

**ANALYSIS OF THE REGULATORY FRAMEWORK FOR ENTREPRENEURS  
FOCUSING ON THE THREE MOST POTENTIAL SECTORS, PROPOSING  
SIMPLIFIED PROCEDURES FOR YOUNG ENTREPRENEURS**

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The study "Analysis of the Regulatory Framework for Entrepreneurs Focusing on the Three Most Potential Sectors, Proposing Simplified Procedures for Young Entrepreneurs" is an output of pilots in the field of evidence based policy-making. For the Ministry of Youth and Sports, the research was conducted by the Economics Institute in Belgrade. The project was designed by the Public Policy Secretariat of the Republic of Serbia. It is based on the analysis and identification of issues in public policy and regulation creation, and their implementation issues. The goal of the project is to improve the public policy system. In addition to its primary goal, the project aims to establish systemic cooperation between decision-makers and research community in the process of creating and implementing public policies and regulations. The project is implemented by the Public Policy Secretariat of the Republic of Serbia with financial and technical support of PERFORM Project of the Swiss Agency for Development and Cooperation (SDC) implemented by Helvetas Swiss Intercooperation and the University of Fribourg. PERFORM is focused on strengthening the research community in the social sciences, facilitating the development of the systemic links between research in the social sciences and the domain of public policies, and the creation of an enabling environment for research in the social sciences.



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## 1. Introduction

In accordance with the terms of reference defined by the Ministry of Youth and Sports (Research Commissioning Party), the research was conducted to define measures for the development of entrepreneurship for young people in the three selected sectors - creative industries, information and communication technology (ICT), and services in agriculture. The research covered:

- Analysis of youth employment in Serbia, with special emphasis on self-employment and innovativeness development as entrepreneurship factors,
- Overview of strategic national documents that define entrepreneurship for young people, as well as the legislative framework that regulates entrepreneurial activities in Serbia,
- Analysis of measures applied by other countries in support of youth entrepreneurship,
- Attitudes of young entrepreneurs in the sectors selected for this research (and those who quit their small business), through organized interviews and focus groups, as well as
- Proposed measures that can contribute to the development of entrepreneurship in Serbia

The research results are documented in the study "Analysis of the Regulatory Framework for Entrepreneurs Focusing on the Three Most Potential Sectors, Proposing Simplified Procedures For Young Entrepreneurs" (hereinafter referred to as the Study).

Desk and field-based research was conducted. Desk research was used for the first three points of the terms of reference and it included:

- Overview of national strategic documents, laws and bylaws to determine if the existing regulatory framework sufficiently stimulates the development of entrepreneurship for young people, and to determine if there are adequate incentives for the development and promotion of entrepreneurship among young people;
- Analysis of the results of studies done in the last three years focusing on the development of entrepreneurship (especially for young people), the existing programs for the development of youth entrepreneurship, analysis of the business environment in Serbia, access to finance, as well as all other forms of financial and non-financial support for development of entrepreneurship;

- Comparative analysis of incentives and forms of business operation of young entrepreneurs in 10 countries with interesting support programs for young people.

Field research included interviews and focus groups. Young entrepreneurs from urban and rural areas were included to ensure geographic coverage of the entire territory of Serbia. They were contacted based on registered entrepreneurs database of the Serbian Business Registers Agency (SBRA) and on the basis of personal contacts. The SBRA database included registered entrepreneurs sorted by the selected economic activity codes, aged 18 to 32.

The selection of the focus groups respondents aimed to equally represent young entrepreneurs registered in all three focal sectors (creative industries, the ICT and services in agriculture). Special focus group was formed consisting only of respondents in these sectors who have closed their small business due to reasons other than personal (e.g. high operating costs).

Focus groups and interviews with young entrepreneurs were organized in seven cities: Novi Sad, Niš, Požarevac, Šabac, Sremska Mitrovica, Užice and Belgrade. A total of 55 young entrepreneurs accepted the invitation to participate in the research. Focus group and interview minutes are enclosed to the Study.

Based on desk and field research, recommendations and measures were defined to improve the conditions for doing business for the existing businesses, and to improve the conditions for setting up of new businesses, especially for young people.

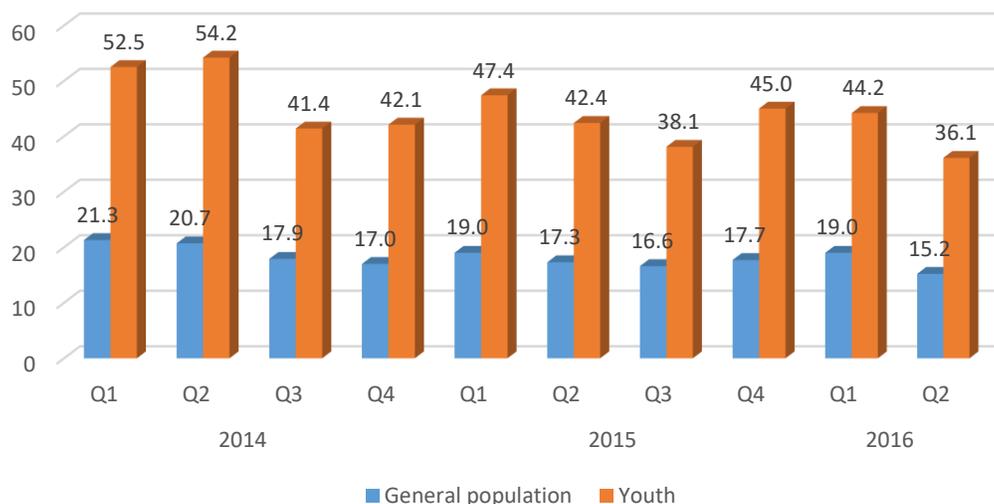
The research was conducted during the period from 20 April to 18 August 2016. The adoption of the final Study will be followed by its formal presentation.

## 2. Analysis of the Development Level of Youth Entrepreneurship in Serbia

**Young people in the labour market.** Youth unemployment is one of the serious problems in the countries of the European Union (EU) as well as in the Republic of Serbia. According to Eurostat data from June 2016, the unemployment rate of young people (aged 15-24 years) in the EU is 18.5%, while the overall unemployment rate of 8.6%. The rate of youth unemployment is particularly high in Greece (47.4%), Spain (45.8%), Italy (40.3%), Croatia (38.90%) and Portugal (31.9%), while the lowest is in Malta (6.9%) and Germany (7.2%).

According to the Labour Force Survey of the Statistical Office of the Republic of Serbia (SORS), the unemployment rate of the young population (aged 15-24) in the second quarter of 2016 amounted to 36.1%, more than double the overall unemployment rate which stood at 15, 2%. The youth unemployment rate is the highest in the region of Vojvodina (38.8%) and the lowest in the region of Southern and Eastern Serbia (34%). General and youth unemployment rate trend is presented in Graph 1.

*Graph 1. The unemployment rate trend for the general population and young people 2014-2016, in %*

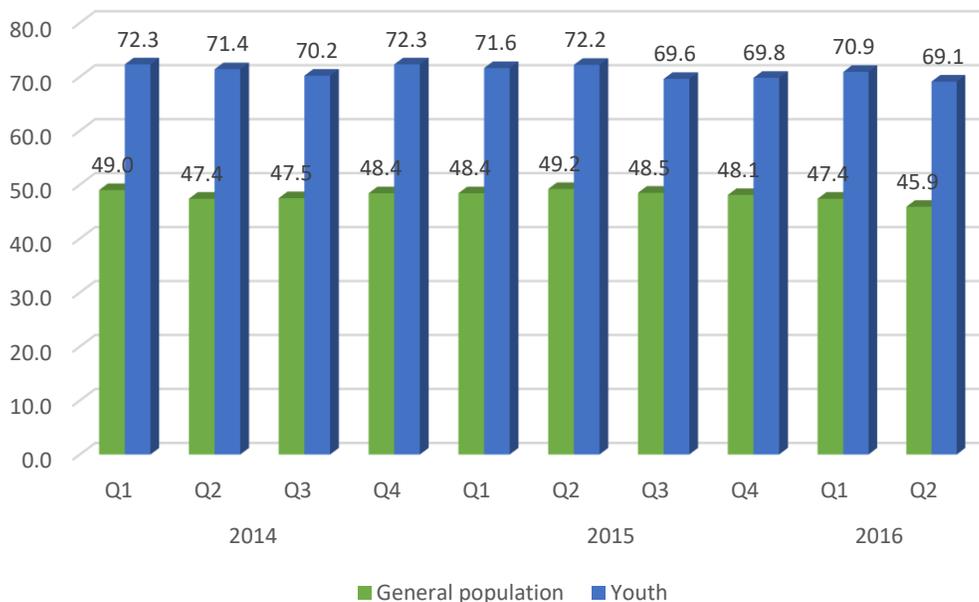


*Source: Labour Force Survey for 2014, 2015 and the first two quarters of 2016*

The inactivity rate, as a share of the inactive population in the total population aged 15 and over, is presented in Graph 2. The inactivity rate of young people (aged 15-24) in the reporting period was in the range of 72.3% to 69.1%. NEET rate - as the share of young persons (15-24 years old)

not in education, employment, or training within a total population of young people - is at 17.2% in the second quarter of 2016. This is a decrease by 1.8% quarter on quarter.

*Graph 2. The inactivity rate trend of the general population and young people 2014-2016, in %*



*Source: Labour Force Survey for 2014, 2015 and the first two quarters of 2016*

According to the Law on Youth,<sup>1</sup> youth are considered as persons between 15 and 30 years of age. The SORS estimates<sup>2</sup> the total population of the Republic of Serbia in 2015 was 7,095,383 while the number of young people (ages 15-29) was 1,231,307. Accordingly, it can be concluded that Serbia is one of the demographically oldest countries in the world, with an average age of 42.2 and the aging index of 1.22. Share of the population under 15 years of age in the total population is 14.3%, while there are 17.4% of those over 65. Such a demographic picture of Serbia is a consequence of a major population drain, especially the young population. According to unofficial estimates, about 500,000 young people left Serbia between 1991 and 2001 in search of better living

<sup>1</sup>Law on Youth, Off. Gazette no. 50/2011.

<sup>2</sup><http://webrzs.stat.gov.rs/WebSite/Public/PageView.aspx?pKey=163>

conditions<sup>3</sup>. On the other hand, hundreds of thousands of refugees and displaced persons arrived from former Yugoslav republics and from Kosovo.

During March and April 2015, the SORS conducted a Survey on Transition from School to Work (STSW) on 3,058 young people in the age group 15 to 29. The survey results show the structure of the youth with the lowest share of the youngest population (aged 15 to 19) of which there were 29.8% of respondents, pointing to a drop of birth rate. Following is the group aged 20 to 24 with a 33.2% share. The largest age group of 25 to 29 comprised 37% of young people (Table 1). In terms of the type of environment they live in, approximately 60% of young people in Serbia inhabit urban areas. The remaining 40% live in rural areas.

*Table 1 Distribution of young people by age group, and habitation area, %*

Characteristics		In total	Men	Women
Age group	15-19	29.8	29.9	29.7
	20-24	33.2	33.2	33.2
	25-29	37.0	36.9	37.1
Habitation area type	Rural	39.2	38.6	39.9
	Urban	60.8	61.4	60.1

*Source: Statistical Office of the Republic of Serbia, STSW 2015.*

Depending on the status in the labour market, standard definitions divide the population into three groups - employees, unemployed,<sup>4</sup> and persons outside the labour market (inactive). According to the Statistical Office of the Republic of Serbia (SORS), in the broader category of young people (15-29 years old), as many as 54.1% are listed as inactive or are outside the labour market. Less than one third of young people are employed (31.8%), while the share of the unemployed is 14.2%. Distribution of young people according to employment status is presented in Table 2.

**Young people who are listed as inactive.** A higher percentage of young people who are listed as inactive was registered in urban (57.4%) than in rural areas (49%). Young women are more likely to be inactive compared to men (61% compared to 47.5%). Almost half (48.7%) of inactive young

<sup>3</sup> Marjanović, D. (2016), Labour Market Transitions of Young Women and Men in the Republic of Serbia, the International Labour Organization, Geneva.

<sup>4</sup> According to international standards, unemployment is defined as a situation of a person who: a) did not work during the reference period, b) was available to get hired, had a job been offered in the week before the reference period, or c) was actively looking for a job within 30 days prior to the reference period (for example, by reporting at a job centre or by submitting an application in response to a vacancy announcement). The definition of "broad unemployment" (also known as relaxed unemployment), by contrast, varies according to the relaxation of the criteria of "job search."

people completed only primary education, while the share of inactive young people with a degree in tertiary education is only 4.6%. This leads to conclusion that the lack of higher education still presents a barrier to employment.

*Table 2 Distribution of young people by employment status*

	In total	Men	Women	Rural	Urban
Employed	31.8	38.1	25.1	35.5	29.4
Unemployed	14.2	14.3	14.0	15.6	13.2
Inactive	54.1	47.5	61.0	49.0	57.4
In total	100	100	100	100	100

*Source: Statistical Office of the Republic of Serbia, STSW 2015.*

**Young people who are listed as unemployed.** Although the results of the SORS, showed that only 14.2% of young people in the category of 15-29 years of age are listed as unemployed (14.3% of men vs. 14% women), the youth unemployment rate (measured as the ratio of the number of unemployed young people against the total youth work force) is high at 30.8%. The unemployment rate of young women is significantly higher than the unemployment rate of young men - 35.8% compared to 27.3%. Youth unemployment rate in urban areas is slightly higher than in rural areas - 31.1% compared to 30.5%.

The unemployment rate of young people who have completed primary education is significantly higher than the unemployment rate of the highly educated, and amounts to 40.7% versus 32.9%. The unemployment rate of young people with completed secondary education is the lowest, at the level of 29.9%.

If we look at the broader definition of unemployment, which includes the young people not actively looking for work, the youth unemployment rate would increase to 41.1%. According to this broader definition of unemployment (including youth not actively looking for work), almost every other economically active young woman in Serbia is unemployed (46.4%).

In the category of young people, the unemployment rate significantly decreases with age so it is the highest in the youngest age group (15-24).

**Employed youth.** Less than one third of young people aged 15 to 29 are employed (31.8%). The highest percentage of young people work in the service sector, with 61.7% employed (77% of young women and 52.1% of young men). The next is industry, which employs 23.8% of young

people (29.3% of young men versus 14.8% of young women). Agriculture employs 14.6% of the population of young people (18.6% of young men and 8.1% of young women). Most young people who are employed (79.8%) work for pay (86.4% of young women and 75.6% of young men), while 11.5% work as contributing family members, with a slightly higher percentage of young men in relation to young women (13.1% vs. 8.9%).

Most young people are employed under a contract, but 17.3% still work without the protection provided by a contract in writing. The average monthly salary of a young employee was about RSD 29,500 which is less than 250 euros. The average salary in April 2015 (when the survey was conducted) was almost double that amount.

Of the total number of employees, 47.4% are informally employed<sup>5</sup>. Out of this number, the informal (unregistered) sector employed 18.7%, while 81.9% were employed in informal jobs in the formal sector. Although the employed in the latter sector can earn a wage, they are not paid social security contributions or have no paid vacation and sick leave. Young people living in rural areas are more vulnerable to informal employment compared to young people in urban areas (54.8% vs. 41.7%), with informally employed young men outnumbering young women (48.3% vs. 45.9%).

The STSW results showed that as much as 18.8% of young people are overeducated for the work they do. The problem of mismatch of educational qualification is much more pronounced among the young working women (24.5% versus 15.3% of men). Compared with other countries in the region, the share of overeducated young workers in Serbia is only slightly below average.<sup>6</sup> By contrast, slightly more young males are insufficiently trained for their work in relation to young women (16.2% vs. 12.7%).

**Self-employment** is relatively rare among young employees, because only 7.8% of young people have the status of employer or self-employed as the only employee. In Serbia there are 30,900

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<sup>5</sup> Informal employment includes the following sub-categories of workers: a) paid employees holding 'informal jobs', i.e. jobs without social security, paid leave or paid sick leave; b) paid employees in unregistered enterprises with fewer than 5 employees; c) employed in unregistered companies for their own account with less than 5 employees; d) employers in unregistered companies with less than 5 employees; and (e) contributing household members. Sub-categories (b) to (d) are used to calculate the "informal sector employment", sub-category a) refers to "informal jobs in the formal sector," and subcategory e) can fall into both groups, depending on the status of the companies that employ contributing household members.

<sup>6</sup> Elder, S., Barucci, V., Gurbuzer, V., Perardel, Y., Principi, M. (2015). Labour market transitions of young women and men in Eastern Europe and Central Asia, Work4Youth Publication Series No. 28, Geneva, ILO.

young people who are registered as self-employed, of which 1.8% are employers, 6% are self-employed as the only employee, while 11.5% work without salary as members of households (Table 3). Young men are twice as likely to be self-employed as the only employee in relation to young women (7.6% vs. 3.4%). More young men work as contributing household members (13.1% compared to 8.9% of women).

*Table 3 Youth employment by employment status, %*

Employment Status	In total	Men	Women
Employees for pay	79.8	75.6	86.4
Employers	1.8	2.1	1.2
Individual employee	6.0	7.6	3.4
Contributing household member	11.5	13.1	8.9
Other	1.0	1.5	0.1

*Source: Statistical Office of the Republic of Serbia, STSW 2015.*

The low percentage of self-employed is understandable considering that almost half (48.2%) of the surveyed students said they hoped for the government and public sector job, with the percentage even higher in the population of young women (55.3% as opposed to 40.5% of men). On the other hand, only 15.3% of current students are attracted to potential future employment in a private company (Table 4). Of the students surveyed, 34.2% of men want to work from home (self-employed / farmers), while such a choice is far less popular with female students (21.7%).

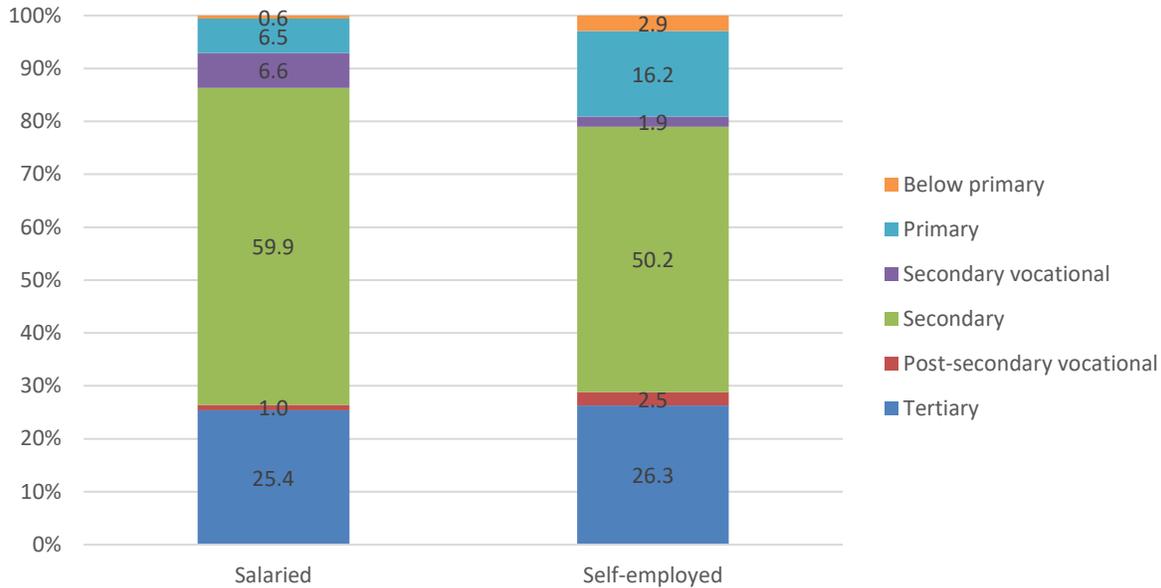
*Table 4 Student responses by desired workplace (%)*

Work place	In total	Men	Women
At home (self-employed / farmers)	27.6	34.2	21.7
Government / Public Sector	48.2	40.5	55.3
Private companies	15.3	16.2	14.4
International / non-profit organization	7.0	6.5	7.4
Family business / company	1.8	2.5	1.1
Do not want to work	0.2	0.2	0.2

*Source: Statistical Office of the Republic of Serbia, STSW 2015.*

Among the self-employed, the highest share is of young people with high school diplomas (50.2%) and young people with tertiary education (26.3%). Young people with only primary education are much more likely self-employed (16.2%) than employees for wages (6.6%). Young people with diplomas of secondary vocational schools are three times more likely to work for pay than to be self-employed (6.6% vs. 1.9%). The structure of youth, who are employed, broken down by level of education, is shown in Graph 3.

*Graph 3 Young people who work for a salary and self-employed young people, by level of education*



*Note: only the young who have completed education are considered (i.e. current students are not included).*

*Source: Statistical Office of the Republic of Serbia, STSW 2015.*

As much as half of the self-employed (51.3%) who were interviewed, stated that the main motive for their decision was that they were unable to find work with another employer for a decent salary (Table 5). Young men are much more prone to self-employment than young women (among young men, the share of the self-employed and employers is 9.7%, while among women the share is only 4.6%). Young men are much more likely to choose self-employment opportunities for greater independence (23.7%) and higher earnings potential (12.4%) compared to women.

*Table 5 Young self-employed or employers by the reasons for self-employment (%)*

Reason	In total	Men	Women
They were unable to find a job for pay	51.3	49.2	58.2
Greater independence	23.4	23.7	22.1
Flexible working hours	4.4	4.0	5.7
Higher level of income	11.0	12.4	6.2
Their families asked them to	1.5	2.0	0.0
Other	8.4	8.6	7.8

*Source: Statistical Office of the Republic of Serbia, STSW 2015.*

The biggest challenge (Table 6) identified by young entrepreneurs in Serbia is the lack of financial resources (36.9%). Almost a third of young entrepreneurs surveyed said that they had not had any major challenges in their operations (32.7%). There are differences between the sexes. Female

young self-employed persons cited political uncertainty (9.5%) and insufficient quality of employees (12.3%) as the challenges in doing business. Male young entrepreneurs cited competition in the market (10%), lack of raw materials (4%) and shortage of labour force (2.4%) as reasons for concern in doing business. Equally present challenge for both sexes is legal obstacles (at 10.6% of young women and 6.4% of young men).

*Table 6 Self-employed youth by the opinion on the biggest challenge for doing business*

Challenge	In total		Men		Women	
	Number	%	Number	%	Number	%
Insufficient financial resources	11,410	36.9	8,715	36.5	2,695	38.2
Insufficient quality of employees	870	2.8	0	0	870	12.3
Lack of business expertise	571	1.8	571	2.4	0	0
Legal regulations	2,269	7.3	1,521	6.4	748	10.6
Lack of raw materials	943	3.1	943	4.0	0	0
Lack of manpower	568	1.8	568	2.4	0	0.0
Political uncertainty	673	2.2	0	0	673	9.5
Competition on the market	2,387	7.7	2,387	10.0	0	0
I have no problem	10,095	32.7	8,027	33.7	2,067	29.3
Other	1,114	3.6	1,114	4.7	0	0
In total	30,900	100	23,846	100	7,075	100

*Source: Statistical Office of the Republic of Serbia, STSW 2015.*

In the group of the self-employed, the largest number is of young managers (58.2%) and skilled workers in agriculture (27.2%). Many young people who work for their own account have completed education at the middle or lower level, which is sufficient for the management of small businesses that create income. The fact that these are small businesses (mainly services rendered for their own account) is supported by the statement of nearly one-quarter (23.3%) of young male entrepreneurs confirming no need for initial capital to start their business (Table 7). This is the case for almost one-third (30.6%) of young female entrepreneurs. Those who needed funds for starting a business were generally assisted by family members or friends (48.4% of young male entrepreneurs and 61.7% of young female entrepreneurs). Young self-employed men can rely on their own savings much more often than their female colleagues, in 21.3% of cases, compared to 7.7% in case of young self-employed women.

Table 7 Self-employed young people, broken down by the source of financing used to start their own business

Source of finance	In total		Men		Women	
	Number	%	Number	%	Number	%
Funds are not indispensable	7,199	23.3	5,037	21.1	2,161	30.6
Own savings	5,616	18.2	5,075	21.3	541	7.7
Money from family or friends	15,895	51.4	11,544	48.4	4,351	61.7
Loan from bank	384	1.2	384	1.6	0	0
Loan from state institution	1,395	4.5	1,395	5.8	0	0
Other	412	1.3	412	1.7	0	0
In total	30,900	100	23,846	100	7,054	100

Source: Statistical Office of the Republic of Serbia, STSW 2015.

**Innovativeness as a factor of entrepreneurship.** The analysis of the preconditions for entrepreneurship development in general, particularly youth entrepreneurship, needs to examine the country's innovation potential. Innovativeness is a key precondition for entrepreneurship. The World Economic Forum's Global Competitiveness Report 2016 looked at innovativeness of economy in 140 countries. Serbia was ranked as the 113<sup>th</sup> in terms of its innovativeness. For comparison, Croatia is in the 92<sup>nd</sup> place, Montenegro in the 69<sup>th</sup>, Macedonia in the 58<sup>th</sup> and Slovenia in the 33<sup>rd</sup> place.

Innovativeness rating is determined by observing several indicators (Table 8). The first indicator is the **capacity for innovation**, which shows the potential of companies that innovate. In our undeveloped and poor economy, investment in research and development is insufficient. This indicator puts us as low as the 132<sup>nd</sup> in the world. In Serbia, only 3.3% of researchers are employed in industry. The share in the OECD countries is nearly 60%. In **company spending on research and development** we are in the 129<sup>th</sup> place. The Serbian business sector provides only 7.5% of investments for research and development, compared to 60.8% in the OECD countries.

Table 8 Innovation as a pillar of competitiveness

Competitiveness indicator	Country ranking
Capacity for innovation	132
Quality of academic research institutions	67
Company spending on R&D	129
University-industry collaboration in R&D activities	95
Innovation incentives for local companies by Government procurement of advanced tech products	110
Availability of scientists and engineers	82
Patent applications in accordance with the Patent Cooperation Treaty	53

Source: *The Global Competitiveness Report 2015-2016, World Economic Forum.*

**Ranking of the quality of cooperation between universities and industry** puts us in the 95<sup>th</sup> place. In general, the focus of scientific research to industry is relatively weak. These data indicate the need to link scientific and research sector and the industry.

Of the scientific research projects funded by the state budget from 2011 to 2015, 3.3% resulted in new patents and technical solutions, while 88% produced scientific papers. Additional problem is that scientists are unlikely to move from academia to industry and vice versa. This type of mobility is needed to increase innovativeness.

Electrical engineering, telecommunications and information technology are the most successful fields by the number of commercial applications of technical solutions. Of the total number of technical solutions, 38% are IT solutions; 90% of them are commercialized in the local and international markets. Biotechnology and agriculture stand out by the number of patents, with a share of 57%.

In addition to disconnect between scientific research and industry, the Government does not do what it could to foster innovativeness. In **fostering innovativeness of local enterprises by Government procurement of advanced tech products** we are in the 110<sup>th</sup> place.

These indicators should alert policy-makers to make serious changes in this field. Poor results according to these criteria are at odds with the ranking of **the quality of scientific research** institutions, where we took the 67<sup>th</sup> place. Serbia has scientific and research potential. It should be

further developed and used more appropriately. According to the latest ranking for 2016, the University of Belgrade was among the 300 best universities in the Shanghai Ranking. Our participation in the total world production of scientific papers is at 0.3%. We are in the 46<sup>th</sup> place on the list of over 140 countries (*SCImago Journal & Country Rank*). Our young professionals find their place in the scientific and research centres around the world. All this with direct budget investment in science from only 0.36 to 0.46% of gross domestic product (GDP) in recent years, while the goal was 0.9% of GDP.

Total investment in this sector is below 1% of GDP<sup>7</sup>. This is significantly below the EU average of 2.06% of GDP according to Eurostat data. We have a problem in the structure of these investments as well. Researchers salaries account for 87%, while research in many areas necessitates investment in material costs too. There is only minimal investment in additional education, such as referral to specializations abroad, to scientific conventions, where knowledge is deepened and enriched.

In terms of **the availability of scientists and engineers** we hold the 82<sup>nd</sup> place in the world.

In addition to these indicators which directly affect the degree of innovativeness of the industry, there are additional factors of importance. These factors determine the broader framework for the development of innovation and entrepreneurship. They are shown in Table 9 with the related ranking of Serbia.

We enjoy a relatively solid level of **health care and primary education** (62<sup>nd</sup> place), and **higher education** positioned in the middle of the list of ranked countries (71<sup>st</sup> place). We are, however, at the very bottom in **goods market efficiency** (127<sup>th</sup> place). This indicator shows how much entrepreneurial activity is stimulated by the active demand in the market, i.e. what is the market absorption level.

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<sup>7</sup> Proposed Strategy for Scientific and Technological Development 2016/2020, p. 25.

*Table 9 Factors of importance for innovation*

Competitiveness indicator	Country ranking
Health and primary education	62
High education	71
Goods market efficiency	127
Development of the financial market	120
Technological readiness	51
Country capacity to retain talent	140
Country capacity to attract talent	139

*Source: The Global Competitiveness Report 2015-2016, World Economic Forum.*

In terms of the **development of the financial markets** we are in the 120<sup>th</sup> place. We do not have various forms of investment (investment funds, venture capital, micro-finance, and such). Stock exchange activity level is low. This tells us just how limited access to finance is for young people who would like to turn their ideas into a product. Access to finance clearly presents a hurdle for the development of youth entrepreneurship.

The ranking of **country capacity to retain talent**, puts us in the alarming last, 140<sup>th</sup> place. This means that we have the largest brain drain. In terms of **country capacity to attract talent** we hold the penultimate, 139<sup>th</sup> place.

All things considered, our capacity to innovate, and thus develop entrepreneurship, is relatively low.

To overcome this, it is crucial to raise the quality and efficiency of the education system and the academic community. This should be followed by creating adequate links between education, science and industry.

### 3. Review of Strategies and Laws Relating to the Development of Youth Entrepreneurship

**The National Youth Strategy 2015-2025**<sup>8</sup> defines the basic principles, directions and anticipated results of operations of all the stakeholders of youth policy. Its aim is to improve the social status of young people, to create conditions enabling young people to exercise their rights and achieve their goals. The strategy aims to encourage job creation, self-employment, and entrepreneurship among young people. It defines the following measures, directly related to the development of entrepreneurship and self-employment of young people:

- Encourage getting informed, career guidance and counselling of young people about the possibilities of self-employment and entrepreneurship development;
- Encourage the development of self-employment programs, youth entrepreneurship and cooperatives of young people, especially directed at the development of highly productive and technologically intensive industries (information technology, industrial and technological parks, etc.);
- Encourage and foster local partnerships between local self-governments, social partners and citizens' associations that involve young people in entrepreneurial sector development programs and projects;
- Stimulate the development of entrepreneurship in specific economic sectors (development of eco-tourism, agribusiness, recycling etc.);
- Introduce new and improve existing lines of credit to up the interest of young people in all communities to start their own business and for employment growth;
- Improve the existing benefits and subsidies system to stimulate employers to hire young people;
- Raise the profile of corporate social responsibility.

In accordance with the Strategy, a three-year Action Plan was adopted for the period 2015-2017<sup>9</sup>. It clearly sets out the roles and responsibilities of stakeholders in the realization. It defines institutional mechanisms that should enable fulfilment of the defined goals.

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<sup>8</sup> Off. Gazette of RS, no. 22/2015.

<sup>9</sup> Off. Gazette of RS, no. 70/2015.

**The Strategy for Supporting the Development of Small and Medium Enterprises, Entrepreneurship and Competitiveness 2015-2020** <sup>10</sup> establishes the framework, objectives, priorities and measures to promote the development of micro, small and medium enterprises and entrepreneurship. The framework of measures, which should encourage the development of entrepreneurship in general, is classified in six pillars relating to:

- 1) Improving the business environment;
- 2) Improving access to finance;
- 3) Continuous development of human resources;
- 4) Strengthening the sustainability and competitiveness of small and medium sized enterprises and entrepreneurship (SMEEs);
- 5) Improving access to new markets;
- 6) Development and promotion of entrepreneurial spirit, and encouraging entrepreneurship of women, youth and social entrepreneurship.

Dimensions are provided for each of the six pillars. Priority measures of future activities are defined as they relate to the dimensions. The Strategy defines a general framework for improving the business environment and competitiveness of small and medium enterprises and entrepreneurship. Each of these pillars, and each defined measure, is of importance for the promotion of youth entrepreneurship.

The Strategy acknowledges that young people are at a disadvantage in the labour market due to lack of expertise and entrepreneurial skills. This is caused by inadequate curricula in secondary schools and universities. Some of the measures necessary to improve youth entrepreneurship relate to the development of entrepreneurial spirit and skills. With this in mind, the third pillar "Continuous Development of Human Resources", second dimension ("Support to the Development of Education for Entrepreneurship"), lists the following measures: introducing entrepreneurship education into all levels of the education system, and necessary education and training for entrepreneurship. Next listed are the adjustment of formal education system to labour

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<sup>10</sup> Off. Gazette of RS, no. 35/2015.

market needs, and development of non-formal education, as necessary for knowledge acquisition and skills improvement.

Furthermore, the Strategy recognizes the low innovativeness level of local enterprises and underdeveloped cooperation between science and industry. Highly innovative enterprises (newly established high-tech companies) in the field of ICT and creative industries are insufficiently supported. Thus, in the fourth pillar ("Strengthening the Sustainability and Competitiveness of SMEEs"), the third dimension "Strengthening Innovativeness" was developed. It entails the improvement of support to highly innovative enterprises, and support to better absorb and use research, development and innovation funds of Horizon 2020.

The development of youth entrepreneurship is especially given prominence in the last, sixth pillar of the Strategy. It points out the necessity to improve statistical monitoring and research of youth entrepreneurship. This entails the development of mechanisms for statistical data collection and processing. It also calls for establishment of a system for regular and comparable monitoring of data related to youth entrepreneurship. The second dimension states the necessity to define policies and instruments to support youth entrepreneurship. This includes the following measures: Include support to youth entrepreneurship in all state documents that have an impact on the economy; Increase youth participation in various programs supporting SMEs; Introduce special support programs for SMEEs designed exclusively for young people; Promote the entrepreneurial spirit, best practices, networking, establishing a dialogue.

All the above measures are further operationalized in the accompanying Action Plan for the implementation of the Strategy for 2015 with projections for 2016, listing specifically for each measure: activity, competent institution, implementation time frame, an indicator and source of financial support.

The institutional implementation of the following activities, within the above-mentioned measures, is the responsibility of the Ministry of Youth and Sports:

- Promotional activities to raise the awareness of the young, potential entrepreneurs about the opportunities and benefits of technological incubators;
- Regular reporting on youth entrepreneurship within the annual Report on SMEEs;

- Implementation of annual analysis on training needs of young entrepreneurs;
- Preparation of recommendations on support to youth enterprises in joining the incubators;
- Promotional campaign to support the development of entrepreneurial spirit and entrepreneurship of young people;
- Establishment of a permanent dialogue and cooperation with representatives of societies, forums, and associations of women entrepreneurs, young people, and social entrepreneurship support networks.

**National Employment Strategy for the period 2011-2020**<sup>11</sup> and the accompanying action plan define the implementation of the following measures of active employment policy for young people: mediation in employment, provision of guidance and counselling service on career planning, providing subsidies for the employment of unemployed persons in the category of young people under 30 years of age, support to self-employment, further education and training, providing incentives for hiring of unemployment benefit recipients.

**Strategy on Scientific and Technological Development of the Republic of Serbia for the period 2016-2020**<sup>12</sup> identifies six specific objectives. Specific measures to meet these objectives are defined within each objective. The goals that can contribute to the development of entrepreneurship among young people include:

- Strengthening the link between science, industry and society to encourage innovation, which further entails: encouraging the use of scientific research results, strengthening the work of the Innovation Fund, further development of the Innovation Support Project, establishment of joint innovation projects of the private sector and scientific research organizations, improving the transfer of knowledge and technology, encouraging the establishment of companies based on scientific research (spin-offs), establishment of public-private partnerships, development of scientific and technological parks, establishment of research and development clusters and competitiveness networks;
- Ensuring excellence and availability of human resources for science and economy and social affairs is achieved through: the improvement of legal framework for human resource

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<sup>11</sup>Off. Gazette of RS, no. 37/2011

<sup>12</sup> Off. Gazette of RS, no. 25/2016.

development, improvement of the PhD studies programs, engaging young researchers on projects, strengthening cooperation with diaspora, promotion of researcher mobility, promotion of gender and minority equality in science and innovation;

- Increasing investment in research and development through public funding, and encouraging the business sector to invest in research and development, on the basis of: increased investment in research and development from public sources, increased business sector investment in research and development, investment in research and development from other national and international sources.

**Strategy for Education Development in Serbia 2020**<sup>13</sup> deals with identifying purpose, goals, directions, instruments, and mechanisms of development of the education system in the Republic of Serbia. One of the priorities of the Strategy, which should be implemented by 2020, is the introduction of entrepreneurship in education and training programs (youth entrepreneurship).

The Strategy points out the need to support the concept of "entrepreneurial university". Entrepreneurial university enables the creation of new, knowledge based industry. Knowledge based industry enables students to develop innovation and entrepreneurship.

The Strategy, together with the accompanying Action Plan, envisages a series of measures aimed at encouraging an increase in the number of employees. One of the measures is the increase in employment of graduates, including self-employment through entrepreneurship. This would be achieved by adjusting the university curricula and by the use of learning outcomes as a tool to better link higher education institutions, students and labour market.

**Employment and Social Reform Program - ESRP** covers a strategic process, the main segment for the dialogue on the priorities of the Republic of Serbia in the field of social policy and employment during the EU accession process. This program relates to the labour market and employment, social inclusion and social protection. It also relates to the challenges in the system of pensions and health care, with an emphasis on youth, as an especially vulnerable group. The program goal is the reduction of general rate of inactivity, and increase of employment rate. This is to be achieved by strengthening inter-agency cooperation, and introduction of integrated services

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<sup>13</sup> Off. Gazette of RS, no. 70/2015.

system in education, social protection, employment and youth care. One of the specific objectives is to improve the position of young people in the labour market through: improvement of internship programs and professional practical traineeship; improvement of the system of informing young people about the opportunities in education, employment, youth entrepreneurship, use of the EU funds and the like (by supporting the work of the Youth Office and the Young Talents Fund); promoting the system of lifelong learning and development of programs for young people who have dropped out of school; development of the concept of student jobs with a limited number of work hours per week for activation purpose; development of early profiling of unemployed youth in the NES; development of innovative models and services to support youth employment at the local level; promoting and developing the system of career guidance and counselling; improving the package of services for young people by defining the measure which terminates their participation in the programme.

**National Priorities for International Assistance <sup>14</sup> in the Republic of Serbia 2014-17 with Projections until 2020** is a strategic document that defines the priorities and measures for all sectors. The sub-sector of social policy includes priorities relating to poverty reduction and addressing youth issues.

To better organize for the achievement of national strategic goals and to better direct international financial assistance, the emphasis is given to the following points: the necessity to further develop local mechanisms of activation and employment in underdeveloped areas, and the promotion of employment and entrepreneurship of young persons (especially those not in education, employment or training) through well-targeted and tailored measures. The measure "Improving the employability of young people and providing access to the labour market" entails the support and encouragement of entrepreneurial spirit, support services in starting and managing a business, microloan opportunities and information on the possibilities and advantages of self-employment for young people, including youth entrepreneurship, social entrepreneurship and cooperative activities.

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<sup>14</sup> <http://www.evropa.gov.rs/CBC/Pubasp.aspx?Id=34 licSite/Programme>

The program "Youth in Action" supported non-formal education, exchange of young people and activists in the field of youth policy and youth organizations.

**Strategy on Development of Intellectual Property for the period 2011-2015**<sup>15</sup> defines the goals in the field of protection of intellectual, industrial and commercial property rights, modelled on the EU, including effective enforcement of those rights, and mechanisms for permanent harmonization of local legislation with the EU legislation in this area.

**Strategy of Development and State Support to Information Technology Industry**<sup>16</sup> defines support for the IT entrepreneurship and start-up companies through grants, development of business incubators and technology parks, tax incentives for software companies, and support to exporters of software products and solutions. Improvement of the legal framework is aimed at creating better conditions for electronic payment services, electronic exchange of accounting documents and e-government. The changes in the education system should enable young people to gain useful and modern IT knowledge and skills. The Strategy identifies the following priority areas: electronic communications, e-government, e-health and e-justice; ICT in education, science and culture; e-commerce; ICT in the business sector; information security.

In addition to policy documents that directly or indirectly define the framework for the development of youth entrepreneurship, there is a set of laws which regulate doing business. Bearing in mind the existence of a general framework for doing business, the basic laws are here classified under the following categories:

**Laws governing the setting up of an entrepreneurial (sole trader) legal entity and a business company:**

1. **The Law on Business Companies**<sup>17</sup> regulates the legal status of companies, in particular: establishment, management, statutory changes, changes of legal form, termination and other issues of importance for companies and entrepreneurs. In accordance with the Law, an entrepreneur is a fit for business natural person who performs business (i.e. economic) activity in for income. As such, the person is registered in accordance with the Law on Registration

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<sup>15</sup> Off. Gazette of RS, no. 49/2011.

<sup>16</sup> Off. Gazette of RS, no. 55/05, 71/05 -corr., 101/07, 65/08, 16/11, 68/12 - 72/12.

<sup>17</sup> Off. Gazette of RS, no. 36/2011, 99/2011, 83/2014 - oth. law 5/2015.

Procedure at the Serbian **Business Registers Agency (SBRA)**. One of the most common legal forms of companies is a limited liability company. One or more members of the company have stakes in the share capital of the company. The members are not liable for the company's obligations, except in cases provided for in Article 18 of this law.

2. **The Law on Registration Procedure at the Serbian Business Registers Agency<sup>18</sup>** regulates the procedure of registration, recording and publishing of data and documents which (in accordance with a separate law) are subject to registration, recording and publishing in registers and records kept by the SBRA. The law regulates additional issues of importance for registration, recording and publishing too.
3. **The Law on Classification of Business Activities<sup>19</sup>** governs the classification of business (i.e. economic) activities as a general standard against which to perform the classification of business entities and entrepreneurs.

**The law governing rights and obligations arising from employment:**

4. **The Labour Law<sup>20</sup>** governs the rights, duties and responsibilities in employment or based on employment. Rights, obligations, and responsibilities arising from employment are governed by collective agreement and employment contract, employment rulebook or employment contract - only when required by this law.

**The law governing the keeping of business documents and reporting:**

5. **The Law on Accounting<sup>21</sup>** governs organization of accounting and accounting documents. In accordance with this law, entrepreneurs pass a general act regulating the organization of accounting to enable comprehensive data recording. Furthermore, this law defines the conditions and manner of keeping business records, submission and publication of financial statements and annual report on operations. The Register of Financial Statements is a public electronic database of financial statements. The law also defines the classification of legal entities to micro, small, medium, and large. The classification depends on the average number of employees, operating income and average value of business assets. These data are defined

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<sup>18</sup>Off. Gazette of RS, no. 99/2011, 83/2014

<sup>19</sup>Off. Gazette of RS, no. 104/09.

<sup>20</sup> Off. Gazette of RS, number 24/2005, 61/2005, 54/2009, 32/2013, 75/2014.

<sup>21</sup>Off. Gazette of RS, no. 62/2013

on the day of drafting the regular annual financial report for the business year. All entrepreneurs (who keep business records by double-entry bookkeeping) are classified as micro-entities, regardless of the criteria. As there are International Financial Reporting Standards, International Financial Reporting Standard for Small and Medium-Sized Entities, as well as the relevant bylaw (issued by the Minister responsible for finance), the Law provides which legal persons are obliged to, and which can choose the accounting rules to apply. Regular annual financial report varies depending on the size of the legal entity. Financial statements are submitted exclusively in electronic form, with the qualified electronic signature of the legal representative.

#### **Laws governing the tax system and contributions:**

- 6. The Individual Income Tax Law<sup>22</sup>** provides that all natural persons who earn income pay income tax. Individual income tax is paid on revenues from all sources, except those specifically exempted by this law. This law defines the tax exemptions and concessions. Tax on income from self-employment is paid on the basis of income from economic activities. These activities include agriculture and forestry activities, professional and other intellectual services, as well as income from some other activities. The payer of tax on the basis of income from agriculture and forestry is a natural person - holder of family farm registered in agricultural holdings registry. Such a holding keeps business records. Taxable income from self-employment is taxable profit; or a taxable lump sum of income amount determined in accordance with the law. Entrepreneurs who keep business records based on the single or double-entry bookkeeping system, file annual tax return. The tax rate on income from self-employment is 10%. Entrepreneur whose circumstances prevent them from keeping business records (apart from turnover statement), or for whom bookkeeping presents a hindrance to operation, is entitled to apply for tax on self-employment income, payable based on a predefined lump sum. The law defines conditions the entrepreneur must meet to qualify for lump-sum taxation. Entrepreneurs are obligated to keep business records showing details of their business in the manner prescribed by law.

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<sup>22</sup> Off. Gazette of RS, no. 24/01, 80/02 - oth. law 80/02, 135/04, 62/06, 65/06 - correction, 31/09, 44/09, 18/10, 50/11, 91/11 - CC, 93/12, 114/12 - US, 47/13, 48/13 - correction, 108/13, 57/14, 68/14 - oth. law 112/15.

7. **The Corporate Profit Tax Law<sup>23</sup>** relates to a company or other legal entity established to conduct for profit activities. A taxpayer is also a cooperative which generates revenues by selling products in the market or providing services for a fee. Pursuant to this law, a non-profit entity having other goals set forth in its general acts is a taxpayer too if it generates income by selling products in the market or providing services for a fee. The tax base for corporate profit is taxable profit, and the tax rate on corporate profit is 15%.
8. **The Law on Value Added Tax<sup>24</sup>** defines a general tax on spending, calculated and paid for shipment of goods and rendering services, at all stages of production and supply of goods and services, as well as on the import of goods. The VAT applies to: Delivery of goods and provision of services for a fee, as part of economic activity, in the Republic of Serbia, as well as import of goods into Serbia. Taxpayer is a person, including a person without registered office or residence in Serbia (foreign entity) who is an independent supplier of goods and provider of services. Taxpayer is a person in whose name and for whose account the supply of goods or services rendering is done. Taxpayer is a person who supplies goods or provides services in their own name and for the account of another person. The tax base for goods and services is the amount of compensation (in cash, goods or services) the taxpayer receives or is to receive for goods or services provided from the recipient of goods or services or any third party, including subsidies and other income, which (compensation) does not include VAT. The general rate for the taxable goods and services or import of goods is 20%, while the special rate is 10%.
9. **The Law on Contributions and Mandatory Social Insurance<sup>25</sup>** governs contributions for mandatory social insurance, contribution obligors, contribution base, contribution rates, the method of calculation and payment of contributions, as well as other issues of importance for determining and payment of contributions.

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<sup>23</sup> Off. Gazette of RS, no. 25/2001, 80/2002, 80/2002 - oth. law 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014 - dr. Law 142/2014, 91/2015 - authentic interpretation and 112/2015.

<sup>24</sup> Off. Gazette of RS, no. 84/04, 86/04 - correction, 61/05, 61/07, 93/12, 108/13, 68/14 - oth. law 142/14, 83/15.

<sup>25</sup> Off. Gazette of RS, nos. 84/2004, 61/2005, 62/2006, 5/2009, 52/2011, 101/2011, 7/2012 - aligned din. amo., 8/2013 - aligned din. amo., 47/2013, 108/2013, 6/2014 - aligned din. amo., 57/2014, 68/2014 - oth. law, 5/2015 - aligned din. amo, 112/2015 и 5/2016 - aligned din. amo.

10. **The Property Tax Law**<sup>26</sup> harmonises and regulates the property tax, tax on inheritance and gift tax on the transfer of absolute rights. Taxpayer here is the entrepreneur who pays personal income tax on based on income generated by self-employment (a legally predefined lump sum amount). Taxpayer is also the entrepreneur who keeps business records, for assets that are not recorded in their business records.<sup>27</sup>
11. **The Excise Tax Law**<sup>28</sup> stipulates which products are subject to this form of taxation and the amount of excise tax that applies to a given product.

**The law governing customs system:**

12. **The Customs Law**<sup>29</sup> defines general rules and procedures applicable to goods brought in and taken out of the customs territory of the Republic of Serbia. It is implemented along with the regulations in other fields pertaining to trade in goods. This law regulates customs activities and procedures. It defines rights and obligations of persons and customs authorities implementing these activities and procedures. The Customs Law applies in the uniform manner in the entire customs territory of the Republic of Serbia.

**Laws governing foreign exchange and foreign trade:**

13. **The Law on Foreign Exchange Operations**<sup>30</sup> entails regulation of payments, collections and transfers between residents and non-residents in foreign currency and in dinars. This law regulates the purchase and sale of currency between residents and non-residents, buying and selling of foreign currency between residents, unilateral transfers of payments, current and deposit accounts of residents abroad and credit transactions in foreign currency.
14. **The Foreign Trade Law**<sup>31</sup> governs foreign trade in accordance with the World Trade Organisation rules and the EU regulations. Foreign trade operations include foreign trade in goods and services and business activities of foreign person in Serbia and local person in

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<sup>26</sup> Off. Gazette of RS, no. 26/2001, Off. Gazette of FRY, no. 42/2002 - decision by FCC and Off. Gazette of RS, no. 80/2002, 80/2002 - oth. law, 135/2004, 61/2007, 5/2009, 101/2010, 24/2011, 78/2011, 57/2012 - decision by CC, 47/2013 and 68/2014 - oth. law.

<sup>27</sup>Marković, V. (2016), Individualni preduzetnik - pravni okvir poslovanja, Poslovni biro, Belgrade

<sup>28</sup> Off. Gazette of RS, no. 22/2001, 73/2001, 80/2002, 43/2003, 72/2003, 43/2004, 55/2004, 135/2004, 46/2005, 101/2005 - oth. law, 61/2007, 5/2009, 31/2009, 101/2010, 43/2011, 101/2011, 6/2012 - aligned din. amo, 43/2012 - decision, 76/2012 - decision, 93/2012, 119/2012, 8/2013 - aligned din. amo, 47/2013, 4/2014 - aligned din. amo, 68/2014 - oth. law, 142/2014, 4/2015 - aligned din. amo, 5/2015 - aligned din. amo, 55/2015, 103/2015 и 5/2016 - aligned din. amo.

<sup>29</sup>Off. Gazette of RS, nos. 18/2010, 111/2012, 29/2015.

<sup>30</sup>Off. Gazette of RS, no. 62/2006, 31/2011, 119/2012 and 139/2014.

<sup>31</sup>Off. Gazette of RS, nos. 36/2009, 36/2011 - oth. law, 88/2011 and 89/2015 - oth. law.

another country or customs territory. This applies to operations within entrepreneurial (sole trade) activities as well as to business companies. An entrepreneur can close a contract on setting off of payables and receivables upon the completion of foreign trade operation.

**The law that defines the area of creative industries:**

15. **The Law on Culture**<sup>32</sup> defines general public interest in culture, the way of exercising public interest in culture and performing cultural activities, rights, duties and responsibilities of the Republic of Serbia, autonomous provinces and municipalities, cities and the City of Belgrade in culture, and defines the functional conditions for all cultural entities. Individual areas of culture are governed by special laws.

**Laws defining the field of services in agriculture:**

16. **The Law on Agriculture and Rural Development**<sup>33</sup> sets out the objectives of agricultural policy and the manner of its implementation. Also, the law defines the types of incentives in agriculture and the criteria for obtaining funds from the states and the potential users of these funds. The law envisages the formation of the Register of Agricultural Holdings and the integrated agricultural information system. The Law stipulates the establishment scope of the Administration for Agricultural Payments as a body within the line ministry.

17. **The Law on Agricultural Land**<sup>34</sup> regulates planning, protection, development, and use of agricultural land, control over the implementation of this law and other issues of importance for the protection, development, and use of agricultural land as public interest asset. The law stipulates that the owner of agricultural land cannot be a foreign physical or legal person.

18. **The Law on Incentives in Agriculture and Rural Development**<sup>35</sup> regulates the types of incentives, the use of incentives, the Register of Incentives in Agriculture and Rural Development. It regulates eligibility conditions for subsidies in agriculture and rural development.

**The law that defines the activities of communication and information technologies:**

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<sup>32</sup> Off. Gazette of RS, nos. 72/2009, 13/2016 and 30/2016 - corr.

<sup>33</sup> Off. Gazette of RS, nos. 41/2009 and 10/2013 - oth. law

<sup>34</sup> Off. Gazette of RS, nos. 62/2006, 65/2008 - oth. law, 41/2009 and 112/2015

<sup>35</sup> Off. Gazette of RS, nos. 10/2013, 142/2014 and 103/2015.



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19. **The Law on Electronic Communications**<sup>36</sup> defines the conditions and manner of conducting activities in the field of electronic communications. The Law regulates the competence of the state authorities and determines policies in the field of electronic communications. Operation and powers of the Regulatory Agency for Electronic Communications and Postal Services, as well as conducting public consultations in the field of electronic communications, are also defined by this law. The provisions of this law govern the use and maintenance of electronic communications networks, protection of the rights of users and subscribers, security and confidentiality of electronic communications in the Republic of Serbia. The provisions of this law do not apply to electronic communications networks for specific purposes, except for the provisions relating to the use of radio frequencies for specific purposes and specific cases of interconnection of electronic communications networks for specific purposes and public communications networks.

The laws that stipulate in detail the performance of specific activities are listed in Annex 1 of this Study.

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<sup>36</sup>Off. Gazette of RS, nos. 44/2010, 60/2013 - decision CC and 62/2014.

#### 4. Comparative Analysis of Incentives for the Development of Youth Entrepreneurship in Selected Countries

To identify new incentives for young entrepreneurs applicable in Serbia, a comparative analysis of such measures in other countries was done. The analysis was carried out not only on the basis of publicly available information, but also based on recommendations of the focus group participants and representatives of institutions with the mandate to promote entrepreneurship. As a result, a selection was made of a total of 10 countries with support programs for youth entrepreneurship. The support is applied generally to all economic activities, or focuses specifically on three economic activity sectors in the focus of this research.

##### 4.1. Hungary

Hungary is a good example of a country with a developed support program to encourage youth entrepreneurship in all sectors. Non-profit organization *The Hungarian Live Wire Foundation* was established in Hungary in 1998, to promote entrepreneurship among youth aged 18 to 32. The program is implemented with the financial support of *Shell AG*, which donated money to support the program. In order to reduce unemployment and promote entrepreneurship, the Foundation works on the principle of: organizing mentoring, promoting successful young entrepreneurs and support in applying to financial institutions for micro loans.

More than 15,000 young people have participated in the Foundation programs since its inception. The main activities of the Foundation are:

- Organizing a national network of highly qualified advisers who provide free business consulting services to the youth during the establishment and growth stage of the business;
- Publishing of commercial guides tailored to young people without business experience;
- Education through various training programs;
- Marketing support essential for business development and for communication with the target group;
- Organizing "Young Entrepreneur of the Year" competition at the regional and national level, awarding attractive prizes and providing significant media promotion;
- Agency service for companies applying for micro-credits from banks as last resort financing.

Free advisory service of the Foundation is available to all interested young people who want to become entrepreneurs in Hungary. Advisory service includes legal advice, business advisory services (financial, tax), advice on market development and promotion of products and services, and other. The team of advisors consists of 50-60 highly qualified lawyers, accountants and managers who help young entrepreneurs in transforming business ideas into business plans (free of charge). Advisors are activists and the only form of compensation they receive are bonuses for exceptional achievements of young entrepreneurs who they mentored. Advisors introduce young people to the business community, entrepreneurial organizations, and chambers of commerce, and often help them in identifying their target market as well. The Foundation has made business guides tailored to young entrepreneurs. The guides contain all information they need to establish and run their business.

The Foundation develops special education programs designed for young people. A team of experts helps young people to realistically evaluate their entrepreneurial ideas even before they register a business. This helps a lot in reducing the costs and time wasted on unrealistic business ideas. Young people are taught how to prepare business plans and how to get the necessary capital to finance the business.

The Foundation holds annual "Young Entrepreneur of the Year" competition to encourage young people to develop their business ideas. Since the beginning of the establishment of the Foundation, 12 competitions have been organized with about 1,500 business plans for new companies submitted for consideration. The selection committee chose the most successful business plan. The committee consists of bankers, successful entrepreneurs, as well as young people shortlisted in previous competitions, who set up their businesses and acquired the necessary entrepreneurial experience and hence the competence to evaluate new ideas of young entrepreneurs. Numerous sponsors contribute to the award fund by valuable gifts helpful to young entrepreneurs in the initial stages of business (mobile phones, computers, software or free advertising space in business journals). Valuable prizes and awards include the products offered by young entrepreneurs (and those no longer in that age bracket) whose entrepreneurial idea was supported by the Foundation. Competitions for the best business plan are well supported by media as a significant initial impetus to enter the market and get in touch with entrepreneurs who have a successful track record. One of

the main positive effects of the Foundation is sending a message that young people do have an alternative and prospects for the future and that they do not need to be unemployed. In dissemination sense, the overall beneficial effect by far exceeds the launching of thousands of companies assisted by the Foundation.

During the first years of the Foundation, the main goal was to establish a network of advisors from different business areas and position the Foundation as a go-to institution for young people seeking help in starting and developing business. Back in 2000, in cooperation with banks, the Foundation launched a micro-loans financial program as a way for young entrepreneurs to apply for 400 to 4,000 euro loans. The program provides an important start-up capital access for young people. The banks are generally conservative in terms of risk appetite, collateral and impose transaction costs. The Foundation acts as an intermediary between banks and young entrepreneurs by providing expert advice which helps in applying for micro-credit. The Foundation has prepared a credit manual detailing terms of financing, rights and obligations of all parties. Thanks to the support of the Foundation fostering relationship between a young entrepreneur and the bank, the support program has greatly increased the return on investment and minimized doubtful debtors.

One of the main features of this loan program is that the relationship between the bank and the loan applicant does not end at contract signing. The young entrepreneur who receives the loan must keep in the assigned mentor in the loop on the development of the business. This mentoring approach is a win-win for both sides: the young entrepreneurs effectively utilize capital, and the bank secures collection. The mentor receives a bonus for successful cooperation (principal and interest repaid by the end of the loan period), as a motivation to get more engaged.

The Foundation regularly follows up on the results of young people who were in some of their programs. The Foundation programs are aimed at developing entrepreneurial abilities and skills not covered in the formal education system. Adoption of such practically applicable knowledge is ensured through training programs, preparation of manuals and case studies. The success here cannot be measured solely on the number of young people who opt to become entrepreneurs. Sometimes the Foundation advises a person not to go ahead with intention to initiate a specific business, because there is no prospect of success.

Although the Foundation practice proved to be a very successful model to support young entrepreneurs, there are certain problems of this approach, mainly linked to financial sustainability. Funding constraints prevent the establishment of a national network of full time advisor. It primarily relies on volunteers. Volunteers are often the most active type of advisors. They have practical knowledge and a sincere desire to help. However, this type of organization inevitably has flaws (it is difficult to form comprehensive teams of specialists, limited time the volunteers can allocate, etc.). Significant help comes from the state institutions, such as chambers of commerce or the Hungarian Foundation for Enterprise Development with its nation-wide network of offices. Finding volunteers proved to be the most challenging in the poorest and least developed regions, as the chamber and the Foundation for Enterprise Development network is the weakest in these locations. Well-developed cooperation with a number of institutions, centres and offices for the unemployed, youth organizations (e.g. *Young Enterprise, Junior Achievement*), business incubators, donors, governmental and non-governmental organizations, etc. contributes to the success of the Foundation. High integration is helpful in providing support, but, at the same time, carries a certain risk. For example, when the abolition of compulsory membership in the chamber led to a crisis of the national network of chambers, it negatively impacted the Foundation work in several regions. Also, poorly functioning national network of the Foundation for Promotion of Enterprises had a negative impact on the performance of the Foundation in some cities.<sup>37</sup>

#### **4.2. The United Kingdom**

The United Kingdom is a good example of a state with developed system of support to entrepreneurs in the agricultural sector. This is primarily done by linking land owners and agricultural facilities with young entrepreneurs who have ideas and want to be involved in entrepreneurship, but lack resources. In this way, the synergistic effect is achieved both for the owners of underutilized resources and for the young entrepreneurs with entrepreneurial ideas able to implement them without land, facilities and machinery investment. The support is institutionalized by the establishment of *The Fresh Start Land Enterprise Centre* in 2002, based on the initiative of the UK Government Commission on Farming and Food.

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<sup>37</sup> Blokker, P., Dallago, B. (2012), *Youth Entrepreneurship and Local Development in Central and Eastern Europe*, Ashgate Publishing

The Centre brings together a team of people with extensive experience in the field of agriculture who provide advisory services to companies in this field. The mission of the centre is to support new and existing entrepreneurs in any way connected to agriculture. The Centre helps both the landowners (to lease their unutilized land plots and facilities) and the agricultural entrepreneurs (to get in touch with the owners, to establishment new, independent enterprises).

Practical knowledge and recommendations on the development of partnerships in agriculture are formulated in a handbook titled “A New Approach - Using Land to Unlock Business Innovation”, published in 2011. The handbook outlined a phased approach to encourage creation of new enterprises through various methods, using the existing legal procedures and contracts already recognized in this sector.<sup>38</sup>

Another interesting example is the model of public-private partnership in financing of business ideas for young entrepreneurs. *The Prince's Scottish Youth Business Trust Programme (PSYBT)* implemented in Scotland, provides mentoring and financial support in the initial stage (after establishment of a company) and in the early growth stage.

The program is aimed at young people aged 18 to 25 who have an idea and determination to start their own business. *The PSYBT* acts as a lender of last resort and provides access to finance when all other potential sources are exhausted. In this sense, young people who are already in another support program are not eligible to apply for funds.

*The PSYBT* support model combines financial support with a series of targeted business development services. It is a unique partnership between the public and private sectors supported by over 750 volunteers from the local business community. *The PSYBT* model offers a one-off advice, training and mentoring support for a maximum of two years. *The PSYBT* has a network of 18 regional organizational centres covering the entire territory of Scotland. Regional centres coordinate the work of volunteers. Volunteers sit on committees for evaluation of business plans and provide ongoing mentoring to the supported entrepreneurs. *The PSYBT* program is a mixed fund of public and private sources, individual donations and partnerships with local self-governments. The Government of Scotland provides 30% of the funds, the European structural

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<sup>38</sup> <http://freshstartlandenterprise.org.uk/>

funds 14%, private sector donations 45%, and interest income on borrowed funds 11%. Program evaluation found economic benefit of over 22 million pounds, and about 500 new jobs created annually. *The PSYBT* is a member of the *Prince's Youth Business International*, a global network of independent non-profit associations that help young people start and develop their own business. It is active in 34 countries.<sup>39</sup>

The UK has a well-developed system of entrepreneurship zones (Enterprise Zones) that offer various tax breaks and other benefits. They were established in 2012. They have registered 635 companies with 24,000 employees. Over 2.4 billion pounds has been invested. The success of the program led to the creation of new enterprise zones in 2015, and additional 48 zones will be established by April 2017. Companies that are established within enterprise zones have access to a range of benefits:

- Taxation exemption in the amount of 275,000 pounds for a maximum period of 5 years;
- Simplified permit procedures in certain areas;
- Preferential treatment when applying to the Government for financial support;
- Tax free status to companies that make large investments in plants and machinery in 8 zones within designated regions.<sup>40</sup>

### 4.3. Austria

Austria is a good example of a country that encourages the development of entrepreneurship for young people through special programs. The programs systematically develop the awareness of entrepreneurship significance in children at early stages of education. We will here present the entrepreneurship promotion programs in agriculture. In the area of agricultural activities, Austria has developed three very successful programs:

- The program "School at Farm and Farm at School" (carried out during 2014 and 2015) entailed organized visits of children and youth to farms and farmers' visits to primary and secondary schools. In both cases, farmers appeared as authentic messengers communicating the benefits and importance of agriculture. The program aims to educate young people about

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<sup>39</sup> <https://www.princes-trust.org.uk/>

<sup>40</sup> <http://enterprisezones.communities.gov.uk/about-enterprise-zones/>

the importance of agriculture and opportunities it provides. The program was supported by creating newsletters for teaching staff, newsletters customized to young audiences, print advertising, fairs and exhibitions, and Facebook page with content suited to young audiences. The training was provided by the *Rural Training Institute*, and a working group responsible for the implementation of the program facilitated cooperation with relevant partners and stakeholders to ensure the project is a success.

- The program "Young Farmers - New Power of the Country" was implemented in 2014 by the Association of Young Farmers of Upper Austria. This program involved the establishment of youth groups and their participation in workshops and training sessions to raise awareness of the activities and costs involved in food production and production of other agricultural products. The project was promoted by dedicated website, social media campaigns, flyers and leaflets, articles in professional journals, etc.
- *Liveable. Austria. The New Rural Development 2020 Programme*, which is ongoing, aims to promote a new programme for rural development. The programme began in 2014, and serves for information dissemination. Statements of the farmers are used to communicate relevant messages. They explain the positive impacts of the program in different regions of Austria, encouraging development of agricultural entrepreneurial undertakings in that country. The project entails media campaigns presenting real-life, practical examples of successful agricultural entrepreneurs. It provides a tour of the region and face time with local authorities. It addresses general public at special events it organizes throughout Austria. Disseminating information is done by dedicated website, and social media, to get the message out to young people. <sup>41</sup>

#### 4.4. Germany

Germany has a good example of financial support model for young entrepreneurs. The model is implemented in two national projects "*Bridging Allowance*" (*Überbrückungsgeld*) and "*Start-up Subsidy*".

"*Bridging Allowance*" is a program of financial support for new entrepreneurial ideas. Applicants eligible to compete for the funds from this program are: unemployed for at least four weeks at the time of applying, and having developed a quality business plan approved by the regional chambers

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<sup>41</sup> [http://ec.europa.eu/agriculture/rural-development-2014-2020/country-files/at\\_en.htm](http://ec.europa.eu/agriculture/rural-development-2014-2020/country-files/at_en.htm)

of commerce. Financial support lasts six months. It covers mandatory taxes and contributions, as well as cost of salaries for the unemployed. Following approval of the business plan, participants receive a fee (equal to that granted to unemployed persons) for six months, plus additional benefits in the form of picking up 68% of tax and contribution expense during this period.

#### **Start-up Support Programs in Serbia**

Currently active financial support program for *start-ups* in Serbia is implemented by the Development Fund (RSD 350 million of earmarked funds) and the Ministry of Economy (RSD 150 million). The support includes a combination of 30% grant and 70% loan of the Development Fund, as well as non-financial support through a standardized set of services by accredited regional development agencies (education and assistance business plan preparation). The financial support is intended for people who wish to start their own business, or existing entrepreneurs, micro and small enterprises registered with the SBRA up to a year prior to application. The funds can be used to purchase equipment, commercial space adaptation, reconstruction and furnishing. Up to 20% of total funding can be used toward working capital. The minimum loan amount is RSD 280,000, plus a RSD 120,000 grant. The maximum loan amount is RSD 2,100,000, with a RSD 900,000 grant. For legal entities, the minimum amount is also RD 280,000 with a RSD 120,000 grant, and the maximum amount is RSD 4,200,000, with a RSD 1,800,000 grant. The repayment period is up to 5 years, with up to a year of grace period. Collateral can be a commercial bank guarantee, mortgage, contractual guarantor collateral, pledge or bill.

The Ministry of Youth and Sports competition for financial support to youth employment projects is also currently active. RSD 77 million is intended to finance the programs, projects and associations encouraging and stimulating all forms of youth employment, self-employment, and entrepreneurship. The programs or projects may last up to 10 months starting from the signing of the contract on program/project implementation.<sup>42</sup>

"*Start-up Subsidy*" is a form of financial support for entrepreneurs with new business ideas. The condition for eligibility is a positive evaluation of the business plan and the obligation to regularly pay mandatory pension and health insurance. Support is granted for the period of the program as long as the income of the entrepreneurs remains under EUR 25,000 within that period. The application may be renewed every three years. Following the approval of the business plan, program participants receive a monthly allowance of 600 euros in the first year. In the second and third year participants receive from 360 to 240 euros per month. Payments are stopped once the entrepreneur manages to earn 25,000 euros.

In 2016, a new program of subsidies called "*Gründungszuschuss*" was introduced and it combines both of those subsidy programs. This integrated program pays entrepreneurs the minimum wage

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<sup>42</sup> <http://godinapreduzetnistva.rs/Finansijskapodrška.aspx?id=9&idjezik=1>

(otherwise received by the unemployed) plus 300 euros a month towards social contributions, over a nine-month period. After that period, the payment of 300 euros may be extended by six months if the business develops and becomes the main source of income for entrepreneurs (based on special commission assessment).

*Garage Start-up* business incubator was formed in Hamburg to support young people in creative industries. It provides numerous forms of financial and non-financial support to entrepreneurs. Incubator candidates must be unemployed young people up to 35 years of age. The support program lasts for up to six months and includes free working space for a maximum of 45 young entrepreneurs. The entrepreneurial ideas in the following fields are supported: music, film, design, television, architecture, advertising and development of software and video games. Entrepreneurs applying with their business plans and are entitled to receive a maximum of 5,000 euros of start-up capital. The amount of 500 to 5,000 euros is available at low interest rates. Loans are awarded not only based on business plan criterion, but also based on project innovativeness. In addition to financial resources and the free use of space for a time period, key component of this support is professional expert advice, training and weekly seminars on different topics. In addition to free basic counselling service for entrepreneurs, additional training is available at a price of 10 euros per hour for up to 12 weeks and offered in areas such as: advertising and distribution, accounting, business administration, and the like. This development centre is well connected with the business community through a network of professionals who provide education, organize seminars and training. It is also connected with the network of incubators in other German cities. Statistics show that almost 90% of the selected candidates manage to realize their business projects, and 80% manage to keep jobs after six months, which is the duration of support.<sup>43</sup>

#### 4.5. Belgium

Belgium has developed models for financing of entrepreneurship in the creative industry, the most important being *CultuurInvest* and *St'Art Investment Fund*. *CultuurInvest* was founded in late 2006. It is an independent investment fund managed by the Regional Investment Company of the Flemish Region. Its main objective is to invest in companies that offer products or services in

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<sup>43</sup> <http://www.germaninnovation.org/resources/entrepreneurship-funding/state-resources>

creative industries. *CultuurInvest* is primarily oriented towards entrepreneurs focused on commercial development and growth and have been able to attract additional co-financing by other private investors and banks. The Fund invests in a number of creative industry activities such as: new media and computer games, audio-visual sector and digital design, music industry, concerts and fashion design, print media and graphic design, publishing, cultural and performing arts, advertising, architecture and the like. *CultuurInvest* helps entrepreneurs and companies in the creative industries by providing loans or loan down payment. Loans are more aimed at beginners, while investing is aimed at well-developed business ventures, in which case the maximum period for return on investment is 5 to 7 years. In addition to financial support, the Fund offers the possibility of support and mentoring for borrower entrepreneurs. *St'Art Investment Fund* specializes in long-term financing of entrepreneurial projects in culture and creative industries. The Fund provides financing in the form of loans and investments. It performs its function in cooperation with the regional investment funds, complements other existing financial mechanisms and possible public subsidies and does not replace them. The capacity of the fund is 17 million euros. Shareholders include the region of Wallonia, the Wallonia - Brussels Federation and the Regional Investment Company of the Brussels-Capital Region.

#### ***Mikser House as a Form of Support to the Creative Industries in Serbia***

*Mikser House* is a multidisciplinary platform that encourages the development of creative economy in Serbia. It connects cultural, educational, and commercial activities in a multifunctional space - a creatively transformed old warehouse. *Mikser House* has become recognized as a regional design centre dedicated to the development and advancement of talent in the region. It offers a wide range of cultural activities - exhibitions, lectures, promotions, concerts, panel discussions, workshops, festivals, theatre performances and educational programs, in collaboration with various partners. Its integral part is the Balkan Design Store, a curated selection of the best local and regional designers and their handicrafts.<sup>44</sup> Although this platform supports the development of entrepreneurship in the creative industries, it however does not include financial aid. In this sense, it does not integrate all the elements necessary for the stimulation of creative industries.

#### **4.6. The Netherlands**

The Netherlands is recognized as a successful example when it comes to the development of incubators in the creative industries. Thus, for example, in Rotterdam, an old silo is transformed into a business incubator for creative industry companies ("Creative Factory"). The city has invested 6 million euros in the premises. This project is one of the first incubators of its kind in

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<sup>44</sup> <http://house.mikser.rs/en/about-us/>

Europe. The incubator provides space for over 70 companies in the creative industries. "Creative Factory" has been recognized as a centre of creative industries in this country. It enables all entrepreneurs to grow rapidly thanks to partnerships with companies, educational institutions and governmental agencies. It partners with commercial banks, accounting and consulting service companies, marketing agencies, universities, colleges and similar institutions providing vocational education, real estate agencies, nongovernmental organizations and the Rotterdam Philharmonic.

#### ***Smart Office Incubator***

*Smart Office* is an incubator located in the centre of Belgrade, offering office space with 30 desks and two conference rooms. It is tailored to start-up enterprises, entrepreneurs who work from home, freelancers and small teams who need functional work space at truly flexible terms. The incubator offers virtual office solutions and other logistical support to the business. Apart from office space and virtual office solutions, additional internal or outsourced services offered are: legal services, accounting and translation services, transportation, postal and courier services, booking airline tickets, hotels, restaurants and large office space, and the like. The incubator cooperates with experts in marketing, consulting, public relations, human resources, event management, and real estate and can put young people starting business in touch with people of proven experience.<sup>45</sup>

"Creative Factory" provides services for 74 companies. Some operate in a separate space and most in the open space hall for 3 to 12 companies. Thanks to the contribution of partners, creative industry entrepreneurs are able to rent space at an affordable price. The price is formed per rented desk (instead of per square meter of office space) and is 111 euros per person per month, inclusive of all associated costs: heating, electricity, internet, security system, services of the information desk and the use of meeting rooms and training rooms. Interestingly, the business incubator is now operated by a private company that rents the building from the city of Rotterdam.<sup>46</sup>

#### **Business Technology Incubator of the Technical Faculty in Belgrade**

The incubator was established as a partnership of four technical faculties of the University of Belgrade (Civil Engineering, Mechanical Engineering, Electrical Engineering, and Technology - Metallurgy), Palilula Municipality and Democratic Transition Initiative, and supported by the Organization for Security and Co-operation in Europe. The goals of this incubator are:

- Creating an instrument to support young, technically educated people to start and develop their own business, create financial wellbeing and remain in the country;
- Creating conditions for direct commercialization of the results of scientific research by professors and faculty researchers, through establishing their own businesses;
- Creating new small and medium-sized enterprises (SMEs) in the field of advanced technologies.

The essence is in providing support in the early stages of business development, covering part of the costs (rental of office and research space, technology and telecommunications infrastructure), administrative assistance (legal regulations, accounting, etc.) as well as business consulting (business plan, management,

<sup>45</sup> <http://smartoffice.rs/en/>

<sup>46</sup> <http://www.creativefactory.nl/>



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marketing). Three lines of activity are defined: Pre-incubation stage (includes education and training programs and ongoing consulting and mentoring program for final year students and graduates at technical universities so they can start their own business), the stage of innovation development (the final stage of the research processes for development and commercialization of new products and services, technologies and prototypes, in knowledge and technology transfer from the university), and the incubation stage (helping small start-ups in the early stages of development).

During 8 years of operation, the incubator has achieved the following results:

- 620 students have been trained,
- 300 young people have been engaged at the incubator and the companies-tenants,
- 56 small businesses are members of the incubator,
- 45 innovations have been developed,
- 10 patents have been declared,
- 3 networks / clusters have been established,
- 1 service centre has been developed - a set of legal, accounting and services in business planning (developing market research and intellectual property protection)
- 1 project centre has been established.<sup>47</sup>

*Cultuur-Ondernemen* is a Dutch foundation that, among other things, provides support to entrepreneurs in creative industries by: securing favourable loans, providing business advisory services and mentoring, organizing training and education, market development and networking, etc.

The Foundation financially assists the development of arts and cultural sector, in cooperation with the Amsterdam Fund for the Arts, and Triodos Bank. In 2013 they launched a joint credit program *Amsterdamse Cultuurlening* (Amsterdam Loans for Culture). The maximum loan amount is EUR 50,000. The loans are designed for independent artists and companies in the field of culture for: procurement of equipment and exhibits, holding exhibitions, visits to trade fairs and festivals and the like.<sup>48</sup>

#### **Nova Iskra Design Incubator**

Nova Iskra design incubator was founded in 2012 in Belgrade by a group of managers and entrepreneurs in culture with diverse, extensive experience on local, regional and international projects. The incubator offers three main levels of activity: providing co-working space; educational programs and projects in the field of creativity, innovation and socially responsible design; and services and training programs in the field of creative businesses. The activities are intended for modern companies and clients, designers and entrepreneurs. The incubator supports young designers from different areas by providing fully equipped work space for 20 members at favourable terms. The innovative incubator platform implements various educational and social development programs. Nova Iskra works and cooperates with many private and public institutions, as well as with ever-growing network of over 250 creative individuals from Southeast Europe. All collaborators are part of one of three different membership networks. *Designers' Lab* is the smallest network with the strongest relationships consisting of up to 20 designers of different profiles. They are selected every

<sup>47</sup> <http://www.bitf.rs/cms/item/about/en.html>

<sup>48</sup> <http://www.cultuur-ondernemen.nl/>



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December on the basis of open competition. They have the opportunity to use the benefits of Nova Iskra work space based on monthly subscription fees. *Designers' Lab* is designed to support young creative people at the beginning of their careers and in need of professional workspace to exchange experiences and meet with potential clients and industry representatives. *Creative Hub* is the widest community of over 250 creative professionals from various disciplines - from web design or coding, through designing products and services, to interior design, architecture, visual communication, branding, packaging design and interactive content development. *Industry Hub* gathers SMEs in the fields of business and manufacturing. In cooperation with the members, it organizes training programs, study visits for designers, and professional exchange, and thus helps local companies pave their way to international markets.<sup>49</sup>

#### 4.7. Finland

Finland was among the first countries in Europe to introduce a strategic approach to the development of creative industries, in terms of detailed strategies, action plans, and criteria for economic effects evaluation.

Strategic development of creative industries in Finland started in the late 1990s. A steering group was first formed to support the creative industries. The group members were representatives of line ministries (Ministry of Education, Ministry of Trade and Industry, Ministry of Finance, Ministry of Labour), government institutions (Arts Council of Finland, Finnish Funding Agency for Technology), universities and companies. In 1999, the working group adopted the Report with the Action Plan for the Development of Creative Industries. As a result, several programs for the development of creative industries were successfully implemented (e.g. Digidemo Program in 2002).

Finland is a good example in the sense that it has developed a process for monitoring and evaluating the effects of policy for development of creative industries. The analysis of the economic effects of the activities was made by establishing a working group in 2005 to assess the economic impact of culture. Its report from 2008 served as the first planning document for creative sector development in Finland.

The Development Strategy of Entrepreneurship in the Creative Industries Sector until 2015 was subsequently adopted, as was the Strategy of Economic Development of the Creative Industry 2008-2011 as well. Also adopted were the accompanying programs (Program for the Promotion of Exports of Creative Goods and Services for the period 2007-2011, and the National Program

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<sup>49</sup> <http://novaiskra.com/en/programs>

for Development, Growth and Internationalization in the Creative Industries 2007-2013). The aim was to promote and encourage the development of creative industry entrepreneurship. Creative industries are included in the Europe 2020 Strategy, the Finnish national program, and are one of the priority programs of the Government.

In 2012, coordination and cooperation between ministries, at regional and local level was strengthened. A network of regional creative industries programs was initiated, linking regional activities at the national level. One of the most popular events organized by the Network enables cross-sectoral linking and networking of companies of creative industries companies. This is the key event for small businesses and entrepreneurs.

The Creative Industries Finland was launched in 2008 as an umbrella program for the national development of smaller projects. It provides information (statistics, news) for policy makers and players in the field of creative industries. Annual events and workshops provide platform for networking and coordination of development activities at national and international level. The project is coordinated by *Aalto University School of Economics*, Centre for Small Enterprises, in cooperation with the City of Tampere, the Finnish Foundation for the Study of Cultural Policy.

Finland has developed a network of advisory centres to support entrepreneurs in the creative industries. The Refinery model offers advisory services to creative entrepreneurs for up to five days per entrepreneur. The Refinery experts meet with entrepreneurs, discuss conditions for business development and help them find advisors who can provide necessary long term expert assistance. Within the Refinery, a national network of advisors has been created. The system is integrated in 15 centres for economic development, transport and environmental protection.

Several projects funded by the EU are currently under way in Finland. They aim to link the creative industries and other industries. For example, Kaleidoscope project in Finland creates a network of cooperation and innovation between the creative industries and the maritime and metal industries. Synergy project is designed to create growth and jobs through the creation of inter-sectoral cooperation. *Kainuu* region in Finland focuses on new business models of cooperation between the creative industry, food processing industry and tourism.<sup>50</sup>

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<sup>50</sup> [http://ec.europa.eu/culture/library/publications/cci-policy-handbook\\_en.pdf](http://ec.europa.eu/culture/library/publications/cci-policy-handbook_en.pdf)

### 3.8. Estonia

Estonia stands out as a country that has an interesting model of incubator development in the creative industries. Incubators are formed by local governments and educational institutions. The EU funds cover investments in infrastructure, equipment and part of the running costs. The incubator in Tallinn was opened in 2009 and is one of the three incubators managed by *Tallinn's Business Support and Credit Management Foundation*.

The main goal of the incubator is to increase the competitiveness of small and medium enterprises through the creation of basic infrastructure: mechanisms for cooperation and participation, development and support of exports. The incubator is located in a building that is owned by the state, and currently houses more than 30 start-up companies in all creative fields. Most companies operate in the field of fashion design, interior design, architecture and 3D / 4D animation. The creative incubator in Tallinn was named the second-best science-based incubator in 2010 which successfully combines entrepreneurship with creativity and culture.

*Tartu Centre for Creative Industries* was founded in 2009 by the City Council of Tartu. The centre coordinates creative industries in South Estonia and provides entrepreneurs in the creative industries the services of legal and economic consulting, training and incubation (post launch support) and pre-incubation services (formulation of business plans, etc.). Tartu Centre houses 40 companies employing about 100 workers.

#### **Creative Industries Cluster of Vojvodina**

The cluster was established in 2010 in Novi Sad, with the aim of influencing the creation of conducive environment for the development of creative industries in Vojvodina and the region. The founders and members of the cluster are public and educational institutions, entrepreneurs, SMEs, companies and individuals, artists and creators from the creative industries. The main activities include:

- Contacts and networking with local and international partners;
- Links with other industries and multidisciplinary cooperation;
- Access to funding and implementation of projects;
- Strengthening entrepreneurs and their export potential;
- Improving competitiveness through development and improvement of products.

Creative Industries Cluster of Vojvodina organizes a national competition for Serbia within the *Creative Business Cup* - an international competition of creative entrepreneurs from over 40 countries worldwide. The competition is an opportunity for creative entrepreneurs and teams to increase business knowledge, get promoted by this global platform and increase the chances to improve or start a business based on creative ideas. The national competition for Serbia includes the search for the best creative business concept that will represent Serbia at the international finals in Copenhagen, Denmark. In addition to numerous workshops and promotional activities, the competitors compete for a prize pool of \$ 50,000. This international competition



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is organized since 2012. Serbia joined it in 2013 by organizing the first national competition and went on to take part in the global finals.<sup>51</sup>

Support programs for the creative industries are the mandate of a special institution called *Enterprise Estonia*. All the programs are coordinated by the Ministry of Culture and the Ministry of Economy and Trade. Support programs include:

- support to clusters (film industry cluster)
- export and marketing programs support (*Tallinn Music Week, Black Market*),
- programs of development of skills and knowledge,
- awareness programs, and
- promotional programs for creative entrepreneurship (*Creative Estonia Initiative*, support for innovation, and such).

#### ICT Hub

*ICT Hub* is a centre for the development of technological entrepreneurship which is a part of Zvezdara Science and Technology Park in Belgrade. It helps technology entrepreneurs in successful product development and enables the transition to funding stage and market entry. Young people are offered a modern working space and full mentoring, technical and infrastructural support to turn their ideas into a successful business. There are 50 workplaces available around the clock, conference room, small meeting room, a basic package of hardware and software platforms, all necessary office equipment and supplies, internet, space for leisure activities, as well as co-working space, parking and staff for all operational, technical and program issues. The price of training programs for entrepreneurs and use of space is 300 euros for six months. The price of the *hub* services for those without registered companies is 65 euros per month. Although the *hub* provides basic support for future entrepreneurs, it is uncertain whether they will get to the point of registering their own company. In this context, not every young person will become an entrepreneur after the program.<sup>52</sup>

In addition to the creative industries, Estonia is also an example of good practice in the ICT. Since 1998, when the first policies in the field of ICT were implemented to date, Estonia has introduced institutional support measures pertaining to various aspects of e-business and building portals for electronic payments via the internet. Estonia 2020 strategy defined the key areas of action to develop IT entrepreneurship:

- Establishing incubators and funds for financial support and mentoring services for technology start-up companies;

<sup>51</sup> <http://www.kvik.rs/en/industries>

<sup>52</sup> <http://en.ictHub.rs/>

- Creating a digital business environment and the introduction of electronic procedures for starting a business, paying taxes, electronic signature, etc.;
- Access to finance, through the establishment of a fund for financing the development of prototypes in electronics;
- Establishing educational platform for digital acquisition of knowledge and skills;
- Development of entrepreneurial culture and the organization of competitions for young entrepreneurs to set up innovative enterprises.

### 3.9. Bulgaria

Bulgaria is an excellent example of a country in the region that stands out by its accelerator *Eleven*, founded in 2012 in Sofia as a technology incubator and venture capital fund for early stage investments. The accelerator provides mentoring support for young entrepreneurs through its partners, as well as the critical early stage financing. This incubator has at its disposal 12 million euros of funds provided by the European Investment Fund through the *JEREMIE* program. *Eleven* is one of the biggest investors for early stage development of entrepreneurial ventures in Central and Eastern Europe.

#### Investing in Entrepreneurial Activities in Serbia

Serbia currently does not have any accelerators, or incubators which identify entrepreneurs or options for their funding. *Theist hub* is intended to be transformed into an accelerator in the next few years. In addition to space and a certain type of additional services (mostly mentoring and advisory services), a business accelerator should provide initial investment for entrepreneurs.

In addition to state support, investment funds and so-called business angels act as financiers of entrepreneurial ideas in Serbia. The Serbian Business Angels Network is an organization which connects business angels (individuals ready to invest in new business ideas and projects) and entrepreneurs with a developed business plan and a team of people ready to implement the idea and develop a business project. Business angels are rarely connected with the company. Before they invest, they often gain experience in the same industry or sector. Most business angels invest for financial reasons. However, there are other motives for investment, for example, active participation in the entrepreneurial process, or satisfaction of achieving investment success.

Innovation Fund<sup>53</sup> aims to encourage and finance innovation in priority areas of science and technology. It supports small and medium enterprises which develop innovative technologies. Both investment funds and business angels are important, but are still underutilized resources. Also, information about connecting with sources of funding is often unavailable to entrepreneurs. Accelerators could be that important missing link. The problem of financing entrepreneurial ideas would be solved to some extent by adopting the Law on Microcredits customizing credit lines to those who start their own business.

<sup>53</sup> <http://www.innovationfund.rs/>

An accelerator has a wide range of tools to support the necessary infrastructure, thanks to collaboration with global companies such as: *Microsoft, Amazon, IBM* and *Google*. *Eleven* is a member of *GAN - Global Accelerator Network*, the community of globally recognized organization that funds the creation and growth of start-up companies. It has built strong links with start-up hubs across Europe and North America. Entrepreneurial ideas accepted in *GAN* accelerators have access to a variety of exclusive benefits, including over a million dollars' worth of free services, access to a network of investors and access to free work spaces around the world. *Eleven* annually supports nearly 50 start-up companies within its accelerator program. The support includes mentoring, office space and providing critical financial resources. The incubator supports innovative ideas in the amount up to 100,000 euros.

The program starts by "acceleration phase" lasting 3 months within the office space offered to entrepreneurs by *Eleven*, while they receive advisory support of mentors and partners. During this period, entrepreneurs go through a very intense process of designing and building ideas. Acceleration phase culminates during the *Demo-Day* in Sofia. In the second year, activities are focused on improving the product or service.

Trips to London, Berlin and the Silicon Valley in the United States are organized every year, in order to familiarize entrepreneurs with potential investors, clients and partners. At this stage, entrepreneurs commercialize their product or service, with an emphasis on meeting the demands of the global market. *Eleven* can provide additional investment amounting to 200,000 euros, often in conjunction with other investors. *Eleven* offers a minimum equity share of 6-8%, with overall share up to 25%.

The accelerator has a network of over 150 mentors and partners who bring practical knowledge and global experience in business. This accelerator engages mentors from all walks of business (technology, finance, marketing and public relations, sales, etc.) Engagement of entrepreneurs who can convey personal experiences is of special significance. Mentors focus on entrepreneurs in direct quarterly meetings, and then during one hour weekly meetings via telephone, Skype, video conference or face to face with entrepreneurs whose ideas are particularly interested. Mentoring process is not time-limited.

### 3.10. Israel

Israel is one of the leading countries when it comes to establishing business incubators to help start-up companies. Israel has a strong innovation and entrepreneurial culture. It is often called a start-up nation. It has a number of programs focused on empowering and assistance in the realization of the idea of young people. Israel is the first country in the world by the number of patents per capita and the number of technicians (25% of the workforce is employed in technical professions), and the second country in the world in the number of educated people.

In proportion to population, Israel has the largest number of start-up companies in the world, most of which are biotech companies. It is world known by extremely developed cooperation network between government, universities and research institutions, centres of industry and non-profit research organizations, in support of the development of new business ventures. There are functional frameworks for financing research and innovation, incubator programs, and operational frameworks such as *ISERD*, *Horizon 2020* and *MATIMOP*. In addition, Israel has a modern and efficient system of intellectual property protection, which encourages the development of new technologies.

Israel has a well-developed system of financing entrepreneurial ideas, based on the practice of tripartite financing with the participation of a bank (*Otsar Ha Haial Bank*), a non-profit organization *Keren Shemesh* and a non-profit fund (*Koret Fund*). The non-profit organization *Keren Shemesh* in 2006 launched an initiative for financial partnership. *Otsar Ha Haial Bank* is a national commercial bank that has managed to find its way to the largely unused but potentially significant market segment of young entrepreneurs, and to do that in a sustainable way. The third key partner *Koret* is a fund focused on the financing of entrepreneurial projects. In accordance with the provisions of the agreement, *Keren Shemesh* subsidizes bank loan and borrowing interest rates and borrowings together with the *Koret* fund. *Keren Shemesh* also provides the necessary loan deposits that the bank demands from entrepreneurs. *Keren Shemesh* also provides non-financial support to entrepreneurs in the process of writing business plans and preparation of the necessary documentation.

The division of risks and responsibilities among these three entities creates a sustainable source of financing for young entrepreneurs and strengthens their creditworthiness. The average

sustainability rate of companies supported in this way amounts to 20% after five years, while *Keren Shemesh* seeks to achieve a sustainability rate of about 70% over the coming years. Each applicant for the loan individually negotiates terms of the loan with the organization *Keren Shemesh*.

Through this partnership, the users become bank clients. This is an important step in achieving financial independence of young entrepreneurs. Loans of up to \$ 24,000 are available to young entrepreneurs for a repayment period of 3 to 5 years, with grace period of 3 to 6 months. The interest rate is below standard and set in the agreement for each individual entrepreneur, while *Keren Shemesh* subsidizes additional interest costs. *Koret* fund provides 16% of deposits for each loan, which is required by the bank in accordance with the terms of the partnership. The Bank assumes 30% risk of each loan, while the remaining 70% is shared by *Keren Shemesh* and *Koret*. *Koret* fund finances its role in the scheme through its “*Small Business and Micro Enterprise Loan Funds Program*” which provides funds for lending to micro and small enterprises, designed to provide loan guarantees and subsidized interest rates to facilitate the financing of micro and small enterprises with no access to credit on reasonable terms.

The organization *Keren Shemesh* directed its activities towards entrepreneurs aged 20 to 35, who have the initiative to register a company or who have been formally registered for less than 12 months. Priority is given to young people who are: unemployed, ineligible for financial aid through standard banking channels, belonging to minority and other ethnic and vulnerable groups, including women, and who are planning to set up a company in rural areas.

*Keren Shemesh* organization is responsible for the selection of candidates and evaluation of loan applications. The representatives of the organizations conduct business plan feasibility checks. Eligibility for funding is estimated by a credit committee composed of two or more external representatives who are volunteers, and one representative of *Keren Shemesh*, who is responsible for final approval. External members mostly come from the ranks of senior management with significant relevant experience in the field of entrepreneurship. The selected entrepreneurs are expected to have at least one guarantor with monthly earning of at least minimum wage, who has been employed for at least a year. This condition is justified by the need to instill the responsibility for others in the entrepreneurs.

Every entrepreneur must be able to allocate funds in the amount of 15% of the loan when applying. If the business is a partnership, the entrepreneur must have at least 50% of the voting shares. The fund is responsible for managing the loan portfolio and sending a monthly report to *Keren Shemesh*, stating the total amount of the loan, interest and other financing costs, as well as some other items.

A key partner that provides support to *Keren Shemesh* organization is *Matti*, a network of entrepreneurial centres within the Ministry of Industry of the Government of Israel. *Matti* provides business support and guidance to the entrepreneurs who turn to them towards *Keren Shemesh* if they fit the profile and are in need of funding. This support gives the organization *Keren Shemesh* a national importance and coverage. The average loan amount is \$ 20,000, and between 1.5 and 2 million dollars in loans have been disbursed over the last few years. Since establishment in 2006, the largest number of loans approved was in 2009, while the smallest number of applications was recorded in 2010; 2012 saw a slight increase and 2015 was the year of significant increase as shown in Table 10. If the young entrepreneur does not get funding opportunity through this program, *Keren Shemesh* implements an additional bilateral partnership with the non-profit organization *IFLA*, which provides interest-free loans to vulnerable individuals, businesses and non-governmental organizations, for who this remains the only choice.

*Table 10 Distribution of loans in the period 2006-2015*

Year	Number of loans	Loan approval rate
2006	413	18%
2007	710	
2008	596	
2009	470	
2010	120	31%
2012	180	
2015	370	

Source: <http://ksh.org.il>

In addition to financial support, the organization *Keren Shemesh* provides non-financial support in the form of mentoring programs. When applying for loan, each entrepreneur gets a mentor. The organization brings together a network of 250 volunteers from the local business community, providing mentoring for an average of 5 hours per month over a period of 2 years. Three Israeli universities have supported the development of mentoring programs. The university lecturers run various trainings. *Keren Shemesh* organizes an introductory seminar, monthly meetings,



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networking clubs, quarterly online trainings, a variety of special events and the like. Every entrepreneur is entitled to advisory services for up to 7 hours, and to 40-hour, ten-week course in business management and marketing.

## 5. Analysis of the Attitudes of Young Entrepreneurs Expressed in Focus Groups

### 5.1. Focus Group Participant Selection Methodology

To get to the total number of entrepreneurs in Serbia in the category of young entrepreneurs in the selected economic activity sectors, we used the SBRA database. The database includes young entrepreneurs and companies whose founders or legal representatives are young people (born in 1983 and younger). Three economic activity sectors particularly considered as subject of analysis were: services in agriculture, creative industries and information and communication technologies.

**Business companies.** According to the SBRA data, at the end of 2015, the selected economic activity codes were registered with 1,209 companies, of which 1,138 (94%) had the status of active companies, while 71 company (6%) had inactive status (Chart 4, Annex 2). Of the total number of inactive companies, 68 of them (96%) were in the process of liquidation, while the other 3 companies launched bankruptcy procedure which is still ongoing (Chart 4, Annex 2).

The total number of registered businesses in the surveyed activities has an equal share of those registered in the creative industry (557) and those in information and communications technology (560), 46% each. In services in agriculture, only 92 companies were registered, accounting for a share of only 8% of the total number of analysed companies. Looking at the form of organization, by far the most numerous are limited liability companies with a share of 95%, or 1,146 out of 1,209 registered businesses (Chart 5, Annex 2).

Of the total of 557 companies registered to perform economic activities in the creative industries, 223 (40%) were registered as advertising agencies. There is a significant share of motion picture, video and television program production activities (12.7%), television programming and broadcasting activities (12.2%) and book publishing (10.8%). Motion picture, video and television programme distribution activities is not performed by any commercial company whose founder and legal representative is a person under 32 years of age. Categorization of companies by economic activity codes within the creative industries is shown in Table 11 (Annex 2).

According to the SBRA records, the number of registered companies to perform activities in information and communication technologies is 560. Of the total number of registered in this activity, as many as 341 (60%) are registered for performing computer programming. There is

equal participation of around 9.5% of the companies registered for computer consultancy activities (53) and companies working in cable television (52). There are no registered companies for the news agency activities, (Table 12, Annex 2).

Of the total of 92 business companies registered for performing of services in agriculture (support activities to agriculture), 40 of them (43.5%) were registered for support activities in crop production. There is a significant participation of veterinary activities (29.3%) support activities for animal production (20.7%), which can be seen in Table 13 (Annex 2).

Broken down by geographical distribution, slightly more than half (53%) of companies are registered in Belgrade (644). The region of Vojvodina follows next, with 286 registered businesses (24% share). In Šumadija and Western Serbia, 154 (13%) business companies are registered. In Southern and Eastern Serbia that number is 118 (10%), while in the region of Kosovo and Metohija, only 7 companies are registered, which is 0.6% (Chart 6, Annex 2).

Annex 3 gives detailed presentation of the activities of companies per regions (or districts).

**Entrepreneurs.** Based on recent publicly available data from the SBRA, at the end of 2015 there were 5,344 registered young entrepreneurs within the selected economic activities. Of the total number of registered, 3,464 (65%) of young entrepreneurs had the status of active entities, while the remaining 1,880 (35%) had inactive status. Looking at the structure of the organization, as much as 5,310 entrepreneurs (99%), have the form of stand-alone operations (sole proprietorship), while the remaining 34 (1%), operate as a partnership (Chart 7, Annex 2).

Of the total number of young entrepreneurs, the highest number was registered in the field of ICT (3,271), which represents a 61% share. Within the creative industry, there are 37% of young entrepreneurs (1,954), while only 2% (119) are registered for support activities to agriculture (Chart 8, Annex 2). Such a low percentage of those registered in agriculture is certainly due to the fact that young farmers in most cases work on family farms.

Within the ICT area, as much as 69.3% are registered for computer programming jobs (Table 14, Annex 2). In other branches represented in this area, the number of registered entities stands out in computer consultancy activities (10.7%), followed by data processing, hosting and related activities (7.1%), other information service activities (5.1%) and web portals (3.1%).

Of the total of 1,954 registered young entrepreneurs in the field of creative industries, 926 of them are registered for advertising agency activities, or 47.4%. Other activities within the branch are specialized design activities (16.9%), motion picture, video and television program production activities (14.5%) and photographic activities (11.2%). Publishing of directories and mailing lists, and motion picture projection activities are not present in young entrepreneur category. Categorization of companies by economic activity codes within the creative industries is shown in Table 15 (Annex 2).

For services in agriculture, the SBRA database shows 119 registered agricultural entrepreneurs among young people up to 32 years of age. Most of them (62, or 52.1%), carries out service activities related to forestry. Higher presence of young entrepreneurs is evident also in the support activities in crop production (22.7%). In addition, a significant share of services in agriculture is that of veterinary activities (16.8%). See Table 16 (Annex 2).

Just like for business companies, the highest number of entrepreneurs is registered in Belgrade (2,444), 46% of the total number. In Vojvodina there are 1,242 registered young entrepreneurs, or 23%. The number of registered young entrepreneurs in Šumadija and Western Serbia is 918 (17%). Southern and Eastern Serbia in their districts have a total of 723 (14%) registered young entrepreneurs, while the region of Kosovo and Metohija has only 17 (0.3%). Geographical distribution of registered entrepreneurs is shown on Graph 9 (Annex 2).

Annex 3 gives detailed presentation of the activities of companies per regions (or districts).

**Focus group participant selection.** In order to have a more realistic overview of the situation in the whole territory of the Republic of Serbia, the focus groups included young entrepreneurs from urban and rural areas. The work of the focus groups was organized in Novi Sad, Pozarevac, Niš, Šabac, Sremska Mitrovica, Užice and Belgrade. The criteria for the selection of respondents were, in addition to their age, the active status in the economic activity, and duration of performing the type of work they do. In addition, there was a focus group of young entrepreneurs with experience of starting a businesses and then closing it (sole proprietorship format) due to business failure. The focus groups involved a total of 55 respondents.

## 5.2. Analysis of Views Expressed in Focus Groups

The analysis of views expressed in the focus groups in selected cities identified five key problems in starting a business and its development that are common to all young entrepreneurs. In addition, it demonstrated specific problems relating to young entrepreneurs working in the selected economic activities.

### 5.2.1 General Problems for the Development of Entrepreneurship

General problems that are cited by most young entrepreneurs - participants in the focus groups were: poorly developed entrepreneurial culture and a non-supportive business environment in the country, lack of necessary entrepreneurial skills, lack of financial resources, the level of tax burden, and the need for mentoring.

**Underdeveloped entrepreneurial culture and a non-supportive business environment in Serbia.** The prevailing opinion of the respondents is that the business environment is not sufficiently stimulating and that, generally, business environment is unfavourable for entrepreneurship. The business environment is characterized by frequent changes in regulations and inadequate control of business operations (work of inspection services, judiciary and other state bodies), as well as a significant administrative burden on business.<sup>54 55</sup>

Underdeveloped entrepreneurial culture is a social barrier to the development of young entrepreneurship. Many participants said that they did not have the support of the immediate environment (family, primarily) when making the decision to become entrepreneurs.

In the education system, especially at the lower levels of education, the entrepreneurial spirit is not developed. This especially applies to vocational schools, where young people upon completion have the option to self-initiate a business.

**The lack of the necessary entrepreneurial skills.** When starting a business, the main problem for the young entrepreneurs is lack of necessary information on company registration, as well as on regulations governing the further course of business. Participants in the focus groups indicated

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<sup>54</sup> Grey Book 8 (2016), the National Alliance for Local Economic Development (NALED), Belgrade.

<sup>55</sup> "Fiscal and Para-Fiscal Burden of Entrepreneurs, Small and Medium-Sized Enterprises (2014), Serbian Association of Employers.

that at the beginning of operation they lacked knowledge of administrative procedures, methods of keeping business records, expected level of various taxes, contributions, fees and the like. Therefore, many entrepreneurs made some omissions in the business. Entrepreneurs pointed out that, during registration procedure, they received only basic information at the SBRA. The information at the SBRA was not sufficient. They had many legal questions, as well as questions of accounting and technical nature. During registration, they did not have adequate information on how to choose the right economic activity code. The choice can have a manifold impact on the future operating conditions. For this reason, entrepreneurs in most cases rely on other people and their experiences, and the internet to make decisions. The lack of familiarity with the area often leads to selection of an inadequate economic activity code. This inherently increases tax liability. Also, many entrepreneurs did not have the necessary information about the differences in the amount of lump sum taxation in different municipalities.

**The lack of necessary financial resources.** One of the problems underlined by the participants in the focus groups was the lack of capital. Most of them started their operations using their own financial resources (savings, family support, etc.). Young entrepreneurs in the initial stages of the business do not have access to special credit lines intended for start-ups but standard loans at high interest rates and collateral cost. In addition, the entrepreneurs who have been in business for less than a year cannot apply for loans from banks or funds due to lack of business and credit history. Also, the supply of subsidized loans is not sufficient. It is evident that the local financial market lacks micro credit lines.

Lack of funding seriously threatens the potential for the development of micro, small and medium enterprises. Funds that can be provided from ongoing operations are insufficient for development investment (equipment, job creation), especially when the problem of inefficient receivables collection is added to the mix.

In general, the entrepreneurs expressed a strong need for financial market development through new models of financing for entrepreneurs, and for financial support measures by the state. They find existing programs and competitions for youth entrepreneurship development in Serbia are few and far between with inadequate national incentives.

**High tax burden.** Fiscal and para-fiscal burden in the initial phase, especially individual income tax and contributions for compulsory social insurance, is one of the key problems cited by respondents working in various economic activities. Paying taxes and contributions being a major problem in the initial stages, entrepreneurs expressed the need to be exempt from these payments for a period of six months to a year. They find that it would be fair to have a defined period of operations tax free and / or a period of significantly reduced taxes and contributions.

High taxes and contributions for entrepreneurs from the moment of registration causes misreporting of the full amount of wages that are actually paid. In particular, in the case of business companies, gross wage is reduced by almost 70% toward taxes and contributions. The expense this high discourages potential entrepreneurs who are considering registration of their activities. It increases in the number of those operating in the shadow economy.

In addition, entrepreneurs who are not registered as business companies, stated that calculation of income tax is often a problem. If there is a business volume decrease, they are required to keep paying tax for previously estimated level of income. Only after six months can they apply for adjustment. In case of overpaid taxes, company funds remain blocked, without refund option. Instead - official tax records just show overpayment. Also, applying for a refund initiates the visit of tax inspection. For intermittent business due to patchy demand (often the case in the creative industries) it is impossible to suspend entrepreneur status temporarily. Tax keeps being levied during the slow business periods with no inflow of funds.

When considering this area, it is important to emphasize that there are significant differences in the level of lump sum income for taxation by different municipalities in Serbia.

**The need for mentoring.** Scarce entrepreneurial knowledge and skills imparted in formal education adds significance to mentoring, especially in the initial stages. Participants in the focus groups pointed out that formal education in Serbia does not provide practical knowledge that can help young people start their own business. Even the participants who are economics and management graduates, did not get the necessary knowledge and skills to formulate a business plan. This prevented some of them to apply for financing.

In doing business, respondents reported missing the necessary skills in: leadership and teamwork, presentation, communication, negotiation, etc., and expressed the need for non-formal education to acquire these skills.

Mentoring should include counselling prior to registration of companies, including writing a business plan and providing access to information on all the elements which are a part of the business process. A number of the participants applied for the training programs organized by the National Employment Service of Serbia. They were dissatisfied with these programs as they did not receive the knowledge, skills and information they needed.

### **5.2.2 Problems Related to the Selected Type of Business Activity (Economic Activity)**

The responses of entrepreneurs from the selected types of business (economic) activity defined problems faced by sectors:

#### **5.2.2.1 Information and Communication Technologies**

This field is specific for the fact that most entrepreneurs already work for a number of clients (mostly from abroad) before they formally register. This boosts their confidence about business going forward and provides initial funding. There are two types of companies in this field: companies offering programming services tailored to specific client needs, and companies developing products for the market (applications, games, etc.). This difference results in different initial funding needs. Companies that develop products face product development financing problem and have a far greater need for financial support.

In this area, it was noted that there is offshoring of companies (registering abroad for favourable tax treatment).

Operating costs in this field are additionally increased by the impossibility of direct import of equipment. The regulations stipulate mandatory Certificates of Conformity (CoC) for the import of technical equipment. The CoC application process considerably raises the costs in case of low import volume. Therefore, the equipment is procured exclusively from registered importers, which

increases the costs. In addition, if there is no company that sells specific equipment in Serbia, it is very time-consuming and complicated to import it.

One of the problems in this sector is shortage of qualified staff. The universities in Serbia do not educate a sufficient number of students of information technologies (the issue here is the enrolment quota set by the Ministry of Education, Science and Technological Development). Novi Sad respondents pointed out the example of the Faculty of Technical Sciences in Novi Sad. The faculty increased enrolment quotas for non-IT tech degree programs. After graduating in non-IT programs, the students retrained to work in the IT. It is notable that many of our respondents in this sector had no primary formal education to work in this sector. They got retrained through non-formal education. They find the university curricula outdated and not tailored to the economy. Consequently, they do not train young people for real life workplace.

Although Serbia has incubators supporting young entrepreneurs in the field of ICT, the participants do not consider them sufficiently profitable. They do not see any specific benefits from initiating business within the incubators. The office space in incubators comes at a charge which, in the opinion of the respondents, is not at all favourable, while additional services provided are inadequate (Novi Sad focus group).

Electronic payment systems are underdeveloped in Serbia (*PayPal, Stripe*), unlike other countries in the world. This obstructs business as majority of clients in this sector are foreign companies. Consequently, the local companies in this sector started opening representative offices in neighbouring countries to execute necessary financial transactions.

### 5.2.2.2 Creative Industries Sector

Creative industries include a wide range of activities: publishing, print media, graphics design, advertising industry, music industry, film industry, design, radio and television.

The respondents in the field of **audio-visual production**, highlighted the problem in the implementation of the Regulation on Incentives to Investors to Produce Audio-visual Work in Serbia<sup>56</sup>. They pointed out that the foreign investors tax refund procedure is not well defined and

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<sup>56</sup>Off. Gazette of RS, no. 72/2015.

very complex to execute. As a result, there are cases when the funds have not been returned. This is bad business for entrepreneurs, and reduces the number of potential clients.

Nonexistence of incentives for local audio-visual production is a problem in itself. In addition, there are no incentives for local companies that bring foreign investors.

Serbia does not provide education for specific professions in audio-visual production, and entrepreneurs are forced to recruit from abroad.

Another problem is obtaining film permits for public places.

Respondents in **applied arts** who create unique handmade items pointed out a general lack of state support for this activity. They see copyright protection as a major problem in all artistic fields. Many do not have the necessary information about copyright protection; Those who have inquired about it believe copyright of unique art objects is unprofitable. They describe the procedure as time consuming and very complicated.

Since Serbia in general does not have an active market for handmade art products, enabling access to foreign markets for young artists is key (organizing fairs and visits to trade fairs abroad, exhibitions, study tours, etc.).

Young designers identified the lack of marketing knowledge as a limiting factor for their growth. They expressed the need for mentoring in this area.

The lack of financial resources to rent office space is also an issue for the creative industries entrepreneurs. Local self-government could incentivize the associations of young designers and artists in general by identifying premises suitable for their operation.

As for the legal status of independent artists, the respondents stated that the status of independent artists deteriorated compared to the previous period (decrease of funds for exhibitions, shortage of artist studio spaces, etc.). Having a legal status of an independent artist prohibits setting up of a company since municipalities are obligated to pay taxes and social contributions for persons with independent artist status (the legal minimum is paid). Municipal payments for taxes and contributions are late so Tax Administration records show unsettled tax debt. This prevents

independent artists from exercising their right to public health services. It poses a problem if later they wish to give up that status and start their own business.

In the field of creative industries there are interest groups or organizations to push the agenda of entrepreneurs within specific types of economic activity.

The respondents indicated that Serbia does not have a developed system of online shopping and return of goods, making business with foreign companies difficult. They also pointed to certain technical limitations: international package postage is expensive, there is a risk of damage to the package contents etc. For this reason, the majority of entrepreneurs from different artistic fields operate exclusively locally and do not see a possibility to grow their business.

### 5.2.2.3 Services in Agriculture

Most respondents in some type of agricultural economic activity have registered agricultural holdings (farms). The participants emphasized being insufficiently informed about their rights and obligations as owners of agricultural holdings. They see a manual ("info pack") with necessary and relevant information as a welcome assistance.

Next, they see as unnecessary the annual repetition of farm registration procedures, presenting additional administrative and financial burden. They feel the deadline for farm registration (by April 31) should be pushed forward to the end of the year. A particular administrative burden is the cost of obtaining a pledge statement and its registration in the cadastre. The same is true for the mortgage release.

Getting certified for organic production is extremely expensive. It requires extensive preparation of documents to be submitted to the authorized certification companies. Also, the renewal of the certificate is a significant cost burden for producers. State subsidies in this area are assessed as a very useful incentive measures.

The respondents emphasized that agricultural extension (farm visits by agronomists or agricultural consultants offering expert advice) would be of major significance. The state should act proactively: extension services and inspectors should visit farms to identify potential regulatory

compliance issue and provide appropriate recommendation. Only failing to implement recommendations should be legally sanctioned as regulatory violation.

In addition, the respondents pointed to the problem of inadequate state land allocation for lease. The farmers get the land that is quite far from their place of residence, often untreated or covered with forest. In addition, large investors get to lease 30% of state-owned land on more favourable terms compared to small agricultural holdings. Respondents expressed the necessity to amend the provision by which a large investor gets to lease up to 30% of the land of a local self-government for a period of up to 30 years, while other entities are entitled to lease for the period up to 25 years. Also, there are no special state incentives for young people who want to start working in agriculture.

The lease of state-owned land should be paid retroactively, and not in advance. The terms of lease of state land at the municipal level should be made uniform.

Most entrepreneurs in agriculture are unable to expand capacity. They are unable to meet the existing market demand for their products.

The existing loan offer for farmers is limited and insufficiently stimulating.

A major problem for organic production entrepreneurs is the mismatch of the list of permitted chemicals for organic production in Serbia and the EU. Also, Serbia does not have the technology for organic production. This technology is very expensive to import. Tools for organic production are also inaccessible (they are not manufactured locally, and expensive to import in small quantities).

Respondents engaged in animal husbandry pointed out that the state legal framework for meat quality is not defined well; poor quality meat unfit for consumption is imported, damaging the local supply. They suggested that the sales channels should clearly indicate the origin of meat. The program of animal health protection measures also poses a problem. Serbia imports non-vaccinated pigs, increasing the risk of infectious diseases (such as swine fever).

It is noteworthy that conversations with respondents in this area led to the conclusion that their business is conducted at the verge of viability (excluding the costs of salaries of household



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members). The main reason for this is the size of farms (usually small, an average farm size in Serbia is 4.5 ha).

## 6. Proposed Measures for the Development of Youth Entrepreneurship

### 6.1. General Recommendations

#### 6.1.1. Develop an Entrepreneurial Culture and Climate

1. It is necessary to **develop entrepreneurial culture and raise the profile of entrepreneurship** in general. It is necessary to develop social awareness on the contribution of entrepreneurs to overall economic development and promote entrepreneurs as the key creators of new jobs. Entrepreneurs are, by definition, people with vision and potential to turn their ideas into reality. An environment that undervalues entrepreneurship and misunderstands the issues faced by entrepreneurs, becomes a part of the problem. Change of the societal value system and strengthening the entrepreneurial culture are necessary to motivate young people to embark on this journey. Supportive environment is paramount for the success of entrepreneurial ventures.
2. **Cultural acceptance of failure** as a frequent potential outcome of entrepreneurial ventures needs to be cultivated too. Fear of failure and disrespect of the community appears as one of the factors discouraging young people to start their own business.
3. **Improving entrepreneurial culture involves change of the existing values and attitudes** in our society towards starting a business, willingness to work hard, take risks, partnership, work and business ethics. A positive shift requires, in addition to the education system, **incentivizing of direct action to be taken by several segments of society (interest groups): the private sector** (entrepreneurs, corporations with socially responsible activities, business associations, various foundations, etc.), **public sector** (government agencies, Innovation Fund, state institutions) and **civil society** (endowments, foundations, various organizations). Fostering entrepreneurial culture to inspire and motivate young people, so their projects are sustainable and have development perspective, requires many activities on the part of the actors: conferences, seminars, educational programs, discussion forums, public and private initiatives that provide access to knowledge networks, mentors, investors, networking and so on. Only intense activity of this type with the expected synergistic effect can significantly change the entrepreneurial culture.



4. **Entrepreneurial thinking** and general raising of awareness about entrepreneurship should be **encouraged, foremost through the educational system**. Entrepreneurship must be viewed as a basic set of skills that are continuously upgraded in the process of lifelong learning. It is necessary to create a comprehensive strategy that includes all levels of formal and non-formal education and all relevant stakeholders in the education process (pupils, students, teachers, professors, businesses, relevant institutions and organizations).
5. At the national level, it is necessary to clearly and transparently **promote national programs to encourage entrepreneurship**, especially youth programs (e.g. the programs that the Ministry of Economy launched in 2016: Financial Support for Programs and Projects to Support Youth Employment, Financial Support for Start-ups, Financial Support for Innovative Projects in Start-ups in the ICT, etc.).
6. **Actively involve the media** in promoting entrepreneurship through:
  - Series of educational shows on entrepreneurial knowledge and skills,
  - Promoting entrepreneurship success stories from home and abroad, particularly presenting successful young entrepreneurs (creating *role models*),
  - Covering various trade fairs, competitions, events where entrepreneurs meet.
7. To improve access to European programs for innovation and entrepreneurship development, further **strengthen capacities** at the Ministry of Economy (COSMA program), the Ministry of Education, Science and Technological Development (HORIZON 2020 program) and the Ministry of Labour, Employment, Veteran and Social Affairs (EaSI program). In this way, the young entrepreneurs would get necessary information and learn about project application procedures.
8. **Improve the entrepreneurial climate**. To develop innovativeness of the economy, a prerequisite for entrepreneurship development, it is necessary to: change management system in the field of science and innovation in Serbia, increase the level of investment in this sector, increase relevance of scientific research for the development of the economy, develop stimulating financial mechanisms and institutional framework for linking science and economy (in line with the Strategy of Scientific and Technological Development 2016/2020).
9. **Develop the model of a Youth Company**, tailored to young entrepreneurs according to their age groups. This would enable direct application of various incentives for the development of

youth entrepreneurship in different fields (temporary tax breaks, exemption from social contribution duties, access to the guarantee funds, subsidies intended for the development of certain types of economic activities, etc.) The Youth Company model should first be recognized in the Law on Business Companies, and then in other correspondent laws.

10. **Establish a fund for brain drain prevention.** The fund should be an independent organization governed by elected representatives from the scientific research, academic, and business communities. The financing of the fund would be secured on the basis of private-public partnerships. The fund would send young scientists to specializations, provide jobs, help young experts with cost of living. In return, the beneficiaries would be contractually obligated to stay and work in Serbia for a certain period. Legal acts of the fund (statutes, rules of procedure) should ensure that board members are exclusively renowned, independent representatives of the sectors which sponsor the foundation.

#### 6.1.2. **Improving the Education System and Further Development of Entrepreneurship Education**

1. **Define the new National Qualifications Framework** as the current document dates back to the 1970s and does not recognize modern educational profiles. The National Qualifications Framework is one of the pillars of the national education system reform. The education system should meet the labour market needs for trained staff. At the international level, the National Qualifications Framework is a part of the integration with the European Qualifications Framework and workforce mobility.
2. **Adjust enrolment quotas at post-secondary schools and faculties with the labour market demand for education profiles.**
3. **Entrepreneurship education** should be **introduced in curricula** for as many educational profiles as possible, at different levels of education (elementary, secondary, post-secondary school, faculties). In accordance with best practices, for some educational profiles this should be done **vertically - by introduction of a separate subject**, in others **horizontally - by integration of entrepreneurial content modules** into existing subjects, with **addition**, in both cases, of *ad hoc non-formal education*. It is especial to further develop the teaching subject of "Entrepreneurship" for technical educational profiles (primarily in the areas related

to modern technologies) for elementary financial literacy and development of entrepreneurial skills of students. This content should be included in the curriculum of post-secondary schools and faculties that train educators and teaching staff. This would enable future teacher and professor (educated for particular field) to integrate entrepreneurship into their field of specialization. When introducing the teaching subject of "Entrepreneurship" it is important to avoid turning "learning for entrepreneurship" into "learning about entrepreneurship".

4. **Establish entrepreneurship as a competence of the teaching staff** because only educated teachers can apply appropriate methods in teaching, implement and further develop curricula for the development of entrepreneurial knowledge and skills in students. Trained and dedicated personnel would enable entrepreneurship to permeate all teaching subjects, in accordance with best practices.
5. **Formally include "Student Company" in the curriculum** of all secondary schools as non-formal education. Ernst & Young research <sup>57</sup> concluded that the non-formal education on entrepreneurship gives better results than learning through formal teaching on entrepreneurship. Student Company is the best example of good practice in this field on a global level.<sup>58</sup> This program is implemented as an extracurricular activity. It is based on the principle of learning by doing. Students conceptualize their company, go through all the stages of work and life cycle of a company, as follows: market research and defining the product or service that the company will offer in the market, creating a business plan, choosing a name of the company, setting up the company and development of the company's visual identity, defining the organizational structure and the distribution of roles / jobs within the team, manufacturing products for the market or preparation of services, creating marketing strategy, business communication with market participants, entering the market, exhibition and sale of products / services to consumers through various sales channels, competitions and events,

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<sup>57</sup> Ernst Young (2013) The Power of Three - The EY G20 Entrepreneurship Barometer.

<sup>58</sup> The research conducted in Sweden from 1990 to 2007, on a sample of 166,603 participants of the program from 1980 to 2007, found that program participants launched business at the beginning of career in 20% more cases than the control group (221,530 respondents); and did it a year earlier (on average) than the control group. Companies started by program participants created 130,000 jobs annually over the 20 year period. On average, the companies set up by former Student Company participants had a 20% higher income and better sustainability than the control group. See: Karl Wennberg, Niklas Elert (2012), The Effects of Education and Training in Entrepreneurship – A long-term study of Junior Achievement Sweden Alumni labour potential and business enterprise. RATIO, Sweden. Similar results were found in a UK based research after 50 years of implementation of Student Company program. See: Impact: 50 years of Young Enterprise, Kingston University, London (2012), and The EY G20 Entrepreneurship Barometer (2013).

money management, execution of financial transactions, deposits and withdrawals, writing the annual report.

The program begins in September, by a group of students setting up a student company (usually in groups of 4 or 5 students) with the participation of a trained mentor-teacher, often using volunteers from the business community. It ends in June or July, by submitting the Final Report to the School Board and closing the student company. During the life span of the company, the participants in the program can compete against each other in regional and national competitions, and the winners go on to the European competition as an integral part of the program.

#### **Implementation of Student Company Program in Serbia**

Student Company program in the educational system of the Republic of Serbia has been implemented since 2003 as an extracurricular activity in a number of secondary schools, organized by the NGO Junior Achievement Serbia. In addition, it is implemented in many schools within the teaching subject titled Entrepreneurship, given that the subject teacher is free to decide on the organization of teaching and choice of methods in the context of his course. Over the years, more than 1,000 student companies have been created in over 150 secondary schools with the participation of over 30,000 students. Since 2014, this program is an integral part of the competition and event calendar of high school students published by the Ministry of Education, Science and Technological Development entitled Serbian Student Company Competition.

The development of the Student Company program, as recognizing the importance of developing entrepreneurial awareness and spirit in young people, is supported in several strategic documents (Education Development Strategy in Serbia 2020, NYS 2015-2025, the Strategy for Supporting the Development of Small and Medium Enterprises, Entrepreneurship and Competitiveness 2015-2020).

Education Development Strategy in Serbia 2020<sup>59</sup> as the umbrella development document, in terms of achieving quality targets, foresees and encourages the introduction of programs such as Student Companies in the formal education system. In practice, this has not been implemented so far.

Student Companies program should be formally incorporated into the work plans of the secondary schools of all types. **Further development of this form of education should be ensured by creating its normative framework.** This would consequently ensure the creation of **the potential of new business entities.** The development of the normative framework relates to defining the position of student companies in the education system and establishing the conditions for their smooth operations in compliance with applicable regulations.

The primary function of the student company is business education of high school students and the development of entrepreneurial awareness in youth through simulation of business operation.

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<sup>59</sup>Off. Gazette of RS, no. 107/12

However, certain activities are real (e.g. the purchase of raw materials and the production of real products, sales of that product or service for money, etc.) in interactions with the real economy and its stakeholders (regulations, entities, regulators). Entering into a business relationship involves legal capacity, but in Serbia, formally and legally, student companies do not have legal capacity. **Lack of legal capacity of student companies in Serbia** severely reduces the potential for acquiring business knowledge and experience for secondary school students. It hampers the development and growth of innovative student companies. This indicates the need for further development of the regulatory framework for student companies in the education and economic system of the Republic of Serbia<sup>60</sup>. To this end, the following should be done:

**Recommendations for the Government of the Republic of Serbia:**

- ***Business operation of student company should be defined as a special form of expanded school activity (e.g. as a special activity type - student company activity) and the activity codebook should have this activity under a separate code. This will create the basis for the transfer of legal capacity for business from school to student company. In practice, this would entail the School Board (of the school implementing the Student Company program) passing a Decision, at the beginning of school year, on expanding core school activity to include the student company activity code. Such a decision would allow the school to enter into business relationships and perform purchase and sale transactions the name and for the account of its student company.***
- ***Rules (as a bylaw to the Law on Secondary Education) should prescribe detailed requirements for expanded school activity defining the student company activity as a special form of expanded high school activity, organized for educational purposes. The Rules should prescribe the manner and purpose of the distribution of the surplus of income over expenditure when closing the student company. The members of the student company should be offered three possibilities on allocation of the surplus: 1) donate the surplus to the school,***

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<sup>60</sup> Junior Achievement, in cooperation with the German Agency for International Cooperation (GIZ) initiated a process of advocacy for the regulation of legal capacity of student companies.

- 2) donate the surplus to another non-profit institution of public interest for local community, and / or 3) distribute surplus to student company members as one-time compensation up to predefined maximum.
- *Terms for performance of activity of student companies as an expanded school activity should enable the distribution of the positive difference between the income and expenditures in the form of one-time compensation for student members of the company up to the amount of the minimum wage in the Republic of Serbia per member. Tax regulations should arrange for no taxation on this compensation.*
  - *Total income of an individual student company should be limited by the Rules on Performance of Expanded Activity, to 400,000 dinars. Accordingly, student companies would not be charging VAT on goods sold and services rendered; they would not state the VAT amount on the invoice either.*

#### **Recommendations for schools**

- *School Statute should provide for opening and keeping a special purpose account with the Treasury, used for the activity of student companies as an expanded school activity. This account should be used for keeping funds and performing financial transactions of student companies, where each company would have its sub-account.*
- *The School Board Decision to perform the student company activity as an expanded school activity should define in detail the operations for special purpose account of the student company, and the manner of assigning sub-account to the student company within the special purpose account.*
- *The school should represent the student company in legal transactions with third parties. The school should issue invoices on behalf of student company to a third party, and deposit the income in the allocated sub-account of the student company within the special purpose account for the activity of student companies. When purchasing goods and services from third parties in the name and for the account of student company, the invoice should be addressed to both the school and the student company. The payment is made from the student company funds deposited in the student company sub-account within the*

*special purpose account. Contracts with a third party should be signed by the authorized person of the school, on behalf of the student company.*

- ***Student company is closed by submitting the final report and based on the School Board Decision to Close the Student Company. The Decision on closure must also state the final balance of the business operation and the manner of surplus distribution.***

*The above proposals do not require significant intervention in the legislative framework. The most important interventions include amendment to the activities codebook and enacting the Rulebook on the Expanded School Activity. Secondary schools should amend their statutes by adding the provisions on activity expanding and having the special purpose account for student company activity. At the same time, it is essential that school boards pass decisions about expanding the school activity. However, we should draw attention to several ambiguities potentially requiring additional, probably smaller scale interventions in the normative framework:*

- *Compensation to student company members, a one-time payment when closing student companies (as proposed here), in accordance with the Rules and the Decision to Close the Student Company, may be up to the amount of the minimum wage in the Republic of Serbia per student member of the company, and is not taxed. To fully regulate this issue, it is necessary to further consult with the Ministry of Finance about the interventions necessary to award the tax exemption to the one-time compensation for the members of student companies.*
- *According to this proposal, the total maximum income of student companies for sold goods and services, should be limited to 400,000 RSD, for VAT exemption. However, the school issuing the invoice for goods and services to third parties on behalf of the student company, raises the question on how this increased school revenue (based on revenues generated by student company activities), affects the tax status of the school, if total school income in all respects, for a period of 365 days, exceeds the amount of RSD 8 million <sup>61</sup> ? In this*

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<sup>61</sup> According to the Law on Value Added Tax (Off. Gazette of RS, nos. 84/04, 86/04 - correction, 61/05, 61/07, 93/12, 108/13, 68/14 - oth. law, 142 / 14, 83/15) the so called "small taxpayer" is the taxpayer with turnover below 8 million dinars in previous 12

*connection, the communication with tax experts is necessary to design a complete solution to this issue.*

- *The proposal to have the school representing the student company in business operations should be considered against the regulations governing public procurement, as to determine whether student companies, as a special form of expanded school activity, are subject to these regulations and in what way. In other words, when the school purchases raw materials in the name and for the account of student company, for the purpose of commencement of production, should the purchase be carried out in accordance with the regulations governing public procurement? Is it obliged to define such purchase in the annual procurement plan? Due to the small volume of business and unpredictability of the volume and dynamics of transactions, the procurement for student companies should be exempt from public procurement system.*
- *The proposal to have the Rulebook on the Expanded School Activity give the option to the members of the student company in the process of closing to donate a part or all of the surplus amount of the revenues over expenditures (where the school acts as a donor on behalf of the student company) to another non-profit institution that performs activities of public interest, needs to be reviewed against the regulations governing the financial operations of the school. Related to this, determination should be made on additional interventions in the regulatory framework necessary to enable the school to donate the remaining funds of the student company in accordance with the Decision to Close the Student Company, so that it is in compliance with law.*

**7. Use more efficiently the network of business volunteers which is a part of the implementation the Student Company program** in order to have mentoring programs in educational institutions (secondary schools and universities). The network of mentors (volunteer) is currently made up of successful entrepreneurs, employees in companies (real sector, financial sector) and various institutions. The network of mentors should be continuously developed further and included in training programs.<sup>8</sup>. In secondary schools:

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months, who is not obliged to submit an application to the tax authority to be enter into the VAT system, and not required to present and charge VAT rate and amount on invoices issued.

**develop ways and methodologies of evaluation, monitoring and development of entrepreneurial competencies.** This should lead to profiling and grouping of interested students who can then be trained in more specific processes.

9. Further **develop the framework in which educational institutions** (secondary schools, post-secondary schools and faculties) **can strengthen and develop cooperation with** other educational institutions, private sector and **other stakeholders** in order to create job opportunities for pupils and students, and assess the real needs of the labour market. The Law on Secondary Education (Article 30) has a foundation for cooperation of the private sector and civil society. It is necessary to develop practical application of these relationships and initiatives.
10. **Develop a new model of "entrepreneurial university"** that would be based on a redefined concept of education at all levels. The dominant form of education which is based on teaching should be expanded to research projects and the final confirmation of knowledge acquisition through the process of commercialization and capitalization.<sup>62</sup>
11. **Develop adequate financial mechanisms and institutional framework for linking research institutions, universities and businesses** in order to transfer scientific research products into commercial products. This is a basic prerequisite for the development of serious science parks, *spin-off* companies and business incubators at universities. The cooperation in this area can and should be developed through public-private partnerships.
12. **Establish networks and cooperation programs for students of complementary profiles** by creating a pilot program of interdisciplinary entrepreneurship learning with participation of students from various faculties, and pupils of various educational profiles.
13. **Develop and nurture mentoring assistance system** in various forms (through advisory services of a network of the Development Agency of, Serbian Chamber of Commerce, various business associations).

### 6.1.3. Measures to develop various models of financing for entrepreneurship

1. **Normatively regulate the possibility of investment by venture capital, "angel investors" etc. by the introduction of a special Law on Venture Capital Funds.** It is necessary to

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<sup>62</sup> Paunović, S. (2009), Preduzetničko obrazovanje - kako ga učiniti efikasnijim i preduzetnijim, Menadžment, marketing i trgovina.

establish clear rules and create a legal basis for tax incentives for risky investments. Regulation should define: forms of organization and the issues of founding, scope of business activities, legal status and financial issues of venture capital funds, and ensure compliance with other correspondent laws.

2. **The Law on Innovation Activity** should recognize venture capital funds as entities with business activity aimed to stimulate the development of innovation and innovative companies. In other words, the Law on Innovation Activity should define risk *funds* as a form of linking the policies relating to innovation and those relating to financing and support measures.
3. **The Law on Business Companies** should include the norms governing investments not based on capital ownership (*equity based* investments), where the investor has no shares or ownership of securities, but the right to an agreed share of company revenues. This is essential, since the modern practice of venture capital investment shows that a significant number of investor rights is regulated by *Quasi-equity* instruments. This is one of the important mechanisms to stimulate growth of this industry.
4. Re-examine the possibility within the **Law on Banks** to allow banks to invest based on the ownership of capital, without endangering the safety of the banking business. This would open the possibility of introducing the so-called *venture* and *equity* banking. This measure would increase the investment potential of the market and improve the financing of small and medium enterprises through time limited entry of banks into the ownership structure of the company.
5. Also, it is necessary to re-examine the regulations related to the **Insurance Law and the Law on Voluntary Pension Funds**. The possibility should be considered to use a certain percentage of funds of insurance companies and voluntary pension funds for investment in equity stocks and shares.
6. **Regulate and encourage the creation of local innovation funds** (at the regional level and as groups of local self-governments), which would operate under the principles of venture capital funds. In countries that have developed alternative models of financing, local investors join clubs to collect information on potential investment projects. They make investment decisions within the framework of the clubs. The investment club / network can, but need not, be included in the execution of the investment. The clubs function based on several different



models. The establishment of such clubs / networks, as well as the association of individuals in these formats, represents a guaranteed freedom. It is clear that starting and running them can be done within the framework of existing regulations in Serbia. It is, however, necessary to create an atmosphere where the state, local self-government or some institutions are motivated to promote this model of association. This would create new actors / organizations that would contribute to faster development of alternative financing industry.

7. In addition to the regulations that would relate to the operation of venture capital funds, it is necessary to **pass the Law on Microfinance.**
8. **Define the rate of the tax exemption from corporate profit tax, based on investments in technology start-ups this innovative companies.** This measure should not be limited to venture capital funds or investors in venture capital funds, but apply to companies which invest in certain categories of newly established companies (e.g. for investments in innovative companies). This would encourage large companies to invest in small ones, either because of the direct benefits of incorporating innovative technological products in their value chains, or because of the possibility of investment becoming opportunity cost to profit tax payment. Another benefit of this measure would be that the State would get one of the smartest mechanisms to encourage the growth of selected areas of the industry (e.g. information technology and industry based on knowledge and innovation).
9. **Encourage venture capital funds and institutional investors to reinvest profits.** This stimulation can be achieved primarily by direct tax exemption of profits, provided reinvestment is made.
10. **Exclude the possibility of double taxation of profit** for investment models based on the ownership of capital (*seed, start-up* and *venture capital* investments). The first taxation of profit relates to the company, and the second time the tax is paid on the same basis (profit tax) when the individual owners of shares of the fund withdraw their dividends on securities or trade with shares.
11. **Introduce tax credits for investment in research and development and tax incentives in the form of tax exemption of profits directed to high-risk investments.** These incentives should refer to the venture capital funds, but also to investors who invest in venture capital

funds, especially in the case of institutional investors, such as voluntary pension funds and insurance companies.

#### **6.1.4. Adopt Stimulating Tax Treatment**

1. **Registered entrepreneurs who do not pay salary** and are taxed on the basis of profit, as well as the founders of limited liability companies who are not formally employed at their company and do not receive any compensation for representing the company, should be **freed from the obligation to pay social contributions during an initial period of their legal entity**. It is recommended to define the initial period as lasting from 6 months to one year from the date of registration. In order to prevent possible abuses (or unnecessary indirect subsidies) the following should be done:
  - define the top level of the monthly total income which, if exceeded, leads to loss of privileges, or introduces the obligation to pay social contributions as in regular circumstances;
  - limit the ability to use these privileges only to the first time establishment or registration of the company or the entrepreneur.
2. **Reduce the income tax and social contributions** for jobs created in newly established companies for a limited period. As the minimum prescribed social contribution base cannot be waived, in case the entrepreneurs do not make or pay out profits, they still have an obligation to pay social contributions.
3. **Introduce tax credit for taxes and contributions** calculated on salaries for the first two years of start-up companies.
4. **Introduce stimulating tax credit for purchase of fixed assets to the portion of taxable profit of companies that keep business records** (Corporate Profit Tax Law, and Individual Income Tax Law).
5. **Reduce or eliminate profit tax for start-ups** for a limited period.
6. **Shorten the prescribed deadline for the refund of overpaid value-added tax to taxpayer who mainly exports goods**. The Law on Value Added Tax (Art. 52, para 4) stipulates that the overpaid VAT, stated in the tax return, is returned to the taxpayer, who mainly exports goods, within 15 days from the submission of the tax return. This period is unnecessarily long

and impacts liquidity of companies. Its shortening would enhance the liquidity of exporters and reduce their loan interest expenses.

7. **Specify economically justifiable criteria for determining the amount of taxes and social contributions paid by taxpayers who apply the lump sum taxation.** The basis of calculation of taxes and contributions is the average gross salary defined by the Statistical Office. The basis is then reduced or increased in accordance with relevant criteria. However, the branch office of the Tax Administration of Serbia interpret and apply the criteria differently so that similar businesses pay different amounts in different cities / municipalities. It is necessary to precisely define the criteria set out in the regulations, such as: "Other circumstances affecting commerce", "market conditions of doing business", "business reputation of entrepreneurs", "office space size" etc. Comparison of tax decisions of Tax Administration branch offices, leads to the conclusion that these criteria are very differently interpreted and applied in different cities.<sup>63</sup>
8. **Introduce special tax treatment for innovative companies,** allowing lower profit tax if the profit comes from investment in patent based product development, or through the commercialization of innovative technological knowledge. Such measures would contribute to the development of investment in new technology and development of high-tech industry in general.

## 6.2.Recommendations by Selected Type of Activity

### 6.2.1. Services in Agriculture

1. **Devise a manual for agricultural holdings (farms)** to inform farmers about their obligations and rights. The manual should consolidate the information related to the registration of agricultural holdings (farms), the existing programs to stimulate agricultural production, tax treatment of agricultural holdings, and the like.
2. **Make sets of information around certain topics** (e.g. "Guide to Obtaining Incentives in Agricultural Production", etc.).

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<sup>63</sup> Grey Book 8 (2016), the National Alliance for Local Economic Development (NALED), Belgrade.

3. Provide ongoing **support and education** of farmers by the extension services with experts. Certain aspects of this type of support do exist, but unfortunately with uneven expertise of implementers.
4. **Familiarize users with regulations and changes in regulations in an organized manner.** Extension services and inspectorates should be proactive, visit farms and indicate any compliance issues. Any penal legal action for non-compliance should be considered only after this step.
5. **Promote and develop the cooperative system in agricultural production.** The average size of agricultural holdings (farms) in Serbia necessitates the development of cooperatives.
6. Provide **education on cooperatives** in secondary agricultural schools.
7. Provide **special support measures by the local self-government** for young farmers. Support can be financial (e.g. funds for certification) and non-financial (funding trips to attend seminars, participation in international fairs and symposiums, organization of competitions, etc.). A number of local self-governments have incentive programs developed to a certain level (Vojvodina). The purposes and the levels of funding differ very much throughout the territory of the Republic of Serbia.
8. **Targeted subsidy programs** for organic production are a necessary precondition for the development of organic production in Serbia. Due to non-existent customs barriers in this field, the subsidy programs for this type of production in Europe are damaging to the competitiveness of the local organic production.
9. Examine the possibility to **simplify the paperwork for the certification of organic production** as well as the possibility of financial support for young producers in the process of obtaining certification for organic production.
10. **Harmonize the list of permitted chemicals** for organic production in Serbia with the EU list.
11. Launch a **national program** and define the institutional mechanisms that would use the **potential of agricultural households (farms) owned and operated by senior citizens toward the employment of young farmers.**
12. Define a set of measures that would **allow young farmers a priority lease of state land,** for the longer term and under incentivized terms.

13. Consider the possibility for **young farmers to lease state land**, with certain security measures, **and pay retroactively** (based on yields), and not in advance.
14. Amend the provision that distributes state-owned land based on the current number of fattening pigs as found by the veterinary inspection visiting a farm. Instead, distribute based on the number of fattening pigs delivered to a slaughterhouse.
15. Develop **guarantee schemes and stimulating loans for young** entrepreneurs who are engaged in agriculture.
16. **Reduce the amount of various taxes.** This applies in particular to the costs of obtaining pledge statement, the costs of registration of pledge statement in the cadastre, and mortgage release.
17. Introduce **mandatory product information sheet** at point of sale with clear indication of the product origin (country of origin, especially for meat).

#### 6.2.2. Creative Industries

1. **Amend, harmonize and implement the regulations that define the terms for doing business in the creative industries.** This domain **needs coordinated cooperation** between all relevant institutions (the proponents of the relevant laws and regulations) and stakeholders. One example of contradictory normative acts is in the film industry: non-compliance of the Law on Cinematography and the Regulation on Incentives to Investors in Serbia to Produce Audio-visual Work. There is apparent inefficiency in the implementation of the Law on Copyright and Related Rights, Law on Broadcasting, and the like.
2. **Develop special programs of financial support for creative industries** (credit guarantee schemes, special credit lines, micro lending).
3. **Provide a stimulating tax treatment** by developing special tax packages for the creative industries, expansion of investment tax credit to all the activities of creative industries, and the like.
4. **Develop measures to stimulate export activities of creative industries** by providing support to promotional activities in international markets, tax incentives, simplification of administrative procedures for export, integration into the international distribution systems and the like.



5. **Developing organizational infrastructure to support the development of creative industries.** Developing clusters, business incubators, industrial parks, integration with the available financial resources into a single system of support, development and testing pilot projects that in the later stages could turn into a permanent support system.
6. **Ensure competence of professional bodies and committees** (mitigate lobbying, corruption, etc.) to make objective and transparent decisions relating to: artist status (getting the status of free-lance artist), defining criteria for public competitions, engagement of artists through public tenders, facilitating professional development, organizing exhibitions, and such.
7. **Consider the possibility of determining the level of radio broadcasters' obligations** related to payment of royalties to the Serbian Music Authors Organization (SOKOJ) depending on the total income of users (all the radio stations formally pay the same fee to broadcast music; however, local radio stations struggle with this cost due to significantly lower income).
8. **Develop a model of social entrepreneurship.** The possibility within the Law on Social Entrepreneurship for the development of companies in the creative industries cannot be sufficiently utilized due to loose definition of "social entrepreneurship". The definition of "social entrepreneurship" within national legislation should be harmonized with the EU regulations, where social entrepreneurship relates to the companies working according to the participatory model.

### 6.2.3. Information and Communication Technologies

1. **Enable the development of electronic commerce.** The first step is to replace outdated regulations and legislation. It is absurd to limit the payment system operation to 9 to 5 on work days, as computers and ATMs operate 24 hours a day throughout the year. The solution may be to stop requiring companies to formally explain every euro they receive from abroad, and stop viewing the earning and sale through the internet as some legal violation.
2. **Allow the use of "PayPal" and other means of payment over the Internet** (e.g. *Stripe*). Entrepreneurs and companies in the ICT sector mostly work with foreign clients. It is imperative to enable models of modern electronic payment. *PayPal* is a global system for

electronic payment (25 currencies) available on more than 190 markets with over 169 million active registered accounts. *PayPal* services for Serbia were enabled on 13 April 2015 (11 years after *PayPal* arrived to Europe). However, it is not possible to use *PayPal* to buy or sell through local websites. The National Bank of Serbia allows local payment transactions in dinars only, and *PayPal* does not give the option to pay in dinars. It is forbidden to use *PayPal* to make transfers in foreign currency to another legal or natural person in Serbia.

3. **Abolish the withholding tax** which is levied on all services from abroad as of 1 March 2016. The tax rate is 20%, which is actually 25%, as 20% is applied to the gross invoice amount. Withholding tax is not levied to lump sum tax payers, and those who receive a certificate of residence (confirming that the foreign company pays taxes in its country which has an avoidance of double taxation agreement with our country). Serbian businessmen who do business with foreign countries with no ability to move their operations outside Serbia suffer significant consequences. For example, if you do not have a certificate of residence, your social media advertising cost is 25% higher.
4. **Abolish restrictions and taxes on advertising.** The law limits the cost of advertising to 10% of total revenues; if this amount is exceeded, 15% is paid. For example, if you have an annual income of RSD 1,000,000 and spend RSD 150,000 on advertising, the RSD 50,000 RSD above the limit is taxed at 15% for profit tax. The introduction of a withholding tax in March 2016, means paying an additional tax of 20% (actually 25%) to both the RSD 50,000 and RSD 100,000 RSD because it is, for example, advertising on Facebook.
5. **Make a distinction within the obligation of applying for Certificates of Conformity** for imports of computer equipment depending on whether the import of equipment is intended for further sale or for use as fixed assets (identical obligation is defined for importer wholesaler and for entities that purchase equipment as fixed assets).

## 7. Conclusion

One of the key problems in the Republic of Serbia is high youth unemployment. According to the revised methodology of the Unemployment Survey, the unemployment rate of young people (aged 15-24) ranged from 52.5% in the first quarter of 2014 to 36.1% in the second quarter of 2016, still more than double the general unemployment rate (15.2%) and the average youth unemployment in the EU (18.5%). One of the important measures to tackle the problem at the system-wide level is the support to youth entrepreneurship. The main objective of this Study is to assess the situation of youth entrepreneurship in Serbia and define incentive measures, with special emphasis on three sectors: information and communication sector, creative industries, and services in agriculture. These sectors were chosen because of their expected rapid development.

Of the total number of registered young entrepreneurs (in the legal format of companies or entrepreneurs) with the selected activity codes, the highest number was registered for the ICT activities (58.4%), followed by entrepreneurs in the creative industries (38.3%), while only 3.3% are registered for services in agriculture. Such a low percentage of those registered in agriculture is due to the fact that young farmers in most cases work on family farms registered in the name of their parents.

The assessment of the level of development and the situation of youth entrepreneurs in Serbia included the findings of numerous studies, statistical data pertaining to the particular field, national strategic documents, and regulations defining the framework of operations. To define the proposal of measures for the development of youth entrepreneurship in Serbia, experiences of ten other countries in this field were analysed (Hungary, United Kingdom, Austria, Germany, Belgium, the Netherlands, Finland, Estonia, Bulgaria and Israel). The findings were verified against and complemented with the opinions and suggestions of the focus groups (a total of 55 respondents), as well as through interviews with experts in various fields relevant to the research.

Of the total number of employed young people in Serbia, nearly 80% work for a salary, 11.5% work without earnings as contributing household members, while only 7.8% of young people under 30 (30,900) have employer status (1.8%) or are self-employed as the only employee (6%). Young men are almost twice as likely to initiate their own business in comparison to young

women. Also, more young males work as contributing household members (13.1% compared to 8.9% of women).

Based on existing research findings, as well as interviews with the focus groups, we can say that our society does not value entrepreneurship. There is no clear awareness of the contribution of entrepreneurs to general economic development. There is no clear awareness of the importance of entrepreneurs for job creation. Entrepreneurs are faced with an environment that does not empathize with their efforts to succeed. They do not receive the necessary support from society, often times not even from their close circle. They experience being judged in case of failure.

Starting an entrepreneurial activity for young entrepreneurs means facing a lack of numerous skills and knowledge. Entrepreneurs with a technical background do not have sufficient level of financial literacy to make decisions and prepare documentation. Even the entrepreneurs with economics education background complain about the lack of applied knowledge. An additional problem is being uninformed about regulations which define business operation. In addition to hands-on knowledge limitations, everyone is faced with their own limitations in entrepreneurial skills (negotiation, team formation and management, presentation, leadership, communication), depending on the stage of development of the company.

The analysis of the support strategies for youth entrepreneurship development points to a lack of systematic and consistent development support approach, across all relevant sectors of youth entrepreneurship. The scope of measures targeted to youth entrepreneurship is relatively modest. It can be concluded that there is no real understanding of the degree of causal relationships between the improvement of education, the development of innovativeness, entrepreneurship and their impact on economic development.

To evaluate the extent to which the regulatory framework is "simple or complex" for the user, the basic system of laws was reviewed governing: setting up entrepreneurial entity and company, rights and obligations in labour relations, management of business documents and business reporting, taxation, customs system, foreign exchange and foreign trade operations (14 laws). An overview of the legislative framework directly relating to specific sectors and activities

is included as well (Annex 1). In focus group discussions, all respondents stated that without professional help (be it certain institutions, or legal assistance) they cannot cope with applying regulations. Most often they develop their knowledge in this field by learning from mistakes.

A particular problem in the development of youth entrepreneurship is the unavailability of funding sources. In Serbia, there is no legal framework or developed mechanisms to facilitate access to finance for entrepreneurs (alternative financing models, such as *equity based models - seed, start-up, business angel, venture capital and private equity*). Due to the limited scope of incentivizing credit arrangements (subsidized loans, state guarantees, etc.), young entrepreneurs are forced to rely on their own resources (savings, family support, loans from friends and so on). This limits the development potential of their business ideas. Recognizing young entrepreneurs as a separate category within the measures of economic policy is a fairly recent development. The state budget allocation for youth entrepreneurship development programs is relatively modest.

Fiscal and para-fiscal load represent a particular burden for young entrepreneurs. This burden is especially pronounced in the initial stage of operation, a stage most often characterized by lower and sporadic income generation. The biggest burden is the amount of taxes and social contributions on personal income. The tax amount is often listed as a reason for doing business in shadow economy. In addition, the entrepreneurs who are not registered as business companies often find income tax calculation to be problematic. If there is a reduction of the volume of business, they are still required to pay tax under the previously estimated level of income. Only after six months can they apply for an adjustment. In case of overpaid taxes, overpaid amount remains blocked without refund option. Tax records simply reflect the overpayment. In certain cases of business discontinuity due to low demand (often the case in the creative industries), there is no possibility for putting the entrepreneur status “on hold” to prevent taxation. It is important to emphasize here that there are significant differences in the level of lump sum income taxation defined by municipalities in Serbia.

Those issues are equally important for entrepreneurs in all three observed sectors. In addition, problems specific to each of the observed sectors are identified.

The ICT sector has exhibited high-growth with significant export results in previous years. From the standpoint of economic policy, it is important primarily not to inhibit the spontaneous

development of this industry. The analysis showed serious constraints to business development in the ICT sector: shortage of ICT trained staff in our labour market, and insufficient entrepreneurial knowledge and skills of the of ICT company owners (managers). The latter is less significant but still a problem. Furthermore, the inability to use electronic payment systems *PayPal* and *Stripe* presents a burning issue.

Creative industries include a wide range of sectors and activities (publishing, print media, graphics design, advertising industry, music industry, film industry, design, radio and television) with very different operating conditions. Overall, it can be concluded that the development potential of creative industries in our economy is not recognized well enough. There is no clear vision or defined development strategy for creative industries. This prevents long-term sustainability and reaching the full potential of this industry. Consequently, there are no specialized programs of financial and non-financial support to this sector. A particular problem in this area is the exercise of copyright protection. In addition, the focus groups pointed out the questionable competence of expert bodies and committees. These bodies are responsible for awarding the state budget allocation for art and culture.

The results of agricultural holdings (farms) shared in discussions with young farmers, indicate that the operation of agricultural holdings is barely profitable (and this is not taking into consideration the costs of salaries of household members). The main reason for this is the size of farms (usually these are small farms, average farm size in Serbia is 4.5 ha). The low production volume is conditioned by the size of farms. Another serious limitation is that farmers are left to their own devices (they purchase raw materials, own and use agricultural machinery, enter market and place goods - all this by themselves). This limits development potential and spikes operating costs. Limited and insufficiently stimulating credit supply is yet another aggravating circumstance.

Based on the analysis of youth entrepreneurship development framework in Serbia, and the analysis of relevant experience of other countries, a set of measures is defined. These measures aim to improve the general conditions of doing business in order to develop entrepreneurship (develop entrepreneurial culture, improve education system, further develop entrepreneurship education, develop various models of entrepreneur financing, develop stimulating tax treatment). Another set of measures focusing on selected sectors is also developed to encourage

entrepreneurship in these sectors. The conclusion lists separately only the measures with the broadest effect.

The key measure with long-term results in the development of youth entrepreneurship is certainly related to the development of entrepreneurship education. Student Company has been recognized as the best non-formal education model in this field.<sup>64</sup> This model is already present in Serbia. To ensure its effective implementation, the integral text of the Study precisely defines recommendations with steps to be taken. The implementers should be the Government of the Republic of Serbia (Ministry of Education, Science and Technological Development and the Ministry of Finance) and schools.

Access to sources of financing requires normative regulation of investment by *venture capital*, angel investors etc. by the introduction of a special Law on Venture Capital Funds. Regulation should define: forms of organization and the issues of founding, scope of business activities, legal status and financial issues of venture capital funds, and ensure compliance with other correspondent laws. It is necessary to establish clear rules and create a legal basis for tax incentives for risky investments in: The Law on Innovation Activity, the Law on Business Companies, the Law on Insurance and Voluntary Pension Funds and the Law on Banks.

Mostly due to the tax burden, a large number of young entrepreneurs choose to remain in shadow economy. Financial struggle at the very outset of operations contributes to this decision. To resolve this problem, the following measures should be considered:

- Registered entrepreneurs who do not pay salary and are taxed on the basis of profit, as well as the founders of limited liability companies who are not formally employed at their company and do not receive any compensation for representing the company, should be freed from the obligation to pay social contributions in the initial period after setting up the

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<sup>64</sup>The research conducted in Sweden from 1990 to 2007, on a sample of 166,603 participants of the program from 1980 to 2007, found that program participants launched business at the beginning of career in 20% more cases than the control group (221,530 respondents); and did it a year earlier (on average) than the control group. Companies started by program participants created 130,000 jobs annually over the 20-year period. On average, the companies set up by former Student Company participants had a 20% higher income and better sustainability than the control group. See: Karl Wennberg, Niklas Elert (2012), The Effects of Education and Training in Entrepreneurship – A long-term study of Junior Achievement Sweden Alumni labour potential and business enterprise. RATIO, Sweden. Similar results were found in a UK based research after 50 years of implementation of Student Company program. See: Impact 50 years of Young Enterprise, Kingston University, London (2012), and The EY G20 Entrepreneurship Barometer (2013).

company. It is recommended to define the initial period as lasting from 6 months to one year from the date of registration. In order to prevent possible abuse, the following should be done: a) define the cap of the total monthly income; income generation above this cap would cancel these privileges, i.e. the taxpayers would become subject to the general system of contributions; and b) limit the privileges only to the first-time company founding or first-time entrepreneur registration;

- Reduce the income tax and social contributions for jobs created in newly established companies for a limited period;
- Introduce tax credit for taxes and contributions calculated on salaries for the first two years of start-up companies.

E-commerce is of particular importance for employers in the ICT and creative industry. It is therefore necessary to enable application of modern e-commerce systems with global brand awareness (e.g. *PayPal* and *Stripe*), which are widely used in the region. The problem is twofold. First, transactions between residents in foreign currency in Serbia are prohibited. Second, in order to perform payment transactions in accordance with the Law on Payment Services, electronic money institutions need to be licensed by the National Bank of Serbia. That possibility was approved for *PayPal* on 13 April 2015. However, *PayPal* has not submitted an application for the NBS license. The reason is probably lack of interest due to the size of the market. For the time being, local legal entities and individuals cannot use *PayPal* for payment transactions between them, or for payment transactions with foreign entities and individuals. This significantly limits the operation of companies that use the internet as a marketing and sales channel for their products and services. There are three options to solve this issue. The best solution would be to amend the Law on Foreign Exchange Transactions to allow Serbian citizens to make payments in foreign currency on the internet. Until the Law is changed, the problem could be solved by introducing regulation modelled on Croatia before its accession to the EU. At the time, Croatia introduced regulation which gave e-commerce transactions the same status as banking transactions. The third option is to introduce an exception: to allow payment in foreign currency for online transactions, just like FX payments are currently permitted for purchase and sale of real-estate.



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The broadest impact measure in agriculture is not in the domain of regulatory framework amendment. The development of co-operatives is the measure with highest potential for the development of youth entrepreneurship in agriculture. The legislative framework for the development of cooperatives is adopted (the Law on Cooperatives, Off. Gazette no. 112/2015). It is now important to work on dissemination of information to young farmers on the possibilities and advantages of cooperatives.

## 8. List of Abbreviations

BRA - Business Registers Agency

STSW - Survey on Transition from School to Work

GDP - Gross Domestic Product

GAN - Global Accelerator Network

EU - European Union

ICT - Information and Communication Technologies

IT - Information Technology

NEET - Not in Education, Employment, or Training

SMEEs - Small and Medium Enterprises and Entrepreneurship

SME - Small and Medium Enterprises

NYS - National Youth Strategy

PSYBT - Prince's Scottish Youth Business Trust Programme

SORS - Statistical Office of the Republic of Serbia

SOKOJ - Serbian Music Authors Organization

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15. Law on Value Added Tax (Off. Gazette of RS, no. 84/04 , 86/04 - correction, 61/05, 61/07, 93/12, 108/13, 68/14 - oth. law, 142/14, 83/15)



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20. Law on Agriculture and Rural Development - (Off. Gazette of RS, nos. 41/2009 and 10/2013 - oth. law)
21. Law on Agricultural Land (Off. Gazette of RS, nos. 62/2006, 65/2008 - oth. law, 41/2009 and 112/2015)
22. Law on Incentives in Agriculture and Rural Development (Off. Gazette of RS, nos. 10/2013, 142/2014 and 103/2015)
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## 10. Annexes

### ANNEX 1

Laws, regulations and legal acts that specify the performance of activities of interest for this study are listed in Annex 1 of this study.

#### Adopted Laws

1. Law on Youth (Off. Gazette no. 50/2011)
2. Law on Associations - (Off. Gazette of RS, nos. 51/2009 and 99/2011 - oth. law)
3. Law on Cooperatives (Off. Gazette of RS, no. 112/15)
4. Law on Employment and Unemployment Insurance (Off. Gazette of RS, no. 36/2009, 88/2010, 38/2015)
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8. Law on Inspection Supervision (Off. Gazette of RS, no. 36/15)
9. The Law on the Central Registry of Compulsory Social Insurance ( "RS Official Gazette of RS", nos. 30/10, 44/14 - oth. law 116/14)
10. Law on Republic Administrative Fees - consolidated text established by the Ministry of Finance (Off. Gazette of RS, nos. 43/03, 51/03 - correction, 53/04, 42/05, 61/05, 101/05 - oth. law 42 / 06, 47/07, 54/08, 5/09, 54/09, 35/10, 50/11, 70/11, 55/12, 93/12, 47/13, 65/13 - oth. law, 57/14, 45/15 and 83/15), as amended (Off. Gazette of RS, no. 112/2015)
11. Law on Fiscal Cash Registers - (Off. Gazette of RS, nos. 135/04 and 93/12)
12. Insurance Law (Off. Gazette of RS, nos. 55/2004, 70/2004 - corr., 61/2005, 61/2005 - oth. law 85/2005 - oth. law 101/2007, 63/2009 - decision by CC, 107/2009, 99/2011, 119/2012, 116/2013 and 139/2014 - oth. law)
13. Law on the Deferment and Cancellation of Debt for Compulsory Health Insurance Contributions (Off. Gazette of RS, no. 102/2008 and 31/2009)
14. Customs Tariff Law (Off. Gazette of RS, nos. 62/2005, 61/2007 and 5/2009)
15. Public Procurement Law (Off. Gazette of RS, nos. 124/2012, 14/2015 and 68/2015)
16. Law on Legal Deposit of Publications (Off. Gazette of RS, no. 52/11)
17. Law on Issuing Publications (Off. Gazette of RS, no. 37/91, 53/93-oth. law, 67/93-oth. law, 48/94-oth. law, 135/04 and 101/05-oth. law)
18. Law on Cinematography (Off. Gazette of RS, no. 99/2011, 2/2012 - corr. and 46/2014 - decision of US)
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22. Law on Electronic Media (Off. Gazette of RS, no. 83/14)



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24. Law on Free Access to Information of Public Importance (Off. Gazette of RS, no. 120/2004, 54/2007, 104/2009 and 36/2010)
25. Law on Innovation Activity - (Off. Gazette of RS, nos. 110/2005 and 18/2010)
26. Patent Law (Off. Gazette no. 99/2011)
27. Law on Trademarks (Off. Gazette of RS, nos. 104/2009 and 10/2013)
28. Law on Seeds (Off. Gazette of RS, No.45/05, 30/10 oth. law)
29. Law on Plant Health (Off. Gazette of RS, no. 83/09)
30. Law on Plant Protection Products (Off. Gazette of RS, no. 41/09)
31. Law on Plant Nutrition Products and Soil Enhancers (Off. Gazette of RS, no. 41/09)
32. Law on Planting Material of Fruit Trees, Vines and Hops (Off. Gazette of RS, nos. 18/05, 30/10 oth. law)
33. Law on Recognition of Varieties of Agricultural Plants (Off. Gazette of RS, no. 30/10)
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#### Regulations and Decisions

52. Regulation on Classification of Business Activities (Off. Gazette of RS, no. 54/2010)
53. Regulation on Detailed Conditions, Criteria and Elements for Lump Sum Taxation of Taxpayer on Income from Self-Employment (Off. Gazette of RS, Nos. 65/01, 45/02, 47/02, 91/02, 23/03, 16/04, 76/04, 31/05, 25/13, 119/13, 135/14)
54. Regulation on Customs Approved Treatment of Goods (Off. Gazette of RS, nos. 93/2010, 63/2013, 145/2014, 95/2015 and 44/2016)



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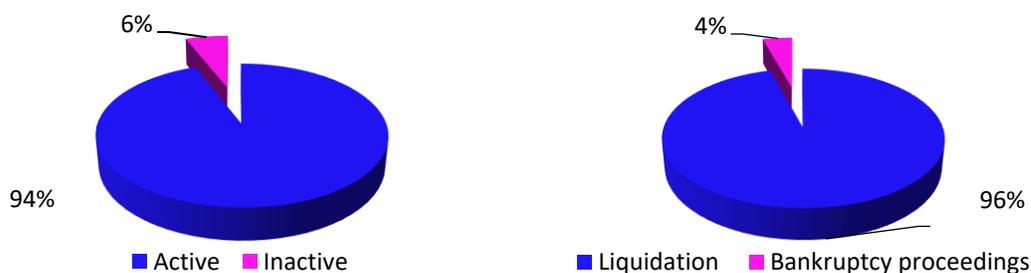
55. Regulation on the type, quantity and value of the goods exempt from import duties, on Time Limits, Conditions and Procedures for Exercising the Right to Exemption from Payment of Import Duties (Off. Gazette of RS, nos. 48/2010, 74/2011, 63/2013)
56. Regulation on Determining the Business Activities with no Obligation to Record Turnover through Fiscal Cash Register (Off. Gazette of RS, nos. 61/10, 101/10, 94/11, 83/12, 59/13, 100/14)
57. Regulation on Detailed Conditions for Tax Debt Deferral (Off. Gazette of RS, nos. 53/2003, 61/2004 and 71 / 2005)
58. Regulation on Harmonization of the Custom Tariff Nomenclature for the year 2015 (Off. Gazette of RS, nos. 130/14, 143/14 and 43/15)
59. Regulation on Detailed Conditions for the Issuance, Use and Revocation of Licenses for Export, Import and Transit of Goods and the Distribution of Quota (Off. Gazette of RS, no. 47/2010)
60. Regulation on Detailed Conditions for the Application of Anti-Dumping Measures (Off. Gazette of RS, no. 112/2009)
61. Regulation on Detailed Conditions for the Application of Compensatory Measures (Off. Gazette of RS, no. 112/2009)
62. Decision on Determining Goods Subject to Issuance of Specific Documents on Importation, Exportation and Transit (Off. Gazette of RS, nos. 58/2011, 49/13)

#### Bills

63. Draft Law on Cinematography
64. Draft Law on Publishing
65. Consolidated ICC Code Advertising and Marketing Communication Practice

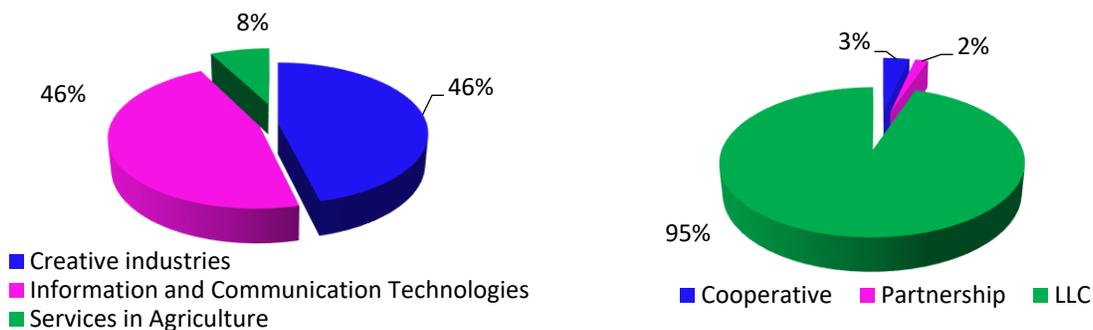
ANNEX 2

*Chart 4 Total number of registered business companies within the analysed types of business activities and their status*



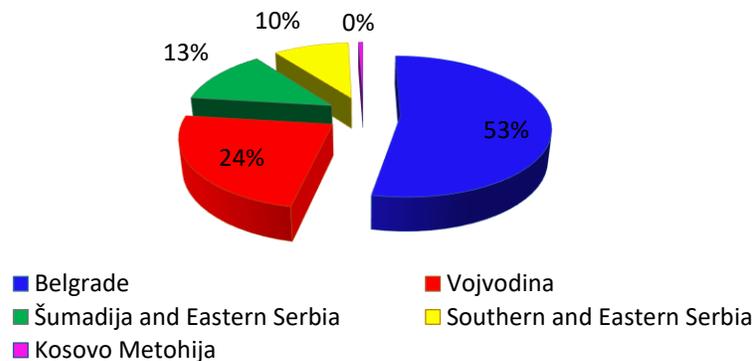
*Source: Business Registers Agency of the Republic of Serbia.*

*Chart 5 Total number of registered business companies by types of business activities and legal form*



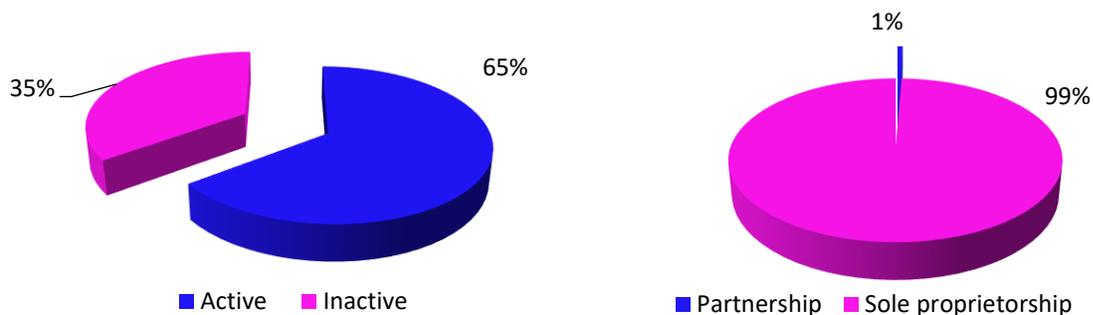
*Source: Business Registers Agency of the Republic of Serbia.*

*Chart 6 Total number of registered business companies by regions*



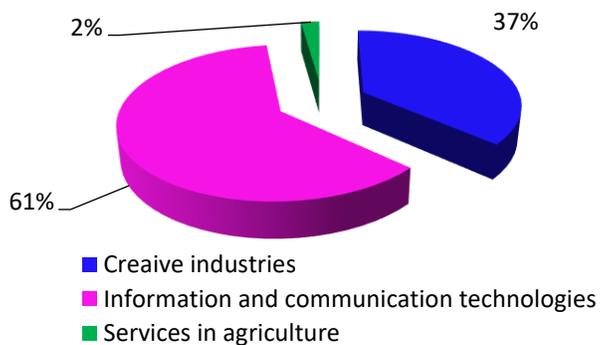
*Source: Business Registers Agency of the Republic of Serbia.*

*Chart 7 Total number of registered entrepreneurs within the analysed types of business activities (sectors) and their legal form*



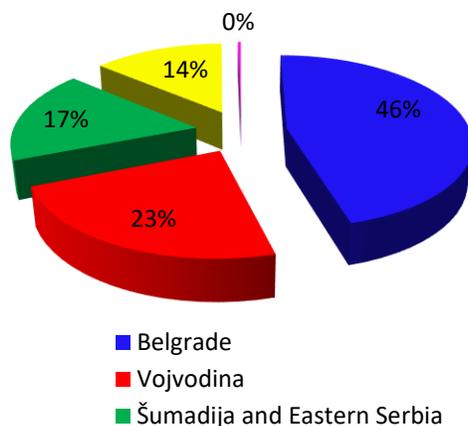
*Source: Business Registers Agency of the Republic of Serbia.*

*Chart 8 Total number of registered entrepreneurs by the type of business activity (sector)*



*Source: Business Registers Agency of the Republic of Serbia.*

*Chart 9 Total number of registered entrepreneurs by regions*





Source: Business Registers Agency of the Republic of Serbia.

Table 11 Categorization of business companies by business activity codes within the creative industry

NAME OF BUSINESS ACTIVITY	REGISTERED	%
Advertising agencies	223	40.0
Motion picture, video and television program production activities	71	12.7
Television programming and broadcasting activities	68	12.2
Book publishing	60	10.8
Publishing of newspapers	26	4.7
Publishing of magazines and periodicals	25	4.5
Radio broadcasting	20	3.6
Sound recording and music publishing activities	19	3.4
Specialised design activities	16	2.9
Other publishing activities	11	2.0
Photographic activities	10	1.8
Motion picture projection activities	4	0.7
Publishing of directories and mailing lists	2	0.4
Motion picture, video and television programme post-production activities	2	0.4
Motion picture, video and television programme distribution activities	0	0.0
<b>TOTAL</b>	<b>557</b>	<b>100.0</b>

Source: Business Registers Agency of the Republic of Serbia.

Table 1112 Business Activities of Business Companies within the information and communication technologies

NAME OF BUSINESS ACTIVITY	REGISTERED	%
Computer programming activities	341	60.9
Computer consultancy activities	53	9.5
Wired telecommunications activities	52	9.3
Web portals	44	7.9
Other information service activities	28	5.0
Data processing, hosting and related activities	22	3.9
Other information service activities n.e.c.	8	1.4
Other software publishing	7	1.3
Computer facilities management activities	3	0.5
Publishing of computer games	2	0.4
News agency activities	0	0.0
<b>TOTAL</b>	<b>560</b>	<b>100.0</b>

Source: Business Registers Agency of the Republic of Serbia.

*Table 13 Business Activities of Business Companies within the services in agriculture (support activities to agriculture)*

NAME OF BUSINESS ACTIVITY	REGISTERED	%
Support activities for crop production	40	43.5
Veterinary activities	27	29.3
Support activities for animal production	19	20.7
Post-harvest crop activities	2	2.2
Support services to forestry	2	2.2
Seed processing for propagation	1	1.1
Renting and leasing of agricultural machinery and equipment	1	1.1
<b>TOTAL</b>	<b>92</b>	<b>100.0</b>

*Source: Business Registers Agency of the Republic of Serbia.*

*Table 14 Business Activities of Entrepreneurs within the information and communication technologies*

NAME OF BUSINESS ACTIVITY	REGISTERED	%
Computer programming activities	2,267	69.3
Computer consultancy activities	349	10.7
Data processing, hosting and related activities	232	7.1
Other information service activities	167	5.1
Web portals	100	3.1
Other information service activities n.e.c.	47	1.4
Wired telecommunications activities	46	1.4
Computer facilities management activities	35	1.1
Other software publishing	23	0.7
Publishing of computer games	4	0.1
News agency activities	1	0.0
<b>TOTAL</b>	<b>3,271</b>	<b>100.0</b>

*Source: Business Registers Agency of the Republic of Serbia.*

*Table 15 Classification of entrepreneurs by business activity codes within the creative industry*

NAME OF BUSINESS ACTIVITY	REGISTERED	%
Advertising agencies	926	47.4
Specialised design activities	331	16.9
Motion picture, video and television program production activities	283	14.5
Photographic activities	218	11.2



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Motion picture, video and television programme post-production activities	53	2.7
Book publishing	31	1.6
Sound recording and music publishing activities	27	1.4
Television programming and broadcasting activities	27	1.4
Publishing of magazines and periodicals	21	1.1
Other publishing activities	19	1.0
Motion picture, video and television programme distribution activities	11	0.6
Radio broadcasting	4	0.2
Publishing of newspapers	3	0.2
Publishing of directories and mailing lists	0	0.0
Motion picture projection activities	0	0.0
<b>TOTAL</b>	<b>1,954</b>	<b>100.0</b>

*Source: Business Registers Agency of the Republic of Serbia.*

*Table 16 Business Activities of Entrepreneurs within the services in agriculture (support activities to agriculture)*

NAME OF BUSINESS ACTIVITY	REGISTERED	%
Support services to forestry	62	52.1
Support activities for crop production	27	22.7
Veterinary activities	20	16.8
Support activities for animal production	8	6.7
Post-harvest crop activities	1	0.8
Seed processing for propagation	1	0.8
Renting and leasing of agricultural machinery and equipment	0	0.0
<b>TOTAL</b>	<b>119</b>	<b>100.0</b>

*Source: Business Registers Agency of the Republic of Serbia.*



ANNEX 3

Table 1. Business activities of companies per regions (or districts)

DISTRICTS	NUMBER OF REGISTERED
<b>Bor District</b>	<b>2</b>
Web portals	1
Veterinary activities	1
<b>Braničevo District</b>	<b>23</b>
Advertising agencies	4
Radio broadcasting	1
Photographic activities	1
Publishing of magazines and periodicals	1
Publishing of newspapers	1
Computer consultancy activities	1
Support activities for animal production	5
Television programming and broadcasting activities	6
Computer programming activities	1
Sound recording and music publishing activities	1
Support activities for crop production	1
<b>The City of Belgrade</b>	<b>644</b>
Post-harvest crop activities	2
Motion picture projection activities	1
Advertising agencies	141
Motion picture, video and television programme post-production activities	2
Radio broadcasting	8
Photographic activities	6
Other information service activities n.e.c.	7
Publishing of magazines and periodicals	14
Publishing of directories and mailing lists	1
Book publishing	41
Publishing of newspapers	13
Other software publishing	4
Wired telecommunications activities	18
Computer consultancy activities	37
Data processing, hosting and related activities	8
Other publishing activities	6
Other information service activities	14
Television programming and broadcasting activities	12
Motion picture, video and television program production activities	53
Computer programming activities	184



Sound recording and music publishing activities	16
Specialised design activities	13
Computer facilities management activities	3
Support activities for crop production	4
Support services to forestry	1
Web portals	30
Veterinary activities	5
<b>Jablanica District</b>	<b>9</b>
Wired telecommunications activities	3
Television programming and broadcasting activities	3
Computer programming activities	1
Support activities for crop production	1
Veterinary activities	1
<b>South Bačka District</b>	<b>148</b>
Advertising agencies	20
Radio broadcasting	1
Photographic activities	2
Other information service activities n.e.c.	1
Publishing of magazines and periodicals	5
Book publishing	12
Publishing of newspapers	3
Other software publishing	1
Publishing of computer games	2
Wired telecommunications activities	1
Computer consultancy activities	3
Other publishing activities	2
Other information service activities	2
Television programming and broadcasting activities	7
Motion picture, video and television program production activities	7
Computer programming activities	62
Sound recording and music publishing activities	2
Specialised design activities	1
Support activities for crop production	7
Web portals	2
Veterinary activities	5
<b>South Banat District</b>	<b>29</b>
Advertising agencies	5
Publishing of magazines and periodicals	1
Renting and leasing of agricultural machinery and equipment	1
Wired telecommunications activities	2
Computer consultancy activities	2



Data processing, hosting and related activities	1
Other information service activities	1
Television programming and broadcasting activities	1
Motion picture, video and television program production activities	1
Computer programming activities	9
Support activities for crop production	4
Support services to forestry	1
<b>Kolubara District</b>	<b>14</b>
Advertising agencies	2
Wired telecommunications activities	2
Television programming and broadcasting activities	3
Computer programming activities	3
Support activities for crop production	1
Veterinary activities	3
<b>Kosovo District</b>	<b>1</b>
Television programming and broadcasting activities	1
<b>Kosovska Mitrovica District</b>	<b>2</b>
Support activities for animal production	1
Support activities for crop production	1
<b>Kosovo Pomoravlje District</b>	<b>2</b>
Wired telecommunications activities	1
Support activities for crop production	1
<b>Mačva District</b>	<b>22</b>
Advertising agencies	4
Wired telecommunications activities	5
Computer consultancy activities	1
Support activities for animal production	1
Television programming and broadcasting activities	1
Motion picture, video and television program production activities	1
Computer programming activities	6
Support activities for crop production	1
Veterinary activities	2
<b>Moravički District</b>	<b>23</b>
Motion picture projection activities	1
Advertising agencies	1
Radio broadcasting	2
Photographic activities	1
Publishing of magazines and periodicals	1
Publishing of newspapers	3
Wired telecommunications activities	1



Data processing, hosting and related activities	2
Other publishing activities	1
Other information service activities	1
Support activities for animal production	2
Television programming and broadcasting activities	1
Computer programming activities	4
Support activities for crop production	1
Web portals	1
<b>Nišava District</b>	<b>54</b>
Advertising agencies	8
Radio broadcasting	3
Publishing of magazines and periodicals	1
Publishing of directories and mailing lists	1
Book publishing	1
Other software publishing	2
Wired telecommunications activities	5
Computer consultancy activities	3
Data processing, hosting and related activities	1
Support activities for animal production	1
Television programming and broadcasting activities	3
Motion picture, video and television program production activities	2
Computer programming activities	21
Support activities for crop production	1
Web portals	1
<b>Pčinja District</b>	<b>8</b>
Wired telecommunications activities	1
Data processing, hosting and related activities	1
Television programming and broadcasting activities	2
Motion picture, video and television program production activities	1
Computer programming activities	3
<b>Peć District</b>	<b>2</b>
Television programming and broadcasting activities	2
<b>Pirot District</b>	<b>1</b>
Advertising agencies	1
<b>Podunavlje District</b>	<b>14</b>
Advertising agencies	3
Radio broadcasting	1
Publishing of newspapers	1
Wired telecommunications activities	1
Data processing, hosting and related activities	1



Other information service activities	1
Support activities for animal production	1
Computer programming activities	4
Support activities for crop production	1
<b>Pomoravlje District</b>	<b>21</b>
Advertising agencies	3
Radio broadcasting	1
Computer consultancy activities	1
Other information service activities	4
Television programming and broadcasting activities	6
Computer programming activities	2
Support activities for crop production	1
Web portals	1
Veterinary activities	2
<b>Rasina District</b>	<b>8</b>
Advertising agencies	1
Computer consultancy activities	1
Other information service activities	1
Support activities for animal production	1
Television programming and broadcasting activities	2
Computer programming activities	2
<b>Raška District</b>	<b>18</b>
Advertising agencies	2
Book publishing	1
Publishing of newspapers	2
Wired telecommunications activities	3
Other information service activities	1
Support activities for animal production	1
Television programming and broadcasting activities	5
Computer programming activities	1
Specialised design activities	1
Veterinary activities	1
<b>North Bačka District</b>	<b>39</b>
Motion picture projection activities	1
Advertising agencies	10
Publishing of newspapers	1
Data processing, hosting and related activities	2
Television programming and broadcasting activities	3
Motion picture, video and television program production activities	3
Computer programming activities	12



Specialised design activities	1
Support activities for crop production	3
Web portals	3
<b>North Banat District</b>	<b>9</b>
Advertising agencies	2
Wired telecommunications activities	1
Computer consultancy activities	1
Data processing, hosting and related activities	1
Television programming and broadcasting activities	1
Computer programming activities	1
Support activities for crop production	1
Veterinary activities	1
<b>Central Banat District</b>	<b>14</b>
Motion picture projection activities	1
Advertising agencies	2
Wired telecommunications activities	1
Data processing, hosting and related activities	1
Other information service activities	1
Support activities for animal production	2
Computer programming activities	3
Support activities for crop production	1
Web portals	1
Veterinary activities	1
<b>Srem District</b>	<b>24</b>
Advertising agencies	4
Seed processing for propagation	1
Publishing of magazines and periodicals	1
Book publishing	1
Publishing of newspapers	1
Wired telecommunications activities	3
Data processing, hosting and related activities	1
Other information service activities	2
Television programming and broadcasting activities	2
Computer programming activities	5
Support activities for crop production	1
Web portals	1
Veterinary activities	1
<b>Šumadija District</b>	<b>35</b>
Advertising agencies	5
Radio broadcasting	3



Publishing of magazines and periodicals	1
Book publishing	1
Wired telecommunications activities	2
Computer consultancy activities	1
Data processing, hosting and related activities	2
Television programming and broadcasting activities	3
Motion picture, video and television program production activities	1
Computer programming activities	14
Support activities for crop production	1
Veterinary activities	1
<b>Toplica District</b>	<b>4</b>
Wired telecommunications activities	1
Computer consultancy activities	1
Data processing, hosting and related activities	1
Web portals	1
<b>Zajecar District</b>	<b>3</b>
Advertising agencies	1
Television programming and broadcasting activities	1
Web portals	1
<b>West Bačka District</b>	<b>23</b>
Advertising agencies	4
Book publishing	2
Publishing of newspapers	1
Computer consultancy activities	1
Other publishing activities	1
Support activities for animal production	1
Television programming and broadcasting activities	3
Computer programming activities	2
Support activities for crop production	6
Veterinary activities	2
<b>Zlatibor District</b>	<b>13</b>
Book publishing	1
Wired telecommunications activities	1
Other publishing activities	1
Support activities for animal production	3
Motion picture, video and television program production activities	2
Computer programming activities	1
Support activities for crop production	2
Web portals	1
Veterinary activities	1



**TOTAL**

**1209**

*Table 2. Business activities of entrepreneurs per regions (or districts).*

<b>DISTRICTS</b>	<b>NUMBER OF REGISTERED</b>
<b>Bor District</b>	<b>51</b>
Advertising agencies	8
Photographic activities	4
Data processing, hosting and related activities	6
Other information service activities	4
Motion picture, video and television program production activities	1
Computer programming activities	22
Specialised design activities	1
Computer facilities management activities	2
Support services to forestry	3
<b>Braničevo District</b>	<b>62</b>
Advertising agencies	10
Photographic activities	11
Publishing of magazines and periodicals	1
Computer consultancy activities	3
Data processing, hosting and related activities	1
Other information service activities	5
Television programming and broadcasting activities	3
Motion picture, video and television program production activities	1
Computer programming activities	19
Specialised design activities	1
Support activities for crop production	1
Support services to forestry	4
Web portals	2
<b>The City of Belgrade</b>	<b>2444</b>
Advertising agencies	365
Motion picture, video and television programme post-production activities	41
News agency activities	1
Motion picture, video and television programme distribution activities	6
Photographic activities	68
Other information service activities n.e.c.	17



Publishing of magazines and periodicals	11
Book publishing	20
Wired telecommunications activities	12
Computer consultancy activities	180
Data processing, hosting and related activities	111
Other publishing activities	7
Other information service activities	82
Support activities for animal production	2
Television programming and broadcasting activities	5
	220
Motion picture, video and television program production activities	
Computer programming activities	1037
Sound recording and music publishing activities	15
Specialised design activities	167
Computer facilities management activities	20
Support activities for crop production	2
Support services to forestry	1
Web portals	48
Veterinary activities	6
<b>Jablanica District</b>	<b>58</b>
Advertising agencies	14
Photographic activities	9
Publishing of magazines and periodicals	1
Computer consultancy activities	4
Other publishing activities	1
Other information service activities	1
Support activities for animal production	1
	1
Motion picture, video and television program production activities	
Computer programming activities	15
Specialised design activities	2
Support activities for crop production	1
Support services to forestry	7
Web portals	1
<b>South Bačka District</b>	<b>743</b>
Advertising agencies	125
	2
Motion picture, video and television programme post-production activities	
Motion picture, video and television programme distribution activities	1
Seed processing for propagation	1
Photographic activities	26



Other information service activities n.e.c.	4
Publishing of magazines and periodicals	2
Book publishing	4
Wired telecommunications activities	1
Computer consultancy activities	39
Data processing, hosting and related activities	36
Other publishing activities	2
Other information service activities	9
Support activities for animal production	3
Television programming and broadcasting activities	3
	13
Motion picture, video and television program production activities	
Computer programming activities	402
Sound recording and music publishing activities	3
Specialised design activities	43
Computer facilities management activities	2
Support activities for crop production	6
Support services to forestry	2
Web portals	7
Veterinary activities	7
<b>South Banat District</b>	<b>140</b>
Advertising agencies	26
	1
Motion picture, video and television programme post-production activities	
Photographic activities	16
Publishing of newspapers	1
Wired telecommunications activities	1
Computer consultancy activities	5
Data processing, hosting and related activities	6
Other publishing activities	1
Other information service activities	7
	6
Motion picture, video and television program production activities	
Computer programming activities	57
Sound recording and music publishing activities	1
Specialised design activities	7
Computer facilities management activities	2
Web portals	3
<b>Kolubara District</b>	<b>86</b>
Advertising agencies	23



Motion picture, video and television programme post-production activities	1
Photographic activities	4
Other information service activities n.e.c.	2
Publishing of magazines and periodicals	1
Wired telecommunications activities	2
Computer consultancy activities	5
Other information service activities	2
Television programming and broadcasting activities	2
	6
Motion picture, video and television program production activities	
Computer programming activities	28
Sound recording and music publishing activities	1
Specialised design activities	7
Support services to forestry	1
Web portals	1
<b>Kosovo District</b>	<b>5</b>
Advertising agencies	1
Other information service activities	1
	1
Motion picture, video and television program production activities	
Computer programming activities	2
<b>Kosovska Mitrovica District</b>	<b>9</b>
Advertising agencies	1
Photographic activities	3
Other information service activities	1
Television programming and broadcasting activities	1
Computer programming activities	3
<b>Kosovo Pomoravlje District</b>	<b>1</b>
Web portals	1
<b>Mačva District</b>	<b>136</b>
Advertising agencies	33
	2
Motion picture, video and television programme post-production activities	
Photographic activities	2
Book publishing	1
Publishing of newspapers	1
Computer consultancy activities	10
Data processing, hosting and related activities	5
Other information service activities	6



Television programming and broadcasting activities	1
Motion picture, video and television program production activities	4
Computer programming activities	60
Specialised design activities	6
Computer facilities management activities	1
Support services to forestry	2
Web portals	1
Veterinary activities	1
<b>Moravički District</b>	<b>104</b>
Advertising agencies	20
Motion picture, video and television programme post-production activities	1
Photographic activities	1
Other information service activities n.e.c.	4
Wired telecommunications activities	2
Computer consultancy activities	1
Data processing, hosting and related activities	12
Other publishing activities	1
Other information service activities	3
Motion picture, video and television program production activities	4
Computer programming activities	40
Specialised design activities	4
Computer facilities management activities	1
Support services to forestry	8
Web portals	2
<b>Nišava District</b>	<b>312</b>
Advertising agencies	51
Motion picture, video and television programme post-production activities	1
Other information service activities n.e.c.	5
Publishing of magazines and periodicals	1
Book publishing	4
Other software publishing	19
Publishing of computer games	4
Wired telecommunications activities	3
Computer consultancy activities	46
Data processing, hosting and related activities	7
Other publishing activities	1
Other information service activities	3



Support activities for animal production	1
Television programming and broadcasting activities	2
	5
Motion picture, video and television program production activities	
Computer programming activities	127
Sound recording and music publishing activities	3
Specialised design activities	20
Support services to forestry	2
Web portals	7
<b>Pčinja District</b>	<b>65</b>
Advertising agencies	14
Motion picture, video and television programme distribution activities	1
Photographic activities	9
Other information service activities n.e.c.	1
Book publishing	1
Wired telecommunications activities	4
Data processing, hosting and related activities	1
Other information service activities	4
	4
Motion picture, video and television program production activities	
Computer programming activities	18
Specialised design activities	4
Support services to forestry	3
Web portals	1
<b>Peć District</b>	<b>1</b>
Other publishing activities	1
<b>Pirot District</b>	<b>31</b>
Advertising agencies	3
Motion picture, video and television programme distribution activities	2
Photographic activities	4
Other software publishing	1
Computer consultancy activities	2
Data processing, hosting and related activities	1
Other information service activities	1
Computer programming activities	14
Specialised design activities	2
Computer facilities management activities	1
<b>Podunavlje District</b>	<b>90</b>
Advertising agencies	27



Motion picture, video and television programme post-production activities	1
Photographic activities	2
Publishing of magazines and periodicals	1
Wired telecommunications activities	2
Computer consultancy activities	2
Data processing, hosting and related activities	1
Other information service activities	3
Television programming and broadcasting activities	4
	2
Motion picture, video and television program production activities	
Computer programming activities	41
Specialised design activities	2
Computer facilities management activities	1
Veterinary activities	1
<b>Pomoravlje District</b>	<b>70</b>
Advertising agencies	11
Radio broadcasting	1
Other information service activities n.e.c.	2
Wired telecommunications activities	2
Computer consultancy activities	9
Data processing, hosting and related activities	1
Other publishing activities	1
Other information service activities	7
	1
Motion picture, video and television program production activities	
Computer programming activities	25
Specialised design activities	5
Support services to forestry	5
<b>Prizren District</b>	<b>1</b>
Television programming and broadcasting activities	1
<b>Rasina District</b>	<b>98</b>
Advertising agencies	18
	1
Motion picture, video and television programme post-production activities	
Radio broadcasting	1
Photographic activities	2
Other information service activities n.e.c.	2
Book publishing	1
Other software publishing	2
Wired telecommunications activities	3



Computer consultancy activities	7
Other information service activities	2
Television programming and broadcasting activities	1
	3
Motion picture, video and television program production activities	
Computer programming activities	35
Sound recording and music publishing activities	1
Specialised design activities	13
Computer facilities management activities	1
Support services to forestry	2
Web portals	3
<b>Raška District</b>	<b>144</b>
Advertising agencies	45
	2
Motion picture, video and television programme post-production activities	
Photographic activities	7
Other information service activities n.e.c.	2
Wired telecommunications activities	7
Computer consultancy activities	4
Data processing, hosting and related activities	8
Other publishing activities	1
Other information service activities	1
	1
Motion picture, video and television program production activities	
Computer programming activities	42
Specialised design activities	6
Support services to forestry	11
Web portals	6
Veterinary activities	1
<b>North Bačka District</b>	<b>72</b>
Advertising agencies	15
Photographic activities	3
Other information service activities n.e.c.	1
Computer consultancy activities	2
Data processing, hosting and related activities	2
	1
Motion picture, video and television program production activities	
Computer programming activities	40
Sound recording and music publishing activities	1
Specialised design activities	4
Support activities for crop production	1



Web portals	1
Veterinary activities	1
<b>North Banat District</b>	<b>49</b>
Post-harvest crop activities	1
Advertising agencies	11
Photographic activities	5
Computer consultancy activities	1
Data processing, hosting and related activities	3
Other information service activities	1
	1
Motion picture, video and television program production activities	18
Computer programming activities	4
Specialised design activities	2
Computer facilities management activities	1
Support services to forestry	1
Web portals	1
<b>Central Banat District</b>	<b>56</b>
Advertising agencies	11
Radio broadcasting	1
Photographic activities	5
Publishing of magazines and periodicals	2
Computer consultancy activities	6
Data processing, hosting and related activities	2
Other information service activities	2
	1
Motion picture, video and television program production activities	18
Computer programming activities	1
Sound recording and music publishing activities	4
Specialised design activities	1
Computer facilities management activities	1
Support activities for crop production	1
Web portals	1
<b>Srem District</b>	<b>134</b>
Advertising agencies	19
Motion picture, video and television programme distribution activities	1
Photographic activities	8
Other information service activities n.e.c.	2
Publishing of newspapers	1
Other software publishing	1
Computer consultancy activities	9
Data processing, hosting and related activities	8



Other publishing activities	1
Other information service activities	6
Television programming and broadcasting activities	1
	3
Motion picture, video and television program production activities	
Computer programming activities	60
Specialised design activities	8
Support activities for crop production	1
Web portals	5
<b>Šumadija District</b>	<b>169</b>
Advertising agencies	36
Photographic activities	10
Other information service activities n.e.c.	4
Publishing of magazines and periodicals	1
Wired telecommunications activities	4
Computer consultancy activities	6
Data processing, hosting and related activities	14
Other publishing activities	1
Other information service activities	7
	3
Motion picture, video and television program production activities	
Computer programming activities	62
Sound recording and music publishing activities	1
Specialised design activities	13
Computer facilities management activities	1
Support services to forestry	3
Web portals	3
<b>Toplica District</b>	<b>21</b>
Advertising agencies	6
Photographic activities	4
Computer consultancy activities	1
Other information service activities	3
Computer programming activities	6
Specialised design activities	1
<b>Zajecar District</b>	<b>33</b>
Advertising agencies	4
Photographic activities	5
Data processing, hosting and related activities	1
Other information service activities	1
Computer programming activities	17
Specialised design activities	1



Support services to forestry	3
Web portals	1
<b>West Bačka District</b>	<b>48</b>
Advertising agencies	11
Photographic activities	3
Wired telecommunications activities	1
Computer consultancy activities	2
Other information service activities	2
Computer programming activities	12
Specialised design activities	1
Support activities for crop production	14
Web portals	1
Veterinary activities	1
<b>Zlatibor District</b>	<b>111</b>
Advertising agencies	18
Radio broadcasting	1
Photographic activities	7
Other information service activities n.e.c.	1
Wired telecommunications activities	2
Computer consultancy activities	5
Data processing, hosting and related activities	6
Other publishing activities	1
Other information service activities	3
Support activities for animal production	1
Television programming and broadcasting activities	3
Motion picture, video and television program production activities	1
Computer programming activities	47
Specialised design activities	5
Support services to forestry	4
Web portals	4
Veterinary activities	2
<b>TOTAL</b>	<b>5344</b>