

**Notes of Key Issues From
The 7th International SMEs Conference, Financing SMEs and Innovation
4th October 2011 – Belgrade**

During panel discussion a lot of different problems and obstacles to greater provision of SME finance are mentioned – the demand, for affordable long term loans offered through State Programs, is much greater than supply, mismatch between loans maturity and investment cycle, high interest rates, collateral requirement, time consuming banking procedure, a low development level of guarantee schemes, especially on local level, as well as problem with SMEs micro financing, venture capital funds (there is maybe only a few venture capital firms conducting its business in Serbia)

- **Access to finance is one of the top five obstacles** that SMEs face in doing business – administrative burden, macroeconomic stability, customs, access to finance, corruption and monopoly. **Access to finance is a bigger problem than corruption and monopoly.**
- In comparison with previously year, when every third entrepreneur wanted to fire its employees or to use some other radical way to cut the costs, now every fifth employers thinks to take measures. Also, it was mentioned that there are some **affordable credit line** offered by State for SMEs on the south of country, in sense that **collateral is 0.5:1** instead of usual 2 or 3:1.
- **Offer of banking products** are improved but SMEs market still thinks that conditions are **not profitable.**
- It's important to **develop non-banking instruments** guarantee schemes, microfinance, as well as equity instruments – business angels, venture capital funds...
- The State recognize the importance of Guarantee Schemes. There is Project supported by European Commission, **Western Balkans SMEs Platform**. The idea is to set up regional platform for WB to provide a range of SME risk financing initially through Innovative Fund, Expansion Fund and Guarantee Facility (to support access to bank lending for local SMEs that currently have no access to finance). The Innovation Fund is established. The Innovation Fund has secured amount of 8.4 million euros from EU Pre-accession Assistance – IPA funds.

Guarantee Scheme and Microfinance – instruments to improve SMEs access to finance. Guarantees Scheme in EU - replace lack of collateral and required securities or personal guarantees for SMEs financially constrained. In western countries there is one major change in context of guarantee schemes: a shift from private initiative to public support. Loan guarantee schemes were initially mutual guarantees, corporative associations (France, Italy, Germany). They give way to public schemes, States supplying larger resources that supplement mutual resources.

Most private guarantee schemes are now either supported by national or regional counter guarantees, or use public or donors guarantee funding. Use of guarantee schemes is expanding rapidly. Growth of their activity in 2009 in the E.U., was 58 % over 2008. Role of guarantee institutions was reinforced as a financing support of the economy. Anti crisis plans worldwide have placed guarantee institutions at the center of the banking sector attention: EU figures: 120 000 SMEs were supported, for a volume of guarantees representing € 11,2 billion, and helping to maintain 851 000 jobs. That's way, is

necessary to have a better promotion of SMEs financing, and to change regulatory regime, to enable establishment partnership between public and private sector.

EU support to SMEs through guarantees - Competitiveness and Innovation Framework Programme

CIP. The Republic of Serbia is a participating country for the Competitiveness and Innovation Framework Programme but not even one bank in Serbia hasn't sign agreement with CIP (there are some rumors that Cacak banka negotiate).

- The Strategy for the Development of Small and Medium sized Enterprises and Entrepreneurship in the Republic of Serbia is valid until the 2013 and there is a need to start to develop a new strategy.
- During the whole Conference nobody mentioned total amount of outstanding loans given through State Programmes. According available information, there is no centralized data base where its possible to find that kind of information.