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III. Small business and entrepreneurship: results from a business survey

New small private businesses have played an instrumental part in economic transition throughout Central and Eastern Europe. Economic restructuring has principally involved a shift of labour, capital, and other resources from large enterprises, commonly loss-making and poorly-governed, to areas of higher efficiency and competitiveness. Small private businesses have been central to this process. These businesses operate under hard budget constraints; they are obliged to meet the demands of rapidly changing market conditions, or fail. A number of studies emphasise the vital importance of small business activity in relatively successful transition economies.⁵⁹ Small and medium sized enterprises (SMEs) remain vital to the performance of relatively developed market economies, accounting for close to 50 per cent of all employment in most OECD countries.⁶⁰ Considering the severe problems of competitiveness, profitability, and management in large state and socially-owned enterprises in the FRY, economic revival in Serbia and Montenegro will depend on the performance of new private business.

In addition to their overall importance for growth in transition economies, the state of SMEs offers an effective barometer of how market institutions are developing in areas such as entry, exit, fair competition, contract enforcement, the rule of law and financial intermediation. Emerging market economies with relatively developed institutions in these areas will typically foster a dynamic and growing small business sector. Conversely, problems encountered by small businesses in these areas can offer valuable signals to the government for the prioritisation of economic policies and reforms.

The existing SME sector in the FRY

While the FRY stands to profit from small business development in much the same manner as other Eastern European economies, the point of departure in Serbia and Montenegro is somewhat different from other transition countries. Markets and small private businesses were never abolished, and there is hence a relatively strong, continuous tradition in private entrepreneurial activity. At the outset

of transition in most former Soviet block countries, most small private businesses were new firms, even if a number of them were spun off from older entities. In contrast, a significant number of small businesses now operating in the FRY have histories dating back to the 1980s; in the FRY small is not synonymous with new. There was a large increase in the number of registered enterprises in the early 1990s following a change in legislation, though a large proportion never became active. Although the resilience of small firms helped sustain economic activity during a difficult decade in the 1990s, this feature may hold back a revival. Evidence points to a disturbing lack of dynamism in the FRY's small business sector. In Serbia, official data show a continuing stagnation, or even decline, in the number of SMEs, while a recent official study acknowledges negligible levels of firm creation and little evolution of small businesses into medium sized firms.⁶¹ Employment in the smallest firms seems to have increased slightly in 2001 from the trough it had reached in 2000. Anecdotal evidence also suggests that there are some areas in the FRY which have a stronger entrepreneurial tradition, and where local authorities are more supportive of SME activity.

Still another important, complicating factor concerns the relation of small businesses to both the informal economy and the state or socially-owned sector. Most transition countries have significant informal sectors that largely consist of "underground" SME activity. They also have, to a greater or lesser extent, encountered problems with schemes that "privatise" income, subsidies, or assets out of the state sector through fraudulent contracts, or contacts, between large and small firms (see also Chapter IV). The nature of economic policymaking in the FRY during the 1990s suggests that these kinds of problems may have become endemic in Serbia and Montenegro. Policies included wholesale subsidisation of the state and social sectors, repressive regulation of legitimate markets, and toleration of a large informal sector that operated in violation of these regulations. Under these conditions, the activities of many (registered or unregistered) small firms naturally gravitated toward the underground economy, including schemes for siphoning resources and subsidies away from the official sector.

The current FRY government has a dual strategy. It intends to reduce the size of the underground economy and curtail subsidies to the state and social sectors, whilst simultaneously improving conditions for the operation of legitimate private businesses. However, this strategy may impose a difficult economic transition for the FRY small business sector as former sources of profit dry up before (slower) improvements in the formal business environment take effect. Currently, even the profits of many registered small businesses most likely depend on the evasion of high existing payroll taxes and social security contributions. Perhaps this partly explains the paradox of why economic liberalisation following the change of government in January 2001 does not appear to have induced an immediate response in growth and profits in the SME sector. Neither output nor employment in the FRY small business sector has improved. Furthermore, whilst official statistics do

not cover a large part of this sector, neither does indirect evidence suggest that there has been any offsetting expansion of SME activity in the grey economy (see below).

Official data on the state of the small business sector are quite limited. The main source is the Bureau for Clearing and Payments (ZOP), which monitors the official accounts of all registered firms; the primary limitation of this data is that a significant share of SME transactions in the economy are not recorded in these accounts. In fact, a good number of small businesses do not have ZOP accounts at all. As discussed in Chapter II, for activity that is recorded, ZOP data suggest growing difficulties in the small business sector in 2001 as costs rose and profit margins fell. This apparent trend is supported by survey data presented below. The ZOP accounts also show the SME sector incurring both operating and net losses in recent years. This mainly seems due to two factors. Firstly, there is a natural incentive to hide profits from ZOP in order to evade taxes. Secondly, the SME sector defined by ZOP includes a number of loss-making socially-owned entities. Taking only private firms, the sector is at least marginally profitable, in contrast to the substantial aggregate losses reported in the state and social sectors.⁶² Official data indicate that small firms are, on average, much more efficient than larger firms (see Chapter II).

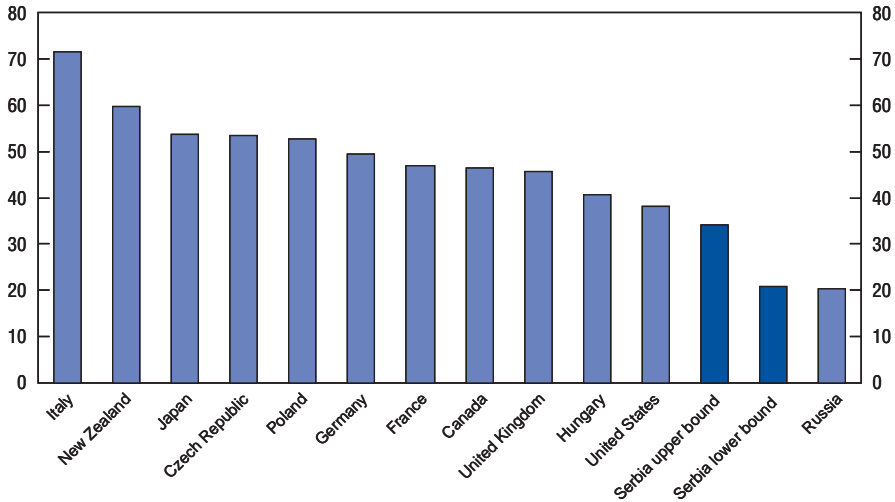
Given the prime importance of the small business sector, the Serbian and Montenegrin governments are rightly taking steps to transform this sector into a legitimate, dynamic, market-oriented part of the economy, operating under hard budget constraints. Closer statistical and other monitoring of small businesses may reveal areas where policies need adjustment in order to achieve the overall goal. A number of recent surveys have highlighted the main obstacles to business in the FRY SME sector.⁶³ They include corruption, harassment by state inspection and other agencies, and a costly and prolonged process of registration for new businesses. This is at least part of the explanation why small businesses in the FRY currently account for a significantly lower share of employment and output than in the East European transition countries. Official statistics, showing relatively low employment and output in the SME sector together with stagnation in the numbers of small businesses, resemble those of Russia and Ukraine (Figure 18).

OECD survey of 404 small enterprises in the FRY

In order to understand the perceptions of small entrepreneurs about recent changes in their environment and remaining obstacles to their success, the OECD Economics Department carried out a business survey of 404 firms in four different regions of the FRY. This sample included firms in the relatively prosperous and economically dynamic northern region of Vojvodina (103), the city of Belgrade (98), several cities in Southern Serbia (102), and the city of Podgorica in Montenegro (101). A complete breakdown of responses by region and sector, and methodological details, can be found in Annex II and Annex Table A.2.

Figure 18. **Self-employment and small businesses employment in selected countries**

Per cent of employment



Note: Small enterprise figures for OECD member countries includes self-employment and employment in enterprises with less than 100 workers. For Russia the data refers to self-employment and total employment in registered small enterprises. The Russian definition of a small enterprise is an enterprise with up to 100 employees in industry, construction or transport, and up to 50 employees in most other sectors. The number for FRY comprises employment in small enterprises and self-employment. In order to facilitate a comparison with other countries, the chart shows the FRY share both for small enterprises (up to 50 employees) and small and medium enterprises (up to 250 employees).

Source: 2002 OECD Survey of 404 firms in the FRY, Goskomstat and OECD.

The survey focused on genuinely small businesses, those in the sample had an average of 11 full-time employees. Entrepreneurs (directors of small firms) were asked questions about difficulties in starting up and operating small businesses, and how this has changed over the last two years. Some questions refer to the specific experience of the firm in question, others to perceptions about changes in the overall climate in their respective geographical areas. The questionnaire corresponds closely to another business survey carried out by the OECD Economics Department in four regions of the Russian Federation in 2001. In a few cases, this provides an interesting comparison, as Russia is another country in which the environment for small businesses is acknowledged to be difficult and official numbers show stagnation. A particularly serious problem in Russia is the harassment of entrepreneurs by (corrupt) state officials and administrations (OECD, 2002a).

The results of the survey are rather mixed. The majority of entrepreneurs do feel relatively confident about their own financial stability and prospects for

the future. Whilst they note the importance of strong informal personal ties with customers and suppliers, they do not consider informal contact with national or local state officials to be particularly important. Although a handful of entrepreneurs noted harassment by various state authorities, particularly the tax administration, this problem is much less serious than in Russia. On the other hand, the survey confirms what appears to be a low degree of dynamism in the small business sector, as well as a perceived deterioration in the overall SME environment. Small businesses face declining profit margins and barriers to investing in their firms. They are very critical of changes in tax legislation, and do not believe the courts offer an effective way for them to enforce their contracts.

Results of the survey

Despite the use of random sampling, nearly all the firms surveyed had been operating for at least five years. In Serbia, as many as 41 per cent of firms in the sample dated from before 1991, though the proportion in Montenegro was lower (28 per cent). Furthermore, even for those firms founded after 1991, 46 per cent of directors had been in post for at least five years. The mean period of service for all of the directors interviewed was 7.6 years (Table 18). The significant difference

Table 18. Basic characteristics of firms in the sample

	Total		Belgrade	Vojvodina	Central Serbia	Montenegro
	Number	Per cent				
Republic						
Serbia	303	75				
Montenegro	101	25				
Year established						
1991 and before	186	46				
After 1991	218	54				
Principal activity						
Manufacturing	206	51	64	46	60	34
Trade	81	20	12	15	17	37
Services	77	19	13	25	11	28
Construction	24	6	6	8	10	2
Transport	4	1	..	5	1	..
Research and development	4	1	4	..	..	..
Other	4	1	..	2	2	..
Employment						
Full time employees (number)	10.9					
Part time employees (number)	1.5					
Mean service length of director (years)	7.6					

Source: 2002 OECD Survey of 404 firms in the FRY.

Table 19. **Directors' characterisation of firms' financial condition**

	Total		Belgrade	Vojvodina	Central Serbia	Montenegro
	Number	Per cent				
Stable	271	67	58	67	68	74
Unstable	97	24	32	25	19	20
Critical	36	9	10	8	14	6

Source: 2002 OECD Survey of 404 firms in the FRY.

between Serbia and Montenegro probably owes much to the fact that the sample from the latter republic has a relatively high share of firms in trade and services (65 per cent) as opposed to a high concentration of manufacturing firms in Serbia (56 per cent). This sample reflects the greater concentration of small manufacturing firms in Serbia. For the entire sample, the share of pre-1991 firms was higher in manufacturing (45 per cent) than in trade and services (30 per cent). In sum, this sample supports the impression that very few legitimate small businesses are currently being created in the FRY.

Whilst the average number of full-time employees in the sampled firms was just under 11, there were differences between sectors, for instance the average in manufacturing firms was a little higher (13). In addition to their full-time staff, firms reported an average of 1.5 part-time employees. Anecdotal evidence suggests that this number probably refers only to legitimate (registered) part time employees. The practice of hiring part time employees informally to avoid sizeable payroll taxes remains widespread, and the actual number of part-time employees is probably higher. A strong majority of directors characterised the financial condition of their firm as "stable", as opposed to "unstable" or "critical" (Table 19).

A first set of questions asked entrepreneurs to provide an ordinal ranking of the three most difficult problems they confronted in starting-up and operating their own firm. Given the virtual absence of new start-ups in the sample, the responses on starting businesses are of limited value. However, the responses concerning firms' operations were more revealing (Table 20). Altogether, entrepreneurs top concerns were: lack of consumer purchasing power; access to working capital or credit; and rising cost of inputs. Fierce competition, high national taxes, and insufficient investment capital merited less frequent, but nevertheless significant, responses. The answers exhibit a fair degree of uniformity across regions. The Montenegrin group perhaps gives a little more emphasis to lack of consumer purchasing power, although this again seems a consequence of the high number of firms in trade in the Montenegrin sample. Those firms in trade generally placed great weight on this factor (35 per cent vs. 25 per cent in the whole sample).

Table 20. **Most significant operating difficulties faced by small firms**

	First named		Overall	
	Number	Per cent	Number	Per cent
Insufficient customer purchasing power	101	25	238	59
Increasing cost of other inputs	57	14	133	33
Insufficient working capital	57	14	117	29
Insufficient credit	44	11	129	32
Insufficient capital for investment	20	5	97	24
Fierce competition	20	5	105	26
High national taxes	20	5	97	24
Increasing wages	16	4	32	8
Other	16	4	24	6
Inability to find suitably skilled employees	12	3	32	8
Changing legislation and regulations	12	3	44	11
Unreliable supply of inputs	8	2	32	8
Obsolete technology	8	2	44	11
High local taxes	8	2	40	10
Conflict with owners of the firm	0	0	0	0
Harassment by state or local authorities	0	0	4	1

Source: 2002 OECD Survey of 404 firms in the FRY.

The emphasis on insufficient consumer purchasing power, lack of working capital or credit, high taxes, and fierce competition in Table 20 could be considered a positive result. When asked, small businesses the world over, OECD countries included, stress similar problems. For the FRY, reported pressure from the rising cost of inputs is consistent with narrowing profit margins in the small business sector, something that is supported both by ZOP data analysed in Chapter II and more direct questions in the survey (see below).

The survey went on to ask entrepreneurs to rate various day-to-day business activities as “difficult”, “not so difficult” or “rather easy”. As could be expected, entrepreneurs stressed the overall difficulty of access to bank credit (Table 21). However, the regional breakdown in responses to this question is somewhat curious. In the relatively developed regions of Belgrade and Vojvodina, where commercial banking is concentrated, over 70 per cent of those surveyed indicated that access to bank credit was difficult, while only 3 per cent claimed that it was easy. This contrasts with responses from firms in the relatively poor and underdeveloped area of Central Serbia. Here only 39 per cent listed access to bank credit as difficult, while 23 per cent claimed that it was easy. Similarly, in Montenegro only 40 per cent chose “difficult” and 11 per cent choose “easy”. Once again, the greater concentration of Montenegrin businesses in trade could explain this result. In the current economic situation, it seems reasonable that banks would be more willing to

Table 21. **Difficulties faced by small firms in day-to-day operations**

Per cent

	Difficult	Not so difficult	Quite easy	No response
Open a bank account	3	37	60	..
Obtain bank credit	55	35	10	..
Obtain financial support from business partners, other enterprises or private individuals	64	29	6	..
Hire employees	32	42	26	..
Dismiss employees	32	37	31	..
Find suitably skilled and qualified employees	37	45	18	..
Purchase new equipment	76	19	4	..
To expand	66	30	3	..
Purchase timely business advice	34	55	10	..
Obtain licenses/certificates	40	51	8	..
To lobby the authorities	69	21	3	7
Protect the business from extortion	30	43	18	9
<i>Memorandum items</i>				
Obtain bank credit				
Belgrade	83	15	2	..
Vojvodina	61	35	4	..
Central Serbia	39	38	23	..
Montenegro	40	50	11	..
Obtain licenses/certificates				
Belgrade	48	44	8	..
Vojvodina	35	54	11	..
Central Serbia	52	47	1	..
Montenegro	27	59	14	..

Source: 2002 OECD Survey of 404 firms in the FRY.

finance rapid trade operations than provide working capital to manufacturing firms. This is supported by the higher overall share of firms in manufacturing citing access to credit as difficult (62 per cent) relative to trade (43 per cent). The result for Central Serbia is more curious, and raises questions about the relative access to credit that might be clarified through further study. Where there is little bank credit, small enterprises in other countries commonly rely on their friends or associates for financial support. In the FRY, SMEs claim that obtaining financial support in this way is even more difficult than raising bank credit (Table 21).

A very consistent finding was that firms have little difficulty in finding or engaging suitably qualified staff. Neither did they believe it is difficult to dismiss employees. Once again, Montenegro was an exception, where 57 per cent of firms find it difficult to reduce their workforce. It is not clear whether this is the result of already stiff regulation, or whether it is the result of other, perhaps cultural, factors. In addition to this regional difference, it seems that the very smallest firms (1 or 2 employees) find dismissal difficult. This is probably not the result of legal difficulties so much as

the managerial challenge of dismissing staff in such an intimate environment or the loss of accumulated knowledge that would inevitably follow where you dismiss half the workforce. It is also the case that firms in Vojvodina found it harder to attract suitably qualified staff than firms in other regions. Nevertheless, further evidence that firms do not find themselves constrained by labour market legislation is that 90 per cent of them have maintained or increased employment in the last two years. Notwithstanding official data that show rapidly rising average wages, firms did not report that they were under pressure from increased wage demands.

The difficulties reported by entrepreneurs in expanding operations or purchasing new equipment are most likely related to low liquidity and profitability. While Russian small businesses averred to problems in regional protectionism as a barrier to expanding into other territories, most FRY firms believe it would be just as easy (or difficult) to open a firm in another region as in their own.⁶⁴ The responses in Table 21 confirm the perception that obtaining various licenses and certificates can be a difficult task for entrepreneurs. This point is underlined in OECD-EBRD (forthcoming), which shows that entrepreneurs consider both the procedures for registering new companies and obtaining licenses and certificates to be overly bureaucratic, complex, time-consuming and costly. A significantly larger number of entrepreneurs rated this activity as more difficult in Belgrade (48 per cent) and Central Serbia (52 per cent), than in Vojvodina (35 per cent) and Montenegro (27 per cent). Responses to the question on protection from extortion are also interesting, particularly in Belgrade where 23 per cent of respondents refused even to answer the question. Of those who did answer in Belgrade, 41 per cent claimed that such protection is difficult, and only 6 per cent rated it easy. Entrepreneurs in Vojvodina also stressed this problem, while businesses in Central Serbia and Montenegro were divided. It should be noted that this question does not by itself measure the level of criminal activity. A well-developed protection racket might actually make the purchase of protection easier.

Whilst some studies have stressed the problem of harassment by various state bodies of small businesses in the FRY, this is not borne out by the survey responses (Table 22).⁶⁵ Entrepreneurs were asked which, if any, official state bodies have been particularly obstructive to their operations over the past year. Only the tax administration attracted a significant number of responses. Given the strong tradition of tax evasion in the FRY, and recent measures to increase tax collection, the responses seem an entirely plausible reflection of a desirable policy shift. The prevailing attitude of entrepreneurs seems to be that the tax system is too unstable as a result of frequent changes in rates and types of tax affecting small businesses. This has a knock-on effect in terms of ability to plan investment decisions, and an increased burden in terms of compliance costs. For purposes of comparison, the average responses of 304 Russian entrepreneurs to the same question in the regions of Tula, Udmurtiia, and Irkutsk are also given in Table 22. Clearly, this problem is altogether a different scale in Russia than in the FRY.

Table 22. **Burden of harassment on small firms
by state agencies**

	FRY		Russia
	Number	Per cent	Per cent ¹
None	190	47	19
Tax	121	30	22
Other	32	8	23
Local authority	20	5	5
State authority	20	5	2
Fire	8	2	16
Health and sanitation	4	1	13
ZOP	4	1	n/a

1. Average response.

Source: 2002 OECD Survey of 404 firms in the FRY and OECD (2002a).

Table 23. **Use of formal contracts by small firms
in collecting debts**

	Number	Per cent
Always	32	8
Usually	97	24
Sometimes	125	31
Hardly ever	97	24
Not at all	53	13

Source: 2002 OECD Survey of 404 firms in the FRY.

Another set of questions focused on the difficulties of enforcing explicit or implicit contracts. Responses revealed the weight small firms place on long-term friendly working relationships with suppliers and customers. While the importance of a written contract was mentioned by a significant number of entrepreneurs (42 per cent), a strong majority (66 per cent) believed that a contract is not usually sufficient to obtain payments due to the firm (Table 23). This is consistent with the apparent scepticism amongst entrepreneurs over using the courts to resolve conflicts with customers or suppliers. Only 14 per cent of those businesses sampled indicated that they used the commercial court to resolve contractual conflicts. Likewise, there was scepticism over using the courts to handle infractions by regulatory authorities. More entrepreneurs indicated that they would anyway comply with a regulatory body exceeding its legal authority than would go to court. On a more positive note, a strong majority of firms did not believe it was important to cultivate a special relationship with various state bodies and administrations.

Table 24. Perceived changes in the business environment over the last two years

	Improved	Unchanged	Deteriorated	Balance of improvement
	Per cent			Difference
For SMEs as a whole				
Profit margins	17	22	54	-37
Overall environment	23	22	39	-16
Demand for goods and services	27	23	43	-16
Investment opportunities	23	25	40	-17
Possibility to compete with existing firms	25	45	19	6
Relationship with employees	23	72	3	20
In your firm				
Profitability	20	35	45	-25
Sales	29	32	38	-9
Level of production	31	34	21	10
Average wages	31	49	21	10
Number of employees	25	64	11	14
Competitiveness	41	39	20	21

Source: 2002 OECD Survey of 404 firms in the FRY.

During the survey, entrepreneurs were asked to offer their general impressions on the overall environment for small business activity in their cities, and how this environment has changed in recent years (Table 24). A significantly greater number of businesses in every region surveyed indicated a perception of a deterioration of the overall climate than noted an improvement. Specifically, they perceived deteriorating profit margins, demand, investment opportunities, and the overall business environment. On balance, entrepreneurs seem rather pessimistic about developments in the judicial system as well. The only area in which they responded positively, overwhelmingly so, was in respect of relations with employees. This seems due to changes that have eroded the bargaining positions and strength of employees and the labour unions *vis-à-vis* employers (See Box 5). Small firms in Montenegro weakly indicated that there were growing possibilities to compete with existing firms; Serbian entrepreneurs were evenly divided on this question.

Falling profit margins in small businesses are consistent with the financial data analysed in Chapter II. This factor is particularly noticeable in trade, where only 12 per cent of entrepreneurs indicated an improvement and 52 per cent noted a deterioration. Despite the apparent growth in retail trade in the economy as a whole in 2001 and early 2002, most entrepreneurs do not perceive any strengthening of consumer demand. This suggests growing competition from imports (see Chapter V). Given a scarcity of bank finance, almost all investment must be financed out of retained earnings, thereby linking declines in profit margins and retained earnings to

lower investment opportunities. The availability of external finance for SMEs may have improved in Belgrade and Montenegro, at least marginally, which might be associated with foreign-backed programmes that support SME lending. On questions about firms' relationship with various state authorities, the licensing process, and criminal activity, responses in all regions indicate an absence of change.

Responses by entrepreneurs on the state of their own particular firm were, on balance, more positive than their perceptions about the climate for small businesses as a whole. As reported above, the majority of firms considered themselves financially stable. They did note a fall in their own sales and profitability but, somewhat ironically, emphasised their growing competitiveness. Responses for "level of production" and "employment" were also marginally positive. The majority of businesses in the survey believe they operate in an environment of "fierce competition". However, they also plan to increase turnover in the immediate future, particularly in Montenegro.

Programmes and policies

The evidence presented here and elsewhere in the Assessment offers a mixed assessment of small business development in the FRY. On the one hand, existing small businesses seem rather confident of their financial stability and plan to increase turnover in the future. On the other hand, entrepreneurs perceive a deterioration in a number of important elements in the economic and institutional environment for small businesses, including profitability, investment opportunities, and tax conditions. Most disturbing is that the sector appears stagnant, with relatively little entry of new firms or exit of old ones. A dynamic small business sector exhibits sizeable rates of entry and failure in a competitive environment, hard budget constraints and rapidly changing market conditions. The legitimate small business sector in the FRY remains quite small by international standards, and the slow pace of private firm creation should be a major cause for concern.

The patterns observed in the FRY's SME sector reflect an on-going transition in the sector itself. It has had to shift away from dependence on the subsidised state and social sectors, the exploitation of policy-induced market distortions and a high degree of informal activity, towards legitimate operation in an open market economy. Although it is natural that this transition will complicate SME development in the short term, it is vital that policy reforms facilitate the sector's transition. This means alleviating some of the administrative burdens of operating a legitimate small business in the FRY, creating opportunities for the entry of new firms, and defending possibilities for fair competition.

Both Serbia and Montenegro have developed strategies for monitoring and promoting small business development. With foreign assistance, Montenegro created an Agency for the Development of Small and Medium-Sized Enterprises.

This agency has been monitoring the Montenegrin small business community, developing proposals for reform and programmes for SME development. Its policy priorities are to promote entrepreneurship by making it easier for Montenegrins to start businesses, and to encourage them to do so by explaining the benefits of self-employment. The Agency also seeks to promote business skills, reduce the grey economy and lessen the burden of government regulation and taxation. An important initiative in Montenegro simplified the registration procedure for new firms, and reduced its cost. From June 2002, company registration costs EUR 1 and takes four days. The procedure previously took at least 15 days, and cost EUR 5 000. Montenegrin entrepreneurs offered somewhat more positive responses in the survey than their Serbian counterparts on perceived changes in the SME environment during the last two years, including the availability of external finance. The longer history and higher levels of foreign support for SME development in Montenegro may go some way to explaining this result. The Montenegrin Agency for Development of SMEs has encouraged the government to guarantee SME borrowing, though this type of intervention carries both a risk to the budget and entails distortions that arise in choosing which SMEs will benefit.

The Serbian government has also devoted much recent attention to the small business sector. A new Agency for Development of SMEs and Entrepreneurship was established in November 2001, answerable to the Ministry of Economy and Privatisation. The Agency is establishing a network of regional offices that provide information and training to SMEs, and is responsible for implementing the ministry's strategy for SMEs. The Agency has three basic operational goals: to invigorate economic development in the regions; directly spur entrepreneurship through business incubators and programmes of education; and finally to propose legal and regulatory changes that would improve the operating environment for SMEs.

As a contribution to the Agency's work, in June 2002 the Committee for Development and Foreign Economic Relations of the Serbian National Assembly endorsed a comprehensive Strategy for SMEs in Serbia.⁶⁶ This programme acknowledges the prime importance of the small business sector for successful economic transition in Serbia, and proposes a series of measures to facilitate its development. This programme is informed by a survey identifying the various formal and informal costs of operating a small business in Serbia.⁶⁷ The Programme of Entrepreneurship proposes several categories of government measures for improving the SME environment, including tax exemptions for new businesses, new laws to simplify registration and licensing procedures, state procurement contracts for small businesses, limits on state inspections, the creation of training programmes, special credits and investment funds for SMEs, and the development of "business incubators". As of mid-2002, however, many questions remain concerning the details and sources of funding for these activities.

Given the limited resources available to the Serbian and Montenegrin governments, effective policymaking requires prioritisation. For this purpose, it is useful to remember that entrepreneurs, by their very nature, tend to be independent people who are themselves able to identify profitable opportunities for business. Small business development stands to profit most from measures that can improve the overall business climate for entry, exit, market relations, and effective competition. Given the dormant state of financial markets in the FRY, proposals for extra state assistance through privileged credits, tax exemptions, and procurement contracts have an understandable political appeal. But these types of programme are also commonly susceptible to fraud and corruption. Moreover, special treatment granted only to certain SMEs could undermine the objective to create fair conditions for firm entry and competition. The privatisation process will also influence how quickly competition develops (see Chapter IV). The very low observed rate of firm creation speaks for considerable caution in approving any programme that grants special privileges only to selected incumbents. While the SME sectors in Serbia and Montenegro might indeed benefit from the development of institutions for micro-finance lending, it remains the case that SMEs throughout the world operate successfully under considerable liquidity constraints, using retained earnings as their primary source of finance.

Given that they expect to operate under conditions of a hard budget constraint, effective competition and weak financial markets, SMEs will have only limited recourse to outside finance for some time to come. Nevertheless, the speed with which the credit market in the FRY revives also depends significantly on economic policy. Since virtually all lending to SMEs is backed by collateral, legislation to facilitate the use of collateral can be particularly important. Commercial banks and SMEs need conditions under which collateral can be easily and costlessly seized in the event of default on a secured loan.

Leasing has proven an effective tool for supporting the activities of small businesses in many countries, and legislation in this area could also be a priority target in the FRY. The government can affect the market for leasing directly, since the leasing market is very sensitive to tax treatment and the protection of the rights of the lessor to recover assets when the lessee defaults on payments. Increasing use of leases would be one way in which Yugoslav business could rebuild its assets without having to finance their full price. It would help relax the constraint represented by the availability of credit, accelerating the recovery of investment and production. From the government's point of view, it would additionally be one way to attract foreign investment and capital. Providing that the ruling legislation allows recovery of the asset, it substantially reduces the risks to the lessor of operating in what would otherwise be considered a volatile and difficult environment in which to do business.

The results of the OECD survey, as well as other sources of information, suggest that low existing level of dynamism in the (legitimate) small business sector, and corresponding low rate of new firm creation, should be a primary target for economic research and policy in the SME sphere. Future studies should focus on this question in particular, and clarify the existing problems. The simplification of registration procedures may be one critical measure in this area. In the recent OECD business survey, FRY entrepreneurs complained much more of registration procedures than their Russian counterparts. The possible predatory behaviour of incumbent firms toward new entrants in the FRY should also be investigated in detail for various specific markets. Competition law can help with these problems. However, the competition authority lacks political and public support, and does not have the necessary powers or resources to undertake pro-competition initiatives.

Notes

1. The OECD Economic Survey of Yugoslavia published in 1990 covered the Socialist Federal Republic of Yugoslavia (SFRY), though it included regional breakdowns that allow comparison with what has become the Federal Republic of Yugoslavia (FRY).
2. On this subject, see OECD (1990)
3. This is the estimate of the Serbian government in Government of the Serbian Republic (2001), p. 5.
4. The main areas for structural change are privatisation, taxation, commercial bank regulation, pension reform, competition policy, health care, bankruptcy, the judiciary, and corporate governance.
5. The three plants were: Kosjeric, Beocin and Novi Popovac.
6. The ministerial declaration on regional investment forms a part of the Investment Compact, a programme of the Stability Pact for South East Europe.
7. Gross material product is the aggregate measure of domestic economic activity calculated by the FRY Federal Statistical Office (FSO (2001), p. 113). This measure is an underestimate of gross domestic product as it does not include a number of activities in the service sector. It also takes no account for the large grey economy. For this reason, if the grey economy has shrunk, growth in gross material product may actually overestimate economic growth in the country since 1999. Some FRY institutes and the IMF have attempted to estimate GDP on the basis of existing information, but the reliability of these estimates remains highly questionable. The IMF reports figures of 5.0 and 5.5 per cent for GDP growth according to their measurement in 2000 and 2001, respectively (IMF, 2002b).
8. The ILO definition of unemployment adds those workers who have informal jobs, but does not subtract those workers formally employed who are not paid or do not work.
9. As only Serbia made contributions in 2001, the federal budget is also consolidated with the Serbian republican and local budgets to form a "consolidated budget on Serbian territory". As described in Chapter II, the federal budget actually generated a small surplus in 2001.
10. It is widely believed that a larger share of imports went unrecorded before 2001, indicating that actual growth in imports may be somewhat exaggerated in official statistics.
11. By contrast, recent Montenegrin balance of payments data show that exports increased strongly during the first half of 2002 (see Table 10).
12. Measures increase in net real wages. See Chapter II for an explanation of methodological changes in calculating official wage statistics.
13. Changes in aggregate household incomes and expenditures in 2001 and 2002 are difficult to measure directly due to important methodological breaks in the relevant statistical time

- series. Comparing May 2002 with July 2001 according to what is claimed as a consistent methodology would indicate that real household incomes grew by 9.3 per cent during that period, considerably slower than growth in reported wage rates.
14. The agreement allowed for a 51 per cent write-off upon signature of a 3 year Extended Structural Adjustment Facility (ESAF) with the IMF, and a further 15 per cent on successful completion of the ESAF.
 15. For a comprehensive survey of macroeconomic policy issues, see IMF (2002a, 2002b).
 16. Output and trade statistics in Montenegro exhibit a very high degree of volatility. This can partly be associated with the fact that a very large share of output and trade in the republic depends on a single aluminium firm, Kombinat Aluminijuma Podgorica (KAP), which continues to have access to heavily subsidised electricity.
 17. Montenegro has employed the deutschmark, and later the euro, as its currency. Real exchange rate appreciation in Montenegro through inflation has been very similar to that in Serbia in 2002.
 18. This has been highlighted in the memoranda of the FRY government contained in IMF (2002a); see also p. 4 in IMF (2002a).
 19. It is difficult to know what FRY's exports are to Kosovo, not least since exports have been diverted through Montenegro and FYR Macedonia. Montenegro has only separately recorded exports to Kosovo since April 2001. UNMIK reports some imports to Kosovo, though its Figure of USD 0.5 million from Serbia seems low. An indirect estimate of trade with Kosovo can be made by taking the share of Kosovo's GDP that was traded with Serbia (Serbian territory) before the conflict, assuming that Serbia picked up half the trade that was previously with Croatia and Slovenia, and applying that share (38 per cent) to Kosovo's reported GDP in 1998.
 20. Montenegro accounts for less than 10 per cent of GMP in the FRY. Industrial output in Montenegro is also dominated by the single giant aluminium plant, Kombinat Aluminijuma Podgorica (KAP).
 21. Zavod za obracun i placanja.
 22. Enterprises have to make a half-year return in June and a full return at the end of December, comprising balance sheet and profit and loss account.
 23. In the ZOP accounts, the operating profit figures for 2000 are higher than those shown in Table 2.3. Under conditions of rapid inflation, depreciation allowances declined to quite low levels in real terms in 2000, but were subsequently adjusted upwards for 2001. In the interest of comparability, we have done a rough correction to compensate for this fact, postulating that the ratio of actual depreciation to sales in 2000 should have been similar to 2001. Depreciation costs for 2000 were therefore adjusted upward to the point where their share exactly equals that for 2001.
 24. These percentages were calculated directly from ZOP enterprise data, and include sundry employer labour costs as well as employer payroll tax and social security contributions. The Serbian ministry of finance puts the wedge at, respectively, 105 and 75 per cent.
 25. The simple average tax wedge in OECD countries was 43.0 per cent in 2001. Rates in Member countries ranged from 20.5 (Korea) to 76.5 (Hungary). The wedge in Yugoslavia is higher than in Poland or the Slovak Republic, though lower than in the Czech Republic or Hungary.
 26. By way of comparison, the quick ratio for quoted firms in Germany was 1.25 towards the end of 2001.

27. In September 2002 the Serbian government announced its intention to adopt new tax incentives to attract investment, including a tax holiday and a reduction in corporation tax to 14 per cent.
28. This estimate is reported in World Bank (2001a), p. 2.
29. Data provided by EPS.
30. Electrical heaters are less than 10 per cent efficient from generation to consumption, compared with over 90 per cent for a residential gas boiler.
31. Figures in this paragraph are from the Serbian Ministry of Energy.
32. The Montenegrin government believes that a part of the price difference is justified by lower losses on the higher voltage transmission lines used to supply KAP.
33. The Montenegrin government expects the electricity price to KAP to increase at the end of 2002.
34. The information for this paragraph was obtained directly from Montenegro Electroprivreda (EPR).
35. IEA-UNDP Workshop on New Energy Policies in Southeast Europe, Serbia, October 2002 (www.iea.org/about/nmccee.htm).
36. The smallest EU farms are in Greece, Italy and Portugal, with average sizes of 4.5 Ha, 6.4 Ha and 9.0 Ha.
37. The export quota on wheat will be eliminated from December 2002.
38. Preliminary figures for FDI during the first three quarters of 2002 show a net inflow of EUR 300 million.
39. The timely disclosure of basic macroeconomic information to international organisations and potential investors would be one step forward in attracting greater FDI.
40. Estimate of the Institute of Strategic Studies and Prognoses reported in Monet, ISSP (2002).
41. The shift from the deutschmark peg (30 dinars) to the euro (60 dinars) did in fact imply a nominal depreciation of more than 2 per cent.
42. The outstanding stock of NBY bills increased by an estimated YUD 1.8 billion in 2001, which amounts to only about 6 per cent of the expansion of M1 during the same period.
43. Montenegro is an exception in Figure 2.8, since a significant share of its budget has been financed from foreign grants.
44. For comparative purposes, figures from EU and other countries on military spending can be found in International Institute for Strategic Studies (2000). Recent estimates of military spending in Serbia vary. One recent study placed military spending at over 6.2 per cent of GDP. The official 2002 federal budget proposes spending on the military that would be equivalent to 4.6 per cent of GDP.
45. Although Montenegro ceased making a contribution to the federal budget, it continued to pay local costs (*e.g.* food, accommodation, electricity) of the Yugoslav army (JA). The federal authorities had previously stopped transferring a part of federal customs revenue and contributions to the Montenegrin pension fund.
46. In Table 11, the sum of gross transfers to extra-budgetary funds in 2001 (5.2 per cent of GDP) is greater than transfers from the republican and federal budgets (3.9 per cent of GDP) due to transfers from the three extra-budgetary funds to each other (1.3 per cent).

47. See IMF (2002a), pp.11-12, 39. The World Bank conducted a fiscal sustainability analysis as part of an overall Public Expenditure Review in 2002, although the results had not been released at the time this Assessment was prepared.
48. The IMF report conducts two types of sensitivity analysis, one in which exports are only 60 per cent of the baseline projection and another where FDI is only half of that expected. Additional borrowing is assumed to fill the gap.
49. 2001 budgetary and extra-budgetary expenditure out of Serbian republican funds.
50. Government of the Republic of Serbia (2001), p. 7.
51. See OECD (1997a), OECD (1999).
52. Data provided by the NBY.
53. The NBY decision took account of the fact that these institutions also had negative cash flow.
54. The state took a majority stake in 10 banks (Kontinental Banka, Jubanka, Privredna Banka Pancevo, Vojvodjanska Banka, Kredi Banka, Panonska Banka, Niska Banka, Novosadska Banka, Borska Banka and Pirotka Banka), and became a co-owner of a further four (Agrobanka, Kapital Banka, Cacanska Banka and Komercijalna Banka).
55. Data provided by the NBY.
56. From data presented in National Bank of Yugoslavia (2002).
57. IMF (2002) supplement, p. 23.
58. National Bank of Yugoslavia (2002).
59. On this point, see in particular Blanchard (1997), Johnson, Kaufman, and Shleifer (1997), and World Bank (2002).
60. For the importance of SMEs for growth in the US economy, for example, see Foster *et al.* (1998).
61. Committee for Development and Foreign Economic Relations (2002), pp. 11, 23.
62. Committee for Development and Foreign Economic Relations (2002).
63. See for example OECD-EBRD (forthcoming), a review conducted as part of the Stability Pact for South East Europe's Investment Compact.
64. This is in contrast to the case of the Russian Federation, where more than half of entrepreneurs questioned indicated particular difficulties with expanding activities to different regions.
65. See for example G17 Institute (2002).
66. Committee for Development and Foreign Economic Relations (2002).
67. G17 Institute (2002).
68. These sub-units were called BOALs: Basic Organisations of Associated Labour.
69. "National treatment" did not extend to allowing foreigners to own land.
70. In Serbia's case, employees in firms opting to privatise received shares on very favourable terms, linked to length of service. Long-serving employees could buy shares, valued at accounting book value, at up to a 70 per cent discount paying over 10 years (Uvalic, 2001). However, the new owners had to accept the firm's liabilities and obligations along with its assets. The favourable terms in the original legislation were somewhat modified by the 1991 Serbian Privatisation Law, but the underlying approach did not change.

71. Motivated, doubtless, by political expediency, an analogous situation that arose at the same time over houses and flats sold to their occupants, was left to stand.
72. Enterprises deemed to be operating "in the public interest" had to seek prior approval for privatisation from the government (either republican or federal).
73. In Montenegro 10 per cent of the shares were distributed free of charge to employees, with another 30 per cent available under various conditions including long service. The state became the formal owner of the remaining shares.
74. A 'managing share' allowed management to buy 35 per cent of a firm's shares for payment over 5-7 years, but with the guarantee to exercise 51 per cent of the voting rights over this period (Vukotic, 2001).
75. The private sector was defined as self employment + enterprises in majority private ownership.
76. See, for example G17 Institute (2000).
77. An initial 40 per cent had been distributed to employees, and a further 20 per cent was transferred to the state pension fund.
78. Of these six PIFs, five (including the largest) are Slovenian owned.
79. Prior to voucher privatisation the dominant majority of shares traded in Montenegro were in short term securities. Trading volumes had anyway collapsed after 1998; a small revival in 2001 was due mainly to bank recapitalisation, during which banks issued new equity.
80. The five firms are: Juzni Jadran, Stevanoviac trgovina, Jasikovac, Obnova-Premis and Telecom Crne Gora.
81. For experience in other transition economies see for example OECD (1995), OECD (1997b), OECD (1997c), OECD (1998) and OECD (2000).
82. Retired workers will benefit indirectly, from the 10 per cent of the proceeds that the law specifies will be paid into the pension fund.
83. Amendment to the Enterprise Law, July 2002.
84. Bankruptcy is a federal responsibility; new rules await resolution of the terms under which Serbia and Montenegro will enter into a "state union".
85. In an English auction the bids increase in value; a sale is agreed where the last bid exceeds a minimum ("reserve") price. In a Dutch auction, the auctioneer reduces the offer price in steps, and the first bidder is declared the winner.
86. Formally, former-Yugoslavia was the Socialist Federal Republic of Yugoslavia (SFRY).
87. The export quota on wheat and wheat flour was abolished from 1 September 2002.

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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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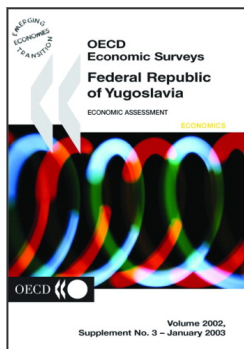
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From:
OECD Economic Surveys: Federal Republic of Yugoslavia 2002

Access the complete publication at:

https://doi.org/10.1787/eco_surveys-srb-2002-en

Please cite this chapter as:

OECD (2003), "Small Business and Entrepreneurship: Results from a Business Survey", in *OECD Economic Surveys: Federal Republic of Yugoslavia 2002*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/eco_surveys-srb-2002-5-en

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