



USAID
FROM THE AMERICAN PEOPLE

SERBIA

PRESS RELEASE

Better Access to Finance is Essential for Job Creation and Growth

Belgrade, November 30, 2012 – Improved access to finance for small- and medium-sized enterprises (SMEs) is achievable with more reliable credit enforcement, increased financing options, and stronger collaboration between businesses, financial institutions, and the Government of Serbia. These recommendations and many others are outlined in a new White Paper presented to the Government by the USAID Business Enabling Project. The White Paper, which is based on a year-long study of financing conditions around the country, “seeks to get credit to flow, not just for liquidity needs, but also for investment for SMEs, which are the backbone of the future growth of the local economy, the most relevant source of new jobs, and a factor of poverty reduction,” said Michael Kirby, U.S. Ambassador to Serbia.

Poor access to finance is a chronic problem that affects the vast majority of SMEs in Serbia. Six out of ten SMEs report they do not take credit from formal sources and the proportion of businesses reporting problems in getting credit is twice the average for middle-income countries around the world. In the World Economic Forum’s latest competitiveness ranking, Serbia is placed a disappointing 105th place among 144 countries in access to finance.

Poor access to finance and its impact on SME growth may have serious implications for economic recovery and development. While much of the EU is now starting to focus on the role SMEs can play in *driving* economic recovery, lack of formal financing makes Serbian SMEs *dependent* on economic recovery. Financing is weakest in key sectors – such as agriculture, production, and construction – where jobs are urgently needed.

Making SME finance available at reasonable cost on terms that suit SME businesses is crucial. Government support and financial incentives can help, but only market-based solutions can effectively mobilize enough finance to serve the growth needs of economically productive SMEs. “Bearing in mind that getting finance is one of the biggest constraints to SME development in Serbia, and SMEs have been the driver of economic growth in nearly every industrialized economy in the world in the last 50 years, we believe that the Government recognizes the economic and social rewards that can come from improving the environment for finance,” says Anthony Sinclair, Senior Economic Advisor of USAID BEP

***Since 2001 USAID has invested more than \$689.4 million to stimulate economic growth, strengthen the justice system, and promote good governance in Serbia.
For more information about USAID, visit <http://serbia.usaid.gov>.***