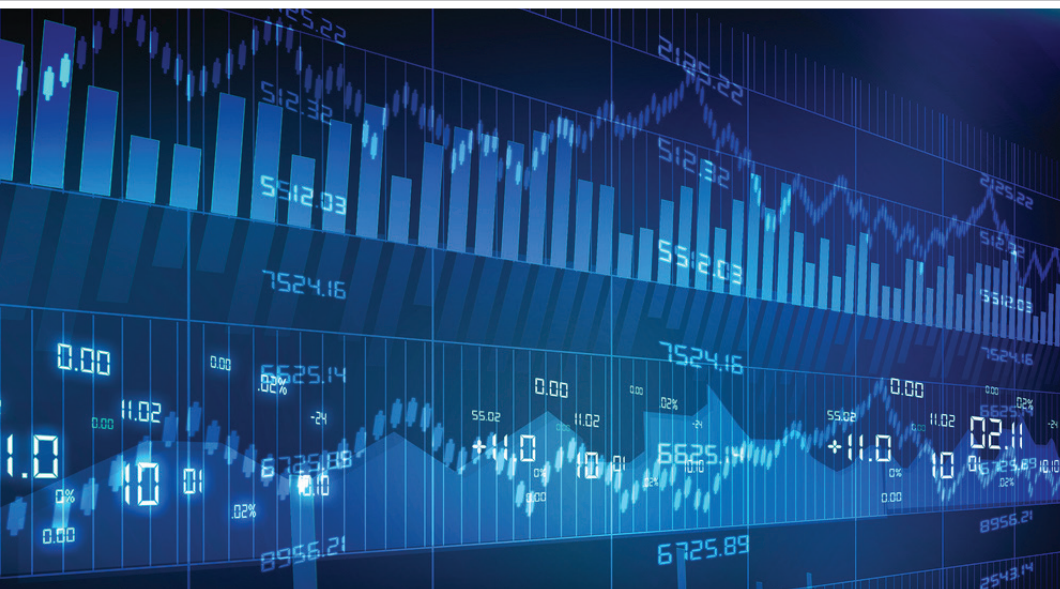


Doing business in Serbia/Eastern Serbia



RARS

Regionalna agencija za razvoj istočne Srbije
Regional Development Agency Eastern Serbia

Vladan Jeremić

Director

RARIS - Regional development agency eastern Serbia

“RARIS” (Regional development agency eastern Serbia) is pleased to briefly present you the potential investment and business opportunities in eastern Serbia.

Today Serbia is a country that has seen investments from a number of world companies. A very interesting piece of information is that the largest number of companies come from German-speaking areas: 15,3% of companies come from Germany and 3,2% of companies come from Austria. Maybe it is time for you to think about joining them?

If you're interested in additional information we will be happy to answer all your questions and help you start your business operations in our region.

Martin Knapp

Delegation of German Economy in Serbia

Delegierter der Deutschen Wirtschaft in Serbien Investieren in Ostserbien? Warum nicht? Serbien wird in der letzten Zeit immer attraktiver als Standort für ausländische Direktinvestitionen. Die meisten Investoren aus Deutschland und aus anderen Ländern haben sich entlang der Nordsüdachse, dem sogenannten Korridor 10 niedergelassen. Dabei wird es Zeit, dass man sich auch die etwas vom Korridor 10 entfernteren Gebiete anschaut, bevor die anderen sie entdecken...‘

The Austrian Chamber of Commerce in Serbia

Austrian companies are not only doing trade with Serbia, they are the biggest foreign investors in Serbia - and you do not become biggest investor when you have only a short-term perspective. You can measure the importance of Serbia for Austria with a simple fact: Our office in Belgrade was founded over 60 years ago, in 1952 to be precise, and it has been operating ever since, without any interruption. Our companies do have a long-term perspective and they are here to stay. Since the year 2000, more than 450 Austrian companies have invested more than 2,9 billion EUR according to statistics of the National Bank of Serbia. They have done so because they believe in the European future of the country and in its ability to reform itself, to be able to join the EU one day.

From our experience, Austrian companies do appreciate the Serbian workforce. Quality and availability of skilled workers are regularly ranked fairly high in our annual survey amongst Austrian companies in Serbia.

Swiss-Serbian Chamber of Commerce

Switzerland has proven to be a reliable partner of Serbia over the past decades. Namely, Switzerland has been constantly among the top foreign investors in Serbia. Swiss companies have invested over 500 million EUR over the past 10 years, with more than 150 Swiss companies having their representative offices in Serbia.

Many Swiss multinational enterprises have identified Serbian market as an attractive investment destination and, as a result, companies such as Nestle, Roche, SGS and Holcim, among others, have already successfully developed their activities here. Along with major multinational companies, a large number of Swiss small and medium enterprises are also doing business in Serbia. We are now witnessing an increase of companies showing an interest in developing their operations on the Serbian market. In this sense, the creation of the Swiss-Serbian Chamber of Commerce is a sign of Switzerland's confidence in Serbia's future and willingness to further develop bilateral economic relations.

Therefore, the Swiss-Serbian Chamber of Commerce will strive to promote Serbia as an attractive investment and business location and enable Swiss companies to set up their operations on the Serbian market.

Location



Eastern Serbia (Timok region) is located in the eastern part of Serbia, in the north it borders Romania while in the East it borders Bulgaria. Timok region extends between the Danube and two corridors: Corridor X (Serbia) and Corridor IV (Bulgaria). Eastern Serbia comprises the city of Zaječar and the municipalities: Knjazevac, Boljevac, Sokobanja, Bor, Negotin, Majdanpek and Kladovo. Eastern Serbia occupies 8,1% of the total area of Serbia. Five of these eight municipalities lie in the border area and the total length of the border with the EU in this area is more than 340 km. What had been considered a serious weakness for decades, the area being a border area, is now a visible advantage.

Eastern Serbia is a region of diversity. So, for example, on the same day you can:

- fish or sail on the Danube, relax in some of the spas or ski on some of the ski tracks
- be on the level below the level of the Danube in Negotin plain and at the highest point of the region – 2.169 m above the sea level on Stara planina.

Eastern Serbia has good road, river, railroad and even air connections.

Advantages of investment in Serbia

- Highly educated while relatively inexpensive labor force
- Restructured and stable financial system
- Simplified procedures for establishment and registration of enterprises
- Favourable geographic location which allows for deliveries to reach any location in Europe within 24 hours
- Simplified procedures for conducting of foreign trade transactions and realization of investments

Accessibility of goods to around 800 million consumers on the basis of the free trade agreements:

- In March of 2012 Serbia was granted EU candidate status (Serbia's EU accession negotiations started at the beginning of 2014)
- Stabilisation and Association Agreement (SAA) and Interim Agreement on Trade have been ratified
- CEFTA agreement – with central European countries
- Agreements with EFTA members - Iceland, Liechtenstein, Norway and Switzerland
- Agreements with the Russian Federation, Belarus and Kazakhstan
- Agreement with Turkey
- Talks started on signing an agreement with Iran
- Possibility of customs free export of around 4650 products into the USA

Overview of the biggest foreign investors in Eastern Serbia

- Strabag AG (Austria)
- Falkensteiner – (Austria)
- TF Kable (Poland)
- Gorenje (Slovenia)
- Avala Resources (Canada)
- RAKITA EXPLORATION (USA)
- Rodenstal Balkan – (the Netherlands)
- PSI –(the Netherlands)
- Falceast - Naturino (Italy)
- Alpin Group AG (Switzerland)
- Rhine Danube - (the Netherlands – Romania)
- Rhein Donau - (the Netherlands – Cyprus)
- Elektrovina (Slovenia)
- CENTRAL EUROPE BEVERAGES BV

Proposal of the sectors for investment

Eastern Serbia represents an attractive zone for investment in different sectors of activity, with large development potential. The best opportunities for investment in eastern Serbia lie in the following sectors:

1. **Mechanical engineering** – reached its climax in Serbia in the 80s of the 20th century. From that period we have various production halls and tradition. In this part of Serbia we had production of agricultural and other machines as well as metallurgy and metal processing. It is possible today to make Brownfield investment in already existing capacities.
2. **Wood industry** – Eastern Serbia is extremely rich in forests. The total area under forests in the Timok is 325,600 ha of 142,800 ha (42,6%) is state-owned with one hundred 182,800 ha (57,4%) is privately owned. Forest resources are currently very poorly utilized. Wood industry represents a branch with a number of comparative advantages of which we can single out the following: raw material base, personnel, preserved capacities etc.

- 3. Agriculture and food processing industry** – Eastern Serbia has around 375,300 ha of agricultural land which makes up almost 52% of the total area. The largest part spreads on the grounds at 200-350 m above the sea level which in lower regions is extremely favorable for farming and vine growing and in the upper regions for fruit growing and cattle raising. The largest part of agricultural (81%), and particularly arable land (94%) is the private property of family farms.
- 4. Tourism** – Eastern Serbia abounds in numerous natural and cultural resources (the Danube, Stara planina Mountain, archaeological sites – Felix Romuliana, Lepenski Vir, spas – Sokobanja etc..) And share of tourism is slowly starting to grow in the structure of the economy. According to the National strategy for tourism development there is a potential for development of water, mountain, spa, city, transit, day-trip, rural and other forms of tourism and recreation. The most important tourist centers today are Sokobanja, Stara planina Mountain, the Danube.

Relevant statistical data on eastern Serbia

1.1 Population and area

	Area, km ²	Population (2012)
Serbia	88.499	7.186.862
Eastern Serbia	7.131	242.017

Source: www.stat.gov.rs /Municipalities in Serbia 2013

1.2 Number of employed/unemployed, earnings (EUR) in eastern Serbia

	2011	2012	2013	2014
Number of employed	49460	50230	49592	
Number of unemployed	26926	27510	27255	27439
Average net earnings (in EUR)	340	340	371,5	

1.3 Pattern of skills of unemployed population in Eastern Serbia

Labor force of Serbia combines extreme work efficiency with large supply of labor force. With unique combination of high quality and relatively low price, this is one of the key factors in achieving a high level of business operations. Labor force costs in Serbia are somewhat lower compared to East European countries which are EU members. Besides, low public utility prices (electricity, water...) make it possible for enterprises to achieve higher profit rates.

Serbia also boasts with the largest number of people who have a good command of English language in Eastern Europe.

Compared to Serbia, eastern Serbia is characterized by somewhat higher unemployment rate (23% versus 20,3% which is the average of Serbia) and somewhat higher share of labor force of lower skills.

	2011	2012	2013	2014
Unskilled	8421	8701	8700	9782
Lower educational background and semi-skilled	1362	1291	1219	1170
Skilled	6512	6523	6323	6364
Secondary school qualification	7082	7257	7148	7147
Highly skilled	715	194	206	200
Two-year degree	1010	947	867	865
University degree	1326	1597	1753	1849
TOTAL	26926	27510	27255	27339

Source: www.apr.gov.rs /Registry of measures and incentives

Structure of the economy

Economy of this region is based today on several main areas and branches: copper production and processing, power industry (hydroelectric power plants on the Danube and coal mines), agriculture and forestry, tourism. Economy of the region is traditionally above average export-oriented and continually records foreign trade surplus.

There are 1660 enterprises and 5546 entrepreneurs in eastern Serbia today.

2.1 Financial performances of enterprises in eastern Serbia (eur)

	2011	2012	2013
Number of enterprises	1412	1414	1363
Number of employed	22030	21924	21580
Business revenue	1.552.551,60	1.698.196,27	1.614.970,40
Net profit	107.860,37	63.787,17	33.062,97
Number of enterprises with net profit	775	762	708
Net loss	20.619,56	11.350,75	9.287,84
Number of enterprises with net loss	515	412	515
Total funds	4.325.074,57	3.639.695,11	3.711.941,66
Capital funds	2.439.125,44	1.789.797,11	1.840.165,98
Accumulated loss	882.317,05	725.900,92	679.603,06
Number of enterprises with loss up to the level of capital funds	577	554	546
Number of enterprises with loss above the level of capital funds	404	404	415

Source: www.apr.gov.rs /Registry of measures and incentives

2.2. The most important realized investments per activity (2012.god) in eastern Serbia

	EUR
Agriculture, water management and forestry	550.854,93
Mining	31.475.388,60
Processing industry	14.055.699,48
Supply of electricity, gas and steam	25.078.195,16
Water supply and wastewater management	2.824.369,60
Civil engineering	4.104.706,39
Wholesale and retail trade	3.206.968,92
Financial services and insurance	106.196.079,45
Innovation activities	2.458.652,85
TOTAL:	189.950.915,38

Source: www.stat.gov.rs / Municipalities in Serbia 2013

Tax rates

Tax system in Serbia is characterized by low tax rates. Profit tax is one of the most favorable in Europe while value-added tax and income tax are lower than in most countries of Central and Eastern Europe.

Tax rates	
Value-added tax	General rate – 20% Special rate – 10%
Profit tax	15%
Tax after deduction on dividends, share in the profits, author's fee and interests in a legal entity	20%

Income tax of natural persons	
Earnings and income of the self employed	10%
Yield on capital and capital gains	15%
Copyrights, real estate, winnings on games of chance and other kinds of income	20%
Annual income tax	10/15%

Contributions to social insurance	Pension and disability insurance – 14% Health insurance – 5,5% Unemployment insurance – 0,75%
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Public utility prices

Prices of basic public utilities including water and electricity are on the average twice as low in Serbia compared to the EU.

	Electricity (kWh)					
	Households			Industry		
	2011	2012	2013	2011	2012	2013
EU 28	0,184	0,195	0,201	0,112	0,116	0,119
EU 27	0,185	0,196	0,201	0,112	0,116	0,119
Euro area	0,195	0,205	0,213	0,118	0,122	0,126
Germany	0,253	0,268	0,292	0,124	0,130	0,144
Austria	0,197	0,202	0,202	0,113	0,112	0,111
Serbia	-	-	0,061	-	-	0,066

Source <http://epp.eurostat.ec.europa.eu/>

Legal framework for conducting business operations

Starting a company

The process of starting a company is carried out through a one-stop registration system. It allows companies registering with the Agency for Business Registers that, along with the registration of establishment of a company, they also receive registration / identification number, tax identification number (TIN) and the number for the beneficiary of health insurance issued by the Republic Institute for Health Insurance.

The legal deadline for registration is 5 working days.

In line with said regulations, the following legal forms are entered into the Register:

- companies (partnership; limited partnership; limited liability company; joint stock company)
- branch office of a foreign company
- public enterprise
- cooperative
- other entity if prescribed by a special law.

In Serbia a foreign investor, legal entity or natural person can:

- start his own company (up to 100% ownership)
- buy shares of an existing company
- get a license (concession) for harnessing natural resources, goods in general use or can perform an activity of general interest in line with the law
- get a permission to construct, utilize and transfer certain facility, plant or works, as well as infrastructure and communication facilities
- acquire any other property right of a foreign investor by which he realizes his business interests

Investment incentives on state level / financial support to investors

In Serbia there exists a state system of investment incentives. On the national level there exists a specialized state agency for foreign investments – SIEPA which runs the process of awards of incentives.

In line with the decree on terms and conditions for attracting direct investment grants can be awarded to domestic or foreign companies for financing investment projects in production sector, service sector which can be the subject of international trade and for strategic projects in tourism.

The level of funds which can be awarded to big economic entities is set up to 50% of justified expenses for realization of an investment project. The level of funds can be increased for small economic entities by 20% at the most, and for middle sized economic entities by 10% at the most.

The amount of awarded funds for investments worth over €50 million cannot be higher than 25% of justified investment expenses, and for investments worth over €100 million that percentage cannot be higher than 17% of justified investment expenses and is set in the following way:

- for justified expenses up to €50 million - up to 50% of those expenses,
- for a part of justified expenses from €50-100 million - up to 25% of those expenses,
- for a part of justified expenses higher than €100 million - up to 17% of those expenses.

Funds can be awarded for:
Investments in production sector which secure at least 50 new jobs in units of local self-government which have, according to the level of development, been classified in the fourth group or devastated areas, the value of investment being €500,000 at least;
Investments in production sector which secure at least 100 new jobs in units of local self-government which have, according to the level of development, been classified in the first, second or third group, the value of investment being €1 million at least;
Investments in service sector which can be a subject of international trade with the minimum value of €300,000 and which secure at least 20 new jobs;
Investments in strategic projects in tourism, the minimum value of which is €5 million and which secure at least 50 new jobs;
Large investment projects on condition that at least 20% of the value of the investment project is realized until the expiration of one year from the date of signing of the the contract.
Middle sized investment projects on condition that at least 10% of the value of the investment project is realized until the expiration of one year from the date of signing of the contract.

The funds can be awarded only under the following conditions:

- that the investment remain in the same region for at least five years after project realization, namely for three years at least for small and medium enterprises,
- that the achieved number of employed with beneficiaries of the funds after realization of investment project does not decrease for three years for small and medium enterprises, and for five years for big companies.

Incentive measures on local level

All local self-governments in eastern Serbia have introduced additional incentive measures through which they stimulate investments. All local self-governments have introduced special measures according to their specificities, existing resources and development priorities

BOLJEVAC
Investor who establishes a production company is exempt from paying property tax as well as communal tax for business signs and tax on municipal building land for the period of two years depending on the number of newly employed
Investors are not charged for lease of land owned by the municipality
BOR
Taxpayers who register a company or a shop for the first time are exempt from paying communal tax for the first six months of operations
KLADOVO
Investor enjoys a reduction of tax on municipal building land depending on the number of newly employed
KNJAŽEVAC
Investor who employs more than 10 new employees pays only 20% of the tax on municipal building land.
MAJDANPEK
Investor is exempt from paying local taxes and contributions for the period of three years depending on the number of newly employed
NEGOTIN
Tax on municipal building land in the industrial zone „Zona skladišta“ in Negotin is 1 din/m ²
SOKOBANJA
Investor in swimming pools and sport courts pays only 1 dinar/ m ² of the tax on municipal building land.
Investors enjoy a reduction on tax on municipal building land and local communal tax depending on the number of newly employed

ZAJEČAR

Possibility of negotiation – the city grants additional incentives to a potential investor by a decision of the municipal assembly, depending on the kind, type and value of the investment

Institutions for support to business operations in Serbia

Basic institutions responsible for supporting and attracting direct foreign investments are:

1. Serbia investment and export promotion agency SIEPA – www.siepa.gov.rs

State agency that offers the following services for companies which want to invest or reinvest in Serbia:

- finding Greenfield and Brownfield locations
- assistance with administrative procedures on all levels
- mediation in communication with competent institutions on state and local level
- connection to local suppliers

2. Privatization agency – www.priv.rs

State agency which performs an activity of mediation in the sale of state and socially owned capital and property during privatization as well as the following services:

1. promotion of privatization;
2. initiation of privatization;
3. implementation of privatization;
4. control of privatization procedure;

3. Serbian Chamber of Commerce – www.pks.rs

Business Association which represents interests of the economy before the Government and other institutions and provide support to domestic and foreign companies through mediation, consulting and provision of information.

Institutions for support to business operations in Eastern Serbia

Regional development agency eastern Serbia RARIS has a database with possible locations for investment in the region. It provides investors with the basic information on the region, potential projects, possibilities for investment and provides contacts with local self governments or companies depending on the location of the selected project.

Contact:

Regionalna agencija za razvoj istočne Srbije-RARIS

Trg oslobođenja 1, 19000 Zaječar, Srbija

Tel/fax: +381 (0)19 426 376; 426 377, invest@raris.org, www.raris.org

Contacts with business sector is possible to establish through Regional chamber of commerce Zaječar

Regionalna privredna komora Zaječar

Nikole Pašića 37, 19000 Zaječar, Serbia

Tel/fax: +381 (0)19 421 411, +381 (0)19 421 412

info@rpka.rs, www.rpka.rs

Privredna predstavništva sa nemačkog govornog područja

Delegation of German Economy in Serbia

Topličin venac 19-21, 11000 Belgrade, Serbia

Tel: +381 (0)11 2028 010, info@ahk.rs, <http://serbien.ahk.de>

ADVANTAGE AUSTRIA Belgrade

Genex apartmani, Apt. 103, Vladimira Popovica 6, 11070 Belgrade, Serbia

Tel: +381 (0)11 301 58 50

belgrad@advantageaustria.org, www.advantageaustria.org/rs

Swiss-Serbian Chamber of Commerce

50, Krunska Street, 2nd floor, 11000 Belgrade, Serbia

Tel: +381 (0)11 3086 048, office@sscc.rs, www.sccc.rs

