Chapter 3.

Access to finance in South East Europe

This chapter on access to finance assesses the policy settings, strategies, process and institutions in six South East European economies. After a brief overview of access to finance performance, including non-performing loans and the share of credit going to small and medium-sized enterprises (SMEs), the chapter then focuses on three essential sub-dimensions. The first sub-dimension – the policy, regulatory and institutional framework – considers the strategic foundations that support SMEs in accessing finance. The second, access to bank finance, considers the economies' banking systems and the policy measures in place to address market failures in credit lending to small businesses. The third sub-dimension –alternative financing tools – looks at the framework supporting non-bank financing tools, from factoring and leasing to venture capital and access to stock markets. The chapter includes suggestions for policy enhancements in each of these sub-dimensions in order to widen access to finance and in turn help to foster greater competitiveness.

Main findings

Small and medium-sized enterprises (SMEs) play a significant role in the six South East Europe (SEE) economies assessed here – Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Kosovo,* Montenegro, and Serbia. Their role in overall economic activity is greater than European Union (EU) SMEs: although they make up on average 99.7% of all enterprises in the SEE economies, compared to 99.8% in the 28 EU Member States (EU-28), they employ 73.8% of the workforce (66.8% in the EU-28) and generate 63.9% of value-added (57.4% in the EU-28).[1] Despite their overall importance to economic development, SMEs' contribution to growth and competitiveness is limited by their constrained access to sources of external finance (Beck and Demirgüç-Kunt, 2006). Improving access to finance for SMEs could thus increase their contribution to competitiveness, job creation and inclusive development.

Policy reforms in the six SEE economies have improved access to finance for SMEs in recent years. As a result, the assessed SEE economies achieve an average score of 2.6 across the three sub-dimensions in the 2018 *Competitiveness Outlook* (Figure 3.1). They have developed asset registers and credit information systems, and implemented legislation covering insolvency and timely payment. However, domestic credit lending to the private sector remains stagnant, as it has been since the onset of the 2008 financial crisis. Rising levels of non-performing loans (NPLs) are a major concern for policy makers in the region as banks become increasingly risk averse. The result is that banks impose high collateral requirements and rely on fixed assets, making it difficult for many SMEs to qualify for loans. Moreover, while legal and regulatory frameworks have improved, enforcement remains difficult.

Alternative finance is not yet a common funding option in the region for most SMEs. The supply of factoring and leasing products has fallen since the financial crisis, while demand from SMEs has remained low. Equity-based financing options remain underdeveloped, with limited government support for venture capital and business angel networks, and little access to stock markets by SMEs. This gap in alternative financing mechanisms is a key challenge for policy makers in the region, as it not only prevents SMEs from diversifying their funding portfolios – it also prevents new and growth-oriented SMEs from accessing enough finance to meet their needs.

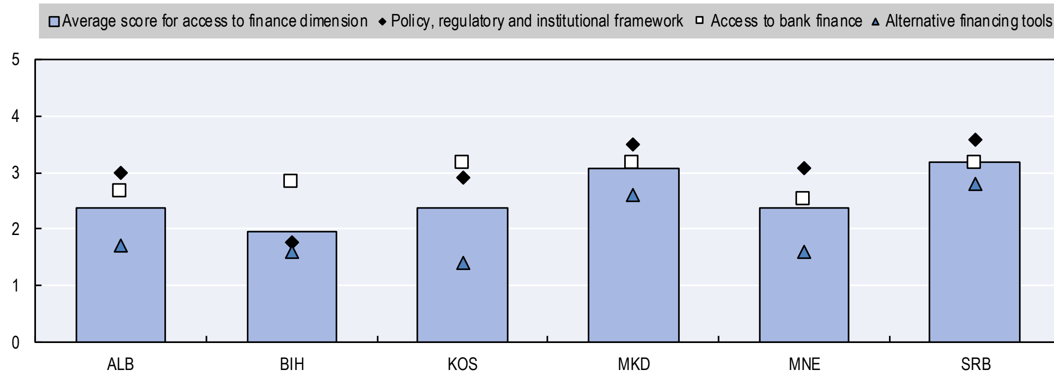
Comparison with the 2016 assessment

All six of the SEE economies have made gradual progress in the areas assessed under this dimension since the 2016 *Competitiveness Outlook,* although it should be noted that due to differences in the assessment methodology, the economies' scores here are not directly comparable. Some economies, notably Kosovo and Albania, have improved their insolvency legislation since the last assessment. Kosovo also launched the Kosovo Credit Guarantee Fund in 2016 to mitigate risks and enhance credit in the region, although the results of the new initiative have yet to be tested. Some economies (the Former Yugoslav Republic of Macedonia, Montenegro and Serbia) are working to improve the venture capital and business angel network ecosystem, notably by drafting laws on investment

* This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.

funds and co-investment funds. Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia remain the only SEE economies that allow non-regulated entities to provide credit information.

Figure 3.1. **Access to finance: Dimension and sub-dimension average scores**



Note: See the methodology chapter for information on the *Competitiveness Outlook* assessment and scoring process.

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Achievements

All of the SEE economies have taken steps to establish institutional and regulatory frameworks for access to finance. They have developed frameworks for timely payments and insolvency and also made progress in developing asset registers and credit information systems.

Efforts have been made to improve insolvency frameworks to tackle lengthy bankruptcy procedures and reduce administrative backlogs. Progress has also been made in delineating between liquidation and restructuring, and introducing clear priority schemes.

All of the SEE economies have implemented SME financing support programmes. These are primarily credit guarantee schemes and grants or loans at reduced interest rates.

Remaining challenges and key recommendations

- **Complete the implementation of legal frameworks for ensuring timely payments and managing insolvency.** Despite various efforts to reduce them, lengthy processes and legal backlogs make restructuring and liquidation burdensome for bankrupt SMEs and increase the risk of bankruptcy among cash-constrained SMEs facing late payments.
- **Reduce the high collateral requirements in most of the SEE economies.** More efforts are needed to create security rights over movable assets.
- **Support alternative financing instruments across all of the SEE economies.** While factoring and leasing are technically developed, the markets have shrunk since the financial crisis and uptake by SMEs remains small. Government support for venture capital and business angel networks is limited in the region and access to stock markets for SMEs constrained.

Context

Helping small and medium-sized enterprises (SMEs) to access finance is important for promoting entrepreneurship, and ultimately for an economy's competitiveness, growth and employment creation.[2] External finance, whether acquired through bank loans, grants, or investments from private individuals or investment firms, enables enterprises to meet their working capital requirements, start up, finance growth projects, purchase assets or restructure debts, while preserving their own resources.

SMEs often face greater obstacles than bigger firms in gaining access to external financing, a phenomenon that is known as the SME financing gap (OECD, 2006). Some of these obstacles originate from the relationship between lenders and borrowers, which can involve asymmetric information and moral hazard problems. While they exist in all lending relationships, these obstacles are amplified by the limited capitalisation of small enterprises. They result in market failures – notably credit rationing – as the supply of credit falls short of demand, despite the creditworthiness of some of the unserved borrowers or their ability to pay a higher interest rate. Other financing obstacles originate from small enterprises' lack of investment or credit readiness, due to their inadequate or non-existent business planning, accounting practices or book keeping, and lack of awareness and knowledge about financing options and instruments. SMEs also face the same challenges as larger enterprises in the form of deficient regulatory and legal frameworks, significant informality in an economy, underdeveloped financial and banking systems, and financial shocks.

Closing the SME financing gap is complex and requires actions on many fronts, from building adequate institutions and legal frameworks to developing public support programmes targeted at the needs of SMEs. The cost of inaction is high: lack of access to adequate and timely finance impedes the creation of new companies and the day-to-day operations and growth of existing ones.

The access to finance topic is closely linked to other policy areas and dimensions assessed in this report. It is of particular relevance to the following chapter:

- **Chapter 9. Science, technology and innovation** in the private sector is dependent on access to finance, enabling researchers and innovators to access the market place. This is particularly relevant in the seed and early financing stage, where entrepreneurs try and test new ideas that could become an innovative business success.

Access to finance assessment framework

This chapter outlines a framework for examining how government policies can help SMEs to access various types of financing by overcoming the gaps described above. Doing so supports the implementation of the sixth principle of the Small Business Act for Europe, an overarching framework for EU policy on SMEs: "Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions" (Ramadani and Schneider, 2013). In addition, 10 of the 14 qualitative indicators (Figure 3.2) match the *SME Policy Index* access to finance framework (OECD et al., 2016). The chapter also builds on the G20/OECD High-Level Principles on SME Financing, which were designed with the support of the G20 finance ministers and central bank governors (OECD, 2015a). This assessment also included questions from a draft survey designed to develop effective approaches to implementing these principles. Without seeking to be exhaustive, the assessment considers three broad sub-dimensions which are critical for access to finance:

1. Policy, regulatory and institutional framework: do the SEE governments systematically build awareness of SME financing needs? Are SME financing policies designed coherently and co-ordinated effectively? Are asset registration and credit information systems in place? Are legal frameworks established to ensure timely payments and well-regulated bankruptcies?
2. Access to bank finance: have the SEE economies enabled adequate access to bank finance through a competitive banking sector, non-excessive collateral requirements and credit enhancement and risk mitigation efforts?
3. Alternative financing tools: have the SEE governments supported the development of alternative SME financing tools? Are mechanisms in place that have different levels of risk and return and that meet SMEs' needs for various activities and development stages?

Figure 3.2 shows how the three sub-dimensions and their constituent indicators make up the access to finance assessment framework. The sub-dimensions are assessed through a mixture of quantitative and qualitative information, with quantitative data stemming from national or international statistics. Qualitative information was collected by the OECD through comprehensive questionnaires that were completed by public officials and independent consultants. The performance of SEE economies has been scored in ascending order on a scale of 0 to 5, summarised in Annex 3.A1.[3] For more details on the methodology underpinning this assessment, please refer to the methodology chapter.

Figure 3.2. **Access to finance: Dimension and sub-dimension average scores**

Access to finance dimension

Outcome indicators
- Domestic credit to private sector, % of GDP
- Non-performing loans, in % of total gross loans
- SME loans as a percentage of total outstanding business loans

Sub-dimension 1 Policy, regulatory and institutional framework	**Sub-dimension 2** Access to bank finance	**Sub-dimension 3** Alternative financing tools
Qualitative indicators 1. Identification of SME financing needs 2. Policy coherence and co-ordination 3. Asset registers 4. Credit information services 5. Personal and corporate insolvency procedures 6. Timely payments	**Qualitative indicators** 7. Competition in the banking sector 8. Collateral requirements 9. Credit enhancement and risk mitigation	**Qualitative indicators** 10. Factoring 11. Leasing 12. Venture capital 13. Business angel networks 14. Access to stock markets
Quantitative indicators 1. Coverage of public and private credit bureaus in SEE economies, % of adult population 2. Time (in years) and cost (in % of real estate) of insolvency processes	**Quantitative indicators** 3. Cumulative market share of top three banks, % of total banking assets	**Quantitative indicators** Not applicable in this assessment

Access to finance performance in SEE economies

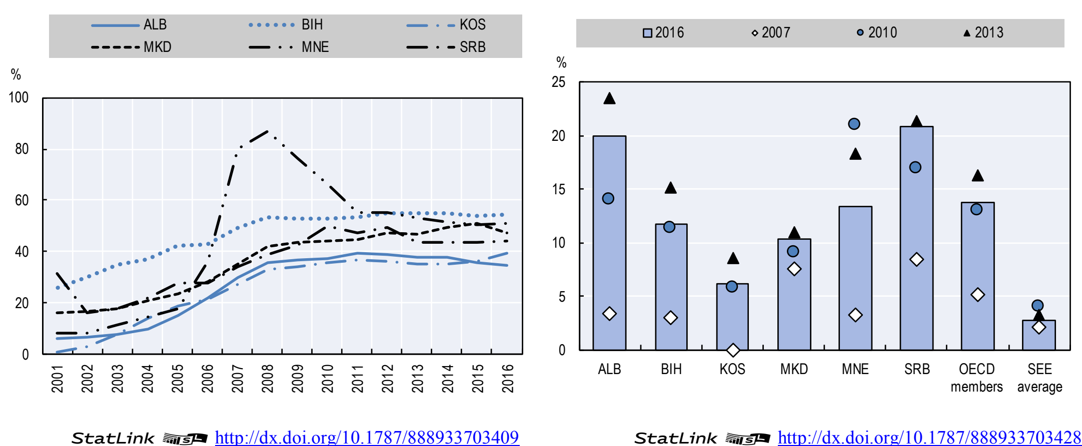
Following a boom in the years leading up to the global financial crisis, from 2008 onwards banks across the six SEE economies have undergone a process of deleveraging, marked by unfavourable credit conditions. While domestic credit to the private sector, a proxy indicator for the depth of financial intermediation, grew strongly in the period 2001-08 – on average by a total of 18% – it then contracted slightly, by approximately 1% on average between 2009 and 2016. Montenegro saw the most pronounced boom and contraction of domestic credit of the six assessed SEE economies: domestic credit to the private sector represented 87% of gross domestic product (GDP) in 2008, but had contracted to 51% in 2016 (Figure 3.3.A).

Credit contraction after the financial crisis has translated into a significant increase in non-performing loans (NPLs) in the six SEE economies. Between 2007 and 2013 the average share of NPLs in the economies more than tripled from 5.1% of total loans to 17.6% (Figure 3.3.B). In response, those economies with the highest share of NPLs (Albania, Montenegro and Serbia) have developed comprehensive action plans on NPLs to tackle the deficiencies in the credit market. Although the proportion of NPLs has fallen in most SEE economies since 2013, they remain a major concern, particularly in Albania, where 18.3% of loans were still in default or close to default in 2016. Only six other countries included in the World Bank's *World Development Indicator* database had a higher share of NPLs (World Bank, 2017b). The high share of NPLs in the SEE economies may be linked to the substantial economic weight of SMEs: representing 63.9% of total private-sector value added compared to 57.4% in the European Union (OECD, 2015b).

Figure 3.3. **Key banking sector indicators**

A. Domestic credit to the private sector (2001-16)
% of GDP

B. Bank non-performing loans (2007, 2010, 2013, 2016)
% of total gross loans



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Note: World Bank data for 2006 are not available for KOS; data for 2016 are not available for KOS, MKD and MNE, so data from 2015 are used instead. For OECD members, data from 2008 replace unavailable data for 2007.

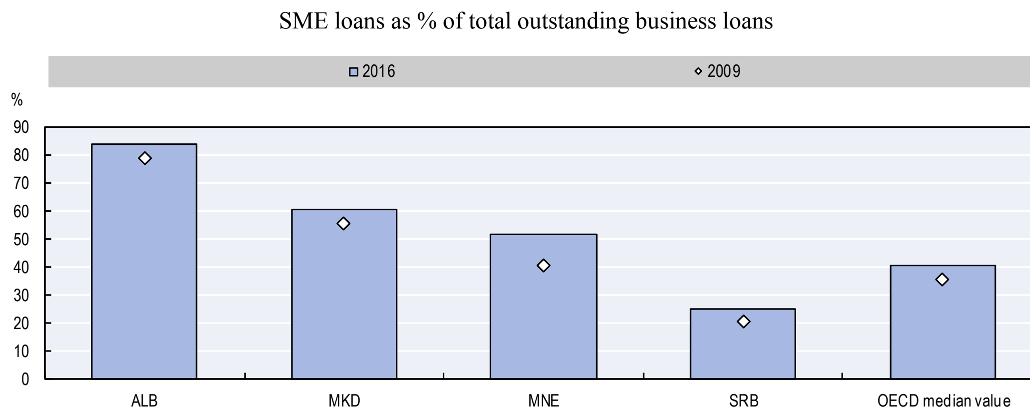
Source: World Bank (2017b), *World Development Indicators* (database), http://data.worldbank.org/data-catalog/world-development-indicators.

Despite this poor loan portfolio quality since the financial crisis, SMEs' share of total business loans in the SEE economies grew, on average, from 49% in 2009 to 55.4% in 2016 and is higher than the median value of 40.8% among economies participating in the OECD *Scoreboard on SME Financing* (Figure 3.4; OECD, 2017). This positive trend

may be partly explained by the widespread use of interest rate subsidies by SEE governments, serving as a counter-cyclical tool against a potential credit bust. In Serbia, for example, data collected by the National Bank through a lending survey show that the interest rate for SMEs fell continuously from 10.9% in 2008 to 6.6% in 2016 (Podpiera, 2011). This is a faster rate of decrease than that experienced by large enterprises: the interest rate spread between large and small enterprises has fallen by 2.3 percentage points since 2008, to just 2.1% in 2015. This interventionist policy eased access to loans by cutting the cost of credit for enterprises, particularly SMEs, in times of severe financial distress. Research by the International Monetary Fund, applying model simulations, suggests that Serbia's credit subsidy did indeed prevent a deeper recession in the aftermath of the financial crisis (Podpiera, 2011).

Figure 3.4. **SME loan shares (2009 and 2016 or latest available data)**

SME loans as % of total outstanding business loans



Note: SME loans are defined as loans of less than EUR 1 million in MKD and MNE. In Serbia, SME loans are defined according to the national SME definition. No data available for Bosnia and Herzegovina or Kosovo. The OECD median value is based on 34 economies participating in the OECD's *Scoreboard on SME Financing* (OECD, 2017), which includes OECD member and non-member countries.

Source: Data provided by SEE governments; OECD (2017), *Financing SMEs and Entrepreneurs 2016: An OECD Scoreboard*, http://dx.doi.org/10.1787/fin_sme_ent-2017-en.

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Despite recent growth in credit availability, an assessment of the six economies' SME financing needs conducted by the European Investment Bank (EIB) in 2016 still found a substantial loan gap across the six SEE economies. In particular, the last *SME Policy Index* assessment found that SMEs with a riskier profile or lacking assets encounter substantial difficulties in accessing lending (EIB, 2016).

The EIB assessment points to significant gaps in the supply and demand of alternative financing mechanisms in the SEE region. Leasing has contracted since the financial crisis, as the banks focused on their own lending products when financial markets became tighter; most leasing firms in the region are subsidiaries of banks and were not considered core markets (EIB, 2016). For example, in Albania in 2010 the outstanding leasing portfolio was ALL 7.6 billion (Albanian lek; EUR 57 million), compared to ALL 6.1 billion (EUR 46 million) in 2016.[4]

The largest gap in finance supply and demand was in equity financing. Bosnia and Herzegovina, Kosovo, and Montenegro have no formal institutions providing equity financing, and the supply in the other three economies is very small. Serbia has the largest equity financing market in the region, but it makes up only 0.2% of GDP (EIB, 2016).

The demonstrated financing gap in the SEE economies results from constraints on both the supply and demand sides. On the supply slide, frequent issues arise from a lack of available credit, punitive interest rates and unattractive market opportunities, while on the demand side, a lack of entrepreneurial training, ineffective business strategies and inadequate private assets all hamper business growth. Although demand-side barriers represent an important constraint on access to finance, supply-side barriers, including high upfront collateral requirements, are often responsible for immediate restrictions on credit. Ultimately, both demand- and supply-side constraints on finance should be addressed through strategic policy interventions.

Policy, regulatory and institutional framework

This sub-dimension examines the state of play in the six SEE economies of the various strategic, legal and institutional foundations needed to support SMEs in their quest for finance. To do so it uses six qualitative indicators (Figure 3.5):

The **SME finance needs** indicator examines the extent to which the SEE governments have taken steps to understand the various obstacles SMEs face in accessing finance. It also assesses whether governments have made efforts to improve their evidence base on SME financing, for example by making statistical information available that is disaggregated by enterprise size.

The **policy coherence and co-ordination** indicator looks at the extent to which public SME financing programmes have mechanisms in place to ensure their financial additionality, cost effectiveness and user friendliness. It also looks at intra-governmental co-ordination and monitoring and evaluation practices.

The **asset register** indicator looks at the first of two important institutional arrangements for loan financing: whether the SEE economies have registration systems in place for fixed and movable assets which can be used as security for loans.

The **credit information services** indicator covers the second institutional arrangement: the credit information systems which help banks access information on borrowers.

The **insolvency procedures** indicator focuses on the frameworks and regimes SEE economies have in place to handle legal procedures for cash-strapped businesses, including creditor rights.

The **timely payments** indicator analyses whether appropriate steps have been taken by the government to encourage timely payments in commercial transactions and public procurement.

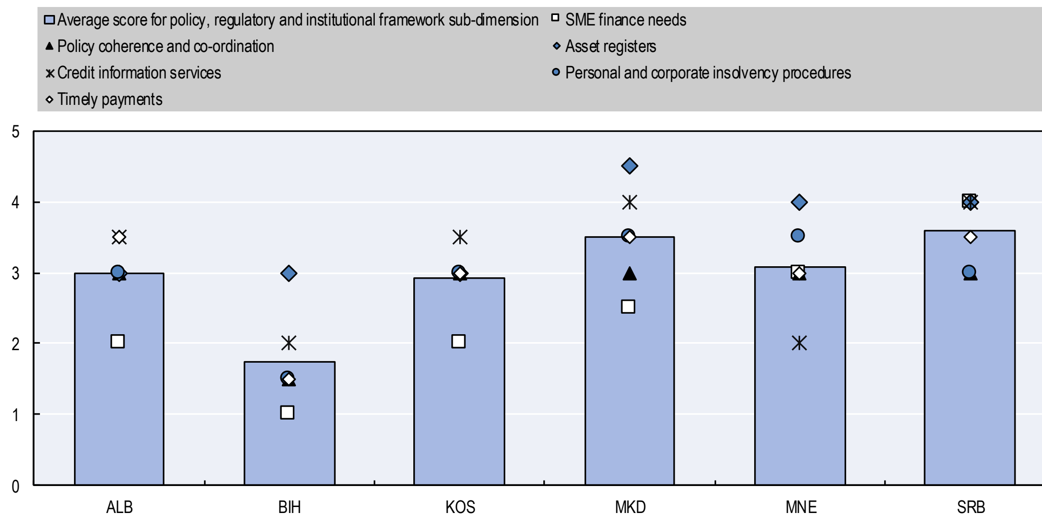
The average score across these indicators for all six assessed SEE economies is 3, indicating that the policy, regulatory and institutional basis for access to finance is generally sound. Of the three sub-dimensions assessed (Figure 3.2), this is where the six SEE economies perform most strongly.

SME financing needs could be better identified

Public programmes to support SMEs' access to finance are justified by the financing gaps discussed above, which are hindering the growth of smaller enterprises. Such programmes aim to achieve a market-optimal equilibrium that would not be possible without intervention. However, as for any other public programme, SME financing policies need to follow certain standards and practices before, during and after implementation, to

avoid inefficient allocation of government funds. Thus, supply-side interventions require a high degree of monitoring to ensure the fluidity and ease of credit markets.

Figure 3.5. **Policy, regulatory and institutional framework: Sub-dimension average score and indicator scores**



Note: See the methodology chapter for information on the *Competitiveness Outlook* assessment and scoring process.

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The SEE governments have made rather limited efforts to systematically identify SME financing needs and the main gaps in the SME financing environment. Although they are aware of the issues, notably through external studies such as the EIB's region-wide assessment in 2016 and surveys and analysis conducted by the governments themselves, they could increase their efforts (EIB, 2016). One significant reason for the evidence gap is that most SME economies lack statistical information on SME financing as the data are not disaggregated by enterprise size. Data on the stock and flow of SME loans, interest spreads between large and small enterprises, collateral requirements for SMEs, and non-performing loans would help to build a better understanding of SME-specific financing gaps to identify suitable and evidence-based SME financing policies.

Serbia is most advanced in developing SME financing indicators (Figure 3.5) and is the only one of the six economies to participate in the OECD's *Scoreboard on SME Financing* (see Box 3.1 below). There are signs of improvement, however: the Former Yugoslav Republic of Macedonia, Montenegro and Serbia are planning measures to assess SME financing needs, but these strategic objectives had not yet been implemented at the time of this assessment.

Policy co-ordination and monitoring could be strengthened

The SEE economies are making efforts to ensure policy coherence and co-ordination in designing programmes to support SME financing, but there is room for improvement (Figure 3.5). All six have developed a number of support schemes to improve SMEs' access to finance. Most of these programmes involve direct support, through the provision of either grants or loans at subsidised interest rates. Some of the SEE economies also use

government-backed credit guarantee schemes to unlock credit by mitigating the risks preventing commercial banks from lending to small businesses.

The policy frameworks for SME financing programmes in the SEE economies are usually contained in their broader horizontal SME and entrepreneurship policies. However, since its national Strategy for SME Development expired in 2011, Bosnia and Herzegovina has lacked a strategic SME policy framework at the state level.[5] Since then, responsibility for SME development has lain mostly with the sub-national entities, which have all developed separate strategic frameworks. It is currently uncertain whether the state will develop a new strategy in the near future. This would be important, to at least mandate a role for the state in the overall co-ordination of SME policy making in Bosnia and Herzegovina. As well as offering a better chance of policy coherence, this would certainly improve alignment of support programmes across the economy, while keeping the main responsibility for SME development with the entities.

Many new support programmes throughout the region were not developed using measures to ensure their financial additionality. This means that it is not entirely clear whether new programmes are reaching viable enterprises that would otherwise not have had access to finance or would have accessed it only under more onerous conditions. Policy makers could also do more to ensure the cost effectiveness and user friendliness of new programmes.

The situation is similar for monitoring and evaluation (M&E) efforts to track the progress of existing programmes against objectives defined before implementation begins. While basic M&E mechanisms are already in place, regular *ex ante* and *ex post* evaluation is needed to meet international good practice standards, such as those established by the G20-OECD High-level Principles on SME Financing (OECD, 2015a). These should be based on clearly defined, rigorous and measurable policy objectives and impacts, and should be conducted in co-operation with financial institutions, SME representatives and other stakeholders. Moreover, governments in the SEE economies rarely systematically assess the impact of SME financing programmes on job creation, SME development and other economic indicators.

The recently launched Kosovo Credit Guarantee Fund is a regional example of policy design which includes elements of financial additionality assessments, good M&E practices and institutionalised co-ordination mechanisms among government, participating commercial banks and international donors.[6] Nevertheless, the policy is still in its infancy and has yet to be rigorously tested.

Access to asset registers could be improved

Asset registers and credit registries/bureaus (discussed in the next section) are two important institutions that help to level the playing field in lending relationships by providing information on the creditworthiness and business performance of SMEs. When this information is more limited for SMEs than for larger enterprises, banks can perceive SMEs as presenting greater risk. This can mean that SMEs have to meet high collateral requirements for secured transactions, and have more limited access to credit.

Effective asset registers are a fundamental part of the regulation of secured transactions, helping firms and entrepreneurs to access loans by offering proof of collateral. As well as fixed assets, allowing a broad set of movable assets (such as inventory, accounts receivable, livestock, crops, equipment, machinery and intangible assets) to be used as collateral allows businesses to make use of more of their assets to obtain credit for

growth. This is particularly important for SMEs, which often possess less land and real estate than large enterprises and struggle to meet financial institutions' collateral requirements. Asset registers are also instrumental for financial leasing activities, enabling businesses to use vehicles, equipment or real estate in exchange for monthly payments.

All six SEE economies have cadastral systems to register land and real estate, and record its value and ownership, as well as any existing pledges over the asset. The systems are generally centralised and unified, which helps to avoid multiple use of the same asset. In Bosnia and Herzegovina, however, registration of fixed assets is handled separately by the two entities and the last *SME Policy Index* assessment found there was still need for harmonisation (OECD et al., 2016).

Cadastral information is not yet available online in Albania, the Federation of Bosnia and Herzegovina, and the Republika Srpska, making it significantly more complicated to access the data. Moreover, Albania's cadastre does not yet cover the whole territory, although it is making efforts to provide both online access and full coverage within the next few years.[7] Kosovo has made noteworthy progress in improving the usability and accessibility of data since the last assessment by making data available online on the Geoportal platform. In Serbia a project supported by the World Bank aims to improve the efficiency, transparency, availability and reliability of its real-estate management system.

All six SEE economies have a registration system for movable assets, but these are often less developed than those for fixed assets, particularly in terms of documentation, accessibility and transparency. Notably, this assessment found that there were many fewer pledges of movable assets registered than of fixed assets across the region, implying that secured transactions over movable assets are still less common. Private-sector representatives also point out that banks in the SEE economies are more risk averse due to a rise in NPLs since the financial crisis. They are consequently more cautious about accepting movable assets as collateral.

While all of the economies have a database of movable assets, Albania and Serbia do not yet fully allow for online registration for information searches. In Kosovo the pledge registry is hosted abroad and rather difficult for the public to use. According to a survey on collateral registers in 35 economies conducted by the International Finance Corporation and the World Bank, Kosovo had the lowest ratio of information searches to new registrations, indicating that users largely use the register for movable assets as part of a process to obtain credit rather than as a risk-management tool to help make lending decisions (de la Campa, Downes and Hennig, 2012). The ratio was also low in Albania and Serbia. Searches only exceed registration in Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia, implying that the register is a more important factor in lending decisions in these two economies than in their regional peers.

High fees can undermine access to registers for movable assets – they should be limited to the level required to cover the operation of the system. In Kosovo, business representatives have pointed out that flat fees are disproportionate and undermine credit growth. The type of registration can also affect the cost of registering assets, as well as facilitating or complicating the registration process. Document registration requires firms to report the underlying security documentation, while a notice-based system only records basic information on the parties involved, asset characteristics and value. A notice-based register is hence much more affordable to administer and has lower archival costs. Of the assessed SEE economies, Albania, and Bosnia and Herzegovina are the only ones to have established a notice registration system, while the remaining four economies still rely on document-based systems (de la Campa, Downes and Hennig, 2012).[8]

The coverage of credit information services could be expanded

Credit information services compile data on the credit histories of borrowers who are active in a financial system. They help to improve risk management for lenders by decreasing information asymmetries on the default risk of all borrowers. Public credit bureaus are usually managed by the central bank, mainly for supervisory purposes, while private credit bureaus are often established by financial institutions.

All of the SEE economies have either a public or private credit information system in place, or both, but their coverage varies widely (Table 3.1). Here, coverage refers to the share of the population for whom public or private credit information is available. Serbia, which only has a private credit bureau, and the Former Yugoslav Republic of Macedonia, which has both private and public credit information systems, has achieved nearly full coverage of the entire adult population with their credit information services.[9] In Albania, Kosovo and Montenegro, in contrast, less than 40% of the adult population is covered. These three economies only have a public credit information system in place – countries lacking a private credit information system typically tend to have a lower coverage than those with private credit bureaus or hybrid systems. On the other hand, public credit information systems are in the hands of policy makers, who can optimise the use of the data to meet public objectives. In OECD economies, 67% of the adult population is covered by private and 12% by public credit information systems.

Table 3.1. **Coverage of public and private credit bureaus in SEE economies (% of adult population)**

	ALB	BiH	KOS	MKD	MNE	SRB	OECD
Coverage of public credit registry	38.9	37.6	38.1	40	30.8	/	12.1
Coverage of private credit bureau	0	10.4	0	94.5	/	100	67.1

Source: World Bank (2017a), *Doing Business: Measuring Business Regulations* (database), www.doingbusiness.org.

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Credit information systems in all six SEE economies include both positive and negative information on borrowers, for example on defaults, timely payments and outstanding loan amounts. Keeping positive information is important for borrowers to establish a supportive credit record and allows lenders to better identify creditworthy borrowers. On the other hand, some credit information systems in the SEE economies have not established key rights for borrowers, for example their right to object to their information being collected. This is a particular concern in Bosnia and Herzegovina, which is the only economy in which the legal framework does not grant borrowers access to their own data, and where credit information services are only available to financial institutions. Montenegro is lagging behind in establishing a comprehensive database, as current regulations do not ensure that at least two years of historical data are distributed. The remaining economies have clear definitions for how long data should be kept – usually at least five years.

With the exception of Bosnia and Herzegovina – and the Former Yugoslav Republic of Macedonia for its private credit bureau – the SEE economies have not yet developed legislation that allows non-regulated entities to participate in providing data. Data from retailers or utility companies – for example on the timely payment of an electricity bill – can help borrowers build a positive credit record. This is particularly important for SMEs which are often constrained from accessing credit by their lack of credit history. Albania and Serbia are currently making efforts to include data from non-bank entities.[10]

The SEE economies could also improve their credit information systems by offering credit scores as value-added services, which make it easier for banks and financial institutions to assess the creditworthiness of potential borrowers. So far, only Serbia offers credit scores, but efforts in this direction are being made in Albania and the Former Yugoslav Republic of Macedonia.

Insolvency procedures are in place, but are long and costly

When it comes to personal and corporate insolvency procedures, all of the SEE economies have functioning insolvency laws that govern formal procedures for financially distressed companies (Figure 3.5). Kosovo, which lacked a legal framework at the time of the last assessment, passed a law on bankruptcy in 2016. Albania also passed a new bankruptcy law in the same year to improve its legal framework, with the main objective of tackling lengthy bankruptcy procedures. In Bosnia and Herzegovina insolvency is regulated at the entity level and there is no national framework. While a law is in place in the Republika Srpska, the adoption of a more modern bankruptcy law in the Federation of Bosnia and Herzegovina has been delayed.

Corporate insolvency frameworks in the SEE economies make a distinction between liquidation and reorganisation, which is important to allow cash-constrained but viable enterprises to be restructured, while providing for the smooth liquidation of failing ones. However, while all of the SEE economies have a legal basis for corporate bankruptcy procedures, most lack regulation for personal bankruptcy. This leaves individuals and self-employed debtors unprotected from creditors if they cannot pay their financial obligations. Montenegro is the only economy in the region with a separate legal framework for personal insolvency, while the new law on bankruptcy in Albania also covers personal procedures to some extent. Serbia has been working to develop a personal insolvency law, but the drafting process seems to be currently on hold.

One of the main priorities of a modern insolvency mechanism should be to protect creditor rights by ensuring that they can reclaim the money that is owed to them by the debtor. In this regard, legal frameworks should include clear priority schemes so that secured creditors are paid before unsecured ones, as well as before tax and employee claims. This is not yet the case in either Bosnia and Herzegovina's entities for defaults outside an insolvency procedure and business liquidation; nor in Albania and Kosovo when a business is liquidated (World Bank, 2017a).

A second aspect in ensuring the rights of creditors is to allow for out-of-court settlements, which can help achieve quick enforcement and avoid lengthy, costly and burdensome court proceedings. This has not yet been established in the entities of Bosnia and Herzegovina. It is also important to strike a balance between creditors' rights and debtors' interests when regulating automatic stays of debt collection once a judicial process has been launched. While automatic stays help the debtors to recover and enable creditors to collect their claims during reorganisation proceedings, good practice standards usually set a time limit for the stay. Automatic stays on enforcement are not yet included in insolvency regulations in Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia or Serbia, but Kosovo has defined a 120-day time limit for the automatic stay in its new bankruptcy law.

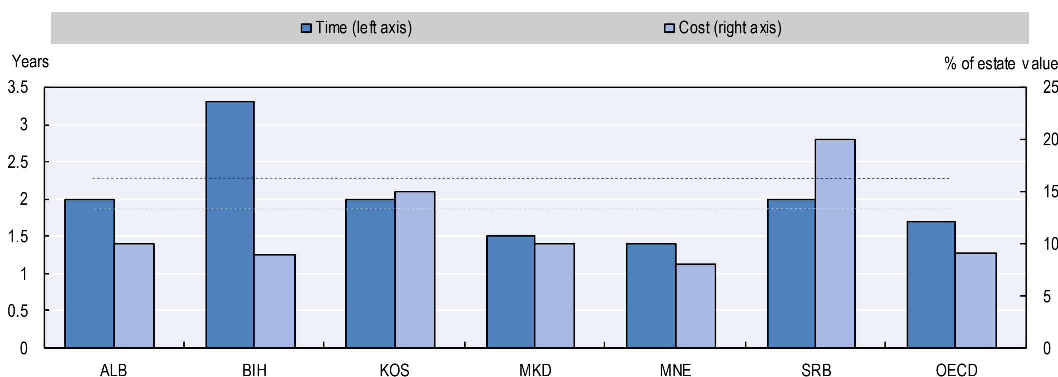
Besides protecting creditor rights, insolvency regimes should support healthy companies and offer a second chance for honest entrepreneurs. The SEE economies largely lack any government-supported programmes to give second chances to entrepreneurs who have undergone non-fraudulent bankruptcy, but some of the economies which are

currently revising their legal frameworks are working on better policies in this area (e.g. Albania and the Federation of Bosnia and Herzegovina). Training and other support programmes targeted at these entrepreneurs – on topics such as assistance with access to finance, preparing guidelines for re-starters, second-chance coaching and education – could be a good option for any SEE economies that are eager to develop an entrepreneurial culture that gives entrepreneurs a better chance to succeed.

While good practice standards might be in place on paper, they mean nothing without effective implementation. Representatives of government, the private sector and civil society across the SEE economies highlighted significant delays in legal insolvency proceedings as a key challenge. This view is supported by quantitative evidence stemming from the World Bank *Doing Business* indicators on resolving insolvency: the SEE economies lag behind OECD countries in terms of the time and cost involved to complete insolvency proceedings (Figure 3.6). On average, an insolvency proceeding in the SEE region takes 2 years and costs 12% of the value of the debtor's estate, compared to 1.7 years at a cost of 9.1% of the estate's value in OECD member countries. In Serbia, insolvency proceedings costs 20% of the estate and in Bosnia and Herzegovina they take 3.3 years to complete. This makes in-court insolvencies a rather burdensome process for creditors and debtors in the region. Many of the SEE economies have made efforts to tackle this issue, for example in the form of recently adopted legal frameworks. However, it is difficult to draw any conclusion on the success of these efforts. In Serbia, for instance, a working group which was formed to deal with continued legal backlogs since the adoption of the 2014 bankruptcy law has become inactive for the time being.

Figure 3.6. **Time and cost of insolvency proceedings**

Time in years (left-hand scale) and cost as % of estate value (right-hand scale)



Source: Data provided by SEE governments and adapted from OECD (2017), *Financing SMEs and Entrepreneurs 2016: An OECD Scoreboard*, http://dx.doi.org/10.1787/fin_sme_ent-2017-en.

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Legal frameworks for timely payments could be better enforced

As the G20/OECD High-level Principles on SME Financing recognise, laws on insolvency and timely payments are fundamental elements of a sound and sustainable business climate in which SMEs can prosper (OECD, 2015a). SMEs are particularly vulnerable to late payment or non-payment by customers, often forcing them to seek external finance in order to cover cash flow gaps or to cut back investment and hiring plans.

For SMEs, a lack of timely payments can mean the difference between solvency and bankruptcy. This costs valuable jobs every year and is a threat to a healthy entrepreneurial climate. The economic crisis has aggravated this situation, as credit lines and bank loans have become less available. In response, the G20/OECD High-level Principles on SME Financing recommend governments to design, implement and enforce norms discouraging late payments, including in cross-border trade, and to ensure clear and appropriate payment terms for SMEs (OECD, 2015a). The European Union passed the Late Payment Directive to protect European businesses, particularly SMEs, from late payment and to improve their competitiveness (EU, 2011). The main provisions of this directive include definitions of payment deadlines for business-to-business and government-to-business transactions, automatic entitlements to interest for late payments, and compensation for recovery costs.

All of the assessed SEE economies except the Republika Srpska have a legal framework for late payments in place (Figure 3.5), and they are aligned overall with the EU Late Payment Directive 2011/7/EU. All the legal frameworks cover clear and appropriate payment terms in both commercial transactions and public procurement, and hence encourage timely payments to SMEs. In accordance with the EU directive, the economies' late payment laws limit contractual freedoms to some extent, requiring public authorities to pay within 30 days for the goods and services they procure or, in exceptional circumstances, within 60 days. Enterprises have to pay their invoices within 60 days, but there are certain exceptions. The laws also include automatic entitlement to interest for late payment and/or compensation for recovery costs caused by delayed payments. In Albania, where new bankruptcy laws have recently come into effect, priority schemes are firmly in place determining the sequence in which competing claims on collateral will be satisfied when a debtor defaults.

However, public bodies are not required to publish late payment reports; this undermines accountability for late payments by public procurers. Moreover, while there are legal provisions to prevent unfair contractual terms, more could be done to help SMEs to challenge unfair contractual terms through support from commercial parties and public bodies. Efforts to enhance co-ordination across borders to prevent late payments in cross-border transactions are very limited or non-existent in most cases. More co-ordination is recommended as cross-border trade is frequently affected by late payments. Finally, the private-sector representatives who participated in this assessment noted that there is limited enforcement of timely payment provisions, or of insolvency legislation.

The way forward for the policy, regulatory and institutional framework

To ensure coherent SME financing policies, **SEE economies could increase their efforts to co-ordinate policies**. Bosnia and Herzegovina could consider introducing a state-level policy framework to improve the co-ordination of existing and future SME financing policies across the state and entity levels.

All the SEE economies could intensify their efforts to conduct SME financing needs assessments in co-operation with relevant stakeholders (e.g. central banks and financial supervisory authorities, financial and research institutions, and SME representatives). This is particularly relevant to Albania, Bosnia and Herzegovina, and Kosovo which currently lack initiatives in this area.

Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Kosovo, and Montenegro **should improve their statistical information on SME financing** to help build a better evidence base and a better understanding of SME financing needs

and challenges by public institutions. The *OECD Scoreboard on Financing SMEs and Entrepreneurs* is a useful tool for evaluating and monitoring SME financing needs (see Box 3.1).

All of the economies should perform more regular *ex ante* and *ex post* evaluation of SME financing support programmes, based on clearly defined, rigorous and measurable policy objectives and impacts across the SEE region.

Box 3.1. SME financing indicators and the OECD Scoreboard on Financing SMEs and Entrepreneurs

The OECD Scoreboard on Financing SMEs and Entrepreneurs monitors financing trends through a set of core indicators, selected on the criteria of usefulness, availability, feasibility and timeliness. This includes indicators on the allocation and structure of bank credit to SMEs (e.g. outstanding SME loans compared to total loans), the extent of public support for SME finance (e.g. the amount of government loan guarantees), credit costs and conditions (e.g. interest rates for SMEs compared to large enterprises), non-bank sources of finance (e.g. venture and growth capital investments) and on financial health (e.g. SME non-performing loans). Most of the indicators are derived from supply-side data provided by financial institutions, statistical offices and other government agencies, supplemented by national and regional demand-side surveys.

The 2017 edition of the Scoreboard covers 39 countries, among them OECD member and non-member countries, and includes detailed profiles on each participating economy. Serbia is the only SEE economy participating in the Scoreboard thus far. The indicators form a comprehensive framework for policy makers and other stakeholders to evaluate the financing needs of SMEs and entrepreneurs and to design policy support programmes on the basis of prior analysis.

Source: OECD (2017), *Financing SMEs and Entrepreneurs 2016: An OECD Scoreboard*, http://dx.doi.org/10.1787/fin_sme_ent-2017-en.

Some elements in the design of asset registers could be further improved. For instance, Albania and Serbia could improve online access to their movable assets register by establishing a full online system for registrations and searches. Those economies currently relying on document registration could consider introducing a notice-based system to facilitate registration mechanisms.

The design of credit information services in the SEE economies could also be improved. Bosnia and Herzegovina could consider making services available to the public as well as financial institutions. The other economies could continue their efforts to include data from non-regulated entities, such as retailers or utility companies, to help borrowers build a positive credit record. Montenegro is advised to build a more comprehensive credit information database by including in regulations the requirement to keep at least two years of historical data. Wider use of credit scores would help improve value-added credit information services in most of the SEE economies.

The Republika Srpska should take steps to finalise its legal framework for late payments, which is currently still lacking. Moreover, most of the SEE economies could consider introducing requirements for public bodies to publish late payment reports and enhance the support given by commercial parties and public bodies to challenge unfair contractual terms. Most importantly, the **SEE governments should continue their efforts to fight legal backlogs in the enforcement of timely payment and insolvency legislation**.

Access to bank finance

Bank lending is the most common source of external finance for all kinds of SME activities: starting up a company, meeting regular cash-flow and working capital requirements, expansion, innovation, and internationalisation. In traditional lending arrangements, the creditor relies on the debtor to repay the loan amount at the end of the lending period, in addition to a regular interest payment. However, as detailed in previous sections, important market failures in the assessed economies mean that the SME sector is under-served by private financial intermediaries. This sub-dimension looks at various features that constrain SME's access to traditional lending, as well as support measures to help overcome gaps in SME financing. It does so using three qualitative indicators (Figure 3.7):

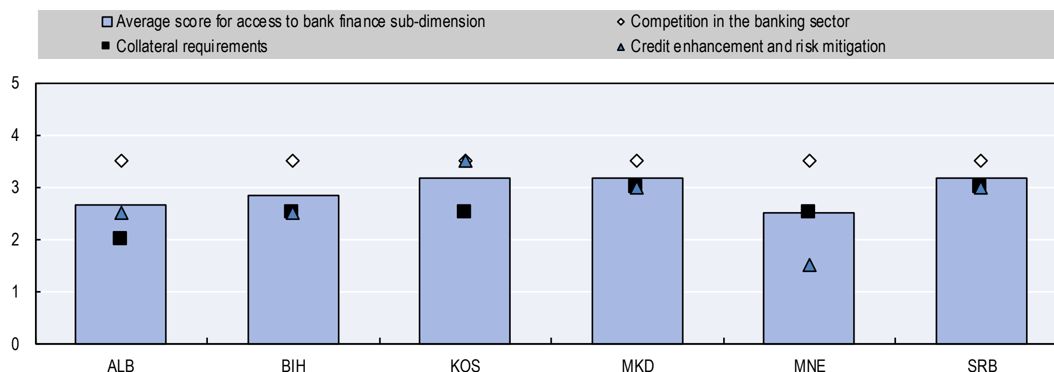
The **competition in the banking sector** indicator looks at entry requirements for foreign banks as well as possible favourable conditions for state-owned banks.

The **collateral requirements** indicator analyses the strictness of collateral and provisioning requirements in terms of value, the types of collateral accepted and the degree of flexibility for smaller loan sizes. In combination with the asset registers indicator in the policy, regulatory and institutional sub-dimension, it helps to understand whether the key factors for secured transactions are in place.

The **credit enhancement and risk mitigation** indicator examines whether governments have introduced measures to improve banks' capacity to lend to SMEs, for example by developing credit guarantee schemes targeted at creditworthy SMEs which would not be able to access finance otherwise.

The average score across these indicators for all six assessed SEE economies is 2.9, indicating that access to bank finance is somewhat well developed (Figure 3.7), although there is significant room to enhance lending practices.

Figure 3.7. **Access to bank finance: Sub-dimension average scores and indicator scores**



Note: See the methodology chapter for information on the *Competitiveness Outlook* assessment and scoring process.

StatLink http://dx.doi.org/10.1787/888933703504

Competition in the banking sector has grown and new entrants face no significant barriers

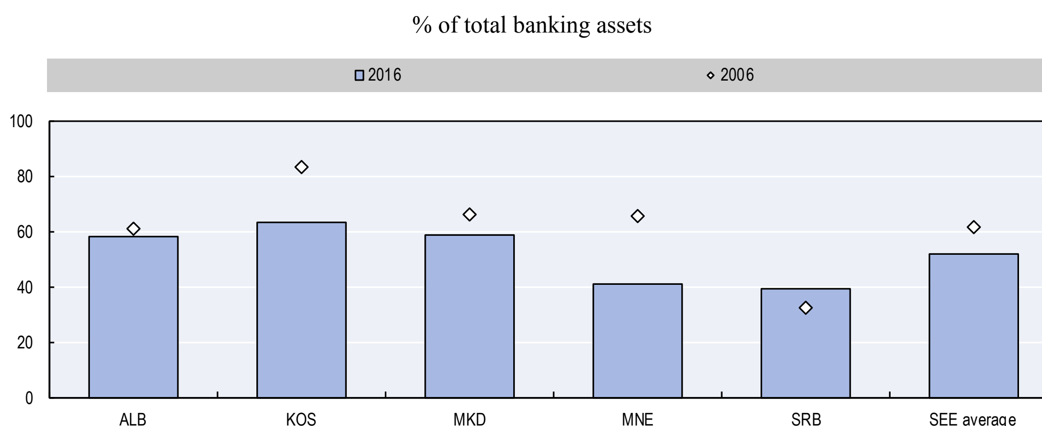
The supply of credit in any given market is an important feature of the overall financial health of an economy, but in the SEE region constraints on traditional lending remain an obstacle to SME growth and development.

A healthy lending environment is marked by favourable conditions for competition, allowing new banks, whether domestic or foreign, to enter financial markets and grow. In nearly all of the SEE economies the cumulative market share of the three largest banks – a proxy indicator of the level of competition in the banking sector – has decreased over the past decade, indicating a more competitive market.

In 2006 the three largest banks represented on average 62% of the total banking sector in the six SEE economies: by 2016 this had fallen to 52% (Figure 3.8). In Montenegro, bank concentration decreased most significantly, making its banking sector one of the least concentrated of the assessed economies. While Serbia's banking sector is also relatively diverse, it is the only economy where bank concentration increased between 2006 and 2016. Kosovo has the most concentrated banking sector, although the market share of the three largest banks fell from over 80% in 2006 to nearly 60% in 2016, signalling a positive development for bank competition.

Figure 3.8. **Cumulative market share of the top three banks (2006 and 2016)**

% of total banking assets



Note: Data for Bosnia and Herzegovina not available. Statistical offices and ministries in the region provided economy-specific data as part of the *Competitiveness Outlook* assessment conducted in 2016-17.

Source: Government statistics offices.

StatLink http://dx.doi.org/10.1787/888933703523

While state-owned banks can benefit from favourable marginal lending rates, lower borrowing costs in the financial market and undue political influence, there are no or very few state-owned banks in the SEE economies. Moreover, there are no notable legal restrictions on starting up and operating banks, be they foreign or domestic, such as licensing procedures which go beyond what is needed for prudential regulation, limitations on foreign ownership of banks or special screening and approval procedures. Foreign-owned banks now dominate the financial sector, accounting for some 60% of activity in the region and up to 80% in Montenegro.

Although asset registers help SMEs to secure loans, collateral requirements remain onerous

As discussed in the previous sub-dimension, a well-functioning registration system for immovable and movable assets makes it easier for companies to provide collateral to secure loans and eases credit restrictions by improving creditor protection. Even so, if collateral requirements remain excessive, SMEs are still constrained in their access to credit.

Although functioning registration systems are in place in all six economies, collateral requirements remain very strict. According to respondents to the *World Bank Enterprise Surveys* from 2013, in Albania, the Former Yugoslav Republic of Macedonia, Kosovo and Montenegro, around 90% of loans required collateral, compared to an average of 78% for all 156 surveyed economies (World Bank, 2017c). One of the reasons for this high proportion is the economic significance of SMEs in the SEE economies, as they are more likely to have to provide collateral for loans than larger companies. Moreover, the value of collateral needed for a loan significantly exceeded 200% in each of these four economies, on a par with the global average of 205.4% but more than the OECD average of 159.5% (World Bank, 2017c). In Kosovo, banks required nearly three times the value of the loan as collateral, which is the third highest value globally, after Nepal and Thailand. Only in Bosnia and Herzegovina and Serbia were collateral requirements below the global average. Indeed in Serbia, the average collateral required was 54% of the value of the loan, well below the OECD average (OECD, 2017).[11]

As mentioned above, enabling SMEs to use a wide range of fixed and movable assets to secure loans can strengthen their access to traditional bank financing. In economies where IP is well developed, intangible assets, such as intellectual property, patents, or brands and trademarks, can ease access to lending, particularly for knowledge-based companies and are routinely used as collateral in the United States and the EU. However, expanding the use of intangibles as collateral is not free from potential risks and should therefore be considered carefully, according to the G20/OECD High-level Principles on SME Financing (OECD, 2015a). In the SEE economies, although most legal frameworks allow secured creditors to create and enforce their rights over movable assets including intangibles, real estate and land remain the most common collateral for loans. Increased risk aversion, which is partly still a consequence of the financial crisis, has made banks even more reluctant to accept movable assets as collateral. This is a barrier to bringing valuable assets into productive use. The SEE economies have also yet to introduce flexible procedures or provisioning requirements for smaller loans of under EUR 20 000; doing so could make loans more accessible for SMEs.

Credit guarantee schemes reduce the risk of lending to SMEs, but may be too small to have an impact

Governments have various tools to mitigate the risks of lending to SMEs, thereby increasing the credit available to them. For example, credit guarantees, where the guarantor compensates a predefined share of an outstanding loan if the borrower defaults, are a commonly used risk-mitigation tool, particularly in the aftermath of the financial crisis. Credit guarantees can help SMEs qualify for credit even if they lack credit history or fail to meet high collateral requirements. Other tools such as credit insurance or subsidised interest rates can have a similar credit-enhancing effect.

The six SEE economies have developed various risk-mitigation and credit-enhancement mechanisms which vary in scope and funding structure (Figure 3.7). Some economies currently only have donor-funded credit guarantee schemes and government involvement in the implementation is often limited. In Albania, for instance, the Italian-Albanian Programme for SME Development includes a loan guarantee of up to 60% of the loan amount, which is funded by the Italian government but implemented and monitored by both governments in close co-operation. The size of the scheme is however rather small. In Bosnia and Herzegovina both entities have developed self-funded credit guarantee schemes, although these do not cover the whole territory. The Rebublika Srpska's scheme is larger than Albania's and includes credit lines for various target groups including start-ups, agricultural activities and export-oriented companies. In the Federation of Bosnia and Herzegovina only some cantons have developed credit guarantee schemes, but a federal guarantee scheme is currently in the planning stage. Serbia is also in the process of developing a new guarantee fund under the "Serbia window" of the Western Balkans Enterprise Development and Innovation Facility. Montenegro is planning to launch a credit guarantee scheme in 2017 under the EU Competitiveness of Enterprises and SMEs Loan Guarantee Facility which is accessible to most of the SEE economies. In the Former Yugoslav Republic of Macedonia, the Macedonian Bank for Development has a credit line with a guarantee scheme, as well as various guarantee programmes administered by the United States Agency for International Development (USAID).

Kosovo is the economy which has made the largest improvement in this area since the last *Competitiveness Outlook* assessment. In late 2016 the government, the Central Bank, financial institutions, donors and the SME community launched the Kosovo Credit Guarantee Fund (KCGF), which was enabled by a specific law approved by the Assembly and signed by the President shortly before the scheme became active. The KCGF's objectives are to increase lending by local financial institutions to micro enterprises and SMEs, create jobs, and enhance opportunities for under-served economic sectors. Initially the government of Kosovo and USAID together contributed EUR 7.3 million, but they plan further capital commitments over the coming years to a total of EUR 22 million (OECD, 2017). Only registered companies can participate in the KCGF to encourage firms to formalise. Lending decisions are made by financial institutions based on clearly defined eligibility criteria set by the KCGF in conjunction with international lending institutions, and the scheme is regularly monitored and evaluated through *ex post* evaluation mechanisms, supervised by the Board of Directors which is composed of government and donor representatives. Currently the scheme does not focus on specific sectors because of its prior objective of becoming self-sustainable, but once this has been achieved the plan is to target specific groups such as export-oriented companies, female-led businesses, rural companies and innovative firms.

In past years, several guarantee schemes in the region, such as those in Montenegro and Serbia, have failed to become self-sustainable or have not had a noticeable impact on SME lending and were thus abolished. High administrative costs often explain why credit guarantee schemes operate inefficiently. The SEE economies which are currently planning new credit guarantee mechanisms should therefore ensure that they are designed following good practice. Based on a sample of 76 partial guarantee funds across 46 countries, Beck, Klapper and Mendoza (2010) found that publicly operated schemes with lending administered by financial institutions was a cost-effective solution in most emerging and developing economies. This means it is the lenders who assess the creditworthiness of the borrowers being guaranteed, using the credit appraisal infrastructure already in place for the conventional credit market. To ensure the financial

stability and additionality of the scheme, lenders should select creditworthy SMEs that would not be able to access finance without the guarantee. Schemes could focus on specifically under-served target groups, such as innovative or female-led SMEs, or specific sectors such as agriculture or rural areas. Monitoring and evaluation should be conducted regularly to ensure that financial partner institutions are applying healthy lending practices and the schemes are cost-effective, and to measure what effect they are having on the lending environment.

Besides credit guarantee schemes, a few other risk-mitigation instruments are in place in the SEE economies, notably credit insurance and subsidised interest rates. The Macedonian Development Bank and Serbia’s Export Credit and Insurance Agency both provide credit insurance to protect export-oriented companies against non-payment in the event of default or political instability. All six of the SEE economies apply subsidised interest rates to push the cost of credit below market prices for all borrowers. However, interest subsidies can create market distortions and should therefore be considered carefully. In particular, the economies should analyse the costs and benefits as well as the risks of subsidised interest compared with other credit-enhancement and risk-mitigation tools such as credit guarantee schemes, which are a less distorting public intervention.

The way forward for access to bank finance

Despite functioning asset registration systems, collateral requirements in many of the SEE economies remain high. For this reason, **SEE economies could ease security rights over non-fixed assets and weigh the benefits of expanding the use of intangibles as collateral against the potential risks**. The economies could also consider introducing more flexible definitions of collateral and provision requirements for smaller loans.

The SEE economies should reconsider the use of subsidised interest rates given their market-distorting effects. While subsidies did help prevent a larger credit crunch during a period of financial distress, a more sustainable policy solution for the longer term could be the wider use of credit guarantee schemes.

Public credit guarantee schemes should be designed based on international good practice standards such as those outlined by the World Bank and the Financial Sector Reform and Strengthening Initiative (World Bank, 2015). They should involve reasonable administrative costs and be targeted on under-served SMEs, such as innovative, female-led or export-oriented businesses. New schemes should include regular monitoring and evaluation to assess whether their objectives are being achieved.

Alternative financing tools

Alternative financing mechanisms are crucial for overcoming gaps in bank financing, as well as to help SMEs find adequate funding models for their individual business projects. Growth-oriented and innovative SMEs in particular need tools with a higher risk-return spectrum than the traditional offerings (such as bank financing) that are generally better suited to companies with stable cash flow, modest growth, tested business models, and access to collateral or guarantees (OECD, 2015b). The global financial crisis further reinforced the need for SMEs to diversify away from dependence on bank finance, as credit markets around the world became tighter and rules more prudent. Financing instruments for SMEs and entrepreneurs on the credit supply side represent alternatives to traditional debt finance, with varying degrees of risk and return.

This sub-dimension examines alternative funding mechanisms through five qualitative indicators, which can be classified into two areas: low- and high-risk credit supply mechanisms (Figure 3.9).

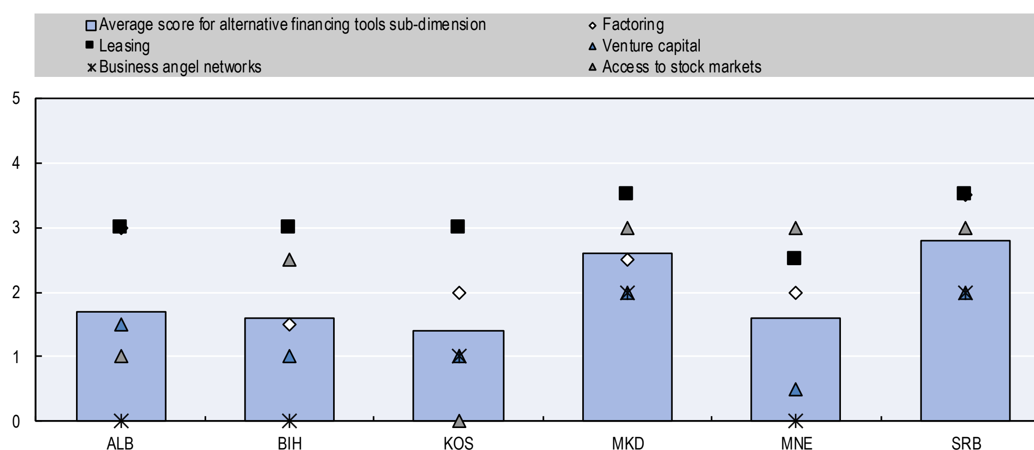
On the low-risk side, the **factoring** and **leasing** indicators examine whether the SEE economies have frameworks in place to enable the selling or assigning of account receivables or the leasing of assets to use or to own.

On the high-risk side, the **venture capital** and **business angel networks** indicators address the presence of private equity-based mechanisms for early stage financing, while the **access to stock market** indicator examines whether public equity is a financing option for SMEs.

Demand-side measures of business financing include improving financial literacy, entrepreneurial training and increasing small business profitability.

As Figure 3.9 shows, with an average score of 1.95, the SEE economies perform least well in this sub-dimension, indicating that they lack alternative options for funding beyond traditional lending mechanisms.

Figure 3.9. **Alternative financing tools: Sub-dimension average scores and indicator scores**



Note: See the methodology chapter for information on the *Competitiveness Outlook* assessment and scoring process.

StatLink http://dx.doi.org/10.1787/888933703542

Factoring is a viable source of alternative financing

Factoring and leasing (discussed in the next section) are alternative asset-based financing instruments which, unlike traditional lending, allow SMEs to borrow money based on the value of an underlying asset and not on their overall creditworthiness. Such asset-based financing methods can help overcome some of the issues SMEs struggle with in securing loans, such as high collateral requirements, weak insolvency mechanisms or an underdeveloped credit information infrastructure.

Most of the SEE economies have a regulatory framework in place for factoring, which allows a firm (the "seller") to sell or assign their account receivables to a specialised institution (the "factor"). This enables SMEs to sell their outstanding invoices from the sales of goods or provision of services to customers ("buyers"). The SME receives immediate cash from the factor, which it can use to meet its working capital requirements or finance an investment.

Albania, Serbia and the Federation of Bosnia and Herzegovina have all passed specific laws on factoring, in 2006, 2013 and 2016 respectively. In the Former Yugoslav Republic of Macedonia, factoring is regulated by the Law on Financial Companies which was passed in 2010 and since amended several times, most recently in 2015, in combination with a related regulation on factoring operations. In Montenegro the 2008 Law on Banks established a legal framework for factoring, leasing and the purchase of receivables. Both economies are currently developing a specific factoring law with support from the European Bank for Reconstruction and Development. In the Republika Srpska a law on factoring has been drafted but its adoption is delayed. In Kosovo factoring is allowed under the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, but it lacks concrete regulation.

Besides providing a legal provision to sell and assign account receivables, the legal frameworks in most of the SEE economies explicitly define factoring as a financial service and require the factor to notify the debtor when receivables are transferred. The latter is crucial in establishing factoring as a three-party transaction (the seller, factor and debtor) and enables the factor to receive payment directly from the debtor, which is particularly important if the seller defaults. A discount rate of 1-10% is usually applied in a standard factoring transaction, although the discount rates in the SEE economies may vary (Klapper, 2006).

With most of the economies recognising factoring as a “sale and purchase”, factoring differs from loans as the factored receivables do not form part of the bankruptcy estate. Instead they remain the property of the factor, who can continue to receive payment from the debtor. Consequently, factoring depends less on collateral laws and efficient judicial systems than traditional lending. It is therefore a viable alternative funding mechanism in emerging economies, including the SEE economies, where collateral requirements are rather excessive and contract enforcement is often seen as an issue (OECD, 2015b; Berger and Udell, 2006; Klapper, 2006).

Against this backdrop, in order to provide for a sound legal basis for factoring as a financial service, particularly with regard to transparency and legal certainty, those SEE economies currently lacking specific legislation or in the process of developing a specific factoring law should ensure that it: 1) allows companies to sell or assign accounts receivables and enforce the underlying contracts; 2) prohibits the transfer of future and bulk receivables or obliges the factor to notify the debtor when receivables are transferred; 3) recognises factoring as “sale and purchase”, thus acknowledging that, in the event of the seller’s bankruptcy, factored receivables are not part of the bankruptcy estate; and 4) ensures that both the factor’s and creditors’ interests are safeguarded.

A sound credit information system will also help inform factors of customers’ creditworthiness and assess their credit risk. As noted above, most of the SEE economies have well-developed credit bureaus or registries, although coverage is sometimes rather limited and their design could be improved.

Factoring can also play an important role in financing SME activities through supply chain mechanisms. In “reverse factoring”, SMEs only sell the invoices of selected customers with a lower credit risk than the SME itself, usually large accredited domestic or foreign firms (OECD, 2015b). Governments can take actions to support supply chain factoring mechanisms, for example through electronic matchmaking platforms or by offering SMEs assistance and training. These efforts could also target SMEs participating in global value chains, allowing exporting SMEs to sell account receivables from their

foreign customers for cash. However, none of the six SEE economies has yet taken steps to support such supply chain or trade finance factoring mechanisms.

Leasing is not yet fulfilling its potential

Leasing is another common asset-based financing technique, in which the lessee finances the use or purchase of an asset such as equipment, machinery or real estate through regular payments over a specific period of time. Like factoring, leasing does not depend on strong enforcement mechanisms of bankruptcy rights as much as secured lending does, because the ownership of the asset remains with the lessor. In the case of finance leasing, ownership is only transferred to the lessee at the end of the contract. The lessee nevertheless takes on related risks, such as responsibility for maintenance and insurance throughout the whole leasing period. In operational leasing the asset is only rented out to the lessee for use during the leasing period and is not purchased at the end of the contract. Given the specific nature of leasing contracts, leasing can be a promising financing option for SMEs, particularly if they cannot meet banks' collateral requirements or do not have enough credit history to score high on creditworthiness. However, leasing can be rather costly for SMEs.

Leasing requires a legal and regulatory framework that allows for selling or assigning receivables, ensures transparency and protects the interests of all parties involved in the leasing transaction. All six of the SEE economies have developed a relevant regulatory framework, either in the form of a law on leasing generally or specifically on finance leasing (Figure 3.9). These legal frameworks regulate the conditions for leasing movable and immovable assets, as well as the rights and obligations of the parties in the lease agreement. In the Former Yugoslav Republic of Macedonia, the law on leasing does cover operational leasing but financial leasing companies must have a special permit to act as a lessor. All of the SEE economies also have established rules governing the repossession of the asset if the lessee defaults. These rules define the conditions under which lessees have to return the asset in case they are unable to meet their payment obligations. However, private-sector representatives in some of the SEE economies report difficulties in implementing these repossession rules. These difficulties are partly exacerbated by slow administrative processing and the lack of formal commercial courts.

Tax regulation may give leasing advantages or disadvantages over debt financing, but there is considerable debate on this topic in the literature due to a lack of conclusive empirical evidence (OECD, 2015b). Legislation in the SEE economies generally allows for depreciation of leased assets (e.g. in Albania and the Former Yugoslav Republic of Macedonia), but the rates vary across the region for different types of assets and information is lacking for some economies.

Regarding interest payments, however, leasing does have a tax disadvantage compared to traditional debt financing in Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, and Serbia, where value-added tax (VAT) is charged on interest payments for leasing but not for bank loans. Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia also have double property transfer taxes for finance-leased assets, as they charge property tax once when real estate is purchased by the lessor and again when ownership is transferred to the lessee at the end of the lease contract.

The take up of leases is low in comparison to loans – the outstanding portfolio of loans is many times larger than that of leases. In many of the economies, leasing volumes decreased dramatically for several years after 2009 – much more sharply than the volume of loans. Since most leasing companies were subsidiaries of banks, and most banks

considered leasing a non-core product, the leasing companies were quick to lose support from their parent companies and failed to develop durable leasing products (EIB, 2016).

Venture capital is held back by weak seed and early-stage financing infrastructure

Risk capital – in the form of private or public equity – is an important long-term financing source for projects that are considerably risky, but have potentially high rates of return. In contrast to other financing mechanisms, such equity finance instruments are characterised by the investor gaining an ownership interest in the enterprise in exchange for injecting financial resources. The investor fully participates in the entrepreneurial risk and success of the business, without any underlying security, unlike asset-based financing. Equity financing is particularly relevant for SMEs with a high risk-return profile, such as young, innovative and growing firms.

Venture capital is one form of private equity financing in which the enterprise obtains funds from wealthy individuals, investment funds or institutions in exchange for an ownership stake in the firm. In SME development, venture capital is mainly used to finance the seed and early expansion of high growth-potential and innovative firms. Venture capital is usually raised from a fund managed by a venture capital firm (general partners), which includes investments from limited partners in addition to management fees and coverage of operating costs of the fund.

The seed and early-stage financing infrastructure remains undeveloped in the SEE economies and consequently venture capital activity is very limited. None of the economies have any specific venture capital investment regulation (Figure 3.9), but their existing legal frameworks do not prevent private equity investments in seed, start-ups and early stage firms. The Former Yugoslav Republic of Macedonia, Montenegro and Serbia are currently amending their laws on investment funds, co-investment funds and/or alternative investment funds to harmonise their legal frameworks with existing EU regulations in this area. Albania, Bosnia and Herzegovina, and Kosovo lack any legal framework on investment funds.

However, despite these rather weak legal frameworks for private equity investment, this assessment identified no regulatory barriers to venture capital investment. None of the six economies has established any special licencing norms, solvency or funding requirements, accounting requirements, or investment regulations. There are also no restrictions on investments in seed and early-stage ventures by particular types of institutions such as banks, pension funds or insurance companies, nor any limitations on the ability of these investors to operate as limited liability entities. The latter point is important as private equity firms usually receive capital from limited partners in the form of pension funds, insurance companies, hedge funds or wealthy individuals.

Given the lack of any strict restrictions on private equity investments, the absence of a developed venture capital system is somewhat surprising. One key impediment to venture capital activity in the SEE economies could be a lack of any venture capital tradition, potentially due to higher levels of risk aversion. A culture of risk-taking and self-confidence, social recognition for an entrepreneurial career, and regulations that ease market entry and exit are among the enabling factors for a critical mass of entrepreneurs to emerge (OECD, 2015b). Lack of awareness of the availability and functioning of equity products could further explain the limited role of private equity financing thus far.

More support for seed and early-stage financing through a wider use of demand-side and supply-side policy instruments could help build a more vibrant venture capital industry in the SEE economies. In fact, equity financing in general and venture capital in particular has gained importance in the strategic SME development frameworks of some of the assessed economies. In Serbia, for example, the SME Development Strategy and Action Plan 2015-2020 includes a full section on the development of new financial instruments, including venture capital and business angel investment. In the Former Yugoslav Republic of Macedonia the innovation strategy of 2012-20 and the entrepreneurial learning strategy of 2014-20 both announced support for young enterprises to access venture capital.

On the supply side, governments frequently offer tax incentives for risk capital private investors – such as tax deductions or relief – or invest directly in start-up companies through government funds, funds-of-funds and public/private co-investment funds. Some such concrete supply-side support for equity financing exists in the SEE economies, albeit limited and mainly donor-funded. For instance, the Enterprise Innovation Fund of the Western Balkans Enterprise Development and Innovation Facility is a prominent new financing instrument; its portfolio consists of innovative and technology-driven SMEs from the seed to expansion phase in the six SEE economies and Croatia (EIF, 2015). The European Commission, international financial institutions, governments of beneficiary economies and bilateral donors pulled together EUR 145 million of initial capital that should translate into around EUR 300 million of direct financing available for SMEs in the region. The fund's investors include financial and non-financial European institutions – the European Commission, the European Investment Fund and the European Bank for Reconstruction and Development – as well as the German development bank KfW. In June 2017 Serbia became the first SEE government to sign an agreement to join the fund, bringing the fund's size to over EUR 41 million.

On the other hand, none of the six SEE economies have established any co-investment schemes, in which public and private investors participate alongside each other. The government of the Former Yugoslav Republic of Macedonia is currently working to create one in the near future, but there was no clear timeline or details on this initiative at the time of this assessment. Given the limited role of SEE government support in the supply of equity financing overall, recent efforts to improve the legal basis for investment funds, co-investment funds and/or alternative investment funds in the Former Yugoslav Republic of Macedonia, Montenegro and Serbia represent a positive step to promote young and innovative ventures. Albania, Bosnia and Herzegovina, and Kosovo could consider making similar efforts.

Unlike supply-side access to finance, which deals with the availability of credit, demand-side access to finance pertains to the entrepreneur and business itself. Demand for credit is generally linked to overall business performance, and is therefore dependent on market literacy and entrepreneurial training. Thus, alternative demand-side financing policy encompasses a wide array of business initiatives to help entrepreneurs better navigate financial opportunities.

According to the EIB's assessment of SME financing needs in 2016, the demand for equity products from SMEs is limited among the six SEE economies (EIB, 2016). Consequently, it could be worth making more efforts to tackle the demand side of the equity financing gap. For instance, business incubators can provide networking support to link entrepreneurs with prospective financiers as well as offering strategy advice, mentoring or workspaces. There are government-initiated incubators throughout the

region, but many of them are donor-funded and hence not self-sustaining. There are also private initiatives: the Serbian Private Equity Association is an example of an independent non-profit association which advocates for private equity and venture capital by developing educational programmes, delivering a series of professional networking events, conducting and publishing insightful research, and promoting best practice.

Other demand-side measures tackle the skills development of young innovative enterprises, notably through investor readiness programmes. Such programmes help to combat SMEs' aversion to equity finance, increase their investment potential and help them improve the way they present themselves to investors. While investor readiness programmes could be a promising mechanism to develop a more dynamic entrepreneurial culture in the SEE economies, only the Former Yugoslav Republic of Macedonia has planned any investor readiness programmes for the near future.

The taxation regime may also explain the limited development of SME public equity financing in the SEE region. This *Competitiveness Outlook* assessment found that there were tax-induced incentives for corporations to finance domestic investment with debt rather than equity (see Chapter 4). While interest payments are fully deductible from corporate income tax, the return on equity is not, which could further reduce the use of equity financing relative to debt.

Business angels are rare in the region

Business angels are high net worth individuals who invest their own money in promising business ideas of seed and start-up companies in exchange for equity stakes. Importantly, they also provide valuable management and business experience, which is not always the case with venture capital firms. This means angel investors offer important support for young firms beyond funding. Business angel networks "matchmake" angel investors and entrepreneurs and often provide platforms for exchanging services. Policy makers can support such networks, usually via tax incentives and public co-investment schemes.

The SEE economies have very little business angel activity, however, and the initiatives that do exist are mostly informal networks without any clear public support: this is particularly the case in Albania, Bosnia and Herzegovina and Montenegro (Figure 3.9). Sometimes business angel activities operate from abroad, for example the Kosovo Business Angel Network, which is a member of the European Business Angel Network, is organised outside of Kosovo. The Former Yugoslav Republic of Macedonia and Serbia are taking positive steps to develop public support for business angel investment. The Former Yugoslav Republic of Macedonia is currently reviewing the possibility of introducing tax incentives for business angel investors, but has not yet defined what form these incentives could take. Serbia has included support to business angel investment in its Development Strategy and Action Plan 2015-2020, but has not yet developed any concrete measures. Kosovo's Ministry of Industry and Trade held an international conference in September 2017 on angel investment and venture capital to bring together investors and entrepreneurs.

Some initiatives are increasing SMEs' access to the stock market

There are stock exchanges allowing companies to trade their equity publicly in all of the SEE economies (except Kosovo, which never launched its planned stock exchange). Bosnia and Herzegovina has two stock exchanges which are established and regulated separately by the two entities – the Sarajevo stock exchange by the Federation of Bosnia

and Herzegovina and the Banja Luka stock exchange by the Republika Srpska. In Albania, after a three-year hiatus, the Tirana stock exchange has been licensed by the financial supervisory authority and is set to open this year. The Former Yugoslav Republic of Macedonia has the oldest stock exchange in the region, established in 1996. Data from the World Bank Development database suggest that the market value of the SEE stock exchanges is mostly rather small: in 2011 the market capitalisation of listed domestic companies averaged 26% of GDP, ranging from 5.6% in the Former Yugoslav Republic of Macedonia to 77.3% in Montenegro (World Bank, 2017b). This compared to an average of 71% in OECD member countries (World Bank, 2017b). The concentration of public enterprises (which tend to be listed) in Montenegro's economy contribute to its particularly high capital market-to-GDP ratio.

Most of the existing SEE stock exchanges have a market reserved for companies with lower capitalisation and some of the governments have recently tried to promote the use of initial public offerings among SMEs. These markets are generally characterised by relaxed listing requirements that are easier for small enterprises to meet. The Former Yugoslav Republic of Macedonia has the most relaxed listing requirements, with a rather low minimum capital amount of EUR 250 000 for SMEs. Moreover, the stock exchange requires well-audited financial statements for the previous year and does not define a minimum number of shareholders for SMEs. Serbia launched Smart listing in 2016, including a set of measures to help SMEs access stock markets. However, at the time of this assessment, not a single SME had yet listed and further efforts will be needed to make Smart listing a success, such as greater publicity for the service. Serbia is also currently exploring launching a crowdfunding platform, particularly targeting companies in the information and communications technology sector.

Given the low levels of liquidity of capital markets in the SEE economies, regional efforts to link their stock exchanges together help to increase liquidity and improve access to stock markets for investors and local brokers. In 2014 the stock exchange in the Former Yugoslav Republic of Macedonia joined with the Bulgarian and Croatian stock exchanges to establish a dedicated platform called SEE Link, which also included stock exchanges in Ljubljana, Belgrade, Banja Luka and Sarajevo. Other stock exchanges in the region intend to join the platform in the near future.

The way forward for alternative financing tools

To close the existing financing gaps in the region, **the SEE economies should intensify their efforts to develop non-bank financing instruments**. Although all of the economies already have or are developing a decent legal framework for leasing and factoring, these asset-based financing tools still play a rather limited role. In particular governments could consider building awareness of these tools among SMEs to increase their uptake.

To promote the inclusion of SMEs in value chains, governments could also take action to support reverse factoring, such as **developing platforms to co-ordinate factoring services and facilitate matchmaking**. For instance, Mexico's state-owned development bank *Nacional Financier Banca de Desarrollo* (National Financial Development Bank; NAFIN) has developed such platforms in the context of its Production Chains Programme, in which it acts as a broker. NAFIN also offers financial training and assistance programmes for SMEs and all services are provided electronically, making access for all parties easier (OECD, 2015b).

The SEE governments could scale up their support for venture capital and business angel networks by further developing government funds, co-investment funds or funds of funds, as well as business incubators and/or investment readiness programmes. Box 3.2 gives an example of how Israel has encouraged venture capital and business angel investment.

SEE governments could also **do more to help SMEs access stock markets** through relaxed listing requirements, alternative SME platforms and promoting initial public offerings to SMEs.

Box 3.2. **Good practice: Support for venture capital and business angel investment in Israel**

In most countries, venture capital investments – defined as the sum of seed/start-up/early stage and later stage ventures – represent a very small share of GDP, on average less than 0.05% in OECD member countries in 2015 (OECD, 2016). Israel[1] is one of the few exceptions, with venture capital investment amounting to 0.38% of GDP in 2014. Behind the Israeli success story lies a strong government commitment to building a lively equity financing ecosystem, particularly since 1993 when the Yozma programme started. At that time the government invested USD 100 million in venture capital funds and technology start-ups, in addition to the USD 110 million contributed by foreign investors. Yozma offered foreign investors in these small funds insurance covering 80% of their risk as well as the option of buying out the government's share within five years.

Privatised in 1997, the Yozma programme is considered the "most successful and original programme in Israel's relatively long history of innovation policy" (OECD, 2010). Although it has now ended, the Israeli government continues to play an active role in supporting the Israeli venture capital industry. For example, in 2016 the Small and Medium Businesses Agency together with the Budget Department in the Ministry of Finance started to support two private equity funds (Peninsola and Kogito Capital), by covering some of their potential losses, depending on the size of the loss.

The Israeli government also implements policies to support business angel investment. In 2011 it passed the Economic Policy Law to introduce tax incentives for business angels investing in Israeli early-stage companies. The law allows foreign or Israeli-resident individuals to deduct from their total taxable income a qualifying investment of up to NIS 5 million (new Israeli shekels, USD 1.4 million) in shares of target companies over a period of three years, as long as they meet certain criteria in terms of revenue and research and development expenses. Furthermore, the initial investment is considered as a capital loss on the day of investment. In 2016 an amendment to the Economic Policy Law from 2011 was passed to allow start-ups and partnerships as well as target companies to qualify for the tax breaks.

1. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2016), *Entrepreneurship at a Glance 2016*, http://dx.doi.org/10.1787/entrepreneur_aag-2016-en; OECD/EC/ETF (2014), *SME Policy Index: The Mediterranean Middle East and North Africa 2014: Implementation of the Small Business Act for Europe*, http://dx.doi.org/10.1787/9789264218413-en; OECD (2010), *SMEs, Entrepreneurship and Innovation*, http://dx.doi.org/10.1787/9789264080355-en.

Conclusions

Given the importance of access to finance for SME growth and overall competitiveness, reforms are necessary to ensure that financial resources are available to enterprises at affordable interest rates. The SEE economies are making gradual progress in developing policies to support SME access to finance. Since the last assessment they have further developed the institutional and regulatory frameworks underpinning SMEs’ access to credit: these cover asset registers, credit information systems and legislation on timely payments and insolvency.

Notwithstanding the progress in developing policy frameworks, significant challenges remain. One common challenge to the region is inadequate asset registers and credit information systems. Here, SEE economies could enhance their registration systems for movable assets by including intangibles and ensuring transparency, full online accessibility and reasonable fees. To achieve these aims, co-ordination between financial institutions, SEE governments and private citizens is required to both streamline credit services and build a culture of responsible borrowing.

Ultimately, diversifying access to finance with a combination of traditional bank lending and non-traditional financing (factoring, leasing and venture capital) is needed to unlock the full entrepreneurial potential of the region. The end result will be more competitive economies with fuller employment and greater opportunities for business growth.

Notes

1. This information is based on the European Commission’s *SBA Fact Sheets 2016* for Albania, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia (EC, 2016a, 2016b, 2016c, 2016d). No data are available for Bosnia and Herzegovina and Kosovo.
2. While there is no common definition of SMEs in the SEE region in terms of turnover or balance sheet, all the SEE economies define SMEs as those enterprises with fewer than 250 employees (OECD et al., 2016).
3. A score of 0 denotes absence or minimal policy development while a 5 indicates alignment with what is considered best practices. Each level of scoring is updated for the individual indicator under consideration, but they all follow the same score scale: a score of 1 denotes a weak pilot framework, 2 means the framework has been adopted as is standard, 3 that is operational and effective, 4 that some monitoring and adjustment has been carried out, and 5 that monitoring and improvement practices are systematic.
4. Data provided by the Albanian government. Due to lack of data on leasing, a more thorough analysis of the trends in the leasing market across the region could not be concluded. The figure reported refers only to leasing companies.

5. There are four main administrative levels in Bosnia and Herzegovina: the State, the Federation of Bosnia and Herzegovina, the Republika Srpska and the Brčko District. The administrative levels of the State, the Federation of Bosnia and Herzegovina and the Republika Srpska are taken into account in the *Competitiveness Outlook 2018* assessment, when relevant. The Brčko District is not assessed separately.
6. See www.fondikgk.org.
7. In Albania only 10% of the cadastral zones are not yet fully registered.
8. In contrast to the cadastre, the register for movable assets is unified and managed at state level by the Ministry of Justice in Bosnia and Herzegovina.
9. The National Bank of Macedonia reports that precise figures cannot be given, and cautions that 40% coverage of public credit registry is at best an estimate.
10. In Albania, loan data from non-bank entities are currently included in the credit register.
11. These data stem from a lending survey conducted annually by the National Bank of Serbia. Comparability with other OECD economies is limited due to the use of different methodologies, samples and questionnaires in the surveys.

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Annex 3.A1.
Access to finance: Indicator scores

Table 3.A1.1. **Access to finance: Indicator scores**

	ALB	BIH	KOS	MKD	MNE	SRB
Policy, regulatory and institutional framework						
SME finance needs	2.0	1.0	2.0	2.5	3.0	4.0
Policy coherence and co-ordination	3.0	1.5	3.0	3.0	3.0	3.0
Asset registers	3.0	3.0	3.0	4.5	4.0	4.0
Credit information services	3.5	2.0	3.5	4.0	2.0	4.0
Personal and corporate insolvency procedures	3.0	1.5	3.0	3.5	3.5	3.0
Timely payments	3.5	1.5	3.0	3.5	3.0	3.5
Access to bank finance						
Competition in the banking sector	3.5	3.5	3.5	3.5	3.5	3.5
Collateral requirements	2.0	2.5	2.5	3.0	2.5	3.0
Credit enhancement and risk mitigation	2.5	2.5	3.5	3.0	1.5	3.0
Alternative financing tools						
Factoring	3.0	1.5	2.0	2.5	2.0	3.5
Leasing	3.0	3.0	3.0	3.5	2.5	3.5
Venture capital	1.5	1.0	1.0	2.0	0.5	2.0
Business angel networks	0.0	0.0	1.0	2.0	0.0	2.0
Access to stock markets	1.0	2.5	0.0	3.0	3.0	3.0

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