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# **1. Introduction and background**

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## **1.1. An outline of rural credit facilities**

Various methods were used in former Yugoslavia to finance agriculture and rural/regional development. There has never been a stable model of agricultural financing, even before transition and economic and political crisis. Since the Government had control of banks, it has had the leading role in defining both short-term and long-term models of agricultural financing. Scarce financial resources were allocated often on the basis of non-economic principles and without transparent procedures.

During 1970-1980s there were no specialised investment credits, adapted to the needs of the sector, available for agriculture. Loans have been granted within the framework of the general system for investment credits on terms which were unfavourable for agriculture. Socially owned enterprises and cooperatives have had privileged positions with regard to the access to credits. They use the following resources for financing their capital requirements: contributions from private farms, own savings, bank credits, World bank loans, contribution from the Federal Fund for financing the development of economically less-developed republics (and the province of Kosovo and Metohija), and special account. It is difficult to explain in one sentence. As you know the Government over that time has had control over everything and big powerful in the economy. The former Yugoslavia, for example, had a law which anticipated that successful enterprises from well developed regions must open new factories and support employment in less developed communities (in Kosovo and Methija, south Serbia, Bosnia, for example). During that period investment in the private sector, stimulated by agricultural credit projects of the World Bank<sup>1</sup>, increased rapidly. Two-thirds of total capital expenditures by private farmers were for the purchase of machinery and equipment. Commercial bank credits were available to the social sector and to private farmers who were engaged in co-operation with them. Every year, when monetary and credit policies are decided, an amount is set aside for re-discounting commercial bank loans, and interest rates on current production and marketing loans for basic agricultural products were fixed. Re-discount facilities were available on loans for production and marketing of “strategic” agricultural products<sup>2</sup>.

In 1988 “Agrobanka” and the “Cooperatives Association of Serbia” developed the “Programme for Enhancing Agricultural Production and Rural Living Standards” which has been realised since 1992 as the “Programme for Rural Revitalization”. Resources were used for financing the programme for the development of agricultural production, buildings for servicing agricultural machinery, production of processed commodities of quality brands, handicraft development, capacities for medicinal plant and forest fruit processing, development of domestic crafts and rural tourism, including rural infrastructure. Users whose programmes were to be realised under the conditions of hill and mountain regions had priority in acquiring the resources. Also included were those living in underdeveloped communities, farmers under 40 yrs of age and those enabling the employment of a considerable number of unemployed and the production of high-quality food commodities. The users of these resources (credits) could also be connected with farms –persons involved in agricultural

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<sup>1</sup> Credit line of \$322 million was opened for private farmers and socially owned sector, with a \$125 million participation by the World Bank.

<sup>2</sup> List of “strategic” products included: wheat, maize, paddy rice, sugar beet, oilseeds, tobacco, cold storage grapes and apples, stocks of wine and wine cellars, livestock fattening (cattle, sheep, pig, poultry), fishing, meat in refrigeration plants, milk and domestic dairy products.

production, co-operatives and enterprises registered in the field of agricultural production. Depending on the type of programme and location (for example, underdeveloped and hill-mountain regions, other regions) the users of the credit had to ensure 20 to 80% own participation for financing the programme.

The Programme of Monetary Reconstruction was introduced in 1994 with the basic aim of conquering hyper-inflation which had brought the whole economic system close to disintegration. With that Programme important changes were introduced in the financing of agriculture. The previously prevailing resource of the Central Bank (National Bank of Yugoslavia) primary issue was abandoned. That actually meant that agriculture was supposed to rely on self-financing and bank credits. Since the banks funds for this purpose were very limited, they were available to a small part of agricultural production. In those circumstances the interest rates rapidly increased to an incredible 15-30%/month<sup>3</sup>, and Agriculture's debts to banks reached an incredible amount. Most producers (including leading socially-owned combines) had negative annual balances and their drawing accounts were closed. The consequence was that some of the banks could not return a larger amount of credits and went bankrupt.

In 1998 two Acts went into force with the aim of overcoming the unfavourable situation in financing agriculture:

1. The act to transform credits approved by banks for the needs of agricultural enterprises and cooperatives into public dept of the Federation<sup>4</sup>. Credit transformation into public dept was for a 10-year period and a grace period of 3 yrs.
2. The act to transform credit from primary issue into a long-term credit<sup>5</sup>. The credit repayment deadline was 15 years with a grace period of 5 years.

**Serbia** Since the introduction of the restrictive credit and monetary policy in Serbia in 1994, as well as the cancellation of financing the agrarian economy from the central bank primary issue, the domestic agrarian economy has been left without any permanent and safe financing source for its specific use. As this action has been significantly reflected on this devastated but for our condition very important economic branch in 1996 in the Republic of Serbia an agrarian budget was established as special part of the total budget of Serbia Republic aiming at provision targeted as well as supporting funds for subsidizing agriculture and total rural development in Serbia ?]From the initial 1 billion dinars (1996), the agrarian budget increased to 10 billion dinars (2003) during the past eight years, however in general its share decreased (from 8.3% to 3.0%).

**Montenegro** – Over the past few years some governmental institutions and funds have focused part of their capital on agriculture, crediting entrepreneurship projects and self-employment:

1. Beginning 1999 the government initiated the "Programme for stimulating entrepreneurship and employment". To date, 23 million Euros have been spent. On agricultural projects about 9 million Euros, or approx. 40% of the total resources have been spent..
2. In 1998 the Ministry for Agriculture, in association with the Fund for Development and Employment Bureau, initiated the "Programme for crediting individual agricultural producers". To date nearly 1000 micro-credits have been approved , thus contributing to significant investments in the field of agricultural production.

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<sup>3</sup> Their share in the cost price of basic agricultural products was as big as 20%.

## 1.2. Major credit and rural policy developments in 2005

During 2004-05 several attempts were made by the Ministry of Agriculture, Forestry and Water Management and the Ministry of Finance to improve the credit system in **Serbia**.

In Serbia agricultural production is being credited by:

- the Ministry of Agriculture, Forestry and Water Management at beneficial interest rates,
- business banks,
- development funds,
- leasing companies.

***Credits of the Ministry of Agriculture*** – The Ministry of Agriculture has been crediting farmers since 2004. The source of money is the Agrarian budget. These credit lines to farmers are highly subsidized, and are provided through the banking sector (at or close to negative real rates 3 to 5%). Banks are managing credits, which is important in order to start the building of the credit history of farmers. Credit users are registered agricultural producers having accounts at business banks. In 2004 the total amount in the agrarian budget for crediting amounted to 3.7 billion dinars (i.e. 17.5% of the agrarian budget) consisting of 1.7 billion dinars for short-term credits and 2 billion dinars for long-term credits. In 2005 the resources intended for credits accounted for 18.2% of the total agrarian budget, i.e. 3.5 billion dinars (1.5 billion for short-term credits and 2 billion dinars for long-term credits). In 2004 and 2005, 51.456 registered farmers received credits with an average amount of about 61.943 dinars (more than 800 Euro). In 2006, 3.5 billion dinars (15.7% of the agrarian budget) were set aside for crediting, of which two billion dinars were intended for long-term credits and the rest for short-term crediting. The total amount for crediting registered farms will amount to 6-7 billion dinars, along with more than 3 billion dinars of extra deposit from repayed credits approved during the previous two years. The crediting mechanism includes two types of credits: short-term credits (up to one year) and mid-term credits (up to 5 years). (<http://www.minpolj.sr.gov.yu>).

***Credits of business banks*** – In the current economic situation banks in Serbia are not too interested in dealing with farmers (and vice versa). Business banks prefer crediting agricultural enterprises, SME's and cooperatives. During 2005 there were 25 banks in Serbia approving agricultural credit loans under different conditions and for different purposes<sup>4</sup>. The major provider of credit to agriculture in Serbia is ProCredit Bank. ProCredit was founded in 2001 by the three development agencies (EBRD, IFC, and KfW) and three commercial entities (IMI, Commerzbank, FMO) as a full service bank focused on lending to micro, small, and medium-sized enterprises. ProCredit's dominant position in agricultural lending derives from their focus on small businesses, a strategy that rarely overlaps with other commercial bank targets. ProCredit loans average about €4700. Micro-loans account for 85 percent of their business and they average only €2500. ProCredit is able to earn commercial rates of profit through their expertise and experience in this area, while few other banks actively pursue such small loans. The only significant exception is Opportunity International which also targets small loans, but only 10 percent of its loans are for agricultural purposes. The collateral associated with ProCredit Bank loans varies with loan size. Loans under €2000 require no collateral. Larger loans require moveable assets as collateral, including equipment and livestock. Land is never used as collateral because it cannot typically be sold at the assessed value. ProCredit recognizes that the market for agricultural loans is unfulfilled. Its expansion is limited by the capital it has available. It has grown through increases in equity

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<sup>4</sup> <http://www.minpolj.sr.gov.yu/images/materiali/odlucaoizboruposlovnihbanaka.pdf>

from its shareholders, which is now approaching €20 million, and through deposits. Deposits rose from €36 million in 2001 to €67 million in 2004, but continued growth is constrained by the poor growth of the Serbian economy<sup>5</sup>.

In 2004 Reiffeisenbank invested 159.5 million Euro (44.8% of its total credit portfolio) in agriculture, i.e. 42.9% of the total short-term credits and 48.1% of the total long-term credits. The major branches financed were: production of oil, sugar, meat, flour-milling industry, fruit juice production and confectionery. Farmer and SME financing in the field of primary agricultural production was achieved by making arrangements with corporate clients, meaning thereby recommendations for co-operants (signed agreement on co-operation). In addition, a support from the part of corporate clients was needed due to the following constraints: unsolved land ownership relationships, land record keeping and privatisation processes. The purposes of long-term credits were: the purchase of agricultural machinery, arable land and pastures, the construction of plastic and greenhouses, the purchase of irrigation systems and livestock, and the construction of barns.

**Leasing companies** – In Serbia the system of financial leasing is still in the development phase. The Act of the Republic of Serbia regarding financial leasing was adopted in May 2003. The establishment of the domestic leasing enterprise “Lipaks” was initiated in 2003 by the government of Serbia, with the objective of ensuring favourable conditions for the purchase of tractors, agricultural machinery, trucks and specialized vehicles of domestic producers. Initially, the major users of leasing facilities were private farmers who were offered the restoration of dilapidated agricultural machinery under favourable conditions. In 2004 the nine leading leasing companies in Serbia founded the Association of Leasing Companies (ALCS). The foundation of the Association had been initiated by SEED Programme of the World Bank for the enhancement of small- and medium-scale enterprises in Southeast Europe. Since 2005 the conditions for leasing have been favourable with a 3% annual interest rate for agricultural machinery and 5% for other leasing facilities. Minimum participation was 20% and maximum 50%. The repayment period was 2-5 years by monthly instalments (and, rarely, 3-month instalments). Mortgaging is used for farmers and real estate ownership inventory. The user is not obliged to pay tax instantly - the obligation is at the leasing company's expense.

**Development funds** – Agriculture has the priority in being credited from the development funds resources of Serbia<sup>6</sup>.

*Development Fund of the Republic of Serbia* – The Development Fund of the Republic of Serbia was established in 1992. The resources are used for financing programmes in the field of economic and regional development, the encouragement of small and medium-scale enterprises, financing export encouragement, financing the economy for liquidity and financing regular Fund activities. The Fund is 100% state-owned. The activities of the Fund are financially supported by the Republic of Serbia's budget, credit investment annuities and the corresponding interest rate, resources from the insolvent social enterprises, solidarity resources, subsidies, business bank loans and domestic and foreign credits. The credits offered from the resources of the Fund can either be short-term or long-term credits.

*Fund for agricultural development of Vojvodina Province (established in 2001)*. This Fund provided credits with a one-year grace period, and a repayment period to 3 years at a 2.5% interest rate. Maximum credit is 8000 euro. Since 2002 there has also been a Fund for the

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<sup>5</sup> [http://pdf.dec.org/pdf\\_docs/PNADD235.pdf](http://pdf.dec.org/pdf_docs/PNADD235.pdf), [www.procreditbank.co.yu/companies\\_loans\\_agro\\_s.html](http://www.procreditbank.co.yu/companies_loans_agro_s.html)

<sup>6</sup> <http://www.minpolj.sr.gov.yu/images/materiali/uredbaoprograspsredstzakredprehind05.pdf>,  
<http://www.fondzarazvoj.sr.gov.yu/izvestaj2005.pdf>

development of Vojvodina. Privatization procedures participate with 50% in the source of the capital. The main objective is development of SME's, farms and private initiative. About 60% of the total credit amount is intended for agricultural industry<sup>7</sup>.

**In Montenegro** there is no specialised bank for crediting agricultural activities. The government has ways for motivating banks with the aim of crediting agricultural production (beneficial interest rates, advance interest payment etc.). In 2004 an agreement was signed with six Montenegro banks, thus ensuring 13.2 million Euros for supporting financially the "Programme for legalisation of existing and opening new positions", which encourages entrepreneurship, employment, tourism and agriculture. The projects from the agricultural sector implied the development of livestock breeding, plant production, fisheries, poultry, and agricultural industry (five crediting lines), and their value amounted to 3.5 million Euro. Maximum credits amounted to 100 000 Euro with a 24 month grace period, repayment period to 4 years, and a 3-7% annual interest rate. This contributed to employment opportunities, i.e. 550 new jobs. In February 2006 the project "Programme for encouraging entrepreneurship" was initiated, with the aim of uniting financial support via the banking sector in association with the Employment Bureau, the Office for the development of small-scale and medium-scale enterprises and the Development Fund. Depending on the credit amount, the conditions of crediting were: 3-7% interest rate, 3-7 years repayment deadline, 12-24-month grace period. The Programme was intended for crediting projects in the field of agriculture, with the aim of creating commodity producers in primary agricultural production with enterprises that relate to agricultural industry.

Agricultural producers in Montenegro usually turn to institutions allowing micro-credits because the crediting procedure is much simpler and easier. Three micro-crediting programmes were initiated, thanks to donations aimed to offer support to small- and medium-scale enterprises and the rural population. More than 30000 credits were thus issued. The German organization "Help" supports those in need by offering interest-free credits and 15% repayment of the total credit. Until now a couple of micro-credits were available in the field of agricultural production. The programme supports persons with sound business ideas to start up or resume economic activities that are suitable to provide them with a regular income. These may be small repair work shops (for all kind of craftsmen's trades such as metal work, carpentry, electricians and the like), fishing, tailor workshops, mini farms, production of cheese, drying of herbs, small bakeries, packaging and the like. A total of 200 beneficiaries, including refugees, internally displaced persons and socially vulnerable people in the local population will benefit from this project.

### **1.3. Access to rural credit – uptake and issues**

Incentives to lend for agriculture are improved, but, without appropriate institutional and organizational adoption, progress will be slow. Rural bank infrastructure in Serbia suffered from very inadequate rural financial services. There are no developed networks of co-operative and other commercial institutions that offer a wide range of financial services<sup>8</sup>.

**Farmers, cooperatives and producer groups.** Although more than 110 thousand farmers opened bank accounts during 2004-2005, Serbian farmers use very little credit from the banking system. This is generally due to two types of constraints to credit flows, namely

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<sup>7</sup> <http://www.almamons.co.yu/i2.php?sm=69&m=13>

<sup>8</sup> <http://www.minpolj.sr.gov.yu/images/materiali/KreditipocetakWBprojekta.pdf>  
<http://www.minpolj.sr.gov.yu/images/materiali/ruralfinanceniserbia.pdf>

‘internal’ constraints, which result from lack of demand from within the farm system, and ‘external’ constraints, which result from factors outside the farm, that impede access to credit:

1. **Limited trust in the banking sector** and non-bank financial institutions among the farmers (as a result of previous bad experience from “pyramidal” schemes in the pre - transition period made by the National Bank of Yugoslavia).
2. **Lack of experience and expertise amongst farmers in developing and presenting business plans** - business plans are of poor quality. The advisory sector has insufficient expertise to offer farmers any help in this field. Farmers engage private advisers to develop business plans. There were sporadic initiatives from the donators’ projects in association with the Ministry of Agriculture to hold seminars for farmers and advisers in the field of agricultural economy (including business plan development).
3. **Market interest rates are too high** and usually, (especially for mid-term and long- term credits), are indexed to the Euro. Business banks offer enormous credit lines with a relatively high interest rate (hidden or open) under the conditions of increased money demand<sup>9</sup>.
4. **Unsafe legal protection and loans assurance** (unfinished cadastre, non-existing credit history). The use of farmland as collateral in Serbia is limited by inadequate cadastre evidence. The land market is still quite thin due to the structural weaknesses of land ownership, fragmentation of ownership, and incomplete titling, Land books are not updated<sup>10</sup>.
5. **Uncertainty of marketing.** Uncertainty with regard to the placement of agricultural products on the market presents the major constraint for commercial banks' broader credit support to agricultural producers. Both the non-harmonized legislation and the underdeveloped futures market of agricultural products have contributed to the fact that commodity notes for agricultural products cannot guarantee credit approval under the conditions of domestic practice. The Act concerning public warehouse receipts of agricultural products and the Act regarding commodity notes for agricultural products are in the phase of adoption.
6. The relatively small loan size required from the private sector associated with relatively **high fixed cost** of establishing and monitoring it. As the new generation of small farmers has neither credit history, nor learned how to write business plans, private banks are likely to incur higher costs when providing credit to farmers as compared to other businessmen.
7. **Lack of expertise** in the banking sector for appraising agricultural business plans. A couple of banks, (ProCredit Raiffeisen), have special sectors for agriculture and pay special attention to permanent education of its employees. Their target interests are large enterprises and farms, whereas their interest for co-operation with small producers is negligible.

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<sup>9</sup> According to domestic experts and the Serbian government the major trigger of the high inflation in Serbia (17% in 2005) is the highly indebted population at business banks.

<sup>10</sup> According to the Ministry of Agriculture only 10-15% of farms' real estates have been recorded so far, impeding the use of mortgage on real estate as guaranty for credit issue.

8. **The lack of investment credit** in the Serbian economy generally. There is a shortage of long-term sources of funding. Among the major constraints of economic development of Serbia is the shortage of favourable crediting sources.

Experience from the past two years has shown that farmers prefer to lend to individuals. Group lending by association and co-operatives is a less frequent method used mainly in credits for expensive mechanization.

**SME and other rural entrepreneurs** - Sizable rural SME financing by commercial banks and largely refinanced by EBRD, EAR, EIB, KfW. Within the framework of local agrobusiness EBRD has been financing (by 62 million Euro) larger companies (and SME's), achieving favourable business results, where the policy of development was focused on the enhancement of standards and production technologies, for example: "Marbo", "Fresh & Co", SFIR (sugar factory Te-To Senta, Star šećer), "Grand", "Frikom", Grupa "Lura". In addition, the bank in association with the Ministry of Agriculture of Serbia has financed the development of the Regulation on Warehouse Receipts (Warehouse Receipt Programme/-WHR)<sup>11</sup>.

## **2. Availability and performance of rural credit facilities**

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### **2.1. Assessment of short-term credit sources**

**Short-term credits of the Ministry of Agriculture** – Short-term credits are intended for the purchase of working assets (seeds, fertilizers, fodder etc.). The repayment deadline is 12 months with a 12-month grace period and a 5% interest rate. The procedure for obtaining short-term credit is simple. The farmer applies to one of the banks for the credit, enclosing the documentation required and the resources are being transferred to his purpose account. Credit lines are approved by the business bank, which has a signed agreement with the Ministry of Agriculture, Forestry and Water Management on the use of credit lines intended for agriculture. If the bank decides to approve the application it sends a guaranty to the Guarantee fund which checks all the criteria which need to be fulfilled, and issues a confirmation on credit approval. For short-term crediting in 2004 and 2005, 3.2 billion dinars (1.7 billion dinars in 2004 and 1.5 billion dinars in 2005) were provided. The needs were much greater so credits had to be limited with farm size. Loans were linked with farm size (up to 1 ha, 1-5 ha, 5-10 ha, up to 10 ha) and maximum payment was 150-3000 Euro. If the users do not meet the requirements for the short-term credit, they are put on the black list of the Ministry of Agriculture preventing them from acquiring any of the credits and any of the subventions of the Ministry.

A total of over 23,341 short-term credits of average credit value 69,879 dinars were approved of. In the structure of the approved short-term credits the share of credits for livestock production development accounts for 67% followed by machinery purchase, and construction of plastic and greenhouses.

Conditions for short-term crediting of agriculture by business banks in 2005 (excluding those in the service of purpose credit loans of the Agrarian Budget) were usually similar. Short-term credits were intended for the purchase of input, i.e. working capital for organizing agricultural production or for the purchase of agricultural products and the

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<sup>11</sup> <http://www.ebrd.com/new/stories/2004/040727.htm>

preparation of commodities for export and for ensuring liquidity. The grace period was 3-12 months, the credit amount was limited by credit worthiness and client reliability, and the monthly interest rate was 1.0-2.5%, i.e. 27-29% annually.

***Short-term credits of the Development Fund of the Republic of Serbia*** – These credits encouraged the export of domestic products. In 2005 short-term credits for encouraging export were approved for 12 agro-industrial enterprises amounting to 415 million dinars or 27% of the resources for these purposes.

## **2.2. Assessment of medium-term and long-term credit sources**

***Mid-term credits of the Ministry of Agriculture*** are being approved for a 5-year period with a 1-3 year grace period, depending on the purpose of the credit. Credits are approved for the construction and purchase of irrigation systems and equipment, purchase of agricultural machinery, establishment of orchards, construction of plastic and greenhouses, and livestock production. The lowest and highest credits approved are 5000 and 200 000 Euro respectively. The interest rate is 3% along with the currency clause (with respect to the Euro). Depending on the business bank, repayment guaranty can be mortgage, collateral (current or purchased asset), solo bill form, bill form of the physical subjects signed by one or a number of endorsers (50% greater resources of the monthly annuity), agreed bail and empowered credit user – the legal person for encashment from the account.

For investments over 15000 Euro banks demand that a business plan be enclosed when applying for mid-term credits. In association with the bank a farmer may enclose his own-made business plan but can also engage a consulting agency for the development of the business plan required. However, this does not mean that such an agency can apply for credits in the name of the farmer. Both in 2004 and 2005 the agrarian budget had 2 billion dinars for long-term credits. The Ministry provides 90% of these resources and the remaining 10% are the obligation of banks. Eighty percent of the share of business banks in the credit is being provided by the guaranty of the Guarantee Fund, meaning thereby that the real share of banks amounts to only 2%. In 2005 more than 1923 mid-term credits were approved from the agrarian budget, the average value amounting to 16,188 Euro. In the structure of mid-term credits the largest share accounts for credits intended for livestock production (54.95%) and the purchase of agricultural machinery (34.23%) followed by construction and purchase of the system for irrigation (4.36%), establishment of orchards (4.28%) and construction of plastic-and greenhouses (2.18%).

Of the numerous business banks taking part in the activities relating to mid-term crediting of registered farms at beneficial interest rates by MAFWM, the greatest number of credits were approved by Komercijalna Banka (6.6 million Euro) and Nacionalna stedionica (5.1 million Euro) followed by Vojvodjanska banka (2.1 million Euro), Panonska banka (2 million Euro), Jubanka (1.3 mill. Euro), Eksim banka (1.2 mill Euro), Kulska banka (0.6 mill Euro), Hipo Alpe Adria banka (0.6 mill Euro) and Novosadska banka (0.134 mill Euro). The Ministry of Agriculture of Serbia has signed agreements with nine business banks which are expected to participate in the programmes for short-term and long-term crediting of registered farms in 2006.

Currently there are no ***long-term credits of the Ministry of Agriculture*** intended for the purchase of farms, land, etc.

***Long-term credits of business banks***, (excluding those for the purpose of servicing purpose credit from the resources of the agrarian budget), were primarily intended for the purchase of

agricultural machinery and other equipment, followed by the purchase of the basic flock. However two banks were crediting land purchase and privatization (Privredna banka and Agro banka)<sup>12</sup>. The repayment deadline was 3-5 years depending on the purpose. Credits were limited by credit worthiness and client reliability and ranged from 5000 to 220 000 Euro. In general, the annual interest rate ranged from 10-12%. Depending on the type of the credit, usually warranted funds were: mortgage, collateral, bill forms, bank or bailer guaranty, endorsers. The above mentioned conditions may be considered unfavourable and still insufficiently adapted to the specific properties of agricultural production. Some banks (e.g. ProCredit banka) have proclaimed the possibility of approving long-term credits for the purchase of land under identical conditions as for the purchase of apartments.

***Long-term credits of the Development Fund of the Republic of Serbia.*** In 2005 the Development Fund was financing 234 projects in the field of agro-industry, according to the programme for financing small and large-scale enterprises. The value was 2.560 billion dinars which was more than 36% of the total amount of the resources approved for supporting the development of SME's. The financing programme included<sup>13</sup>:

1. Crediting small- and medium-scale enterprises – investments with the aim of encouraging the harmonization of regional development. The share of the Fund in the preliminary value of the investment and interest rate depended on the degree of development of the region (community) evaluated with respect to national income. The Fund participated with 40% of the resources with an annual interest rate of 5% for communities having an income over 70% of the average for the Republic whereby the share of participation was 80% and a 1% annual interest rate for communities with an income less than 30% in relation to the average in the Republic.
2. Crediting private shops and entrepreneurs – Credits for encouraging production and small entrepreneurs (especially in the field of fading handicrafts) were approved with the objective of enhancing the development of small enterprises.
3. Employing workers – micro-credits. The Programme for employing workers left without a job in the process of transition was intended to approve micro-credits (amount in dinars equivalent to 5000 to 20000 Euro) to persons registered as unemployed at the National agency for employment.

The crediting programme of this Fund includes also 125 credits of support to independent entrepreneurs in the agro-industry amounting to 113 million dinars or 20% of the total credit value for this purpose. The Fund has approved micro-credits for self-employment for 295 projects in the field of agro-industry. The amount of the approved credits was approx. 246 million dinars (24% of the total resources for micro-crediting). Thus 869 persons were employed thanks to this programme.

***Leasing*** – According to the current conditions in the financial market, leasing presents a much simpler way for the purchase of agricultural machinery and equipment in comparison with business bank crediting. The procedure for approving credits is much more complex. When approving greater credit sums Banks require stable guaranties. This is not the case with leasing companies. Those applying for the purchase of equipment by leasing facilities do not need a business plan, with the exception of larger projects. Financial reports are analyzed: balance sheets, balance results for the past two years and current financial statement, as for

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<sup>12</sup> [www.nbs.yu/english/news/agriculture.pdf](http://www.nbs.yu/english/news/agriculture.pdf)

<sup>13</sup> <http://www.fondzarazvoj.sr.gov.yu/izvestaj2005.pdf>

larger amounts and specific transactions, e.g. production departments, there is left the possibility to postpone the leasing repayment deadline. Depending on the leasing company a farmer may even be given the opportunity to repay by three-monthly instalments (the client may pay higher monthly instalments during seasons with greater resource inflow and lower with smaller resource inflow)<sup>14</sup>.

### **2.3. Assessment of the adequacy of credit sources**

The agriculture of Serbia is known to be characterized by a chronic lack of resources, both for financing current reproduction and financing development. This may be attributed to the nature and specific properties of this particular branch of the economy but also to unfavourable economic and political conditions in Serbia and Montenegro over the past years. The major reasons for the unfavourable situation in the field of agricultural financing are known to be the lower accumulation capacity and reproduction ability of the agricultural subjects, leaving a small possibility for self-financing, insufficient availability of bank credits for agriculture (especially for primary agricultural production and family farms) and unfavourable conditions for crediting. This is followed by the fact that there are no special institutions and tools for crediting agriculture adapted to the specific properties of this branch of the economy and, lastly, the underdeveloped and inefficient financial market.

In 2005 the crediting sources may be considered adequate and with an improving trend compared with the previous years. Still, credit demand prevails over credit supply. However, crediting conditions offered by business banks may still be considered unfavourable for agriculture (high interest rates, no possibilities for ensuring guaranties, short grace period etc.). Encouraging resources provided by the Agrarian budget and offered by a certain number of banks are insufficient for the needs of Serbian agriculture (for some purposes, which may be justifiable from the economic standpoint, resources are usually not approved of).

Micro-crediting institutions approving smaller credit amounts and suitable for poor rural regions are underdeveloped. Thus it is necessary to initiate new modes for governmental institutions to encourage short-term financing of Serbian agriculture. There are a few new drafted regulations focused on solving the issue ( e.g the Act on warehouse receipts for agricultural products – 2005), expected to ensure a safe investment system for the needs of agriculture. It refers to warehouse receipts for agricultural products and the Guarantee Fund will be in charge, giving detailed instructions on the procedure of compulsory liquidation of supplies. The new regulation includes the issuing of commodity notes, which will be regulated in detail as investment trust securities.

The Serbian financial sector is still underdeveloped when compared to rest of the CEEC and is unable to contribute fully to economic growth. The Banking sector is over-populated, segmented and dominated by high state ownership. Competition is not sufficient enough to increase efficiency and keep pricing under control. Debt workout needed to clean up the balance sheets of large banks and SOEs. There is still little funding going directly to private farmers and small holdings - banks prefer to work with input suppliers and production organizations which tend to barter with farmers with high implicit interest rates (see T. Arin: Rural finance in Serbia – Issues, IBRD activities and recommendations).

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<sup>14</sup> [www.alcs.org.yu](http://www.alcs.org.yu)

The State-financed guarantee scheme (where banks take only 2% of the total loan risks) addresses the long-term liquidity problem of the bank. The scheme does not promote good credit culture or practice:

1. With a small spread of 2.5%, banks can hardly make a profit out of these credit lines.
2. At the same time, they take no risks thanks to the apparent Government guarantee for 90% of loans. As a result, banks become “mailboxes”, as the whole evaluation process is primarily done by the Guarantee Fund staff. (The process for loan processing takes up to a year).

#### **2.4. Evidence of credit market failure (References)**

The unfavourable economic and political situation in Serbia in 2005 has contributed to the decrease of the FDI in both economy and agriculture compared with the previous years and expectations. At the same time, among the major constraints of economic development of Serbia is the shortage of favourable crediting sources. The crediting sources in 2005 may be considered adequate and with an improving trend compared with the previous years. Still, credit demand prevails over credit supply. However, crediting conditions offered by business banks may still be considered unfavourable. Starting May 2006 the government is expected to initiate a harsher monetary policy which includes the conditions of business banks to approve credits with the aim of stopping overspending considered to have been the principal generator of high inflation over the past year. The crediting of agriculture has been exempted from the constraints which prove once again the resolution with regard to the strategic position and importance of this activity for the national economy.

The principal constraints of the market of agrarian credits in Serbia are:

1. **Market interest rates are too high** (especially for mid-term and long-term credits). The prices of agricultural products have not been changed for two years, input prices have been raised by approx. 40% since 2005 (following the introduction of VAT), farmers have difficulties in resolving debt problems and are not inclined to launch into new credits.
2. **Unsafe legal protection and loans assurance** (unfinished cadastre, non-existing credit history). Business banks, being aware of the constraints, are inclined to think of various exemptions for farmers in order to attract clients. It is however clear that resolving these issues would significantly contribute to cheaper credits and thus decrease the risk of banks.
3. **Lack of experience and expertise amongst farmers in developing and presenting business plans** - business plans are of poor quality. The advisory sector has insufficient expertise to offer farmers any help in this field. Farmers engage private advisers, often insufficiently qualified to develop business plans.
4. **Lack of expertise** in the banking sector for appraising agricultural business plans. A couple of banks, (ProCredit Raiffeisen), have special sectors for agriculture and pay special attention to permanent education of its employees.

Exemptions for agrarian and agrofood industry crediting stimulated by the Ministry of Finance and Ministry of Agriculture on one hand and the tremendous need for credits on the other, have stimulated business banks to initiate special sectors for agriculture, be more

aggressive in their campaigns and establish communication with farmers. Since early 2006 domestic banks involved in agriculture during the previous period have been noted to be undertaken similar activities.

## **2.5. Overview and prospects**

According to the World Bank view<sup>15</sup> rural financing in Serbia should be improved by the following changes:

1. Strengthen the capacity for agricultural loan appraisal among lenders, and support the establishment of viable bank and non-bank financial services. A broad range of financial institutions and financial instruments in Serbia is needed, including commercial banks and non-bank financial institutions (savings and credit associations, and leasing companies). Micro-credit organizations should be added to this range once the NBY has developed an appropriate legislative and supervisory framework for MCO operation.
2. Incentives to lend for agriculture must also be improved. Lending risks must be reduced by improving the ability of financial institutions to use and recover a wide range of assets held as security, including land and moveable assets. This will require new legislation and administrative procedures for moveable assets and warehouse receipts, as well as stronger land administration and land markets.
3. The financial sector's approach to agricultural lending must be changed. The capacity of financial institutions to evaluate loans from the rural sector must be re-oriented and strengthened, and the traditional emphasis on collateral-based loan appraisal should give way to greater attention to profitability and cash flow. This is especially pertinent for the small and medium-sized farms and agricultural enterprises that have consistently demonstrated their viability, even in the most difficult economic conditions, yet were largely excluded from credit markets in the past.
4. The returns to agriculture must be improved, beginning with reform of price and trade policy and measures to improve the efficiency of commodity markets. Increased access to capital will allow producers to acquire new technologies and adjust to the new incentive structures created by price and trade policy reform, and so increase farm returns.

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<sup>15</sup> WB report Republic of Serbia – Agriculture sector review, 2003

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## 4. ANNEX 1

**Table 1. Agrarian credits financed from the Agrarian budget of the Republic of Serbia**

Year	Total Budget Mill. dinara	Agrarian Budget		Agrarian Credits	
		Mil.din	% of total budget	Mil.din	% of agrar. budget
2004	374641	22354	5.9	3767	16.8
2005	432999	20065	4.6	3500	17.4
2006	487900	23057	4.7	3500	15.2

Source: Author's calculation based on the data of the *Ministry of Agriculture, Forestry and Water Management*

**Table 2. Structure of the agrarian credits financed from the agrarian budget of the Republic of Serbia**

Year	Agrarian Credits Mil.din	Short-term Credits		Long-term Credits	
		Mil.din	%	Mil.din	%
2004.	3767	1728	45.9	2000	53.1
2005.	3500	1460	45.9	2000	53.1
2006.	3500	1400	40.0	2000	57.1

Source: Author's calculation based on the data of the *Ministry of Agriculture, Forestry and Water Management*

**Table 3. Short-term credits financed from the Agrarian budget in 2004 and 2005**

Bank	2004			2005			Total		
	Number	% of total resources for this purpose	Average	Number	% of total resources for this purpose	Average	Number	% of total resources for this purpose	Average
up to 10000 din	389	0.23	9995	257	0.18	10000	646	0.20	9997
up to 40000 din	12312	28.46	39928	9722	26.62	39978	22034	27.62	39950
up to 80000 din	15424	71.32	79875	13363	73.20	79969	28787	72.18	79919
Total	28125	100.00	61421	23342	100.00	62542	51467	100.00	61930

Source: Author's calculation based on the data of the *Ministry of Agriculture, Forestry and Water Management*

**Table 4. Long-term credits financed in 2005**

Purpose	Directly from the Fund			From the Fund through Banks			Through banks		
	No	% of total resources for this purpose	Average	No	% of total resources for this purpose	Average	No	% of total resources for this purpose	Average
Irrigation system	3	10.5	60000	19	3	1502789	64	3.4	16822
Agricultural machinery	0	0	0	358	41.4	1113385	642	27.7	13494
Establishment of Orchards	20	9.3	7978500	36	0.5	129620	92	5.1	17321
Plastic/ Greenhouses	8	7.9	16886250	42	6.5	1488031	50	2.3	14560
Livestock production	126	72.3	9777778	285	48.7	1645396	1078	61.5	17838
<b>TOTAL</b>	<b>157</b>	<b>100</b>	<b>10870446</b>	<b>740</b>	<b>100</b>	<b>1301684</b>	<b>1926</b>	<b>100</b>	<b>16247</b>

Source: Author's calculation based on the data of the *Ministry of Agriculture, Forestry and Water Management*

**Table 5. Long-term credits of the Fund for Development of RS intended for agro-industry in 2005**

	No. of credits authorised	Realized funds for this purpose ( din)	% of total resources for this purpose
Crediting small and medium enterprises	234	2559200	36.05
Credits for private shops and entrepreneurs	125	113155	19.81
Self employment, microcredits	295	245986	24.41
Short-term credits, export encouragement	12	415000	27.36
Employment encouragement in underdeveloped communities	6	240911	16.35

Source: – Author's calculation based on the data of the Fund for Development of the RS <http://www.fondzarazvoj.sr.gov.yu/izvestaj2005.pdf>

**LENDING REQUIREMENTS FOR AGRICULTURAL PRODUCERS (September 2005)**

No.	BANK	LOAN PURPOSE	LENDING REQUIREMENTS FOR AGRICULTURAL PRODUCERS			LOAN INSURANCE	NOTES
			Term	Amount	Interest rate		
1.	AGROBANKA A.D. Beograd	a) For the production of wheat and other agricultural products, for oil, artificial fertilizers, wheat seed	3-12 months	Limited by the credit standing of the client	2.5% monthly	Mortgage, manual pledge, bills of exchange, authorization	Loans in dinars without revaluation of the remaining part of the debt
		b) For purchase of equipment, basic livestock	3-5 years		2.5% monthly		Loans in dinars without revaluation of the remaining part of the debt
		c) For privatization	Up to 5 years		12% annually		With foreign currency clause
		d) Preparation of goods (fruit) for export	3-12 months		1.2% monthly		With foreign currency clause
2.	A BANKA A.D. Beograd	-	-	-	-	-	-
3.	AIK BANKA A.D. Niš		3-5 years	Depending on the solvency of the client	10% - 12% annually	1) bills of exchange; 2) guarantee of the Bank or surety of a bill; 3) mortgage; 4) manual pledge;	1) Grace period 6-12 months; 2) f/c loans are granted exclusively to depositors for financing of fixed assets purchase and for export-oriented production; 3) liabilities on the basis of loan are settled from foreign exchange revenue 4) Floriculture dinar loans are granted for unspecified purpose items: principal shall be revaluated by increase of retail prices.
4.	ATLAS BANKA A.D. Beograd	For working assets	30 - 360 days	Depending on the credit standing of the client and credit insurance quality	1 - 2.5% monthly	Bills of exchange, mortgage, contractual authorization, warranty and deposit	-
5.	ČAČANSKA BANKA A.D. Čačak	For animal breeding and tillage	Up to 12 months	Depending on the credit standing and the solvency of the client	12% - 28.77% annually	Mortgage, manual pledge, bills of exchange, warranty	-
6.	CENTROBANKA A.D. Beograd	Feeding of bullocks; Vegetable farming; Purchase of fruits, vegetables and medicinal plants; Purchase of wheat; Production of wheat; Floriculture;	Up to 12 months	-	1.5% monthly + price rise or f/c clause	Warranty, bills of exchange, pledge declaration, mortgage	-
7.	CREDY BANKA A.D. Kragujevac	Purchase of agricultural machinery	-	Limited by the credit standing of the client	-	Mortgage, bills of exchange	Credit conditions in accordance with the contract on business cooperation with sellers of such machinery
8.	CONTINENTAL BANKA A.D. Novi Sad Group of Nova Ljubljanska banka	-	-	-	-	-	-
9.	EKSIMBANKA A.D. Beograd	a) Construction and purchase of irrigation systems and equipment, b) Long-term planting, c) Construction of plastic and glass greenhouses, d) Purchase of machinery, e) Credits for cattle breeding production.	12-60 months	EUR 5,000 - 200,000 in dinar countervalue	2.75% + 0.25%	first class mortgage on property, first class mortgage with notice, manual pledge, blank solo bill	-

No.	BANK	LOAN PURPOSE	LENDING REQUIREMENTS FOR AGRICULTURAL PRODUCERS			LOAN INSURANCE	NOTES
			Term	Amount	Interest rate		
10.	<b>DELTA BANKA A.D. Beograd</b>	1) Purchase of agricultural products, 2) Purchase of agricultural machinery	Up to 12 months	Depending on the financial standing of the client	0.5% - 2% monthly	1. Bills of exchange, 2) Mortgage, 3) Warranty of other legal entity, 4) Deposit, 5) Guarantees of first class banks.	Credits are granted to bank depositors
11.	<b>HYPO ALPE-ADRIA-BANK A.D. Beograd</b>	Bank's credit line	Up to 5 years	Up to EUR 100,000	0.60 - 0.95% monthly on the remaining part of the debt, grace period 6-12 months, one-off fee is charged by the bank; for short-term loans up to 12 months 1% interest, for long-term 1.5% interest	Pledge right on real estate (1 rank), pledge right on movable fixed assets, bill of exchange (with no protest clause), backer, guarantee of first class national and foreign banks, frozen foreign currency savings bonds, deposits.	Min. 3 ha of arable land, 2 years of active agricultural production. Repayment of principal monthly, quarterly and semi-annually. Monthly repayment of interest.
		90% Ministry of Agriculture, 10% for the Bank	5 years	EUR 200,000	2.75% interest and 0.25% annually Guarantee Fund commission	Mortgage, pledge statement, manual pledge and backers	Mandatory for loans over 15,000 EUR are: business plan, min. 5 ha of arable land, registered agricultural holding, 80% of the credit amount investments into capital assets.
12.	<b>JUBMES BANKA A. D. Beograd</b>	-	-	-	-	-	-
13.	<b>KULSKA BANK A.D. Novi Sad</b>	Long-term earmarked loans upon the RS Government Enactment for the year 2005: 1) Construction and purchase of irrigation systems and equipment, 2) Agricultural machinery, 3) Long-term planting, 4) Plastic and glass greenhouses, 5) Cattle breeding production	Up to 5 years	From EUR 5,600 to 220,000	2.75% annually	a) Mortgage of the loan beneficiary or of a third person, b) Manual pledge, c) Warranty of a legal person, d) Single blank bill of exchange	Long-term loans are granted to all registered agricultural holdings. Extended payment term up to 12 months, except for loans from 1, 3 and 5 items, where it is up to 3 years. Calculation of interest and annuities disbursement semi-annually. Bank's commission 0.25% annually.
14.	<b>LHB banka Beograd A.D.</b>	For working and fixed assets, depending on the particular need of the client who exercises the agricultural activity	a) Up to 1 year b) Up to 1 year c) Up to 3 years	Depending on the credit standing of the client	a) 17,66% - 27.79% annually, effective b) 5.55% - 13.74% annually, effective c) 5.26% - 12.65% annually, effective	Authorization, bill of exchange, mortgage, liquid collateral depending on the credit standing of the client and type of loans	a) maximum 1.45% lump sum fee in advance, credits without f/c clause; b) maximum 1.45% lump sum fee in advance, credits without f/c clause; c) 1.45% lump sum fee in advance, credits with f/c clause
15.	<b>MERIDIAN BANK A.D. Novi Sad</b>	Credits for purchase of machinery	up to 30 months	Up to ten times amount of the average position realized during last 90 days with the bank	0.5% and more	Bill of exchange, earmarked deposit, authorization for collection of credit, warranty of the legal entity or a natural person and mortgage	-
16.	<b>NACIONALNA ŠTEDIONICA BANKA AD Beograd</b>	Long-term earmarked loans upon the Ministry of Agriculture Enactment	5 years	EUR 5.500 - 220,000	-	first class mortgage, manual pledge	-

No.	BANK	LOAN PURPOSE	LENDING REQUIREMENTS FOR AGRICULTURAL PRODUCERS			LOAN INSURANCE	NOTES
			Term	Amount	Interest rate		
		Construction and purchase of irrigation systems and equipment	5 years with grace period of 36 months	EUR 220.000	2. 75% annually	mortgage or pledge, bills of exchange and authorizations, guarantee of guarantee fund in favor of the bank	source of crediting: 90% Ministry of Agriculture, 10 % Bank
		Purchase of agricultural machinery	5 years with grace period of 12 months				
		Long-term planting	5 years with grace period of 12 months				
		Construction of plastic and glass greenhouses	5 years with grace period of 12 months				
		Credits for cattle breeding production	5 years with grace period of 36 months				
17.	<b>NIŠKA BANKA A. D. Niš</b>	Short-term loans for agriculture financing	12 months	Up to din. 80,000 .	5.5% annually	Single bill of exchange	Commission credits granted from the Republic of Serbia Development Fund
18.	<b>NOVOSADSKA BANKA A.D. Novi Sad</b>	Credits to individual farmers	Up to 2 years	Up to 600,000 dinars	13.4%-13.67% annually effective, 12% annually nominal	Mortgage on real estates 2:1, pledge on the insured equipment and insurance policy in favor of the Bank.	
		Credits to agricultural holdings in cooperation with the Ministry of Agriculture of the RS	Up to 5 years	EUR 5,000 - 200,000 in dinar countervalue	3% annually effective, 3% annually nominal	relevant security instrument	
19.	<b>PRIVREDNA BANKA A.D. Beograd</b>	a) to natural persons for purchase of tractors and land, b) to legal entities	a) 4 - 10 years, b) up to 6 months	Limited by the credit standing of the client	a) 13% annually (foreign currency clause), b) 8% - 12% annually (revaluation or f/c clause)	Mortgage, Warranty, Bill of exchange, Authorization to debit the account, deposit in cash	loans are granted to bank's clients and shareholders
20.	<b>PRIVREDNA BANKA A.D. Pančevo</b>	For other purposes - financing of cattle breeding production (pig-breeding) - financing of farming - wheat - sunflower - soya - corn - sugar-beet - financing of stocks	a) Up to 12 months, b) up to the 5 years	Not limited, depending on the credit standing of the client and the realized turnover in the current account with the bank in the current and previous year	a) 8% - 27% annually b) 4.00% - 15.50% annually	1. Bill of exchange, 2. Authorization to debit the account, 3. Mortgage on real estates, 4. Bank guarantee, 5. Manual pledge, 6. Foreign currency pledge, 7. Warranty	Credit beneficiary is bank's client
21.	<b>PRO CREDIT BANK A.D. Beograd</b>	ProAgro Instant (EUR)	up to 36 months depending on the loan purpose	EUR 250 - 10,000	1.9% monthly on the remaining part of the debt with the possibility of diminution for renewed credits	1) Backer, 2) Bill of exchange	-
		ProAgro Instant (dinars)	Up to 12 months	Up to CSD 700,000	3% monthly on the remaining part of the debt	1. Backer, 2. For credits over 140,000 CSD a pledge on movables or immovables is required, 3. Bill of exchange	-

No.	BANK	LOAN PURPOSE	LENDING REQUIREMENTS FOR AGRICULTURAL PRODUCERS			LOAN INSURANCE	NOTES
			Term	Amount	Interest rate		
		Credits to members of credit's associations (EUR)	Up to 36 months	Up to 10,000 EUR each	1.5% monthly on the remaining part of the debt	1. Backer, 2. Pledge on movables or mortgage on immovables for loans over EUR 5.000, 3. Bill of exchange	-
		Credits to members of credit's associations (dinars)	Up to 12 months	Up to CSD 700,000	2.7% monthly on the remaining part of the debt	1. Backer, 2. Pledge on movables or mortgage on immovables for loans over CSD 140,000, 3. Bill of exchange	-
		ProAgro Sprint (EUR)	Up to 60 months depending on the loan purpose	EUR 5,000 - 25,000	1.80% monthly on the rest of the remaining part with the possibility of diminution for renewed credits	1. Backer, 2. Pledge on movables or mortgage on immovables, 3. Bill of exchange	-
		ProAgro Partner (EUR)	Up to 60 months depending on the loan purpose	Up to EUR 25,000 - 800,000	1.10%-1.50% monthly on the rest of the remaining part with the possibility of diminution for renewed credits	1. Backer, 2. Pledge on movables or mortgage on immovables, 3. Bill of exchange	-
		For purchase of machinery in accordance with contracts on business cooperation with sellers of such equipment	Up to 80 months depending on distributor	Up to EUR 800,000	Variable, depending on distributors	1. Backer, 2. mortgage on immovables or movables, 3. Bill of exchange	-
22.	<b>UNIVERZAL BANKA A.D. Beograd</b>	Short-term credits for liquidity	Up to 1 year	No limit in the abs. amount	1.5% monthly	-	-

No.	BANK	LOAN PURPOSE	LENDING REQUIREMENTS FOR AGRICULTURAL PRODUCERS			LOAN INSURANCE	NOTES
			Term	Amount	Interest rate		
23.	<b>VOLKSBANK A.D. Beograd</b>	Credits granted to legal entities for purchase of agricultural products for export, for purchase of equipment	Up to 5 years	Limited by the credit standing of the client	8% - 12% annually	Contractual authorization, Bill of exchange, Mortgage, Warranty agreement, Foreign currency - dinar deposit, Pledge on movables	-
24.	<b>VOJVODANSKA BANKA A.D. Novi Sad</b> From its own sources	loans for the purchase of agricultural machinery	a) 36 months for EUR 2,000 - EUR 5,000 b) 60 months for EUR 5,000 - EUR 12,000	a) EUR 2,000 - 5,000 in dinar counter value b) EUR 5,000-12,000 in dinar counter value	10% annually fixed	credit insurance by insurance company with who has concluded an agreement with the bank and first class mortgage on property - on agricultural ground , in proportion 1:2 loans and evaluated value of property	as basis for loan granting: down payment of min. 20% of invoice amount (pro-forma invoice). Loans are granted to registered agricultural holdings who have open earmarked current account with the bank.
		Short-term loans for practice of agricultural activity	12 months (with possibility of grace period contracting)	EUR 5,000 in dinar counter value	12% annually fixed	1) For loans up to EUR 1,000 in dinar counter value bill of exchange with 2 backers of good standing, credit insurance by insurance company, with which the Bank has a concluded contract, 2) for loans over EUR 1,000 in dinar counter value credit insurance by insurance company , with which the Bank has a concluded contract, first class mortgage on property - agricultural ground, in proportion 1:2 loans and evaluated value of property	
25.	<b>ZEPTEK BANKA A.D. Beograd</b>	Short-term credits for registered agricultural holdings (Republic of Serbia Development Fund)	12 months	CSD 10,000 - 80,000 on each application	5.5% annually	Single bill of exchange	