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Assessment and recommendations

The economy of the Federal Republic of Yugoslavia (FRY) was devastated during the 1990s. Economic reform since the end of 2000 has marked a sea change in policy that has already had a number of positive effects. Difficult decisions have been taken to implement some structural reforms, and the economy has been substantially liberalised and stabilised. Inevitably there are risks to the hitherto positive macroeconomic developments, especially in Montenegro that has relied heavily on foreign aid. Export-led growth may suffer from the economic slowdown in Europe, the FRY's largest market. At the same time, the economy needs to attract inflows of capital. Hence the government needs to keep up the pressure of reform in order to reshape the domestic competitive environment. It takes time for structural reforms to become effective and new institutions to take root. In due course reforms will benefit domestic firms and industry, simultaneously providing fertile ground for the foreign investment that is needed both to support the balance of payments and to help seed a wider domestic recovery.

A decade of economic decline...

The 1990s was a decade of economic decline in Yugoslavia. Having started the period well integrated with the world economy and with a higher standard of living than in other transition economies, the country ended the decade in disarray. Income per head was one of the lowest in Europe, and poverty had only fallen back a little after its dramatic increase during the hyperinflation of 1993-94. War in the Balkans was the main culprit; international economic sanctions had starved the economy of capital, prompted the country to default on its foreign debt and distorted production. The banking sector was illiquid and bankrupt; state and socially

owned enterprises were moribund. Informal “grey” activity replaced some of that lost in the formal economy, but this provided the opportunity for corruption and organised crime to grow.

... brought to an end by a radical programme of economic reform

In 2000, a change of government at the federal level, and then in Serbia, marked a turning point; Montenegro had embarked on its own programme of reform somewhat earlier. The FRY’s economy is dominated by Serbia, which accounts for more than 90 per cent of output and in practice the two economies are managed separately. The new government in Serbia adopted an ambitious programme of economic reform, committing itself to reversing the trends of the previous decade and integrating the economy with the European Union. Fortright action staved off a potential humanitarian and economic tragedy. In less than two years trade and prices have been liberalised; new fiscal and monetary policies have substantially reduced inflationary pressure, stabilised the exchange rate and improved expectations. Relations with international creditors have been largely normalised, and banking sector reform was strongly advanced through the improvement of prudential regulation and the bold closure of the four largest commercial banks on grounds of insolvency. Comprehensive privatisation legislation marked a break with dubious schemes of the past in welcoming foreign investment to participate in a process designed to be transparent.

A firm policy foundation based on a programme of structural change...

The FRY has laid a foundation for economic growth. It also has an ongoing programme of reforms, designed in conjunction with international economic institutions, to deliver the structural changes needed to sustain growth into the future. But significant challenges remain in putting the FRY onto a path of sustainable growth. While restructuring its Paris Club debt has brought some respite, the budget remains fragile. It will have to bear the inevitable costs associated with enterprise restructuring, notably through spending to maintain a social safety net, while at the same time the burden of taxation needs to be reduced to encourage entrepreneurship and attract foreign investment. In the energy sector, the government needs to move beyond emergency rehabilitation by establishing a policy framework and progressively separating its policy function from regulatory

enforcement and the operation of state-owned companies. On the external side, debt servicing is projected to increase at the same time as flows of foreign aid are expected to fall, and import growth is likely to continue. In essence, these difficult policy problems can be resolved if the economy quickly moves into a period of export-led growth and is able to attract significant flows of foreign direct investment. Montenegro finds itself in a particularly acute position of running significant “twin deficits” in the budget and current account, largely financed out of foreign aid. As levels of aid are expected to decline sharply in the near future, Montenegro is likely to be faced with a major macroeconomic adjustment.

*... though
the prospects
for near term
growth remain
uncertain*

Following the end of the war in Kosovo the economy rebounded, growing by some six per cent per year in 2000 and 2001. Growth in 2001 benefited from a good harvest, but is likely to be somewhat lower in 2002 and 2003 as the response of output and exports to the changes in economic policy has been slow and complicated. Growing wages and household incomes have stimulated increased consumption, but this has largely been met by a rapid growth in imports. Recovery in domestic industry is anaemic. Overall, industry in the FRY seems to have suffered a mild “transitional recession” as the sector adjusts to lower subsidies, newly restricted access to credit and greater competition from imports.

*Higher
consumption
has drawn
in imports*

Higher debt service is only one factor influencing the balance of payments. During 2000-01 reported imports increased by 47 per cent, mostly in consumption goods. Combined with weak export growth, this has led to a growing current account deficit. While not unexpected at this stage of transition, this underlines how important it will be for the FRY to attract foreign direct investment to support the capital account in the balance of payments. The same is true in Montenegro, where there are serious additional concerns. There, a single subsidised aluminium plant accounts for more than half of exports. Also, since the euro is the official currency, Montenegro only has the option to depreciate the real exchange rate through a difficult process of disinflation.

Inflation has been substantially reduced

In Serbia, monetary policy has made a major break with the past. The National Bank of Yugoslavia (NBY) has all but given up its previously primary role of making loans and giving guarantees. Instead it has successfully used the exchange rate as a monetary anchor to bring down inflation. Since January 2001 the dinar has been held at about 60 to the euro (previously 30 to the deutschmark). Inflation had fallen to 17 per cent (year on year) in the middle of 2002. Indeed, core inflation is about one-third of this rate, as the government has been increasing administratively controlled prices. All the while, the NBY has been accumulating foreign reserves, which had reached EUR 2.1 billion in August 2002 (more than 5 months of imports). A significant part of this rise is due to increased demand for dinars by domestic residents. Taking this into account, monetary policy was contractionary in 2001 and the first half of 2002. The NBY has not actively used interest rates as a policy tool, and so interest rates have fallen with inflation, though they remain comparatively high. In contrast, having adopted the euro as its currency, Montenegro has little scope to operate an independent monetary policy.

Introducing more exchange rate flexibility could help manage expectations in the future

The NBY's exchange rate anchor has successfully stabilised expectations and restored demand for the dinar. Indeed the NBY has regularly had to intervene to prevent the dinar from appreciating. However, given that inflation in the FRY is significantly higher than in the euro zone, the NBY's policy of nominal exchange rate stability has resulted in substantial real exchange rate appreciation since October 2000. Taken in conjunction with the deteriorating current account, this has led to suggestions that the FRY should devalue the currency in an effort to restore its external price competitiveness. However, this approach assumes both that the NBY would be able to influence the real exchange rate in the short run without destabilising the demand for money, and that the FRY's poor export performance is a matter of price competitiveness. Neither is necessarily the case. A more effective alternative might be to use monetary policy to reduce inflationary pressure by developing more effective techniques to sterilise exchange market intervention and reduce excess bank liquidity. However, continuing to defend a nominal anchor over a long period can actually

contribute to greater future destabilisation at the time when pressures for a downward adjustment begin to mount. Recent international experience suggests that it is extremely difficult for the financial sector to recover from such a shift. Introducing some degree of exchange-rate flexibility designed to sustain money demand could, in the short term, slow down disinflation. However, in the medium run it could help the FRY avoid a destabilising shift in expectations in the wake of external pressure on the exchange rate. Such a move is best made from a position of strength, where there is confidence in the central bank and foreign exchange reserves are high. In addition, a policy consistent with mild nominal depreciation could help the real sector in adjusting to economic shocks.

The budget has been consolidated, but government needs to address the structure of expenditure

As with monetary policy, fiscal policy in Serbia has made a marked break with the past. While the republican budget was close to balance in the past, it was in practice financed by building up expenditure arrears, by allowing large deficits to build up off-budget, and through the quasi-fiscal activity of the NBY in granting soft loans to the banking system and directly to enterprises. The government has eliminated or merged numerous extra-budgetary funds into a single consolidated budget controlled by the ministry of finance. Both Serbia and Montenegro are implementing treasury systems to improve accountability for expenditure and to track budget execution. The FRY will need a comprehensive reform to bring the size of government more in line with the current capacity of its economy. This is badly needed to manage Serbia's primary expenditure, which is high in relation to the state of its economy: it is similar to that of more developed transition countries where GDP per capita is more than double that of the FRY. Given the demand for social expenditures arising as a consequence of reform, both Serbian and Montenegrin governments should look for a structural reduction of expenditure in other areas. State expenditure on the military and police establishment, and the civil service, are notably higher than in other countries.

There are some significant fiscal challenges

Social funds, particularly the pension fund, represent an important fiscal strain in the FRY. In Serbia, the government took some palliative measures in January 2002 in raising the

retirement age and changing the way pension payments are indexed. Similar measures are planned in Montenegro. But these do not represent a comprehensive solution to a fundamental imbalance that is likely to deteriorate as the population ages. Another domestic challenge relates to growth in the total civil service wage bill. Numbers have not fallen, and attempts to impose a wage freeze have been unsuccessful: real wage growth is estimated to be above 20 per cent in some parts of the administration. A third challenge is interest payments. Increased foreign debt servicing will become a significant fiscal burden. The FRY has normalised its relations with official creditors, negotiating an agreement with the Paris Club that granted a generous level of debt forgiveness. Nonetheless, the FRY remains a heavily-indebted country, and initial grace periods expire at the time that foreign assistance is expected to decline. By the middle of the decade, foreign debt servicing is expected to amount to more than USD 1 billion annually.

Taxes on labour income should be reduced

Serbia undertook a major tax reform in March 2001. Despite lower nominal rates, for instance of payroll taxes, revenues went up as tax bases were broadened and the government began to tighten channels of tax avoidance, for instance by widening the tax base for payroll taxes to include benefits-in-kind. It remains the case that much activity, especially in small and medium-sized enterprises, evades tax altogether, while the actual burden on registered business has probably increased. To avoid reducing the stimulus to entrepreneurship and blunting the incentive for business to migrate from the grey sector to the formal economy, the government needs to bring down the burden on business by continuing to reduce tax and contribution rates on labour income.

Government should meet its commitments as they fall due

Despite the government's desire to encourage businesses and individuals to pay their tax, it does not always respect its own obligations. Although the government is committed to avoid an increase in its aggregate payment arrears, it could send a strong signal about the importance of economic obligations by tightening its commitment to meet all current payments as they fall due. In the longer run it will be necessary to bring down these arrears, which still amount to some 6 per cent of GDP.

Enterprises are struggling in the face of reduced profits and lower liquidity

The FRY's enterprise sector is under pressure. Smaller firms have found their profit margins being squeezed as cost pressures mount and competition, notably from imports, has increased. One cost pressure is increased payroll taxes, though there has been little pressure for higher wages to date. Larger firms have experienced the same difficulties, but have in addition experienced a dramatic loss of liquidity and persistent pressure for wage increases, notably in the public sector. This should be stemmed by the adoption of more decentralised wage bargaining. It has become harder to cover losses through access to new credit or by increasing arrears to suppliers. Implicit subsidies, for instance through cheap energy, have been reduced. This particular trend will continue, as artificially low energy prices doubly impaired economic adjustment. On the one hand low prices deprived the energy sector of resources needed for maintenance and investment, and on the other they stimulated demand, for instance for relatively inefficient electrical domestic heating.

As yet there is a lack of dynamism amongst small enterprises, which face a period of difficult trading

While falling profitability and increased competition might not suit individual entrepreneurs, they are a healthy sign of market competition. There are regional differences and signs of revival among micro-enterprises, but overall there is a worrying lack of dynamism in the small enterprise sector. Among FRY businesses, small is not synonymous with new. Most enterprises in an OECD survey were well established. Some 60 per cent dated from before 1992, and half of the rest were at least five years old. There is continuing stagnation, or even decline, in the overall number of SMEs even though the FRY already has low employment and output in the SME sector compared with OECD countries. The environment for small enterprises may well continue to deteriorate in the near future. In Serbia, the government has a strategy to reduce the size of the grey economy while simultaneously improving the operating conditions for legitimate firms. This suggests a difficult period for the small business sector as existing sources of profit are likely to dry up before (necessarily slower) improvements in the business environment take hold. The sector is also likely to suffer as privatisation and government action gradually cut through a web of fraudulent contacts and contracts between SMEs and larger state or socially owned enterprises. On a more positive note,

the results of the OECD survey suggest that small businesses are not subject to the same degree of harassment by state authorities as in some other transition countries. Nor did it seem that Yugoslav entrepreneurs felt it important to cultivate relationships with state or local authorities.

Government needs to reduce the burden of regulation

The governments in Serbia and Montenegro have begun to address this lack of dynamism by creating agencies to monitor and support SMEs. While more information is badly needed, policy would do well to assist entrepreneurs by reducing the burdens placed on them by the state rather than by designing special privileges to support the sector. In practice access to privileges is particularly susceptible to corruption and fraud, and risks strengthening the power of already entrenched incumbents at the expense of the new firms that ought to be the primary target of policy. The government would do better to promote mechanisms that allow firms to enforce contracts quickly and cheaply, and to take care that predatory behaviour by existing firms does not extinguish the prospects for new entrants. In Serbia, company registration should become easier and cheaper.

Decisive bank restructuring is a strong basis for financial sector development

Along with their peers in other countries, small businesses in the FRY complain about the lack of access to credit. This is unexceptional; indeed credit to the smallest businesses has risen over the last year as a result of foreign involvement in this activity. As already noted, the lack of access to credit is a more significant problem for larger enterprises, which were most affected by the NBY's decisive action to close and liquidate the four largest commercial banks. These institutions were comprehensively bankrupt, and the NBY took the decision to close them rather than to attempt rehabilitation. This action sent an admirably strong signal about how the NBY intends to supervise the financial sector. Along with increasing involvement of foreign banks, this has helped gradually to restore confidence. For the time being, the financial sector remains small. Financial intermediation is very low (the share of active bank assets is only some 25 per cent of GDP), and all banks still have high rates of loan arrears and default, justifying their cautious attitude to new lending. This is partly a temporary state of affairs while banks develop the skills needed to make good

credit decisions, but it has some negative repercussions. For instance, enterprises find it difficult to secure short-term credit for trade, which hampers the development of exports. The lack of laws and effective enforcement of collateral pledged against loan default is a significant barrier to new lending. New rules on leasing would be another way in which the government could ease access to capital, as would ensuring that secured creditors receive prompt and predictable treatment during enterprise bankruptcy proceedings.

***Privatisation
in Serbia is
gathering pace
after a slow start...***

Experience of privatisation during the 1990s left the population with a cynical view of the governments' motives in undertaking yet another programme. Serbia and Montenegro have sought to overcome this scepticism in different ways. In Serbia, the government has stressed the need to conduct privatisation openly, and for payment of cash. The process is designed to produce dominant new owners, including foreigners, though employees and the state pension fund receive a residual portion of shares once a majority sale has taken place. The desire for transparency led the government to establish a cumbersome valuation and sale procedure, which relied on the existence of accurate asset valuations and projections of future operations. By mid-August 2002 only 15 enterprises had been sold. The government announced changes in July 2002 designed to accelerate privatisation. The targets for the remainder of 2002 and into 2003 are ambitious, though this rightly reflects the view that state- and socially-owned enterprises must be subjected to credible financial discipline as quickly as possible. This will release money in the budget for other areas, such as education or social spending, and would allow individual assets to be recycled into other, more productive, uses. In considering growing pressure for restitution, the government will have to weigh the costs of inevitable delay in privatisation resulting from in-kind restitution against what might be the cash costs of compensating individuals who are able to demonstrate a rightful claim over privatised assets.

***... and
in Montenegro
the state
still dominates
the economy***

Montenegro has chosen a different route to Serbia. After a popular mass privatisation programme and earlier sales, an estimated 45 per cent of industry remains in government hands, of which some is held in state social funds. A significant part of the government's holding is in a single giant

aluminium company that dominates both Montenegro's exports and electricity consumption.

***Effective
bankruptcy
and liquidation
need to
accompany
privatisation***

By the end of the 1990s, Yugoslav enterprise had become characterised by a very close relationship between business and politics, fostered by the international sanctions on Yugoslavia for much of the decade. Privatisation is one of the elements of reform in the business sector needed to break this link. Transparency in the privatisation process is of paramount importance: Serbia's programme acknowledges this. Yet in both Serbia and Montenegro the tender process aggregates different, in some cases vague, criteria, which lays the process open to accusations of manipulation. The most effective inoculation both against corruption, and accusations of corruption, would be to publish not only the tender criteria and the winning bid, but all bids. Ultimately, privatisation can only be a success if it is part of a portfolio of policies that give rise to a dynamic, competitive, entrepreneurial environment. The persistent survival of loss-making enterprises is inconsistent with this objective; in this sense the issue of speed is important. It is not clear how the government, either in Serbia or in Montenegro, intends to deal with state or socially-owned enterprises for which it cannot find a buyer. It will be vital that businesses face clear, and clearly enforced, rules on bankruptcy and liquidation whoever is their owner. In due course the government will also have to pay more attention to rules on effective competition. This notably requires setting the regulatory framework for natural monopolies.

***Foreign direct
investment
depends
on the domestic
environment...***

Privatisation is one means of attracting foreign direct investment (FDI), though this has generally been overestimated as a source of fresh capital in transition economies. This is likely also to be the case in Yugoslavia. Privatisation sales to foreigners serve an additional purpose, injecting knowledge, skills and, often, access to overseas markets. Foreigners often prefer making greenfield investments, and are strongly influenced by the local business environment. Greater economic liberalisation seems to promote greater flows of FDI; this in turn seems to be associated with higher levels of employment and output in smaller businesses. Hence both FDI and the health of the SME sector are indica-

tors of progress with economic reform. Offering tax advantages is likely to be both expensive in terms of revenue forgone and in direct costs on the budget, and of doubtful value in attracting investment. Rather, policies that are good for the domestic business environment are also good for attracting foreign direct investment.

... and is needed to underpin macroeconomic sustainability...

In essence, inflows of FDI and export growth are an integral part of the projection that underpins the macroeconomic framework. Yugoslavia liberalised its trade early on in the reform process, though it retains the power to set export quotas to ensure an adequate supply of food on the domestic market. Liberalisation was an important step, though it predictably resulted in a widening trade deficit as imports, especially of energy and consumption goods, grew rapidly. Increased debt servicing will shortly add to the widening current account deficit. Initially, renewed confidence in the dinar has sustained the capital account in the balance of payments, though this represents a one-off adjustment that cannot provide ongoing support. FDI is a more durable source, particularly since flows of foreign aid to the region are expected to diminish over the next few years whilst strong import demand is likely to persist.

... in conjunction with export growth

Yugoslavia's industry and trade suffered dramatically during the 1990s. Trade was disrupted both by war and sanctions while its structure had been influenced by policies that placed greater weight on the potential to earn foreign currency than on economic efficiency. In addition, as its capital stock deteriorated during the 1990s, Yugoslavia tended towards labour-intensive, low-skilled and commodity production and retained a rather unspecialised export structure compared to others. This is a concern for future export growth in a world where firms increasingly compete in quality and variety, often of more complex intermediate products. Offering the right quality at the right time is at least as important as offering the cheapest price. A skilled educated workforce is an advantage as firms compete for niches, becoming ever more specialised. Yugoslavia, however, fell back on exports of primary materials and traditional industries such as textiles, where price competition is fierce. Whilst the country may at first need to exploit

comparatively low labour costs to bolster the balance of payments, future export potential is best served by policies that enable exports to move back up the production quality ladder, notably those that attract expertise and access to foreign production and sales networks.

***Trade promotion
should be
handled carefully***

It is difficult to devise policies on trade promotion that work. It is often impossible to collect the information needed to design policy properly, and there are always costs attached to public intervention. For instance in Yugoslavia's context it would be important to ensure that trade promotion policy did not simply benefit incumbent firms at the expense of potential new firms. The most immediate barriers to trade are at physical borders, and in fulfilling bureaucratic requirements. Poor transport infrastructure is also a hindrance. Government could help promote exports by achieving more fluid borders. Policies on mutual recognition of paperwork with other countries in the region, better physical facilities, as well as linked information systems and more professional border staff would all help. The one area in which government could help directly is by establishing centres where exporters could easily get help in fulfilling the bureaucratic requirements of the EU, the FRY's most important market. It would help accession negotiations to the WTO if Serbia and Montenegro could negotiate a single, rather than two, sets of tariffs. An export credit agency established in October 2002 may help alleviate another constraint.

In conclusion

Both Serbia and Montenegro have moved decisively to embrace far-reaching economic reforms that seem irreversible. Both republics have passed an impressive amount of legislation. They now face the challenge of implementation, on which necessary future reform depends. In the autumn of 2002 further reform sat in the shadow of constitutional uncertainty, both over the future nature of the federation between Serbia and Montenegro and over the relationship between the federal and republican governments. Resolving this uncertainty is fundamental to providing a stable legal framework. This should in turn enable the FRY to adopt the recommendations made in this Assessment and to continue its progress towards economic transition and smooth integration with Europe.

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*Annex I***Yugoslavia: a selected chronology****1989****December**

Start of Markovic reforms; dinar pegged to deutschmark.

1990**Spring**

Privatisation law adopted.

Late autumn

Partial freeze on foreign currency savings.

1991**January**

Milosevic expropriates foreign currency reserves through ZOP.

Spring

Slovenia stops transferring tax revenues to the federal budget.

June

First Yugoslav war begins in Slovenia.

Mid-summer

Second Yugoslav war begins in Croatia.

December

War with Croatia ends (Vance agreement).

Slovenia and Croatia conditionally recognised as independent states by the EC.

1992**April**

Third Yugoslav war starts in Bosnia.

May

Economic sanctions introduced by the United Nations.

1993**Mid-year**

Major new banks collapse.

1994**January**

Hyperinflation peaks.

Fixed exchange rate introduced.

1995**July-August**

Croatia takes control of Krajina; military activity spills over into Bosnia.

December

Dayton peace accords signed.

1996**Winter**

Most sanctions on Yugoslavia removed ("outer wall of sanctions" remains).

Autonomous preferences extended by the EU.

May

NBY governor Avramovic (architect of the 1994 stabilisation) removed.

December

Large demonstrations erupt in Serbia, lasting 88 days.

1997**Spring**

49 per cent of Serbian Telecom sold for USD 1 billion.

Mid-year

Parliamentary elections in Montenegro.

October

Privatisation law introduced (Serbia).

End of year

EU fails to renew autonomous trade preferences.

1998**January**

USA and EU tighten "outer wall of sanctions".

Early spring

Violence erupts in Kosovo.

Mid-year

Milo Djukanovic wins the presidential elections in Montenegro.

December

Privatisation Council established (Montenegro).

Deutschmark introduced as the second legal tender in Montenegro.

1999**March**

Fourth Yugoslav war begins in Kosovo.

June

End of Kosovo war; territory placed under UN administration.

July

Stability Pact for South East Europe launched in Sarajevo.

November

Deutschmark adopted as sole legal tender (Montenegro).

2000**October**

Vojislav Kostunica accedes to Yugoslav presidency.

October

Most price controls relaxed (Serbia).

November

Montenegro introduces the deutschmark as its currency.

December

Exchange rate unified and dinar anchored to the deutschmark (Serbia).
Foreign Trade Law amended.

2001**January**

UN sanctions lifted.

February

Djindjic government takes office in Serbia.

March

EU liberalises access to its markets.

May

Non-tariff barriers largely abandoned; new tariff structure introduced.

June

Privatisation Law (Serbia).
IMF Stand-by Arrangement approved.

July

Electricity prices increased (Serbia).
ZOP monopoly on transactions abolished (Montenegro).

September

Montenegro Stock Exchange (NEX) opens.

December

Agreement on debt reduction with the Paris Club.

2002**January**

Privatisation by tender of 3 cement plants (Serbia).
Closure of largest 4 commercial banks (Serbia).
Interim pension reform (Serbia).

March

Agreement with EU on the FRY's future constitutional arrangements.

May

IMF Extended Arrangement approved.
Current account convertibility (IMF Article VIII) announced.

June

Electricity prices increased again.
Vojvodina granted limited autonomy.
Share trading accelerates on Montenegro stock exchange.
Dinar declared sole legal tender in Serbia.

July

Announcement of changes to privatisation programme (Serbia).
Ministerial declaration on regional investment (part of Stability Pact Investment Compact).

August

NBY exercises debt-equity swap to take over 14 commercial banks.

*Annex II***OECD economics department survey of 404 small enterprises in the FRY**

The OECD survey was carried out in May 2002 using a one-stage stratified sample. The first step was to take a random sample of active registered private enterprises from the Uniform Register of Enterprises. The total sample of 404 firms was drawn equally from Belgrade, Vojvodina, Central Serbia and Montenegro. The survey technique was face-to-face interviews. The sample was also stratified according economic activity, sampling enterprises in manufacturing, construction, commerce and services.

The sample population was small firms registered with the Commercial Court that had opened a giro account in the Clearing and Payment Service (ZOP) and filed the requisite returns. Firms are defined as "small" if they satisfy two of three criteria, namely having less than 50 employees, with assets or turnover less than a specified nominal ceiling that is revised annually. Of 270 000 registered firms some 100 000 have accounts at ZOP, and of these some 76 000 (28 per cent of registered firms) filed the requisite annual return for 2001. Of these, about 45 000 are small enterprises, of which some 40 000 (a little over 90 per cent) are in the private sector. In the FRY these active small private enterprises, only 15 per cent of total registered enterprises, are overwhelmingly (55 per cent) engaged in trade.

There were a number of practical difficulties in carrying out the survey. The most severe problem was locating small private enterprises. Many of them are registered at one address, whilst they actually carry on their business at another address (without reporting the change of address in the register). A second problem was that the activity description in the Register was often inaccurate, notably with enterprises registered in manufacturing or services in practice carrying on trade.

The full results of the survey are reported in Annex Table A.2.

Annex III

Yugoslav enterprise

Yugoslavia developed a style of economic management that was distinct both from central planning practised in most communist states and market socialism that began to emerge from the 1970s, notably in Hungary and China. From the early 1950s Yugoslavia adopted *worker managed socialism*. The essential difference from economic management in other communist states was that the Yugoslav system was based on decentralised market mechanisms. Banks ran on a commercial basis and the government ran a conventional budget into which firms had to pay taxes. There was even a bankruptcy procedure. However, there was little private ownership in industry or trade. But Yugoslavia's distinctiveness was apparent in the high degree of private activity in agriculture, housing (especially rural housing) and services, notably tourism.

The most important feature of the system was that it acknowledged individual firms were better placed than a central planner to make decisions about output and pricing. It left it to firms to assess and take business risks, including investment. By the mid-1970s, central planning had been reduced to a system of loose "indicative planning", where the centre only collected information on enterprises' intended output. Yugoslavia's system had two main characteristics: social ownership and self-management.

Social ownership

Enterprises were socially-owned. The state did not own and could not sell socially-owned enterprises. Socially-owned enterprises were also constitutionally forbidden to sell themselves. All decisions were made by the Employee Assembly, consisting of all current employees. The employees were in a practical sense the owners, since they were entitled to take residual income as wages. The state did impose some limits on this right, indirectly by placing legal restrictions on how residual income was derived (for instance, the firm was obliged to pay taxes and interest), and directly by capping growth in nominal wages.

Self-management

The Employee Assembly appointed the firm's management, and all employees had a contract with the firm. The state did reserve the right to intervene and replace a firm's management in defence of the "social interest", for instance when a firm was declared bankrupt, but in practice this power was only selectively exercised. Direct central control over self-managed firms was weak.

The combination of social ownership and self-management had a number of consequences. Employees had an obvious incentive to maximise residual income and minimise the number of workers amongst whom this residual had to be shared. Critics quickly noted that this would lead to lower output and employment than in similar firms in market economies

(Ward, 1958). The consequences for investment are ambiguous. There is pressure to under-invest (the Furbotn-Pejovic effect) as employees seek to maximise the residual available for distribution as wages, particularly employees closer to retirement who by their age and position would have a stronger voice at the Employee Assembly. There was a parallel impact on inflation, as this behaviour put upward pressure on enterprise wage costs. The resistance of self-managed firms to increasing employment had a further consequence. In order to absorb the growing labour force, the government had to found an increasing number of enterprises. This took its toll on efficiency as firms were not allowed to fail and the costs of co-ordination grew.

However, the potential for income growth increases with available capacity. The outcome in Yugoslavia tended towards ever greater investment as the authorities gradually subverted the market mechanisms by cutting the cost of credit enabling firms to borrow, often at negative real interest rates. A related development had frequently been the creation of “in-house” banks that freely financed enterprises in their wider “system”.

Annex tables

Table A.1. **Kosovo basic economic indicators, 2001**

	EUR million	Per cent of GDP
Population (million)	1.9	
GDP per capita (USD)	899	
National accounts		
GDP	1 946	100
Private consumption	2 000	103
Public consumption	355	18
Public investment	726	37
Exports	239	12
Imports	1 726	89
Balance of payments		
Trade balance	-1 446	-74
Unrequited transfers	1 247	64
Current account balance	- 86	-4
Budget		
Consolidated revenue	463	24
Current expenditure	416	21
Capital expenditure	712	37
Fiscal balance	-665	-34
Grant financing	761	39
Banking sector		
Total assets	502	26
Cash and CFA deposits	254	
Net loans	24	
Customer deposits	478	

Source: Demekas *et al.* (2002).

Table A.2. **OECD survey of 404 small enterprises in the FRY**
General information about the firm

Number	Total	Stratum				Founded		Principal sector			Number of employees				
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10	
	404	98	103	102	101	153	251	205	81	118	67	116	96	125	
Per cent															
Q1. Where is your firm located (city)?															
Beograd	24	100	..	..	..	29	21	31	15	19	22	28	23	23
Niš	18	..	..	71	..	18	18	21	19	11	15	18	18	19
Novi Sad	21	..	81	..	..	22	20	17	19	28	16	16	25	23
Subotica	2	..	10	..	..	4	2	3	..	3	..	1	2	6
Kraljevo	2	..	..	10	..	2	3	2	..	5	..	..	1	7
Čačak	2	..	..	10	..	5	1	4	1	..	1	3	3	2
Kruševac	2	..	..	10	..	1	3	2	1	4	1	3	3	2
Pančevo	2	..	10	..	..	1	3	2	..	4	4	2	1	3
Podgorica	25	..	..	..	100	18	29	17	46	25	39	28	24	15
Q2. Where is your firm located (republic)?															
Serbia	75	..	..	..	n.a	82	71	83	54	75	61	72	76	85
Montenegro	25	..	..	..	n.a	18	29	17	46	25	39	28	24	15
Q3. When was your firm founded?															
1991 and before	38	46	41	38	27	n.a	..	45	33	29	25	34	41	46	
After 1991	62	54	59	62	73	n.a	..	55	67	71	75	66	59	54	
Q4. What is the principal activity of your firm?															
Manufacturing	51	64	46	60	34	60	45	100	..	..	37	44	51	64
Construction	6	6	8	10	2	6	7	..	..	22	4	3	6	11
Commerce	20	12	15	17	37	18	22	..	100	..	21	27	24	10	
Transport	1	..	5	1	..	..	2	..	..	5	1	..	3	2
Services	19	13	25	11	28	14	22	..	..	66	36	25	13	10
Research and development	1	4	..	..	..	1	1	..	..	3	..	2	1	1
Other	1	..	2	2	..	1	1	..	..	3	..	..	2	2

Table A.2. OECD survey of 404 small enterprises in the FRY (cont.)

General information about the firm

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
	404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
Q5a. How many people are employed in your firm – full-time?														
Mean	10.9	9.4	12.8	13.6	7.8	12.7	9.8	12.8	7.4	9.9	1.7	3.9	7.9	24.6
Q5b. How many people are employed in your firm – part-time?														
Mean	1.5	2.8	1.2	1.7	0.6	1.7	1.5	1.6	0.4	2.2	1.0	0.6	1.8	2.5
Q6. How long have you been a director of the firm?														
1-2 years	17	17	16	13	24	5	25	16	22	16	27	23	9	13
3-5 years	20	10	23	17	28	4	29	14	26	25	21	22	18	18
> 5 years	63	72	61	71	49	91	46	70	52	59	52	54	73	70
Years														
Mean	7.6	8.2	7.8	7.9	6.4	11.1	5.5	8.2	6.7	7.2	6.6	7.0	8.1	8.3
Per cent														
Q7. What did you do immediately before becoming a director in this firm?														
Manager of another private firm	14	13	15	17	11	10	16	13	10	18	16	9	14	17
Non-managerial employee of another private firm	9	11	8	10	7	7	10	10	6	9	9	11	10	6
Employee in a socially-owned/mixed/state firm	54	54	50	60	51	58	51	54	68	45	49	53	53	58
Self-employed	10	11	14	3	13	11	10	9	5	15	13	10	10	8
Other	2	1	4	3	1	3	2	2	1	3	1	2	4	2

Table A.2. **OECD survey of 404 small enterprises in the FRY (cont.)**

General information about the firm

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
	404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
First employment	6	6	3	4	10	5	6	6	6	4	6	9	6	2
Retired	0	..	1	..	..	..	0	0	..	..	1	..	..	..
Employed in a non-managerial position in the same firm	1	..	2	1	1	1	1	0	1	2	..	1	2	1
Manager in a socially-owned/mixed/state firm	1	1	2	..	1	1	1	2	..	..	1	1	..	2
Worked abroad	1	1	2	1	..	1	1	1	..	1	..	1	..	2
No response	2	1	..	2	5	1	2	1	2	3	1	2	..	4

Table A.2. OECD survey of 404 small enterprises in the FRY (cont.)

Local business climate

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
	404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
Q8. In your view, how has the environment for small businesses changed in your city during the last two years?														
Improved	23	24	21	27	18	24	22	24	15	25	19	22	21	27
Unchanged	22	23	19	23	22	21	22	23	21	20	24	23	21	20
Deteriorated	39	42	42	41	32	43	37	38	42	40	40	40	42	36
Hard to say	16	10	17	9	29	12	19	15	22	14	16	16	17	17
Q9. How would you characterise the change in the following aspects of the environment for small businesses in your city during the last two years?														
<i>Demand for goods and services</i>														
Improved	27	26	31	23	31	27	27	29	17	32	30	22	28	30
Unchanged	23	23	22	30	17	24	23	28	16	20	25	23	19	26
Deteriorated	43	45	40	43	43	43	42	38	62	38	37	47	45	40
Hard to say	7	6	7	4	10	5	8	6	5	9	7	8	8	4
<i>Profit margins</i>														
Improved	17	12	19	17	21	19	16	20	9	19	22	14	11	22
Unchanged	22	23	21	20	22	20	22	22	19	23	21	22	22	22
Deteriorated	54	61	53	59	45	54	55	52	64	52	52	59	59	47
Hard to say	7	3	6	5	13	7	6	6	9	7	4	5	7	9
<i>Investment opportunities</i>														
Improved	23	28	23	21	22	27	21	29	19	16	18	20	19	33
Unchanged	25	16	28	24	34	22	27	23	25	31	36	26	20	24
Deteriorated	40	45	37	50	27	41	39	40	35	42	34	40	49	35
Hard to say	12	11	12	6	18	10	13	7	22	12	12	15	13	8
<i>Availability of external (domestic or foreign) finance</i>														
Improved	28	32	28	23	29	25	29	28	36	22	24	22	33	30
Unchanged	33	35	33	27	39	39	30	33	30	37	37	31	27	38
Deteriorated	24	19	22	35	18	20	26	24	22	24	24	28	26	18
Hard to say	15	14	17	15	15	16	14	15	12	17	15	18	14	14

Table A.2. **OECD survey of 404 small enterprises in the FRY (cont.)**

Local business climate

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
	404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
<i>Possibility to compete with existing firms</i>														
Improved	25	24	28	16	30	22	26	27	23	21	21	27	25	24
Unchanged	45	44	36	49	50	49	42	43	51	44	52	36	40	53
Deteriorated	19	23	20	23	8	17	20	18	15	22	19	22	23	11
Hard to say	12	8	16	13	12	12	12	12	11	13	7	15	13	12
<i>Relationship with employees</i>														
Improved	23	24	14	24	29	19	25	24	19	22	27	22	19	24
Unchanged	72	73	83	72	61	75	71	71	75	73	66	78	70	73
Deteriorated	3	2	3	3	5	5	2	3	4	3	4	1	7	2
Hard to say	2	..	1	2	5	1	2	1	2	3	3	..	4	2
<i>Relationship with tax authorities</i>														
Improved	14	16	13	17	9	14	13	15	19	8	9	14	14	16
Unchanged	62	64	64	50	68	61	62	57	64	68	63	62	60	62
Deteriorated	19	15	17	31	12	18	20	23	11	18	21	22	15	19
Hard to say	6	4	6	2	11	7	5	5	6	7	7	3	11	3
<i>Relationship with the local authority</i>														
Improved	14	21	14	18	5	20	11	16	11	14	12	13	13	18
Unchanged	62	65	60	52	72	59	64	59	72	62	66	63	60	62
Deteriorated	13	7	16	18	13	14	13	15	12	11	10	16	13	13
Hard to say	10	6	11	13	10	7	12	10	5	13	12	8	15	7
<i>Relationship with state authority/regulators</i>														
Improved	13	16	18	15	3	19	10	15	11	11	10	10	13	18
Unchanged	62	62	55	54	78	58	65	58	72	64	61	67	63	58
Deteriorated	11	9	12	13	11	12	10	14	7	9	16	12	7	10
Hard to say	13	12	15	19	8	11	15	14	10	15	12	10	18	14

Table A.2. OECD survey of 404 small enterprises in the FRY (cont.)

Local business climate

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
	404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
<i>Relationship with agencies supporting small business</i>														
Improved	11	12	10	16	8	10	12	16	6	8	7	8	10	18
Unchanged	44	41	42	33	58	48	41	41	48	44	46	41	41	46
Deteriorated	9	5	10	17	5	10	9	10	6	9	10	10	9	7
Hard to say	36	42	39	34	29	32	38	33	40	39	36	41	40	29
<i>Ease of obtaining official licenses</i>														
Improved	18	18	24	15	13	20	16	17	20	18	15	18	16	20
Unchanged	49	47	50	41	58	51	48	52	46	47	51	39	53	55
Deteriorated	20	22	14	29	14	16	22	20	19	21	21	24	21	14
Hard to say	13	12	12	15	15	13	14	12	16	14	13	19	10	10
<i>Tax legislation</i>														
Improved	17	17	23	18	9	26	11	19	17	14	9	11	19	25
Unchanged	41	37	42	32	54	39	43	37	42	49	43	42	42	39
Deteriorated	30	39	28	41	14	28	32	36	23	26	39	34	28	25
Hard to say	11	7	7	9	23	7	14	9	17	11	9	13	11	11
<i>Protection from criminal activity</i>														
Improved	16	8	15	22	20	13	18	14	26	14	16	16	8	22
Unchanged	50	60	52	39	48	53	48	52	53	44	48	45	56	50
Deteriorated	16	20	14	15	16	19	14	18	6	19	22	18	15	12
Hard to say	18	11	19	25	17	15	20	17	15	23	13	22	21	15
<i>Efficiency of the judicial system</i>														
Improved	9	11	9	12	6	8	10	10	9	8	9	7	8	13
Unchanged	53	53	50	51	58	55	52	54	58	48	54	49	58	52
Deteriorated	17	17	17	18	16	18	16	17	14	20	21	17	17	15
Hard to say	21	18	24	20	20	19	22	20	20	23	16	27	17	20

Table A.2. **OECD survey of 404 small enterprises in the FRY (cont.)**

Local business climate

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
	404	98	103	102	101	153	251	205	81	118	67	116	96	125

Per cent

Q10. In your view, how has the burden on small businesses changed in the last two years with respect to the following:

<i>Taxes</i>														
Increased	65	62	56	73	67	64	65	64	64	65	75	69	56	62
Unchanged	22	20	29	16	24	20	24	20	21	26	16	22	28	21
Decreased	8	12	12	8	2	11	7	12	9	3	1	5	11	13
Hard to say	5	5	3	4	7	5	5	3	6	6	7	3	4	5
<i>Social contributions</i>														
Increased	55	55	49	61	54	51	57	59	56	47	57	54	55	54
Unchanged	25	22	19	21	37	24	25	22	20	33	25	28	24	22
Decreased	17	20	30	15	2	22	14	18	17	15	10	16	16	22
Hard to say	4	2	2	4	7	3	4	1	7	5	7	3	5	2
<i>License and other fees</i>														
Increased	51	44	38	71	53	49	53	52	46	55	66	50	47	49
Unchanged	32	37	35	19	38	31	32	31	35	31	27	36	30	32
Decreased	8	12	13	7	2	10	7	10	6	8	1	6	9	14
Hard to say	8	7	15	4	7	9	8	7	14	6	6	8	14	6
<i>Number of licenses/permissions/certificates</i>														
Increased	32	27	21	41	38	26	35	30	32	35	39	39	22	29
Unchanged	45	47	47	40	48	47	44	43	37	54	49	39	45	50
Decreased	12	14	17	14	2	16	10	16	11	5	4	11	10	18
Hard to say	11	12	15	5	13	11	11	11	20	6	7	11	23	4

Table A.2. **OECD survey of 404 small enterprises in the FRY (cont.)**
Operating difficulties faced by small businesses

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
<i>Employment regulations</i>														
Increased	24	23	25	35	11	25	23	30	14	19	25	22	20	27
Unchanged	48	46	47	40	58	46	49	44	44	56	54	53	46	42
Decreased	7	15	6	7	2	7	8	9	7	5	3	6	10	9
Hard to say	21	15	22	18	29	22	21	17	35	19	18	19	24	22
<i>Health and safety regulations</i>														
Increased	30	27	35	44	15	34	28	36	22	26	30	30	30	30
Unchanged	53	58	49	38	68	48	57	49	57	58	60	52	50	54
Decreased	4	7	3	6	1	5	4	4	5	3	3	4	5	4
Hard to say	12	8	14	12	16	13	12	11	16	12	7	14	15	12
<i>Environmental regulations</i>														
Increased	24	14	33	29	20	22	25	28	23	18	30	23	17	28
Unchanged	50	60	38	45	58	53	49	49	57	47	58	44	55	48
Decreased	2	6	2	..	1	3	2	1	6	2	1	3	3	1
Hard to say	23	19	27	25	21	22	24	21	14	33	10	29	25	23
Q1 Ia. Which was the most significant difficulty in starting-up your firm?														
Costs of registration (payments)	13	8	11	16	18	14	13	14	15	11	19	16	13	8
Registration procedure (time and complexity)	25	24	28	27	22	25	25	27	23	24	25	28	25	24
Funding start-up costs and working capital	30	31	34	21	36	29	31	29	35	30	30	33	31	27
Opening a bank account	0	..	..	1	..	..	0	0	..	..	..	1	..	..
Finding suitable premises	4	8	1	3	5	2	6	3	5	5	4	3	3	6
Obtaining necessary licenses	11	12	12	12	8	12	10	9	10	15	10	8	13	13

Table A.2. **OECD survey of 404 small enterprises in the FRY (cont.)**
Operating difficulties faced by small businesses

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
Attracting suitable managers	1	..	1	3	2	1	2	2	1	1	..	1	2	2
Attracting suitable employees	2	3	3	1	2	1	3	1	4	3	..	3	1	4
Finding suppliers	2	4	1	4	..	2	2	3	2	1	..	3	2	3
Establishing relations with potential customers	5	5	6	4	4	6	4	6	2	4	7	3	5	5
Establishing relations with local authorities	1	..	1	1	1	1	0	1	..	1	..	..	1	2
Extortion by criminal groups	0	..	..	1	..	..	0	..	1	..	..	..	..	1
Other	0	..	..	1	..	1	..	..	1	..	..	1	..	..
No response	4	4	3	6	3	5	3	5	..	5	3	3	4	6
Q1 1b. Which were the three most significant difficulties in starting-up your firm?														
Costs of registration (payments)	21	14	21	28	20	24	20	23	23	16	25	27	20	14
Registration procedure (time and complexity)	52	43	59	63	42	53	51	54	46	53	52	59	48	48
Funding start-up costs and working capital	55	54	57	53	56	58	53	51	59	59	67	56	52	50
Opening a bank account	2	3	4	2	1	1	3	3	2	2	3	1	3	3
Finding suitable premises	24	29	18	19	30	18	27	23	30	20	22	22	23	27
Obtaining necessary licenses	40	41	36	33	49	37	41	39	41	41	42	41	34	41

Table A.2. **OECD survey of 404 small enterprises in the FRY (cont.)**
Operating difficulties faced by small businesses

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
Attracting suitable managers	8	2	4	15	13	7	9	10	9	6	1	4	14	12
Attracting suitable employees	16	13	21	15	16	15	17	18	15	15	12	16	17	19
Finding suppliers	16	15	15	14	20	16	16	14	25	14	18	18	15	14
Establishing relations with potential customers	27	30	30	24	27	22	31	27	30	27	27	23	35	26
Establishing relations with local authorities	11	8	12	9	14	12	10	8	10	15	6	9	11	14
Extortion by criminal groups	2	3	3	1	1	3	2	2	1	3	3	2	1	2
Other	1	2	2	1	1	2	1	2	1	1	..	1	2	2
No response	11	17	7	13	7	15	8	13	2	13	9	8	11	14
Q12a. Which is the most significant difficulty in operating your firm?														
Increasing wages	4	1	10	4	2	7	3	4	5	4	1	5	5	4
Increasing cost of other inputs	14	14	21	11	10	17	12	13	16	15	10	18	11	14
Unreliable supply of inputs	2	5	4	1		1	3	1	1	5		3	4	2
Insufficient working capital	14	14	18	15	10	16	13	13	19	14	21	15	16	10
Insufficient capital for investment	5	7	4	2	7	5	5	7	2	3	3	4	5	6
Insufficient credit	11	14	5	17	8	9	12	15	6	7	7	9	11	14
Obsolete technology	2	3	1	2	2	3	2	3	1	1	4	1	2	2

Table A.2. **OECD survey of 404 small enterprises in the FRY (cont.)**
Operating difficulties faced by small businesses

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
Inability to find suitably skilled employees	3	2	3	4	3	3	3	4	3	1	3	3	3	
Insufficient customer purchasing power	25	23	17	20	40	21	27	20	35	28	28	28	18	26
Fierce competition	5	3	7	7	4	5	5	6	2	6	4	5	7	4
Changing legislation and regulations	3	3	2	2	4	3	3	2	1	5	3	..	4	4
Conflict with owners of the firm	0	1	..	..	..	1	..	0	..	..	..	..	..	1
High local taxes	2	..	1	8	1	3	2	2	..	4	3	3	3	2
High national taxes	5	3	2	6	8	3	6	5	6	3	7	4	5	3
Other	4	5	5	3	2	4	4	5	1	3	4	2	4	5
Q12b. Which are the three most significant difficulties in operating your firm?														
Increasing wages	8	2	17	9	6	10	8	7	11	8	3	9	8	10
Increasing cost of other inputs	33	26	42	33	33	35	32	33	37	31	25	43	25	35
Unreliable supply of inputs	8	12	9	7	4	7	9	9	4	9	7	9	7	7
Insufficient working capital	29	27	35	29	25	31	28	28	28	31	42	29	26	24
Insufficient capital for investment	24	31	29	14	21	26	22	28	15	22	24	21	29	22
Insufficient credit	32	36	32	39	20	35	30	40	20	25	27	25	34	38
Obsolete technology	11	12	7	19	6	11	11	13	11	7	12	10	11	10
Inability to find suitably skilled employees	8	6	8	6	11	7	8	6	9	9	4	9	10	6

Table A.2. **OECD survey of 404 small enterprises in the FRY (cont.)**

Operating difficulties faced by small businesses

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
Insufficient customer purchasing power	59	57	56	53	70	52	63	50	75	64	72	53	57	59
Fierce competition	26	21	26	20	37	22	28	22	32	29	25	22	30	26
Changing legislation and regulations	11	14	5	13	14	12	11	11	12	12	6	11	9	16
Conflict with owners of the firm	0	1	..	..	1	1	0	1	..	..	..	..	1	1
High local taxes	10	7	8	18	6	13	8	10	6	11	9	11	13	6
High national taxes	24	20	16	27	34	25	24	23	28	24	27	27	24	21
Harassment by state or local authorities	1	2	1	..	1	1	1	1	1	..	..	..	2	2
Other	6	11	6	4	4	6	6	9	2	4	7	5	5	7
Q13. How difficult is it currently for your firm to undertake the following?														
<i>Open a bank account</i>														
Difficult	3	6	4	2	1	2	4	4	2	3	6	1	5	2
Not so difficult	37	29	44	22	53	38	36	39	35	36	42	39	33	35
Quite easy	60	65	52	76	46	60	60	58	63	62	52	60	61	62
<i>Obtain bank credit</i>														
Difficult	55	83	61	39	40	57	55	62	43	52	61	53	57	54
Not so difficult	35	15	35	38	50	34	35	29	43	38	30	35	35	36
Quite easy	10	2	4	23	11	9	10	8	14	10	9	12	7	10
<i>Obtain financial support from business partners, other enterprises or private individuals</i>														
Difficult	64	72	76	60	50	65	64	66	58	66	67	68	64	60
Not so difficult	29	23	19	31	43	27	30	28	35	28	25	26	30	34
Quite easy	6	4	5	9	8	7	6	6	7	6	7	6	6	6

Table A.2. **OECD survey of 404 small enterprises in the FRY (cont.)**
Operating difficulties faced by small businesses

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
<i>Hire employees</i>														
Difficult	32	31	28	35	33	31	32	30	43	27	48	29	29	27
Not so difficult	42	41	47	36	45	38	45	40	37	48	34	45	45	42
Quite easy	26	29	25	28	23	31	24	30	20	25	18	26	26	31
<i>Dismiss employees</i>														
Difficult	32	20	28	22	57	27	35	28	43	31	43	28	31	30
Not so difficult	37	44	49	29	26	32	40	38	30	40	33	41	36	35
Quite easy	31	36	23	49	17	41	25	34	27	29	24	30	32	35
<i>Purchase new equipment</i>														
Difficult	76	76	82	76	72	74	78	80	69	75	79	77	79	73
Not so difficult	19	22	17	20	18	22	18	16	27	19	16	16	18	25
Quite easy	4	2	1	4	10	5	4	4	4	5	4	7	3	2
<i>Find suitably skilled and qualified employees</i>														
Difficult	37	40	47	35	27	37	37	40	30	37	33	37	39	38
Not so difficult	45	37	43	49	50	44	45	45	46	44	49	41	46	46
Quite easy	18	23	11	16	23	19	18	15	25	19	18	22	16	16
<i>Purchase timely business advice</i>														
Difficult	34	35	40	37	25	35	34	40	23	32	30	33	42	32
Not so difficult	55	49	52	60	60	52	57	52	69	52	55	59	48	58
Quite easy	10	16	8	3	15	13	9	8	7	16	15	9	10	10
<i>Obtain licenses/certificates</i>														
Difficult	40	48	35	52	27	40	41	43	32	41	40	38	48	37
Not so difficult	51	44	54	47	59	47	54	49	60	48	48	52	47	56
Quite easy	8	8	11	1	14	13	6	7	7	11	12	10	5	7
<i>To expand</i>														
Difficult	66	71	67	68	58	66	66	66	68	65	70	65	69	63
Not so difficult	30	26	30	31	35	29	31	30	30	32	27	30	28	34
Quite easy	3	3	3	1	7	5	2	4	2	3	3	5	3	2

Table A.2. **OECD survey of 404 small enterprises in the FRY (cont.)**

Operating difficulties faced by small businesses

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
<i>To lobby the authorities</i>														
Difficult	69	67	65	66	79	62	74	67	72	71	70	72	71	65
Not so difficult	21	18	26	26	11	25	18	22	17	19	16	20	21	23
Quite easy	3	1	1	5	6	6	2	3	5	2	3	3	4	2
No response	7	13	8	3	4	7	7	7	6	8	10	4	4	10
<i>Protect the business from extortion</i>														
Difficult	30	41	36	21	22	25	33	33	20	31	30	29	29	30
Not so difficult	43	30	46	49	49	43	43	42	49	42	43	40	44	46
Quite easy	18	6	14	25	27	23	15	16	23	18	19	22	19	13
No response	9	23	5	6	3	9	9	10	7	9	7	9	8	10
Q14. Which of the following have been particularly obstructive to your firm's operations?														
Health and sanitation	1	..	4	1	..	1	2	2	1	..	1	..	1	2
Fire	2	2	6	1	..	2	2	3	1	2	..	3	1	4
Tax	30	39	26	37	19	33	28	33	27	28	25	31	33	30
ZOP	1	2	3	..	1	3	1	1	4	1	..	3	1	2
Local authority	5	3	8	2	6	5	4	3	4	8	3	3	5	6
State authority	5	7	8	..	4	5	5	4	4	6	4	5	5	4
Other	8	8	5	13	8	9	8	10	2	9	9	5	8	11
None	47	39	41	46	62	42	50	44	57	46	57	50	45	41
Q15. Which actions do you take if you believe regulatory bodies are exceeding their legal authority?														
Complain to the local authority	5	3	2	7	8	5	5	6	2	4	4	3	5	6
Complain to a state authority	4	7	1	5	5	3	5	4	4	5	1	6	3	6
Complain to the employers' federation/ chamber of commerce	3	1	5	1	5	3	3	2	5	3	..	..	4	6
Go to court	12	13	12	15	8	14	10	14	5	13	9	10	15	13
Try to negotiate a compromise	54	48	62	56	50	54	55	52	68	49	57	49	54	58

Table A.2. **OECD survey of 404 small enterprises in the FRY (cont.)**
Operating difficulties faced by small businesses

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
Comply anyway	17	19	13	17	18	16	17	17	14	18	21	25	16	7
Other	0	..	1	..	1	1	0	0	..	1	..	..	..	2
No response	4	8	5	..	5	5	4	3	2	8	7	6	3	2
Q16. How much competition does your firm face?														
None	2	3	2	2	2	3	2	3	1	2		3	2	2
Little	4	5	1	4	7	7	2	4	4	4	6	3	7	2
Moderate	26	21	25	38	18	29	24	27	25	24	28	24	23	28
Fierce	63	65	67	49	69	58	66	60	67	64	58	64	63	64
Hard to say	5	5	5	7	4	4	6	5	4	7	7	5	5	4
Q17. Who are your firm's main competitors?														
Similar local private firm(s)	49	43	52	52	48	41	54	47	51	50	54	54	47	42
Local medium/large firm(s)	15	23	11	9	17	15	15	11	19	19	18	17	13	13
Other Yugoslav firms	15	7	16	23	14	20	12	18	14	11	9	10	19	19
Foreign firms	4	7	5	4	2	5	4	5	4	3	4	3	5	6
Other (specify)	9	13	10	3	9	8	9	10	5	9	9	7	8	10
There is no competition	3	3	3	3	2	4	2	3	..	3	3	3	2	2
Hard to say	6	3	4	7	9	7	5	6	9	3	3	5	6	7
Q18. On average, how difficult would it be for you to start another business in a different city/region compared with your firm's city/region?														
Considerably more difficult	28	23	30	38	19	27	28	28	20	32	39	28	26	22
Somewhat more difficult	19	11	17	23	24	14	22	17	28	16	13	19	24	18
Similar	18	30	22	12	9	20	17	20	11	19	15	22	15	19
Easier	3	7	2	1	2	2	4	4	1	2	3	3	1	4
Hard to say	32	29	28	26	47	37	29	30	40	31	30	28	34	37

Table A.2. OECD survey of 404 small enterprises in the FRY (cont.)

Business relationships

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
Q19. The level of wages in your firm is fixed in:														
Dinars	66	85	87	91	..	75	60	76	47	62	57	66	68	69
€ (EUR)	32	13	7	8	100	24	37	23	51	34	43	34	29	26
Other (DEM)	2	2	6	1	..	1	3	1	2	4	..	..	3	5
Q20. If the dinar falls against the €(DM), would you expect the dinar prices of goods you purchase from Yugoslav companies during the subsequent 2 months to:														
Increase proportionately	53	48	52	78	35	49	56	56	58	47	55	61	47	50
Increase less than proportionately	4	7	3	3	2	5	3	4	4	3	..	4	6	3
Increase more than proportionately	15	23	26	6	4	21	11	15	7	19	6	16	16	18
No change	3	1	8	1	3	4	3	1	4	6	6	2	4	2
Hard to say	25	20	11	12	56	22	27	24	27	25	33	17	27	26
Q21. In your view, which three of the following are the most helpful in collecting payments due to your firm?														
Having a formal contract	42	34	36	45	51	41	42	41	47	38	49	39	32	47
Having a good working relationship	48	43	40	48	59	45	49	46	54	45	51	50	44	46
Having a strong friendly relationship	50	46	45	45	62	46	51	44	60	51	54	48	53	46
The option to call on official authorities	10	17	11	6	5	10	10	11	5	11	12	8	10	10
The option to call on informal enforcement	2	5		3	2	1	3	2	4	2	1	3	4	2
There are no effective ways to collect debt	36	20	44	47	31	36	35	37	30	38	24	34	40	41

Table A.2. OECD survey of 404 small enterprises in the FRY (cont.)

Business relationships

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
Q22. To what extent can you rely on formal contracts to obtain payments due to your firm?														
Always	8	10	4	10	8	9	7	9	6	7	4	11	4	10
Usually	24	17	22	21	35	25	23	23	20	27	25	20	20	30
Sometimes	31	22	36	25	39	29	31	29	41	27	42	28	26	30
Hardly ever	24	35	24	28	10	22	25	22	22	29	12	28	33	21
Not at all	13	15	14	16	9	14	13	16	11	10	16	13	17	10
Q23. Which of the following do you usually use to resolve conflicts with your customers and suppliers:														
Face-to-face negotiation	75	62	75	76	86	68	79	70	90	74	87	74	79	66
Appeal to state or local authorities	2	3	2	1	1	3	1	2	..	2	1	2	4	..
Commercial court	14	18	16	16	8	19	12	17	6	15	10	13	9	22
Arbitration or other courts	3	5	3	4	..	5	2	3	1	3	..	4	2	4
Other third party mediation	2	3	3	..	3	1	3	2	..	3	..	3	1	4
No response	4	8	2	3	2	5	3	5	2	3	1	4	4	4
Q24. How would you characterize the business relationships with your customers and suppliers?														
Predominantly reliable/predictable	62	64	63	55	64	62	61	61	69	58	58	59	61	66
Mixed	34	29	34	36	36	31	35	34	30	36	37	34	34	31
Predominantly unreliable/unpredictable	3	5	3	6	..	5	2	4	1	4	3	5	3	2
No response	1	2	..	3	..	1	1	1	..	2	1	2	1	1
Q25. With which groups do you believe it is most important for your firm to form a close long-term business relationship?														
Suppliers	69	65	77	73	59	69	68	73	68	61	60	69	71	71
Customers	93	95	96	88	91	90	94	92	94	93	94	91	91	95
Banks	45	42	51	51	36	47	44	49	41	42	36	42	50	49
Local authority	4	5	5	3	2	5	3	3	1	7	1	2	6	5
State authorities	5	11	4	1	5	5	6	8	..	3	1	6	7	5

Table A.2. **OECD survey of 404 small enterprises in the FRY (cont.)**

Business relationships

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
Tax authorities	6	5	10	7	1	5	6	6	1	8	4	8	3	6
Other regulatory authorities	2	2	3	2	1	3	2	2	..	3	1	1	3	2
Other	1	..	3	..	..	1	0	..	..	3	..	..	..	2
Q26. How difficult is it to establish a working relationship with the following institutions?														
<i>Banks</i>														
Difficult	25	28	30	17	28	29	23	29	20	24	33	20	26	26
Not so difficult	46	49	46	37	53	44	47	46	44	47	45	45	49	46
Quite easy	28	23	24	46	19	26	29	25	36	29	22	35	25	27
<i>Local authorities</i>														
Difficult	43	47	42	28	55	40	45	44	44	41	52	43	36	43
Not so difficult	48	43	51	57	42	50	47	48	49	48	39	47	56	49
Quite easy	9	10	7	15	3	10	8	8	6	11	9	10	7	8
<i>State authorities</i>														
Difficult	54	62	50	44	61	50	57	55	59	50	55	50	54	58
Not so difficult	40	30	47	45	37	41	39	39	38	42	40	41	42	37
Quite easy	6	8	4	11	2	9	4	7	2	8	4	9	4	6
<i>Tax authorities</i>														
Difficult	50	54	32	57	58	43	55	51	59	43	51	52	54	46
Not so difficult	40	34	58	30	36	44	37	41	31	43	39	36	41	42
Quite easy	10	12	10	13	6	13	8	8	10	14	10	12	5	12
<i>Public prosecutors office</i>														
Difficult	50	58	32	43	67	42	55	50	59	44	54	49	51	48
Not so difficult	38	30	49	46	27	46	33	41	27	39	37	39	38	38
Quite easy	4	1	3	8	4	3	4	3	1	7	3	5	..	6
No response	8	11	17	3	2	8	8	5	12	10	6	7	11	8

Table A.2. OECD survey of 404 small enterprises in the FRY (cont.)

Business relationships

Number	Total	Stratum				Founded		Principal sector			Number of employees				
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10	
	404	98	103	102	101	153	251	205	81	118	67	116	96	125	
Per cent															
<i>Other regulatory authorities</i>															
Difficult	40	49	27	33	50	36	42	42	47	31	42	41	40	38	
Not so difficult	48	39	56	52	43	52	45	48	38	53	48	49	50	44	
Quite easy	5	5	4	9	4	6	5	5	2	8	4	6	2	8	
No response	7	7	13	6	3	7	8	5	12	8	6	4	8	10	
<i>Licensing/certification authorities</i>															
Difficult	42	43	28	49	47	42	41	47	42	32	46	35	46	42	
Not so difficult	44	44	53	37	40	41	45	41	40	50	39	47	44	43	
Quite easy	8	4	10	6	11	8	7	4	11	11	9	11	4	6	
No response	7	9	9	8	3	9	6	7	7	7	6	7	6	9	
Q27. Which one of the following best characterizes the current financial condition of your firm?															
Stable	67	58	67	68	74	62	70	65	68	69	52	70	65	74	
Unstable	24	32	25	19	20	29	21	26	23	20	37	20	23	21	
Critical	9	10	8	14	6	9	10	9	9	10	10	10	13	6	
Q28. How have the following main indicators of activity changed during the last two years in your firm?															
<i>Level of production</i>															
Improved	31	32	30	37	25	33	29	44	9	23	21	21	36	42	
Unchanged	34	28	40	33	37	35	34	29	38	41	43	40	29	29	
Deteriorated	21	28	17	25	15	24	20	26	15	17	24	21	21	21	
No response	13	13	13	4	24	8	16	..	38	19	12	19	14	9	
<i>Sales</i>															
Improved	29	33	29	29	26	29	29	37	17	25	24	19	30	41	
Unchanged	32	24	31	36	35	32	31	26	41	36	33	36	29	29	
Deteriorated	38	41	40	34	37	38	38	37	42	36	39	45	40	30	
No response	1	2	..	..	3	1	2	0	..	3	4	..	1	1
<i>Profitability</i>															
Improved	20	16	16	22	28	17	22	23	12	21	21	14	18	28	
Unchanged	35	31	41	32	36	37	34	35	36	35	36	38	31	34	
Deteriorated	45	53	44	46	37	46	44	42	52	44	43	48	51	38	

Table A.2. OECD survey of 404 small enterprises in the FRY (cont.)

Business relationships

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
<i>Average wages</i>														
Improved	31	32	32	32	27	29	31	36	19	31	24	25	30	40
Unchanged	49	45	48	46	56	48	49	44	65	46	54	50	50	44
Deteriorated	21	23	20	22	17	23	19	20	16	24	22	25	20	16
<i>Number of employees</i>														
Improved	25	22	19	29	28	19	28	27	21	24	7	16	25	42
Unchanged	64	64	64	62	65	60	66	61	69	64	76	72	67	47
Deteriorated	11	13	17	9	7	21	6	12	10	12	16	12	8	10
<i>Competitiveness</i>														
Improved	41	38	32	34	58	30	47	40	43	40	42	38	33	48
Unchanged	39	43	41	42	31	44	36	39	37	41	43	41	40	34
Deteriorated	20	19	27	24	11	26	17	21	20	19	15	21	27	18
Q29. During 2002 do you plan to:														
<i>Increase turnover significantly</i>														
No	15	24	12	16	9	14	16	15	16	14	15	16	15	14
Yes	69	68	77	62	69	70	69	72	62	69	72	66	68	72
Undecided	16	7	12	23	22	16	16	13	22	16	13	18	18	14
<i>Increase output significantly</i>														
No	20	21	22	20	18	22	20	18	32	16	21	22	21	18
Yes	53	62	55	53	43	60	49	72	16	46	48	45	51	66
Undecided	17	5	14	25	24	12	20	9	25	25	21	19	19	11
No response	10	11	9	3	16	7	12	0	27	14	10	14	9	6
<i>Radically change the product line</i>														
No	58	66	74	44	50	63	56	62	52	57	54	58	70	53
Yes	16	14	11	25	12	15	16	24	5	8	16	10	13	22
Undecided	16	8	7	28	21	16	16	14	15	21	21	16	9	18
No response	10	11	9	2	18	7	12	0	28	14	9	16	8	6
<i>Acquire other firm(s)</i>														
No	79	84	83	72	77	78	79	76	78	85	84	83	82	70
Yes	8	8	8	8	8	6	9	8	10	7	7	7	7	10
Undecided	13	8	9	21	15	16	12	16	12	8	9	10	10	20

Table A.2. OECD survey of 404 small enterprises in the FRY (cont.)

Business relationships

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
<i>Establish subsidiaries or branches</i>														
No	67	65	68	67	68	67	67	64	74	68	73	76	65	58
Yes	19	26	26	9	14	17	20	20	12	21	13	12	22	25
Undecided	14	9	6	25	18	16	14	17	14	11	13	12	14	18
<i>Break-up the firm</i>														
No	92	96	94	91	87	92	92	94	88	92	90	93	95	90
Yes	2	..	2	5	..	2	2	2	1	1	3	1	..	3
Undecided	6	4	4	4	13	6	6	4	11	7	7	6	5	6
<i>Merge with another enterprise</i>														
No	89	89	90	92	84	91	88	89	90	88	84	91	86	92
Yes	3	5	2	..	4	1	4	3	2	3	6	3	2	2
Undecided	8	6	8	8	12	8	9	8	7	9	10	7	11	6
<i>Liquidate the firm</i>														
No	94	94	98	92	91	95	93	95	91	93	91	92	96	95
Yes	2	2	..	4	1	2	2	2	2	1	3	2	3	..
Undecided	4	4	2	4	8	3	5	3	6	6	6	6	1	5
<i>Sell the firm</i>														
No	92	92	95	92	90	92	92	94	90	92	94	91	94	92
Yes	2	3	2	4	..	3	2	2	4	2	3	3	3	1
Undecided	5	5	3	4	10	5	6	4	6	7	3	7	3	7
Q30. Are you confident that your firm will survive over the next:														
3 months	2	1	1	4	3	1	3	2	2	2	7	3	1	..
6 months	2	4	1	1	1	3	1	3	..	..	1	3	1	2
12 months	5	11	1	3	4	3	6	4	2	7	4	5	6	3
24 months	2	3	1	1	4	3	2	3	1	2	1	3	3	1
36 months	2	2	2	5	1	2	3	3	1	3	3	5	1	1
> 36 months	69	57	75	74	71	73	67	70	72	67	60	59	70	83
Hard to say	17	21	19	13	16	16	18	14	21	20	22	22	18	10

Table A.2. OECD survey of 404 small enterprises in the FRY (cont.)

Business relationships

Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
	404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
Q31. Are there sufficient suppliers in your city/region of the following services to small business?														
<i>Financial/credit (banks)</i>														
Enough	41	27	27	64	46	39	42	39	54	36	40	41	40	42
Not enough	38	56	36	26	35	39	37	41	31	38	31	37	38	43
Practically none	9	10	18	2	7	11	8	11	6	8	10	6	11	10
Hard to say	12	7	18	8	13	10	12	9	9	18	18	16	11	5
<i>Leasing contracts</i>														
Enough	10	10	6	3	23	10	11	10	12	9	15	9	15	6
Not enough	31	36	31	35	22	29	32	35	28	26	31	28	32	32
Practically none	33	35	39	24	35	37	31	31	30	38	33	35	27	35
Hard to say	26	19	24	38	21	24	27	24	30	26	21	28	26	26
<i>Legal advice on registering firms</i>														
Enough	55	46	51	56	67	59	53	50	59	61	61	54	50	57
Not enough	24	29	25	25	16	24	24	27	20	20	22	22	23	27
Practically none	9	13	11	7	5	6	11	10	9	7	9	12	9	6
Hard to say	12	12	13	12	12	12	12	12	12	12	7	12	18	10
<i>Other legal advice</i>														
Enough	56	52	49	54	69	58	55	53	59	59	64	50	53	59
Not enough	25	26	30	29	16	22	27	26	20	27	24	28	24	25
Practically none	8	12	10	6	4	10	7	10	10	3	7	10	7	6
Hard to say	11	10	12	11	11	10	12	11	11	10	4	12	16	10
<i>Advice on producing official certificates for goods/services, etc.</i>														
Enough	30	36	21	25	41	32	29	27	41	30	37	33	26	28
Not enough	33	38	33	38	23	33	33	38	25	30	34	23	34	40
Practically none	15	13	20	17	10	17	14	17	10	15	9	18	17	14
Hard to say	22	13	25	21	27	18	24	18	25	25	19	26	23	18
<i>Business consulting</i>														
Enough	21	28	17	9	31	25	18	19	26	20	30	22	17	18
Not enough	34	38	30	40	30	33	35	36	41	28	31	31	39	36
Practically none	25	17	34	35	14	26	25	28	15	28	22	23	24	30
Hard to say	20	17	19	16	26	16	22	18	19	24	16	24	21	16

Table A.2. OECD survey of 404 small enterprises in the FRY (cont.)

Business relationships														
Number	Total	Stratum				Founded		Principal sector			Number of employees			
		Belgrade	Vojvodina	Central Serbia	Montenegro	1991 and before	Since 1991	Manufacturing	Commerce	Other	1 or 2	3-5	6-10	> 10
		404	98	103	102	101	153	251	205	81	118	67	116	96	125
Per cent														
<i>Auditing</i>														
Enough	77	83	76	80	71	78	77	74	83	80	84	78	74	77
Not enough	11	11	12	10	13	9	13	14	10	8	10	13	11	10
Practically none	4	2	5	6	4	5	4	5	2	3	3	5	4	4
Hard to say	7	4	8	4	12	8	6	6	5	9	3	4	10	9
<i>Book-keeping</i>														
Enough	89	93	92	86	83	87	90	87	89	91	97	88	88	86
Not enough	6	5	6	9	6	6	7	8	5	4	3	7	5	9
Practically none	1	1	1	2	1	2	1	1	..	2	..	2	1	2
Hard to say	4	1	1	3	10	5	3	3	6	3	..	3	6	4
<i>Advice on protecting intellectual property</i>														
Enough	22	33	17	12	26	29	18	21	23	21	30	19	21	21
Not enough	26	30	24	22	28	22	28	26	30	23	27	29	24	23
Practically none	29	13	36	46	19	26	30	33	17	29	21	26	28	36
Hard to say	24	24	22	21	28	23	24	20	30	27	22	26	27	20
<i>Internet service providers</i>														
Enough	63	81	64	42	66	59	65	65	68	57	67	62	69	58
Not enough	20	16	24	25	14	24	18	19	15	26	21	19	15	25
Practically none	6	1	5	15	3	6	6	8	6	3	4	8	5	6
Hard to say	11	2	7	18	17	11	11	9	11	14	7	11	11	12
<i>IT software and databases</i>														
Enough	49	58	48	28	61	45	51	47	58	45	58	51	46	44
Not enough	28	34	36	28	16	32	26	26	23	36	27	28	28	30
Practically none	8	4	7	18	3	9	7	11	7	3	4	7	7	11
Hard to say	15	4	10	25	20	14	16	15	11	17	10	14	19	15

Table A.3. Description of HS 4-digit codes

HS 4-digit	Description
2230	Alcohol
5210	Woven fabrics of cotton, containing 50 % to 85 % cotton by weight, mixed principally or solely with man-made fibres and weighing = < 200 g per M2
2402	Cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes
0803	Bananas, incl. plantains, fresh or dried
8802	Powered aircraft -e.g. helicopters and aeroplanes-; spacecraft -incl. satellites- and spacecraft launch vehicles
1005	Maize or corn
1701	Cane or beet sugar and chemically pure sucrose, in solid form
8471	Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data N.E.S.
3102	Mineral or chemical nitrogenous fertilizers (excl. those in pellet or similar forms, or in packages with a gross weight of = < 10 Kg)
2304	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil
3105	Mineral or chemical fertilizers containing two or three of the fertilizing elements nitrogen, phosphorus and potassium; other fertilizers (excl. pure animal or vegetable fertilizers or mineral or chemical nitrogenous, phosphatic or potassic fertilizers)
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather (excl. orthopaedic footwear, skating boots with ice or roller skates attached, and toy footwear)
8402	Steam or other vapour generating boilers (excl. central heating hot water boilers capable also of producing low pressure steam); super-heated water boilers
8429	Self-propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers
7302	Railway or tramway track construction material of iron or steel, the following : rails, check-rails and rack rails, switchblades, crossing frogs, point rods and other crossing pieces, sleepers cross-ties, fish-plates, chairs, chair wedges, sole plate
1806	Chocolate and other food preparations containing cocoa
8528	Television receivers -incl. video monitors and video projectors-, whether or not combined, in the same housing, with radio-broadcast receivers or sound or video recording or reproducing apparatus
8418	Refrigerators, freezers and other refrigerating or freezing equipment, electric or other; heat pumps (excl. air conditioning machines of heading No. 8415)
9403	Furniture and parts thereof n.e.s. (excl. seats and medical, surgical, dental or veterinary furniture)
8443	Printing machinery (excl. hectograph or stencil duplicating machines, addressing machines and other office printing machines of heading Nos 8469 to 8472); machines for uses ancillary to printing, for the feeding, carriage or further processing
8433	Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers; machines for cleaning, sorting or grading eggs, fruit or other agricultural produce (other than machines for cleaning, sorting or grading seed
9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences, incl. scintigraphic apparatus, other electro-medical apparatus and sight-testing instruments N.E.S.
8422	Dish-washing machines; machinery for cleaning or drying bottles or other containers; machinery for filling, closing, sealing, capsuling or labelling bottles, cans, boxes, bags or other containers; other packing or wrapping machinery
3402	Organic surface-active agents (excl. soaps); surface-active preparations, washing preparations, incl. auxiliary washing preparations, and cleaning preparations, whether or not containing soap (excl. those of heading 3401)

Table A.3. Description of HS 4-digit codes (cont.)

HS 4-digit	Description
7210	Flat-rolled products of iron or non-alloy steel, of a width \geq 600 Mm, hot-rolled Or Cold-Rolled Cold-Reduced, Clad, Plated Or Coated
2106	Food Preparations N.E.S.
8516	Electric instantaneous or storage water heaters and immersion heaters; electric space heating apparatus and the like; electro-thermic hair-dressing apparatus, <i>e.g.</i> hair dryers, hair curlers and curling tong heaters, and hand dryers
4011	New pneumatic tyres, of rubber
8504	Electrical transformers, static converters, <i>e.g.</i> rectifiers, and inductors
0303	Frozen fish (excl. fish fillets and other fish meat of heading 0304)
8415	Air conditioning machines comprising a motor-driven fan and elements for changing the temperature and humidity, including those machines in which the humidity cannot be separately regulated
8406	Steam turbines and other vapour turbines
8450	Household or laundry-type washing machines, including machines which both wash and dry
3907	Polyacetate, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms
3004	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, in measured doses or put up for retail sale (excl. goods of headings 3002, 3005 or 3006)
2009	Fruit juices, incl. grape must, and vegetable juices, unfermented, not containing added spirit, whether or not containing added sugar or other sweetening matter
8481	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, incl. pressure-reducing valves and thermostatically controlled valves
4818	Toilet tissue, handkerchiefs, make-up removal tissues, towels, tablecloths, serviettes, nappies, sanitary towels and tampons, bed sheets and similar articles for household or medical use, personal hygiene or sanitary products, clothing and clothing access
8525	Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus of sound recording or reproducing apparatus; television cameras
7010	Carboys, bottles, flasks, jars, pots, phials, ampoules and other containers, of glass, of a kind used for the conveyance or packing of goods, preserving jars, stoppers, lids and other closures, of glass (excl. glass envelopes and containers...)
8708	Parts and accessories for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motorvehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles
8477	Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this chapter
3304	Beauty or make-up preparations and skin care preparations, incl. sunscreen or sun tan preparations (excl. medicaments);manicure or pedicure preparations
4410	Particle board and similar board of wood or other ligneous materials, whether or not agglomerated with resins or other organic bonding agents
1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products
7408	Copper wire (excl. surgical sutures, stranded wire, cables, plaited bands and the like and other articles of heading 7413, electrically insulated wires and strings for musical instruments)
4801	Newsprint, in rolls or sheets as specified in note 7a or 7b to chapter 48

Source: Eurostat.

Table A.4. Detailed structure of exports, 2001

Products	Export share	Memorandum items	
		Import share	RCA
76 Aluminium and articles thereof	8.88	1.19	7.68
62 Articles of apparel and clothing accessories, not knitted or crocheted	7.11	0.99	6.13
44 Wood and articles of wood; wood charcoal	5.70	1.53	4.17
40 Rubber and articles thereof	5.03	1.30	3.73
39 Plastics and plastic products	4.71	4.23	0.47
72 Iron and steel	4.64	2.33	2.30
08 Edible fruit and nuts; peel of citrus fruits or melons	4.62	1.40	3.22
84 Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	4.54	10.20	-5.65
74 Copper and articles thereof	4.13	0.34	3.80
64 Footwear, gaiters and the like; parts of such articles	3.89	1.40	2.49
85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	3.34	4.69	-1.34
73 Articles of iron or steel	2.75	1.72	1.03
27 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	2.64	20.70	-18.06
17 Sugars and sugar confectionery	2.18	0.88	1.30
30 Pharmaceutical products	2.15	1.31	0.83
07 Edible vegetables and certain roots and tubers	2.04	0.45	1.58
61 Articles of apparel and clothing accessories, knitted or crocheted	2.01	0.44	1.57
87 Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	2.00	5.23	-3.22
94 Furniture; medical and surgical furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified; illuminated signs, illuminated name-plates and the like; prefabricated build	1.72	1.00	0.72
88 Aircraft, spacecraft, and parts thereof	1.65	0.97	0.69
Total	75.74	62.30	

Source: Federal Statistical Office and OECD.

Table A.5. Detailed structure of imports, 2001

Products	Import share	Memorandum items	
		Export share	RCA
27 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	20.70	2.64	-18.06
84 Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	10.20	4.54	-5.65
52 Cotton	5.34	0.27	-5.07
87 Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	5.23	2.00	-3.22
85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	4.69	3.34	-1.34
39 Plastics and plastic products	4.23	4.71	0.47
48 Paper and paperboard; articles of paper pulp, paper or paperboard	2.63	1.40	-1.23
72 Iron and steel	2.33	4.64	2.30
29 Organic chemicals	2.02	0.47	-1.56
22 Beverages, spirits and vinegar	1.83	0.73	-1.10
38 Miscellaneous chemical products	1.73	0.43	-1.30
73 Articles of iron or steel	1.72	2.75	1.03
90 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	1.63	0.60	-1.02
31 Fertilizers	1.55	0.11	-1.43
44 Wood and articles of wood; wood charcoal	1.53	5.70	4.17
24 Tobacco and manufactured tobacco substitutes	1.44	0.18	-1.27
08 Edible fruit and nuts; peel of citrus fruits or melons	1.40	4.62	3.22
64 Footwear, gaiters and the like; parts of such articles	1.40	3.89	2.49
30 Pharmaceutical products	1.31	2.15	0.83
40 Rubber and articles thereof	1.30	5.03	3.73
Total	74.21	50.21	

Source: Federal Statistical Office and OECD.

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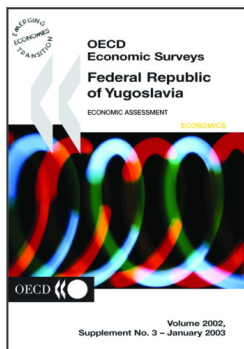
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