



MEETING MINUTES

# **SME Policy Index 2022: Western Balkans and Turkey**

## **Launch Meeting - Serbia**

**Thursday, 8 September 2022**

**10:00 – 12:45**

Envoy Conference,

Gospodar Jevremova 47, Belgrade, Serbia



**#OECDseeurope**

# **SME POLICY INDEX 2022 LAUNCH MEETING – SERBIA**

**THURSDAY, 8 SEPTEMBER 2022**

**10:00 – 12:45**

**ENVOY CONFERENCE, GOSPODAR JEVREMOVA 47, BELGRADE, SERBIA**

## **10:00-10:20 Opening Remarks**

**Ms. Anita Richter, Acting Head of South East Europe Division, OECD Global Relations and Cooperation** delivered opening remarks and greeted the participants, stressing the importance of the *SME Policy Index 2022: Western Balkans and Turkey* publication for Serbia, in an economic context marked by challenges caused by the COVID-19 pandemic as well as the full-scale Russian aggression against Ukraine. She highlighted a few achievements made by Serbia during the assessment period, including the development of digital government services, improving access to finance for SMEs and strengthening support to innovation. She also underlined a few recommendations for Serbia going forward, namely strengthening insolvency prevention measures and fostering support to SME greening and digitalisation, including e-commerce. She concluded her opening remarks by expressing thanks to the European Commission, whose financial support was essential in funding the assessment, as well as to the Ministry of Economy in Serbia and Ms. Katarina Obradovic Jovanovic and her colleagues, who co-ordinated the collection of inputs on the side of the Serbian Government.

**Ms. Andjelka Atanaskovic, Minister of Economy of Serbia**, greeted the participants and expressed gratitude for the opportunity to come together and express the importance of SMEs for Serbia's economy. She said that as she came to the helm of the Ministry of Economy, she had already had around 40 years of experience in the business world, and therefore knows the importance of strengthening the domestic economy and ensuring that it is self-reliant. She expressed satisfaction that the OECD South East Europe Division is able to present the findings of the *SME Policy Index 2022: Western Balkans and Turkey* publication in person. She noted that a strong and stable business economy is the cornerstone of a prosperous society, and that the Ministry of Economy is a key actor in this regard. The Minister went on to say that the previous MSME Strategy of Serbia (2015-2020) contributed to the development of entrepreneurship and support to SMEs, and was implemented successfully, achieving and surpassing all of its targets, including raising the contribution of SMEs to employment and GDP (by 20.4% and 45% respectively). The monitoring of the strategy also concluded that around 86% of foreseen activities were fully or partially implemented. Stressing that the implementation of the strategy in 2020 was marked by the COVID-19 pandemic and the emergency circumstances arising from it, she noted that the results achieved are significant. She stated that the *SME Policy Index* has been of great help to the Ministry and the Government of Serbia as a whole for the last 20 years, as it provides comparable measure of progress with regional peers and best practices from OECD and EU economies. She noted that the recommendations of the *SME Policy Index 2022* will be of key importance for Serbia, as the Ministry of Economy is currently developing a new SME Strategy (2023-2027). She concluded her remarks by stressing that the Ministry of Economy will continue to support SMEs, as they are the most important part of the economy, by informing entrepreneurs about the opportunities for state aid and support and further developing these programmes, with the goal of strengthening the resilience and self-reliance of the Serbian economy.

**Ms. Andrea Hochhuber, Head of European Integration, Economy and Trade, Delegation of the EU to Serbia**, greeted the participants and stated that she is happy to be able to contribute to an event on a topic which impacts the daily lives of people, as without SMEs there would be no economy. To complement the abovementioned statements on the importance of SMEs in the economy, she added that 75% of all employment in Serbia is generated by SMEs. These numbers show the importance of SMEs, contrasting with the often-perceived dominant position of large and more well-known enterprises. It is therefore important to identify, through tools such as the

*SME Policy Index*, the obstacles and opportunities for the development of SMEs, and mobilise the necessary resources. Quoting Commissioner Varhelyi's remarks at the regional launch of the *SME Policy Index 2022* in Dubrovnik, she noted that the publication is the European Commission's best overview of the implementation of the Small Business Act for Europe in the region. She noted that the conclusions of the publication for Serbia are encouraging, and mentioned the dimensions of operational environment for SMEs, access to finance and innovation policy as examples. In this regard, she conveyed congratulations to Minister Atanaskovic and her team for achieving these results and maintaining Serbia's path towards sustainable economic development. Noting that improvement is always an ongoing process, she mentioned issues such as improving the predictability of the regulatory environment, fighting corruption and levelling the playing field as well as facilitating the green and digital transition for SMEs as issues that need to be addressed in the future. In this regard, she noted the EU's availability to help with these issues, mentioning projects to improve the regulatory environment, support judiciary reforms and others. As an example, she mentioned a project that supported 203 micro and small companies from South East and South West Serbia to procure equipment and introduce services, creating over 550 jobs, 50% of which were newly employed women. This is just one of the EU's projects, which directly benefit SMEs and contribute to local development. The EU does this because Serbia is an intrinsic part of the EU economy and vice-versa. Stating that Serbian SMEs will one day become EU SMEs, she noted that investing in Serbian SMEs is investing in the EU as well.

### **10:20-11:10 Presentation of assessment key findings**

**Ms. Jovana Pavlovic Djukic** and **Ms. Marijana Petrovic**, Project Managers at the OECD South East Europe Division, presented the SME Policy Index 2022 main objectives and key features as well as the SME sector's main characteristics in Serbia.

Subsequently, **Mr. Matija Lojpur**, **Ms. Clémence Girin**, **Ms. Zoé Ryan** and **Ms. Zofia Polakiewicz**, Policy Analysts at the OECD South East Europe Division, presented the SME Policy Index 2022 main findings and recommendations for further improvement. The session also zoomed in on several areas most relevant for future progress in SME policy making, and provided the related OECD and EU good practices.

[See PowerPoint presentation attached to the email.]

### **11:30-12:40 Zoom in panel: SME crisis management**

**Ms. Jovana Pavlovic Djukic** opened the panel by welcoming the participants, introducing the panellists and presenting the objectives of the session, highlighting the importance of supporting the prevention of bankruptcy among SMEs in Serbia. Despite Serbia's improvement under the bankruptcy and second chance for SMEs dimension of the SME Policy Index 2022, a fully-fledged early-warning system is still missing from the economy, thus hindering the creating of a supportive and healthy system for SMEs in financial distress.

Each of the panellists was asked one question, as noted below. Their interventions were followed by a discussion.

**1. Ms Katarina Obradovic Jovanovic, Assistant Minister and SBA Co-ordinator for Serbia, Ministry of Economy of Serbia**

***Could you please tell us what measures did the government implement to support SMEs manage financial distress and are there any planned in the new SME strategy?***

**Ms. Obradovic Jovanovic** highlighted that the last two years have proven how important it is to prevent financial distress and bankruptcy among SMEs. The Assistant Minister noted that Serbia managed to mitigate some of the

economic effects of the COVID-19 pandemic by introducing swift support measures. Ms. Obradovic Jovanovic assured the importance of assistance granted to SMEs in crisis and mentioned how crucial it is for companies to monitor their performance and recognise early warning signs of financial distress. She appreciated SME Policy Index 2022 findings and recommendations and recognised their relevance for the economy.

## **2. Mr. Bojan Stanic, Assistant Director, Strategic Analysis and Data, Chamber of Commerce and Industry of Serbia**

***Drawing on recent SME survey/exchanges with SMEs, Mr. Stanic, could you please share the main constraints SMEs face(d)? In the context of today's discussion, could you also tell us what business support services provided by the Chamber proved most effective for SMEs in identifying potential financial distress/preventing insolvency?***

**Mr. Stanic** noted the relevance of the support granted by Chamber of Commerce and Industry to companies across Serbia, as 99% of members are SMEs and thus its policies are well targeted to provide them with technical assistance. He also mentioned that the Chamber of Commerce and Industry is a member of the GDP Council, which is the main governmental body responsible for co-ordinating economic policy and detecting challenges for businesses within the economy and identify measures to solve them. Mr. Stanic then highlighted the Chamber of Commerce and Industry's role in informing the government in Serbia about obstacles and challenges faced by SMEs and about the conditions of the business environment through regular surveys of businesses. Referring to the question posed by the moderator, Mr. Stanic outlined inflation and rising energy and raw materials' prices as the main concerns of the business community in Serbia, especially in the manufacturing sector, which is the main pillar of Serbia's exports. He mentioned the impact of reduced purchasing power of the population and the potential depreciation of the national currency as an important factor in reduced competitiveness of Serbian exports. Mr. Stanic recalled that before the crisis, the main concerns for SMEs, micro enterprises in particular, were adequate access to finance and preserving employment. He highlighted the Chamber of Commerce's actions to alleviate these concerns, namely an information platform to help companies get familiarised with the support available to them. Mr. Stanic then moved on to present the merits of the Danube Second Chance Programmes aimed at minimising the risk of insolvency and bankruptcy for SMEs.

## **3. Mr. Christophe André, Senior Economist, specialised on Insolvency issues, Economics Department, OECD (virtual participation via ZOOM)**

***Following the finalisation of the working paper that would summarise recent trends and key take-aways on preventive measures, bankruptcy proceedings and second chance programmes across the OECD member states but also non-member states, Mr. André, could you please share some of the most interesting results and highlight general trends observed, as well as some good practice examples in the OECD countries when it comes to preventive measures and, more general, supporting enterprises manage the crises which could be applicable in the Serbian context?***

**Mr. André** mentioned the pressing global challenge of a slowdown in labour productivity and pointed to the rather inefficient reallocation of the resources across the economy. He recalled the insolvency framework indicators developed in 2016 as a benchmark for measuring treatment of failed entrepreneurs, prevention of bankruptcy measures and restructuring tools. As the indicators are in the process of revision, Mr. André was able to share the recent trends in bankruptcy prevention measures. Many countries have placed emphasis on introducing early warning systems and simplified insolvency procedures for entrepreneurs. He then mentioned that in this regard, the Western Balkans are lagging behind other OECD Members, outlining room for improvement. As for Serbia, Mr. André noted overall progress in insolvency frameworks, made since 2019. Nevertheless, he mentioned that prevention measures in Serbia are insufficient, including the lack of an early warning system and simplified insolvency procedures. He then proceeded to outline good practice examples from Denmark, France, United States and Colombia.

**4. Mr. Krassin Dimitrov, Senior Expert on Bankruptcy and Second Chance, former Deputy Minister of Economy and Energy of Republic of Bulgaria specialised in reorganisation, privatisation and insolvency**

*Mr. Dimitrov, you followed closely the developments in the area of bankruptcy and second chance in Serbia through the SME Policy Index assessment. You have also worked with a number of governments and supported them in tailoring bankruptcy and second chance policies and programmes. Could you tell us what the priorities for the Serbian government would be in the next period when it comes to preventive measures? Are there any quick wins in this regard?*

**Mr. Dimitrov** acknowledged the good work done on the SME Policy Index 2022 publication. He mentioned Serbia's latest achievement, namely the enacted Banking Supervision Agency regulation, which has the authority over bankruptcy and restructuring proceedings. Mr. Dimitrov noted that despite this advancement, Serbia still has a long way to go in adapting the bankruptcy and second chance regulations to the realities of domestic SMEs and their needs. He stressed the importance of developing and introducing an early warning system in Serbia, as well as a diagnostic analysis allowing for a proper impact assessment and determining the causes of financial failure. Mr. Dimitrov quoted that 75% of all bankruptcies are caused by the lack of managerial skills among SME managers and noted the importance of developing enterprise skills and entrepreneurial learning among the business community. He also stressed the crucial role that second chance programmes play in alleviating financial distress among SMEs and that SMEs need to be properly informed about the second chance support available to them. Mr. Dimitrov suggested grouping SMEs according to the challenges they face, liquidity or insolvency, as a good approach to provide targeted support. In addition, categorising SMEs according to their level of financial distress was also mentioned as an appropriate gauging mechanism to monitor SMEs' financial performance and an efficient budgetary allocation for customised support. Mr. Dimitrov concluded that the most important elements of bankruptcy prevention are: targeted approach, impact assessment and apt diagnostic statistics. He moved on to note the importance of digitalisation in bankruptcy and second chance regulations, while mentioning that besides the electronic reporting system of the Bankruptcy Supervision Agency, the digitalisation of bankruptcy proceedings is non-existent in Serbia. Mr. Dimitrov noted that digitalising this aspect can prove to be a real solution to facilitate and simplify the process for SMEs. He finished his intervention by underlining that the bankruptcy regulations, despite SMEs constituting 95% of Serbia's businesses, are not designed for them, which is the biggest challenge for policy makers.

### **Discussion**

**Ms. Obradovic Jovanovic** thanked the panellists for their interventions and recommendations. She acknowledged that bankruptcy regulations need further improvements. She proceeded to note that despite the lack of specific second chance programmes for SMEs, Serbia has dedicated programmes to support starting business, which also allow failed entrepreneurs to participate. She also highlighted the importance of knowing and remedying causes of bankruptcies among SMEs and noted that lack of managerial skills does play a role in business' risk of failure.

**Mr. Stanic** took the floor to mention research done on second chance programmes, which pointed to the lack of a framework to support failed business reintegration into the SME ecosystem, as well as lack of funds and a common stigma assigned to failed businesses. He agreed the lack of managerial skills among SME managers in the region is one of the leading causes of bankruptcies, and added limited access to finance and lack of export capacity as another. He noted the Chamber of Commerce and Industry's work to improve enterprise skills of SMEs, including risk management as a tool to alleviate the effects of current and future crises.

**Mr. André** pointed to the importance of debt relief for honest failed entrepreneurs in starting over and reintegrating into the business community. He also reiterated that accessible training on business management and financial management is a crucial element of preventing bankruptcy.

**Mr. Dimitrov** explained how the self-assessment tool can help entrepreneurs avoid the stigma of bankruptcy. He also noted that the SME diagnostic clinic approach could also assist companies in detecting financial distress and

risk early. Mr. Dimitrov mentioned the lack of preventive measures in Serbia and stressed the importance of providing business support services as a prevention mechanism.

**Mr. Dejan Milovanovic, Head of Department of Coordination and Control of Internal Organisational Units Bankruptcy Supervision Agency, Serbia**, took the floor from the audience to update the panellists and participants on the current work of the Bankruptcy Supervision Agency, which involves a new project in collaboration with the European Bank for Reconstruction and Development. The project aims to digitalise the Agency system and improve the existing electronic reporting system. He expressed the hope that the collaboration will pave the way for an effective early warning system and efficient bankruptcy proceedings in Serbia.

### **12:40-12:45 Closing Remarks**

**Ms. Katarina Obradovic Jovanovic, Assistant Minister and SBA Co-ordinator for Serbia, Ministry of Economy of Serbia**, thanked the OECD for the organisation of another successful meeting and the opportunity to discuss topics related to SMEs, which are important for Serbia's economy. She also invited the participants to provide feedback on the upcoming SME strategy, and thanked the colleagues who worked on providing inputs for the *SME Policy Index*, noting that the assessment period was marked by unique challenges and circumstances, such as the COVID-19 pandemic. Despite these challenges, she stressed that the inputs provided by the representatives of the different institutions who contributed to the report were comprehensive and of good quality. She also thanked Ms. Jelena Matovic who supported her in the task of co-ordinating the project. She noted that the project is of great use to Serbia and provides input and guidance on how to further improve the conditions for the development of SMEs.

**Ms. Anita Richter, Acting Head of South East Europe Division, OECD Global Relations and Cooperation** expressed hope that the participants enjoyed the topic of the meeting and panel discussion. She expressed gratitude for the excellent collaboration by the OECD South East Europe Team, OECD experts, external experts and representatives of the Serbian Government, hoping that the results of the assessment will be useful for them. She also thanked the representatives of international partners such as the European Training Foundation, European Bank for Reconstruction and Development and the European Commission. Regarding future developments, she announced that the OECD South East Europe team will be embarking on a new cycle of the *Competitiveness Outlook*, will continue its work on anti-corruption and labour migration and human capital, and will in the future develop a new work stream on environmental policies and the circular economy. Thanking the participants once again, she invited them to reach out to the OECD team for any questions or comments on the presentation or the mentioned work.

#### **Contacts:**

Ms. Jovana Pavlovic Djukic  
Project Manager  
Tel: +33145241343  
Email: [Jovana.PAVLOVICDJUKIC@oecd.org](mailto:Jovana.PAVLOVICDJUKIC@oecd.org)

Ms. Marijana Petrovic  
Project Manager  
Tel: +33185556488  
Email: [Marijana.PETROVIC@oecd.org](mailto:Marijana.PETROVIC@oecd.org)



GLOBAL RELATIONS

[www.oecd.org/globalrelations](http://www.oecd.org/globalrelations)