

CONCLUSIONS FROM PUBLIC-PRIVATE DIALOGUE ON EQUITY-BASED FINANCING FOR SME'S IN SERBIA

Belgrade, 14.09.2017





In order to encourage public dialogue and support creation of diversified financing structure, tailored to each stage of business development of domestic companies, WM Equity Partners, on the 14th September 2017, with the support of USAID Business Enabling Project, organized a public discussion related to that issue.

Public discussion was very successful and brought together over 95 participants, of which 31% were representatives of small and medium-sized companies in Serbia, interested in collecting new information and knowledge on this topic.

For more information visit:
usaidbep.wmep.rs

Supported by:



Disclaimer: The author's views expressed on in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

About conference

Although official data indicate that the Serbian economy is composed of over 97,000 small and medium-sized companies, as well as that their participation in the overall Serbian economic activity and employment is very important, these companies are still faced with a significant lack of external financing sources, which are currently primarily structured in the form of loans and other similar products of commercial banks, while other sources of external financing are still mostly underdeveloped.

For innovative companies in the early stage of development banking financing sources are particularly inaccessible.

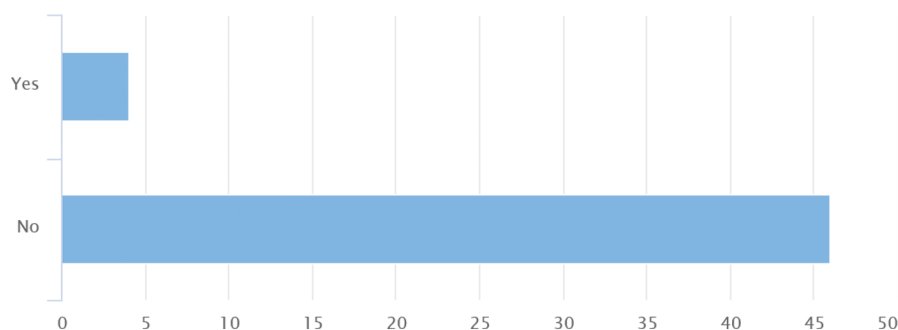
Attendance

Total number of visitors	96	100%
SME	30	31%
Consultants	15	16%
State institutions	14	15%
Investors (Fund representatives)	10	10%
Other international institutions and projects	8	8%
Other	7	7%
Domestic financial institutions	5	5%
International financial institutions	4	4%
Universities	3	3%

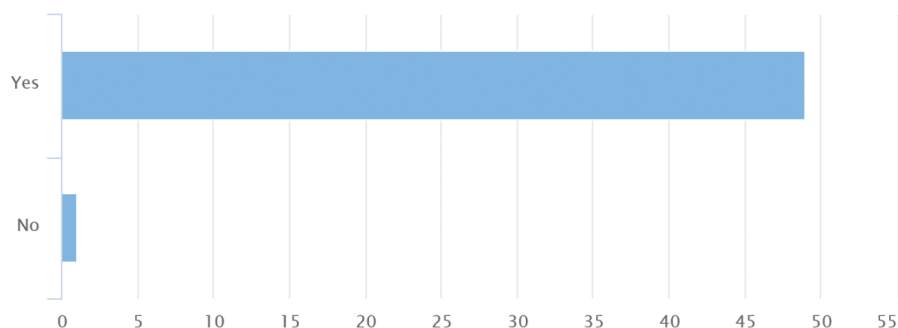
Survey

During the panel discussion, most of the present visitors filled out a short survey regarding the availability of alternative sources of financing in Serbia, experiences working with professional investors, as well as the usefulness of topics discussed for their everyday business.

Do you think that SMEs in Serbia are sufficiently familiar with alternative sources of funding?



Have you gained some new knowledge during the conference that you feel will be useful for further business?



For more survey results please visit usaidbep.wmep.rs

Panels

PANEL I - VC&PE Experience in Serbia

Local experience

This panel session is dedicated to local Venture Capital and Private Equity funds and companies from their investment portfolio sharing their story - expectations they had, results they have accomplished and general experience concerning their partnership including the process of preparing company for financing.

Main topics

- What is the ideal portfolio company (expansion phase, level of revenues, profitability)
- Investment process, post investment value creation and exit
- Benefits from the perspective of the portfolio company
- Main challenges in closing the transactions and operation
- Lessons learned and message for other SMEs

Panel conclusions

- **Increasing engagement of professional equity investors is evident in the Serbian market,** with number of equity transactions in company development early stages, with currently expressed focus on the IT industry;
- **Professional equity investors bring much more than financial support to company,** professionalization of management, improvement of organizational structure, improvement of financial management system, support to development of existing and new markets are just some of the added values of professional equity investors that go beyond pure financial support;
- **Transparency and good corporate governance represent the basis of successful cooperation.** At the beginning of cooperation with professional equity investor, it is important to clearly define all responsibilities and activities, as well as a planned Exit strategy. Application of good corporate governance practices, tailored to each individual company and its requirements for organizational structure, represent the key for resolving potential conflicts in daily operations;
- **The willingness of management and owners for cooperation and business improvement, clearly defined product, and in the later stages of development stable cash flow, are the key prerequisites for professional equity investors;**
- **Identified challenges in cooperation with professional equity investors are primarily related to the requirements of a more formal way of doing business,** reinforced structure and management control, which in the short-term bring growth of certain costs and decline of profitability, but in medium-term contribute to growth and stability of business operations.



PANEL II - Regional Experience

Regional experience

This panel session is dedicated to regional experiences, sharing local success story of increasing access to finance for SME's. Presenting SME's with the overall financial mix, covering all phases of their business development cycle with special emphasis on economic impact these regional initiatives achieved.

Main topics

- Integration of all relevant stakeholders as a key approach to successful SME sector development
- Past, present and future regional initiatives regarding SME support and financing
- Successful regional initiatives and their impact on local economy
- Main challenges for the region
- Lessons learned from the regional case studies

Panel conclusions

- **Growth of venture capital industry in the region has essentially been realized through the joint operation of regional countries governments and international financial institutions.** The integration of all relevant participants has led to the formation of a unified system for financing local economy, based on market and transparent principles of investment, control and monitoring;
- **Success was inevitable, and the key to success is creating a unique ecosystem conducive to the development of innovative small and medium-sized companies,** with available financing sources, tailored to each stage of business development;
- **The results achieved in Bulgaria were impressive, where the JEREMIE initiative engaged over 875 million EUR to support small and medium-sized companies through various forms of financing,** which led to funding of 9,500 SME companies and employment of 25,500 new highly skilled workers;
- **Tax incentives and initiatives are important and have been identified as an important growth factor for local Venture Capital industry** although these initiatives have not significantly contributed to the development of venture capital industry in the tax systems where relevant tax rates are low i.e. lower than the EU average;
- **In the process of EU integration, Serbia is carrying out the modernization of the legislation related to the industry of investment funds,** which will provide a favorable basis for the promotion and development of the venture capital industry in Serbia.



Prospects for Serbia

This panel session is dedicated to Serbian Government Institutions and IFIs presenting their results, experiences and future plans regarding the increase of access to finance to SME's in Serbia. This closing session should unite all previously realized discussions and focus on exact ideas and initiatives that could be realized in Serbia.

Main topics

- Scope of current Government initiatives regarding the SME development
- Strategies and plans for the future
- Main challenges currently confronted
- Conclusions and message for investors and SMEs

Panel conclusions

- **Representatives of the Serbian Innovation Fund pointed out noticeable positive trend of growth of the innovation volume and general interest for their financing programs, which is a very positive result and the basis for planning of future initiatives and action plans for this institution.** Very successful and active cooperation with all relevant market participants was pointed out, especially in the context of WBEDIF initiative, in which Serbia has realized its participation through the Serbian Innovation Fund;
- **Serbian Government recognizes the importance of innovation and entrepreneurship for the growth of domestic economy and is actively working on establishing a more favorable climate for the development of local SME scene,** with particular emphasis on improving the education process and the creation of favorable environment with less administrative burdens for company;
- **It was pointed out that there is always room for improvement at the state level but that the necessary improvements are also needed at the company level,** their willingness to turn to innovation, to promote professionalization in their operations and create basis for a new generation of entrepreneurs, keeping in mind that the entrepreneurial scene in Serbia is only at the early stage of its development;
- **At the provincial level the importance of entrepreneurship and innovation has also been recognized and many support and funding projects are active,** but it is evident that not all regions are equally active and that there are significant differences in development, which is an issue that is actively being worked on, because it is important to maintain economic development on the level of the whole region;
- **The presence of the international financial institutions was rated as extremely important** especially initiative such as WBEDIF i.e. the formation of ENIF and ENEF Fund;
- **Representatives of the European Investment Fund have emphasized its presence in the domestic market, although Serbia is currently seen mainly as part of a broader portfolio of Western Balkan countries.** Support to the local SME sector is primarily provided through various programs and initiatives of bank guarantees and these funds have successfully supported over 1,500 companies with potential to increase this exposure to local companies in the coming period;
- **Once again, panelists indicated that the introduction of professional investor encourages professional development of company and that financial support is not the only benefit for company, as well as that creation and work on ecosystem suitable for the company growth is the key for future development.**

Panelists



Jan Kobler,
Managing Partner,
SC Ventures



Evgeny Angelov,
Bulgarian Private
Equity and Venture
Capital Association



Nenad Paunović,
Advisor for IT and
Entrepreneurship,
Serbian Prime Minister
Office



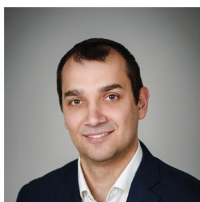
Igor Jović,
CEO / Founder,
City Experts Global



Krešimir Kuček,
CIO,
Inspire Investments,
Croatia



Ivan Djoković,
Vice-President of the
Government of the
Autonomous Province of
Vojvodina and Provincial
Secretary for Economy
and Tourism



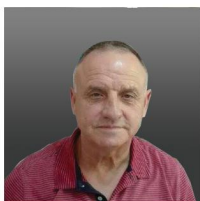
Milan Popadić,
CUBE Team



Branimir Gajić,
President of the SPEA,
Serbian Private Equity
Association



Marco Natoli,
Head of Lower
Mid-Market – Northern,
Eastern & Southern
Europe,
European Investment
Fund



Dragan Marković,
Tetragon



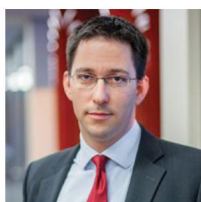
Milan Marinković,
Serbian Association of
Investment
Management
Companies



Fabio Serri,
Regional Head for SME
Finance and Development
Group, EBRD



Nebojša Lazić,
Managing Director,
StartLabs

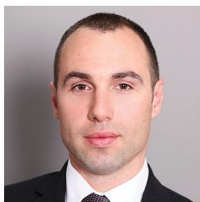


**János Fabricius
Ferke**
Hungarian Venture
Capital Association



Milena Kostadinović,
Manager,
Serbian Innovation Fund

Moderators



Vladimir Pavlović,
CEO,
WM Equity Partners



Aleksandar Zarić,
USAID-BEP



Miloš Savić,
Partner,
WM Equity Partners

