

# Advocacy for Microfinance in Serbia: History and Current Situation

“Demystifying advocacy at EU-level”, Vienna, 7<sup>th</sup> June 2019.

# Advocacy for Microfinance in Serbia / Key Messages

- Microfinance is the provision of lending services by socially-focused microfinance institutions (MFIs) to the less affluent to the poor segments of a population that is not served by mainstream financial services providers. **These are usually not banks.**
- The importance of microfinance lies in the fact that it provides a model of development focusing on creating access to financing for socially- and economically-excluded groups, **promoting entrepreneurship and giving people the means to fight poverty.**
- Microfinance is recognized as an important financial tool in **the developed EU countries** and the region.
- The market in Serbia is underserved / Only 2 to 7% of the potential microfinance market in Serbia is being served (source: PWC detailed market research from 2017), therefore microfinance may be an **effective tool in promoting economic growth.**

# Serbian History of Microfinance

- Various international and local organizations have tried since 2005 to encourage microfinance in Serbia.
- These efforts have included Serbian Ministry of Economy, the Central Bank, Ministry of Social Affairs, EBRD, USAID etc. The efforts seemed to be close to the final success, yet, because of the frequent elections and the lack of political stability, efforts had to be redone, to be repeated from the beginning, but toward the new decision makers and political players.
- Even though the Regulatory framework hasn't been introduced as yet, the efforts improved the reputation of Microfinance to a great extend.
- Currently, the latest impact was made with the support of EaSi TA. Also, it seem that the EU examples have the loudest voice.

# Most Recent Developments

- **Beginning of 2019:** The conclusions of the Working Group lead by the National Bank of Serbia communicated to AgroInvest by the Head of Legal of NBS that the NBS agrees that there is a need for the NBFi, including microfinance, yet, it is not their role to initiate it, but the Ministry of Finance.
- Since 2005, two out of three MFIs closed down and AgroInvest is the only MFI that currently operates in Serbia.

# The Latest Highlights

- **With EaSi Funds the Serbian Government Representatives** visited Adie in Paris (March 2019):
  - The visit was very productive and made an impact. The data collected is included in the research conducted by the Ministry of Finance.
  - All the Representatives were high level officials who report directly to the Ministers.
- **End April 2019, the Serbian Chamber of Commerce Initiated a Working Group for better access to Finance for Micro Small and Medium Entrepreneurs. AgroInvest is a part of the Working Group, as well as the Ministry of Finance – the initiator of the Regulatory Framework.**

# Current and Expected

- **March 2019: The Serbian Ministry of Finance officially started the initiative for diversification of the financial sector, as a part of the National Strategy for the Finance for Growth. The strategy is included in the cooperation with IMF**  
(\*IMF is the most important institution for the Serbian Government and that's what makes the difference to the previous initiatives).
- **The strategy is to be written by the end of 2019. It's suppose to be officially adopted as final and implemented no later than the end of 2020. It is lead by the Serbian MoF.**

# What Needs to be Mitigated?

1. **Control:** fear of losing control over the lending sector
2. **New players on the financial market:** new actors will come into the market (establish strict and transparent conditions for operating, formal standards, best practices). NBFIs are **not** a threat to the financial sector. On the contrary.
3. **Capacity:** address issue of insufficient capacity, time or money to regulate (support regulation).

**Primary Target:** Regulators, Banks and financial experts

# But How?

**Focus on continuously coordinating stakeholders** to make decision-makers aware of the NBFIs sector's most important characteristics, best practices, lessons learned and the positive social and developmental impacts.

## **The First Next Action:**

Open table discussion on Microfinance to be held in Serbia with the support of EaSi and under the umbrella of the Serbian Chamber of Commerce. Waiting for the MoF to set the date.



THANK YOU FOR YOUR ATTENTION!