Srbija a.d. Beograd	Loan/ Guarantee	> 5,000 € < 25,000,000 €	All sectors/ general, Cleantech	EIB loans can be used to finance all tangible and intangible investments.	EIB
Banca Intesa AD Beograd					WB EDIF
Crédit Agricole Srbija AD Novi Sad	Loan/ Guarantee	> 100,000 €	All sectors/ general	Focus: knowledge economy, energy, environment protection, industry, health, education and services	EIB
Erste Bank	Loan/ Guarantee	< 150,000 €	All sectors/ general		COSME
Credit Agricole Serbia	Loan/ Guarantee	> 25,000 € < 7,500,000 €	Research, development, innovation, Start-up, early stage		InnovFin
Erste Bank a.d. Novi Sad	Loan/ Guarantee	> 25,000 € < 7,500,000 €	Research, development, innovation, Start-up, early stage		InnovFin
RAIFFEISEN BANKA AD BEOGRAD	Loan/ Guarantee	> 25,000 € < 7,500,000 €	Research, development, innovation, Start-up, early stage		InnovFin
RAIFFEISEN BANKA AD BEOGRAD		> 25,000 € < 500,000 €			WB EDIF

EU-funded programs related to Access to Finance (http://access2finance.eu)					
Financial intermediaries	*Type of finance*	*Amount of finance*	*Investment focus*	*Additional information*	*Sources of finance*
Erste Bank	Loan/ Guarantee	< 500,000 €	All sectors/ general, Start-up, early stage, Social enterprises		EaSI
Societe Generale banka Srbija AD Beograd	Loan/ Guarantee	< 150,000 €	All sectors/ general	Focus: Working capital Financing, purchase of equipment, machinery and vehicles	COSME
Banca Intesa a.d. Beograd	Loan/ Guarantee	< 12,500,000 €	All sectors/ general	EIB loans can be used to finance all tangible and intangible investments.	EIB
Sogelease Srbija	Loan/ Guarantee	< 25,000,000 €	All sectors/ general, Leasing	EIB loans can be used to finance all tangible and intangible investments.	EIB
UniCredit Bank Serbia JSC					WB EDIF
UniCredit	Loan/ Guarantee	> 25,000 € < 7,500,000 €	Research, development, innovation		InnovFin, EIF
Opportunity Bank JSC Novi Sad	Loan/ Guarantee	< 25,000 €	All sectors/ general, Start-up, early stage		EaSI
EIB	Loan/ Guarantee	> 7,500,000 € < 300,000,000 €	All sectors/ general, Research, development, innovation	Loans and guarantees to innovative businesses; Financing of research & development projects	EIB, InnovFin
Halkbank	Loan/ Guarantee	< 150,000 €	All sectors/ general		COSME
Intesa Leasing d.o.o. Beograd	Loan/ Guarantee	< 25,000,000 €	All sectors/ general, Leasing	EIB loans can be used to finance all tangible and intangible investments.	EIB
Erste bank a.d. Novi Sad	Loan/ Guarantee	< 12,500,000 €	All sectors/ general	EIB loans can be used to finance all tangible and intangible investments.	EIB
Raiffeisen Leasing d.o.o. Beograd	Loan/ Guarantee	< 25,000,000 €	All sectors/ general, Leasing	EIB loans can be used to finance all tangible and intangible investments.	EIB
ProCredit Bank	Loan/ Guarantee	> 25,000 € < 7,500,000 €	All sectors/ general, Research, development, innovation, Start-up, early stage		InnovFin
S-Leasing d.o.o. Beograd	Loan/ Guarantee	< 12,500,000 €	All sectors/ general, Leasing	EIB loans can be used to finance all tangible and intangible investments.	EIB
ProCredit Bank a.d Beograd	Loan/ Guarantee	< 12,500,000 €	All sectors/ general	EIB loans can be used to finance all tangible and intangible investments.	EIB

EU-funded programs related to Access to Finance (http://access2finance.eu)					
Financial intermediaries	*Type of finance*	*Amount of finance*	*Investment focus*	*Additional information*	*Sources of finance*
3TS Capital Partners	Equity/ Venture capital	> 300,000 € < 10,000,000 €	All sectors/ general, Expansion stage (growth), ICT sector	Focus: Technology & Telecoms, Media & Marketing, Services, Environment & Energy	EIF
South Central Ventures	Equity/ Venture capital	< 3,000,000 €	Research, development, innovation, ICT sector		EIF, WB EDIF
EBRD	Equity/ Venture capital		All sectors/ general, Expansion stage (growth)	EU supports: Enterprise Expansion Fund	WB EDIF
HBM Partners	Equity/ Venture capital		Expansion stage (growth), Life Sciences	Focus: healthcare sector (human medicine, biotechnology, medical technology and diagnostics sectors)	EIF

This note is part of the Serbia Country Economic Memorandum (CEM) 2.0, "Serbia's New Growth Agenda."

The report and associated papers outline a strategy that could seize the opportunity provided by the country's successful macroeconomic stabilization to boost growth to 7 percent a year, nearly double its current rate of 3-4 percent. Serbia is well-positioned to turn itself into a fast-growing, sophisticated, modern economy, that, driven by its private sector, catches up rapidly with peers in Central and Eastern Europe and converges with the EU. With an ambitious new growth strategy, this vision of Serbia is entirely within reach.

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