

INVEST

IN TIMOK REGION



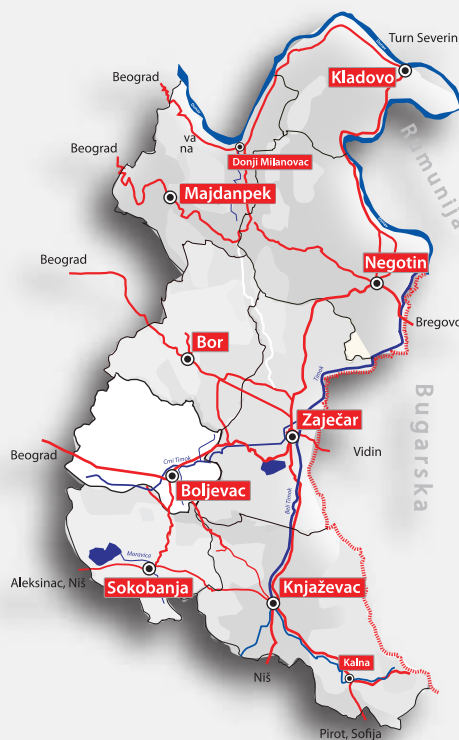
The Bridge between the East and the West

All Investment Roads Lead to Serbia. Serbia bridges East and West. Its treasured position in the heart of South East Europe makes it an outstanding investment.

Serbia



Timok Region





Welcome to Serbia and the Timok Region



Ms. Dragijana Radonjic-Petrovic
*State Secretary for regional development and
Entrepreneurship Promotion*
Ministry of Economy and Regional Development

“Eastern part of Serbia is recognized as an area of special interest for the Ministry of Economy and Regional Development. The trend of constant depopulation and underdeveloped basic infrastructure significantly reduce the chances for faster economic development and growth. This is why the policy from national level envisages various measures and incentives for reversing these negative trends.

Firstly, there are a number of incentives for potential foreign and domestic investors provided through Serbian Investment and Export Promotion Agency - SIEPA. Furthermore, the Sector for Tourism in the Ministry of Economy and Regional Development recognizes the huge touristic potential of this part of Serbia and has a lot of joint initiatives for tourism development and promotion. Also, the successful work of Regional Development Agency Eastern Serbia - RARIS contributed to inter-municipal cooperation and a number of regional projects in this area.

Last but not the least, in the light of promoting balanced regional development, a lot of important national bodies are in the process of transfer from Belgrade to other cities across Serbia. Thus, one of the most important for regional development, the National Agency for Regional Development, is to be relocated in Zajecar in the near future. We are sure this initiative will be very useful for the overall coordination of regional development policy in Eastern Serbia.”



Vladan Jeremić
Director
RARIS - Regional Development Agency Eastern Serbia

“RARIS (Regional Development Agency Eastern Serbia) has the pleasure of presenting a short introduction of the current situation in the field of economy, infrastructure, education, employment, business and environment, as well as the potential for investment opportunities in the Timok region.

If you are interested in more information, local authorities from the region and RARIS will be happy to answer all your questions and help you start your business in our region. The complete text of the Guide “Invest in the Timok Region” can be found at www.raris.org/investment”



Why invest in Serbia?

Serbia Key Facts	
Official Name	Republic of Serbia
Form of State	Democratic Republic
Political Structure	President, Unicameral Assembly with 250 seats
Area	88,361 km ²
Population	9,5 million
Official Language	Serbian
Largest Cities	Belgrade - 1.576.000 Novi Sad - 300.000 Niš - 250.000
Currency	Dinar (RSD) (1 €=105 RSD, Exchange Rate during making of this guide)
GDP (2008)	€ 33.4 billion
GDP pc (2008)	€ 4.546,5
Time Zone	Central European Time (GMT + 01:00)
Internet Domain	.rs

Externally, Serbia can serve as a base for duty-free exports to a market of 1 billion people that includes:

- The European Union,
- The United States of America,
- Russia,
- South East Europe and
- Belarus.

Market	Trade Regime	No. of People
EU	Preferential Trade Regime US	494,070,000
US	Generalized System of Preferences	302,558,000
Russia	Free Trade Agreement	142,754,000
SEE	CEFTA	29,330,542
Belarus	Free Trade Agreement	9,689,800
TOTAL		978,402,342

One of the key advantages of doing business in Serbia, compared to the majority of other CEE countries, are lower operating costs. Serbia's tax system is highly conducive to investment, featuring the following benefits:

- One of Europe's lowest corporate profit tax rates set at 10%;
- Value Added Tax of 18% - among the most competitive in Central and Eastern Europe;
- A ten-year exemption from corporate income tax for investments of over €7 million that generate at least 100 new jobs;
- Tax credits for investing in fixed assets of up to 80% of the invested amount;
- Income tax and social insurance charges exemptions for employees under 30 and above 45 years of age.



Labour costs in Serbia are comparable to those in South East European countries, while standing at 50% of their level in Eastern European EU member states. In addition, low utility costs help businesses achieve high profit margins.

Corporate Profit Tax Rate	
Serbia	10%
Bulgaria	10%
Romania	16%
Slovakia	19%
Poland	19%
Hungary	20%
Croatia	20%
Czech Republic	24%

Source: PricewaterhouseCoopers

Highly competitive and diverse investment incentives are designed to reduce the costs of investment projects in Serbia.

Financial Grants						
Eligible Projects	Large-Scale Projects		Standard-Scale Projects			
	Manufacturing and Export-Related Services		Manufacturing			Export-Related Services
	Capital and Labor-Intensive Projects	Labor-Intensive Projects	Projects Realized in Devastated Regions and Regions of Special State Interest	Projects in Automotive, Electronics, IT Industries Realized in Regions of Special State Interest	Projects Realized in Other Regions	Projects Realized in Any Region
	Grant Amount	Grant Amount	Grant Amount	Grant Amount	Grant Amount	Grant Amount
	25% of the total investment	20% of the total investment	€4,000-10,000	€5,000-10,000	€2,000-5,000	€2,000-10,000
	Minimum Investment Amount	Minimum Investment Amount	Minimum Investment Amount	Minimum Investment Amount	Minimum Investment Amount	Minimum Investment Amount
	€200 mn	€50 mn	€0.5 mn	€0.5 mn	€1 mn	€0.5 mn
	Minimum N° of New Jobs Created	Minimum N° of New Jobs Created	Minimum N° of New Jobs Created	Minimum N° of New Jobs Created	Minimum N° of New Jobs Created	Minimum N° of New Jobs Created
	1,000	300	50	50	50	10

For investments that exceed the total amount of 200 million Euros and by which creation of at least 1,000 new jobs is secured, investors are awarded a grant in the amount of 25% of the total amount of investment.

For investments that exceed the total amount of 50 million Euros and by which creation of at least 300 new jobs is secured, investors are awarded a grant in the amount of 20% of the total amount of investment.

Based on the new Regulation of the Government of the Republic of Serbia, adopted in the first half of 2010, investment projects in all sectors, except trade, catering and agriculture, can apply for the award of grants. Grants are intended to finance investment projects in the manufacturing sector and service sector that may be subject of international trade.



Grants are awarded depending on the place of investment and fulfilling the criteria set forth by the Regulation, namely:

- for investments in the manufacturing sector: from EUR 2,000 to 5,000 i.e. from EUR 4,000 to 10,000 for devastated regions and regions of special State interest (Zaječar, Kraljevo, Niš, Novi Pazar), per a new job created;
- for investments into automotive, electronics and IT industries, in the regions of special State interest: from EUR 5,000 to 10,000 per a new job created;
- for investments in the service sector: from EUR 2,000 to 10,000 per a new job created.

In four years, about € 47.3 million has been approved in the form of state grants. As the result, more than 80 new investment projects, worth as much as €600 million, have been implemented, bringing over 17,200 jobs throughout Serbia. The FDI-related financial frameworks will be continuously upgraded in order to offer the even more business-friendly incentives. The largest interest is in investing in the automotive and textile industries, but there are also upcoming projects in the electronics industry and other industries. Companies from Slovenia, Italy and Germany, such as Henkel, Kronospan, Gorenje, and Pompea have already moved part of their production into Serbia. Serbia's labour force combines exceptional work efficiency with sizeable labour supply. With a unique combination of high quality and low costs, it is one of the key factors in reaching a strong business performance. The quality of the local labour force is best reflected in robust industrial productivity, rising at an 11% rate over the past five years. The population of university graduates grows by more than 15% annually, averaging over 16,500 each year. Technical education is particularly strong - high school students are among the best performers at world contests in engineering and are well-known for their expertise. In addition, Serbia boasts the highest English speaking proficiency in Eastern Europe. Management education has also been improved by the introduction of joint graduate and post-graduate courses organized by local universities and renowned Western business schools. Essentially, Serbia offers a wide availability of highly qualified staff. The number of engineers and managers is sufficient to meet the growing demand of international companies.

Industrial Productivity Growth Rate	
2008	9.10%
2007	11.30%
2006	10.20%
2005	10.70%
2004	12.50%

Source: Statistical Office of the Republic of Serbia

Business Registration Time and Costs	
Time of Registering a Company (Days)	5
Cost of Registering a Company (EUR)	90
The Minimum Capital Required (EUR)	
Joint Stock Company	10,000/25,000
Limited Liability Company	500

The business registration procedure in Serbia currently takes a maximum of 5 days, down from previous 23. As of May 2009, the entire process could be completed at the Business Registration Agency, which acts as a full-fledged one-stop-shop. Company types in Serbia are similar to those in developed economies. One can incorporate a business as a Joint Stock Company, Limited Liability Company, General Partnership or Limited Partnership. The minimum capital required is as low as €10,000 or €25,000 for a Joint Stock Company, and €500 for a Limited Liability Company. The entire business registration process is simplified and tailored to meet the requirements of the type of a company one wishes to establish. Transparency and low registration costs add to the efficient institutional and legal frameworks for business registration. Business start-up is further encouraged by ongoing regulatory reforms. The most essential one includes the future law in the urban planning and construction area, which will be fully harmonized with the EU legislation in order to speed up construction procedures.



Why Invest in Timok Region?

General Information of the Region

The Timok Region is located in the East of Serbia, bordering with Romania in the North and Bulgaria in the East. The Timok Region is situated at the intersection of two Pan European Corridors: Corridor Nr. 10 (Serbia) and Corridor Nr. 4 (Bulgaria).

The Timok Region is a region full of diversity. Therefore, for instance, on the same day, one could:



- fish or sail on the Danube, relax in one of the spas or ski on one of the ski tracks,
- find him/herself at the altitude of only 32 m, in the Negotin plain and on the highest peak in Serbia - 2,169 m, on Stara planina

The Timok region is covering the area of 7,133 km². The Timok region includes the Municipalities of Zaječar, Knjaževac, Boljevac, Sokobanja, Bor, Negotin, Majdanpek and Kladovo. Of those eight,

five are border Municipalities. The territory of the Timok region is inhabited by 284,112 people, i.e. 3.5 % of the total number of Serbia's inhabitants: Knjaževac, Zaječar and Negotin are bordering with Bulgaria, while Negotin, Kladovo and Majdanpek are bordering with Romania. The border between Serbia and Romania, in this part of the country entirely follows the Danube. The total length of the border with EU in this region is more than 340 km. What has for decades been considered as a major weakness, which is the border character of this region, is now becoming a clear advantage.

The Region is rich in copper and gold. Two large hydroelectric power systems, Đerdap I and Đerdap II, are built on the Danube.

The territory of the Timok Region is mainly highland, with about 45% of the total territory under arable land. The most developed fields are cattle breeding, crop husbandry, fruit growing and viticulture. Forests cover about 300,000 hectares - about 40% of the total area of the Timok region, or as much as 11.3% of the total forest fund of Serbia.

The Timok Region is a region with a completely untouched nature and excellent natural potentials:

- Rivers: the Danube, the Crni Timok, the Beli Timok, the Pek
- Baths and thermo-mineral waters: Sokobanja, Brestovačka banja, Gamzigradska banja and excellent potentials in villages of Nikolićevo and Rgošte
- Lakes and Reservoirs: Grliško, Đerdapsko, Bovan, Rgotsko and Sovinac.
- Mines: copper (Bor and Majdanpek), anthracite, coal...
- Protected natural resources: National park "Đerdap", Nature Park Stara planina
- Unpolluted soil, water and air.

More on tourist attractions of the region can be found at www.traveleastserbia.org

By its geographic position, the territory of Eastern Serbia belongs to the continental climate zone with pronounced temperature extremes, large differences in the amount of precipitation and unfavourable distributions of precipitation during the year.



Traffic infrastructure

When it comes to traffic, the Eastern Serbia is well connected by road, river, railway and even air traffic.

Road infrastructure:

Several important road routes go through Eastern Serbia: M5: Paraćin - Zaječar - Vidin, M25: Niš - Kladovo, M25.1: Kladovo - Golubac - Veliko Gradište - Požarevac, M24: Negotin - Majdanpek - Kučevo - Požarevac; M4: Zaječar - Nikolićevo - Bor. Of these four road routes, two are of the European rank: E771: Kladovo - Niš and E761: Paraćin - Zaječar - Vidin. In the Timok region, there are: 418 km of state roads of 1st order, 815.5 km of state roads of 2nd order, 484 km of local roads.

Railway:

The railway network in Eastern Serbia is 235 km long and it is consisted of two railroad routes: Railroad 38: Crveni Krst (Niš) - Zaječar - Prahovo pristanište, in the length of 181 km and Railroad 36: Mala Krsna - Majdanpek - Bor - Zaječar, in the length of 53 km.

Waterways:

According to the classification of the European Economic Commission (EEC), the Danube river in the area of the Timok region falls in the category of deep gauge waterways, the highest category class 7, i.e. it is a waterway for cargo vessels of 285 meters in length, of width between 33.0 to 34.2 meters, with the gauge between 2.5 and 4.5 meters and of the load bearing between 14,500 t and 27,000 t. Waterways through Eastern Serbia go by the Danube river. Vessels stop at the Prahovo port, marina in Tekija and boat moorings in Donji Milanovac and Kladovo. The river port "Prahovo" is located on the right bank of the Danube (at 861st kilometre) and it is a pool type port. The average daily capacity of the port is 12,000 t with simultaneous processing of 7 vessels. The port has three parallel railway tracks of the total length of 971 m, which allows simultaneous processing of 160 wagons.

Air traffic:

The nearest airports are located in Niš, at the distance of 30 km from the region and Sofia, at the distance of 120 km. There is a small airport in Bor, which is used for gliding and parachuting. The airport "Bor" (ICAO code: LY89) is an untapped potential of the Timok region, through which the transport access to the entire region can be significantly improved. In terms of the existing infrastructure, airport "Bor" has one asphalt runway (of dimensions 1,086m x 30m), the terminal building with a tower and hangars, terminal and a parking lot for 8 smaller aircraft with a helicopter airfield.

Economy of the Region

Presently, the main activities in the Timok region are: production of electricity, production of copper, agriculture, forestry, wood processing industry. Apart from those, the following also have important places: production of clothing and footwear, chemical industry, tourism, construction industry, etc. The Timok region is characterized by a relatively developed entrepreneurship, which is evident from an increase in the number of registered companies and entrepreneurs in the last five years. The increase is recorded in all types of ownership, except in state ownership - which is decreasing, mainly because of privatization.





It is also characteristic for the region that the share of commerce companies is just 20% – unlike the national level, where commerce companies dominate with a share of almost 1/3. The majority of registered companies are from sectors of services, commerce and processing industry. Small and medium-sized enterprises make up for more than 90% of the total number of active enterprises. A relatively small number of enterprises is owned by foreign capital, but they are more important from the point of creating values and the number of jobs.

Enterprises, institutions and other legal entities by the form of ownership and origin of capital:

	Total	Form of ownership						Origin of capital			
		Socially owned	Private	Cooperative	Mixed	State owned	Not specified	Domestic	Foreign	Mixed	Not specified
Republic of Serbia	201,499	2,728	120,187	6,391	2,792	5,599	63,802	124,905	9,129	4,886	62,579
The Timok Region:	4,634	116	1,927	224	51	223	2,093	2,438	57	80	2,059

Source: National Statistical Institute, As on June 30th, 2010

Enterprises, institutions and other legal entities by sector of activity

	Total	Agriculture, hunting and forestry	Fishing	Ore mining and quarrying	Processing industry	Production and supply of electricity, natural gas and water	Wholesale and retail sale commerce, motor vehicle servicing	Construction industry	Hotels and restaurants
Republic of Serbia	176,943	5,518	147	408	25,656	524	8,533	50,345	3,164
The Timok Region:	3,818	179	6	17	588	20	169	727	75

Source: National Statistical Institute, As on June 30th, 2010

Continued from the table above

	Traffic, storage and connections	Financial intermediation	Activities related to real estate, renting and business activities	Public Administration and defence, compulsory soc. Insurance	Education	Health and social work	Other utility social and personal service activities	Private households with employed persons	Extraterritorial organizations and bodies
Republic of Serbia	7,892	1,427	20,401	5,199	3,735	1,624	36,052	1	-
The Timok Region:	150	34	183	314	145	64	993	-	-

An important characteristic of the region is also the fact that the Timok region records a surplus in foreign trade.

Table: Export - import in 2009, in USD

	Export in USD	Import in USD	Difference in USD
Timok region	225,319,721	204,535,604	20,784,117
TOTAL in Serbia:	8,344,300,000	16,055,600,000	-7,711,300,000

Source: Regional Chamber of Commerce Zaječar, National Statistical Institute

The most important export activities are related to exploitation and processing of copper and production of clothing and footwear. Wholesale of metals and ores in the Timok region has a share of more than 1/3 in the total export of the Republic of Serbia, with leather footwear also having an important share in Serbia's export - 10%.



On the other hand, the structure of import is following the structure of export to a certain degree, which speaks of the fact that a part of materials and equipment is imported for manufacturing of the most important export items.

Table: Export by activities in the Timok region in 2009, in USD

Activity	Value of export in USD	Share in % compared to the Republic of Serbia
Wholesale of metals and ores	82,727,084	36.72
Copper processing	57,845,808	25.67
Manufacturing of leather footwear	18,650,069	8.28
Ship construction and repair	11,069,677	4.91
Manufacturing of insulated wire and cables	8,248,990	3.66
Production of copper	5,664,839	2.51
Furniture retail	3,814,492	1.69
Processing, canning of other fruit and vegetables	3,696,954	1.64
Manufacturing of seats and chairs	3,162,552	1.40
Fuel wholesale	3,095,184	1.37
Production of other agricultural machinery	2,884,838	1.28
Manufacturing of other furniture	2,768,199	1.23
Other wholesale commerce	2,585,029	1.15
Manufacturing of light bulbs and lighting equipment	2,315,925	1.03
Production of metal constructions, parts	2,276,353	1.01

Source: Regional Chamber of Commerce Zaječar, National Statistical Institute

Table: Import by activities in the Timok region in 2009, in USD

Activity	Value of export in USD	Share in %
Wholesale of metals and ores	54,266,220	26.53
Copper processing	49,542,148	24.22
Production of hydroelectric power	19,417,659	9.49
Fuel wholesale	16,929,660	8.28
Ship construction and repair	15,850,517	7.75
Manufacturing of leather footwear	10,014,116	4.90
Manufacturing of insulated wire and cables	7,646,216	3.74
Production of copper	5,955,204	2.91
Other wholesale commerce	3,988,068	1.95
Wholesale of central heating equipment	3,716,457	1.82
Brewing of beer	1,868,885	0.91
Manufacturing of seats and chairs	1,670,766	0.82
Production of other agricultural machinery	1,043,875	0.51
Manufacturing of light bulbs and lighting equipment	900,666	0.44
Publishing of sound recordings	801,202	0.40
Sale of motor vehicles	792,756	0.39

Source: Regional Chamber of Commerce Zaječar, National Statistical Institute



The Timok region is a very favourable area for development of agriculture owing to the quality of soil, favourable climate and numerous sources of water. Special opportunities for agricultural development are reflected in the production of cultures that require use of the existing labour force, such as growing of vegetables, fruits, tobacco and similar products. By this, the competitive advantage of labour force would be used, the production which will utilise a large areas under meadows and pastures of which there are considerably more than is the average in Serbia,

the promotion of organic production and manufacturing that require certification and unpolluted environment for collecting products from nature, as well as for growing and, finally, protection of geographical origin of products.

Most of the terrain is highland area - 51% of the total area is farming land (304,370 ha). About 300,000 ha is under woods - about 45% of the total area of the Region (11.3% of the total forest fund of the Republic). Traditionally, the region is known for fruit and grape growing. Sour-cherry, cherry and raspberry are three leading fruit cultivars exported from our region. Production of sour cherry is 6,266 tons per year, cherry - 2,334 tons, raspberry - 352 tons, strawberries - 924 tons, apricot - 676 tons, plum - 16,657 tons, apple - 6,276 tons and pear - 2,862 tons per year. The environment is favourable for grape growing (climate, relief and soil). The area near the Danube between the towns of Negotin and Kladovo, the Timok between the towns of Negotin and Zaječar and around the town of Knjaževac are the most famous wine regions.

Farming Land Structure is as follows:

- Total area 375,450 ha:
 - o farming land 178,176 ha
 - o orchards 10,313 ha
 - o wine yards 8,164 ha
 - o meadows 91,284 ha
 - o pastures 87,383 ha

The most frequent crops are corn and wheat (over 50% of cultivated area). Vegetables are mainly grown by the Timok River because of the availability of water and favourable soil for growing vegetables (river alluvium, etc.). The Timok region has excellent natural conditions for development of the cattle breeding (yearlings, sheep and goats, poultry) and development of poultry and ostriches mini-farms. There are already some important abattoir and processing capacities. It is important to mention "STOKOIMPEX" Knjaževac - an EU certified abattoir (one of few in Serbia).

The total area under woods in the Timok region is 325,600 ha, of which 142,800 ha are state owned (42.6 %), while 182,800 ha are privately owned (57.4 %). The forest cover percentage in the Timok region is 45.1 %, while the optimal forest cover percentage is about 55.0 %. The region has large areas under forest: high quality wood mass above European average and significant processing capacities of lower-level processing (sawmills, etc.). Exploitation of forests is intensive during the last 15 years managed by PE "SRBIJAŠUME". The most important final product capacities are: "TINA" Knjaževac, "XINARIS" Zlot/Bor, both export-oriented companies.

For herbs and forest fruits there exist exceptional natural conditions, with diversity of plant species at the mountains of Stara Planina, Rtanj, Devica, Deli Jovan and Miroč.



List of the 10 largest companies in the region (by the number of employees)

No.	Name of the company	Description of activity
1.	Mining and smelting complex Bor	The main activity is mining and processing copper ore
2.	Hydroelectric power plant Đerdap	The main activity is the production of hydroelectric energy
3.	Chemical industry Prahovo	Production of superphosphates, production of phosphorous salts, fertilizers and processing of phosphoric components.
4.	Copper pipes factory Majdanpek	Specialized manufacturer of installation and industrial copper pipes.
5.	Electric cables factory Zaječar	Production of copper and aluminium wires and cords, power installation conductors and power cables, cables for oil and mining industries, conductors for vehicles and telecommunication cables.
6.	Electric power transformer factory Zaječar	Production of low-voltage current transformers and insulators, dry power transformers, air-core chokes, etc.
7.	Leda – Falc East Knjaževac	Manufacturing of leather footwear.
8.	IMT Boljevac	Production and trade of agricultural machinery and spare parts for agricultural machinery.
9.	A. D. “Žitopromet” Zaječar	Purchase of grain, storage and processing / production of milling products.
10.	Brewery Zaječar A.D.	Produces different types of beer and soft drinks for the domestic market and for export.

List of the largest foreign investors in the region

No.	Name of the company	Description of activity
1.	Road Enterprize "Zaječar" AD owner "Strabag AG" Austria	Its field of activity is building roads and transport facilities on the regional routes, as well as other activities related to the construction of roads (technical research, engineering, etc.).
2.	Efes Zaječar – Brewery, Majority shareholder Heineken	Produces different types of beer and soft drinks for the domestic market and for export (majority shareholder of the Efes brewery in Zaječar),
3.	ALPIN GROUP Russia(Majdanpek)	Specialized producer of installation and industrial copper pipes.
4.	Falc east – Italy (Knjaževac)	Production of leather footwear. Producer of children footwear “Naturino” in Knjaževac
5.	Dundee, Canada (Bor), mining, research	Research work in the exploitation of copper and gold in the “Crni vrh” mine
6.	IPM, Slovenia (Majdanpek)	Production of electrical appliances.



Continued from the table above

No.	Name of the company	Description of activity
7.	Electric cable factory Zaječar – “Telefonika Krakow” from Poland	Production of copper and aluminium wires and cords, power installation conductors and power cables, cables for oil and mining industries, conductors for vehicles and telecommunication cables. Owner of the Cable Factory in Zaječar
8.	Fero legura – Slovenia (Majdanpek), ongoing investment	Producer of installation and industrial copper pipes.
9.	Rhein-Donau – Joint Dutch- Romanian-Serbian company (Kladovo)	Shipyard (joint Dutch-Romanian-Serbian company in Kladovo).
10.	Eko-ki – Joint French- Serbian company (Kladovo)	Agricultural production (viticulture, farming). Joint French-Serbian company (Kladovo)
11.	Fontegas – Joint Italian- Romanian company	Natural gas supply. (Italian-Romanian company)



“In the past decade, Serbia went through harsh political and economic changes which greatly affected development of the country.

Foreign investors are completely protected and they can rest assured that their investment is safe. We have great experience in Serbia and our message to future investors is to go ahead with their investments without prejudice. Certainly, they will be pleasantly surprised with results.”

- Davor Veličkovski, General Manager Falc Serbia.

Falc East Serbia - awarded as the “Best Exporter in 2009”



Human resources

The Timok region belongs to the less populated regions of Serbia. At approximately 9% of the territory of Serbia today live about 3% of Serbian population.

The number of employees, in the period since 1990 until now is in constant decline. In the period from 1990-2005, the total number of employees was reduced by about 16%. Although the decrease in the number of employees in itself is a negative tendency, on the other hand, it also has some positive implications. The number of employees in socially and state-owned enterprises was much above the optimum, so that with the reduction in the number of employees possibilities for a more rational and cost-effective business operation in many companies open up. On the other hand, the opportunities for new companies are being created based on highly trained, relatively cheap and available labour force.

Viewing the structure of the number of employees by activity, it is apparent that manufacturing is the holder of economic activity. Of the total number of employees, it employs about 20%. The relatively small number of employees in agriculture should still be taken with caution, because, especially in agriculture, there is the largest number of unregistered workers.

Other activities also (each individual activity), employ far smaller percentage of workers and the need for diversification of the economy is being imposed as a necessity.

In the area of the Timok region more than one fifth of employees belong to the group of self-employed (entrepreneurs), which is approximately the average level in Serbia.

The employed in the Republic of Serbia, by category, As on December 31, 2009

	grand total	The employed in companies, institutions, cooperatives and organizations								
		total	of which women	agriculture, forestry and water management	fishing	mining and quarrying	processing industry	production of electricity gas and water	construction industry	wholesale and retail, servicing
Republic of Serbia	1,889,085	1,396,792	628,252	45,091	1,038	22,287	339,428	45,817	78,936	193,065
The Timok Region	53,245	42,116	17,388	1,107	12	4,309	10,121	2,837	1,477	2,910
Share in %	100	79.10	32.66	2.08	0.02	8.09	19.01	5.33	2.77	5.46

Continued from the table above

	hotels and restaurants	The employed in companies, institutions, cooperatives and organizations							private entrepreneurs and their employees	
		transport, storage and comm.	financial intermediation	real estate, renting	public admin. and social insurance	education	health and social work	other communal, social and personal services	total	of which women
Republic of Serbia	22,520	106,739	36,670	79,783	71,222	134,795	162,369	57,035	492,293	209,391
The Timok Region	631	2,332	349	1,540	2,452	4,316	6,237	1,491	11,129	4,550
Share in %	1.18	4.38	0.65	2.89	4.61	8.11	11.71	2.80	20.90	40.89

Source: National Statistical Institute



Labour costs - average salaries

Taxes and contributions for health and pension insurance in Serbia today amount to 68.25% of net salaries (the total tax rate on earnings and contributions + contributions for the unemployed of 0.75% at the level of Serbia)

	Average earnings			Average wages without contributions		
	RSD			RSD		
	June 2010		Jan.-June 2010	June 2010		Jan.-June 2010
	Total	Economy	Total	Total	Economy	Total
Republic of Serbia	47,486	45,033	45,889	34,161	32,505	33,045
The Timok Region	41,065	38,753	40,714	29,592	28,013	29,301
% in relation to the Republic of Serbia	86.48	86.05	88.72	86.63	86.18	88.67

Source: National Statistical Institute

Earnings:

Monthly earnings in Eastern Serbia are generally lower than the average salary at the level of the Republic of Serbia and are around 85% of the national average. Average salary in June 2010 was about € 285 - net income (€ 395 gross). Salaries are higher in non-profit sector as compared to the economic. Skilled work force - at reasonable prices, is certainly one of the greatest advantages of the region.

Apart from the fact that the labour force works for lower average prices compared to the neighbourhood, the labour force in Eastern Serbia is:

- educated and well trained
- motivated to work and to further improve itself.

Table: Data on unemployment and average monthly earnings for 2008

	Area (km2)	Population	Unemployment rate	Average net monthl earnings RSD/€*
Serbia	88,361	3,119,419	16.1%	31,733 / 338 €
Timok Region	7,133	113,319	23.73%	27,081 / 288 €

Source: National Statistical Institute, National Bank of Serbia

*Average exchange rate for 2009 is 1€=94 RSD



Conditions of doing business in the region



In accordance with their competences and responsibilities, the municipalities of the Timok region have taken certain steps in order to facilitate investing on their territories. The majority of the municipalities have formed Local Development Offices as an institutional support to investors. Preparation of municipal development strategies is presently ongoing in six of the eight municipalities.

Two very important documents of great importance for the territory of the whole region are in the process of production:

- Regional spatial plan (which is already being developed by the National Spatial Planning Agency of the Republic of Serbia) and
- Regional Development Strategy (with RARIS managing its development)

As for the development of tourism, master plans commissioned by the Government of the Republic of Serbia have been produced for strategic tourist destinations - the Lower Danube region, Sokobanja, Felix Romuliana and Stara planina.



Information on the incentive measures offered by municipalities in the region

Local authorities in Eastern Serbia are exceptionally attentive and willing to support the economic development. Each of the municipalities has developed its own system of incentive measures in accordance with its competences and priorities.



One of the main measures, which all of the municipalities have, is exemption of investors from payment of compensation for the preparation of construction land or payment of a part of the compensation, depending on what type of activity the investor is involved in and how many workers he is employing. For example, the city of Zaječar has passed a decision through which the investors are exempted from paying the compensation for using the construction land in full for the period which is set depending on the number of the employed workers. The largest percentage of exemptions in Kladovo is in the following cases:

- For production activities, the investor may be exempt from paying fees in full if he employs over 20 employees, with the obligation to keep the same number of workers for at least three years;
- For service industry, the investor may be exempted from paying fees in the amount of 50% if he employs more than 20 workers, with the obligation to keep the same number of workers for at least three years.

All the municipalities offer benefits to investors when paying public utility fees and communal taxes. For example, the Municipality of Sokobanja offers exemption

from all municipal taxes for the period of 3 years if the investor employs more than 50 workers, or exemption from all municipal fees within 5 years if he employs more than 80 workers.

All these benefits depend on the type of activity and the number of the employed workers. Each of the municipalities has defined priority activities for which it gives the largest discounts and benefits. Also, the rule is that the larger the number of newly created jobs is, the larger benefits which the Municipality offers are.

Local authorities also provide a wide range of other services that create a favourable environment for investors and facilitate their business operation.

Thus, local authorities provide investors with:

- Help in finding the location for investing
- Information on the existing commercial property in case of Brownfield investments
- Information on real estate prices
- Information on the available labour force
- All the information on economic profile of the Municipality
- Help in obtaining the necessary permits (building and others)
- Help in using reliefs provided by the Municipality
- Information on the reliefs provided by the central authorities
- Other technical and legal assistance
- Help in the establishing contacts and cooperation with local businessmen.



Zaječar

Incentive measures for attracting investments are related to infrastructurally equipped halls free of charge for those employers who employ more than 50 workers. At this time, the Municipality has 19 potential locations for building, owned by the Municipality. According to the Decree on terms and conditions for attracting direct investments ("Official Gazette of RS", No. 34/2010), the city of Zaječar is included in the areas of special interest. The city of Zaječar is a major industrial centre, whose rapid economic development has a particular significance for the Republic of Serbia, especially for the purpose of a balanced regional development and reduction of unemployment rate. Potential investors, whose minimal value of investment is EUR 500,000 and through which the opening of at least 50 new jobs within a three-year period is ensured, receive between EUR 4,000 up to EUR 10,000 per a new job.

In order to attract as many investors, the Assembly of the city of Zaječar passed a Decision on amending the decision on compensation for the use of construction land, through which incentives for future investors have been defined:

- The investor who employs from 50-100 workers is exempted from paying the fee for the use of construction land for a period of one year
- The investor who employs from 100-200 workers is exempted from paying the fee for the use of construction land for a period of two years
- The investor who employs from 200-300 workers is exempted from paying the fee for the use of construction land for a period of three years
- The investor who employs from 300-400 workers is exempted from paying the fee for the use of construction land for a period of four years
- The investor who employs more than 500 workers is exempted from paying the fee for the use of construction land for a period of five years

Knjaževac

The Municipality of Knjaževac allows reducing the amount of compensation for the preparation of urban construction land to investors in case they employ more than 10 newly employed workers. In this case, the investor pays 20% of the determined amount of compensation. In case the investor participates in the construction of certain facilities of communal infrastructure, he shall be exempted from the obligation to pay compensation for that amount of contribution. In the Municipality of Knjaževac, the tax payers who are starting up a business activity for the first time are exempted from paying local municipal taxes for displaying business signs for a period of one year. The tax payers who, in addition to the already registered business activity, start up with an extended registered business activity and employ at least one additional worker, are exempted from paying the local municipal tax for the extended activity for a period of one year. An entity which is provided with a lease of land for construction of production, production-processing, industrial and other facilities, in which workers are employed, is given the benefits of 0.5% for each employed worker, with an option to pay the lease in instalments. The Municipality is characterized by a qualified work force in the field of textile, footwear, wood processing and metal industries.

Boljevac

The Municipality of Boljevac adopted a special Decision on the exemption of payment of municipal taxes for new businesses in the field of production according to the number of employees. The Municipality also decided to lease the land which it owns to investors free of charge. The Municipality has started construction of an industrial zone in the area of MZ Mirovo [MZ, *abbr. mesna zajednica - the smallest unit of local administration in Serbia*] in the vicinity of the trunk road M5, Paraćin-Zaječar, preparing the site for future investors. Currently, the construction of a factory complex is being realized in the area.



Sokobanja

The following incentive measures offered by the Municipality should be emphasized:
Municipal tax for displaying business signs:

- 100% reduction of municipal tax for displaying business sign in the first year of business operation;
- 50% reduction of municipal tax for displaying business sign in the second year of business operation, if at least three workers are employed;
- 25% reduction of municipal tax for displaying business sign in the third year of business operation, if at least three workers are employed;
- Exemption from paying municipal taxes for the period of 2 years, in case the investor employs between 10 and 20 workers, of whom at least 70% are registered residents of the Municipality of Sokobanja and who are registered as unemployed with the National Employment Service in the Municipality of Sokobanja, with an obligation to keep the same number of the employees for at least three years;
- Exemption from paying municipal taxes for the period of 3 years, in case the investor employs between 21 and 30 workers, of whom at least 70% are registered residents of the Municipality of Sokobanja and who are registered as unemployed with the National Employment Service in the Municipality of Sokobanja, with an obligation to keep the same number of the employees for at least three years;
- Exemption from paying municipal taxes for the period of 4 years, in case the investor employs more than 30 workers, of whom at least 70% are registered residents of the Municipality of Sokobanja and who are registered as unemployed with the National Employment Service in the Municipality of Sokobanja, with an obligation to keep the same number of the employees for at least three years;

Compensation for the development of construction land:

- For construction of buildings of special interest to the Municipality of Sokobanja:
 - swimming pools of Olympic or half-Olympic size (indoor and outdoor), water parks, indoor and outdoor sports grounds and halls, the compensation for the development of urban construction land shall be paid in the amount 1 RSD/m², regardless of the zone in which they are located;
 - hotels of at least 4 star category and a convention centre, the compensation for the development of urban construction land shall be reduced by 60%;
- For industrial and production facilities with the capacity of at least:
 - 1-5 employees, the compensation for the construction land is decreased by 20%
 - 6-10 employees, the compensation for the construction land is decreased by 40%
 - 11-15 employees, the compensation for the construction land is decreased by 50%
 - more than 15 employees, the compensation for the construction land is decreased by 60%.

Over 30 hectares of private and public land is presently ready for reception of investments.

Kladovo

In the Municipality of Kladovo, investors may be exempted from paying compensation for the preparation of urban construction land or payment of a part of the compensation depending on which type of activity they are involved in and how many workers they employ.

The largest percentage of exemptions is in the following cases:

- For production activities, the investor may be exempt from paying compensations in full if he employs more than 20 workers, with the obligation of employment the same number of workers for the period of at least three years;
- For service activities, the investor may be exempted from paying compensations in the amount of 50% if he employs more than 20 workers, with the obligation of employment the same number of workers for the period of at least three years.



Bor

A project for building of an industrial zone started in Bor. The complex is located along the regional road Bor-Zaječar, and it ends on the tracks near the freight railway station in Bor. Presently, 13 manufacturing, service and service facilities have been built in this area. The complex is located on an area of 16 hectares and it is possible through the elaboration of urban projects to build 8 to 12 buildings for different purposes and of different capacities. The Municipality of Bor has bought out the complete land and has completed the Regulation Plan.

Negotin

The Municipality of Negotin has started implementation of the project for Building an industrial zone. The industrial zone covers the area of 17.50 hectares with a green protective zone of 29.50 hectares. This is a space intended for commercial and production facilities and business facilities - service shops and open or closed warehouses.

Business associations and entrepreneurs with headquarters on the territory of the Municipality are exempted from paying municipal taxes for a period of one year from the date of registration, provided the headquarters of the firm are not moved onto the territory of another municipality within 3 years from the date of registration.

Majdanpek

The Decision on special benefits for investors is in force in the Municipality Majdanpek by which, depending on the activity sector (production or service) and the number of employees, investors are exempt from paying local taxes and fees in the responsibility of bodies of the Municipality of Majdanpek for the period of 1 to 3 year.

The Municipality of Majdanpek disposes of an industrial zone on the area of 80 hectares with a planned expansion of 22.5 hectares and of which 85% is state owned. Industrial zone extends along the trunk road M-24.

Information on local taxes

Local taxes are nearly equal in all municipalities in the region.

One of the local taxes is the compensation for the use of urban construction land.

Monthly compensation for use of the built construction land useful area varies between municipalities and depends on the zone in which it is located. On the average, prices range from 2-8 RSD/m² in the zone 5 to 30-60 RSD/m² in the zone 1.

Local communal tax is paid in accordance with the Decision of the local authorities and differs from town to town and from Municipality to Municipality. Also, this tax is paid for a number of items, depending on use of public property. However, it is common for all legal entities and entrepreneurs to pay tax for putting up business signs on the commercial space. The amount of local communal tax for putting up business signs on commercial space is regulated by provisions of the Law on Financing of local self government and the appropriate decisions on local communal taxes for the territory of the city/municipality. Article 17 of the Law regulates that the unit of the local self government, in establishing the amount of this tax, is governed by: the type of activity of the legal person, area and technical characteristics and the use of the facility and the territory, i.e. zone in which the facility is located. The local government unit determines the amount of this tax by its bylaw, as well as benefits, terms and the payment method. The amount of the tax ranges from 500 RSD and more, per month, depending on the location and business activity.

There are a number of different municipal administrative fees that are paid when submitting the request, obtaining approvals, issuing of certificates and the like. Prices range from several hundred to several thousand dinars.



Land

Lease of agricultural land

As for the lease of agricultural land, the initial annual price for lease on auctions ranges from 1,000 to 6,000 RSD per hectare (≈ 10 to 60 EUR), depending on the quality / category of the land. According to the Article 61 of the Law on Agricultural Land, state owned agricultural land can be leased to all natural or legal persons, if by the annual program of protection, regulation and use of agricultural land from Articles 12 and 58 of this Law it is foreseen for leasing to physical or legal person, for a period that cannot be shorter than one year nor longer than 20 years, or, for fishponds and vineyards, longer than 30 years. State owned agricultural land, which is given in lease cannot be sublet.

Eastern Serbia has greatly improved the organization of supply of land to potential investors in recent years. Also, there is a good supply of land for lease on locations in settlements near towns, although in most cases this land is not yet fully infrastructurally equipped.

Construction land

The price of construction land varies depending on the location and the level of equipment. The price of utility equipped land in medium-developed industrial areas is on the average 5 to 10 €/m², while the utility unequipped land is 3 to 5 € / m². The price of land in tourist regions is slightly higher and ranges from 2 to 20€/m² in potential tourist centres to the price of 25 to 100€/m² in the elite areas of attractive tourist places. Outside of settlements and developed settlements, the price of land is almost uniform and is about 0.2 to 1€/m² for fields, while for pastures and meadows it is up to 0.5€/m².

Zaječar

Overview of land prices by categories:

Extra zone	608 RSD/m ² (5.85 EUR/m ²)
Zone 1	506 RSD/m ² (4.87 EUR/m ²)
Zone 2	405 RSD/m ² (3.89 EUR/m ²)
Zone 3	304 RSD m ² (2.93 EUR/m ²)
Zone 4	negotiable

1 €=105 RSD

Note: These are the prices which the Municipality pays when buying out the land and the starting price for bidding when giving land to lease.

Namena objekta	Ekstra Zone	Zone I	Zone II	Zona III	Zona IV
Residential buildings and accessory buildings	1,455	1,213	970	728	485
Economic- production facilities	2,910	2,425	1,455	970	728
Business buildings	3,395	2,668	1,698	970	728

Boljevac

Locations for building of industrial facilities have been foreseen by the town planning document of the town of Boljevac. In the course of 2007, the Municipality of Boljevac bought 3 hectares of construction land in the industrial zone, equipped with communal infrastructure. The market price of the land on locations on which the building of industrial facilities is foreseen ranges from 2 to 10 €/m². The price of agricultural land, depending on the class of land and plant culture, ranges from 0.5 to 2.5€/m².



Knjaževac

The market price of the land in the Municipality of Knjaževac is 4-10 €/m², depending on the location, the level of communal equipment. On Stara planina, from 3 to 7 €/m², depending on the location. In Rgoška banjica, from 1 to 5 €/m², depending on the location and the level of communal equipment.

(Source: Pricelist of land and buildings of 05/20/2010)

Sokobanja

Land price depending on the location of the land is:

EXTRA ZONE: 3,500.00 RSD/m²

ZONE 1: 2,362.50 RSD/m²

ZONE 2: 1,575.00 RSD/m²

ZONE 3: 1,055.00 RSD/m²

ZONE 4: 700.00 RSD/m²

Compensation for the preparation of urban construction land:

No.	PURPOSE OF THE FACILITY	Extra zone	Zone 1	Zone 2	Zone 3	Zone 4
1	Residence per m ²	6,741.00	4,999.00	3,432.00	2,910.00	2,338.00
2	Commercial activity per m ²	8,731.00	6,567.00	4,403.00	3,731.00	3,060.00
3	Production activity per m ²	6,741.00	4,999.00	3,432.00	2,910.00	2,388.00
4	Other uses per m ²	4,701.00	3,507.00	2,313.00	2,015.00	498.00

Bor

Prices of construction land (in RSD):

Zone	Lease	Preparation
Zone 1	1,258.00	2,171.00
Zone 2	1,065.00	1,833.00
Zone 3	884.00	1,467.00
Zone 4	702.00	1,098.00
Zone 5	521.00	733.00
Zone 6	240.00	183.00
Zone 7	127.00	111.00

Negotin

The amount of compensation for the preparation of urban construction land (preparation and communal equipment) in the industrial zone is 1.00 RSD/m² of the land.

The market value of the construction land is set at:

- Zone 1 1,800.00 RSD
- Zone 2 800.00 RSD
- Excursion sites:
 - Central area 450.00 RSD
 - Wide area 300.00 RSD
- Kusjak and the banks of the Danube 300.00 RSD
- Bratujevac, Brestovac, Bukovo, Stevanske livade 100.00 RSD
- Rural settlements:
 - group 1 500.00 RSD
 - group 2 150.00 RSD.
- Zone 3 830.00 RSD
- Zone 4 550.00 RSD



Kladovo

The construction zone, which includes construction and other public land, was determined by the General Plan of Kladovo. The total area of construction zone of Kladovo is 491 ha, which does not include water and forest land, but includes roads and corridors.

The construction land can be leased for a period of 99 years and is divided into 5 zones:

- Other construction land in the zone 1 costs 13.30 €/ m²,
- Other construction land in the zone 2 costs 10.00 €/ m²
- Other construction land in the zone 3 costs 6.60 €/ m²
- Other construction land in the zone 4 costs 2.50 €/ m²
- Other construction land in the zone 5 costs 1.60 €/ m².

Majdanpek

The amount of the rent for public land and other construction land is determined according to the zones where the land is located. The amount of the rent is determined on the monthly basis and it is calculated per m² of the land area which makes a construction parcel on which a facility is being built, i.e. per m² of the land area which is leased. The prices are determined by zones and the purpose of the area and range from 30 RSD in the Zone 5 to 250 RSD in the Zone 1. The compensation for the preparation of public construction land is also determined by zones and it varies for different types of facilities:

No.	Type of facility	RSD/m ² of usable (net) area of the facility				
		Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
1.	Production, office and other facilities for doing business	884.97	737.48	589.98	442.48	294.99
2.	Residential buildings	749.98	585.29	440.28	320.64	203.44
3.	Accessory buildings	401.05	326.98	248.75	184.27	117.59
4.	Prefabricated facilities	267.37	222.43	173.95	130.69	85.21

The investor has an option to pay the total amount of the compensation in full or in monthly instalments. Should the investor choose to pay the compensation for the preparation of public construction land at once in full, he is granted a discount of 30%.

Information about other business costs

a) Price of water differs between municipalities, as well as between activities. Besides the consumption of water per m³, the price of water also includes environmental tax and VAT (8%).

Activity	Price per m ²	Price including environmental tax and VAT
Economy (private sector)	65-100 RSD	65-115 RSD

b) The price of electricity, apart from consumption power per kWh, also includes the electric meter tax, as well as power demand of the electric meter. The electric meter tax for all categories of users is 88.62 RSD, while the power demand of the electric meter is charged depending on the category of the user (23.75 RSD for wide consumption, 365-530 RSD for user with power demand measuring).



The price of electricity per kWh differs depending on consumption and whether the cost is calculated by single-tariff measurement or by high and low tariff measurement. Thus, the price of kWh in the optimum, green zone is from 0.90 to 3.61 RSD, while in the most expensive red zone it is from 2.71 to 10.84 RSD.

(Note: The prices are given without VAT, which is 18%)

c) The price of heating is different between municipalities, between activities, as well as depending on whether it is charged by m2. The given prices of heating are approximate, without VAT, which is set at 8 %.

Activity	Price per m2
Population, Municipal, political and religious institutions, primary and secondary schools, NGOs	30-55 RSD
State organizations and social activities organizations	110-135 RSD
Economy (private sector)	100-150 RSD

d) The prices of telephone communication is differentiated between consumption in land-line telephony and consumption in the mobile telephony. The price per minute of conversation in local communication for the landline telephony is about 0.3 RSD for residential users, or about 0.4 RSD for business users. The price of landline to mobile telephony communication per minute of conversation is about 8 RSD for residential users, or about 10 RSD for business users. International communication is charged at tariffs through 5 zones and, depending on the zone, prices per minute of conversation in the first zone (countries bordering with Serbia) range from 14 RSD for residential users, or about 17 RSD for business users, up to 44.5 RSD residential users, or 55.26 RSD for business users in the fifth zone (countries of Africa, Asia, South America).



(Note: the prices are given without VAT - 18%)

e) Cost of internet connection depends on the provider through which a company has a dial-up, ADSL, wireless or cable internet connection. The approximate price of the most commonly used ADSL connection is from 1,200 to 10,000 RSD, depending on the bandwidth (prices include VAT).

f) Cost of transportation of goods may vary depending on the type of goods, weight, and the distance to which the goods are transported. For example: for goods of up to 100 kg in weight to a distance of 100 km, the cost of transportation is about 40 EUR, while the price of transportation of the same quantity of goods to a distance of 500 km amounts to around 130 EUR and the price in international traffic amounts to



150 to 250 EUR (for countries bordering with Serbia), but the price does not include customs tax, administrative fees and VAT. Transport of hazardous materials increases the price by 20%.



The average costs of construction, common for business facilities, halls, apartments

The value of construction works for building industrial halls is 125 to 200 EUR/m², while the value of building business and residential area ranges from 350 to 500 EUR/m², depending on the level of their equipment.

The price does not include the price of water connections (which depends on the distance of the facility from the water supply system) and electricity (depending on the consumption power - from 1,000 to 2,000 EUR), as well as municipal tax, whose amount depends on the location of the construction site, its distance from the town centre, then the heating connection, sewerage and telephone connections.

Living and working conditions

The Timok region is characterized by a well developed education system.

Primary, secondary schools, special needs schools and schools for adults

Area (km ²)	Kindergartens and nurseries	Primary schools	Secondary schools	Special needs schools	Schools for adults
Timok Region	55	209	21	14	1

Source: National Statistical Institute of Serbia, municipalities in Serbia, 2008.

University education is also very well developed:

Technical Faculty in Bor is the only state University institution in Eastern Serbia and the only faculty of the University in Belgrade, which is located outside of Belgrade. In Negotin, there is a Teachers' Training Faculty of the University in Niš, for obtaining the degree of "teacher in primary".

Faculty of Management - Megatrend University is located in Zaječar. The University provides a modern, high quality and efficient studies in the field of economics and management. One can attend basic academic, academic graduate, postgraduate and doctoral studies in management. There is also a College of Management within the Faculty of Management and the School of Management and Business.

Health care system has an excellent coverage of the whole territory, so that all municipalities have well-equipped health centres and hospitals.

Territory	Number of inhabitants per 1 physician
Serbia	356
Timok Region	321

Source: National Statistical Institute, 2008

In addition to state health care institutions, there are several private general practitioners in this region.

It is important to note that there are 2 specialized spa institutions in this region:

- Gamzigradska banja - Institute for specialized rehabilitation "Gamzigrad"
- Sokobanja - Special hospital "Sokobanja"



Overview of tourist attractions, cultural events

The Timok region is an excellent region to live in, with plenty of tourist and cultural content.

The most important tourist attractions are Sokobanja, Gamzigradska banja, Brestovačka banja, numerous historic sites, such as Felix Romuliana from 4th century AD, the prehistoric site Lepenski vir, Golubački grad, fortresses Fetislam and Diana and Šarkamen, vine cellars in the villages of Rajac and Rogljevo, Rajko' cave, Zlot and Bogovina caves, Bor and Grlište lakes, mountains Rtanj and Stara planina and many others.



The most important tourist events:

- **“Zlatna bučka”** (eng. **“Golden Splasher”**) - Tekija in Kladovo - a specific way of catching fish that has various sports, cultural and entertainment events - organized every August.
- **“Crnorečje”** - Boljevac - an annual ethno-festival organized in the second weekend of June.
- **Wine and Honey Fair in Negotin** - the festival is held in September and has a competitive character.
- **The Iron Gate Cup in Majdanpek** - an international sailing competition, which is held in Donji Milanovac in late August.
- **The Vržogrnac Wheel in Zaječar** - held in the first half of August. It is a cultural and entertainment event, one of a few, if not the only event, dedicated to the wheel. It is held in the church yard in the village Vražogrnac near Zaječar.

- **St. John the Baptist's Day in Sokobanja** - an event which has been held in Sokobanja for more than a decade. A large number of tourists comes to Sokobanja just for this occasion, to take part in picking of medicinal herbs on the slopes of mountains Ozren and Rtanj.
- **Days of Brestovačka banja in Bor** - The event is held every year around 20th of August, with concerts, exhibitions of handworks and traditional dishes and artist colony.

The most important cultural events are:

- **Theatre Festival “Days of Zoran Radmilović”** - Festival of actors, traditionally held since 1992 in October and lasts for ten days.
- **Rock festival “Gitarijada”** - The biggest International Festival of anonymous rock bands, with forty-two years long tradition.
- **Serbian Youth Culture Festival** - Multicultural national event which is held in Knjaževac since 1962 with performances and presentations of creative work in music, literature, recitation, drama, film, folklore, modern dance, ballet, art photography, youth caricatures, comics and video creations.



- **Days of Mokranjac** - The oldest festival of choral music in Serbia, which is held every September since 1966.

- **Days of Haiduk Veljko** - Held in the second half of July, in the village of Lenovac, and last for two days. Cultural, sports and tourist event, which aims to keep the memory of the legendary Serbian hero - Haiduk Veljko Petrović.

- **Event "Molitva pod midžorom" (eng. Prayer under the Midžor)** - Tourist - economic event "Đurđevdan meetings - Prayer under the Midžor", held in the villages Vrtovac and Balta Berilovac (35 km from Knjaževac) on May 6th - Đurđevdan (St. George's Day).

- **Ethno Fest** - The festival has already been held for 4 years in the atmosphere of old fortress "Fetislam" from the Turkish times. The program includes: Car Show, Book and Arts Fair and Tourism and Entrepreneurship Fair.

- **Golden Trumpet of the Balkans** - The Festival "Golden Trumpet of the Balkans" is held in Zaječar in the second or third week of August and lasts two days. This is a competition of the best brass bands and trumpet player from Serbia and other Balkan countries.

- **First Accordion of Serbia** - International Festival which is held in Sokobanja in the summer months, which has the concert and competitive part of the festival.

- **Sabor na panadžur (eng. "The Panadžur Rally")** - At the foot of Stara Planina in the village Jalovik Izvor (40 km from Knjaževac) the original folk music festival is held every year on 28th August that brings together: singers, accordion players, piper, bagpipe players, trumpet players and brass orchestras.

- **Sabor na Kadibogazu (eng. "Rally on the Kadibogaz")** - Held on a weekend around July 19th. In villages Novo Korito (Serbia) and Salaš (Bulgaria) the fair (rally) is organized, which is an economic and cultural event on which popular cultural creativity and economic offer of settlements from both sides of the border are being presented.

- **The Đurđevdan Rally** - Cultural-tourist event held every year on St. George's Day (May 6th) in Gamzigradska banja (spa). The Rally aims to preserve the old traditions, the preservation of authenticity and tradition, and the popularization of tourist attractions.

- **Art Colony "Gamzigrad"** - International Art Colony, which is held in Gamzigradska banja (spa) between 20th to 30th of August, in which academic artists from Serbia and from abroad participate.

- **Competition of villages "Od maja do maja" (eng. "Between Mays")** - Competition of villages in the Republic of Serbia "Od maja do maja" is being held in March or April. The competition is held in the villages of the Municipality of Zaječar.

- **Wine Fair "PRVISI"** - The Fair is organized in mid-February and wine producers from Knjaževac and the surrounding places exhibit their products, together with guests from the country and from abroad.

The most important cultural and historical monuments:

- **Felix Romuliana** - Late antiquity imperial palace Gamzigrad - Felix Romuliana (3rd-4th century AD) is located near the Paraćin - Zaječar road, at 11 km from Zaječar.



- **Lepenski vir** - Lepenski Vir is one of the most important monuments from prehistoric period of mankind, which is of world importance. This is also the first trace of civilization in the Đerdap area.

- **Trajan's board** - the road through the Iron Gate was completed in 103 AD and this great endeavour was perpetuated by the inscription on the board, which is known as Trajan's board (Tabula Traiana).

- **Fetislam Fortress** - built by the Turks after the conquest of these parts of Serbia. Fort has two separate entities, Small and Large City, that were built in different periods.

- **Diana Fortress** - Fortress Diana is located at Karataš and it was the largest and most important fortress on the border of the Upper Moesia (Moesia Superior). It was built during the Emperor Trajan in the 2nd century AD.

- **Šarkamen** - Vrelo Šarkamen is a late antiquity archaeological site, located 25 km west of Negotin. This residential and memorial complex was built at the end of the third and in early fourth century AD, in the period of Roman rule known as the Tetrarchy.

- **Ravna Ethno Park** - Archaeological and ethno park is located in the village of Ravna, 8 km north of Knjaževac, on the south-eastern slopes Tupižnica. The oldest houses in the village were built in the early nineteenth century, as well as the school building

(in 1906), now itself a cultural monument.

- **Sokograd** - Sokograd is located in the south-eastern part of the Sokobanja valley, in the river gorge of the Moravica. Paved road runs from the direction of Sokobanja to the immediate vicinity of the site.

The most important natural attractions:

- **Iron Gate with Big and Small Cauldron** - The park covers the area of 63,680 ha. The main natural phenomenon of this area is the grandiose Iron Gate gorge, the longest and biggest river gorge in Europe.

- **The Stara Planina Nature Park** - Stara planina is a natural wealth of extraordinary importance and it has excellent potential for developing tourism. The area "Babin zub" was named after a striking peak Babin zub (eng. "Granny's tooth"), with the altitude of 1,758 m.

- **Rajko's cave** - Rajko's cave is located near Majdanpek and it is one of the most beautiful caves in Serbia. The total length of the cave is 2,304 metres.

- **Zlot cave** - Zlot cave is located in the area of the village Zlot, at the mouth of the Lazar's canyon. It consists of Lazar's cave and Vernjikica cave.

- **Bogovina cave** - This is one of the longest caves in Serbia (the length of explored channels is about 6 km). The greatest part of the Bogovina cave's channels are a representative examples of erosive channels.



Hotels

Prices of one-day hotel accommodation in the Timok region, depending on the category of the hotel and whether it is lodging only, half board or full board, ranges from 1,000 to 4,500 RSD.

More detailed information on the possibilities for booking accommodation and on the prices of accommodation can be found at www.traveleastserbia.org.

Information on the usual cost of living: real estate (rental, purchase), consumer basket

Depending on the city, as well as the location in the city, prices of real estate range from 500 to 1,300 EUR/m². It should be noted that the lowest prices are in Majdanpek, and the highest are in Zaječar.

Prices for renting real estate range from 2 to 5 EUR/m² as regards housing, while the cost of renting office space is slightly higher (up to 30 EUR/m²).

Consumer basket in the Timok region was set at about 22,000 RSD in September 2008, while in the same period the average salary was about 27,000 RSD.

Services

Information on organizations / economic development support agencies in the region and services they offer

Consultant	Services
Regional Development Agency Eastern Serbia - RARIS Trg oslobođenja 1, 19000 Zaječar Tel.+381 19 426-376 e-mail: office@raris.org www.raris.org	Objectives of RARIS are creating, supporting and encouraging regional development and creation of a stimulating business environment in Eastern Serbia. RARIS offer to investors: <ul style="list-style-type: none">- Information on economic profile of a certain Municipality and a region- Assistance in finding a location for investing- Assistance in using those preferences provided by the Municipality- Other technical assistance and consultancy.
Regional Chamber of Commerce Zaječar Nikole Pašića 37, 19000 Zaječar Tel. +381 19 421-411 e-mail: info@rpk-zajecar.co.rs www.rpk-zajecar.co.rs	Regional Chamber of Commerce Zaječar is an interest-based, independent and business oriented professional organization of enterprises, entrepreneurs, banks, organization for insurance of property and entities and other ways of organizing which perform a registered business activity on the territories of the municipalities of Boljevac, Bor, Kladovo, Knjaževac, Majdanpek, Negotin, Sokobanja and Zaječar.



Continued from the table above

Consultant	Services
Regional Centre for Sustainable Development and Entrepreneurship Development "Timok" D.o.o. Zaječar Nikole Pašića 37/1, 19000 Zaječar Tel. +381 19 426-516 e-mail: msptimok@gmail.com www.msp-timok.org	Regional Centre for Sustainable Development and Entrepreneurship Development "Timok" d.o.o. Zaječar, with two sub-centres in Knjaževac and Negotin provides information, professional training and technical assistance to potential and existing entrepreneurs and promotes small and medium enterprises and entrepreneurship in the Timok region.

Overview of relevant institutions in the region and beyond which may be of use

MUNICIPALITIES	
Zaječar Trg oslobođenja 1, 19000 Zaječar tel: 019 443 705 fax: 019 421 712 email: ozajecar@verat.net web: www.zajecar.info	Bor Moše Pijade 3, 19210 Bor tel: 030 423 255 fax: 030 423 179 email: sobor@opstinabor.rs web: www.opstinabor.rs
Knjaževac Miloša Obilića 1, 19350 Knjaževac tel: 019 731 623; 731 633; 731 623 fax: 019 732 730 email: soknjazevac@ptt.rs web: www.knjazevac.rs	Negotin Trg Stevana Mokranjca 1, 19300 Negotin tel: 019 544 000 fax: 019 511 368 email: predsednik@negotin.rs web: www.negotin.rs
Boljevac Dragiše Petrovića 12, 19370 Boljevac tel: 030 63 412 fax: 030 63 620 email: ouboljevac@ptt.rs web: www.boljevac.org.rs	Majdanpek Trg oslobođenja bb, 19250 Majdanpek tel: 030 81 140 fax: 030 81 510 email: predsednistvo@opstinamajdanpek.rs web: www.majdanpek.rs
Sokobanja Svetog Save br.23, 18230 Sokobanja tel: 018 830 173 fax: 018 830 253 email: predsednik@opstinasokobanja.com web: www.opstinasokobanja.com	Kladovo Kralja Aleksandra br.35, 19320 Kladovo tel: 019 801 450 fax: 019 801 563 email: opstina@kladonet.com web: www.kladovo.org.rs



Other information useful for potential and actual investors

Institution	Link
Privatization Agency	www.priv.rs
Serbian Business Registers Agency (SBRA)	www.apr.gov.rs
Ministry of Economy and Regional Development	www.merr.gov.rs
Ministry of Finances	www.mfin.gov.rs
Tax Administration	www.poreskauprava.rs
Customs Administration	www.upravacarina.rs
Regional SME and Entrepreneurship Development Agency	www.sme.gov.rs
Serbia Investment and Export Promotion Agency (SIEPA)	www.siepa.gov.rs
National Employment Agency	www.nsz.gov.rs

Why and where to invest?

Proposal of sectors for investment

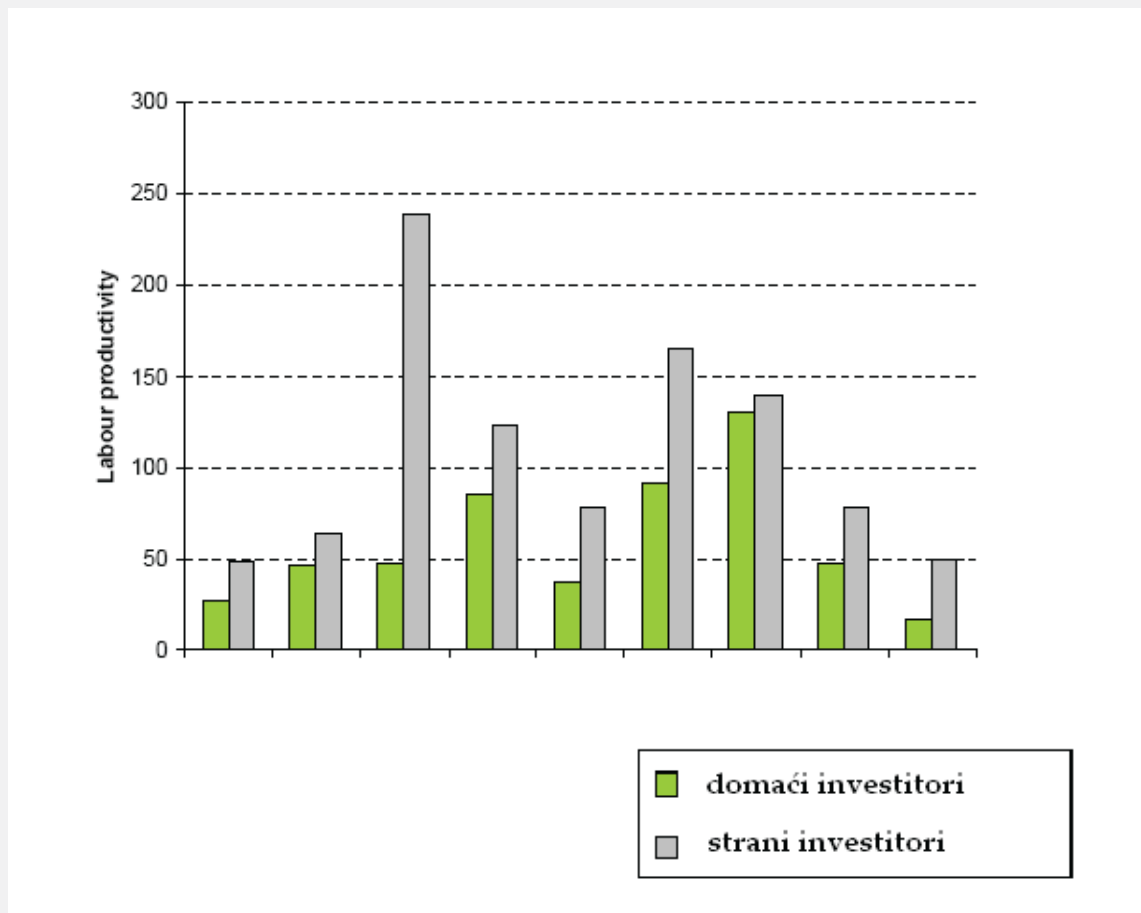
Serbia was ranked third in the British auditor firm PricewaterhouseCoopers (PwC) country risk premium list, the “EM20 index” for 2008, which ranks the attractiveness of investing in emerging markets’ manufacturing. According to the index, Serbia was ranked the seventh in the field of investing in the sector of services.

The following graph shows the comparative productivity of domestic and foreign investors:

The biggest FDI in Republic of Serbia (in mill. €)					
No.	Company	Country of origin	Sector	Type of investment	Value (mil. €)
1	Telenor	Norway	Telecommunications	Privatization	1,513
2	Mobikom	Austria	Telecommunications	Greenfield	570
3	Philip Morris - DIN	USA	Tobacco	Privatization	518
4	Stada	Germany	Pharmaceut. industr.	Capital market	475
5	Banca Intesa - Delta banka	Italy	Banking	Capital market	462
6	Interbrew - Apatinska pivara	Belgium	Food/Beverages	Capital market	430
7	NBG	Greece	Banking	Privatization	425
8	Mercator	Slovenia	Retail	Greenfield	240
9	Lukoil - Beopetrol	Russia	Oil	Privatization	210
10	Holcim - Novi Popovac	Switzerland	Construction	Privatization	185
11	OTP Bank	Hungary	Banking	Privatization	166
12	Alpha Bank - Jubanka	Greece	Banking	Privatization	152
13	U. S. Steel - Sartid	USA	Tin/Steel processing	Brownfield	150
14	Metro Cash & Carry	Germany	Wholesale	Greenfield	150
15	OMV	Austria	Gas stations	Greenfield	150
16	Coca Cola	USA	Soft drinks	Capital market	142
17	Africa Israel Corp. Tidhar	Israel	Real estates	Capital market	120
18	Droga Kolinska Grand prom	Slovenia	Food/Beverages	Greenfield	100



The following chart shows the comparative productivity of domestic and foreign investors:



The most important areas for further development, and therefore for investments in the Timok region are the following:

- mining
- production of electricity and natural gas supply
- textile and footwear industry
- agriculture
- tourism
- water management

Mining - Production and processing of copper

Mining, above all the copper complex. Production and processing of copper is at the moment the most important export product of the Timok Region. RTB (the Mining and Smelting Basin) Bor is a mining and smelting complex, one of the largest and most important producers of copper and non-ferrous metals in Central and Eastern Europe, with tradition in production since 1903) Production and processing of copper is presently the most important export product of the Timok region. RTB Bor is a mining and smelting complex, one of the largest and most important producers of copper and non-ferrous metals in Central and Eastern Europe with a tradition in production since 1903. The company is located in the East of Serbia, 240 km from Belgrade.

After the decomposition of RTB Bor system and the privatization of its subsidiaries, the following units remained, whose main activity is mining and processing of copper ore:

- RBB - Rudnici bakra Bor d.o.o. (copper mines)
- RBM - Rudnik bakra Majdanpek d.o.o. (copper mine)
- TIR - Topionica i rafinacija d.o.o. (smelting and refinery plant)



Within these three units, there is an underground mine for exploitation of copper, three surface mines, mineral deposit Borska reka (eng. "Bor river"), three flotation plants, smelting and refinery plants and the supporting infrastructure. Currently, all active mines are working below their capacity, mainly due to lack of proper equipment and spare parts, as well as insufficient investments and investments in turnover capital. In 2009, it was produced:

- 195,000 t of copper concentrate, in total
- 33,000 t of imported copper concentrate
- 162,000 t of domestic copper concentrate (copper concentrate from the copper mine "Bor" and the copper mine "Majdanpek")

Besides those, there is an underground ore deposit "Borska reka", located within the mine Jama (eng. Pit), which is a very significant potential mineral resource. Production in the surface mine Veliki Krivelj began in 1982. Since that time to date about 170 million tons of ore were surfaced and 157,630,866 tons were processed in flotation units by the end of 2003. In Veliki Krivelj, flotation was designed and built for an annual capacity of flotation of 8.0 million tons. The under-



ground mine in Bor, known by the name of "rudnik Jama" (eng. "pit mine"), has been continually in function since 1902. Current production is lower compared to the period 1996-98, when record results of 1.9 million tons per year were achieved. The Old and New Flotation are in function in Bor. The Old flotation was installed in 1942 and in 1933 the first industrial flotation for processing of copper ore was put into operation. The mineralized zone Borska reka is located within the existing mine "Jama", with potential mineral deposit of 607 million tons at 0.63% copper and 0.22 g/t of gold. This surface mine is currently not in function. The last production was in 2002, when 1.17 million tons of dry ore with the concentration of copper of 0.35% were unearthed. Copper flotation "1" in the copper mine Majdanpek has the installed capacity of 3,500,000 tons of ore per year. The flotation "2" was completed in 1968, with a total capacity of 3,750,000 t/year. The ore processing capacity has been rounded to 12,350,000 tons per year by further enlargement of capacities. Designing of the "New" flotation plant started in 1989. Milling equipment was purchased for the annual ore processing capacity of 6 million. tons, but the plant has not yet been completed. The Smelting and Refinery plant consists of two lines. The first smelting line was put into operation in 1961 and the second in 1971. The total annual designed capacity is 600,000 tons of concentrate, while the current capacity is estimated at 540,000 tons for the two smelting lines. Presently, the line number 1 is operating, with a capacity of 270,000 tons of concentrate per year. The Smelting and Refinery plant has three sulphuric acid plants, of which one is in function. The annual designed capacity of cathodes is 160,000 tons, but it is estimated that the full capacity is only 120,000 tons, at the moment. Additional plants include the precious metals plant and copper sulphate plant.

According to the available data, the existing total geologic reserves of copper are:

- Veliki Krivelj 1,809,847.00 t of copper; 536.856,303.00 t of ore; 0.337 % of copper in the ore
- Cerovo 1,198,597.00 t of copper; 389.470.605,00 t of ore; 0.30 % of copper in the ore
- Jama 5,492,787.00 t of copper; 1,022,737,394.00 t of ore; about 1 % of copper in the ore
- Majdanpek 1,978,817.00 t of copper; 612,923,970.00 t of ore; 0.33 % of copper in the ore
- Smelting plant scoria depot 65,397.00 t of copper; 9,146,392.00 t of scoria; 0.72 % copper in the scoria.



Production of electricity and natural gas supply

There are significant capacities for energy production in the area of the Timok region. For the production of electricity, those are hydroelectric power plants “Đerdap 1” and “Đerdap 2”, the largest producer of electrical energy in the country. Those two hydroelectric power plants have realized 17% of the total production of electricity, i.e. 67% of hydroelectric power in Serbia in 2007.

The potential of renewable energy sources available Serbia is far from negligible and it is equivalent to the annual consumption of oil. Therefore, the state shall, through legislation, encourage investors to invest in renewable energy sources in Serbia.

The available wind energy potential is very suitable for use in production of electricity. Of great importance is also the complementarity of the solar radiation energy and wind energy weather regime. In winter period, when there is not enough sun, there is a lot of wind, and vice versa. Research shows that it is possible to invest 200 million Euros in wind energy parks in the Timok region. Trial tests and measurements are being contracted in a few of the municipalities. Six preliminary researches in establishing wind energy parks are in progress at the moment in the Timok region. According to “Cadastre of small hydroelectric power plants in Serbia”, 70 locations were identified in the Timok region. Hydro energy potential has not been completely studied, but it is significant and its use is cheap. According to the existing regulations, all producers of energy from renewable sources are exempt from the obligation to pay compensation for transmitting of power.

In the final energy consumption, these districts are forced to use electricity and fuel oil, as well as to use local energy resources (coal and solid biomass). Of the municipalities in these Districts, district heating systems are present in Zaječar, Knjaževac, Bor and Majdanpek. The total installed capacity of heating sources in these systems is about 292 MW, where, with regard to district heating, the Municipality of Bor is dominant with the capacity of 200 MW and the coverage of 90%. According to data from 2003, coal is used as the energy-generating product for the needs of district heating, (about 74,000 t per annum) and heating oil (about 7,000 t per annum), which has additional negative effect



on an already unfavourable environmental situation in this region, which is particularly difficult in some of the Municipalities (Bor, Majdanpek).

Increasing the share of natural gas in satisfying the demand for energy is the long-term strategic goal of energy policy of Serbia, and by that of Eastern Serbia. Only the northern part of Serbia (Vojvodina) has the complete natural gas infrastructure and full possibility to use the natural gas in the wide consumption sector (in households).

According to the Energy Development Strategy of the Republic of Serbia until 2015 and the present energy policy, a significant increase in natural gas consumption can be expected in Serbia. It is estimated that the total consumption will reach 3.1 billion m³ in 2009 and as much as 4 billion m³ in 2015, with the share in the final consumption of over 24%. In the same period, the share of domestic production in these amounts will remain below 15%.

This project represents the first step in achieving the above mentioned objective, i.e. supply of natural gas to the Eastern part of Serbia and, by that, the opportunity for investment. The main arm of the South Stream will pass just through the Timok region. The feasibility study for the natural gas pipeline “South Stream” is in making, which will determine the exact route of the pipeline.



Footwear industry

Footwear industry is very much present in the area of the Timok region, which is obvious from the fact that leather shoes are currently one of the most important export items. Reducing the number of employees and privatization of socially owned enterprises was followed by founding of many small private companies. Today, about 50 companies in the region operate in the shoe sector, which employ from 3 to 200 workers and all of them belong to small and medium sized enterprises, with the exception of the “Falco East” company, located in Knjaževac and which employs about 900 workers.



Most of the factories that manufacture shoes do loan jobs for top renown companies, while a smaller number of companies make their own products and “Falco East” is the owner of a renown brand, “Naturino”. This international company is finding the market for its

products in all of the EU countries, as well as on the territory of the USA. “Falco East” company was the largest exporter on the territory of the Republic of Serbia in 2009.

In the late eighties and early nineties, the process of relocation of production of footwear from wealthy Western countries to the southeast began in Europe. The Timok region has partially used the opportunity to find its place in these developments, but not all the potentials have been used and they lie primarily in the trained labour force and the available capacities, as well as the tradition in production.

In the last decade, the map of footwear manufacturers has changed significantly. The number of companies involved in footwear industry has increased manifold. There is an increasing number of newly founded small and medium enterprises, and as the basic characteristic of contemporary footwear production assumes that it must be well organized and, above all, well programmed, the beginnings of cluster connecting are being recorded.

Textile industry

For many years the textile industry was the basis of economic and regional development of Serbia. The fashion industries of France, Italy and Germany have intensively used production capacities and skilled labour force in Serbia. Among others, clients of Serbian producers are: Gucci, Hugo Boss, Benetton, Tommy Hilfiger, Zara, Mango and many others. The advantages of textile industry in Serbia are:

- Trained and relatively cheap labour force
- Meeting the high standards of foreign partners
- Serbian manufacturers of textile, leather and footwear have founded the Union of textile, clothing, leather and footwear producers in early 2006
- Possibility of rapid response to small orders with quick turnovers
- The largest export to the European Union, Southeast Europe and the Russian Federation

The strategic position of Serbia allows quick delivery, with very competitive prices of transportation costs. Transport hangings from Serbia to the EU countries costs about 0.23 Euros per garment. Only by comparing with other countries can the real competitiveness be seen. Thus, for example, transportation cost per garment from Ukraine, Belarus, Moldova would be from 1 to 3 Euros and from China even up to € 5 per garment.



Agriculture



When it comes to primary agricultural production and the related industry, the greatest opportunities are in fruit and grape growing, then in vegetable growing and cattle breeding, as well as in the primary processing of these products. Large areas of agricultural land, lower prices compared to the surroundings, good climatic conditions and trained labour force represent a solid foundation for development of agricultural production and the accompanying processing industry.

in the Timok region:

The total available area of agricultural land

	Agricultural land in hectares	Fields and gardens					Orchards	Vineyards	Meadows	Pastures
		Total	of which							
			wheat	industrial plants	vegetables	forage crops				
Republic of Serbia	5,093,192	3,302,089	1,937,100	416,204	280,725	465,558	241,599	58,324	620,707	832,704
The Timok Region	375,450	178,176	81,381	4,790	17,477	46,125	10,313	8,164	91,284	87,383
Share in %	100.00	47.46	21.68	1.28	4.65	12.29	2.75	2.17	24.31	23.27

Source: National Statistical Institute, municipalities in Serbia in 2008.

Tourism

The most widespread and, by its content, the most diverse area for potential investment is tourism.

Tourism development in Eastern Serbia has been in the uplift in the past several years and this region fits into the efforts of central authorities to diversify the structure of the economy and shift it from the production to the service sector (tertiary sector). The Government of the Republic of Serbia has adopted the National Tourism Development Strategy and defined in it very strict objectives of development, which in the following ten years should increase the income from tourism several times and bring it to the level of contribution in the domestic product of the country of two billion Euros. Eastern Serbia is following this trend and puts in efforts, of course within its modest financial possibilities, to follow the National Strategy and to have an organized approach to development of its tourist product. It should also be noted that now there is a consciousness of the regional tourist product in Eastern Serbia.

Eastern Serbia abounds in natural resources for tourism activities, which started developing with a goal to utilize geographic, environmental, natural, climatic and other resources for satisfying the needs and interests of people. Development of tourism in this region will enable the visitors to be in touch with nature, cultural and architectonic heritage and historical monuments. For all those reasons, the prospective tourists have recognized this region as an excellent place for convalescence, relaxation and recreation.



All of the Municipalities in Eastern Serbia have realized that modern tourism is a complex socio-economic and social phenomenon which has many significances.

The Republic of Serbia has perceived resources with which Eastern Serbia disposes and started preparing this area for investments in tourism. Four Master Plans for development of tourism have been completed in the past two years: Stara planina, Sokobanja, Lower Danube Region and Routes of Roman Emperors (Itinerarium Romanum).

The possibilities are reflected in:

- utilizing the existing natural resources on the Danube, above all, construction of marinas and moorings,
- valorisation of potentials of spa thermal waters of Sokobanja, Brstovačka banja, Nikoličevo, Rgošte...)
- further construction of winter resort centres, above all on Stara planina and Crni vrh,
- Visitor tourism - tours of late antiquity sites, natural attractions, tours of vine cellars, etc.

Other than those, relying on tradition, existing capacities and trained labour force, as well as rich natural sources, the following could also be the sectors of interest for investing:

- non-metals
- chemical industry
- water management
- wood processing industry, etc.

Presently, building of 4 industrial zones is ongoing in Eastern Serbia, in the following municipalities: Majdanpek, Kladovo, Knjaževac, Bor. Industrial zones are excellent places for accepting all interested investors.

One of the main comparative advantages of this region is the labour force. Except that the labour force has lower average price in relation to the surroundings, the labour force in Eastern Serbia is educated and well-trained, but also motivated to work and to further improve.

Experts estimate that for the reconstruction of transport infrastructure, change of economic structure and approaching the European Union, it is necessary to invest about 1.5 billion Euros in the Timok region within the next five years.

Of those, the greatest part, close to 320 million Euros, is necessary to invest in Bor, for changing the technology of smelting in the RTB, the reconstruction of metallurgical and mining plants, as well as for the development of private entrepreneurship.

The share of renewable energy sources (wind, biomass, geothermal sources) and small hydroelectric power plants in the total production of electricity in Serbia could reach ten percent, which is another in a series of opportunities for potential investors.

The level of Greenfield investments was insufficient, for the simple reason that there were many more opportunities for so-called Brownfield investments, i.e. investments in the existing capacities, while investing in Greenfield investments was very risky, primarily because of unresolved issues in restitution, unclear property status in the largest part of the Timok region.

Local authorities and RARIS also offer a wide spectre of other services, by which a favourable environment is being created and business operation is being facilitated for investors.

As an example RARIS may offer to investors:

- Information on economic profile of a certain Municipality and a region
- Assistance in finding a location for investing
- Assistance in using those preferences provided by the Municipality
- Other technical assistance and consultancy.



11 reasons to Invest in the Timok Region

- Advantageous location in the heart of the Balkans
- Skilled and adaptable workforce with lower labour cost
- Good quality business environment in Serbia with Incentive State system and tailor made local investment support
- Pleasant living and working conditions in a peaceful environment
- Extensive interventions in the improvement of transport infrastructure in the region are in progress
- A high-quality industrial base with a qualified labour force in technical fields
- Excellent health and social care services
- All the cultural and sporting facilities you would expect at home
- A number of successful foreign Investments already implemented
- Dedicated local administration - which in investors, above all, sees partners
- RARIS - your professional partner.

The project is implemented by RARIS and the Timok Club.

The realization of the project is supported by the Ministry of Economy and Regional Development.



R • A • R • I • S

Regionalna agencija za razvoj istočne Srbije
Regional Development Agency Eastern Serbia**RARIS**

Regionalna agencija za razvoj istočne Srbije
Trg oslobođenja 1, 19000 Zaječar
tel/fax. 019 426 376, 426 377
office@raris.org, www.raris.org

Founders of the Agency:

The Municipalities of Boljevac, Bor, Kladovo, Knjaževac, Majdanpek and Sokobanja, City of Zaječar, Regional Chamber of Commerce Zaječar, Road Enterprise “Zaječar”, “Vodogradnja” Enterprise Zaječar, NGO “Timok Club” and Faculty of management.

Objective

Support to development initiatives based on institutional networking and partnerships aiming at sustainable development of Eastern Serbia.

Mission

Creating, supporting and encouraging regional development and creation of a stimulating business environment in Eastern Serbia.

Main Activities:

- Preparing and implementation of priority regional projects
- Promotion and networking
- Lobbying and advocacy
- Training
- Business networking



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