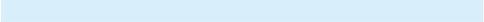


LINK UP!

Serbia

Feasibility study

**Facilitating Diaspora
Investments**



Prepared by the International Centre for
Migration Policy Development
(ICMPD)

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November 2017

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The research team would also like to thank
IDEA Pro and all our interviewing partners
in the study.

Original language of the study: English.
Translated into Serbian.

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Printed and bound in Austria
ISBN: 978-3-903120-21-1

LINK UP! *Serbia*

Feasibility study

**Facilitating
Diaspora
Investments**

Foreword

In the course of the last 25 years since the International Centre for Migration Policy Development's existence, the pendulum on migration has swung on both sides, from being considered a security issue to being recognised as a positive force for development. While migration only appeared as the need to protect the human rights of migrants and to eliminate racism and xenophobia in the United Nations Millennium Declaration in 2000, the newly defined international framework under the Sustainable Development Goals has broadened the spectrum of migration to include such important matters as inclusive growth and development as well as remittances.

Innovative business models in the remittances and financial markets and diaspora investments are making headway in the global discourse, more recently in the UN Global

Compact for Safe, Orderly, and Regular Migration.

More generally, migration and development, whether in the context of circular migration, diaspora engagement, transnational entrepreneurship and investments, is now recognised as a critical element of any migration policy. In that context, policy makers and researchers often explore the use of remittances for increased productive investments and its potential for economic development in the countries of origin. Remittances and diaspora investments not only represent a lifeline for many households worldwide, in some countries, they form a considerable part of the country's GDP and, as such, are essential for the country's entire economy. For that reason, reducing the transaction costs of migrant remittances to less than 3% and eliminating remittance corridors with

costs higher than 5% forms one of the Sustainable Development Goals to be achieved by 2030. 1 billion people either send or receive remittances, thereby affecting 1 out of 7 people in the world. In 2016, USD 445 billion were sent to developing countries.

Against that background, many countries have embarked in the development of diaspora strategies and investment policies, the promotion of financial inclusion measures and/or have increased the transparency of remittance markets so that remittances can be sent faster, safer and cheaper. Every country in the Western Balkans has established or is about to establish a diaspora engagement strategy and related policies, including in the framework of investment promotion programmes that can boost their market competitiveness and which can ultimately

speed up their progress towards EU membership. This also holds true for Serbia, and ICMPD is here to continue supporting Serbia's path towards EU membership.

I would like to thank all those from the government and non-governmental institutions who have provided valuable inputs to the study. It is our pleasure to have Serbia as an esteemed member of ICMPD and we look forward to further strengthen our good relations in the coming years.



Michael Spindelegger
Director General, ICMPD

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Executive Summary

Complementary to the survey, consultations were undertaken with around 250 stakeholders, including with government institutions, business people in Serbia as well as with entrepreneurs and business angels living in Austria with a link to Serbia.

The potential of the diaspora to stimulate economic development in the Republic of Serbia is undisputed and the topic of remittances for productive use, specifically diaspora entrepreneurship and investments, has garnered attention by the Serbian Government for many decades. However, to date, little research has been done to investigate the link between the Serbian diaspora in Austria and the economic development of Serbia, especially with regards to their eco-

nomic and entrepreneurial activities beyond the transfer of remittances.

This study thus fills an existing research gap by exploring this link with the aim of assessing whether an ADA-funded programme could incentivise diaspora entrepreneurship. With the findings of this study, it was possible to assess to what extent private sector investments and the transfer of knowledge and capital from the Serb diaspora towards the economic development of Serbia could be boosted, and through which means. The research also complements a request by the Ministry of Economy of the Republic of Serbia (MoE) to learn more about the Serbian diaspora in Austria – who are they, what is the potential to attract diaspora investments and how to incentivise such an engagement.

For that purpose, a survey was disseminated widely online and

offline amongst the Serbian diaspora in Austria. To highlight some of the most interesting findings from the survey: 59.9% of the respondents stated that they would financially support their friends and acquaintances to open a company or expand their business in Serbia. At the same time, 37.3% of them are personally interested in starting such an activity or expanding their business to Serbia. The sectors of highest interest are in agriculture and forestry, followed by tourism, trade, building construction, gastronomy, recycling, education and then advisory services.

When asked about the motives to do so, the main reason was their wish to personally contribute to Serbia's development, followed by the reunification with family and friends, and then nostalgia or patriotic feelings toward the home country. This set of psychological motives was only then followed by economic ones, and included good prospects for business based on lower costs of operations as compared to Austria, favourable conditions for doing business in Serbia, quality of life, and better access to the Serbian or regional markets. However, a surprisingly high number (91.4%) of the respondents have never heard of Serbian state institutions that support SMEs. Only 8.6% of the respondents said they know about Serbia's business support structure.

The survey also found that many respondents expressed a negative opinion (25.3%) towards the state institutions' capacity to help them start or expand their business, while at the same time 27.6% were positive about existing capacities, though these were mostly people with links to Belgrade and its surrounding.

Complementary to the survey, consultations were undertaken with around 250 stakeholders, including with government institutions, business people in Serbia as well as with entrepreneurs and business angels living in Austria with a link to Serbia. It showed that there is a lack of trust by diaspora members towards national and local authorities, highlighting that their potential or already existing contributions and support are not adequately recognised by the Government of Serbia. Nonetheless, there are many business activities taking place with those localities with which Serb diaspora members have the strongest connections, especially in Eastern Serbia which region has the highest emigration rate towards Austria. There are many good examples of successful ventures, which are listed as well in this study. The areas which are underutilised – according to many government stakeholders and also diaspora members – are in the renewable energy and waste

One of the challenges is Serbia's business environment, in particularly the 'regulatory guillotine' and access to finance affecting mostly early stage businesses.

management sectors as well as in health care and elderly care, especially considering that those who have settled in Austria during the Sixties and Seventies are retired or close to retirement. Those who have set up successful ventures often mentioned the low labour costs

and a favourable corporate tax rate as the factors that have helped their businesses. Yet still, there are considerable challenges relating to Serbia's infrastructure, lack of municipal staff's capacities and shortage of quali-

fied workers for industrial jobs partly because of the issue of declining population in rural areas, as per the feedback received from Serb diaspora members.

The research also included a desk review of relevant legislations, policy documents and existing support programmes, instruments and institutions with relevance to diaspora entrepreneurship. The review revealed some considerable challenges that affect the diaspora's engagement in Serbia's economic development. Below are two of the key issues:

- Lack of sustainability and commitment towards diaspo-

ra engagement policies: state institutions in the Government of Serbia dealing with diasporas have been shrinking. There is general acknowledgement of the diaspora's importance towards the economic, social and cultural development of Serbia, but the implementation of measures across various strategies and institutional structures remains challenging.

- More generally, Serbia's business environment, in particular the 'regulatory guillotine' and access to finance affecting mostly early stage businesses. Microfinancing along with other types of financing, such as equity capital, is not sufficiently developed in Serbia. Credit activities in Serbia are regulated by the Law on Banks and special laws which states that only banks and government institutions can issue loans and take deposits. The establishment of an enabling regulatory framework for microfinance and other non-banking credit institutions would be required to put in place appropriate financial instruments for SMEs. While there is currently no law on alternative financing in place, working groups have been set up to address this.

Based on a review of existing instruments, a way forward for the

implementation of an ADA-funded programme was proposed that asks the fundamental question: if there would be ODA put into a financial instrument or other to incentivise diaspora investments, which one could bring about investments and activities that would otherwise not have happened to that extent or at all within the next couple of years? Against that background, the possibility of grants and diaspora bonds, as well as expanding the possibilities for microloans, public credit guarantee schemes, crowdfunding and equity capital was explored. Establishing a specific grants scheme accompanied with outreach activities towards the diaspora could provide such a catalytic and stimulating effect on the economy. It would also be possible to launch a specific credit line funded or co-funded by a donor that targets Serbian diaspora investments and which would not require any collateral or at least reduce such requirements. Another, albeit more complicated, option would be to establish a credit line fully funded through national sources (a state owned development fund or bank), but with guarantees provided by a donor. Setting up a mechanism to pool resources for equity investments through business angels and diaspora investors is likewise an option. According to the interviews with business angels and investors, trust is the factor that can nudge investments into Serbia.

The ideal arrangement is to have a 'lead' investor in Serbia who knows the market and founding team well, while business angels from another country could act as a co-investor. In terms of the investment framework, it would be essential to improve the tax system, facilitate legal conditions for easier cross-border investments and to support the growth and professionalisation of the local ecosystem. ICMPD interviews with business angels revealed that the start-up and business angel ecosystem in Serbia is still at a very early stage.

In 2015, the total value of remittances sent through official channels from Austria to Serbia was USD 356 million.

In general, the implementation of financial incentives would need to go hand in hand with outreach and communication activities, increased non-financial support and match-making with mentors as well as training to increase entrepreneurial skills (digital marketing, financial literacy, etc). The intervention should focus particularly on early stage businesses, especially amongst remittance-receiving households and diaspora investors, while having in mind the broader issues and principles for the development of inclu-

sive market systems.

In 2015, the total value of remittances sent through official channels from Austria to Serbia was USD 356 million. Overall, remittances represent 8.5% of the country's GDP making it one of the top ten

In conclusion, it can be said that there are opportunities, many of which have yet to be explored, to involve the Serb diaspora as long as there is some commitment at central and municipal level to work on some of the most pressing matters relating to Serbia's broader business environment and diaspora policies.

remittance-dependant countries in Europe and Central Asia.

Remittances are mostly used for private consumption, to cover the costs of living and only a very small percentage is going into business creation. Many Serbs bring money in cash during their frequent visits to Serbia or send it home through informal channels (friends, relatives, bus drivers) - a phenomenon confirmed

though ICMPD's survey. Researchers have noticed the creation of remittance-dependencies by recipients, and also raised doubts whether it would be feasible at all to leverage remittances for productive/investment purposes. To channel a portion of remittances towards productive purposes that generates in-

come and employment, remittance transfers could be linked to financial services enabling recipients to gain access to various savings, lending and investment instruments or/and to stimulate the use of remittances in SME development through matching grants. To link remittance transfer services to financial services would bring many advantages, meaning amongst other to 'bank the un-banked' recipients, involving a shift from cash transfers or use of MTOs, such as Western Union and Money Gram, towards the use of financial institutions that can offer savings accounts and facilitate access to loans.

In conclusion, it can be said that there are opportunities, many of which have yet to be explored, to involve the Serb diaspora as long as there is some commitment at central and municipal level to work on some of the most pressing matters relating to Serbia's broader business environment and diaspora policies.

Introduction

In this study, we will shed some light into the way how diaspora entrepreneurs have revitalised the economy of their home countries by developing innovative forms of businesses and by building on their transnational networks and knowledge of global labour markets.

Migration patterns from and to Serbia have changed significantly over the course of the past century. Today, more people leave Serbia than immigrate, and this is especially true for the rural areas, amongst other as a result of the region's economic situation. In that context, the potential developmental use of remittances – money sent back by migrants, most often to support their families – has entered the

public discourse, and with it the political interest in understanding the linkages between home and host societies.

In relation to its population stock, Serbia ranks as one of the top emigration countries in the world. It is estimated that 5.1 million Serbs live abroad¹, many of whom maintain strong links to their families, friends and communities in Serbia, exemplified by the volume of inward remittances. In 2015, EUR 1.7 billion flowed back into the country representing 8.4 percent of Serbia's GDP, while outbound remittances represented EUR 270 million.² However, inward remittances may be much higher when taking into account those entering the country through unregulated channels.

.....
1 Republic of Serbia (2015): *Migration Profile for 2014*, p. 36

2 The World Bank (2016): *Review of the Market for Remittances in Serbia*

These private money flows have been used to support families in many different ways, amongst other for education, health, or other matters related to their living standards, though little information can be found on investments made and their contribution to business creation. Estimates suggest that the Serbian diaspora has invested over USD 550 million since 2000, providing around 25,000 jobs through SME creation.³ More recent data are not available.

In this study, we will shed some light into the way how diaspora entrepreneurs have revitalised the economy of their home country by developing innovative forms of businesses and by building on their transnational networks and knowledge of global labour markets.

The first section will present the underlying methodology used for this study. It is followed by a section on the profile of Serbs in Austria determined amongst other through an online and offline survey undertaken by ICMPD. After getting a better idea of the Serbian diaspora in Austria, and what motivates them

to invest or not invest in Serbia, we will examine the business environment in Serbia with a focus on the SME sector. In the fourth section, we will scope the opportunities and challenges for diaspora investments as per the interview findings with diaspora entrepreneurs. The fifth section then looks into specific mechanisms, such as grants, revolving microloan funds, credit guarantees, venture capital, and crowdfunding to take stock of the current economic and regulatory framework. On that basis, we will be able to evaluate the feasibility to devise an ADA-funded programme that could harness Serbian diaspora's potential.

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3 <https://www.ekapija.com/en/news/356897/the-investment-directory-designed-for-investors-from-the-diaspora-was-presented>;

V. Grečić (2016): "How Can the Serbian Diaspora Contribute Much More to the Development at Home Country?", p.75

01

Methodology

By assessing the business system in Serbia and identifying market failures and underutilised investments opportunities, this study helps to explore the possibilities for establishing financial instruments and mechanisms to incentivise diaspora investments in Serbia. Against that background, it was necessary to explore Serbia's legal and institutional framework, as well as look at relevant stakeholders, institutions and existing programmes in Serbia. Key obstacles and opportunities for Serbia's diaspora engagement were examined through the demand-side and supply-side of investment products and mechanisms accessible to SMEs.

The supply-side analysis offered a useful prism through which to review existing diaspora engagement policies and tools in the Republic of Serbia with a focus on economic aspects. The authors opted to use the following sources:

- Analysis of secondary data sources from Serbia and Austria;
- Literature review in Serbia on matters relating to migration and development;
- Semi-structured group interviews with representatives of Serbian state institutions and various organizations, including 28 local self-government (LSG) representatives in 11 municipalities, one representative from the Chamber of Commerce and Industry of Serbia (CCIS), five senior officials in four regional development agencies (RDAs) and five employees in two business incubators (February – June 2017);
- Two workshops with Serbian and international stakeholders in Belgrade and a panel with the members of Economic Board of Serbian Academy of Sciences and Arts and other

- participants from SASA (May 2017);
- Several field trips to the regions with a high proportion of Serbian migrants in Austria, including group meetings with representatives of RDAs and LSGs in the city of Pozarevac (February 2017) and the city of Kragujevac (June 2017). Moreover, meetings with RDA representatives and other key stakeholders were held in Kladovo and Negotin (July 2017);
 - A questionnaire completed by the local economic development (LED) representatives during the Standing Conference of Towns and Municipalities (June 2017); and,
 - 17 Interviews with the former and existing diaspora units in Serbia: 10 with municipal Diaspora Offices (DO) and 7 regional Diaspora Centres (April – June 2017).
- Five individual interviews and a focus group interview with Serbs in Austria (April – June 2017);
 - 14 semi-structured interviews with representatives and/or owners of 13 companies established in Serbia by Serbs living in Austria (April - June 2017);
 - A workshop with Serbian entrepreneurs based in Austria, together with the state and RDAs representatives from Serbia (September 2017);
 - A survey, conducted on- and offline in Serbian and German, targeting Serbs in Austria with a possible interest to develop or support businesses in their home society. Through this, 398 valid questionnaires were collected between July-September 2017. A purposive sampling methodology was used and thus cannot be considered representative of the overall Serbian diaspora in Austria.

Altogether, around 250 stakeholders have been consulted to map existing Serbian institutions, policies and initiatives in the area of diaspora engagement.

The demand-side analysis conversely aimed to gauge Serbian diaspora's interest in Austria to participate in the economic life of Serbia, and, given the complete lack of literature on this topic, the authors could only draw reliable data from the following primary sources:

Based on this research, it was possible to assess the gaps between supply and demand, and to make recommendations on implementable instruments to facilitate and leverage direct investments or other forms of economic cooperation from the Austria-based Serbs.

The feasibility study was prepared between January and November 2017.

02

Background

Serbia and Austria have forged strong ties over the past centuries, be it on economic, cultural, political and scientific matters, and which has manifested itself not just in the exchange of ideas, but also in the movement of people. The majority of Serbs living in Austria today stem either from the labour migration of the 1960s and 1970s or from the upheavals of Yugoslavia's violent dissolution in the 1990s.

From the Sixties onwards, Serbia has been experiencing a continuous flow of emigration, especially towards developed European countries, mostly to France, Germany and Austria as top destination countries (Stankovic, 2014).⁴ Increased emigration was largely

.....
 4 Stanković, Vladimir (2014): *Serbia in the Process of External Migration*, Statistical Office of the Republic of Serbia, Belgrade, p.19 (in Serbian), <http://pod2.stat.gov.rs/ObjavljenePublikacije/Popis2011/Inostranstvo.pdf>

driven by rising unemployment and low(er) standards of living in Yugoslavia, while other countries in Western Europe started signing bilateral agreements for temporary worker's recruitment, as was the case with Austria. Due to the growing labor demand in the countries of Western Europe in specific sectors, many emigrated – mostly low-qualified workers from rural areas. Between 1966 and 1973, 178,000 Yugoslav guest workers were recruited in Austria (Jandl and Kraler 2003).⁵ The oil and fiscal crises, however, reduced the number of Austria-bound guest workers by half in the 1980s. With the break-up of Yugoslavia in the Nineties, followed by a civil war, international sanctions, and resulting economic collapse, the emigration level from

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 5 Jandl, Michael and Albert Kraler (2003): "Austria: A Country of Immigration?", Migration Policy Institute, Washington DC, <https://www.migrationpolicy.org/article/austria-country-immigration>

the region peaked once more. However, as Serbia (then part of Federal Republic of Yugoslavia) took in many Serbian refugees from Croatia, Bosnia and Herzegovina and other ex-Yugoslav countries, it contributed to a short-term, positive migration balance in the 1991–2002 inter-census period (Bobić et al., 2016).⁶ Between 2002 and 2011, when once more a census was undertaken, the number of emigrants had dropped by 25% which can be attributed to the stabilisation of the political and economic situation (Stanković 2014; Bobić et al. 2016).⁷ During that time also Austria became the top destination country for Serbian emigrants (Stanković 2014; Bobić et al. 2016).⁸

The last Serbian Census of 2011 indicates that 4.2% or 313,411 persons out of the total population of 7.2 million people either work or reside abroad.⁹ Serbia's demo-

.....
6 Bobić et al. (2016): Study on External and Internal Migration of Serbia's Citizens with particular Focus on Youth, International Organization for Migration, UNDP, Swiss Agency for Development and Cooperation SDC, p.28 <https://serbia.iom.int/sites/default/files/publications/documents/Study%20on%20external%20and%20internal%20migration%20of%20Serbia%27s%20citizens%20with%20particular%20focus%20on%20Youth.pdf>

7 Ibid. p.8

8 Ibid. p.8

9 The 2002 Census registered 414,839 Serbs abroad. The decrease in their number is caused by methodological

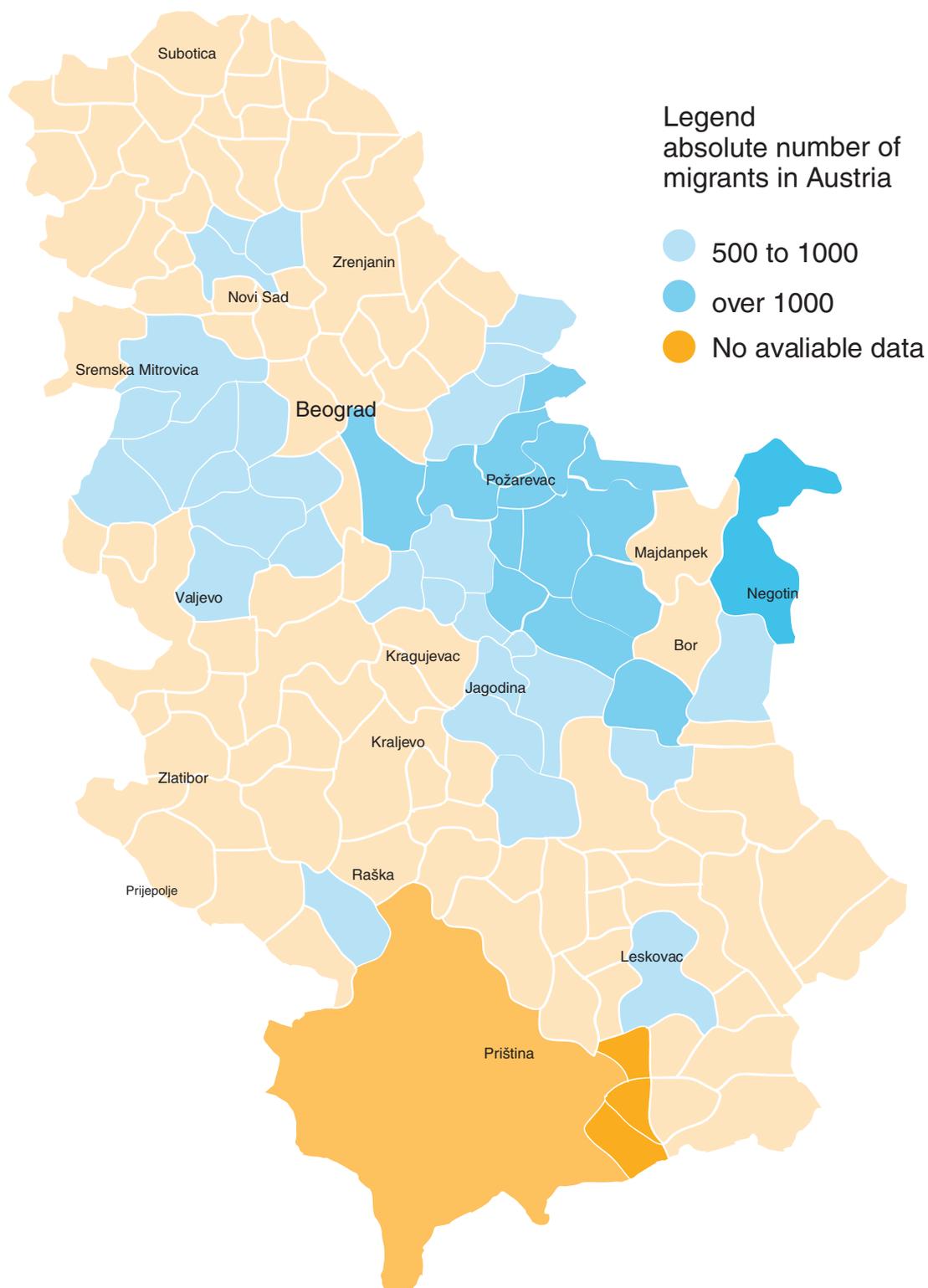
graphic trends are marked by a negative population growth rate of -0.5 from 2005-2014,¹⁰ especially in the rural areas that lost 363,000 inhabitants in the inter-census period between 2002 and 2011.¹¹ There are increasing rural-urban disparities with a rapid population decline in rural areas, while its urban centres have expanded due to rural migration inflows. According to the 2011 Census data, we can see that Eastern Serbia and parts of Western Serbia are those areas with the highest number of Serbian migrants in Austria.

and organizational changes of the 2011 Census that focused on the usual residents instead of migrants themselves (migrants' families in Serbia were the basic source of information on external migrants), thus turning the registered numbers into a large quasi sample (Stanković 2014). This change was also affected by the Census boycott of Albanians in the southern municipalities of Bujanovac and Preševo, and by new remote migrant destinations not included in the sample, amongst other. (Predojević-Despić and Penev, 2014)

10 World Bank (2016): Migration and Remittances Factbook 2016

11 Republic of Serbia (2015): Migration Profile for 2014

FIGURE 1. MAP WITH ABSOLUTE NUMBERS OF SERBIAN MIGRANTS IN AUSTRIA,
PER MUNICIPALITIES OF ORIGIN



ICMPD TEAM, ACCORDING TO THE SORS 2011 CENSUS DATA

The emigration trend can be explained in part due to weak labour demand and poor wages, as well as challenges related to its education and healthcare system, corruption and administration. The Government of Serbia (GoS) adopted amendments to the Labour Law in 2014, thus increasing labour market flexibility. In 2017, the Statistical Office of the Republic of Serbia (SORS) Labour Force Survey reported a decrease in unemployment from 19% in the first quarter of 2016 to 14.6% in the same period for 2017.¹² There were 149,000 unemployed people less when compared in the same period, though this could also be explained in part due to the changes in the survey methodology and the continued migration of the unemployed. SORS also reported that the total unemployment rate in the second quarter of 2017 was as low as 11.8%.¹³

However, the at-risk-of-poverty or social exclusion rate remains high at 38.7% in 2017.¹⁴ Southern Serbia is the region with the highest risk-of-poverty rate. Furthermore,

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 12 <http://pod2.stat.gov.rs/ObjavljenePublikacije/G2017/pdfE/G20171144.pdf>. It is assumed that hidden unemployment is very high in Serbia.

13 <http://pod2.stat.gov.rs/ObjavljenePublikacije/G2017/pdfE/G20171242.pdf>

14 <http://pod2.stat.gov.rs/ObjavljenePublikacije/G2017/pdfE/G20171087.pdf>

the depopulation trend continued in 2015, reaching –5.1%, compared to the previous year or 141,136 Serbian citizens less compared to the 2011 Census data. Southern Serbia, inhabited by approximately 3.5 million people – a territory with almost twice the size of the northern regions – was most affected with 121,636 people less in this period.

The table below shows Eurostat data on the number of Serbian citizens living in the EU in 2012 and 2013. The same source demonstrates that they are predominantly between and ages of 15-64.¹⁵

.....
 15 Republic of Serbia (2015): *Migration Profile for 2014*, p.33
 Table 1 is extracted from the Migration Profile of the Republic of Serbia 2014. France has not been included in the table, however, the authors wish to highlight that it should have been placed at the top of the table, after Germany.

TABLE 1. CITIZENS OF THE REPUBLIC OF SERBIA LIVING IN EU MEMBER STATES IN 2012 AND 2013

Country of Destination in the EU	2012			2013		
	Total	Men	Women	Total	Men	Women
Germany	215,189	109,277	105,912	216,628	108,773	107,855
Austria	111,642	57,866	53,776	111,303	57,469	53,834
Italy	51,103	26,778	24,325	41,678	21,066	20,612
Slovenia	7,317	5,108	2,209	7,784	5,433	2,351
Belgium	7,109	3,643	3,466	6,937	3,546	3,391
Sweden	6,127	3,200	2,927	6,409	3,389	3,020
Hungary	8,388	4,440	3,948	4,894	2,752	2,142
Spain	3,245	1,658	1,587	3,173	1,594	1,579
Czech Republic	2,081	1,401	680	2,253	1,504	749
The Netherlands	141	68	73	2,116	962	1,154
Romania	417	277	140	1,460	1,059	401
Finland	901	501	400	832	456	376
Denmark	660	329	331	788	392	396
Slovakia	665	493	172	716	523	193
Bulgaria	643	369	274	645	367	278
Poland	248	213	35	252	217	35

SOURCE: *MIGRATION PROFILE OF THE REPUBLIC OF SERBIA 2014*, P.33; ACCORDING TO EUROSTAT

The number of Serbs who immigrated to OECD countries between 2007 and 2015 has almost tripled: from 21,800 in 2007 to 58,700 in 2015.¹⁶ Similar to previous years, in 2015 most Serbs went to Germany (45,200), Austria (7,800), Slovenia (2,400), and Sweden (1,800).¹⁷

Profile of Serbs in Austria

According to the 2017 Austrian population register, 18.9% of Austria's 8.77 million inhabitants are foreigners (by country of birth) or 15.3% when measured by nationality.¹⁸ It is estimated that Serbs or those of Serbian origin in Austria range between 170,000 to 300,000 people, representing the largest group of third-country nationals in Austria.¹⁹

.....
 16 *OECD International Migration Outlook 2017*, Table B.1. Inflows of foreign population by nationality p.251-268, http://www.keepeek.com/Digital-Asset-Management/oezd/social-issues-migration-health/international-migration-outlook-2017_migr_outlook-2017-en#.Wl0KYanHIU

17 *Ibid.*

18 https://www.statistik.at/web_en/statistics/PeopleSociety/population/population_change_by_demographic_characteristics/population_by_citizenship_and_country_of_birth/036032.html

19 Statistik Austria https://www.statistik.at/web_de/statistiken/menschen_und_gesellschaft/bevoelkerung/bevoelkerungsstruktur/bevoelkerung_nach_staatsangehoerigkeit_geburtsland/index.html

These figures vary as many ethnic Serbs in Austria come from the regions of the former Yugoslavia that are not part of Serbia's current borders. An estimated one-third of those who have immigrated over the past years now hold Austrian citizenship (Becker et al. 2009). This also includes the estimated number of Serbian diaspora, meaning those people from the first, second and third generation living in Austria and who maintain ties to Serbia even without possessing the Serbian citizenship.

Up to 2007, the majority of foreign workers in Austria were from the former Yugoslavia, making up three quarters in 1970 and close to one half up to 2002. It was only in 2008 when employees from the EU-27 surpassed the share of workers from the former Yugoslavia. In 2009, Serbs and Montenegrins were the second largest group of labour migrants after Germans (Mara et al. 2013). Presently, little is known about the demographic structure of Serbs who have migrated to Austria or who are from the second or third generation of Serbs in Austria, about their human and social capital or their migration intentions.

In the framework of this study, ICMPD conducted a survey with the aim, amongst other, to collect data on the motivation and migration pat-

tern. It should be noted, however, that the survey is not representative as 398 valid data sets were collected, thus the findings will be presented in conjunction with data drawn from the Serbian Census and the Austrian Statistical Office.

Number and place of origin

The Serbian 2011 Census data reports that 70,488 Serbs live in Austria, which makes 22.5% out of the total of 313,411 Serb emigrants throughout the world²⁰, while the Austrian statistics registered 118,454 Serbs who live in Austria at the beginning of 2017. According to the same source, Serbs are the second biggest migrant group in Austria in 2017, preceded by Germans (181,618) and followed by Turkish (116,838) and followed by citizens from Turkey (116,838) and Bosnia and Herzegovina (94,611).²¹

The region of South and East Serbia (58.78%) has the highest emigration rate, followed by the region of Šumadija and West Serbia (23.43%), Vojvodina (10.18%) and

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20 V. Stanković (2014): *Serbian Process of External Migration*, p.41, <http://pod2.stat.gov.rs/ObjavljenePublikacije/Popis2011/Inostranstvo.pdf>

21 Statistik Austria (2017): *Migration & Integration. Zahlen. Daten. Indikatoren 2017*, p.26-27

then the Belgrade region (7.61%).²² For that reason, researchers have defined Central-East Serbia (CES) and South-West Serbia (SWS) as the “hot” emigration zones²³ with the largest concentration of the population living abroad.²⁴ Some of the municipalities in that area hold a record-high share of persons abroad in relation to the total population in that municipality (Malo Crniće 33%, Žabari 31%, Kučevo 30.7%, all in the Braničevo district). The largest number of Serbs abroad from the CES zone is from the municipality of Negotin (12,763). However, ten Belgrade municipalities counted together have the biggest emigrant stock from Serbia.²⁵

Time spent in Austria

SORS data from 2011 reports that 23.3% of Serb immigrants spend less than one year in Austria, 12.5% between 1-4 years, 13.9% between 5-9 years, 11.2% between 10-14 years, 9.5% between 15-19 years, 14.2% between 20-24 years, 3.9% between 25-29 years, and 11.5% reside in Austria for 30 years or

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22 V. Stanković (2014): *Serbian Process of External Migration*, p.46

23 See Annex, Tables 7 and 8

24 J. Predojević-Despić and G. Penev (2014): “Emigration Zones in Serbia: 2011 Census Results”, p.388, http://www.maticasrpska.org.rs/stariSajt/casopisi/ZMSDN_148.pdf

25 Ibid. p.604

more.²⁶ These numbers demonstrate that there is a tendency toward longer term or permanent residency rather than short-term. However, the 2011 Census in Serbia concomitantly indicates that 34,045 Serbs have returned from Austria.²⁷

An ICMPD survey conducted as a part of this study in 2017 revealed that 28.7% of respondents moved to Austria between 1991 and 2000, 22.8% between 2001-2010, 16.8% between 1981-1990. 13.7% of the respondents were born in Austria, while 6.1% came when the 'guest-working policies' were in place (1.5% between 1961-1970 and 4.6% between 1971-1980). 11.9% of the respondents have moved to Austria since 2011. The ICMPD survey showed that the majority of the respondents live in Vienna (82.3%), followed by Lower Austria (6.1%) and then Upper Austria (5.2%).

Gender, age and motivation

It is useful to look at the sub-layers of Serbian migration along gender and age, as well as related

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26 V. Stanković (2014): *Serbian Process of External Migration*, p.41

27 See Annex, Figures 10-12 and Tables 7-9 for the regional dispersion of Serbian citizens migrating to and returning from Austria, according to the 2011 Census

push- or pull-factors that motivated migrants to settle in Austria. To this end, the study turns to a research conducted between 2011 and 2012 that reached out to 1,000 Serbian migrants, all of whom were randomly interviewed.²⁸

There were significant differences in terms of gender and age between two groups of interviewed Serbs: those who came between 2004 and 2009 and those who arrived after the visa liberalisation between the EU Schengen area countries and Serbia in 2010. For the former group of immigrants, 53% were male and 47% were female. However, the share of men decreased and, in 2012, 51% of immigrants were men and 49% were women. 38.4% of Serbs who arrived before the visa liberalisation were between 25-34 years and 27.3% of them between 35-44 years. Those who arrived after the visa liberalisation were younger: 34% of them between 18-24, and 28.6% between 25-34 years (Mara et al. 2013).

Furthermore, the study identified a combination of factors that motivated individuals to migrate to Austria. Being pulled by mainly economic motives, Serbs came between 2004 and 2009 to 'earn more money' (30%), to 'study' (14%), to 'look for

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28 I. Mara et al. (2013): *Migration Patterns of Serbian and Bosnia and Herzegovina Migrants in Austria: Causes and Consequences*, WIIW Research Report 389

work' (13%). The post-2010 group came to 'study' (27%), to 'earn more money' (11%) and to have a 'higher standard of living' (11%). A similar shift can be identified in relation to their migration experiences: in the first group, factors considered as positive outcomes were linked to 'making more money' (30%), 'finding a better job than at home' (19%), 'learning a new language' (19%), while in the second group 'knowledge of a new language' (35%) was considered the most important factor followed by 'making more money' (21%) and the 'feeling to have more opportunities' (18%).

Regarding their migration intentions, there was a high preference to staying permanently, as expressed by 82% of those who arrived between 2004 and 2009, and 57% of those who immigrated after 2010. Only one in ten migrants in both groups had previously lived in Austria, while 16% among the first and 7% among the second group had previously migrated to other countries.

Education

Levels of education are an additional variable that may support greater economic links between host and home societies. According to the 2011 Census, the United States and Canada²⁹ along with

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²⁹ Canada is different than all the other countries listed since it uses a points-

Germany and the United Kingdom, attracted Serbs with higher levels of education: 57.6% emigrants with doctorates and 44.7% with Master's degrees settled in these countries.³⁰ Of the total Serb student body abroad, comprising 12,092 people, 8.1% of them were in Austria.³¹

ICMPD's survey found that 39.1% of respondents stated university or a similar degree as their highest level of education, 25.4% of respondents have completed vocational school, and 24.8% of them have completed high school (15% with BHS/HTL and 9.8% with AHS degree). The share of respondents with craft training is 8%, while 2.7% of respondents have only completed primary school.³²

Employment

According to Mara et al. (2013) and based on the Austrian data of 2011,

based system for immigration. Those with higher levels of education and command of English, French or both receive a higher likelihood of successful emigration.

³⁰ V. Stanković (2014): *Serbian Process of External Migration*, p.74

³¹ Ibid. p.75

³² It should be noted that the sampling method and thus target group is different from that of Mara et al. study. ICMPD's survey also includes Serb diaspora, meaning also people who are born or those who have been naturalised, while Mara et al. study screened respondents according to citizenship criteria and did not include naturalised Serbs or Serb diaspora.

almost one third of Serbs worked in unskilled or partially skilled professions, 25% worked as service workers and shop and market sales workers; about 19% worked in crafts and related professions; roughly 18% of them worked as plant and machine operators, while the rest worked in other professions. However, a precise analysis on their economic activity is blurred due to Yugoslavia's period of state dissolution. There is not enough research on the number of highly educated and successful Serbs, on those who have been naturalised, or those who are descendants from the 'guest workers' who may not necessarily have Serbian passports but may still nurture close ties to Serbia.

Mara's research also revealed that the employment status of Serbian migrants significantly changed from unemployment before migration to full-time employment in their new destination country. Those with longer periods of residence in Austria were mainly employed full-time (two thirds of the first group) with only one out of ten migrants being unemployed. Among Serbs who came to Austria after 2010, only 42% of them worked full-time, while 29% of them were full-time students. The arrival of Serbian students has emerged as a new type of migration flow linked to student mobility, a characteristic that does not signifi-

cantly factor into prior periods of migration.

Additionally, an element not examined by the Mara study is the number of Serbian migrants who are self-employed or entrepreneurs. The ICMPD survey investigated Serbian migrants' current employment status and revealed that more than half of the respondents are full-time employees (59.1%) and, notably, 19.1% of the respondents are engaged in entrepreneurial activities or have their own company. Moreover, 8.9% of the respondents are employed part-time and 8.6% are not part of the Austrian workforce. Finally, less than one percent of the respondents were on parental leave at the time of the survey, with 3.7% of the respondents in school or working as an apprentice.

Serbian diaspora and their home country: the ambivalent relationship

The relationship between the state and Serbs abroad is characterised by distrust on both sides, and the reasons for that are multi-layered and complex. The application of repressive measures against political adversaries during World War

II and in the immediate post-war period as well as the nationalisation of private property by the Yugoslav communist regime, all resulted in unsettled disputes and resentments that (subtly) persisted over the next decades. The diaspora minor investments in private production and craftsmanship were also due to socialist ideology and complicated administration fearful to embrace political opponents.

During the wars of the 1990s, diaspora were wooed in the expectation to spur their affiliation towards their homeland, and to increase their support towards their cause. This was followed with a period of privatisation in the 2000s, a time often referred to the 'wild' capitalism³³: as researchers observed, there was 'transition without transformation or post-communism with suspended change, particularly in the area of privatisation', which lacked a genuine transformation of property relations and thus propelled the power structures of the prior regime.³⁴

During the time of Serbia's privatisation and denationalisation, many formerly state-owned assets were only partially returned or even bought by descendants of the

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33 M. Upchurch and D. Marinković (2011): "Wild Capitalism, Privatisation and Employment Relations in Serbia", p. 318

34 M. Lazic and L. Sekelj (1997): "Privatisation in Yugoslavia (Serbia and Montenegro)", p. 1057

previous communist elite who now belong in large part to the new transition elite.³⁵ Therefore, the marginal interest of the Serbian diaspora in developing business activities in the country of origin can be attributed to a risky and unsafe economic environment, corruption, criminality, and a general lack of trust in the government (Lacroix 2010).

This helps to explain in part why the state policy and strategies for attracting Serbian diaspora have historically had relatively little success in achieving the proclaimed goals. Still, it is worth mentioning the efforts made so far: Serbia established the Ministry of Diaspora in 2004, which initiated a dialogue with Serbian emigrants. That Ministry organised numerous conferences and meetings between the state and diaspora communities. In 2007 and 2008, through a joint effort of relevant ministries, a network of Diaspora Offices (DO) was established within local self-governments (LSG) to serve as focal points for economic cooperation with the diaspora. These municipal Diaspora Offices were set up in Niš, Smederevo, Kladovo, Kučevo, Ada, Požarevac, Veliko Gradište, Paraćin, Despotovac, Golubac, Kruševac, Arilje, Trgovište, and Rekovac.

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35 B. Ratković-Njegovan and S. Stamenković (2016): "Business and Corporate Elites in Serbia", <http://scindeks-clanci.ceon.rs/data/pdf/1820-3159/2016/1820-31591603227R.pdf>

Next to the establishment of DOs, Diaspora Centres were set up within each of the 16 Regional Chambers of Commerce between 2007-2008 with the goal of strengthening state-diaspora partnership for economic development, of channeling remittances to investments, and reducing unemployment and poverty.³⁶ It was an integral part of the project “Economic partnership with the Diaspora at regional and local level” led by the Ministry of Diaspora. Through that project, a large number of diaspora companies were founded in the city of Čačak (72 firms) and Novi Sad (28 firms).³⁷ On a broader scale, it is hard to

In spite of wide recognition that the diaspora can substantially help Serbia to develop and modernise, state institutions dealing with the diaspora have been shrinking.

assess the impact that this institutional set-up had on the Serbian economy overall given that the monitoring and evaluation system was weak and no separate data tracking was put in place to distinguish between diaspora and non-diaspora investments.

In spite of wide recognition that the diaspora can substantially help

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36 <http://www.dijaspora.gov.rs/lat/adresar-lokalnih-kancelarija-za-dijasporu-2/>

37 V. Grečić (2016): “How Can the Serbian Diaspora Contribute Much More to the Development at Home Country?”, p.75

Serbia to develop and modernise,³⁸ state institutions dealing with the diaspora have been shrinking. IC-MPD’s field work in May 2017 found that DOs have not received regular, governmental-level support and, consequently, downsized or halted their activities. Although their scope of work has been shrinking and has ceased to exist in some places due to financial problems and employment restrictions, some offices still remain in place thanks to dedicated volunteers. One example is the newly established Diaspora Office in the city of Loznica (the Mačva district), which is run by an entrepreneur and a returnee from Switzerland.

From 2010 to 2013, the Assembly of the Diaspora and Serbs in the Region became the highest representative body with 45 global diaspora delegates. Its third and final meeting took place in 2013, while the last available information on its activities was in June 2014.³⁹ In the meantime, the National Assembly has established a Committee on the Diaspora and Serbs in the Regions, and it convened its first meeting in July 2016. While the Committee

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38 Migration Management Strategy as of 2009, Strategy to Preserve and Strengthen the Relationship between Homeland and Diaspora and Homeland and Serbs in the Region as of 2011; Law on the Diaspora and Serbs in the Region as of 2012

39 <http://www.dijaspora.gov.rs/skupstina-dijasporu-i-srba-u-regionu/>

meets regularly, it consists exclusively of members of parliament with no representative from the Serbian diaspora.⁴⁰

From 2010 to 2013, the Assembly of the Diaspora and Serbs in the Region became the highest representative body with 45 global diaspora delegates.

The Ministry for Diaspora was closed in 2012, and its duties transferred to the Office for Cooperation with the Diaspora and Serbs in the Region whose mandate ended in 2014. The Law on Ministries in 2014 positioned the Office, now entitled Directorate, under the Ministry of Foreign Affairs of the Republic of Serbia (DfD MFA).

However, at the time of conducting this research, a Director has yet to be appointed⁴¹ and the Organizational Structure of the Ministry of Foreign Affairs has no positions or units envisioned for it.⁴² In early 2017, resulting from a process of centralisation, all regional Chambers of Commerce, once independ-

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40 <http://www.parlament.gov.rs/activities/national-assembly/working-bodies/committees,-sub-committees,-working-groups.2378.html>

41 Information obtained during the ICMPD team meeting with the Directorate for Diaspora

42 www.dijaspora.gov.rs/en/management the Organizational Structure of the Ministry of Foreign Affairs

ent legal bodies, were integrated into the Chamber of Commerce and Industry of Serbia (CCIS). The CCIS has a Diaspora Centre but it seems that the new concept of cooperation does not focus on the activities of the regional branches, as per the findings of ICMPD's research team. Still, some branch offices, such as the one in Zaječar, have continued with some occasional activities, showing that personal or local initiatives can make a difference even under unfavourable conditions.

For the moment, the Directorate under the MFA runs a small grant programme to support diaspora organisations. The Serbian MFA classified Serbian organizations in Austria along following categories:⁴³

- Federations and umbrella organizations (10);
- Clubs, societies and associations (79);
- Culture, information and education centres (4);
- Sport societies (10, all football clubs); and,
- The Serbian Orthodox Church (8).

Most of these groups focus on cultural matters and have no pro-

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43 <http://www.mfa.gov.rs/sr/index.php/konzularni-poslovi/dijaspora/klubovi-iz-dijaspora/101-dijaspora-klubovi/10658-austrija-dis?lang=cyr>

grammes aimed at investment or economic development. Some of them were founded in the 1970s as Yugoslav guest worker clubs and became Serbian in the 1990s. In 2014, the Club of Serbian Businessmen in Austria was founded by the Association of Serbian Clubs in Vienna⁴⁴ with the aim to promote investment opportunities in the region and connect Serbian and Austrian businessmen to Serbia. At the time of the research, only two associations, namely the Austrian-Serbian Economic Forum⁴⁵ and the Business-Media Center Idea House in partnership with Dijaspورا TV include economic components in their activities in Austria. The CCIS conference in February 2014 'Business bridge Serbia-Austria-Europe' marked the constitution of the Serbian Economic Senate that was initiated by the Austrian Senate of Economy⁴⁶ to bringing together Serbian, Austrian and German entrepreneurs. The declared objective of the Serbian Economic Senate is to work closely with SMEs and family-run businesses and help them tap into the international market, including by deepening the cooperation between educational institu-

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44 See also http://www.b92.net/biz/vesti/svet.php?yyyy=2014&mm=04&dd=09&nav_id=834444

45 <http://www.oesw.org/>

46 <http://www.senat-oesterreich.at/internationale-wirtschaftsplattform/>

tions and the economy.⁴⁷

Generally, when it comes to mainstreaming migration into sectoral policies, it can be said that the Serbian government has made significant efforts to improve its infrastructure and legal system, as well as to align its policies with EU standards, including by addressing the nexus between migration and development. For a list of those key government documents on socio-economic development that integrate migration in their thinking, see Table 2 below.

Generally, when it comes to mainstreaming migration into sectoral policies, it can be said that the Serbian government has made significant efforts.

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47 <http://www.senat-srbija.rs/o-nama/vizije-i-perspektive.html>

TABLE 2. INCLUSION OF MIGRATION IN STRATEGIC DOCUMENTS

Document	Migration integration
National Sustainable Development Strategy (as of 2008)	√
Strategy and Policy of the Industrial Development for the period 2011 - 2020	√
Strategy for Supporting the Development of SMEs, Entrepreneurship and Competitiveness for the period 2015-2020	
Strategy for Agricultural and Rural Development for the period 2014-2024	
Strategy on Promotion and Development of Foreign Investments	√
National Employment Strategy for the period 2011-2020	√
Social Protection Development Strategy	
Public Health Strategy	
Strategy for Development of Education in Serbia by 2020	√
Strategy on Scientific and Technological Development for the period 2016-2020	√
Employment and Social Reform Programme in the Process of EU Accession	√
National Youth Strategy for the period 2015-2025	√
Programme of Official Statistics	√

ICMPD TEAM, PREPARED ACCORDING TO M. RAŠEVIĆ (2016)

In sum, the ambivalent relationship between the diaspora and the Republic of Serbia still exists despite the declared objective to foster stronger ties with the purpose of stimulating Serbia's economy. International best practice has shown that it is not only the institutional framework for diaspora engagement that matters, but that the business environment is one of the most crucial factors that contribute to investments decisions, including from the diaspora.

03

Business support system in Serbia

The business environment

Due to a set of structural reforms in 2014-2015, the business environment has improved slightly as it ensured the stability of public finances and the reduction of the foreign trade deficit.⁴⁸

Still, Serbia's macroeconomic setting is characterised by a high level of foreign and public debt, insufficient investment, fluctuations of the foreign currency exchange rates and high, although now decreas-

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48 *The National Economic Reform Programme for 2015-2017*, p.9 http://www.mfin.gov.rs/UserFiles/File/dokumenti/2015/NERP%202015%20ENG%20za%20WEB%2018_3_2015.pdf

ing, unemployment. All these have resulted in comparatively low economic growth and competitiveness. The Global Competitiveness Report 2017-2018 ranks Serbia on place 78 out of 137 countries and categorises its stage of economic development as efficiency-driven.⁴⁹

Nevertheless, there have been some improvements over the past years, as illustrated through its ranking on the World Bank's Doing Business list.⁵⁰ Out of 190 econ-

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49 World Economic Forum (2017)

50 <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf>

<http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf>

omies, Serbia ranks in place 43 in 2018 compared to 47 in 2017 and 59 in 2016.⁵¹ In 2016, the country's per capita GDP was USD 5,376.3, up from 2015, and can be partly attributed to improved productivity in manufacturing and export growth, although currently only 4.4% of companies are exporting.^{52 53} Serbia lags behind in the degree to which collateral and bankruptcy laws protect the rights of borrowers.⁵⁴ According to the European Commission's 2016 Serbia Report, the general institu-

Reports/English/DB17-Full-Report.pdf

http://www.doingbusiness.org/reports/global-reports/~/_media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB16-Chapters/DB16-Mini-Book.pdf

51 Most of the improvement is reflected by easier acquisition of construction permits (the 10th place for 2018 compared to the 36th for 2017) and the easiness of starting a business (5 procedures now taking 5.5 days and improving its ranking to the 32nd place for 2018 compared to the 47th for 2017) or registering property. On the 2017 list, Serbia peaked among top ten economies showing the most remarkable improvements in performance on the Doing Business indicators in 2015/2016

52 WEF (2017): The Global Competitiveness Index 2017-2018

53 European Investment Bank (2017): Ex-ante study to assess the potential future use of Financial Instruments to deploy IPA resources in support of Small and Medium-sized Enterprises (SMEs) in Serbia, p. 17

54 The current Law on Enforcement and Security (as of 2015) seems to favour lenders to borrowers and does not differentiate between borrowers who deliberately avoid settling their liabilities and borrowers who are forced to do so due to a third party's fault.

tional and regulatory environment is weak: important laws continue to be adopted by emergency procedure, while the adoption of secondary legislation is delayed and courts are overburdened with many unsolved cases.⁵⁵

The EU-Serbian Civil Society Joint Consultative Committee considers Serbia to have a bank-centric financial market with an underdeveloped legal framework to make products in the non-banking sector possible.⁵⁶ In the wake of the financial crisis, the banking sector had become more risk-averse and suffered from a high level of non-performing loans. The supply of long-term loans is limited by banks' short-term liability structures and there is a shortage of affordable financial products in local currency. Due to the lack of relevant legislation, there is no micro-financing sector and investment funds are few (EESC 2016). On a positive note, Serbia's high-tech start-up scene has been taking shape recently, which has exacerbated the need for early-stage funding.

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55 https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_serbia.pdf, p.28

56 EESC (2016): *Report of 3rd Meeting of the EU-Serbia Joint Consultative Committee: Enterprise and Industry Policy*, p.7 <http://www.eesc.europa.eu/resources/docs/eesc-2016-05200-00-01-tcd-tra-en.docx>

It is estimated that the non-banking financial sector in Serbia may experience some substantial changes over the coming year as its legal framework is being reviewed by the National Bank of Serbia's (NBS) Working Group.⁵⁷ It is estimated that the adoption of a law on non-banking finance institutions would create EUR 870 million worth of micro-credits and open up about 100,000 new jobs.⁵⁸ Besides, in May this year the Ministry of Finance (MoF) established a Working Group to draft the Alternative Investment Funds Law.⁵⁹ The Programme for the Improvement of Serbia's Business Environment covering the period 2017-2019 was adopted by the Government of Serbia (GoS). It recognised USAID's Business Enabling Project (BEP), the National Alliance for Local Economic Development (NALED) and the National Secretariat for Public Policy as the main contributors in

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57 USAID BEP (2016): Legal Framework for Non-Banking Financial Institutions in Serbia, p.15, http://www.bep.rs/baza_znanja/english/documents/access-to-finance/Legal%20Framework%20for%20NBFIs%20in%20Serbia%20-%20Outstanding%20Issues%20June%202016.pdf

58 The Danas Daily of July 27, 2017 http://www.danas.rs/ekonomija.4.html?news_id=352168&title=Mala+preduze%C4%87a+najte%C5%BEe+dolaze+do+novca

59 http://bep.rs/english/news_2017_05_30-3_en.php

its development.⁶⁰ The Programme should reduce red tape and accelerate the introduction of e-government services for businesses.

With a total investment volume of EUR 2,02 billion and 450 companies, Austria is the biggest foreign investor in Serbia. The most prominent investment sectors from Austria are banking, insurances, telecommunications, gas stations and logistics. Altogether, these companies employ 18,100 people. There is a lack of information as per the company's size or in what way diaspora has been involved in brokering such investments into Serbia.

The SME sector in Serbia

As per the Serbian Accounting Law (2013), an SME is an enterprise that fulfils at least two out of three criteria for each of the categories:

- Micro-sized companies, including self-employed persons: up to 10 employees, up to EUR 700,000 annual turnover, up to EUR 350,000 total assets;
- Small-sized companies with up to 50 employees, up to EUR 8.8 million annual turnover, up to EUR 4.4 million total assets;

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60 http://bep.rs/english/news_2017_01_31-1_en.php

- Medium-sized companies: up to 250 employees, up to EUR 35 million annual turnover, up to EUR 17.5 million total assets.

In 2015, SMEs comprised 99.8% of total active business entities, employed almost two-thirds of employees in the non-financial sector and contributed to 32% of Serbia's GDP.⁶¹ It should also be noted that only 4% of all SMEs are exporting

companies, while SMEs generate 76% of total exports.⁶²

Most of these enterprises consist of solo entrepreneurs (71.6%). Micro enterprises represented 24.6% of the total SMEs.

In sum, they made up 324,600 business entities in 2015. The sector of wholesale, retail trade and repair of motor vehicles together with manufacturing dominated the Serbian SME business in 2015.

TABLE 3. SECTORAL DISTRIBUTION OF SERBIAN SMEs IN 2015

in %	Number	Employees	Turn-over	GVA	Export	Import
Services	25.6	20.3	10.7	22.7	4.6	3.7
Transportation and storage	10.2	5.1	5.9	7.8	0.9	3.3
Wholesale, retail trade and motor vehicle repair	29.0	27.9	42.4	25.7	28.2	55.2
Construction	7.2	7.2	6.3	8.0	0.8	1.7
Public utilities	0.6	3.5	5.8	3.2	2,5	1,0
Manufacturing	15.7	27.9	22.5	25.1	58.8	33.8
Other sectors	11.6	8.2	6.3	7.6	4.1	2.4

SOURCE: MoE ACCORDING TO SORS, 2016, P. 15

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61 Ministry of Economy of Republic of Serbia (2016): *Report on Small and Medium Enterprises and Entrepreneurship for 2015*

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62 Ministry of Economy (2015), *Report on small and medium-sized enterprises and entrepreneurship in 2014*

In 2015, the SME sector in Serbia was less developed compared to the EU-28 average.⁶³ The high share of Serbian SMEs in terms of business operation indicators (number of enterprises and employees, GVA) stems from the slow structural reforms. On average, a Serbian SME employs 3.3 workers, which is less than the EU average of 4 workers. Moreover, the productivity of Serbian SMEs is 4.7 times lower than that of the EU-28 average.⁶⁴

In 2015, the GoS adopted the Strategy for the Support to Development of Small and Medium-Sized Enterprises, Entrepreneurship and Competitiveness for the period 2015-2020, as well as related Action Plan. In that document, the GoS spells out its main goals to be achieved before 2020, which are to improve the business environment, access to finance, support the development of human resources, strengthen competitiveness and maintain sustainability of SMEs, open access to new foreign markets, and support the development of an entrepreneurial mindset, women entrepreneurship, youth and social entrepreneurship. The implementation of the action plan seeks to increase by 10% the total number of SMEs and entrepreneurs until 2020 and to increase the

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63 Ibid., p.32
64 Ibid., p.32

number of employees in the SME sector by 24% (when compared to 2013). The objectives of the Strategy and Action Plan are in line with the European Small Business Acts principles, but no analytical framework has been designed to evaluate these measures (EESC 2016).⁶⁵ Support to the Competitiveness Sector forms part of the Instrument of Pre-Accession Assistance (IPA 2) from 2014 to 2020, though its proportion is lower than for all the other priority sectors.

A new Law on Investment, which sets criteria for state support to investors and aims at improving the institutional framework for investment promotion and support, was adopted in October 2015.⁶⁶ Serbia had already joined the EU's competitiveness and SME programme COSME in January 2016 and HORIZON 2020. A new institution has been established - the Development Agency of Serbia (DAS), replacing the National Agency for Regional Development (NARD) and the Serbian Investment and Export Promotion Agency (SIEPA). In 2016, the GoS also launched the "Year of Entrepreneurship" to integrate the efforts of different institutions and organizations to affirm

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65 EESC (2016): *Report of 3rd Meeting of the EU-Serbia Civil Society Joint Consultative Committee: Enterprise and Industry Policy*, p.6
66 More information to be found in the section on 'Financial Support'.

entrepreneurship as one of the core elements of its policy, with an overall budget of RSD 16 billion (approximately EUR 130 million). It has helped to roll out 33 programmes. Given its success, as documented by the Ministry of Economy, they decided to extend some of these programmes beyond the 'Year of Entrepreneurship'.

The expansion and development of the SME sector is both an opportunity and a necessity for the Serbian economy. Serbia has few large companies, and many of them needed to close after the 2008 recession. As a result, large Serbian companies are not the sole or most crisis-resistant structures driving the economic growth of the country.

Besides, it seems that current or potential entrepreneurs in Serbia are not fully recognised and identified by state institutions.⁶⁷ Serbia is no longer a part of the Global Entrepreneurship Monitor.⁶⁸ Cumbersome bureaucracy and an unstable regulatory environment generally discourage Serbs from either starting their own business or registering it at all, thereby creating a large informal economy. 156

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67 D. Bobić (2017): *Youth Entrepreneurship in Serbia: Mapping Barriers to Youth Entrepreneurship*, p.12

68 Serbia participated in the GEM only in the period of 2007-2009 when it was represented by the Faculty of Economics from the city of Subotica.

laws and over 250 by-laws currently regulate the management of a business and they are subject to frequent changes. Unfair competition creates an additional problem in the current economic setting where almost a third of the GDP (30.1%) is earned in the grey economy.⁶⁹ In 2015, the GoS adopted a National Programme for Combating the Grey Economy⁷⁰, and declared 2017 and 2018 as the years to fight against the informal economy. It forms part of the GoS's National Programme⁷¹ through which they expect to increase their tax revenues significantly.

According to a study from the European Investment Bank (EIB),⁷² which examines the difficulties that Serbian micro businesses and SMEs face when seeking financing, access to finance remains a major issue for these types of companies. In particular, access to mainstream

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69 D. Bobić (2017): *Youth Entrepreneurship in Serbia: Mapping Barriers to Youth Entrepreneurship*, p.13

70 The Government of Republic of Serbia (2015): *The National Programme for Combating Grey Economy*, <http://www.mfin.gov.rs/UserFiles/File/strategije/Nacionalni%20program%20za%20suzbijanje%20sive%20ekonomije.pdf>

71 <http://www.srbija.gov.rs/vesti/vest.php?id=118723>

72 European Investment Bank (2017): *Ex-ante study to assess the potential future use of Financial Instruments to deploy IPA resources in support of Small and Medium-sized Enterprises (SMEs) in Serbia*, Final report

banking products remains a considerable barrier for micro enterprises given their lack of credit history, collateral, as well as other stringent risk criteria to access such loans. Other factors identified relate to the lack of skills in drafting a business plan and financial projections that banks usually require in order to be able to issue loans. Additionally, banks, and more general financial intermediaries, are obligated by law to apply strict risk management standards. Hence, the EIB study finds that the Serbian economy relies too much on the banking system as a source of SME financing, thereby making it especially prone to external shocks. For that reason, the study suggests that alternative sources of finance should be developed in Serbia, including through the provision of microfinancing and equity capital.⁷³

More specifically, the study finds that microfinance, portfolio guarantees and equity financing for SMEs, coupled with capacity building for entrepreneurs, are needed. In this regard, it suggests two financing tools that could be deployed immediately: an accelerator facility and an SME portfolio guarantee instrument. The accelerator facility would

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73 Another interesting finding from the EIB study is that there is a lack of exact data regarding SME products, in particular SME guarantees through the banking system, thereby making it difficult to make reliable estimates on SME financing.

invest in the share capital of final recipients and provide equity and quasi-equity financing to innovative SMEs in their inception phase. The SME portfolio guarantee instrument with reduced or no guarantee fee under *de minimis* aid would provide the banks with guarantee coverage at the SME portfolio level.⁷⁴ However, as a first step, the establishment of an enabling regulatory framework for microfinance and other non-banking credit institutions would be required in order to set in place the appropriate financial instrument.

When it comes to early-stage financing for start-ups and budding entrepreneurs, there are only very few institutions that provide such microloans. The microfinance market is generally considered underdeveloped since such products are restricted to banks, thereby closing off the possibility to non-banking credit institutions. The NBS is currently reviewing the regulatory framework to enable micro-lending beyond the banking sector, and a microfinance regulation is planned to come into effect very soon. The rate of non-performing loans is relatively high with 22% of official corporate NPL in 2015,⁷⁵ which

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74 European Investment Bank (2017): *Ex-ante study to assess the potential future use of Financial Instruments to deploy IPA resources in support of Small and Medium-sized Enterprises (SMEs) in Serbia*, p. 87

75 National Bank of Serbia (2016),

partially explains the relatively high interest rate on loans and risk aversion of financial institutions.

Some improvements have been made with the introduction of a monetary policy in 2013 and subsequent reduction of the weighted interest rate on foreign currency loans for SMEs at approximately 8%. The European Investment Bank has stated that 76.2% of the total net loans are EUR loans rather than in dinars.⁷⁶ The study from the EIB recommends more seminars and educational workshops that allow raising awareness on the microfinance market and bolstering financial literacy.

The business support infrastructure

The first important steps to support Serbia's business infrastructure were undertaken in 2001 through the creation of seven SME development agencies, the first SME revolving credit lines (later a guarantee fund), and the change of

Banking sector Fourth Quarter Report 2015. Available at: http://www.nbs.rs/internet/english/55/55_4/

76 European Investment Bank (2017): *Ex-ante study to assess the potential future use of Financial Instruments to deploy IPA resources in support of Small and Medium-sized Enterprises (SMEs) in Serbia, Final report*, p. 42

priorities by the Development Fund of Serbia (DFS) toward SME and private sector development.

One of the first documents tackling SME development was the National Economic Development Strategy for the period 2006-2012. The Regional Development Strategy of the Republic of Serbia 2007-2012 aimed at improving polycentric regional development through entrepreneurship and SME development policies, for example, through cluster associations and connections between enterprises, establishment of business and technology incubators, and science and technology parks (STP). The National Agency for Regional Development (NARD) was established in 2009 as a successor of the Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship. A regional SME support infrastructure through the Regional Development Agencies (RDA) was launched then: now, there are 15 RDA's clustered around SARDA – the Serbian Association of Regional Development Agencies.⁷⁷

The Strategy for Development of Competitive and Innovative Small and Medium-sized Enterprises 2008-2013 also envisioned programmes for the development of

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77 See Annex, Table 12 with the list of accredited RDAs

business incubators and clusters and emphasized the necessity to improve the institutional support for SME development. The Strategy and Policy of the Industrial Development of the Republic of Serbia for the period 2011–2020 also considers the necessity to develop a business support infrastructure focusing on regional development. According to this Strategy, the development of business support infrastructure includes mapping, constructing and equipping industrial zones, industrial parks, business incubators, clusters, logistic and business centres and the need to improve the tourism infrastructure.⁷⁸

Next to the policy and regulatory support infrastructure for SMEs, there are a number of financial instruments available in the form of loans, guarantees and equity with the dominant form being short-term loans to finance working capital. However, access to such loans is typically a prerogative of those companies with a solid credit history and ratings, thereby excluding those businesses that do not meet the risk criteria of banks, usually early stage businesses (micro companies, sole traders, start-ups).

Nevertheless, a business ecosystem has developed over the past

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78 The Government of the Republic of Serbia (2011): *The Strategy and Policy of the Industrial Development of the Republic of Serbia 2011–2020*, p.122

few years, which delivers services to innovative companies and to those at an early stage. However, they can be considered quite fragmented and there is room to consolidate all the various schemes into an information portal that can accompany businesses throughout their life cycles. Business incubation programmes have emerged over the past years providing comprehensive support, although their outreach capacity and sustainability are limited.

Business incubators and accelerators

Researchers believe that business incubators have not found a fertile soil in Serbia, or at least their basic idea has not been understood properly.⁷⁹ Since 2005, no less than 30 incubators have been launched in Serbia, and many have been closed in the meantime, while others have (re-)opened. In 2017, according to the Ministry of Economy (MoE), there are twenty business incubators in Serbia, five in Belgrade, six in Vojvodina, five in southern and eastern Serbia, and four in Šumadija and Western Serbia.⁸⁰

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79 V. Kopanja (2016): *The Analysis of Instruments of Support to Micro, Small and Medium-size Enterprises and Entrepreneurs at the Local Level*, p. 21

80 See Annex, Table 13 on the list of business incubators active in Serbia in 2016

The mixed success rate of business incubators can be explained in part due to a lack of business modeling and underlying assumptions that providing physical space at favourable rates would be sufficient to develop SMEs. As some of the key reasons for their failure, Kopanja (2016) posits that decision-makers have not understood the process of business incubation or realised that incubators might support local economic development in certain but not all economic sectors. Additionally, there was a lack of understanding of the local needs and economic development policies at the local level. Moreover, research conducted by Mijačić in 2011 showed that in most cases their capacities were not utilised to the fullest despite high investments and subsidised prices. One of the exceptions though is the Business Technology Incubator of Technical Faculties Belgrade (BITF).

Donors have had an important role in the development of business incubators. The first one was established in Niš in 2004, with support of the ENTRANS project from Norway. ADA supported incubators in the region of Vojvodina through the Building Business Incubators initiative until 2010, while USAID financed facilities for incubators in the cities of Kruševac, Zaječar, Prokuplje, Novi Sad and Kragujevac. Support was also provided

by the OSCE for Business and Technology Incubator of Faculties of Technical Sciences in Belgrade and by SPARK for incubators in Belgrade, Kragujevac, Vranje and Užice. The Slovakian Government and the EU Programme Exchange supported an incubator in Bački Petrovac.⁸¹

According to the number of available incubation units, most tenants can be accommodated in Kruševac, Užice, Niš and Subotica, while incubators in Zaječar, Bački Petrovac, Novi Sad and Belgrade have the lowest capacity.⁸²

Almost all donor projects supporting the development of business incubators have come to an end. Several incubators have successfully applied to the EU IPA calls. An incubator in Kragujevac has received significant funds from the RSEDP 2 Programme, while one in Bački Petrovac received funds from the EU Exchange Programme. Those in Užice, Zrenjanin and Novi Sad participated as partners in the implementation of cross-border cooperation programmes.

Next to the incubators, there are also some accelerators making investments into companies that they are supporting. One of the cross-re-

.....
81 Ibid, p.14

82 Ibid. p.18

Good examples of companies established by Serbs in/from Austria NEW FRONTIER GROUP, Vienna (<http://newfrontier.eu>)

Branislav Vujović, a Belgrade-born engineer, moved to Vienna to work as Technical Director for an Austrian-based company in 1986. He started his own venture in Vienna in 2006. Now, it is a private group with head office in Vienna and with subsidiaries in 15 countries worldwide, most of which can be found in Central and Eastern Europe, Russia, Turkey, the Middle East, the USA, Canada and Australia. It offers a wide spectrum of services and products across various technology-driven industries. The company focuses in the area of digital transformation. In Serbia, it has four subsidiaries with over 400 employees. He believes that there is no need to mimic Silicon Valley in Serbia given that the investor

framework and business ecosystem is different. His involvement with Serbia does not derive from his emotional link, but because of the business opportunities in Serbia. He also acts as a business angel and mentor to Serbian start-ups. He described the online payment system as one of the challenges in Serbia.

gional accelerators, Eleven, which has received considerable support from the Bulgarian government and the European Investment Fund, has also attracted many promising start-ups from Serbia and has invested EUR 2 million in 17 Serbian start-ups so far.⁸³ Startlabs, another such example, provides support to Serbian and Western Balkan's tech startups. It invests USD 50.000 for a 10-15% share in a start-up, which includes a 3-month programme in Belgrade and San Francisco, thereby connecting Serbia with Silicon Valley, the world center of tech entrepreneurship.⁸⁴ Mentoring, office space, contact network and counseling are also part of its programme.

Clusters

Clusters provide different services for their members, focusing largely on the organization of seminars, trainings and conferences, joint marketing, visits to fairs, and public advocacy. They have been created in line with the defined national strategy and have been supported financially by several public institutions through the state budget

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83 EIB (2017): *Ex-ante study to assess the potential future use of FIs to deploy IPA resources in support of SMEs in Serbia*

84 <http://en.startit.rs/startlabs-first-serbian-accelerator-investing-50-000-in-regional-startups/>

or through the financial support of international organizations.

Cluster development has a relatively long history in Serbia, with many donors supporting such activities: in 2003, for example, USAID launched the four-year Serbian Enterprise Development Programme initially with the aim to promote cluster building, but during the implementation, it changed its focus to support SMEs. USAID's Competitiveness Development Project 2007-2011 cooperated with SME clusters in specific sectors. Also their Preparedness, Planning and Economic Security Program and the Private Sector Development in South and South-West Serbia programmes included some cluster-building elements. GIZ worked with clusters in Serbia through the GTZ WBF - Program of support to economic development and employment 2006-2010 and GIZ ACCESS from 2010 to 2016. Other donors in that field include the Swiss Import Promotion Programme, the UN Industrial Development Organization, Support to Enterprise Competitiveness and Export Promotion 2009-2013, EU PROGRES 2010-2014 and the succeeding "European Progress" 2014-2018, Regional Socio-Economic Development Programme 2, as well as by various programmes dealing with innovation and development, such as FP7, CIP, and programmes of cross-border cooperation.

In the five-year period 2008-2013, the Ministry of Economy and NARD implemented the programme of support to development of innovation clusters with a total amount of RSD 113.6 million 2008-2013.⁸⁵ The Serbian government awarded 64 clusters with state funds between 2004 and 2015, with a total amount of RSD 197.2 million equaling approximately EUR 2.1 million (Žarković et al 2016). Several organizations that support cluster development have been established: in 2007, the Competitiveness and Cluster Development Centre within the University of Novi Sad, in 2010 the Cluster Council within the Serbian Chamber of Commerce and Industry, the House of Clusters, which initiated the Balkan Cluster Network comprising 170 cluster initiatives and institutions from the Balkans, and the Association of Serbian Clusters (ASKA) in 2015.

There are several successful examples (“Šumadijski cvet”, Vojvodina ICT cluster, ICT NET) but, in general, clusters in Serbia have been weak in building trust and closer links between their members. Clusters and business incubators do not have stable sources of funding, which affects their liquidity and human resources (Mijačić 2011). A

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85 SME Development Strategy and Action Plan 2015-2020

very small number of clusters manage to survive thanks to memberships fees. Clusters and incubators continue to actively seek out support in form of subsidies from the public sector and donor funds, but this is not a sustainable solution. Mijačić also found that there is a weak link between clusters, incubators, universities and development agencies, with the exception of Novi Sad and Subotica.⁸⁶

Industrial zones

Despite numerous brownfield locations and neglected industrial complexes, industrial zones in Serbia are mostly greenfield investments. They are owned by LSGs and their users are usually foreign investors in the processing industries. Land in industrial zones is sold through auctions or granted through a multi-year lease up to 99 years. Local governments have no jurisdiction over their management after selling or leasing the land, so problems related to their maintenance can appear (Mijačić 2011).

Most investments in industrial zones and parks in Serbia were initiated through the National Investment Plan (NIP) that supported the construction of 63 industrial zones and parks in 50 municipalities between the years 2007 to 2010. The

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86 D. Mijačić (2011): *Analysis of Business Support Infrastructure in the Republic of Serbia*, p.30

total value of approved funds was RSD 1.87 billion.⁸⁷ Regionally, NIP funds were not evenly distributed: the poorest region of Southern and Eastern Serbia received much less funds (8.2%) compared to Šumadija and Western Serbia (73%) or Vojvodina (18%).

Next to national investment efforts, many international organizations supported the construction of zones and parks, for example USAID and UNDP through their Municipal Development and Recovery Programme in South Serbia and Municipal Development in South West Serbia - PRO Programme. According to Kopanja (2016), industrial zones are perceived as the engine for local economic development, but many of them are not very successful. Only 28.57% of the industrial zones are in fact fully utilised, as per a survey conducted in 2016 (Kopanja 2016).

The Free Zones Administration of the Ministry of Finance⁸⁸ reports that there are 14 free zones in Serbia in 2017: four in Vojvodina region; one in Belgrade; three in the region of South and East Serbia, and six in the region of Šumadija and West Serbia. In 2015, they had a turnover of about EUR 5 billion with an annual growth of 97% as compared

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87 Ibid, p.40

88 www.usz.gov.rs/eng/pogodnosti.php

to the previous year.⁸⁹

Financial and non-financial support

Financial support

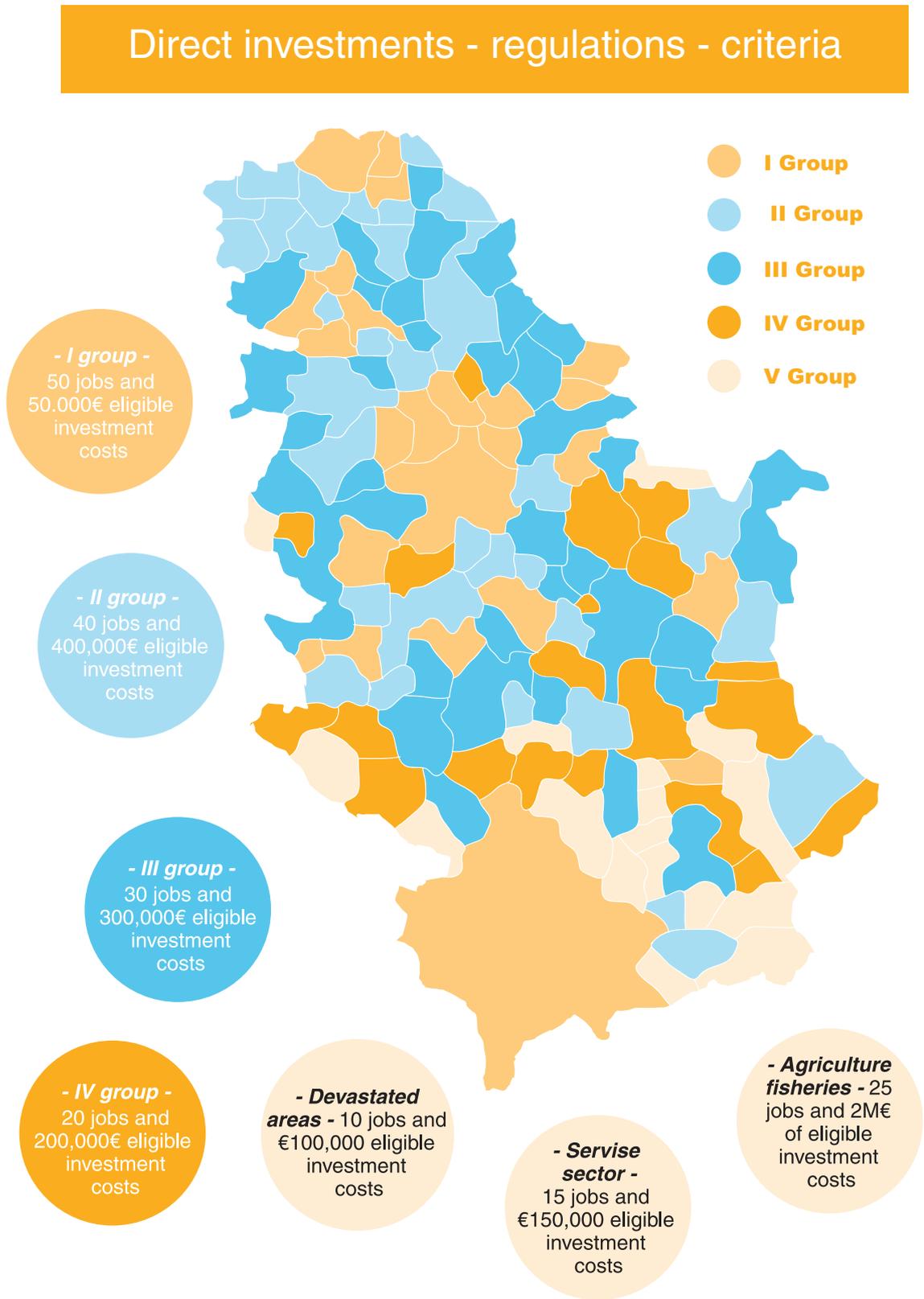
The Investment Framework in Serbia consists of various incentive schemes and subsidies available to foreign investors and regulated by several laws and by-laws.⁹⁰ There is currently no separate tracking system in place that would distinguish between diaspora and non-diaspora investments. The introduction of diaspora tracking system would be an important element of the country's diaspora-focused investment policy to track data on the scope and sector of their investments.

According to the new Investment Law, local governments will have a more active role in attracting FDIs: investments with specific interests for the state of Serbia and those with specific interests for the local level. There is a set of criteria for

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89 <http://ras.gov.rs/sr/podrska-investitorima/zasto-srbija/slobodne-zone#>

90 *The Investment Law* (the Official Gazette of the Republic of Serbia, no. 89/2015), *Regulation on Terms and Conditions for Attracting Direct Investment* (the Official Gazette, no. 27/2016), *Law on State Aid Control* (the Official Gazette, no. 51/2009), *Regulation on the Rules for State Aid Granting* (the Official Gazette, no. 121/2014)

FIGURE 2. CRITERIA FOR STATE INCENTIVES FOR DIRECT INVESTMENTS



SOURCE: DAS, ACCORDING TO REGULATIONS ON TERMS AND CONDITIONS FOR ATTRACTING DIRECT INVESTMENT

the subsidy-approval process and to determine whether an investment belongs to the national or local level.

The new Regulation on Terms and Conditions for Attracting Direct Investment aims at making Serbia attractive for direct investments and ultimately at job creation and

improving its economy competitiveness.⁹¹ The state aid for investment incentives is provided by the state and the receivers can be both foreign and domestic investors.

TABLE 4. GoS INCENTIVES FOR DIRECT INVESTMENT, REQUIREMENTS AND LEVEL OF SUBSIDIES

Groups of Municipalities	I	II	III	IV	V
<i>Required min. number of jobs</i>	50	40	30	20	10
<i>Required min. investment</i>	500,000 EUR	400,000 EUR	300,000 EUR	200,000 EUR	100,000 EUR
<i>% and max. subsidy for gross salaries per job</i>	20% 3,000 EUR	25% 4,000 EUR	30% 5,000 EUR	35% 6,000 EUR	40% 7,000 EUR
<i>% of subsidy for reasonable expenditures</i>	10%	15%	20%	25%	30%

SOURCE: DAS, DESIGNED BY ICMPD

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91 <http://privreda.gov.rs/wp-content/uploads/2017/05/2017-Uredba-EN.pdf>

The types of incentives that can be allocated include subsidies on gross salaries for newly created jobs, on fixed assets and for labour intensive projects.⁹² Labour intensive projects with over 200, 500, or 1000 workers are eligible for additional subsidies on gross salaries, which is applied with respect to the number of workers (10%, 15%, 20%) hired in addition to a certain threshold. The funds may also be awarded for investment projects in agriculture and fishery (the required minimum is 25 workers and EUR 2 million in investments) and services oriented to international trade (the minimum requirement is the creation of 15 jobs and an investment of EUR 150,000). There is also a maximum threshold in place depending on the size of the company. The set criteria for selection are various, and some are based on qualitative rather than on quantitative criteria, thereby giving way to speculations that some decisions may be discretionary.⁹³ Only Serbian legal entities are granted state assistance through the new Investment Regulation.

Municipalities can additionally offer their own incentives, in which case the sum of the two incentives is subject to the rules on state aid

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⁹² <http://ras.gov.rs/en/invest-in-serbia/why-serbia/financial-benefits-and-incentives>

⁹³ <https://www.geciclav.com/new-decree-conditions-manner-of-attracting-investments/>

granting. The local incentives vary in scope and size, and from one city to another, but the major one comprises city construction, relief on land development fees and other fee exemptions or deductions.⁹⁴ In December 2017, the city of Čačak announced their local economic development programme that has been approved by the GoS Commission on State Aid Control. The three-year LED programme (2017-2019) aims at supporting the creation of enterprises, jobs and production as well as fostering innovation and new technologies. For that purpose, a call to attract investors, domestic and foreign, has been launched with a maximum amount of 23 million dinars.

The new Regulation on Terms and Conditions for Attracting Direct Investment stirred much debate. During the consultations for this study, many interlocutors mentioned an unfair bias in favor of large foreign companies, which are said to receive more subsidies than SME's in a discretionary manner. A point often highlighted is the need for subsidy-receiving multinational companies to include local suppliers into the global value chain.⁹⁵

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⁹⁴ <http://ras.gov.rs/en/invest-in-serbia/why-serbia/financial-benefits-and-incentives>

⁹⁵ Republic of Serbia (2016): *Regulation on Terms and Conditions for Attracting Direct Investment*, <http://ras.gov.rs/uploads/2017/01/2017-uredba-en.pdf>

However, as also mentioned by a lawyer in Austria, known for his philanthropic engagement in his home community in East Serbia, and who has been accompanying foreign direct investors to Serbia, the investment they make dwarfs any kind of subsidies received from the state. Moreover, Serbia stands in competition with other neighboring countries with similar favorable conditions to attract multinational corporations.

The overall institutional structure facilitating access to finance is comprised of the Development Fund of Serbia (DFS), the Serbian Export Credit and Insurance Agency (AOFI), the Development Agency of Serbia (DAS) and the Innovation Fund of Serbia (IF). Serbia participates in the EU programmes COSME and Horizon 2020. The EU has also provided financial support through the Western Balkans Enterprise Development and Innovation Facility (WB EDIF).

In 2015, the World Bank and the Republic of Serbia signed a loan agreement in the amount of EUR 89.5 million to finance the Serbia Competitiveness and Jobs Proj-

In 2015, the World Bank and the Republic of Serbia signed a loan agreement in the amount of EUR 89.5 million to finance the Serbia Competitiveness and Jobs Project.

ect.⁹⁶In 2017, under its third component supporting innovation, Serbia allocated EUR 2.7 million to the IF to continue the disbursement of mini-grants and matching grants

which were funded from the IPA funds in the amount of EUR 6 million in the previous cycle. These programs have achieved significant results in promoting young innovative micro and small companies, developing and commercialising new and innova-

tive technologies, and encouraging innovative entrepreneurship.⁹⁷ The mini-grants program awards up to EUR 80,000, while the matching grants programme supports youth innovation with up to EUR

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96 Its implementation period is March 2016 - June 2019, with an aim to improve the efficiency and coordination of selected public programs to alleviate constraints to competitiveness and job creation, including investment and export promotion, innovation, active labour market policies and labour intermediation; the Project activities are implemented by the Ministry of Economy; the Ministry of Labour, Employment, Veteran and Social Affairs; the National Employment Service; the Ministry of Education, Science and Technological Development (MoESTD) in coordination with the Innovation Fund and the National Secretariat for Public Policy

97 <http://www.innovationfund.rs/mini-grants-awardees-first-call/>

300,000.⁹⁸ In addition, through the sub-component Promotion of Technology Transfer and Commercialisation, the GoS allocated EUR 0.9 million for 2017 to support the operations and services of the Technology Transfer Facility established within the IF. The Fund is also part of the EUR 145 million regional WB EDIF that was jointly launched by the European Investment Fund (EIF), the European Commission, and the European Bank for Reconstruction and Development (EBRD).

Since 2007, the issuance of credits under the DFS has been transparent and available to all entrepreneurs. The Fund has several credit lines for legal entities and entrepreneurs, for example, credits to start-ups that are actually the most preferential credits in Serbia, as well as credits for the improvement of existing businesses.

For start-ups, the credit line in 2017 has been envisioned in a way so that up to 30% of credit amount is granted by the state:

- for entrepreneurs: the minimum amount is RSD 400,000; the maximum amount is RSD 3 million; credits are supposed to be repaid within 3-5 years with a grace period of one year;

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98 See Annex, Tables 14-17 on the state instruments of support to SMEs in 2017 - start ups, expansion and innovation

- for business entities: minimum crediting amounts is also RSD 400,000, and the maximum is up to RSD 6 million.

For existing businesses, the credit line in 2017 includes a state subsidy of up to 20% of the amount:

- for entrepreneurs: the minimum amount is RSD 375,000; the maximum amount is RSD 8.75 million;
- for business entities: the minimum credit amount is RSD 2.5 million; the maximum credit amount is RSD 50 million.

There is also a guarantee scheme in place for entrepreneurs and micro-, small- and medium-sized enterprises. The average interest rate is around 3%. The minimum amount for this line is RSD 2 million while the maximum is RSD 100 million. Some specific credit lines exist, too, such as one relating to working assets with a period of loan amortization of up to 5 years; an investment credit line with up to 7 years for amortization and even 10 years in special cases; a credit line for the provision of current liquidity; and a short-term credit line.

Since its establishment in 2015, the DAS has been supporting businesses. During the *Year of Entrepreneurship* in 2016, it offered various programs with financial and

non-financial support. In 2017, their programme named *Create Life* had more funds than in 2016, altogether about RSD 860 million for financial and non-financial support to the SME sector. *Create Life* included several financial programmes:

- support to early-stage businesses with a total amount of RSD 120 million and grants of up to RSD 1 million for each applicant;
- support to developing competitiveness with 3 different components (support to SME competitiveness, support to networking, support to creating a chain of suppliers) with a total budget of RSD 100 million;
- support to the economic development aimed at local institutions dealing with private small business with an allocation of RSD 80 million;
- support to innovative SMEs with a fund of RSD 30 million;
- support to export oriented-SMEs with two components (preparation for the 1st export and improving existing export capacities) with an allocation of RSD 45 million;
- support to export promotion with 2 components and RSD 60 million in funding;
- support to individual exhibitions at international fairs.

Non-financial support

Non-financial support to SMEs, including training, advising, consulting and similar in-kind services, focuses on the development of human resources in the SME sector. Human resources for competitive SMEs and entrepreneurs have been identified as one of the key pillars of the GoS' SME Development Strategies in the periods 2008-2013 and 2015-2020. However, the main concerns relate to the mismatch of skills on the labour market and the lack of specific knowledge to start up and run a business. The former NARD was the key stakeholder in providing training to SMEs: the focus was on drafting business plans and mentoring start-ups as their main target group.

A research on the conditions, needs and problems of SME's in Serbia conducted by NARD in 2013 showed that entrepreneurs in Serbia were mainly interested in the free use of marketing services (36%) and in developing a business strategy (29%). Women entrepreneurs significantly more so than men saw the need for computer literacy training (29%) and foreign language courses (28%).⁹⁹ Entrepreneurs in Serbia considered ac-

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 99 S. Popović-Pantić (2014): "The Importance of Human Resources Development as Non-Financial Support to SMEs in SEE and Serbia", p.549

counting, audit and tax assistance to be those areas in which most help would be needed (NARD 2013 in Popović-Pantić 2014).

Since 2016, the DAS has taken charge of non-financial support to SMEs and its services have been implemented by RDAs. The Serbian Association of Regional Development Agencies (SARDA) has developed a comprehensive overview of existing capacities in the field of support to entrepreneurship development by listing as many as 89 services categorised into business information (12 services), advice (22 services), business linkages (13 services), and trainings (42 services).

Since 2016, the DAS has taken charge of non-financial support to SMEs and its services have been implemented by RDAs.

In the context of the 2016 Year of Entrepreneurship, special attention has been put towards promoting an entrepreneurial spirit, in particular among young people and women. The Junior Achievement Serbia

(JAS) is a specialised educational programme on entrepreneurship and financial literacy delivered in cooperation with businesses and the Ministry of Education.¹⁰⁰

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 100 In the last 10 years, 60,000 students from 286 schools have taken part in these programmes. JAS is recognised by the European Commission as the national

The Business Angel network in Serbia is very limited, and manifested itself in the establishment of the Serbian Business Angels Network in 2010, amongst other, and which was later renamed *Mentors & Founders*. Those mentors have been primarily advising and connecting rather than providing funding. The number of business angels has not increased considerably over the past years, but the core group is said to be very active, connected and experienced. Further steps are planned and the support of initiatives such as *Mentors & Founders* could have a considerable influence on the development of the whole ecosystem.

Despite these improvements, the business support systems at both national and regional levels are characterised by the continuous lack of an over-arching strategy and coordination mechanism (Kopanja 2016). As Kopanja observes, the pronounced regional and local discrepancies imply that the development of effective and efficient business support systems must be designed locally, albeit it contradicts the fact that the majority of funds and responsibilities for economic development are at national level.

champion in promoting entrepreneurship and was one of the finalists for the European Enterprise Promotion Awards (2013 and 2014); see <http://www.ja-serbia.org/en>

Kopanja's research confirms that business support is not adequately used and that many enterprises are not aware of such support at the local level or that they might not even seek support at all. Some of her key findings reveal that the local economic development (LED) offices have different statuses and roles, usually without having a systematic way of working, but with the majority of staff optimistic and fully devoted even though frequent political changes affect their work.

SMEs are recognised within four groups: start-ups, direct investments, fast-growing companies or so-called gazelles, and SMEs with organic (slow) growth. According to Kopanja, most attention is usually paid to attracting direct investments rather than on slow growing or struggling micro-enterprises. The largest part of support programmes is tailored towards larger investments, irrespective of the already received support at the national level. Kopanja's research revealed that local governments and LED professionals often do not recognise that existing enterprises could contribute to the local development in the long run and are therefore often left out of support programmes. Grants are intended most often for startups (fast-growing and/or innovative young enterprises) or direct investments. The majority of LED representatives see the preparation and

implementation of projects funded by domestic or foreign donors as their primary job, rather than focusing their measures on developing inclusive market systems.

TABLE 5. OVERVIEW OF THE AVAILABLE INSTRUMENTS FOR BUSINESS SUPPORT IN SERBIA

	Start Up	Investors	Gazelles	Organic growth
Capacity building	Information about business conditions			
	Training for beginners	Specialised Trainings		
	Mentoring			
	Counseling services			
	Networking			
Manpower	Workforce training			
	The interns and the volunteers			
Market	Information on markets (domestic and foreign)			
	The development of value chains and supply chains			
	Standardisation			
	Export promotion			
	Marketing mix			
Finances	Information on funding sources			
	Incentives for starting a business - equipment purchase	Incentives for new jobs	Incentives for exports and innovation	Capacity expansion - procurement of equipment and
	Exemption from taxes and fees		Interest rate subsidy	
Conditions for doing business	Incubators	Industrial and free zones	Science Technology Park	Industrial and free zones
	Accelerators	Connecting with scientific research organisations		

SOURCE: V. KOPANJA (2016), TRANSLATED BY THE ICMPD TEAM

04

Scoping Opportunities And Challenges For Diaspora Investments

Diaspora entrepreneurs can be first movers, provide useful insights with regards to market penetration strategies or act as conduits for business opportunities by using their contacts and business networks (Johnson and Sedaca, 2004). Furthermore, by transferring knowledge and know-how, they can serve as a bridge between different cultures or even influence new consumption behaviors. Business diaspora are in a unique position to become successful market leaders because of access to (new) information, amongst other.

The profile and activities of the surveyed Serbian companies – those who were successful – suggest that

their understanding of the cultural context, politics and the business environment, coupled with their social capital and linkages with the administration in the home country, gave them an advantage over foreign investors. Members from the Serbian diaspora, active in Austria as entrepreneurs or professionals, possess knowledge of international and Austrian market conditions, modern management and production techniques, as well as possess access to various financial resources. Using these advantages to implement their business initiatives may even increase investment from other members of diaspora or from other conventional sources (Johnson and Sedaca, 2004).

It is worth noting though that stakeholders from DAS suggested that especially those who have an emotional link to their home countries may be more prone to fail with their business endeavors. Having the will to ‘do something for their country and/or friends and families’ is not sufficient and may lead to business decisions that may not aim at profit-making or in creating a sustainable business model. Interviewing failed business endeavors may have also shed more light on factors that may be specific to diaspora entrepreneurs.

Findings from ICMPD’s field work in Serbia

Interviews with diaspora-funded companies in Serbia

During the field work in Serbia in May 2017, 28 diaspora companies were identified among which 13 enterprises were established and/or run by Serbian returnee or transnational entrepreneurs from Austria. The regional dispersion of these 13 companies is as follows: ten in South and East Serbia (Podunavski, Borski and Braničevski districts), two companies in Šumadija and West Serbia (Mačvanski and Pomoravski districts) and one in

Vojvodina (Sremski district).

The basic characteristics of the studied companies established are as follows:

- Their size: out of 13 surveyed enterprises, ten are micro-enterprises (up to ten employees) and three are small enterprises (up to 50 employees);
- Their business activities:¹⁰¹
 - Manufacturing of rubber (tyres), machinery and equipment (dental innovative equipment), food products (meat processing; bakery), leather (raw skin processing), wood (charcoal and briquette processing), wearing apparel (socks);
 - Accommodation and food services: a restaurant, an ethno village, an eco-village with a pension/guest house, a zoo and guest-house;
 - Wholesale, retail and repair of motor vehicles: a car repair service

The enterprises operating in tourism or the service sector are largely oriented to the local and Serbian

.....
 101 Categorization is according to the SORS Indicators on business activities of enterprises

markets. As for the manufactures, three of them are focused on domestic and foreign markets: one sells domestically and is ready to expand to foreign markets (several neighbouring countries), one is solely export-oriented through its exclusive contracts with Austrian and German chains, while four of them are completely oriented towards the domestic (municipal) market.

The interviewees mentioned following motives for returning:

- taking over the family business upon completion of their education in Austria;
- a wish to improve their family's living standards and to use the natural resources of the region in a sustainable manner through the knowledge gained as part of a training in a tourist organization in Austria. It was an 'eye opener' for the business idea;
- family reasons: his wife had difficulties to get a visa and residence permit in Austria;
- better opportunities in Serbia to open their own business.

For the most part, the initial source of funding and start-up capital came from their private funds, both from personal and/or family savings, and mainly from parents or par-

ents-in-law who still live and work in Austria. None of the respondents mentioned loans or credits. Their "angel investors" usually return from Austria to Serbia after their retirement. Only one interviewee cited that their family business received some form of government subsidy to purchase a machine in 2016 – long after the company was established and successfully supplied large chains in Austria and Germany.

The respondents encountered following problems and obstacles during the inception of their business or in the course of their business operations:

- local representatives (including inspection and police) interfered in a negative way;
- the local self-government administration does not do enough to improve the infrastructure (i.e. asphalt the road);
- problems with the payment of products;
- corruption and expectations of bribery by local authorities;
- the need to network, i.e. connecting to local politicians;
- lack of support from the LSG, as well additional requests for permits and infrastructure;
- problem with the LSG to issue

Good examples of companies established by Serbs in/from Austria

ECO FARM MILANOVIC, Despotovac (the village of Lipovica)

Bojan Milanović, a car mechanic, set up a pension/guest house and tourist facility in Lipovica jointly with his family six years ago. Five family members are in the business whose seed capital came purely from their parents who live & work in Salzburg. The Milanovići built two premises serving as a guest house (21 beds available, as well as organic food produced by the family on ten hectares of land). They offer hiking, biking, motor biking, horse-riding, fishing, paragliding, jeep excursions, and tours to nearby monasteries, waterfalls, caves, etc. The family improved their online presence (Tripadvisor, Airbnb, Booking.com) and developed hiking trails in the region in cooperation with a hiking club from Belgrade. They increasingly attract an international clientele. The owner's prime motivation for this business was his wish to show what's possible (an 'eye opener') and to use natural resources in a sustainable way. He could make use of the knowledge gained when he was part of an Austrian tourist organisation.

The company's website: <http://www.etnomilanovic.com>

permits in the inception phase;

- growing competition through cheap Chinese products;
- private conflicts with neighbours and mentality (jealousy).

The interviewees believe that the following factors contributed to the company's success:

- cooperation with Austrian-based companies through which a subsidiary was established in Serbia and which remains to date the main business partner, even though the products and services are sold in the local market;
- business networks and associations outside of Serbia, as well as high dedication to work and innovation;
- being the only producer of such products (Kaeserkrainer, Leberkaese, Bratwurst sausages) in Serbia, selling successfully to restaurants and in several of their own butcheries in neighboring municipalities; finalising preparations to export in the regional markets;
- the only touristic offer of this kind in the area.

The interviewees – all of which were companies established and/or run by Serbian migrants and/or returnees – offered their recommendations on ways to improve

the ecosystem in Serbia or which advice they would provide to potential diaspora investors.¹⁰² Below is a list of the views expressed during the field research:

- Better information and advisory services, including regular phone calls and visits to companies (by municipal LED offices, RDAs, and also CCIS branch offices);
- Since the general business climate is not favourable, it is of utmost importance that potential investors gather as much information as possible prior to starting a business. Many investors do not have sufficient information about the business climate and requirements;
- Increase LSG's ability to support start-ups or SMEs in general (outreach activities, the provision of infrastructure);
- Mentoring and advisory services in different areas, such as marketing and business promotion;
- Support linkages to foreign markets and contacts to companies in Austria to expand their export base or to acquire new clients for manufacturing in Serbia;
- Provide protection from ar-

.....
 102 See Annex, Table 19 for an overview of discussed mechanisms of support to / channels of investment in Serbia

bitrary decisions of local authorities through some kind of intermediary or SME ombudsperson;

- Support the outreach of successful diaspora businesses, including small enterprises, to the diaspora in order to showcase success stories and ensure that diaspora members gain more confidence and trust in Serbia and its authorities;
- Networking between companies with other parties, such as RDAs, consultants, brokers, experts, designers and other professional services in Serbia and abroad;
- Finance more startups, their expansion and/or means to employ staff: financial assistance could be a considerable motivation for diaspora investments (e.g. by subsidizing up to 10% or more for the purchase of machines, including with an obligation to employ further staff (contractually regulated);
- Small-scale agriculture, specialising in specific products such as blueberries, sheep farming, etc., should be supported by providing grants and motivating farmers to cooperate with associations to help them market their products better;
- Most returnees are elderly people who can no longer work in

Good examples: companies established by Serbs in/from Austria

ELEKTRON, Banja Koviljača

Having spent 14 years in Linz where he worked as an electrician for companies such as 'Semperit' and AEG, Živojin Rogojević came back to his hometown of Banja Koviljača in 1985. He did so since he realised that there are better opportunities to bring his creative ideas to life by running his own business in Serbia. The company produces according to the highest international standards, and he is recognised as the Serbian leader in the area of highly specialised electric furnaces (equipment for dental laboratories, sterilizers, water and sand baths, equipment for cement plant laboratories), special purpose heaters and testing of different materials. It ranges from research and innovation to distribution in Germany, Austria, Iraq, Jordan, Italy, Japan, etc. The company has 20 employees. Crucial to his company's success, as highlighted by Mr. Rogojević, was his high dedication to work and creative inventions, as well as his networks in the business community and potential partners outside of Serbia.

The company's website: <http://www.elektronb.co.rs/index.php/en/>

agriculture, so the vast uncultivated land could be utilised by developing a rental/lease system and agricultural associations;

- Build partnerships with diaspora investors: set up lead investors in Serbia and in that way catalyse investments from diaspora and other investors abroad;
- Provide information on concrete projects and business ideas, and present these to investors. Support LSGs to develop realistic business projects and link them with investors;
- Collect creative ideas and knowledge from diaspora members, especially about rural tourism in Austria.

LED professionals' questionnaire

Field work in Serbia also included a survey conducted in the framework of the Standing Conference of Towns and Municipalities of Serbia (SCTM) event in June 2017. It gathered 40 professionals from local economic development (LED) units from the local self-government administration throughout Serbia. A brief questionnaire was shared to assess the level of diaspora engagement in towns and municipalities. There were 34 respondents from 27 municipalities. The find-

ings from the questionnaire are as follows:

- More than half of the respondents were not able to specify a person within their municipal office's staff who would serve as a focal point for the diaspora, and only one LED professional mentioned their Diaspora Office. The rest of the respondents pointed to their LED office or similar department;
- When asked about the best way to foster economic cooperation between the Serbian diaspora and the home land, two answers prevailed: better information on opportunities in the home country and grants;
- In terms of establishing various forms of business cooperation between the home country's companies and businesses by Serbian diaspora, the respondents singled out the creation of an online database with interested stakeholders and, to a lesser degree, support of already existing institutions (CCIS, DAS) to deal with this matter.

Findings from ICMPD's field work in Austria

Focus group and individual interviews

ICMPD's field work conducted in Austria included focus group interviews as well as individual interviews that took place between February to June 2017: one focus group interview was with six participants, one with a prominent member of the Serbian diaspora in Austria and investor in his native municipality in East Serbia, two interviews with business angel investors, and a Serbian diaspora member working at Erste Bank.

The interviews targeted high-profile diaspora members who either have their own (successful) business or who are C-level professionals.¹⁰³

.....
103 Profile of the interviewees: one of them owns a gastronomy firm; one is a lawyer specialised in real estate, construction and economic law and works for a prominent Austrian law firm; one studied in Austria and works for one of the Austrian federal states in the field of economic development and as a SME consultant; one heads the Serbian diaspora clubs' umbrella association; one studied in Austria, runs an energy technology company with a subsidiary in Serbia, and is also the sales director of a German company operating in SEE and the chairman of Serbian businessmen association in Austria; one has been living in Austria for 27 years, owns a company in Austria and has expanded to Serbia.

Good examples: companies established by Serbs in/from Austria

Business case – metal process, switch and IT cabinets Austria and Serbia

He first started investing in Serbia 12 years ago. Together with his former boss who came from the same region, they decided to do something in a place they knew best. Now they have three companies in Serbia focusing on metal processing, switch and IT cabinets. They conducted a market research to find a niche for their products and possible partners in Serbia. It took them more than two years to develop the first product and now all of their 14 products comply with the highest international standards. They opened a company in Austria that sells products made in Serbia. Currently, they focus on Austria, but in future they would like to expand to Germany and even globally.

The findings emanating from their experiences in setting up or expanding a business to Serbia are mixed, with some highlighting that business registration is a quick process (approximately two days) if you know whom to ask. This typically implies hiring law firms that can facilitate the process. Still, others highlighted some of the major problems relating to the legal uncertainty and lack of predictability, lack of capacities at the municipal level, and an overwhelming lack of trust by diaspora members towards national and local authorities. As one interviewee put it, ‘no one in the Government of Serbia is interested in using the potential of the diaspora in an organised way’. In that context, an interviewee also mentioned that Serbia should expect to receive less and less remittances with future generations, and that is also something that needs to be considered by GoS officials.

Some interviewees highlighted health care/elderly care as an area of potential investment. According to one interviewee’s assessment, around 60-70% of Serbs who will soon retire or who are elderly do not want to spend their last days in Austria, but in Serbia. Another promising area, as mentioned by an interviewee, are the renewable energy and waste management sectors.

Dr. Radivoje Petričić, 46 years, with a doctorate from both Serbian and Austrian higher-education institutions, belongs to the second generation of Serbs in Austria (born in Serbia but his parents moved to Austria in the 1970s). He is at the head of the Serbian-Austrian Business Forum (Österreichisch Serbisches Wirtschaftsforum)* and a partner in CMS Reich-Rohrwig Hainz Law Office in Vienna with offices in Belgrade for Serbia and Southeastern Europe. They specialise in corporate law and were involved in a large number of foreign investments, and mergers and acquisitions in Serbia. Mr Petričić is also engaged in philanthropy, specifically in his home village of Jabukovac in East Serbia and in the wider region of Negotin. A 'society of friends of Jabukovac' and the home town association were created amongst other through his efforts.** Based on his donations, an ambulance (primary health centre) and a fire department with vehicles were established in Jabukovac. Water supply, independent from the municipal network, is under construction and a church chapel is being built. He is also engaged with bee-keepers in his home village to help in expanding their business.

*<http://www.oesw.org/>

** <http://jabukovac.net/>

Most interviewees mentioned the low labour costs and a favourable corporate tax rate of 15%, both of which are lower than in Austria and which have been decisive factors in moving and/or expanding their businesses to Serbia. All focus group participants seemed to agree that minimum wages are not sufficient for workers to sustain themselves and that the business environment in Serbia has improved much in the past ten years, although more can be done.

Infrastructure was also mentioned as one of the key factors facilitating investments, noting that almost 80% of investments are through motorways. Another interviewee mentioned that 'everything above Belgrade works, anything below doesn't', making reference to the bad infrastructure in Serbia as well as the centralised system, which affects transaction and transportation costs.

Municipalities, according to most of the interviewees, could do more to improve their diaspora engagement framework, and that may need to go hand in hand with capacity building initiatives of municipal staff. A lack of incentives, as well as competent and well trained people in municipalities, hinders potential entrepreneurs from investing. It should be noted though that municipal staff is affected by political

Good examples: companies established by Serbs in/from Austria

APPLETOWN, Negotin
(the village of Jabukovac)

An example of a returnee from Germany who plans to cooperate with Serbs in Austria

Having worked as a bus driver in Germany until 2010, Goran Negojičić experienced the hardships of living in a new country. Through frequent travels to Serbia, he became aware of the many opportunities that his home country offers. He quit his job in Germany and returned to Serbia with the intention of revitalising his home village. His business focuses on growing medical herbs: chamomile, lemon balm, mint and oregano are grown on three hectares of land, and will be expanded to 20 hectares. He plans to produce essential oils in the future. These investments come from private savings. In cooperation with his neighbours living in Austria, he plans to foster tourism through an ‘eco-park Jabukovac’ that offers hiking, horse riding, ethno and eco-tourism, zip-lining, and revitalising old farmhouses to accommodate tourists.

changes and political protégées in LSGs, including in Diaspora Offices wherever they still exist. There is also a shortage of qualified workers for industrial jobs because of the issue of declining population in rural areas, but also because of the low pay and reliance of remittance transfers instead.

One of the participants noted that the second and third generation of Serbian migrants are more likely to invest in Serbia: while the first generation was more inclined to spend their earning on consumption, such as sizeable real estate acquisitions, the new generation may be more open to invest in businesses.

In reference to interviews conducted with business angels in Austria who are or have been investing in Serbia: they highlighted that trust is the number one factor contributing to their decision to invest or not. One of the preferred arrangements is when there is a local business angel (in Serbia) who is in the lead and the business angel in Austria “only” co-invests. Generally, they believe that there is a lack of knowledge about the potential, including investment opportunities, in Serbia. One of the interviewees mentioned that the local business angel scene in Serbia could benefit from learning through initiatives beyond their borders, e.g. the Austrian Angel Investors Association. In general,

ICMPD interviews with business angels revealed that the start-up and business angel ecosystem in Serbia is at a very early stage.

As a prominent member of the Serbian diaspora in Austria and investor in his homeland, Mr. Petrikić provided recommendations on how to improve the Serbian business environment. According to him, it is crucial to focus on:

- those sectors that offer most opportunities: agriculture (healthy domestic food, not necessarily organic but home-made; medical herbs) and various forms of tourism (rural, cultural, adventure, mountain, biking, river cruises, wine routes).
- investing in senior homes offers a special opportunity considering that many Serbs who immigrated to Austria in the Sixties may want to move back to their home country upon retirement provided the infrastructure (senior homes, health care) is in place. In his small village, out of 125 pensioners, 60 of them have Austrian citizenship and a large number of them would return if such facilities would exist. This is something that could be discussed with the Austrian social insurance system;
- providing financial incentives by relieving new enterprises from taxes on profits and also relieving sole entrepreneurs from income tax for a certain inception period. This should relate to the levels of emigration flows and economic development in order to steer against the trend of population decline in some areas of Serbia;
- strengthening capacities at municipal level by establishing a business advisory team consisting of one economist and one lawyer which could support the diaspora business infrastructure. Brochures, templates and a detailed description on 'how to establish a business' would greatly help;
- establishing master plans and systematic approaches to respond to the missing infrastructure (e.g. to solve the lack of fish restaurants and river tourist boats in the Danube area; tourist routes and skilled guides; in agriculture, to improve or build facilities for storing, freezing, drying and capacities for branding, cooperation and producing);
- establishing mechanisms to pool investments, but only after an investment has been identified;
- extensive use of web and social media to attract attention and enable cooperation.

Additionally, Serbian business angels in Austria or those who have already invested in Serbia provided recommendations on how to activate the Serbian diaspora to invest in startups in Serbia:

- to form a Serbian Business Angel Group (or Mentor group) in Austria;
- to enable regular meetings in Austria to build trust and exchange knowledge and experiences;
- to provide a stage for Serbian startup pitches (get advice) from groups in Austria;
- to organise regular visits as a business angel group to Serbia in order to foster exchanges between the groups in both countries;
- to support existing organizations in Serbia such as *Mentors & Founders*;
- to connect with other countries from the region because of the small size of the market.

They also provided recommendations on how institutions could support the Serbian diaspora to invest in startups in Serbia in the form of angel investments. Namely through:

- direct support to investors:
 - tax relief for investors investing in young com-

panies/startups in Serbia, especially if they come from the diaspora;

- legal conditions for easier cross-border investments (business angel from two or more countries investing together);
- startup ecosystem support: financial and networking support through already existing and successfully functioning organizations in Serbia:
 - to attract diaspora business angel investments, the growth and professionalisation of the local ecosystem is crucial;
 - financing trainings/master classes for business angels organised by existing independent players;
 - financing a series of events organised by existing player with “big” names, internationally experienced business angels to share their experience;
 - support the founding and funding of a Diaspora Business Angel Network in Austria (see example of Entrepreneurs Club in San Francisco);
 - public awareness building campaign in cooperation with major media: role

models (success stories of both entrepreneurs and angel investors) are crucial.

- startup support:
 - organisation of startup competitions and trips to Austria (or tour through different countries);
 - grants for travel and presentations at festivals and fairs, for example ‘Pioneers’ festival;
 - “mentoring/coaching checks”: startups receive a grant – a check to pay consultants from a selected list of experienced entrepreneurs;
- internationalisation of the Serbian ecosystem: organised group trips with both startups and (diaspora) business angels to Silicon Valley or other startup hubs.

Focus group interviewees mentioned that it would be good to create a platform to show opportunities, to support cooperatives and clusters (joint marketing and presentations) and to create a portfolio of investments (startups / SMEs) to diversify the risks as this would facilitate investments by business angels.

The Vienna Workshop

Field work in Austria also included a workshop in Vienna hosted by the Austrian Chamber of Commerce in September 2017 and which gathered around 50 stakeholders from Serbian state institutions, media, NGOs and Serbs who run their business in Austria. In the framework of that workshop, participants discussed various challenges around remittances and investments, and made recommendations on what measures would help to improve their relations with the diaspora or institutions.

The following main conclusions were reached by the working groups:

- Media outlets are extremely important and should be utilised to disseminate success stories about entrepreneurs: real life stories should not just convey messages of success, but also those of hardships when trying to become successful entrepreneurs (real-life experiences). To change the stereotypical image of the diaspora in Serbia (‘all of them being rich and neglecting compatriots who suffer in their home country’) and of Serbia among diaspora (‘the home country only asks for their money’).
- It is essential to use media in an effective way, e.g. promoting

10-20 entrepreneurs who are the epitome of moral and social values. Furthermore, media should disseminate information on Serbian institutions that can help entrepreneurs, since such information often does not reach the target group.

- Participants were of the opinion that entrepreneurs in Serbia have insufficient access to matching grants and micro-loans. LSGs cannot issue micro-loans in Serbia and grants are not sufficient. Therefore, the approach must be broadened to include more opportunities and funds available for matching grants. Parallel to matching grants, participants considered it also crucial to provide non-financial support to entrepreneurs.
- Diaspora should be included in the design of local/municipal investment frameworks, e.g. diasporas could be included to define indicators for investment-friendly certification programmes at municipal level.
- Participants considered support to the internationalisation of Serbian companies as crucial, e.g. to get international exposure through their participation at international fairs with the help of successful Serbian entrepreneurs in Austria, but to also support Austrian business-

es to come to Serbia.

- Proposals were also made to establish brokering services (matchmaking between Austrian and Serbian companies in the same sectors), networking in circles, communities and generally in the countries of destination and origin, and among diaspora.

When ranked in accordance to priorities on measures that could be taken to improve relations with the diaspora: number one priority were awareness building campaigns, including success stories of entrepreneurs and angel investors, in cooperation with major media. Second to that were outreach and communication activities (conferences, meetings, study trips for Serbian institutions, dissemination of information, exchange of experiences, including information from Serbian support institutions in Austria) together with support to expansions and access to matching grants or micro-loans to fund small-scale projects and businesses. The third recommendation related to the internationalisation of Serbian SMEs and start-ups (grants for participating at fairs, festivals, study trips for SMEs), the organisation of start-up competitions and trips to Austria, and mentoring/coaching vouchers for start-ups to get support from selected and experienced entrepreneurs from Austria and Serbia.

ICMPD's survey analysis

The survey was conducted in order to gauge the interest and motivation of the Serbian diaspora in Austria towards various direct investment products, as well as financial and non-financial support for their possible entrepreneurial engagement. The timeframe spanned between the end of July and beginning of September 2017 and was jointly performed with the Vienna-based ethno-marketing agency IDEA Pro, as ICMPD's dissemination partner.

The target groups were migrants who come from Serbia or are of Serbian origin, who currently live in Austria and who maintain ties to Serbia. The survey used a purposive sampling methodology. As a result, the data sample is not necessarily representative of the overall interests and motivations of the Serbian diaspora population in Austria.

The questionnaire was disseminated online in Serbian and German through Whatsapp, social media and direct messaging using the implementing partner's networks, and as hard copies in cafés, bus stops and locations where people with a Serbian background might meet.

398 questionnaires were completed and analysed. The number of questionnaires collected in Serbian was 380 (302 completed online and 78 valid hard copies) and there were 18 completed questionnaires in German (12 online and 6 valid hard copies). It should be noted that the number of responses per question did not always match the total number of the sample given that some questions allowed multiple answers and some questions may have been skipped. The findings on the respondents' socio-economic background are presented in the background section of this study.

In general, 57% of the respondents were male and 43% female. As for the respondents' age, 42.2% were in their Forties (21.4% between 45 and 49 years old; 20.8% between 40 and 44), followed by 28.1% of respondents in their Thirties (12.2% between 30 and 34 years; 15.9% between 35 and 39 years) and 17.1% of respondents in their Fifties (11% between 50 and 54 years; 6.1% between 55 and 59 years). The share of respondents in their Sixties is only 1.5% (0.9% between 60 and 64 years; 0.6% between 65 and 69 years). The share of respondents between 15 and 24 years was 2.1%, while there were 7.3% of respondents between 25 and 29 years.

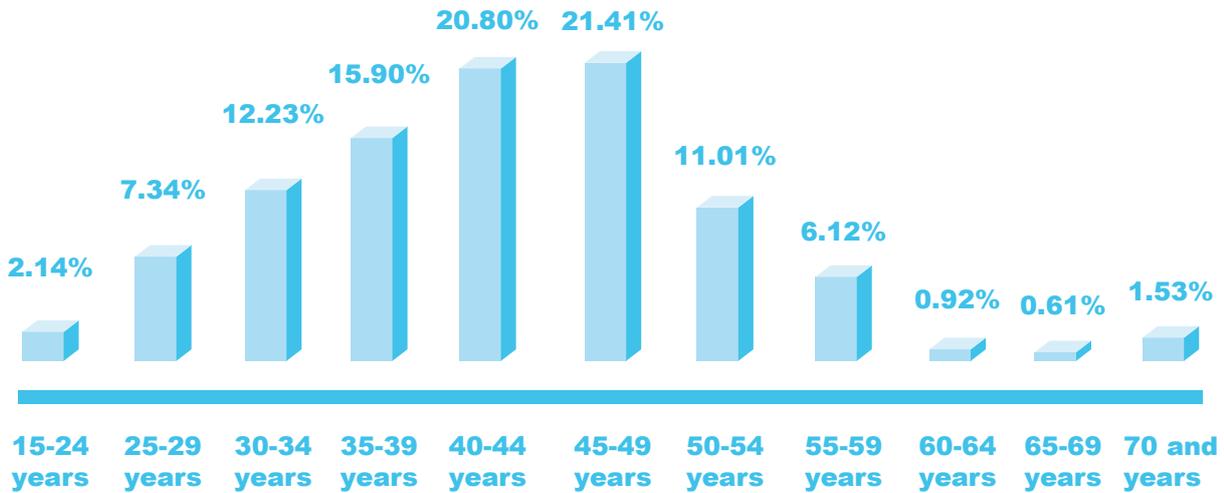


FIGURE 3. ICMPD SURVEY - AGE DISTRIBUTION OF RESPONDENTS (N=327)

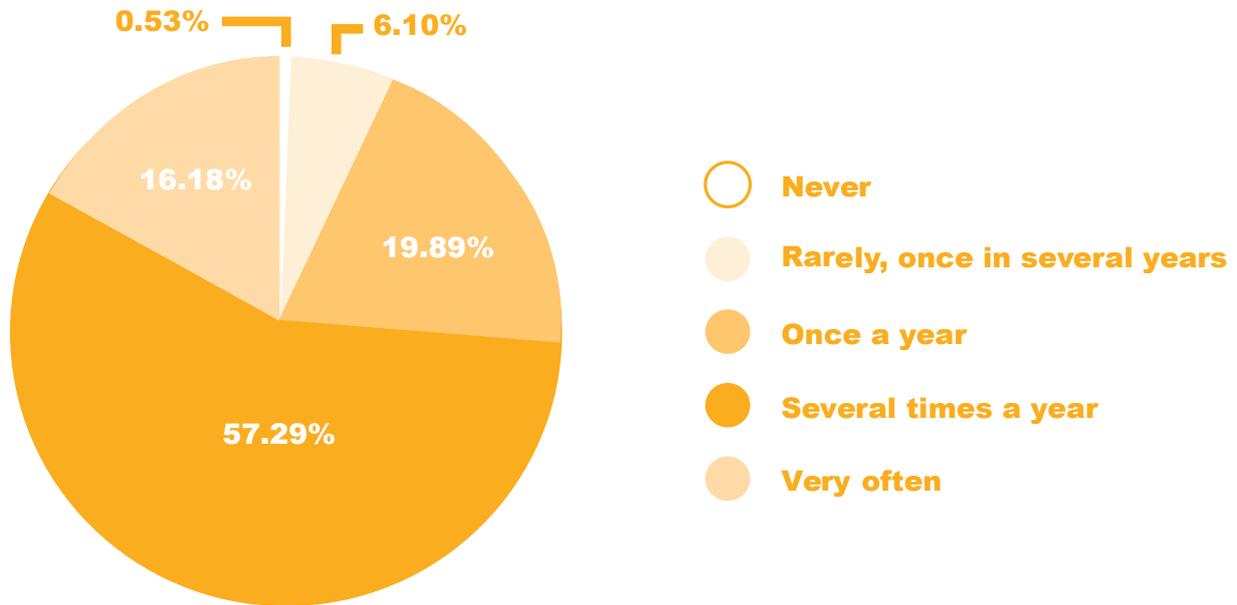
The respondents' remitting habits

Although the survey was primarily intended to explore the interest and possible tendency of the Serbian diaspora in Austria for business start-up or expansion in Serbia, certain questions about remittances were also asked. The aim was to determine to what extent remittances are being spent for entrepreneurial activities and what their potential for future investment purposes may be.

Firstly, we enquired on the frequency of commuting between Austria and Serbia and how it can help to better understand the nature of the remitting process. The overwhelm-

ing majority of the respondents, 93.4% of them, visit their homeland frequently enough to make cash remittances. More precisely, 57.29% of the respondents visit Serbia several times a year, 19.89% of them visit Serbia once a year and 16.18% of them visit very often. Only 6.1% of the respondents visit Serbia once in several years. According to this data, we may assume that remittances between Austria and Serbia may be in part unrecorded due to the geographical vicinity of the two countries and the easiness and frequency of commuting between them. The respondents were also asked if they have sent or carried money to Serbia in the last twelve months, about the amount of money sent or brought to Serbia

FIGURE 4. ICMPD SURVEY - THE FREQUENCY OF RESPONDENTS' VISITS TO SERBIA (N=377)



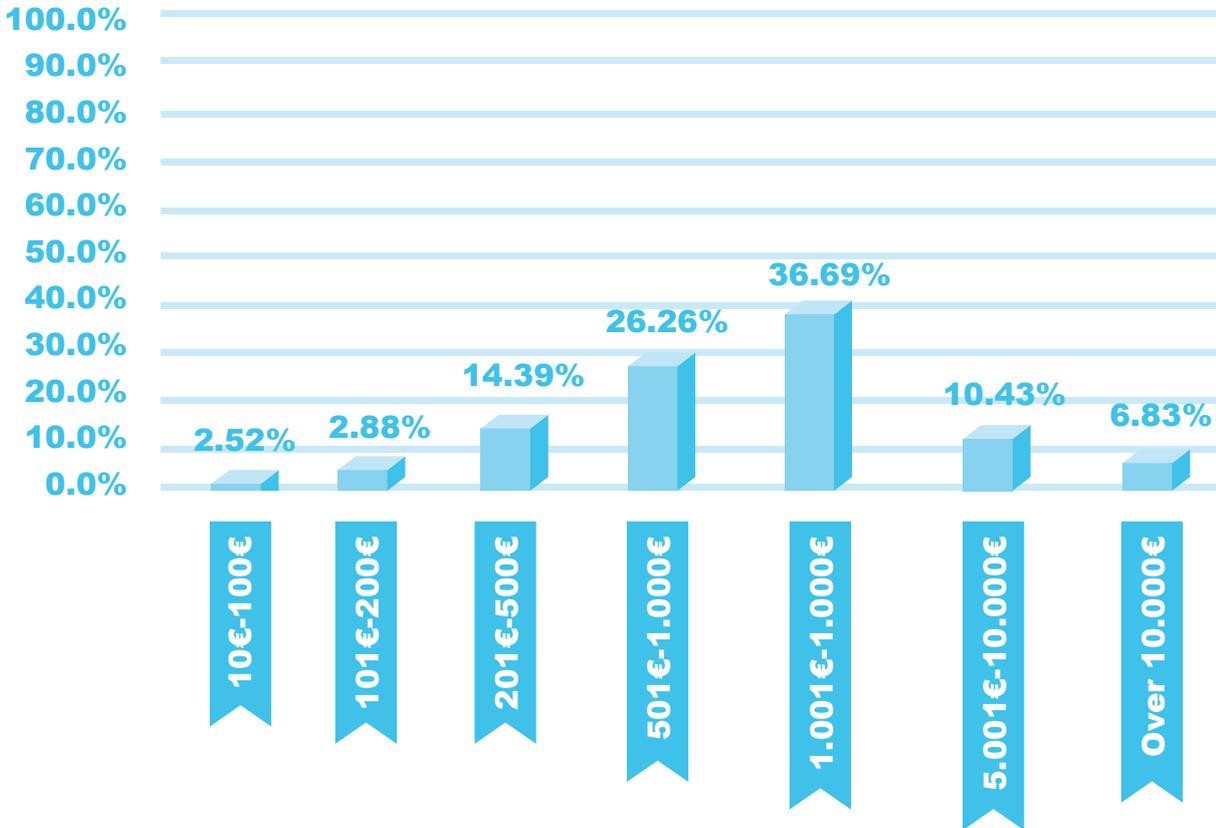
in the same period, as well as about the ways in which money is being transferred. 74.7% stated that they have sent or carried money to Serbia in the last 12 months. The amounts of money sent or brought to Serbia by the respondents (N=278) in the last twelve months are shown in Figure 5.

The amount of EUR 1,001-5,000 was most commonly sent or brought by the respondents to their families and relatives in Serbia in the last 12 months: 36.7% of them cumulatively sent or brought between EUR 0.1-0.5 million. Between EUR 5,001-10,000 was sent or brought back to Serbia by 10.43% of respondents. Between EUR 501-1,000 in total

was sent or brought by 26.26% of respondents. 6.83% of them remitted over EUR 10,000. In the same period, the amounts between EUR 201-500 were sent or brought by 14.39% of the respondents, and only a few of our respondents sent or brought between EUR 101-200 (2.88% of them) or EUR 10-100 (2.52% of them).

Money transfer were effectuated primarily in person: 75.44% of the respondents sent or brought money to Serbia by bus, train or other means of transport. In other European countries, there is also a high percentage of such remittance transfers among Serbian

FIGURE 5. ICMPD SURVEY -THE AMOUNTS OF MONEY SENT/BROUGHT TO SERBIA BY THE RESPONDENTS IN THE LAST 12 MONTHS (N=278)



migrants.¹⁰⁴ The ICMPD survey data also show that 69.7% of them knew what the money was spent on. The analysed sample confirms the results of similar research, showing that the money was remitted for the purpose of covering life expenses (food and rent), building houses or renovating, covering medical expenses, schooling and education, leisure activities, business investments—existing or new ones, and, finally, savings.¹⁰⁵

104 J. de Luna Martinez et al. (2006): *The German-Serbia Remittance Corridor: Challenges of Establishing a Formal Money Transfer*

105 World Bank – SECO: *Baseline Survey*

The respondents' interest in investing, starting or expanding a business in Serbia

It is noteworthy to mention that 59.9% of the respondents stated that they would financially support their friends and acquaintances to open a company or expand their business in Serbia. At the same time, 37.3% of them are personally interested in starting such an

on *Remittance Beneficiaries' Financial Behaviors in East Europe and Central Asia* (2017), *Review of the Market for Remittances in Serbia* (2016)

activity or expanding their business to Serbia.

When asked about the motives to do so, they mentioned the following top three reasons for starting up or business expansion: 1) wish to personally contribute to Serbia’s development, 2) reunification with family and friends, and 3) nostalgia or patriotic feelings toward the home country. This set of psychological motives was only then followed by economic ones: 4) good pros-

pects for business based on lower costs of operations as compared to Austria, 5) favourable conditions for doing business in Serbia, 6) quality of life, 7) and finally, better access to the Serbian or regional markets.¹⁰⁶

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 106 See Annex, Figure 13 on the respondents’ motives for starting or enlarging the company in Serbia; please note that multiple answers were possible and that only one third of the respondents decided to answer.

FIGURE 6. THE ICMPD SURVEY - THE RESPONDENTS’ MOTIVES FOR STARTING OR ENLARGING THE COMPANY IN SERBIA (VALUE BELOW REPRESENTS NUMBER OF RESPONSES. N=137)

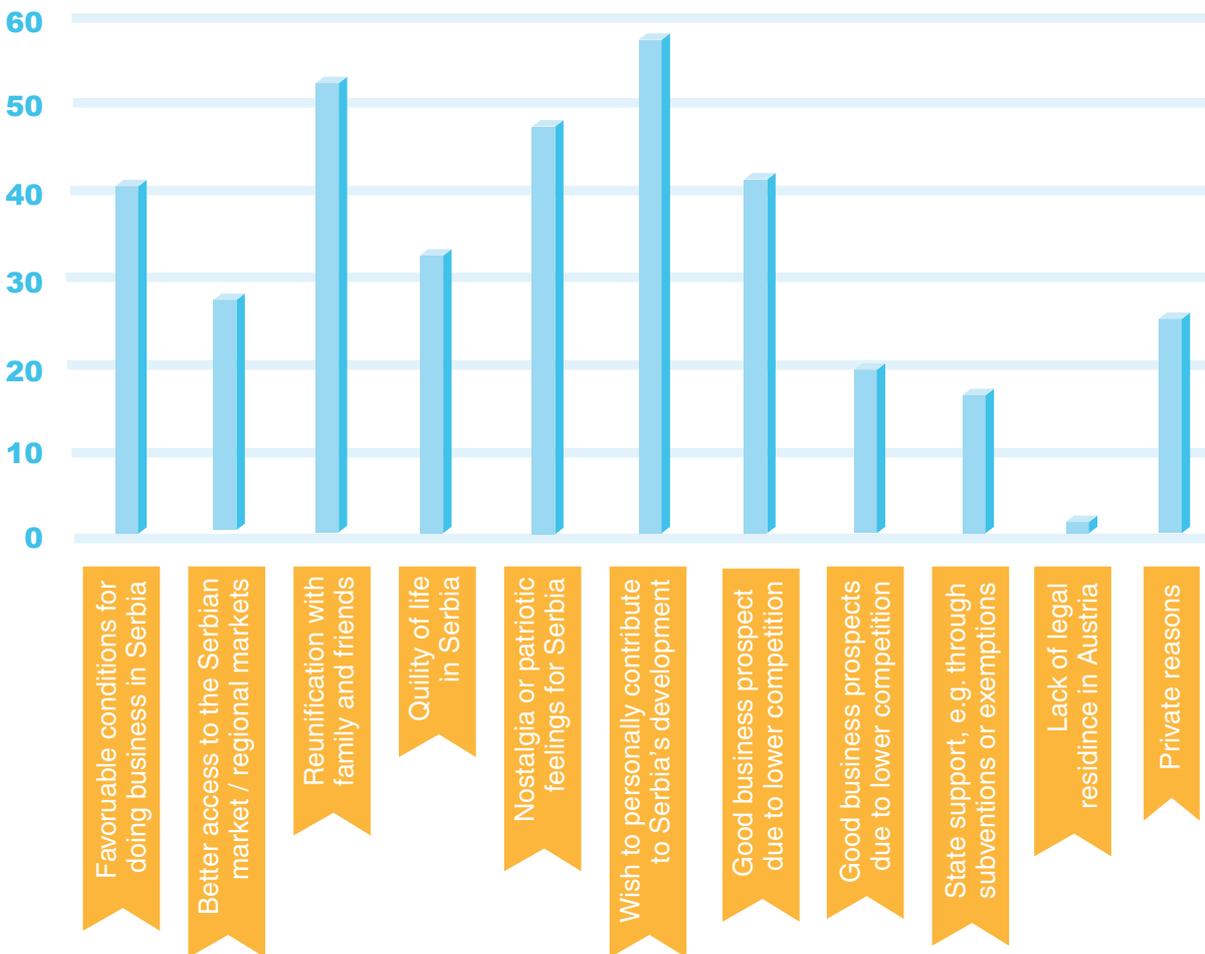
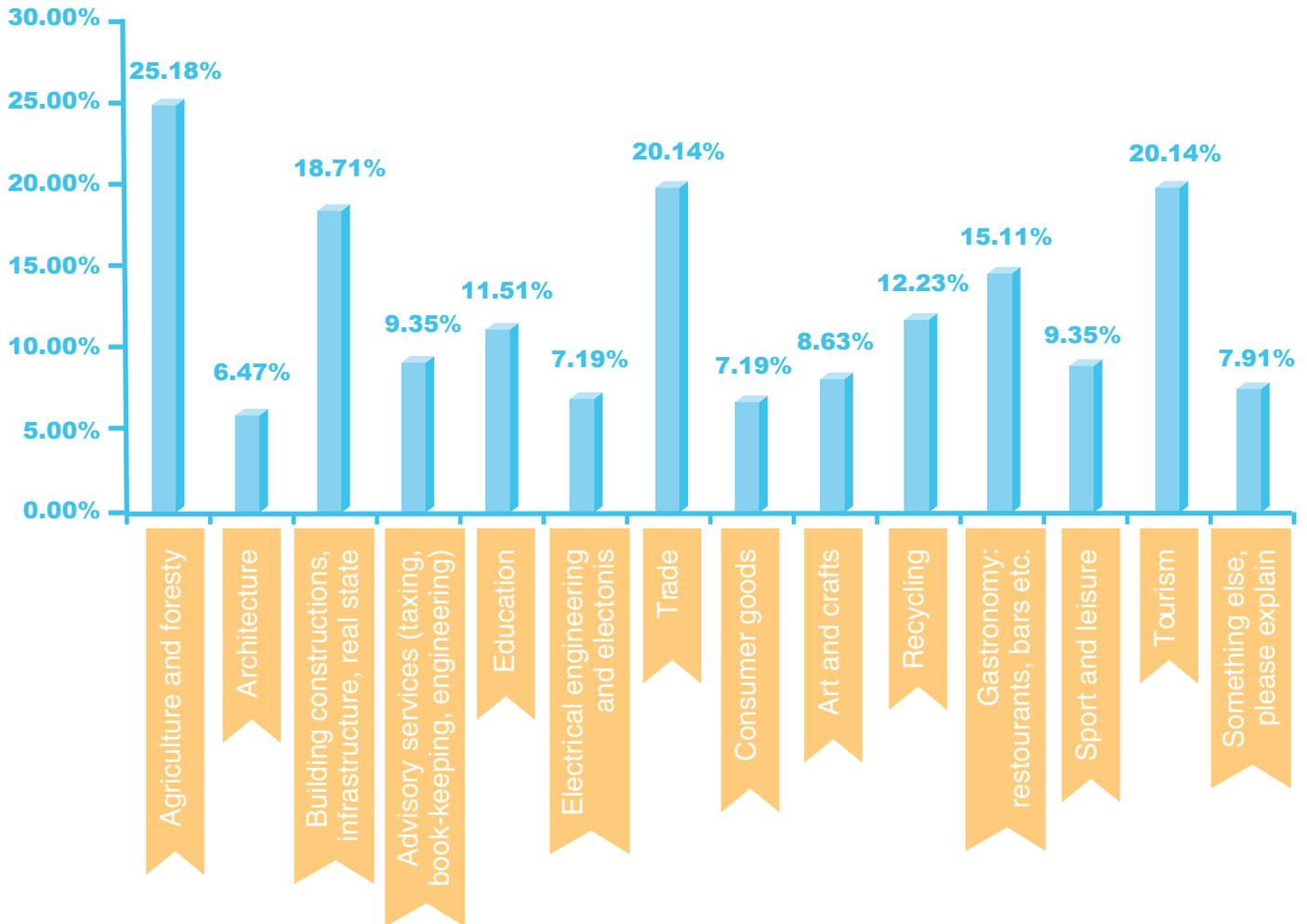


FIGURE 7. THE ICMPD SURVEY - THE RESPONDENTS' PREFERRED AREA TO START UP OR EXPAND THE COMPANY (NUMBERS IN GRAPH REPRESENT THE N VALUE). N=139



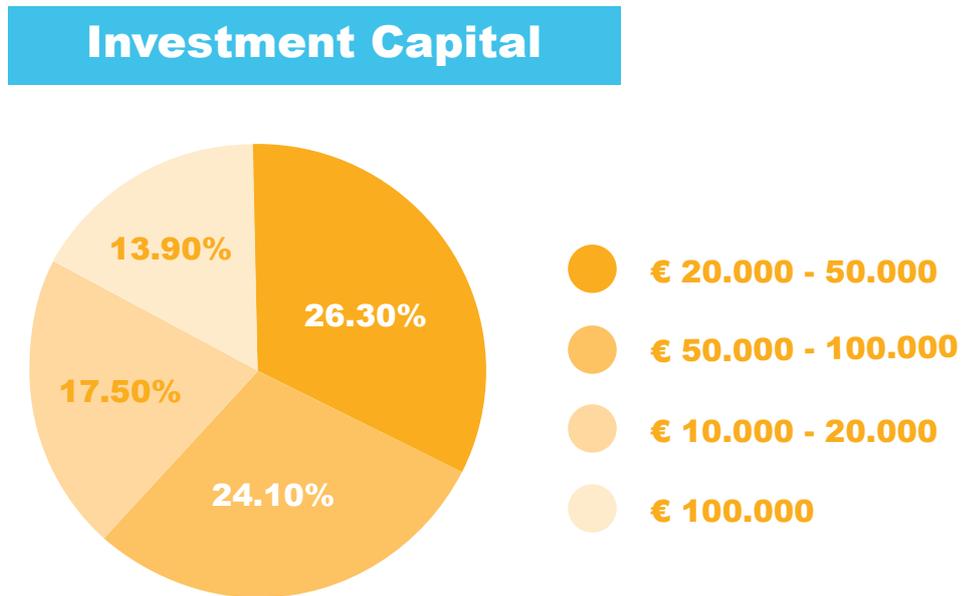
The respondents also provided information on the areas in which they would start or expand their business in Serbia.¹⁰⁷ The highest concentration of interest was found in 1) agriculture and forestry, 2) tourism, 3) trade, 4) building construction, 5) gastronomy, 6) recycling, 7) education and 8) advisory

services (on taxing, book-keeping, etc). In fact, a wide array of sectors and activities was chosen, showing their diversified qualifications and interests. In addition, the respondents also wrote that they would open a company in such sectors as life coaching, media, fishery, alternative medicine and foreign language services.

.....
 107 See Annex, Figure 14 on the preferred areas of interest for startup or business expansion in Serbia; multiple answers were possible

26.3% of the respondents stated that they would need between

FIGURE 8: ICMPD SURVEY - INVESTMENT CAPITAL NEEDED TO START OR EXPAND THEIR BUSINESS



EUR 20,000-50,000 to start or expand their business, 24.1% of them would require between EUR 50,000-100,000, and 17.5% would need between EUR 10,000-20,000. 13.9% would need EUR 100,000 or more to start or expand their business.

Out of the total 134 respondents, 25% stated that they would co-invest 50% of their own financial resources to start or expand a business. 16% and 13% of the respondents would invest 20% or 30% of their own resources respectively. More than half of the respondents, i.e. 58.1% stated that there are good opportunities to invest in Serbia, while 41.9% of them do not think Serbia has good investment opportunities. When asked about the regions they would prefer to

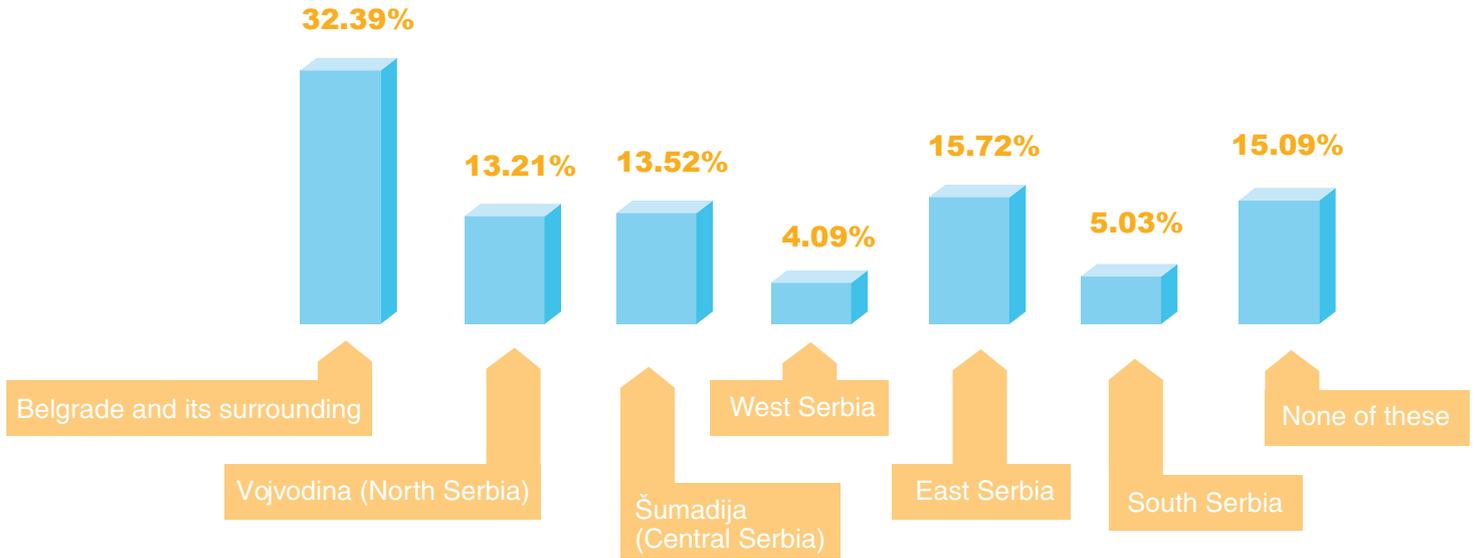
invest in, 32.39% of the respondents prefer the region of Belgrade, 15.72% would like to invest in East Serbia, 13.52% would invest in the region of Šumadija and 13.21% of them chose Vojvodina. Finally, only 5.03% of respondents would invest in South Serbia and 4.09% of them in West Serbia.¹⁰⁸

The respondents' need for financial and non-financial support

The ICMPD survey reveals that

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 108 The official data obtained from the Statistical Office of the Republic of Serbia for the purpose of this study reveal that, according the 2011 Census data, the biggest share of Serbian migrants in Austria originate from the region of South and East Serbia (58%) and the region of Šumadija and West Serbia (23.43%), followed by Vojvodina (10.61%) and the Belgrade region (7.95%)

FIGURE 9. ICMPD SURVEY - THE RESPONDENTS' PREFERRED REGION FOR INVESTMENT (N=318)



those members of the Serbian diaspora in Austria who are ready to invest and start their business in Serbia also have clear views on both obstacles and requirements to improve their home country's business environment.

When asked what could help them to start or expand their business in the homeland, they expressed diversified opinions, which can all be aggregated to a stable and transparent economic environment.¹⁰⁹ Multiple choice answers were possible, but the most prominent needs were articulated as follows:

- subsidies;
- less corruption;

.....
 109 See Annex, Figure 15 on the respondents' assessment of the help needed to start or enlarge their business

- less bureaucracy;
- transparent laws;
- support of experts and exemptions for getting loans; and,
- coaching, mentorship and advisory services from Serbia.

When asked to add something else, the respondents also mentioned safety, elimination of corruption, and good marketing. A surprisingly high number (91.4%) of the respondents have never heard of Serbian state institutions that support SMEs. Only 8.6% of the respondents said they know about Serbia's business support structure.

39.1% of the respondents do not know if the Serbian state institutions can help them to start or

FIGURE 10 THE ICMPD SURVEY - THE RESPONDENTS' ASSESSMENT OF THE HELP NEEDED TO START OR ENLARGE THEIR BUSINESS (VALUE BELOW REPRESENTS NUMBER OF RESPONSES. N=171)

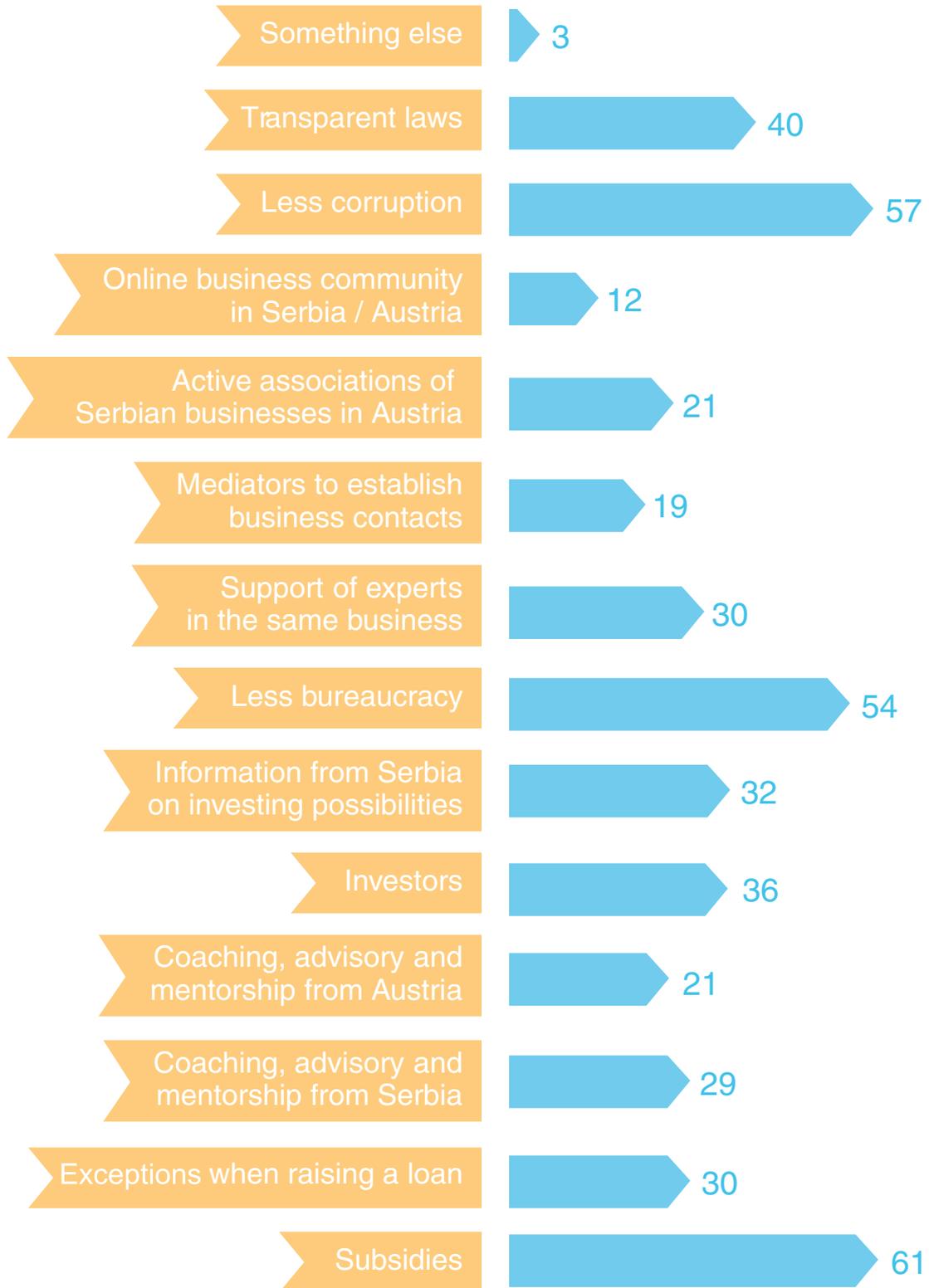
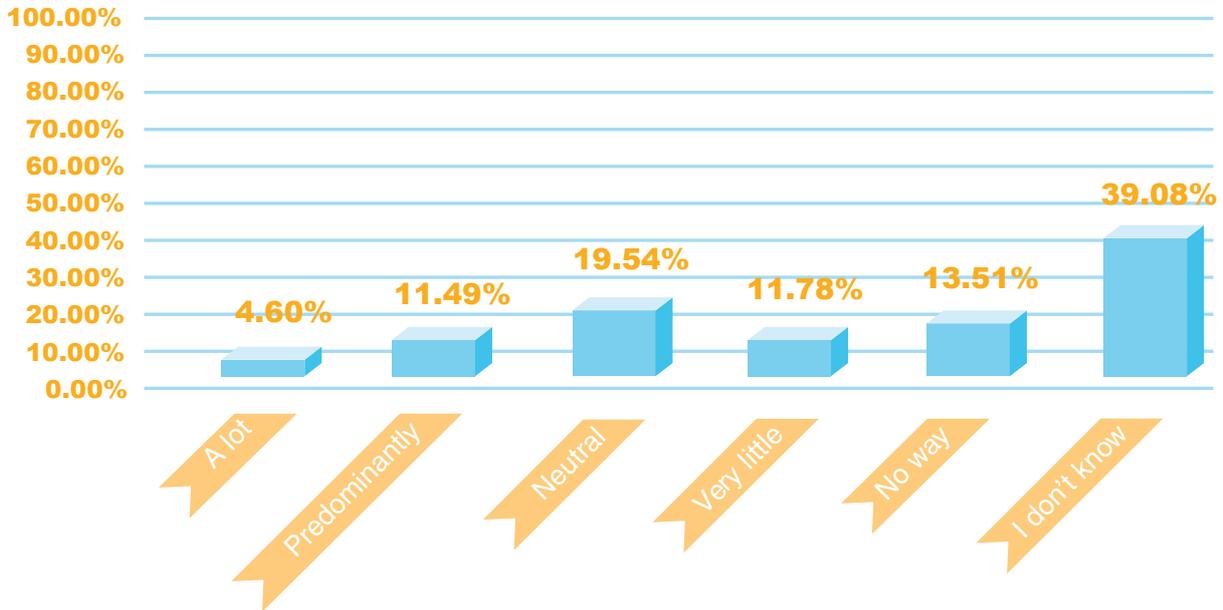


FIGURE 11. ICMPD SURVEY - THE RESPONDENTS' OPINION ON THE CAPACITY OF SERBIAN INSTITUTIONS TO HELP THEM START OR EXPAND THEIR BUSINESS (N=348)



expand their existing business, 25.3% of them have a negative opinion (13.51% answered “no way”, 11.78% of them believe they can help ‘very little’). 19.54% of the respondents are neutral, while positive attitudes were expressed by 16.1% of the respondents, out of which even 11.49% said these institutions can help them ‘predominantly’.

For both Austria and Serbia, respondents saw their families and friends as their biggest source of financial support, followed by professional and business associations. In Austria, state institutions were perceived as supportive business actors, while, in Serbia, it is political parties.

Approximately two-thirds (61.4%) of respondents would be interested in receiving both financial and non-financial support through subsidies or advisory services to start or expand their business in Serbia, if such programs existed. To this end, it is important to note that 42.7% of respondents are ready to provide professional support as mentors, advisors or mediators to new or existing companies in Serbia that plan to expand their business, including exports to Austria, if such a program would be designed.

05

Potential Mechanisms For Boosting Diaspora Investments

Leveraging remittances

Remittances are more than just money flows back to home countries - they represent 'long-distance social ties of solidarity, reciprocity, and obligation that bind migrants to their kin and friends across state-controlled national borders' (Guarnizo 2003). When seen in a broader context, they can be monetary, non-monetary (durable and consumer goods, services, and technical skills), as well as social remittances in terms of ideas, values, beliefs, behaviours, practices, which all play important roles in promoting family and community

formations, entrepreneurship and political integration (Levitt 1998). Thus, remittances do not only represent finances, but also mean the 'stretching' of household decision-making, affecting family life trajectories and strategies, community activities and its development (Vertovec 2004).

A common question in the literature on remittances is whether the community or even country of origin as a whole benefits from remittances or if it does more harm given that it can negatively affect the country's balance of payments. On the whole, studies on remittances reveal that they have some positive effects in alleviating poverty but, it can also

Good examples of companies established by Serbs in/from Austria

VRELO PRODUKT-IM, Petrovac na Mlavi (the village of Šetonje)

The Miloradović family has a long-standing tradition in butchery and meat processing. They moved to Tyrol in the early 1970s. The grandfather returned to Serbia after living for 27 years in Austria and set up the company in 1997. In 2012, the grandson, who grew up and finished his vocational education in Austria, returned with his Austrian-born wife to take over and scale up the company. The company purchases livestock from local farmers, has a slaughter house with a butchery and focuses on the production of sausages and other meat products that are known as Austrian specialities. The company is now the sole producer of Kaesekrainer, Leberkaese, Bratwurst and the like in Serbia, selling successfully to restaurants and pubs in Belgrade and to several butcheries in neighboring municipalities. It has 35 employees and plans to employ up to 15 additional staff after receiving requests to export to Croatia, B&H, Montenegro, and Albania. The family noticed a negative influence from remittances on the young population's motivation to work.

have certain long-term, negative effects by increasing consumption spending, driving up inflation rates and local prices (land, housing, food), creating remittance dependencies, accelerating socio-economic disparities, causing rifts between recipients and non-recipients, and distorting the local labour market.

Guarnizo (2003) notes that in some cases, recipient communities have developed economically because of remittances, while others have not. The reasons for these developments need to be examined through a variety of factors, which do not relate to money flows, but also to existing pre-conditions and the regulatory framework. As such, one should not expect a “productive” kind of rationality when money comes from abroad.

Serbia is a net remittance-receiving country, and remittances are considered as one of the key pillars of its macroeconomic stability. The NBS estimates that the amount of remittance inflow amounted to EUR 2.86 billion in 2015 with the largest amounts remitted from Germany (23.6%), Switzerland (15.1%), France (9.4%), and Austria (8.6%).¹¹⁰ According to the NBS, registered remittances transferred

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110 The NBS News as of May 7, 2016, <http://www.nbs.rs/internet/latinica/scripts/showContent.html?id=9627&konverzija=no>

According to the World Bank, inward remittances, regulated and unregulated, amounted to approximately 8.5% (USD 3.2 billion) of Serbia's GDP in 2016, thus being an important source of foreign exchange for the national economy and a vital source of (additional) income for many Serbian families.

via banks and MTOs comprised 54.5% of the total remittance amount in the same year. According to the World Bank, inward remittances, regulated and unregulated, amounted to approximately 8.5% (USD 3.2 billion) of Serbia's GDP in 2016, thus being an important source of foreign exchange for the national economy and a vital source of (additional) income for many Serbian families.¹¹¹ They are mostly used for private consumption to cover the costs of living and property maintenance and for unproductive investments (e.g. dwellings, cars), bank deposits or cash stocks (Pejin-Stokić and Grečić 2012a).

The World Bank ranked Serbia among the top ten remittance-dependant countries in Europe and Central Asia in 2016: as per the amount of remittances, ranking 4th behind Russia, Ukraine and Romania, and 10th in terms of the share of GDP. A slight decrease in the remittance inflows can be observed compared to the years 2014 or 2015. The peak of inflows was in the year of 2009 when USD 4.64 billion was remitted to Serbia.

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111 World Bank (2017): *Migration and Remittances: Recent Developments and Outlook – Special Topic: Global Compact on Migration*, p.23

Table 6. The Remittance Inflows to Serbia in the period 2008-2016

Year	2008	2009	2010	2011	2012	2013	2014	2015	2106
Remittance Inflows, in USD million	3,544	4,648	4,118	3,960	3,549	4,025	3,696	3,371	3,199

SOURCE: WORLD BANK

The World Bank estimates that the amount of remittances from Austria to Serbia was USD 356 million in 2015. For the sake of comparison, the total amount of foreign trade exchange between Serbia and Austria in 2016 was EUR 867.1 million (SORS 2017).

The World Bank estimates that the amount of recorded remittances from Austria to Serbia was USD 356 million in 2015, though the value would be much higher when taking into account those flows through unregulated channels.¹¹²

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112 World Bank Bilateral Remittance Matrix 2015

Austria's geographical proximity to Serbia, coupled with the ease and frequency of travel, may continue to influence the informal character of remittance flows. The use of unregulated remittance channels can be explained, in part, due to the lack of trust in banks and state institutions, the relatively high transaction costs, and the close geographical proximity between Serbia and Austria (Becker et al. 2009). Many Serbs bring money in cash during their frequent visits to Serbia or send it home through informal channels (friends, relatives, bus drivers) - a phenomenon confirmed through ICMPD's survey. Researchers also noticed two additional reasons for the prevalence of informal remittances: the lack of knowledge about various financial transfer and wire services and banks' weak marketing efforts to reach out to Serbian migrants (Lacroix and Vezzoli 2010).

The World Bank's research in Serbia (2016) reveals that using banks for remitting is more expensive and less convenient for customers, so the services of MTOs are preferred. The remittances are largely channeled via cash services. Western Union monopolises 96% of the Serbian market, thus contributing to the high fees for final users. Money Gram has most of the remaining 4% share in the market.¹¹³ The cost of sending money to Serbia is

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113 Although Serbia revised its legal framework in the field of finance in 2015, encouraging competition and innovation in the retail payments and allowing non-bank financial institutions to provide remittance services, global MTOs continue to dominate the Serbian market as direct providers or in partnership with banks or post offices. SECO research detected two Serbian institutions that are rivals to Western Union in the remittance market. The Post of Serbia offers International Post Money Order service in its 1200 post offices across the country, transferring from Belarus, B&H, Croatia, France, Montenegro, Russia, and Ukraine, with costs of RSD 640 for payments up to RSD 16,000 and 4% thereafter. Foreign exchange margins are cheaper than those of MTOs. The Post of Serbia is attempting to extend its service to Switzerland, Austria and Germany, but their post offices do not appear willing or able to accept the cooperation. Marketing of the service was limited due to the lack of funds (WB SECO 2016). Another institution is Komercijalna Bank that is going to launch a P2P service within which the bank customers will be able remit to non-bank customers. Maximum payment will be RSD 20,000 daily. Recipients will not have to have an account and not even a smart phone – cash will be withdrawn from the bank ATMs via SMS messages on mobile phones. The transaction cost will be RSD 25. It plans to open its branches offices in Vienna and Frankfurt (WB SECO 2016).

estimated at 9.2%, which is above the global and regional averages of 7.6% and 7.5% respectively. The costs partly depend on the recipient's choice to take money in Serbian dinars or foreign currency. The study concludes that the high cost of sending money to Serbia stems from the lack of competition and the fact that 'banks, the post office, and the two super-agents are generally content with the status quo'. Although 83% of Serbians have some form of bank account, banks do not seem interested in cross-selling other banking services and promoting financial inclusion (SECO 2016).¹¹⁴

As part of a baseline survey, the World Bank examined the financial behaviors of remittances beneficiaries in 2016, amongst other in Serbia. A total of 851 interviews were collected among Serbian remittances senders and recipients, and the findings are summarised below.

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114 World Bank (2017): *Baseline Survey on Remittance Beneficiaries' Financial Behaviors in East Europe and Central Asia*

Overview - Remittance Profile Serbia

- 91% of households in Serbia received remittances from a single sender
- Remittance senders' place of residence: 21% in Germany, 20% in Austria, 8% in the USA, 8% in Switzerland, 5% in Italy, 4% in France
- 53% of Serbian remittance senders emigrated after the year 2000 (37% between 2001 and 2013; 16% after the year 2013); 47% of them emigrated before 2000
- More than half of Serbian total remittance senders belong to the 45+ age group
- 68% of Serbian remittance senders departed permanently, 21% of them went for seasonal works, and 11% of them were born abroad
- 41% of them are between 45-60 years old; 35% of them are between 30-44 years old; 13% of them are older than 60; 10% of them are between 18-29 years old
- 56% of Serbian remittance senders are men, 44% are women
- 30% of households in Serbia received remittances between 2-5 years; 29% of households received them less than 2 years; 25% of households received more than 10 years; 16% received between 6-10 years
- 14% of Serbian households report changes in the last 12 months in the frequency and amount of money, based on change in incomes or possibilities of the remittance sender abroad (64%), change in income incomes or needs and circumstances of the household (26%), change in government policy regarding sending or receiving of remittances (2%)
- 35% of Serbian households receive remittances 2-3 times a year; 29% of them receive once a year; 18% of them received 4-6 times a year; 17% of respondents received them monthly (at least once a month)
- Regulated methods are most frequently considered: 45% of households in Serbia received remittances through MTOs in the last 12 months; 33% of them got remittances from the person who sends/brings them; 23% of them received remittances into a bank account; 14% got remittances from a relative or other individual; 9% received through post office; 8% by bus driver (or other transport operator); 7% of them received remittance through bank without sending to the bank account (multiple answers were possible here)
- MTO services take less than a day to make funds available to the receivers in Serbia (51%), or one day (29%), or between 2-3 days (17%). In only 1% of cases it took more than 7 days.
- 71% of Serbians are completely satisfied with the most commonly selected method of money transfer, 26% are mostly satisfied, 2% are mostly unsatisfied, 1% is completely unsatisfied

- 39% of Serbians are completely satisfied with the bank services used for transfer, 44% of them are mostly satisfied, 10% are mostly unsatisfied, 7% are completely unsatisfied
- reasons for not using banks or other financial institution for money transferring (multiple answers allowed): 36% of Serbs think that the transfer has high cost; 32% of them believe that bank processes are too complicated or confusing; 17% of them do not use banks; 15% of them do not have a bank account; 5% did not know that bank accounts can be used for remittances transfer; 12% of them think that the duration of money transfer is too slow or too long; 7% of the have no bank available near their home or at work; 17% of them mention other reasons. Households that have never used bank services for money transfers would most likely consider using banks if costs were lower.
- Remittances make up 23% of the total yearly household income of the surveyed Serbs. Remittances primarily contribute to meet the basic needs of households, then to purchasing consumer goods, household products, appliances and groceries, followed by settling of medical expenses and covering education costs of household members;
- 55% of Serbian respondents answered that received remittances are not an important source of funding, 31% of them said that they would not be able to cover all the basic needs; and 15% of the respondents reported that the remittance is the main source of household income;
- 61% of households reported not saving for major purchases, emergencies, school fees, special occasions, while 34% of them positively answered the same question, and 5% refused to answer;
- frequency of saving: 84% of the Serbian households are able to save some money occasionally – when they can; 8% of them can save whenever remittances are received; 6% of them save every month and only 1% of them save every week;
- 38% of households would not be able to save money in case they did not receive remittances: 32% would be able to save but the amount would be lower, and 30% of households would be able to save the same amount of money without remittances;
- Finally, the average amount of remittances per year is USD 1277 and average amount per wire transaction is USD 299.

Source: World Bank (2017): *Baseline Survey on Remittance Beneficiaries' Financial Behaviors in East Europe and Central Asia*

To conclude, the findings show that it is of crucial importance to effectively promote financial products in order to leverage remittances. According to R. Agunais and Newland (2012), strengthening the remittance infrastructure means:

- to lower transaction costs by increasing the number of MTOs and informing the diaspora on the possibility to choose among them;
- to increase transparency by making transfer fees publicly available;
- to create more efficient channels of sending remittances in partnership with banks, saving and credit cooperatives, MFIs and post offices;
- to bank the unbanked that will lead to access to the formal financial system and the benefits from building assets through savings and leveraging remittances through credits;
- to offer financial literacy training and encourage banks to be more migrant-friendly in order to move from the current “cash-to-cash” system to the electronic transfer system of account-to-account;
- build a setting for more productive investment of remittances by
 - cross-selling complemen-

tary financial services to remittances receivers;

- offer remittance-backed mortgages;
- securitize future remittance flows as a collateral of financial institutions to access additional capital.

Commercial banks could develop low cost transfers to bank accounts, using sister companies, other banks and MTOs. Electronic channels and partnerships with other global MTO are recommended, too.

Next to looking into ways of lowering transaction costs and making the remittance market more efficient, there are plenty of good examples globally of remittance-based investment programs. One such example is the Pare 1+1 programme in Moldova that aims to stimulate remittances investments, especially in rural areas. Beneficiaries of this programme, which includes training and business financing, are migrant workers and recipients of remittances (first degree relatives).

Mechanisms for enhancing diaspora investments in Serbia: state of affairs and opportunities

According to estimates from the former Assistant Minister for Diaspora in 2010, the Serbian diaspora established about one thousand companies in Serbia.¹¹⁵ Since then, no data has been available on the number of companies established by Serbs abroad or their scope of investment. This study aims to identify mechanisms to incentivise diaspora investment in order to enhance and leverage Serbian diaspora direct investments from Austria, as well as other forms of economic cooperation between Serbia and its diaspora elsewhere. To see which incentive could be implemented and achieve the best results, the authors have examined the feasibility to implement various financial instruments with respect to their added-value and catalytic effect on SME development in Serbia and likelihood in achieving set objective. Matching grants, diaspora

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115 <http://www.vesti-online.com/print/25379/Vesti/Srbija/25379/Dijaspora-osnovala-1000-firmi-u-Srbiji>

bonds, revolving microloans, credit guarantee scheme, crowdfunding and equity investment have been evaluated against certain criteria to assess the feasibility and additionality of using official development assistance (ODA) to leverage private investments. It pursues the central question: If there would be ODA put into a financial instrument to incentivise diaspora investments, would it bring about investments and activities that would otherwise not have happened to that extent or at all within the next couple of years?

Thus, for each of the financial instruments, we examined the legal and institutional infrastructure: are the necessary laws in place to establish such an instrument through ODA? If yes, is there an institution with the necessary mandate and capacity to carry it out? And then we looked at the key players on the market and the potential added value through the implementation of an ADA-funded programme.

Where relevant, the analysis was done from a central and municipal level perspective with a focus on Eastern Serbia (as the region with the highest emigration towards Austria). When considered sufficiently feasible, a way forward is presented.

Matching grants

Matching grants are considered those grants that can be matched equally, and which are usually non-repayable. Currently, Serbia offers the following public grants: subsidies for investors, grants merged with loans for start-ups and existing SMEs, grants for self-employment provided by the NES, and at the local level, incentives by municipalities.

Disbursement of state aid grants are regulated by the Law on State Aid Control along with the Regulation on the Rules for State Aid Granting.¹¹⁶ The Law on State Aid Control posits that `state aid grantor is the Republic of Serbia, the autonomous province and local self-government unit, through their compe-

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 116 State aid control system in the Republic of Serbia was established in 2010 by the adoption of the Law on State Aid Control ("Official Gazette of the Republic of Serbia", no. 51/09) and two bylaws: the Regulation on the rules for state aid granting ("Official Gazette of the Republic of Serbia", nos. 13/10, 100/11, 91/12, 37/13, 97/13 and 119/14) and the Regulation on rules and procedure for state aid granting ("Official Gazette of the Republic of Serbia", no. 13/10). Moreover, for the purpose of drafting an annual report on granted state aid, the Rulebook on methodology for drafting annual report on granted state aid was adopted in 2011 ("Official Gazette of the Republic of Serbia", no. 3/11). Taken from Commission on State Aid Control's website: <http://www.kkdp.gov.rs/eng/otnana.php>

tent bodies and any legal person managing and/or having disposal over public funds and allocating the state aid in any form whatsoever` (Law on State Aid, Article 2). Serbian municipal authorities have a limited set of options to provide such incentives: according to the Investment Law together with the EU rules on state aid, programmes by LED must be defined in an impartial way and available to all investors or start-up companies alike without discrimination. Under the law, `state aid can be granted to promote the economic development of areas of the Republic of Serbia where the standard of living is abnormally low or where there is serious unemployment, to remedy a serious disturbance in the economy of the Republic of Serbia or to promote the execution of an important project of the Republic of Serbia, to facilitate the development of certain economic activities or of certain economic areas in the Republic of Serbia and to promote protection and preservation of cultural heritage` (Law on State Aid, Article 5).

The Regulation on the Rules for State Aid Granting defines several categories of state aid among which horizontal state aid and regional state aid can target specifically SMEs, although other categories can cover the same sector as well. It is also interesting to note that horizontal state aid can be granted

for advisory services, innovation and for participation in trade shows, while regional state aid can be granted to newly-founded SMEs. The institution responsible for state aid control is the Commission on State Aid Control. In line with the Rules of State Aid Granting and Investment Law, DAS provides subsidies for foreign and domestic investors depending on the size of the investment, job creation and location.

Aside from those sources emanating from the state, there are a number of donor-funded, academic and non-governmental institutions that offer matching grants, e.g. the EU-funded Evropski Progres, USAID's konkurentno program, etc. The Innovation Fund currently offers mini grants for innovative companies established in Serbia with majority ownership of Serbian citizens wherever they may currently live.

It is highly questionable and politically risky to offer diaspora special or more favourable treatment by introducing an exclusive type of grant. Equally, there is public criticism about GoS's incentives towards foreign direct investments. However, for some academics, special treatment can be justified as a way to incentivise such investments and to be able to market it to diaspora and/or remittance receiv-

ers, and that non-financial subsidies can equally serve useful. Pavlović (2017) argues that diaspora investment could be supported when they satisfy certain criteria in line with their developmental objectives.

Way forward: A call for proposals could be offered that includes grants from donors next to their own capital (50/50 or 70/30), e.g. for best (innovative) business ideas from the diasporas or those that target a specific region of Serbia. Diaspora teams could be encouraged to participate in the existing nationwide 'Best Technology Innovation Competition', and also in the grants schemes and other programmes of the Innovation Fund. It would also be possible to conceive a programme similar to the Pare 1+1 whereby remittance-receivers may access business financing for business creation or expansion. Disbursing matching grants is less complicated when compared to loans, however, it is less sustainable and may attract less successful entrepreneurs or business ideas/products.

National and municipal diaspora bonds

Diaspora bonds are described as those bonds issued by a country to its own diaspora as a way to mobilise funds for the development of the home country. From the perspec-

tive of the diaspora, it may present an opportunity to earn interest on invested money while minimising the risk since it is issued by the state (versus private investment funds). Countries usually pay lower interest rates, so-called patriotic discount, while they provide various benefits to diaspora members who buy their bonds, such as tax rebates and other incentives. For the issuing country, it would mean raising their sovereign credit rating and securing funds for much needed development projects. Various countries have attempted to use diaspora bonds with varied levels of success.¹¹⁷

It is possible in Serbia to issue bonds at central and municipal level, and some have even done so. The municipality of Šabac is among the first to have launched a diaspora bond. International experience suggests that the success of a diaspora sovereign bond issue and the size of the diaspora discount depend on a country's institutional capacities to market the bonds (Johnson and Sedaca 2004). Government actions influence the ability to raise further bond financing from

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 117 See Annex, Table 18 on Diaspora Bonds Issued by Israel, India and Ethiopia. Israel and India are cited as good examples. As the experience in Israel has shown, diaspora bonds have been a stable source of finance and have seen an increased uptake in turbulent periods, such as during war or whenever the threat of war increases.

the diaspora or conventional investors. As Grigorian and Gevorkyan state, "issuing tradable sovereign bonds would require kissing good-bye to any political and economic opportunism" (2003).

Serbia has so far not issued bonds at central level targeting its diaspora in more recent times. However, it did exist in the past: in 1989, Serbia launched the Loan for Economic Revival of Serbia. Funds were collected from both the domestic population and diaspora throughout 1989 and 1990. This amounted to EUR 150 million from which 100 million was repaid in the 1990s (between 1994 and 1999), while the rest was depleted due to inflation or transferred in bonds that were later repaid. All these have created a sense of disappointment and resentment among borrowers (the loan was collectively implemented and even enforced on employees from public enterprises, with contributions deducted from their salaries in several instalments), as well as among others who provided funds in dinars only to see that the value of bonds diminished to zero during the hyperinflation of 1993. Another negative experience happened to those citizens who held foreign saving accounts in Yugoslav banks. Their savings were transformed into a public debt with bonds issued for that purpose. The last of these obligations were paid out only recently.

Due to this experience, there is considerable mistrust and therefore a high risk that any large-scale state activity towards issuing diaspora bonds would not achieve the desired results. On 20. November 2017, the GoS launched government issued bonds, though it specifically rules out diaspora since it requires the person to be 'domestic physical entities' with a domestic bank account.¹¹⁸

Way forward: The recommendation is not to pursue this path in the framework of an ADA-funded programme. The main concerns are the high price and complexity of the process: issuing bonds is rather costly for municipalities these days when compared with bank loans whose interest rates are currently low. Moreover, there is a lack of trust in the GoS and this may overshadow any endeavor to successfully issue diaspora bonds.

Revolving microloan fund

Microloans typically target small business owners who are in need of small loans as a way to bolster their working capital or to invest in machinery, equipment or other. Contrary to the typical commercial bank loans, they can also be accessed to those who may lack

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118 <http://stedneobveznice.gov.rs/>

collaterals and a credit history. The idea behind revolving microloans is that the fund gets replenished when the microloan is paid back, thereby freeing up money that can be used for new business ventures.

Credit activities in Serbia are regulated by the Law on Banks¹¹⁹ and special laws which states that only banks and government institutions can issue loans and take deposits. There have been two government institutions active in micro crediting of start-up enterprises thus far. One is the Fund for Development of the Republic of Serbia (FDS) established in 2007 and the other one is the Fund for Financing Increased Employment in the Economically Underdeveloped and Distinctly Migrant Regions. The FDS's 'micro credit line' and 'start-up loans' have been the main source of start-up credit financing.

The only three micro-finance institutions (MFIs) active in the country are AgrolInvest, MicroDevelopment (former MDF), and MicroFins-DBS (formerly, MicroFins). In 2013, their total portfolio was estimated at approximately 10% of a perceived need of EUR 250 million.¹²⁰ In 2014, AgrolInvest reported that the size of its portfolio was EUR 10.2

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119 https://www.nbs.rs/internet/english/20/laws/law_banks.pdf

120 Source: Guene and Lalovic (2008): *Serbia Microcredit Gap-Assessment*

million and the average size of loan was EUR 1,077 and a write-off ratio of 1.1%. These MFIs were initiated through an agreement with the GoS during the period of conflict or the post-conflict period, under the umbrella of UNHCR and other international organisations. MFIs keep the deposits in the banks (100% of loans disbursed) and banks formally issue loans to the end consumers.

All credit assessments and monitoring is done by MFIs. About 50,000 loans are approved each year, out of which two-thirds are for business purposes and one-third for personal needs. Since the year 2000, there have been several attempts to improve the legal framework for MFI operations, but without results. Besides MFIs, local NGOs and other interested Serbian parties, including some international organisations, have been supporting these efforts. SMEs' dependency on bank financing and limited access to banking products for micro enterprises continues to hinder SME development. As the EIB study shows, a lack or limited supply of microfinance make it almost impossible to assess its supply reliably.¹²¹ The same research identified two micro financing institutions that would relate to Serbian SMEs' needs. These

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121 European Investment Bank (2017): *Ex-ante study to assess the potential future use of Financial Instruments to deploy IPA resources in support of Small and Medium-sized Enterprises (SMEs) in Serbia* , p. 12

are a microfinance capital equity fund, which could support any new non-banking microfinance institution, and a microfinance First-Loss Portfolio Guarantee fund, which would issue micro-loans to existing SMEs that are cut off from credits. However, the two proposed MFIs are waiting for the relevant legislation to be enacted.¹²²

There are some Serbian banks that partially fill in the gap for micro-credits. These are Opportunity Bank (established by USAID) and ProCredit bank founded by a range of international donors and special funds, such as KfW and Dutch government funds. However, they do not support early-stage micro businesses, but rather require an initial operational period of 6-12 months. Unicredit bank and Unicredit Foundation have been supporting exchanges between Serbian and foreign actors in the field of social entrepreneurship. The Erste Bank in Serbia set up pilot projects by issuing credits to social enterprises (through its special Step-by-Step project).¹²³ There exists a novel

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122 Ibid, p.13

123 <https://www.erstebank.rs/sr/korak-po-korak>. The Erste Bank Group has been working on developing 'social banking' in Serbia, which activities target three groups of clients:

Individuals who would like to start their business - Step by Step program as of 2016

NGOs that have a lot of activities, but are

facility under the EU Programme for Employment and Social Innovation (EASI) managed by the Erste Bank: EUR 4.7 million has been approved to Erste Bank with the goal to disburse about 850 micro loans without any guarantees (with the average size being over 5,000 EUR). The bank Societe General is also known to target micro-businesses and startups with the provision of microloans.

The municipalities cannot issue loans and guarantees directly, or establish such a facility as a

excluded from finances

Private individuals who are at the risk of poverty or low income (to be developed in 2018 and 2019).

In 2016, Erste Bank launched its Step by Step program offering loans, mentoring and business training for startups and micro companies. Under this scheme, the products are tailored made and loans do not require collaterals, helping budding entrepreneurs, especially those who have been unemployed and marginalized people who have problems accessing finance.

Erste Bank offers non-financial assistance, knowledge and business skills, providing trainers and lectures on topics such as marketing, social networks and cash flow. A client may get the business mentor during one year. It is significant that the bank performs impact assessment, both financial and that on the client's social impact. Erste Bank is spreading the social banking in other SEE countries too. Each of activities in different countries is based on the local needs. The bank has also built an online platform.

separate legal body. In the early 2000s, there were two internationally supported pilot projects for the guarantee funds in the cities of Novi Sad and Leskovac, but none are currently active. There were other attempts to create similar loans and/or guarantee funds without success. Hence, the Ministry of Finance has decided not to allow municipalities to be involved in these types of operations.

Way forward: Through donor support and in agreement with the GoS, it would be feasible to launch a specific credit line targeting Serbian diaspora investors and/or remittance receivers. It could be nationwide or for a specific region. It could be placed within the FDS or the Fund for Financing Increased Employment in the Economically Underdeveloped and Distinctly Migrant Regions. Both institutions would be able to handle such a facility. In an interview with the ICMPD research team, the Fund for Financing Increased Employment in the Economically Underdeveloped and Distinctly Migrant Regions mentioned their interest in administering such loans should they become available. Such a facility could also be placed within one of the existing MFIs, but that would mean higher interest rates and more difficult loan conditions for clients.

One subgroup of clients might be particularly eligible for soft loans combined with non-refundable grants. These are social enterprises developed in migration intensive areas, which could be supported through bilateral (diaspora-GoS) or multilateral (diaspora-GoS-donor) efforts. The diaspora could be involved as the impact investor on the grounds of philanthropic and patriotic reasons. There are other specific groups, i.e. rural population in general and women in particular, as well as cooperatives for which the existing MFIs could expand their services.

Public credit guarantee schemes for SMEs

As mentioned in the previous section, SMEs are underserved by MFIs resulting in a significant credit gap. Through credit guarantee schemes, credit risks can be mitigated to lenders, thereby facilitating access to finance. The Laws on Banks¹²⁴ allows for guarantee operations to private entities, while the Law on Public Debt allows the GoS to issue guarantees to only the public sector.

Public institution responsible for

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 124 https://www.nbs.rs/internet/english/20/laws/law_banks.pdf. Article 4, Activities that may be performed by a bank

SME credit guarantee services in Serbia is the Development Fund of the Republic of Serbia that aims to foster economic and balanced regional development, improve the competitiveness of the Serbian economy, encourage employment and stimulate the development of capital market.¹²⁵ Guarantees issued by the Fund are available to small, medium and large business entities in private or state ownership (excluding public companies) and cannot cover more than 80% of the loan's value.¹²⁶ The minimum value of the guarantee should not be less than 1 million RSD.¹²⁷ AOFI is one of the few institutions that issues guarantees and other sureties (bid guarantees, performance guarantees, advance payment guarantees, retention money guarantees, maintenance guarantees) for export companies and investments abroad.

Beyond the public sector, there are three guarantee schemes in Serbia that have been made available by the European Investment Fund (EIF): SME Guarantee Facilities (CIP), the Guarantee Facility under the Western Balkans Enterprise Development and Innovation Facility (WB EDIF) - First Loss Portfolio

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 125 <http://www.fondzarazvoj.gov.rs/>

126 http://www.fondzarazvoj.gov.rs/files/uslovi_garancije.pdf , page 1

127 http://www.fondzarazvoj.gov.rs/files/uslovi_garancije.pdf , page 2

Guarantee and the Risk Sharing Instrument for Innovation and Research oriented SMEs and Small mid-caps.¹²⁸ Guarantees and securities for SMEs in Serbia are also supported by COSME programs, HORIZON 2020, the InnovFin program (as a joint initiative of EIF and EIB), and the Employment and Social Innovation program (EaSI) program.

In 2014, the first agreement between EIF and UniCredit Serbia approved EUR 5 million for a EUR 30 million portfolio. In 2016, EIF signed a new agreement with ProCredit Bank investing EUR 3.5 million for a EUR 25 million portfolio. Under this scheme, guarantee substitutes part of the usually required collateral and enables lower pricing. COSME provides access to increased finance through its Loan Guarantee Facility and the Equity Facility for Growth. Under this scheme, EIF and Banca Intesa Belgrade signed the EUR 6 million agreement in 2016, allowing loans as working capitals under favorable conditions and without hard collateral for SMEs. Although one of the HORIZON's priority "Industrial leadership" has a debt facility to provide loans, guarantees and other forms of debt finance under the EUR 3.5 billion *Access to Risk Finance*

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 128 Vienna Initiative 2014, *Credit Guarantee Schemes for SME lending in Central, Eastern and South-Eastern Europe*, p. 68

programme, there is no available data on the success rate for Serbian companies. Under the InnovFin, EIF signed two agreements with ProCredit Bank worth EUR 35 million in 2016, when UniCredit Bank was also provided with EUR 15 million to improve access to loan finance for innovative SMEs.

Through the EaSI programme, EIF provides a guarantee that enables the Erste Bank Serbia to support about 800 microenterprises with EUR 4.7 million worth of loans in the period 2016-2021 with attractive terms (without private collaterals) – many of which are social enterprises.

A qualitative analysis of the supply of guarantee products reveals that the predominant type of guarantees offered to the Serbian SMEs are personal guarantees while portfolio guarantees have not been developed yet. The total value of bank guarantees to the Serbian SMEs is not known. In 2015, the total value of all guarantees in Serbia was EUR 2.3 billion.¹²⁹ Currently, the Guarantee Fund facility within DFS does not seem to be very active.

In sum, guarantee schemes are not being used as much as they could:

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 129 European Investment Bank (2017): *Ex-ante study to assess the potential future use of Financial Instruments to deploy IPA resources in support of Small and Medium-sized Enterprises (SMEs) in Serbia*, p.45

Social entrepreneurship is a new concept in Serbia and is said to have gained traction in the past years: there are currently several initiatives in place to support such entrepreneurs: e.g. the Impact Hub in Belgrade or the Step-by-Step program in Serbia. Erste Bank provides business training and mentoring for social enterprises and NGOs who want to launch some kind of economic activity. Erste Bank teamed up with the NGO Smart Kolektiv, a leading organization in Serbia in the field of corporate social responsibility and social communication. To reach out to unemployed young people or any individual wishing to start a business, they partnered with Startup Alliance from the city of Kragujevac, which is active in Central and South Serbia and delivers training and business mentoring for young people eager to start their business. For the clients in Serbia, these kinds of loans are still expensive, so the bank instituted a guarantee scheme to reduce the costs of such loans for their clients. They partnered with the EIF which provides two umbrella guarantees, one for micro entrepreneurs and the other for social entrepreneurs.

many factors constrain the use of credit guarantees in the Republic of Serbia. According to the banks, ‘guarantee conditions are too restrictive for clients, the excessive bureaucracy is also a discouraging factor, and the pricing is often not attractive either. Furthermore, SME clients are often not informed about the possibility of using guarantees.’¹³⁰

Way forward: Donor-supported credit guarantee schemes make sense at a larger scale, and are currently served by the EIF, amongst other. No additionality would be created by adding ADA funds into such a scheme, however the existence of such support could be better disseminated, amongst other also among diaspora members and remittance receivers.

Crowdfunding

A distinction is often made between the following four types of crowdfunding:

- Reward-based crowdfunding, the most common type available through which a product (a perk) is offered in exchange for financial support;
- Equity-based crowdfunding that offers equity from the company in exchange for capital. Entrepreneurs can set investor caps,

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130 Ibid 68, see Table A1.11

minimum pledge amounts, or approve/deny investors to view the business documents. The campaigns last up to several months and are intended for those start-ups that seek USD 100,000 or more;

- Donation-based crowdfunding that serves social causes and charities, and requires nothing in return. Campaigns are usually up to three months long and most commonly for amounts under USD 10,000;
- Lending (debt)-based crowdfunding allowing entrepreneurs to raise funds in the form of loans that will be paid back to the lenders with an interest rate.

At the time of writing, there is no legal or regulatory framework in place that would allow the establishment of crowdinvesting platforms in Serbia. Nonetheless, such a platform was launched in September 2017, though at the time of writing, it was not very successful in raising capital. For donation or reward-based platforms, Serbian entrepreneurs, especially in the creative industries, have made use of such platforms at global level. For some of these, such as Indiegogo, they can apply with Serbian identity documents and use their Serbian address, while for others, such as Kickstarter, they would need to launch their

company through an entity outside of Serbia.

According to the Serbian daily, Politika, out of 570 crowdfunding campaigns that have been running in Serbia since 2011, only 41 (7.2%) have been successful. Most were art projects, comprising 32%. In the period between 2012-2016, the number of campaigns on Indiegogo and Kickstarter increased by 400%, from 28 to 143 campaigns. The total amount of mobilised funds was USD 653,134.¹³¹

Another newer form of crowdfunding are blockchain-based ICO (initial coin offerings) through which companies can access capital through the issuance of digital/virtual currencies. At the time of writing, ICO's are highly controversial as they operate outside of existing regulatory frameworks. However, the blockchain technology on which it is based is highly interesting and can disrupt the way we currently work, store information or even transfer value in exchange for goods or investments. More use cases with blockchain technology will demonstrate its potential in the coming decade.

The GoS is currently developing a law on alternative financing, which

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131 The Politika Daily Newspaper of July 22, 2017: "More and more websites for volunteer financing"

may include crowdfunding. With that, it is expected that in Serbia, the number of platforms offering such services will increase, thereby offering more opportunities for early-stage businesses.

Way forward: As seen in the low success rate of crowdfunding campaigns in Serbia, crowdfunding requires a completely new set of skills: first and foremost digital marketing skills, prototyping and financial management. Establishing such a platform should remain in the domain of the private sector – there are many well established global platforms already in place with a large database of investors and ‘backers’. Crowdfunding offers huge potentials for early stage business by providing access to export markets, international media attention and room for innovation. ADA funding could provide added value through outreach to diaspora for funding purpose, as mentors and in training.

Equity investment

Equity investment means investment into a company in exchange for company shares. In Serbia, equity investment is at a very early stage of development and has in fact seen a decline since the financial crisis in 2008. It is estimated that the equity market supply in Serbia is at approximately EUR 35-

40 million in 2017.¹³²

The legal framework for VC investment funds remains underdeveloped in Serbia. An appropriate tax law in which gains can be waged against losses does not yet exist, thereby reducing the incentive for business angels and venture capitalists to make risky investments. Nevertheless, there is some VC activity in place with a clear trend in Serbia’s ICT sector making offers to promising ventures. This has often resulted in moving the company’s seat or entire teams to another country. While, according to some researchers, it can contribute to brain drain, some others have argued that it is the result of brain waste since the infrastructure is not sufficiently developed to offer the growth potential for such companies.

In terms of venture capital investment funds, a limited number of domestic and international actors exist in Serbia. Domestic actors are Startlabs VC Fund, Blue Sea Capital and ICT Hub. The ICT Hub, which is known for growing prom-

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 132 European Investment Bank (2017): *Ex-ante study to assess the potential future use of Financial Instruments to deploy IPA resources in support of Small and Medium-sized Enterprises (SMEs) in Serbia*, p. 12. This volume represents equity capital from existing venture capital, private equity funds, accelerators and technology transfer, but excluding mezzanine financing which is not used in Serbia.

ising ICT companies in Serbia, will start investing a total of EUR 1 million into start-ups in the next two years.¹³³ Startlabs is an example of a diaspora initiative, with one of the three partners residing in USA and which works with international mentors. Likewise, a Bulgarian venture capital fund, Eleven, with funding from the EU, has been active in Serbia and the region. Enterprise Innovation Fund's (ENIF) project VC Facility, funded by the EU regional WBC portfolio, has been in operation for several years with its intention to place EUR 40 million in the Serbian and other WBC companies. It is managed by the Slovenian venture capital fund SC Ventures.¹³⁴ Internationally-owned SEAF,¹³⁵ registered in the USA, runs a regional SEAF South Balkan Fund with an office in Belgrade. It has been in existence since 2005. Up to now, it has invested EUR 13 million. It seems that SEAF investment fund in Belgrade will also start funding early stage start-ups, which was not the case before, as stated by their representative at the Link Up! Serbia workshop in May 2017.

The study from the European Investment Bank points out that their survey with micro business and

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133 <https://www.ekapija.com/en/start-up/1649015/first-private-equity-fund-worth-eur-1-million-founded-in-serbia-startup>

134 See: <http://sc-ventures.com>

135 <http://seaf.com>

SMEs showed no demand for equity financing, though these results should be interpreted with caution since it could stem from missing knowledge and awareness of equity markets.¹³⁶

Way forward: As part of this study, an investment relations expert with strong ties to the Western Balkans was recruited to conduct interviews with business angels and with the task of defining activities that could work well in the framework of an ADA-funded programme. Following recommendations were put forward: i) to form a Serbian Business Angel Group (or Mentor group) in Austria; ii) to enable regular meetings in Austria to build trust and exchange knowledge and experience; iii) to organise Serbian startups pitch (get advice) from groups in Austria; iv) for business angels, to get to know the Serbian market better by organising study visits as a group to Serbia; v) to support existing organizations in Serbia such as Mentors & Founders; vi) to foster a way for regular exchanges between Mentors & Founders and the Austrian Business Angel network, including through financing a series of events organised by existing players with

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136 European Investment Bank (2017): *Ex-ante study to assess the potential future use of Financial Instruments to deploy IPA resources in support of Small and Medium-sized Enterprises (SMEs) in Serbia*, p. 12. The survey consisted of a telephone survey with 2,000 valid SME responses.

'big' names (internationally known business angels); vii) to finance training/master classes for business angels organised by existing independent players; viii) to set up a public awareness building campaign in cooperation with mainstream media, including showcasing role models.

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investments and to support the growth and professionalisation of the local ecosystem.

The ideal arrangement is to have a 'lead' investor in Serbia who knows the market and founding team well, while the other business angels from another country could act as co-investor. In terms of the investment framework, it would be essential to improve the tax system, facilitate legal conditions for easier cross-border

Specific Forms Of Serbian Diaspora Engagement

Alongside economic aspects of diaspora engagement associated with remittances and transnational entrepreneurship and investments, there are additional factors through which diaspora add value to their home societies, e.g. through market intelligence and international expertise.

Saxenian defined such diaspora groups as the new Argonauts – the global economic adventurers and pioneer investors whose knowledge and skills can be put to use for development. The experience of the new Argonauts in creating capital in peripheral locations suggests that development today is a process of experimentation and learning in particular contexts. Diasporas, especially in the form of professional communities, can connect suppliers and customers, producers and policy makers. Pavlović (2017) has gone a step further by coining the term *New Serbian Argonauts* to embody not only successful high-tech entrepreneurs and professionals, but also highly successful individuals in sciences and academia, as well as second generation emi-

grants who have kept strong ties with Serbia.¹³⁷

In focus: Serbian diaspora

Serb diaspora members are diverse, confirmed once more through the research conducted in the context of this assessment study. There are two specific segments of the population that were often highlighted by our interlocutors in respect to the ‘untapped potential’ and thus possible outreach group for diaspora investments – whether financially or non-financially – in Serbia.

Highly-educated Serb diaspora

Serbian academic diaspora can contribute greatly given that the transfer of know-how and human capital today does not necessarily require a permanent return, but can be achieved amongst other through temporary and circular migration. To this end, the virtual mobilisation of the diaspora through networks can allow the exchange of contacts, ideas and information between diaspora professionals and home country without necessarily returning home.

A model of the Serbian Diaspora Virtual University (SDVU), as envi-

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137 M. Pavlović (2017): *Assessment of the National Investment Framework for Diasporas in the Republic of Serbia*, p. 13

sioned by Filipović (2012), can help to transform brain drain into brain gain and to increase the competitiveness of the Serbian economy. At the same time, it can serve as a hub for Serbian experts living abroad. Filipović’s database of close to 6,400 Serbian PhDs graduates from all over the world shows the potential of Serbian high-skilled migrants who are represented in all social fields (Filipović 2012). Yet, Filipović warns that an appropriate model of government engagement with the diaspora has not been configured yet. Actually, as he said, ‘the situation is even grimmer, since intellectual Diaspora is often faced with challenges arising in an environment complacent to the needs and wants of certain political groups’.¹³⁸

Pensioners

In 2014, the Pension Fund reported that about 191,000 Serbs have been receiving pensions from abroad, largely from Germany, Croatia, Austria, Switzerland and France.¹³⁹ Germany is the most

.....
138 J.Filipović (2012): “Management of the Serbian Diaspora Virtual University as a Complex Organization”, <http://www.grfdt.com/PublicationDetails.aspx?Type=Articles&TabId=6>

139 The Novosti Daily article of February 28, 2014: “200,000 Foreign Pensions Come to Serbia Every Month” <http://www.novosti.rs/vesti/naslovna/drustvo/aktuelno.290.html:480549-U-Srbiju-svakog-meseca-stigne-200000-inostranih-penzija>

prominent one with almost 45,000 pensions per month. So far, 28 bilateral state agreements on social provisions have been signed, including for Austria. According to the latest Serbian Census data, there were about 34,000 returnees from Austria in 2011 with a large part of them in retirement age who may want to spend the rest of their lives in the home country.¹⁴⁰

The share of pensions received from abroad might help to explain the remitting process since their pensions are considered as remittances. If we assume that a monthly pension is approximately EUR 500, then we can see that 191,000 pensions make a remittance inflow of about EUR 1 billion each year. This claim should be additionally verified and supported by the official data from NBS and the Pension Insurance of Serbia.

This shows the potential of targeting pensioners, given also the fact that ICMPD field work has shown that many have a decisive role in supporting family members with their entrepreneurial activity. As suggested by the Ministry for Foreign Affairs in Serbia during an interview with ICMPD, the sectors with the highest potential and success rate is health

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 140 According to the 2011 Census data, pensioners made 66.2% of non-active returnees to Serbia, see V. Stanković (2014): *Serbian Process of External Migration*, p.90

care, retirement homes or other gerontology services.

Possible models for entrepreneurial engagement from Austria

Although entrepreneurship among immigrants living in the world's advanced economies is a much researched topic, academia has only in more recent times started to examine how diaspora members contribute to the economies of their home countries. As an alternative to FDI, DDI provides more flexibility by contributing to the integration of societies into the global economy via an interconnectedness of donations, small and large investments, trade, tourism and unilateral transfers. At the same time, circular migration, network platforms and many other things can help to harness the diaspora capital. Kuznetsov (2005) suggests various diaspora entrepreneurship engagement models.

Models of diaspora entrepreneurship engagement

- Top executives model (India and Scotland): Indian executives in multinational firms influenced decisions to outsource knowledge-intensive operations in India; Mentoring/Venture capital model (South Africa, Korea, Taiwan, Israel, Scotland): managers and owners of European start-up firms of South African origin work South African start-up to develop and finance commercially viable projects;
- Diaspora members as investors (Greater China - the bamboo network): diaspora members know the reality of their home country well and have access to risk mitigation strategies. Personal trust between members of cross border investor networks reduces transaction costs;
- Setting up new strategic directions/identification of new opportunities (Israel, Armenia, India): diaspora members identify niches and translate global opportunities into business projects (as scanning networks);
- Return of talent model (China, Korea): incentives, such as technology parks in China for talents to return home;
- Outsourcing model (Armenia) successful diaspora members who 'made it' send back outsourcing contracts to firms in their home countries.

Source: Kuznetsov 2005
(in Robertson 2007)

It is known that higher levels of entrepreneurship by both diaspora and non-diaspora entrepreneurs positively correlate with higher levels of economic development. Various types of organisations exist that aim at encouraging emigrants to invest in their countries/places of origin, ranging from private to government-led to public-private partnership.¹⁴¹ Many of these organizations are hybrids. Newland and Tanaka categorise them into networking, mentoring, investment, venture capital, and strategic partnerships.

Networking organisations are channels for both diaspora and domestic business people and professionals to meet and discuss opportunities for cooperation. They can connect locals with diaspora or amongst diaspora members themselves. With regards to the focus of this study, they could be in the form of business brokering for sales and purchases, outsourcing arrangements, to pool collective investments, or provide market leads to Austrian companies who may be willing to invest and establish B2B partnerships.

While diaspora networks present a web of significant resources, in practice, however, they are diffi-

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¹⁴¹ K. Newland and H. Tanaka (2011): "Mobilizing Diaspora Entrepreneurship for Development"

cult to sustain. It is usually naively presumed that initial enthusiasm will last forever or will be spontaneously turned into something concrete. Therefore, it is recommended to start with small commitments and small projects, increase the scale and scope of projects to gradually build trust and experience (Kuznetsov 2006). When little else is available or can be trusted, individual overachievers are key in launching processes, albeit home country organisations are supposed to sustain it. Diaspora migrants open doors and make connections, but the conditions need to be established by the government and administration of the home country (Kuznetsov 2006).

It is necessary, first of all, to think long-term to sustain such networks, to obtain political support at the home country, to be selective when it comes to its membership rather than being open to anyone and to develop public-private partnerships to promote innovation.¹⁴² At the same time, some other experiences show that business networks should not only include a few top-level members, but that it should be broad enough in order to keep the membership fees low enough for its members.

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 142 D. R. Agunias and K. Newland (2012): *Developing a Road Map for Engaging Diasporas in Development: A Handbook for Policymakers and Practitioners in Home and Host Countries*, p.140

Mentoring organisations are more actively involved in supporting entrepreneurship among diaspora members: they match aspiring entrepreneurs seeking to expand their operations abroad with diaspora experts and business leaders. Some mentors offer one-off services, while others provide internships or even job opportunities in their corporations.

There have been numerous initiatives in Serbia in which diaspora entrepreneurs and experts have been matched with prospective entrepreneurs. An example was the project run by Group 484 and funded by USAID in 2012.¹⁴³ About 15 mentors from the diaspora supported early-stage businesses in the cities of Užice, Vranje, and Novi Pazar. Similarly, the current Swiss SECO Entrepreneurship project matches mentors from abroad with clients and project partners (start-up ecosystem agents, such as ICT Hub, Start It, Start labs, Nova Iskra and others). A mentoring program involving Serbian business people and consultants in Austria could be successfully initiated to help enterprises in Serbia. A database and/or comprehensive web platform would be needed.

Training organisations help entrepreneurs to gain the knowledge

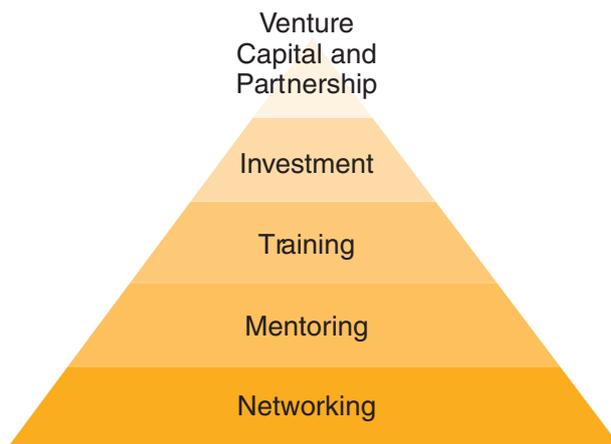
.....
 143 T. Pavlov et al. (2012): *Diaspora as a Resource of Local Development*

and skills needed to start and run their business. Training programs can transfer knowledge from diaspora experts to home countries or offer lessons and courses on business management and financing. In case of Serbian diaspora members in/from Austria, online or offline courses could include business plan development, financial planning, marketing, supply chain management, sales, to more general training on administrative matters and legal matters on where/how to register a business and what legal form to choose for the business. Investment organisations provide initial or subsequent funding to

start-ups, usually through a mix of private and public funds. Venture capital and partnership organisations provide more than start-up funding and are heavily involved in projects they find profitable. They can form strategic partnerships with other VCs, business leaders, engineers, and other professionals. These organisations are interested in the quality of the proposed investment, the high potential for return, and the impact of such partnerships and investments on strategic sectors.

All these organisations can vary in terms of their targets, levels of membership selectivity, economic sectors, types of services, and geographic focus. For that reason, a tailor-made approach depending on the diaspora group is necessary. The Serbian diaspora entrepreneurs in/from Austria can be engaged in each of the five examined organizations. ICMPD's field work in Austria and Serbia shows that many elements of networking, mentoring, training and investing activities have already been practiced by the Serbian migrant entrepreneurs between the home and host societies, but official programs and organisations are yet to be launched and advertised.

FIGURE 12: LEVELS OF COMMITMENT TO DIASPORA ENTREPRENEURSHIP
SOURCE: NEWLAND AND TANAKA, 2010



06

Conclusions

To see which incentives could be implemented and achieve the best results, the authors examined the feasibility to implement various financial instruments with respect to their added-value and catalytic effect on SME development in Serbia.

This study aims to identify mechanisms to incentivize diaspora investment and other forms of economic cooperation between Serbia and its diaspora members in Austria and elsewhere.

The extensive desk research and consultations revealed that there are considerable challenges regarding GoS-diaspora relationship, but they are not unsurmountable: there has been enough expression of interest by Serb diaspora members to engage more intensively, including for SME development, mentoring, philanthropy, network-building and other.

Concrete proposals were made by the Serb diaspora: first and foremost, to undertake awareness building campaigns to foster an entrepreneurial mindset, including by recording and disseminating success stories of entrepreneurs and angel investors, in cooperation with

Matching grants, diaspora bonds, revolving microloans, credit guarantee scheme, crowdfunding and equity investment have been reviewed against existing legislative acts and involved support structures and instruments in order to assess the feasibility and additionality of using official development assistance (ODA) to leverage private investments. It pursues the central question: If there would be ODA put into a financial instrument to incentivise diaspora investments, would it bring about investments and activities that would otherwise not have happened to that extent or at all within the next couple of years?

major media. Outreach, communication and networking activities through information exchange, especially given the lack of knowledge of Serbian support structures, was very much welcomed. Examples provided were study trips, conferences, network events, dissemination of investment opportunities and government bonds through various media channels to reach Serb diaspora members. As part of such visibility activities, it was recommended to engage prominent members of the Serbian diaspora in Austria as Brand Ambassadors or economic brokers. In line with this, a platform for matchmaking between Serbian businesses and mentors, including international mentors, has been mentioned multiple times, e.g. the set-up of a web-based platform and the replication of Austria's 'Go International' programme in Serbia that would co-fund company's participation to international fairs. Such interventions would tie in well with GoS's intention to support the internationalisation and competitiveness of Serbian SMEs in line with the objectives from the Small Business Act for Europe. By and large, the study finds that microfinancing, portfolio guarantees and equity financing for SMEs, coupled with capacity building for entrepreneurs (financial literacy, digital marketing, crowdfunding, etc), are needed.

To see which incentives could be implemented and achieve the best results, the authors examined the feasibility to implement various financial instruments with respect to their added-value and catalytic effect on SME development in Serbia. Matching grants, diaspora bonds, revolving microloans, credit guarantee scheme, crowdfunding and equity investment have been reviewed against existing legislative acts and involved support structures and instruments in order to assess the feasibility and additionality of using official development assistance (ODA) to leverage private investments. It pursues the central question: If there would be ODA put into a financial instrument to incentivise diaspora investments, would it bring about investments and activities that would otherwise not have happened to that extent or at all within the next couple of years?

Three ways forward came out the strongest on the basis of the desk review, survey and consultations conducted in the framework of this study:

1) Revolving microloans fund: through donor support and in agreement with the GoS, it would be feasible to launch a specific credit line targeted toward Serbian diaspora investments. It could be nationwide or for a specific region. It could be placed within the FDS or

the Fund for Financing Increased Employment in the Economically Underdeveloped and Distinctly Migrant Regions. Both institutions would be able to handle such a facility. In an interview with the ICMPD research team, the latter mentioned its interest in administering such loans should they become available. Such a facility could also be placed within one of the existing MFIs, but that would mean higher interest rates and more difficult loan conditions for clients. One subgroup of clients might be particularly eligible for soft loans combined with non-refundable grants. These are social enterprises developed in migration intensive areas, which could be supported through bilateral (diaspora-GoS) or multilateral (diaspora-GoS-donor) efforts. Diaspora members could be involved as impact investors on the basis of philanthropic and patriotic reasons. There are other specific groups, i.e. rural population in general and women in particular, as well as co-operatives for which existing MFIs could expand their services.

2) Matching grants could be an alternative to revolving microloans: a call for proposals could be offered that includes grants from donors next to their own capital (50/50 or 70/30), e.g. for best (innovative) business ideas from the diasporas or those that target a specific (poorer region) of Serbia. It would

also be possible to conceive of a programme similar to the Pare 1+1 whereby remittance-receivers may access business financing for business creation or expansion.

3) Equity investment: the study showed that the Serbian business angel and venture capital ecosystem is at a very early stage, although they are important for a company's growth phase and internationalisation strategies. A number of recommendations were made on how best to encourage such investments in Serbia. Given the disruptive potential of blockchain technology and investor's interest, including by reaching out to Austria's investors network, a pilot could be established in which a guarantee through ADA could be provided for an investment into such a startup provided that the use case demonstrates a clear development impact for Serbia. Serbia is well known for their ICT services and innovation capacity in that field, and this could serve as a basis for deepening investor-business relations. Although recommendations were made to deepen Serbian-Austrian Business Angel relations, facilitate meetings and support to startup pitches by Serbian businesses in Austria, study trips for business angels to Serbia, finance training and master classes for business angels and other activities, it remains to be seen to what degree this could be taken further

in the context of an ADA-funded programme.

Devising measures to incentivise investments from the diaspora is not new, though the foundation for any such incentive is the creation of an enabling framework to do business in Serbia that includes legal, economic and structural matters. NALED publishes the Grey Book on 'Eliminating Administrative Barriers to Doing Business in Serbia – Recommendations' which could be expanded to include challenges and recommendations from diaspora who are conducting business in Serbia, thus including another angle from the perspective of 'transnational business'.

ICMPD's research also revealed that a locally-based approach through the inclusion of RDA's and LED's can be more effective than focusing all efforts at the national level, though undoubtedly synergies need to be fostered in a way that central level decisions and policies support local-led initiatives and development efforts. At the essence of this will be the need to build trust between diaspora members and localities, within the municipalities and centrally in the GoS: the more officials live up to their promises and expectations, and start including diaspora as well in broader policy dialogues and policymaking, the likelier it will be that the sum will be bigger than its individual parts.

07

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08

List of Acronyms

Acronym	Name of the Institution/Organisation
ADA	Austrian Development Agency
AOFI	Serbian Export Credit and Insurance Agency
B&H	Bosnia and Herzegovina
BRA	Business Register Agency (Serbia)
BITF	The Business Technology Incubator of Technical Faculties Belgrade
CCIS	Chamber of Commerce and Industry of Serbia
CSR	Corporative Social Responsibility
DAS	Development Agency of Serbia
DDI	Direct Diaspora Investment
DfD	MFA Directorate for Cooperation with Diaspora and Serbs in the Region within Ministry of Foreign Affairs
DFS	Development Fund of Serbia
DO	Diaspora Office
EBRD	European Bank for Reconstruction and Development

EC	European Commission
EIB	European Investment Bank
EIF	European Investment Fund
ENIF	Enterprise Innovation Fund
EASI	EU Programme for Employment and Social Innovation
EU	European Union
FDI	Foreign Direct Investment
FDS	Fund for Development of the Republic of Serbia
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GoS	Government of Serbia
GVA	Gross Value Added
ICMPD	International Centre for Migration Policy Development in Vienna
IF	Innovation Fund of Serbia
IMF	International Monetary Fund
IOM	International Organisation for Migration
IPA	Instrument for Pre-Accession Assistance
JAS	Junior Achievement Serbia
LED	Local Economic Development
LSG	Local Self-Government
MFA	Ministry of Foreign Affairs of the Republic of Serbia

MFI	Micro Finance Institution
MoD	Ministry of (Religion and) Diaspora of the Republic of Serbia
MoF	Ministry of Finance of the Republic of Serbia
MoE	Ministry of Economy of the Republic of Serbia
MoESTD	Ministry of Education, Science and Technological Development of the Republic of Serbia
MTO	Money Transfer Operator
NALED	National Alliance for Local Economic Development (Serbia)
NARD	National Agency for Regional Development (Serbia)
NBS	National Bank of Serbia
NES	National Employment Service (Serbia)
NGO	Non-governmental Organization
NIP	National Investment Plan (Serbia)
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
RDA	Regional Development Agency
SARDA	Serbian Association of Regional Development Agencies
SASA	Serbian Academy of Science and Art
SCTM	Standing Conference of Towns and Municipalities of Serbia
SEAF	Small Enterprise Assistant Fund
SEE	South-East Europe
SIEPA	Serbian Investment and Export Promotion Agency

SME	Small and Medium Enterprises
SORS	Statistical Office of the Republic of Serbia
STP	Science and Technology Park
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
USAID BEP	United States Agency for International Development Business Enabling Project
VC	Venture Capital
WBC	Western Balkan Countries
WB EDIF	Western Balkans Enterprise Development and Innovation Facility
WKO	Federal Economic Chamber of Austria

09

Annexes

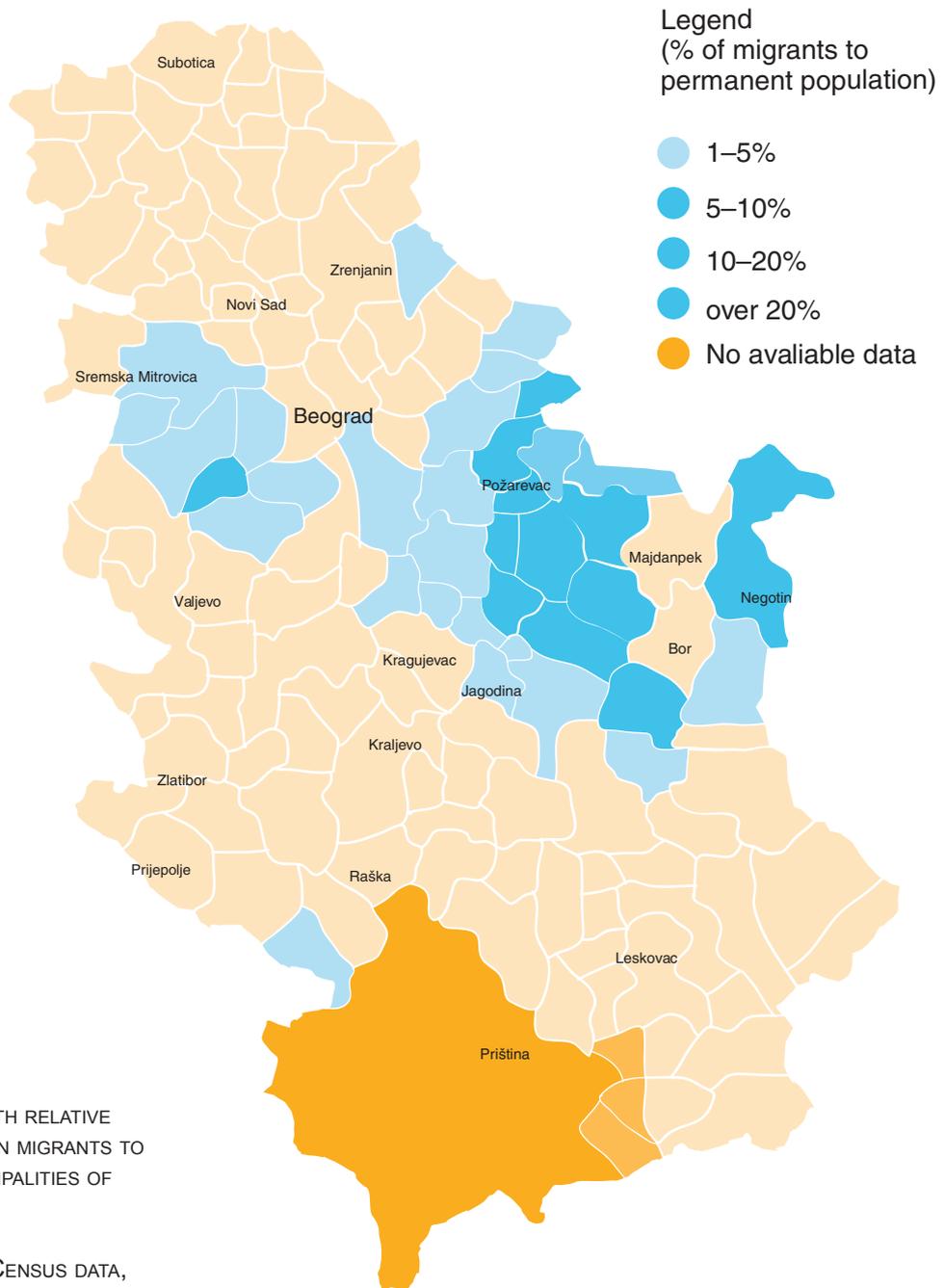


FIGURE 13. MAP WITH RELATIVE NUMBERS OF SERBIAN MIGRANTS TO AUSTRIA, PER MUNICIPALITIES OF ORIGIN

THE SORS 2011 CENSUS DATA,
PREPARED BY ICMPD TEAM

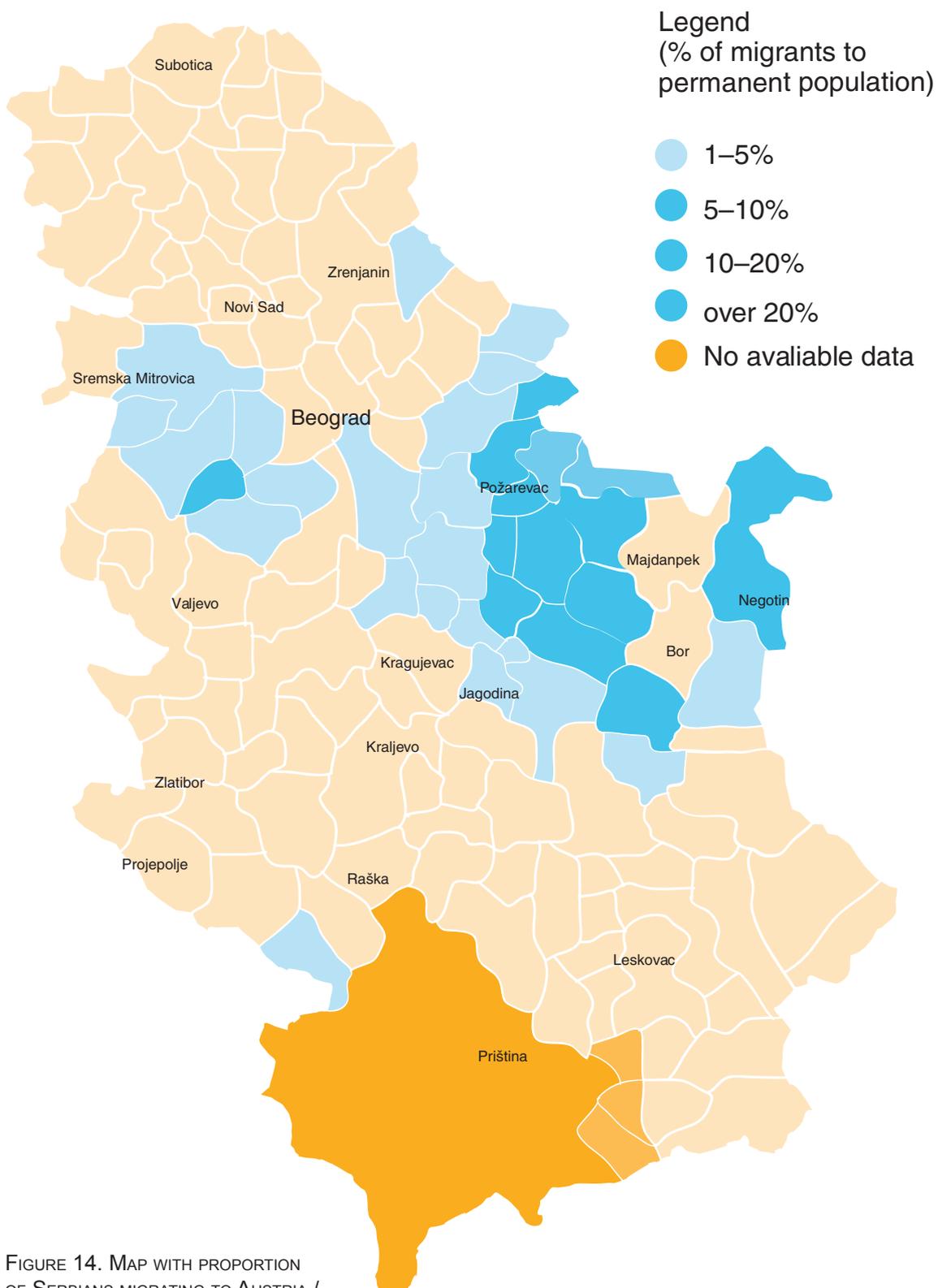


FIGURE 14. MAP WITH PROPORTION OF SERBIANS MIGRATING TO AUSTRIA / RETURNING IN PERMANENT POPULATION

THE SORS 2011 CENSUS DATA,
PREPARED BY ICMPD TEAM

TABLE 7. SERBIAN CITIZENS ABROAD FROM TWO “HOT” EMIGRATION ZONES, BY MUNICIPALITIES

Zone / municipality	2002			2011		
	In the country	Abroad	Share in total population (%)	In the country	Abroad	Share in total population (%)
	Number of persons			Number of persons		
Serbia	7,477,974	414,839	5.3	7,157,387	313,411	4.2
CES Zone	395,834	86,748	18.0	351,532	81,516	18.8
Braničevo district						
Malo Crniće	13,709	5074	27.0	11,247	5,519	32.9
Žabari	12,931	5,308	29.1	10,987	4,933	31.0
Kučevo	18,609	6,267	25.2	15,404	6,824	30.7
Veliko Gradište	20,489	5,854	22.2	17,459	5,839	25.1
Petrovac	34,221	11,485	25.1	30,752	10,386	25.2
Golubac	9,857	2,218	18.4	8,288	2,007	19.5
Žagubica	14,726	2,166	12.8	12,407	2,847	18.7
Požarevac	74,555	8,542	10.3	74,638	8,764	10.5
Borski district						
Negotin	43,162	14,217	24.8	36,627	12,763	25.8
Kladovo	23,483	7,750	24.8	20,355	6,746	24.9
Majdanpek	23,579	1288	5.2	18,549	1,117	5.7
Bor	55,695	1,445	2.5	48,502	1,018	2.1
Pomoravski district						
Svilajnac	25,355	7742	23.4	23,252	6,913	22.9
Despotovac	25,463	7,392	22.5	23,065	5,840	20.2
SWS Zone	214,550	30,968	12.6	218,464	24,232	10.0

Raški district						
Tutin	29,813	6,347	17.6	30,144	4,548	13.1
Novi Pazar	85,700	10,560	11.0	99,186	9,925	9.1
Zlatiborski district						
Prijepolje	40,962	4,709	10.3	36,430	4,560	11.1
Sjenica	27,834	5,935	17.6	25,899	2,751	9.6
Priboj	30,241	3,417	10.2	26,805	2,448	8.4

SOURCE: PREDOJEVIĆ-DESPIĆ AND PENEV (2014)

TABLE 8. SERBIAN CITIZENS FROM “HOT” EMIGRATION ZONES,
BY LENGTH OF STAY / HOST COUNTRY

Length of Stay (in years)	Total	Austria	Germany	Swiss	Italy	France	Sweden	Bosnia & Herzegovina	Other and unknown
Number of persons									
Serbia	313,411	70,488	55,999	41,008	23,340	20,231	10,925	6,514	84,906
0	79,006	16,465	14,485	8,406	5,614	4,423	2,480	2,127	25,006
1–9	96,015	18,621	13,761	9,421	8,971	5,198	3,565	3,097	33,381
10+ and Unknown	138,390	35,402	27,753	23,181	8,755	10,610	4,880	1,290	26,519
CES Zone	81,516	35,494	7,810	11,407	10,087	8,016	2,050	100	6,552
0	18,254	8,213	1,889	1,742	2,073	1,604	358	26	2,349
1–9	19,307	8,269	1,318	2,305	3,565	1,659	567	50	1,574
10+ and Unknown	43,955	19,012	4,603	7,360	4,449	4,753	1,125	24	2,629
SWS Zone	24,232	1,358	11,214	1,540	191	691	1,398	2,579	5,261
0	9,068	597	4,374	563	75	217	476	824	1,942
1–9	7,487	446	3,238	350	79	230	454	1,129	1,561

10+ or Unknown	7,677	315	3,602	627	37	244	468	626	1,758
Structure (percentage)									
Serbia	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
0	25.2	23.4	25.9	20.5	24.1	21.9	22.7	32.7	29.5
1–9	30.6	26.4	24.6	23.0	38.4	25.7	32.6	47.5	39.3
10+ or Unknown	44.2	50.2	49.6	56.5	37.5	52.4	44.7	19.8	31.2
CES Zone	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
0	22.4	23.1	24.2	15.3	20.6	20.0	17.5	26.0	35.9
1–9	23.7	23.3	16.9	20.2	35.3	20.7	27.7	50.0	24.0
10+ and Unknown	53.9	53.6	58.9	64.5	44.1	59.3	54.9	24.0	40.1
SWS Zone	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
0	37.4	44.0	39.0	36.6	39.3	31.4	34.0	32.0	36.9
1–9	30.9	32.8	28.9	22.7	41.4	33.3	32.5	43.8	29.7
10+ or Unknown	31.7	23.2	32.1	40.7	19.4	35.3	33.5	24.3	33.4

SOURCE: PREDOJEVIĆ-DESPIĆ AND PENEV (2014), ACCORDING TO THE SORS 2011 CENSUS DATA

* CES (Central-East Serbia) Zone: 14 municipalities in 3 districts (the whole Braničevo and Bor districts, the municipalities of Svilajnac and Despotovac in Pomoravlje district) although the municipalities of Bor and Majdanpek in the Bor district have a considerably lower share of migrant population and were included in the “hot” zone due to the territorial continuity.

* SWS (South-West Serbia) zone: 5 Sandžak municipalities (Priboj, Prijepolje, Sjenica, Novi Pazar and Tutin)

TABLE 9. SERBIAN CITIZENS MIGRATING TO / RETURNING FROM AUSTRIA IN 2011, PER MUNICIPALITY OF ORIGIN

Region / District / Municipality	No. of migrants in Austria	No. of migrants in domestic population	No. of migrants in Austria for a year or longer	No. of returnees from Austria	Total domestic population	% of migrants in Austria to domestic population	% of returnees from Austria to domestic population
Republic of Serbia	73,016	7,226	65,790	34,045	7,186,862	1.02%	0.47%
Belgrade region	<u>5,806</u>	<u>831</u>	<u>4,975</u>	<u>4,931</u>	<u>1,659,440</u>	<u>0.35%</u>	<u>0.30%</u>
Barajevo	205	22	183	129	27,110	0.76%	0.48%
Voždovac	349	54	295	291	158,213	0.22%	0.18%
Vračar	122	30	92	151	56,333	0.22%	0.27%
Grocka	1,062	81	981	608	83,907	1.27%	0.72%
Zvezdara	278	46	232	315	151,808	0.18%	0.21%
Zemun	256	57	199	221	168,170	0.15%	0.13%
Lazarevac	518	71	447	421	58,622	0.88%	0.72%
Mladenovac	573	143	430	478	53,096	1.08%	0.90%
Novi Beograd	279	55	224	300	214,506	0.13%	0.14%
Obrenovac	960	100	860	736	72,524	1.32%	1.01%
Palilula	260	37	223	313	173,521	0.15%	0.18%
Rakovica	131	33	98	149	108,641	0.12%	0.14%
Savski venac	79	11	68	87	39,122	0.20%	0.22%
Sopot	300	23	277	148	20,367	1.47%	0.73%
Stari grad	95	13	82	121	48,450	0.20%	0.25%
Surčin	92	12	80	150	43,819	0.05%	0.34%
Čukarica	247	43	204	313	181,231	0.14%	0.17%
<u>Vojvodina region</u>	<u>7,749</u>	<u>1,413</u>	<u>6,336</u>	<u>6,399</u>	<u>1,931,809</u>	<u>0.40%</u>	<u>0.33%</u>

West Bačka district	577	144	433	322	188,087	0.31%	0.17%
Apatin	189	36	153	64	28,929	0.65%	0.22%
Kula	78	11	67	79	43,101	0.18%	0.18%
Odžaci	59	12	47	53	30,154	0.20%	0.18%
Sombor	251	85	166	126	85,903	0.29%	0.15%
South Banat district	2,593	407	2,186	2,421	293,730	0.88%	0.82%
Alibunar	113	17	96	187	20,151	0.56%	0.93%
Bela Crkva	826	117	709	586	17,367	4.76%	3.37%
Vršac	584	108	476	513	52,026	1.12%	0.99%
Kovačica	137	18	119	172	25,274	0.54%	0.68%
Kovin	608	91	517	470	33,722	1.80%	1.39%
Opovo	33	5	28	59	10,440	0.32%	0.57%
Pančevo	265	46	219	363	123,414	0.21%	0.29%
Plandište	27	5	22	71	11,336	0.24%	0.63%
South Bačka district	1,490	338	1,152	953	615,371	0.24%	0.15%
Bač	112	28	84	58	14,405	0.78%	0.40%
Bačka Palanka	128	33	95	116	55,528	0.23%	0.21%
Bački Petrovac	73	7	66	49	13,418	0.54%	0.37%
Beočin	42	11	31	39	15,726	0.27%	0.25%
Bečej	27	3	24	86	37,351	0.07%	0.23%
Vrbas	41	5	36	28	42,092	0.10%	0.07%
Žabalj	127	30	97	52	26,134	0.49%	0.20%
Novi Sad	560	89	471	368	307,760	0.18%	0.12%
Petrovaradin	72	13	59	46	33,865	0.21%	0.14%
Srbobran	24	3	21	17	16,317	0.15%	0.10%

Sremski Karlovci	14	3	11	10	8,750	0.16%	0.11%
Temerin	120	15	105	46	28,287	0.42%	0.16%
Titel	150	98	52	38	15,738	0.95%	0.24%
North Banat district	193	31	162	375	147,770	0.13%	0.25%
Ada	67	10	57	66	16,991	0.39%	0.39%
Kanjiža	21	3	18	30	25,343	0.08%	0.12%
Kikinda	61	9	52	128	59,453	0.10%	0.22%
Novi Kneževac	12	2	10	34	11,269	0.11%	0.30%
Senta	17	2	15	70	23,316	0.07%	0.30%
Čoka	15	5	10	47	11,398	0.13%	0.41%
North Bačka district	236	48	188	440	186,906	0.13%	0.24%
Bačka Topola	44	10	34	82	33,321	0.13%	0.25%
Mali Idoš	11	2	9	22	12,031	0.09%	0.18%
Subotica	181	36	145	336	141,554	0.13%	0.24%
Middle Banat district	839	153	686	784	187,667	0.45%	0.42%
Žitište	102	19	83	91	16,841	0.61%	0.54%
Zrenjanin	453	67	386	435	123,362	0.37%	0.35%
Nova Crnja	25	4	21	50	10,272	0.24%	0.49%
Novi Bečej	117	36	81	119	23,925	0.49%	0.50%
Sečanj	142	27	115	89	13,267	1.07%	0.67%
Srem district	1,821	292	1,529	1,104	312,278	0.58%	0.35%
Indija	152	23	129	75	47,433	0.32%	0.16%
Irig	19	4	15	42	10,866	0.17%	0.39%
Pećinci	64	15	49	92	19,720	0.32%	0.47%
Ruma	296	38	258	215	54,339	0.54%	0.40%

Sremska Mitrovica	860	130	730	363	79,940	1.08%	0.45%
Stara Pazova	218	33	185	159	65,792	0.33%	0.24%
Šid	212	49	163	158	34,188	0.62%	0.46%
<u>South and East Serbia region</u>	<u>42,355</u>	<u>3,188</u>	<u>39,167</u>	<u>13,969</u>	<u>1,563,916</u>	<u>2.71%</u>	<u>0.89%</u>
Bor district	10,827	585	10,242	2,279	124,992	8.66%	1.82%
Bor	187	27	160	148	48,615	0.38%	0.30%
Kladovo	3,399	205	3,194	647	20,635	16.47%	3.14%
Majdanpek	407	58	349	131	18,686	2.18%	0.70%
Negotin	6,834	295	6,539	1,353	37,056	18.44%	3.65%
Braničevo district	22,459	1,586	20,873	6,339	183,625	12.23%	3.45%
Veliko Gradište	3,123	142	2,981	682	17,610	17.73%	3.87%
Golubac	938	39	899	356	8,331	11.26%	4.27%
Žabari	2,489	247	2,242	802	11,380	21.87%	7.05%
Žagubica	953	148	805	179	12,737	7.48%	1.41%
Kostolac	427	30	397	183	13,637	3.13%	1.34%
Kučevo	3,269	82	3,187	507	15,516	21.07%	3.27%
Malo Crniće	3,879	226	3,653	872	11,458	33.85%	7.61%
Petrovac na Mlavi	3,722	223	3,499	1,440	31,259	11.91%	4.61%
Požarevac	3,659	449	3,210	1,318	61,697	5.93%	2.14%
Zaječar district	1,849	191	1,658	855	119,967	1.54%	0.71%
Boljevac	883	52	831	236	12,994	6.80%	1.82%
Zaječar	734	115	619	395	59,461	1.23%	0.66%
Knjaževac	60	10	50	82	31,491	0.19%	0.26%
Sokobanja	172	14	158	142	16,021	1.07%	0.89%

Jablanica district	1,099	164	935	631	216,304	0.51%	0.29%
Bojnik	24	18	6	36	11,104	0.22%	0.32%
Vlasotince	84	5	79	70	29,893	0.28%	0.23%
Lebane	130	14	116	64	22,000	0.59%	0.29%
Leskovac	807	112	695	449	144,206	0.56%	0.31%
Medveđa	50	14	36	10	7,438	0.67%	0.13%
Crna Trava	4	1	3	2	1,663	0.24%	0.12%
Nišava district	1,023	116	907	915	376,319	0.27%	0.24%
Aleksinac	366	44	322	247	51,863	0.71%	0.48%
Gadžin Han	18	2	16	129	8,389	0.21%	1.54%
Doljevac	112	6	106	25	18,463	0.61%	0.14%
Medijana	144	15	129	99	85,969	0.17%	0.12%
Merošina	35	7	28	46	13,968	0.25%	0.33%
Niška Banja	42	5	37	49	14,680	0.29%	0.33%
Palilula	84	6	78	103	73,801	0.11%	0.14%
Pantelej	27	9	18	58	53,486	0.05%	0.11%
Ražanj	94	16	78	71	9,150	1.03%	0.78%
Svrljig	49	1	48	38	14,249	0.34%	0.27%
Crveni krst	52	5	47	50	32,301	0.16%	0.15%
Pirot district	83	17	66	104	92,479	0.09%	0.11%
Babušnica	5	0	5	15	12,307	0.04%	0.12%
Bela Palanka	3	2	1	9	12,126	0.02%	0.07%
Dimitrovgrad	19	2	17	12	10,118	0.19%	0.12%
Pirot	56	13	43	68	57,928	0.10%	0.12%
Podunavlje district	4,632	457	4,175	2,407	199,395	2.32%	1.21%
Velika Plana	1,461	139	1,322	591	40,902	3.57%	1.44%

Smederevo	2,352	223	2,129	1,362	108,209	2.17%	1.26%
Smederevska Palanka	819	95	724	454	50,284	1.63%	0.90%
Pčinja district	214	39	175	155	159,081	0.13%	0.10%
Bosilegrad	6	1	5	2	8,129	0.07%	0.02%
Bujanovac	14	0	14	22	18,067	0.08%	0.12%
Vladičin Han	52	10	42	12	20,871	0.25%	0.06%
Vranje	55	6	49	74	73,944	0.07%	0.10%
Vranjska Banja	14	2	12	15	9,580	0.15%	0.16%
Preševo	3	2	1	4	3,080	0.10%	0.13%
Surdulica	68	16	52	21	20,319	0.33%	0.10%
Trgovište	2	2	0	5	5,091	0.04%	0.10%
Toplica district	169	33	136	284	91,754	0.18%	0.31%
Blace	14	6	8	42	11,754	0.12%	0.36%
Žitorađa	31	11	20	66	16,368	0.19%	0.40%
Kuršumlija	11	1	10	55	19,213	0.06%	0.29%
Prokuplje	113	15	98	121	44,419	0.25%	0.27%
<u>Šumadija and West Serbia region</u>	<u>17,106</u>	<u>1,794</u>	<u>15,312</u>	<u>8,746</u>	<u>2,031,697</u>	<u>0.84%</u>	<u>0.43%</u>
Zlatibor district	462	94	368	233	286,549	0.16%	0.08%
Arilje	5	2	3	12	18,792	0.03%	0.06%
Bajina Bašta	27	6	21	24	26,022	0.10%	0.09%
Kosjerić	3	0	3	4	12,090	0.02%	0.03%
Nova Varoš	7	2	5	5	16,638	0.04%	0.03%
Požega	19	5	14	14	29,638	0.06%	0.05%
Priboj	162	24	138	96	27,133	0.60%	0.35%
Prijepolje	105	17	88	11	37,059	0.28%	0.03%

Sjenica	103	30	73	18	26,392	0.39%	0.07%
Užice	30	7	23	37	78,040	0.04%	0.05%
Čajetina	1	1	0	12	14,745	0.01%	0.08%
Kolubara district	1,453	140	1,313	760	174,513	0.83%	0.44%
Valjevo	694	30	664	236	90,312	0.77%	0.26%
Lajkovac	35	15	20	68	15,475	0.23%	0.44%
Ljig	26	8	18	40	12,754	0.20%	0.31%
Mionica	72	5	67	62	14,335	0.50%	0.43%
Osečina	27	2	25	20	12,536	0.22%	0.16%
Ub	599	80	519	334	29,101	2.06%	1.15%
Mačva district	4,497	445	4,052	1,745	298,931	1.50%	0.58%
Bogatić	654	63	591	360	28,883	2.26%	1.25%
Vladimirci	887	78	809	241	17,462	5.08%	1.38%
Koceljeva	766	50	716	205	13,129	5.83%	1.56%
Krupanj	50	10	40	49	17,295	0.29%	0.28%
Loznica	609	61	548	243	79,327	0.77%	0.31%
Ljubovija	101	55	46	38	14,469	0.70%	0.26%
Mali Zvornik	94	8	86	41	12,482	0.75%	0.33%
Šabac	1,336	120	1,216	568	115,884	1.15%	0.49%
Moravica district	187	32	155	268	212,603	0.09%	0.13%
Gornji Milanovac	15	4	11	39	44,406	0.03%	0.09%
Ivanjica	21	1	20	57	31,963	0.07%	0.18%
Lučani	49	6	43	36	20,897	0.23%	0.17%
Čačak	102	21	81	136	115,337	0.09%	0.12%
Pomoravlje district	5,788	361	5,427	2,573	214,536	2.70%	1.20%

Despotovac	1,588	32	1,556	659	23,191	6.85%	2.84%
Jagodina	770	78	692	451	71,852	1.42%	0.63%
Paraćin	1,618	96	1,522	720	54,242	2.98%	1.33%
Rekovac	48	5	43	43	11,055	0.43%	0.39%
Svilajnac	1,229	102	1,127	488	23,551	5.22%	2.07%
Čuprija	535	48	487	212	30,645	1.75%	0.69%
Rasina district	1,830	311	1,519	1,312	241,999	0.76%	0.54%
Aleksandro- vac	49	5	44	39	26,522	0.18%	0.15%
Brus	12	4	8	15	16,317	0.07%	0.09%
Varvarin	848	148	700	429	17,966	4.72%	2.39%
Kruševac	717	139	578	690	128,752	0.56%	0.54%
Trstenik	127	9	118	94	42,966	0.30%	0.22%
Ćićevac	77	6	71	45	9,476	0.81%	0.47%
Raška District	1,354	253	1,101	466	309,258	0.44%	0.15%
Vrnjačka Banja	42	3	39	58	27,527	0.15%	0.21%
Kraljevo	244	36	208	208	125,488	0.19%	0.17%
Novi Pazar	626	115	511	141	100,410	0.62%	0.14%
Raška	12	0	12	7	24,678	0.05%	0.03%
Tutin	430	99	331	52	31,155	1.38%	0.17%
Šumadija district	1,535	158	1,377	1,389	293,308	0.52%	0.47%
Arandjelovac	265	42	223	148	46,225	0.57%	0.32%
Batočina	305	24	281	260	11,760	2.59%	2.21%
Knić	13	2	11	24	14,237	0.09%	0.17%
Kragujevac	435	50	385	532	179,417	0.24%	0.30%
Lapovo	116	13	103	99	7,837	1.48%	1.26%

Rača	295	20	275	235	11,503	2.56%	2.04%
Topola	106	7	99	91	22,329	0.47%	0.41%

SOURCE: SORS, PREPARED BY ICMPD TEAM

TABLE 10. PERSONAL REMITTANCES TOTAL INFLOWS TO THE EU-28 AND SERBIA

	2013			2014			2015		
	Total	Intra-Eu	Extra-Eu	Total	Intra-Eu	Extra-Eu	Total	Intra-Eu	Extra-Eu
EU 28	93 773	55 769	37 994	96 058	56 721	39 328	102 644	59 023	43 617
Belgium	8 452	8 025	426	8 663	8 275	388	8 825	8 402	424
Bulgaria	1257	890	367	1 265	890	375	1348	961	387
Czech Republic	1890	1 593	297	1 983	1 675	307	2 429	2 126	303
Denmark	C	C	C	C	C	C	C	C	C
Germany	12 295	6 630	5 664	12 853	7 070	5 782	13 857	7 379	6 477
Estonia	428	317	111	410	318	92	402	316	87
Ireland	C	C	C	546	277	267	542	276	264
Greece	607	216	391	553	220	334	386	186	201
Spain	C	C	C	C	C	C	C	C	C
France	18 384	8 957	9 427	18 996	9 025	9 971	21 054	9 096	11 957
Croatia	1 637	843	794	1 620	838	781	1 895	998	897
Italy	7 021	1 473	5 548	7 590	1 570	6 020	8 580	1841	6 739
Cyprus	210	108	101	200	104	96	226	121	106
Latvia	1 207	768	440	1 175	737	439	1 220	713	508
Lithuania	1548	862	687	1 589	722	867	1 238	595	643
Luxembourg	1 414	1 317	97	1 402	1 305	98	1 474	1 377	98
Hungary	3 465	3 299	166	3 553	3 344	208	3 982	3 784	198

Malta	C	C	C	C	C	C	C	C	C
Netherlands	1 219	821	398	1 157	777	380	1 231	827	404
Austria	2 453	860	1 593	2 497	903	1 593	2 566	893	1 673
Poland	5 575	4 654	921	5 580	4 789	791	6 116	5 255	861
Portugal	3 353	1 962	1 390	3 391	1 951	1 440	3 628	2 195	1 433
Romania	2 652	1 949	703	2 547	1 923	625	2 783	2 132	650
Slovenia	527	516	11	580	560	20	658	632	26
Slovakia	1 560	1 539	21	1 803	1 786	17	1 928	1 620	308
Finland	C	C	C	C	C	C	C	C	C
Sweden	3 458	1 688	1 770	3 430	1 653	1 777	3 032	1 446	1 586
United Kingdom	3 617	C	C	3 709	C	C	4 507	C	C
Iceland	153	/	/	160	/	/	186	/	/
Norway	/	/	/	/	/	/	/	/	/
Switzerland	/	/	/	/	/	/	/	/	/
Montenegro	321	/	/	325	/	/	344	/	/
FYR of Macedonia	283	/	/	276	/	/	276	/	/
Serbia	3 031	2 266	735	2 783	2 025	755	3 040	1 928	1 112
Turkey	1 434	/	/	1 309	/	/	1 258	/	/
Bosnia and Herzegovina	/	/	/	1589	/	/	1 625	/	/

c = confidential

: = not available

The EU 28 aggregate contains confidential data

Personal transfers: Worker's remittances for Netherlands and Portugal

SOURCE: EUROSTAT¹⁴⁴

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TABLE 11. PERSONAL REMITTANCES TOTAL OUTFLOWS FROM THE EU-28 AND SERBIA

	2013			2014			2015		
	Total	Intra-Eu	Extra-Eu	Total	Intra-Eu	Extra-Eu	Total	Intra-Eu	Extra-Eu
EU 28	92 452	53 064	39 387	95 358	56 721	54 977	100 209	57 321	42 887
Belgium	3 378	2 964	413	3 397	2 976	421	3 419	3 035	383
Bulgaria	122	76	46	127	80	48	136	81	55
Czech Republic	1 428	568	860	1 146	471	675	1 251	433	819
Denmark	C	C	C	C	C	C	C	C	C
Germany	15 017	11 466	3 551	16 050	12 340	3 711	16 652	12 821	3 831
Estonia	75	52	23	86	57	29	81	49	33
Ireland	C	C	C	1 479	1 164	314	1 409	1 123	286
Greece	972	130	841	1 077	128	949	877	189	688
Spain	6 359	C	C	6 196	C	C	6 544	C	C
France	10 109	3 039	7 071	10 325	3 093	7 233	11 429	3 535	7 893
Croatia	201	79	121	224	97	126	248	115	134
Italy	8 754	2 564	6 191	8 377	2 568	5 809	8 518	2 586	5 932
Cyprus	542	219	323	611	314	297	604	285	319
Latvia	456	222	234	428	230	198	445	239	206
Lithuania	641	334	308	679	269	411	531	197	334
Luxembourg	9 235	9 213	21	9 622	9 601	21	10 239	10 219	20
Hungary	631	475	155	636	479	157	609	453	156
Malta	C	C	C	C	C	C	C	C	C
Netherlands	7 295	4 738	2 558	7 485	4 805	2 680	7 873	5 096	2 777
Austria	2 932	2 407	524	3 324	2 791	533	3 505	2 944	562
Poland	1 174	105	1 069	1 640	121	1 519	2 307	141	2 166

Portugal	927	334	593	804	264	540	723	224	499
Romania	411	289	123	481	341	140	474	328	146
Slovenia	153	108	45	157	117	41	167	123	44
Slovakia	132	121	11	170	161	9	216	191	25
Finland	C	C	C	C	C	C	C	C	C
Sweden	1 223	882	341	1 188	871	318	1 120	813	307
United Kingdom	7 925	C	C	8 680	C	C	9 652	C	C
Iceland	55	/	/	71	/	/	76	/	/
Norway	/	/	/	/	/	/	/	/	/
Switzerland	22 810	/	/	24 056	/	/	28 445	/	/
Montenegro	49	/	/	56	/	/	50	/	/
FYR of Macedonia	18	/	/	18	/	/	18	/	/
Serbia	192	77	112	201	91	110	221	96	125
Turkey	520	/	/	614	/	/	766	/	/
Bosnia and Herzegovina	/	/	/	39	/	/	54	/	/

c = confidential

: = not available

The EU 28 aggregate contains confidential data
 Personal transfers: Worker's remittances for Spain, Netherlands, Portugal and Switzerland

SOURCE: EUROSTAT

TABLE 12. ACCREDITED REGIONAL DEVELOPMENT AGENCIES (RDA) IN SERBIA

Name	City		Director
Regional Development Agency Eastern Serbia - RARIS	Zaječar	office@raris.org	Vladan Jeremić
Regional Agency for Socio-Economic Development - Banat	Zrenjanin	office@rcrbant.rs	Irena Živković
Center for Development of Jablanica and Pčinja District	Leskovac	info@centarzarazvoj.org	Biljana Stanković
Regional Agency for Spatial and Economic Development of Raška and Moravica Districts	Kraljevo	office@kv-rda.org	Radojka Savić
Regional Development Agency- SOUTH	Niš	info@rra-jug.rs	Bojan Avramović
Regional Development Agency Zlatibor	Užice	office@rrazlatibor.rs	Slavko Lukić
Regional Development Agency Bačka	Novi Sad	office@rda-backa.rs	Nemanja Starović
Regional Development Agency Srem	Ruma	info@rrasrem.rs	Milan Mirić
Sandžak Economic Development Agency- SEDA	Novi Pazar	office@seda.org.rs	Samir Kačapor
Regional Economic Development Agency for Šumadija and Pomoravlje	Kragujevac	officekg@readsp.rs	Nenad Popović
Regional Agency for Development and European Integration - Belgrade	Beograd	office@rarei.rs	Snežana Radinović
Development Agency of Podrinje, Podgorina and Rađevina	Loznica	office@rrappr.rs	Danijela Marković
Regional Development Agency Braničevo and Podunavlje	Požarevac	office@rra-bp.rs	Nada Kokot
Regional Development Agency PANONREG	Subotica	office@panonreg.rs	Branislav Malagurski
Regional Development Agency for Rasinski District- Kruševac	Kruševac	office@arro.rs	Vladan Nikolić, acting director

SOURCE: DAS

TABLE 13. LIST OF BUSINESS INCUBATORS ACTIVE IN SERBIA IN 2016

Region	Incubator Name	City / municipality	Year of founding	Incubator type	Total area in m ²
Belgrade region	Design Incubator “Nova Iskra”	Belgrade – S.Venac	2013	ICT and creative industry	710
	ICT Hub	Belgrade - Zvezdara	2008	ICT	494.63
	Business Technology Incubator of Technical Faculties Belgrade - BITF	Belgrade - Palilula	2006	ICT	2200
	Incubator for Youth Entrepreneurship Development “Gnezdo”	Belgrade	2013	service	700
	IN CENTAR – Center for Inclusion, Innovation and Integration	Belgrade – Stari Grad	n/a	social	n/a
Vojvodina region	Business Incubator Novi Sad	Novi Sad	2010	ICT and creative industry	800
	Business and Innovative Centre	Bački Petrovac	2009	mixed	418.13
	Business Incubator	Senta	2007	mixed	1350
	Business Incubator Subotica BIS	Subotica	2006	mixed	1369
	“Slovan progress” Agro-business Incubator Selenča	Bač	2013	agriculture	n/a
	Business Incubator BIZ	Zrenjanin	2006	IT, services and agriculture	810
South and East Serbia region	Business Incubator Center	Prokuplje	2006	mixed	1300
	Business Incubator Center Bor	Bor	2006	production	398
	Business Incubator	Majdanpek	2012	mixed	912
	ZIP Youth Centre - Business Incubator	Pirot	2012	mixed	420
	Business Incubator Centre Yumco	Vranje	2006	mixed	2200

Šumadija and West Serbia region	Business Incubator	Kruševac	2008	mixed	1631.7
	Business Innovation Centre	Kragujevac	2008	mixed	1130
	Scientific-technological Park Čačak	Čačak	2011	service	150
	Business Incubator Centre D.O.O Sevojno	Užice	2008	production	1600

SOURCE: MoE AND DAS, PREPARED BY ICMPD TEAM

TABLE 14. THE SERBIAN STATE INSTRUMENTS FOR FINANCIAL SUPPORT TO START UPS IN 2017

Providers	Budget in 2017	Users	Type and maximum amount	Conditions
FDS (loan) and MoE (grant)	EUR 2.8 mill (loan) EUR 1.2 mill. (grant)	(1) Sole traders (2) Companies Some fields of businesses excluded	Loan 70%, grant 30% Total up to (1) EUR 24,000 (2) EUR 48,000	Interest rate 1.5-3% 5 years' term including 1 year grace period
DAS	Part of the EUR 1 million grant; the rest for services	Sole traders / Companies (production or services)	Grant 30-50%, up to EUR 8000 the rest from own funds	to pass the training, business plan
NES	EUR 27 mill (part of)	self-employment (from ranks of unemployed)	Grant EUR 1,450 -1,775	Business must be kept 12 months operational

SOURCE: MoE AND DAS, PREPARED BY ICMPD TEAM

TABLE 15. THE SERBIAN STATE INSTRUMENTS OF SUPPORT TO SME EXPANSION IN 2017

Providers	Budget in 2017	Users	Type and maximum amount	Purpose
DAS	EUR 645,000	Clusters, CSO, RDAs, Business Incubators, STP, Chambers of Commerce, research org.	Grant 50% from 4.000 to 24000 EURO	Training, events, analysis, upgrade of services, project PR and management
DAS and RDA network	EUR 800,000	SMEs -in production	50% grant: from EUR 2,500 to 16,000 per SME	Capacity building Networking – clusters Supply chains
FDS	EUR 24 million	All SMEs	Loan size up to EUR 800,000	For fixed and revolving assets
FDS	EUR 2.4 million	All SMEs	Loan size up to EUR 800,000	Liquidity
FDS	EUR1.6 million	all SMEs	Loan size up to EUR 800,000	Short term
FDS with the Ministry of Telecommunication, Tourism and Trade	EUR 80,000	Tourism	Loan	Upgrading of tourist offer
FDS with MoE	EUR 19.2 mill loan EUR 4.8 mill grant	SME	Loan 80%, Grants-20% Up to EUR 400,000	Development projects
MoE with commercial banks and leasing companies	EUR 12.4 mil loan EUR 4.4 mill grant	SME	Loan 75%, Grants-25%, own funds 5%	Purchase of equipment
NES	Part of EUR 27 mill	SMEs	Grants from EUR 1,200 to 2,000 per employee	New employment subsidies (for companies)

SOURCE: MoE AND DAS, PREPARED BY ICMPD TEAM

TABLE 16. THE SERBIAN STATE SUPPORT TO INNOVATION IN 2017

Providers	Budget in 2017	Users	Type and maximum amount	Purpose
DAS	EUR 240,000	SMEs	Grants	New products, processes and technologies, purchase of IP
Innovation Fund of Serbia	EUR 2.4 million EUR 4.0 million (IPA funds)	SMEs (start up or spinoff) SMEs	Mini Grants up to EUR 80,000, 85% Matching grants up to EUR 300,000	Early innovations Technology innovations
MoESTD	EUR 80,000	Best technology innovation competition (nationwide)	Project Expenses, Awards	Competition
MoESTD	EUR 750,000	Innovation organisations and physical persons-innovators	Grants (50%) up to EUR 16,000 (legal entities) and EUR 3,200 (physical persons)	

SOURCE: MoE AND DAS, PREPARED BY ICMPD TEAM

TABLE 17. THE SERBIAN STATE INSTRUMENTS FOR NON-FINANCIAL SUPPORT TO START-UPS IN 2017

Providers	Budget in 2017	Users	Type and maximum amount	Conditions
DAS/MoE RDAs provide services in the field	EUR 160,000	Start ups	In kind services: Information, training, Consulting, mentoring	Everyone eligible to apply but means very limited
DAS / RDAs provide services in the field	Part of EUR 1 million	Special target groups: Female enterprise Youth enterprise Social enterprise Devastated areas	Training and mentoring	

SOURCE: MoE AND DAS, PREPARED BY ICMPD TEAM

TABLE 18. COMPARISON OF DIASPORA BONDS IN ISRAEL, INDIA AND ETHIOPIA

Israel	India	Ethiopia
<ul style="list-style-type: none"> • Annual issuance since 1951 • Development-oriented borrowing • Large though declining patriotic discount • Fixed- and floating-rate bonds and notes • Maturities from one to 20 years with bullet repayment • Direct distribution by the Development Corporation for Israel (DCI) • Targeted toward but not limited to diaspora • Registered with US Securities and Exchange Commission • Non-negotiable 	<ul style="list-style-type: none"> • Opportunistic issuance in 1991, 1998, and 2000 • Balance-of-payments support • Small patriotic discount, if any • Fixed-rate bonds • Five year with bullet maturity • Distributed by the State Bank of India (SBI) in conjunction with international banks • Limited to members of the diaspora (must be identified as persons of Indian origin) • No SEC registration • Non-negotiable 	<ul style="list-style-type: none"> • Single issue in 2008 • State-owned corporate financing • Large patriotic discount • Fixed-rate bonds • Five-, seven-, and ten-year maturities • Distribution through the Commercial Bank of Ethiopia • Limited to members of the Ethiopian diaspora (Ethiopian passport holders and persons able to trace origins to Ethiopia) • No SEC registration • Non-negotiable • Min. \$500 or equivalent

SOURCE: TERAZZAS 2010

TABLE 19. OVERVIEW OF DISCUSSED MECHANISMS OF SUPPORT TO / CHANNELS OF INVESTMENT IN SERBIA - ESTIMATED LEVEL OF RELEVANCE OF INSTRUMENTS PER TYPE OF BUSINESS ENDEAVOUR AND CARRIER

User / Type of Diaspora agent	Entrepreneurs - New business				Existing Diaspora business	Financial investors	
	Nece- sity	Opportu- nity general	Start Up -highly innovative	Social business	could be segme- nted	small	big
Project grants for investment / equipment	HIGH	MEDIUM	HIGH	HIGH	NIL	NIL	NIL
Grants (GoS for investors' incentives)	HIGH, but unlikely to get	HIGH but not crucial	HIGH, but unlikely to get	HIGH, but unlikely to get	HIGH if expanding	Possible co-funding of investment	Possible co-funding of investment
Small loans for start up (Fund for development or similar: but not micro-loans)	HIGH	HIGH	LOW	HIGH, if combined with guarantee scheme		NIL	NIL
Guarantees	HIGH	HIGH	HIGH	HIGH	LOW to MEDIUM	MEDIUM	LOW
Equity-mainstream	NIL	HIGH	NIL, perhaps in a later phase	NIL, except Impact equity	HIGH, if aware of benefits	HIGH, this is the model for them	HIGH
Business Angels	NIL	LOW	HIGH, best fit	NIL, except mentoring	LOW to MEDIUM	NIL	HIGH
VC funds	NIL	HIGH, but not likely	HIGH, best fit	NIL	LOW to HIGH	NIL	MEDIUM (possible co-investors)
Crowd-funding	NIL	NIL	HIGH, best fit	Possible (grant kind)	LOW / MEDIUM	HIGH	NIL
Investment Matching Platforms	NIL	MEDIUM	HIGH	Could be useful- if incl.SE	MEDIUM	MEDIUM	HIGH

Welcome service (one stop shop)	HIGH	HIGH	HIGH	HIGH	NIL	MEDIUM (indirectly)	MEDIUM (indirectly)
Virtual Incubation	HIGH	HIGH	HIGH	HIGH	NIL	n.a.	n.a.
Bricks and mortar incubator	LOW	LOW	HIGH (Technology type inc.)	MEDIUM-if include SE	NIL	NIL	NIL
Mentoring and other knowledge transfer	HIGH	HIGH	HIGH	HIGH	MEDIUM	n.a.	n.a. except inverse
Diaspora bonds	n.a.	n.a.	n.a.	n.a.	n.a.	HIGH	HIGH
Leveraging remittances (Banks)	HIGH	NIL	NIL	HIGH	n.a.	NIL	NIL
Brokers	NIL	HIGH	HIGH	MEDIUM	HIGH	MEDIUM	MEDIUM

DESIGNED BY ICMPD TEAM

TABLE 20. THE ICMPD RESEARCH INTERVIEWEES – LSG REPRESENTATIVES

City/Municipality in Serbia	Institution	Representative
Smederevo	LSG, Diaspora Office	Predrag Savić, Head
		Mirjana Kostić
Sremska Mitrovica	LSG	Vladimir Sanader, Mayor
	LSG	Tomislav Arnautović, Member of City Parliament
Loznica	LSG, LED Office	Ljiljana Nikolić, Director
	LSG, Diaspora Office	Dragica Gavrić, Director
		Dragoslav Nikolić, Director of the company 'Royal Drina / Spa Hotel', Banja Koviljača, Diaspora Office Assistant

Valjevo	LSG, LED Office	Zoran Vasić, Local Economic Development Office
		Mirjana Teofilović
		Nenad Branković
		Ivana Marković
Vladimirci	CCIS	Ljuba Petrović, regional branch
	LSG	Marjan Mijajlović, Deputy Mayor (changed his position after the interview)
		Milan Pavlović, Assistant Mayor (changed his position after the interview)
Šabac	LSG	Nemanja Pajić, President of the City Assembly
		Zoran Tošić, President of the City Economic Council and Director of hotel Sloboda
		Violeta Šestić, Head of City LED Office
		Bojana Mladenović, Head of City Department for Social Affairs
Požarevac	RDA	Nada Kokot, Director RDA
		Saša Dedeić, Associate for SME support, RDA
Despotovac	LSG	Nenad Jovanović, Deputy Mayor
		Nikola Milošević, Assistant Mayor
		Goran Milojković, Assistant Mayor
		Jelena Racić, Head of Department for Economic Development and Public Affairs
Paraćin	LSG	Jasmina Vidović, Head of Department for Economic Development and Communal Activities, also acting as the Office for Diaspora
		Irena Milošević, Junior Associate in LED Office
Kragujevac	RDA	Nenad Popović, Director of RDA Kragujevac
		Jasminka Luković-Jagličić, Advisor to the Director
	LSG	Nikola Miletić, Representative of Unit for Projects
		Marija Nikolić, Representative of Unit for Project
	Business Incubator	Vojislav Veljković, Assistant Director for Project Management Business Innovation Centre Kragujevac

Kladovo/Negotin	RDA	Boban Kostandinović
Kladovo	LSG	Milislav Ratopekić, Assistant Mayor
	LSG, Diaspora Office	Slavica Popović, Office for Diaspora - contact point (within the Municipal Tourist Organisation, TOOK)
		Ljubomir Gušatović, President (volunteer)
	Business Incubator	Predrag Petrić, BIC Director
		Snežana Jurišić, BIC Associate
Zvonko Mišić, retired NES employee, currently supporting SMEs as business plan advisor		
Negotin	LSG	Nadica Vasić, Assistant Major
		Dragiša Radulović, member of Municipal Council, responsible for diaspora
		Slađana Stojanović, Head of Unit for Economy and Social Affairs
	LSG, LED	Aleksandra Matić
		Marijana Đorđević

TABLE 21. THE ICMPD RESEARCH INTERLOCUTORS

Institution	Representative
AOFI	Dejan Paunović
Austrian Chamber of Commerce in Belgrade	Erika Teoman-Brenner
ADA, Socio-Economic Development of the Danube Serbia Region (SEDDSR)	Klaus Kapper, ADA Attaché and SEDDSR Project Manager
Austrian Embassy in Serbia	Sabine Kroissenbrunner, Belma Čoković
Business Innovation Center, the city of Kragujevac	Vojislav Veljković
CCIS, Diaspora Centre	Aleksandar Radovanović
DAS	Jovan Miljković, Milena Radović
ERSTE Bank in Serbia	Marko Čubrić
ERSTE Bank in Austria	Mirjana Šakić

EU Delegation to Serbia	Brigitte Kuchar, Dejan Šuvakov
EU Integration Office	Branko Budimir
FDS	Slađana Backović, Dževida Ninkov
Fund for Financing Increased Employment in the Economically Underdeveloped and Distinctly Migrant Regions	Miroljub Pokuševski, Ljiljana Uremović, Selma Jovanović
ICT Hub	Sandra Nešić
Innovation Fund of Serbia	Ivan Rakonjac, Vladimir Vojvodić
Intranea Solutions	Dubravka Matorić, Jovana Pajović
Ministry of Economy, Department for Development of SMEE	Katrina Obradović Jovanović, Branislav Pejac, Milica Zatezalo, Predrag Damjanov
MFA, Directorate for Cooperation with Diaspora and Serbs in the Region	Vukman Krivokuća, Nikolina Popović
Ministry of Trade, Tourism and Telecommunications	Jovana Joković, Jasna Reb
Ministry of Public Administration and Local Self-Governance	Ivana Ćirković
Mixer House	Ivan and Maja Lalić
Municipality of Kragujevac	Nikola Miletić, Marija Nikolić,
NALED	Tatjana Volarev, Boban Krstović
NBS	Đorđe Rašević, Jasna Ranković, Sonja Nikolić, Ljiljana Mitrović, Nenad Petrović, Branko Hinić, Aleksandar Pinkulj, Mirjana Milojević
RADEI	Snežana Radinović, Ljiljana Marković
RARIS	Boban Konstandinović
RDA Braničevo and Podunavlje	Nada Kokot
REDASP	Nenad Popović, Jasminka Luković
SASA	Časlav Očić
Science Technology Park Belgrade	Nataša Ćirović
SCTM	Slađana Grujić, Đorđe Staničić, Ivan Božović, Zorica Vukelić, Aleksandra Vukmirović
Swiss Cooperation Office Serbia	Priska Depnering, Jovana Mihajlović
UNDP	Steliana Nedera, Žarko Petrović

TABLE 22. ICMPD WORKSHOPS' PARTICIPATING ORGANIZATIONS

Workshop	Participating Organizations
Workshop 1: <i>Fostering Serbian Diaspora Investments and Other Forms of Economic Cooperation – Potential Mechanisms and Modalities</i> hosted by STP Belgrade, May 2017	DAS
	DFD MFA
	Economic Faculty, University of Belgrade
	Faculty of Organizations Sciences, University of Belgrade
	GIZ
	Ministry of Youth and Sports
	MoE
	RADEI
	RDA Braničevo and Podunavlje
	REDASP
	STP Belgrade
USAID	
Workshop 2: <i>The Potential Role of the Diaspora in the Serbian Startup Ecosystem</i> hosted by STP Belgrade, May 2017	Business Incubator 'Nova Iskra'
	RADEI
	RDA Braničevo and Podunavlje
	REDASP
	SEAF Equity Investment Fund
	STP Belgrade and BITF Incubator
	STP 'IHIS'
	Swiss Contact
	UNDP
USAID	

<p>Workshop 3: <i>In Focus: Serbia Diaspora Engagement – Opportunities and Challenges</i></p> <p>hosted by the Austrian Chamber of Commerce, Vienna, September 2017</p>	Association of Serbian Clubs in Austria
	Diaspora Office, the City of Loznica
	Innovation Fund of Serbia
	NALED
	RDA and European Integration Belgrade RADEI
	RARIS
	RDA Braničevo and Podunavlje
	REDASP
	Serbian Embassy in Austria
	Centre for Socially Responsible Entrepreneurship, Rural Hub Serbia
	IDEA PRO
	GIZ Serbia
	Erste Group Austria
	Standing Conference of Towns and Municipalities (SCTM)
	Development Agency of Serbia (DAS)
	Business Technology Incubator of Technical Faculties Belgrade
	The Zavicaj Magazine
	Tolikas Media Company
	Austrian Development Agency (ADA)
	MILS GmbH
Sesti Oblik	
Via Academica	



LINK UP! Serbia - Feasibility study
FACILITATING DIASPORA INVESTMENTS

International Centre for Migration Policy Development, 2017