



London, 3.11.2009

SERBIA:

A European Country Just 200 Miles from Vienna

**Dr Dejan Popović,
Ambassador of the Republic of Serbia
to the United Kingdom**



Republic of Serbia



- Location – SE Europe
- Population (excluding Kosovo and Metohija) – 7.4 million
- Territory – 88,361 km²
- Form of government – Parliamentary Republic
- President – Boris Tadić
- Prime Minister – Mirko Cvetković
- Capital – Belgrade; 1.6 million inhabitants
- GDP – 33.9 billion (2008)
- Currency: dinar (RSD)
1 EUR ≈ 93 RSD

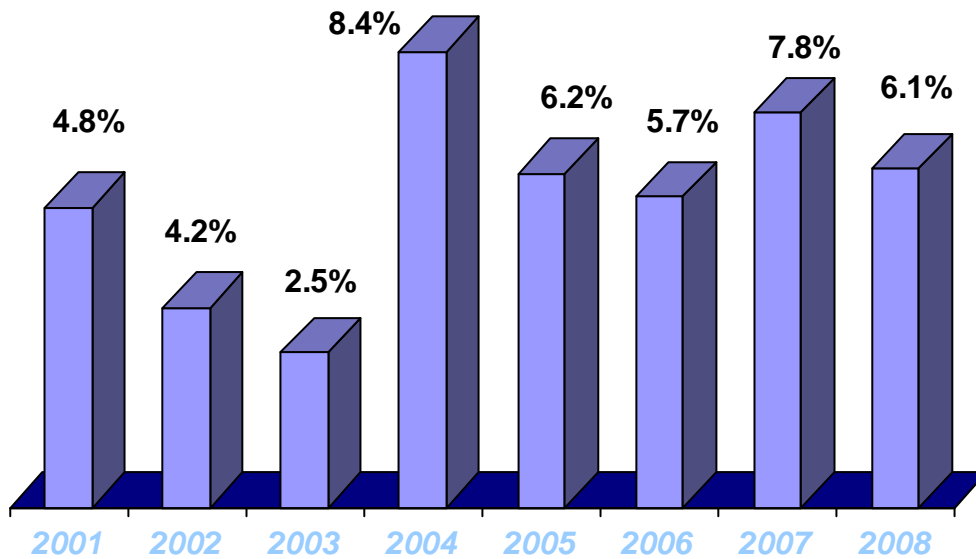
Strategic Position and Infrastructure



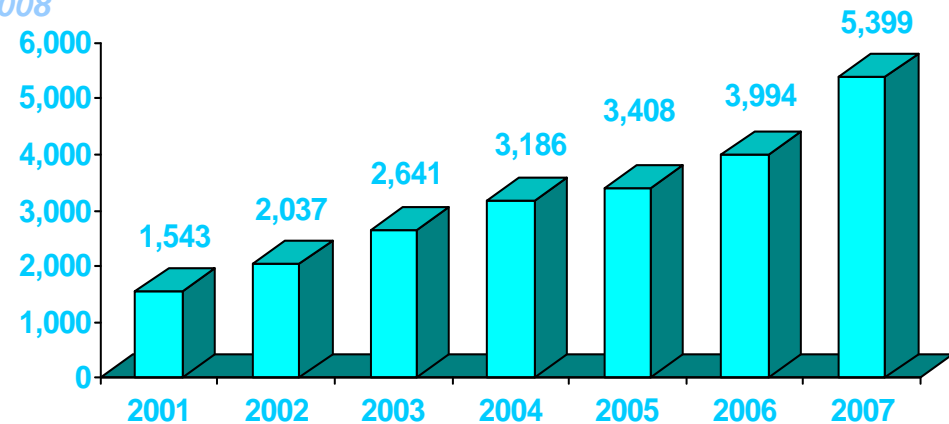
- **Crossroads of two high-priority European corridors:**
- **Corridor X: Highway Salzburg-Thessalonica, including branches Budapest-Belgrade and Niš-Sofia-Istanbul**
- **Corridor VII: the Danube, access to the Black Sea, and through the Rhine-Main-Danube Canal System to the North Sea**
- **Internal network: 40,845 km**
 - 5,525 km of arterial roads
 - 11,540 km of regional roads
 - 23,780 km of local roads
- **8 ports on the Danube, 1 on the Sava, and 1 on the Tisa river**

Macroeconomic Indicators (1)

GDP Growth rate in %

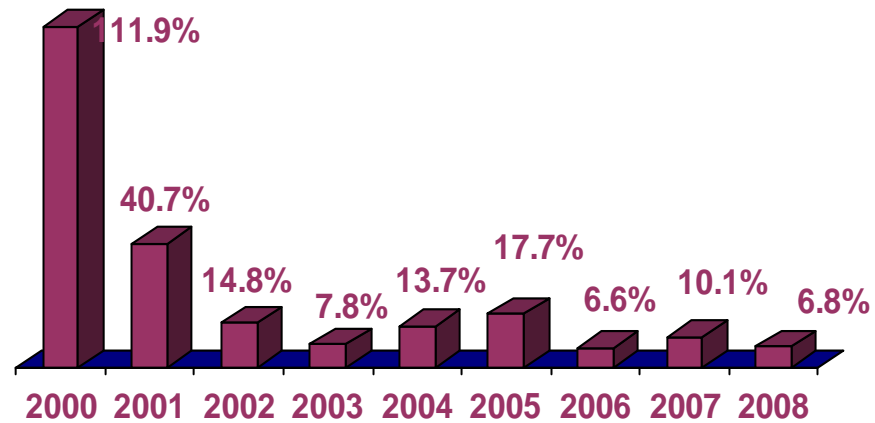


GDP per capita in \$

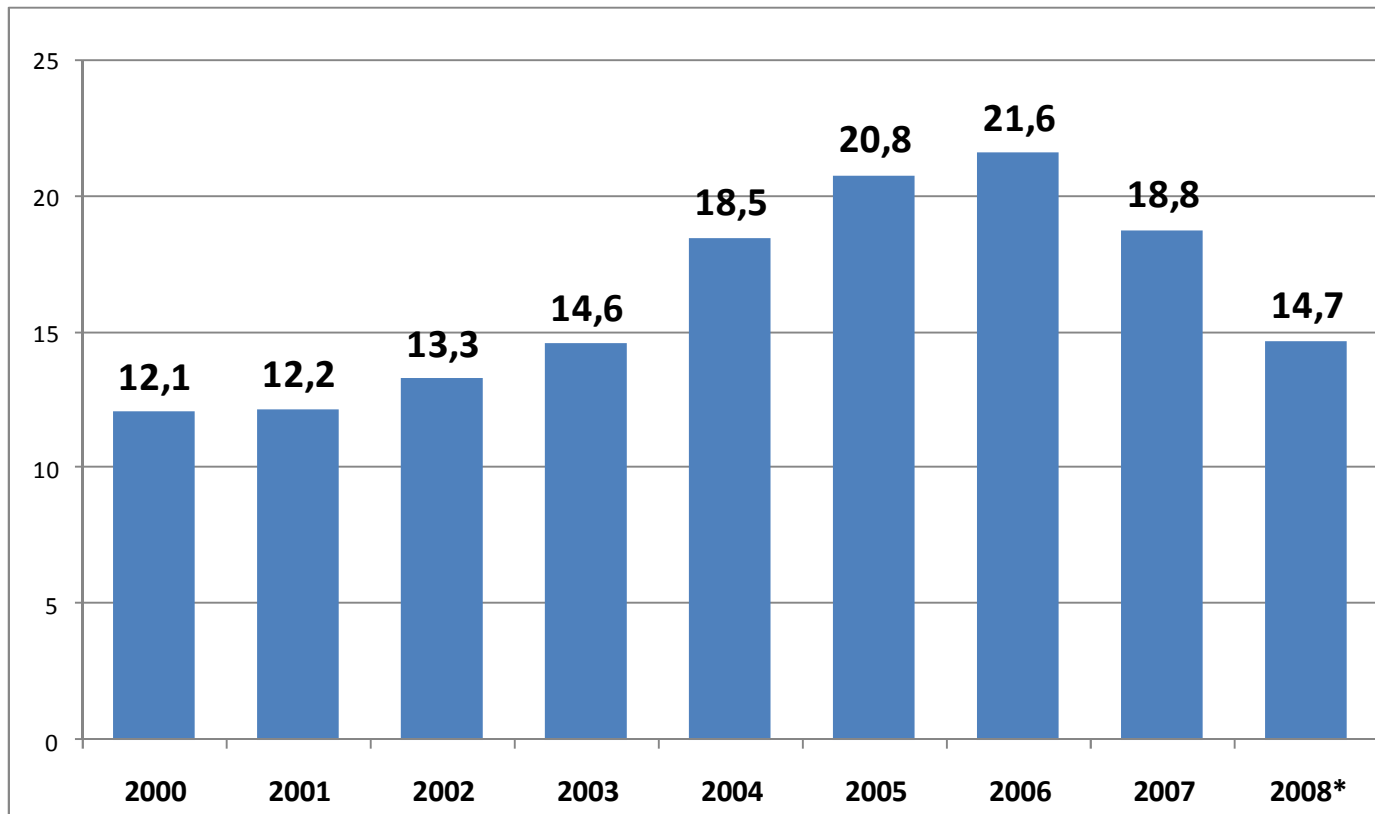


Macroeconomic Indicators (2)

Annual Inflation Rate



Unemployment Rate, 2000 - 2008



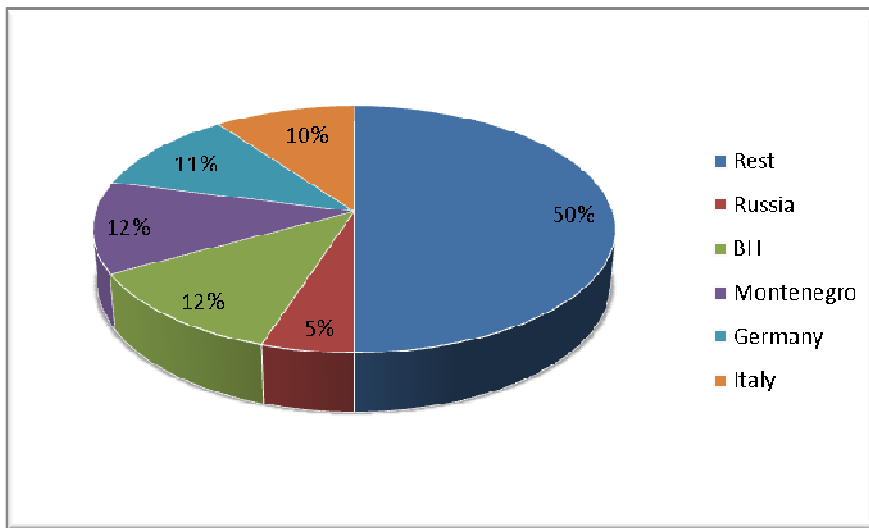
* Unemployment rate of 14.7% is the result of the harmonizing the methodology with EU standards. If old methodology was used, the unemployment rate would have been 17.5% in 2008

2009 Predictions

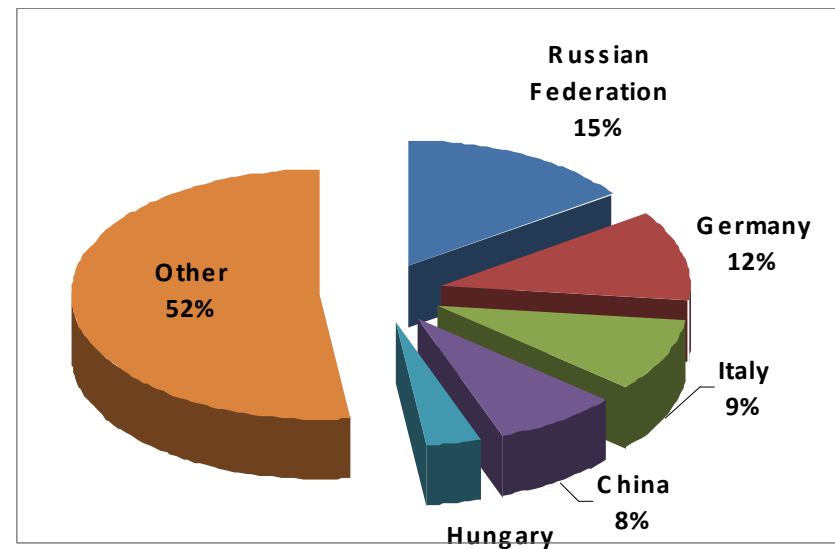
- GDP growth rate: **- 3.5%**
- Inflation: 7%
- Unemployment rate: 15%

Serbia's Major Trading Partners

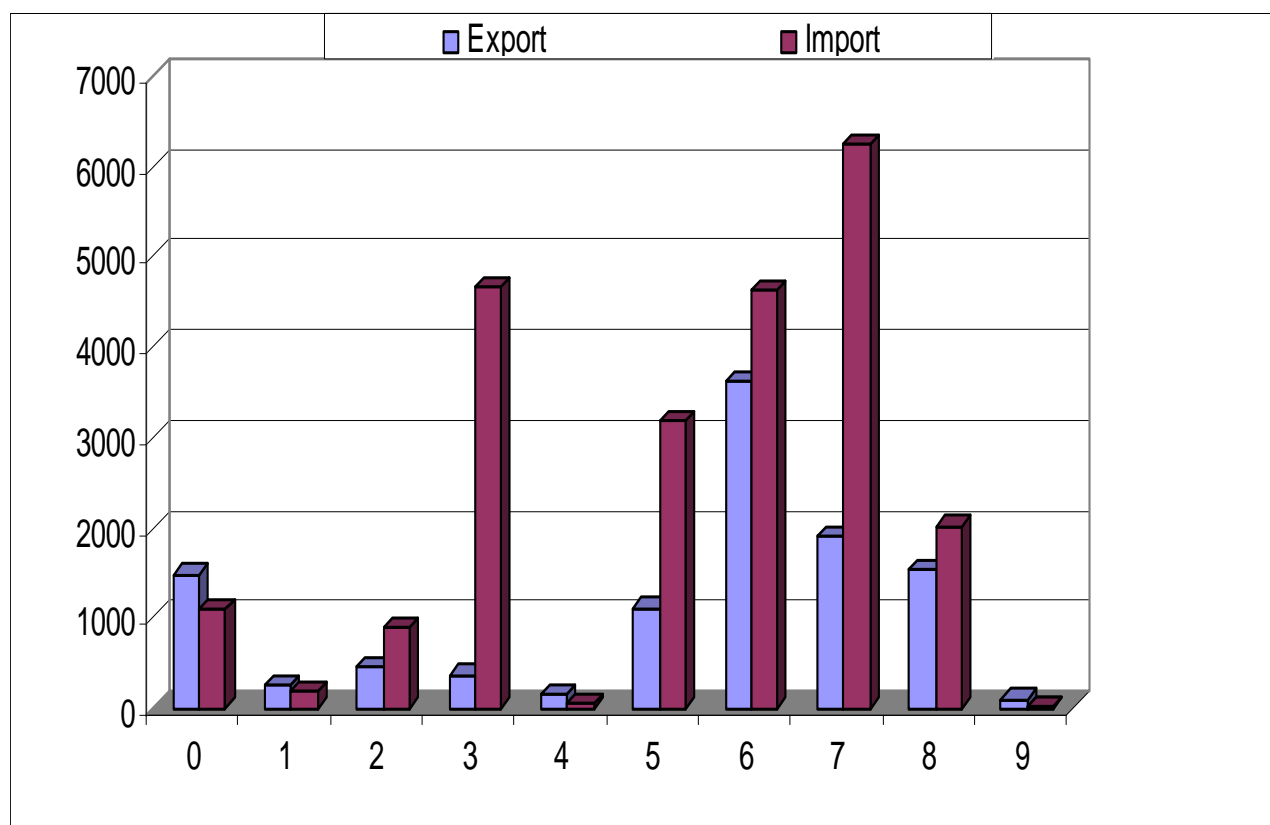
Exports



Imports



Key export/import products by sector 2008



0 Food and live animals

1 Beverages and tobacco

2 Raw materials, other than fuel

3 Mineral fuels and lubricants

4 Animal and vegetable fats and oils

5 Chemical products

6 Products classified by material

7 Machines and transport devices

8 Various finished products

9 Products and transactions not mentioned elsewhere

Market Access



- Serbia is in the center of CEFTA – duty free access to 30 million people market
- Autonomous Trade Measures granted by the EU in December 2000, provide for duty free exports to the EU
- The only country outside the CIS that has an FTA with the Russian Federation - market of 150 million people
- Preferential status in trade with the USA is an additional incentive for investors
- SAA with the European Union – 2008 (ratification pending)
- Unilateral implementation of the Interim Trade Agreement with the EU
- Serbia's application for the WTO accepted; accession planned for 2009/2010

Favorable Tax Regime

“To tax and to please, no more than to love and be wise, is not given to a human being.”

Edmund Burke

Corporate Profit Tax

Serbia	10%
Bulgaria	10%
Romania	16%
Hungary	16%
Poland	19%
Slovakia	19%
Croatia	20%
Czech R.	24%

Lowest Personal Income Tax Rates

Serbia	12%
Romania	16%
Slovakia	19%
Bulgaria	24%
Hungary	36%

Lowest VAT Rates

Serbia	18%
Czech R.	19%
Slovakia	19%
Romania	19%
Poland	20%
Croatia	23%

**Withholding tax on dividends in the UK – Serbia tax treaty:
5% - 15%**

Favourable Investment Regime

Tax incentives

- 10-year tax holiday for investments in fixed assets exceeding EUR 6.5 million and 100 new employees
- **20%** corporate profits tax credit for investment in fixed assets; **40%** in case of small enterprises; **80%** for qualifying investors (in agriculture, manufacture of textile yarn and fabrics, manufacture of clothing, production of basic metals, production of standard metal products, production of motor vehicles, etc.)
- Salary tax base deduction in the amount of EUR 60 per month
- Subsidy to the employer who is employing an unemployed worker under 30 or over 45 years equal to the 12% salary tax withheld
- Import of equipment (in-kind investment) is exempt from customs duties

Special financial incentives for investments in IT, automobile and electronics industries

- The Serbian Government introduced special incentives for big investors that invest more than 200 million euros and employ more than a thousand employees, in the amount equal to 25% of the total investment

12.11.2009 National treatment of foreign investors

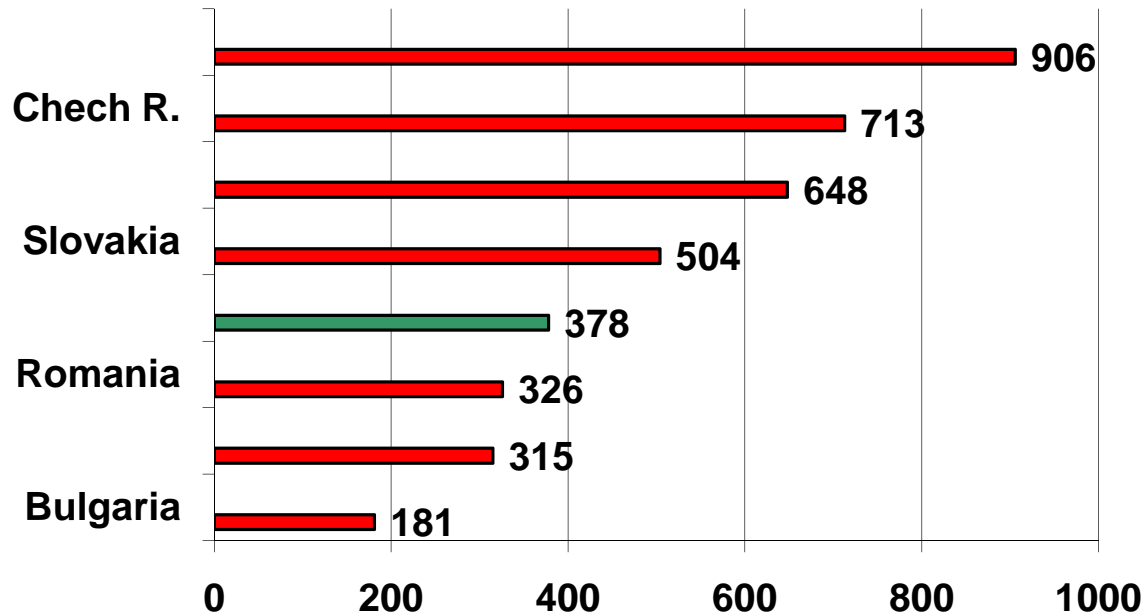
State grants for greenfield and brownfield projects

To date, 38 foreign and local companies have already been approved €22.9 million of non-refundable funds for the projects worth €292 million providing for 10,756 new jobs

- For investments in manufacturing:
minimum investment amount: between €1 million and €3 million, depending of the area; minimum number of new jobs created: 50
from €2,000 to €5,000 per every new employee
- For investments in services sector:
minimum investment amount: EUR 500,000; minimum number of new jobs created: 10
from €2,000 to €10,000 per every new employee
- For R&D investments:
minimum investment amount: EUR 250,000; minimum number of new jobs created: 10
from €5,000 to €10,000 per every new employee

Competitive Labor Costs

Gross monthly wages 2006, average, EUR



- Average net monthly wage in Serbia in 2007 was € 347
- In the first half of 2008 it was € 400
- By the end of 2008 and in 2009: € 350

INVESTMENT OPPORTUNITIES

- Privatization
- Purchase of shares on the Belgrade Stock Exchange
- Foreign direct investments (greenfield)
- Brownfield investments
- Joint venture
- Creation of the PPP framework

Basic Methods



- **Tender (51)**
- **Auction (533)**
- **Restructuring (47)**
- **Sale of shares from the Share Fund portfolio**
- **Bankruptcy**

INFRASTRUCTURE PROJECTS

Highways

- Completion of the Corridor 10, from the Hungarian border to the Macedonian border and the branch to Bulgaria
- Belgrade – the South Adriatic Sea
- Investment of about 5 billion euros



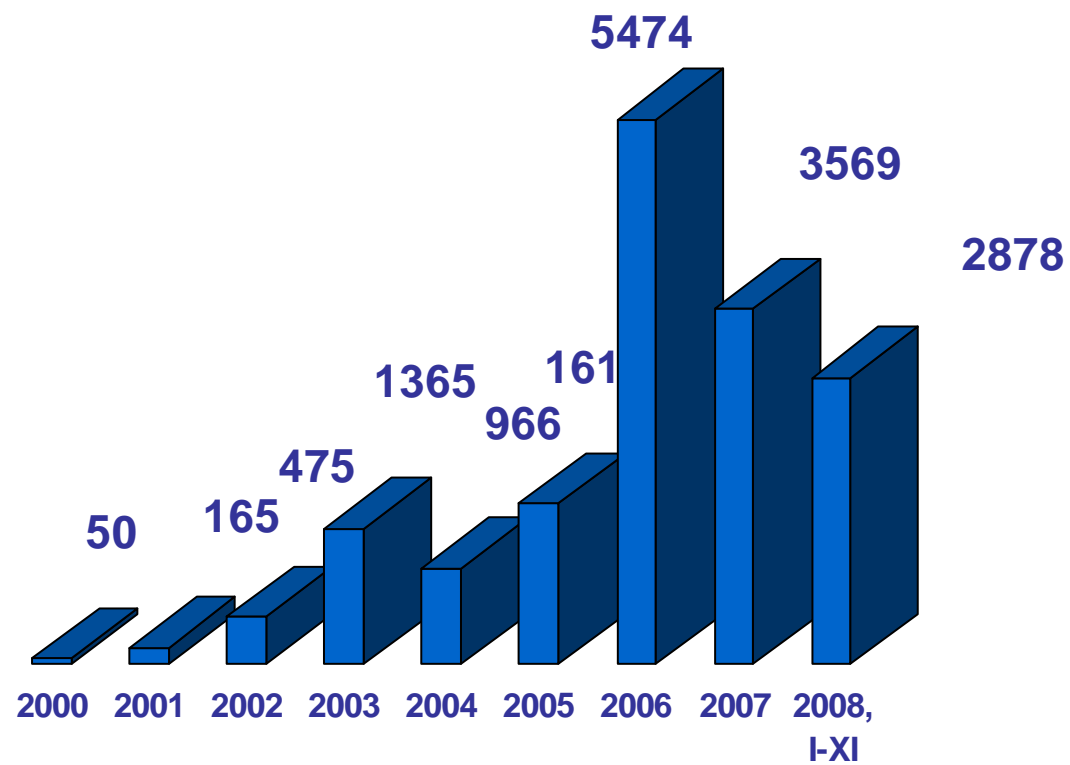
Infrastructure Projects

- Gas Pipeline – South Stream (from Bulgaria to Hungary)
- Pan-European Oil Pipeline (from Konstanj in Romania to Trieste in Italy)
- Energy facilities – completion of TEPP TE Kolubara B
- Construction of the third power generator on TEPP Nikola Tesla
- HEPP on the River Drina in cooperation with B&H (Republic of Srpska)
- HEPP on the Danube – Djerdap 3

RECOMMENDATIONS

- **In 2004, the World Bank recognized Serbia as the leader in the reforms of enterprise development and creation of new jobs.**
- **In 2006, EBRD recognized Serbia as the reform leader in the region of Southeast Europe.**
- **In 2008, “PriceWaterhouse Coopers” ranked Serbia third (manufacturing) and seventh (shared services) among the most attractive countries for investments in the developing markets**

FDIs in Serbia in million USD



Source:NBS

KEY DRIVERS TO FDI IN SERBIA

- Enhanced Investment Stability
- Booming Market Potential
- Quality Human Resources
- Upgraded Transportation Infrastructure
- Low Overhead Costs
- Attractive Investment Incentives
- Robust Recent Growth

Major foreign investors to date (million EUR)

Telenor, Norway	1,602	telecommunications (privatisation)
Gazprom Neft, Russia	947	energy (privatisation)
Banca Intesa, Italy	660	banking (acquis. & privat.)
Philip Morris, USA	611	tobacco (privatisation)
Mobilkom, Austria	570	telecommunications (greenfield)
Stada, Germany	475	pharmaceuticals (acquisition)
AB Inbev, Belgium	427	food and beverages (acquisition)
NBG, Greece	425	banking (privatisation)
Mercator, Slovenia	240	retail (greenfield)
Fondiarria SAI, Italy	220	insurance (privatisation)

Financial Sector

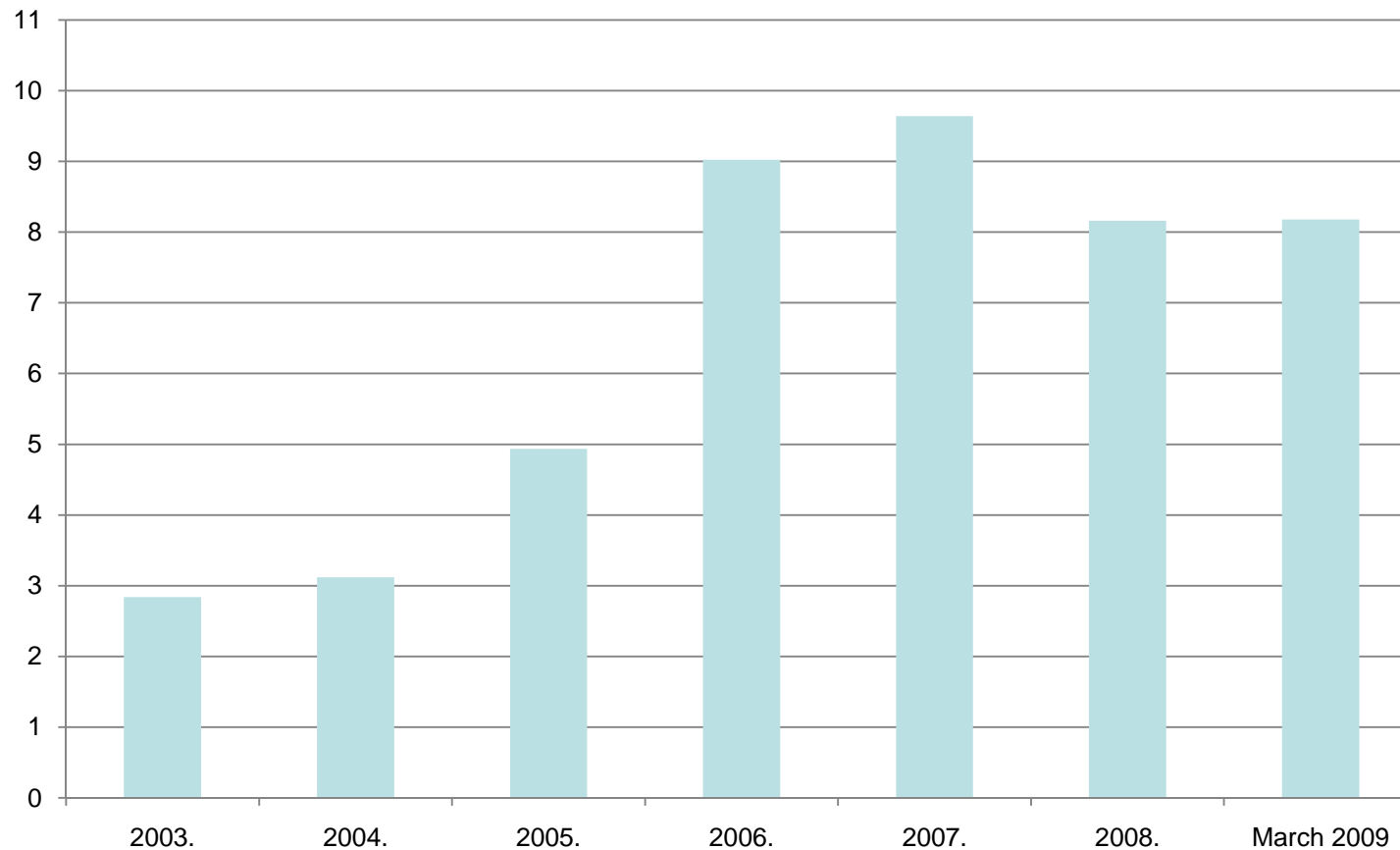
21 Foreign Banks:

Credit Agricole, Societe Generale, UniCredit Bank, Hypo Alpe-Adria-Bank, LHB Bank, National Bank of Greece, Raiffeisenbank, Volksbank, Intesa San Paolo, Alpha Bank, EFG Bank, Erste Bank, City Group, Commerzbank...

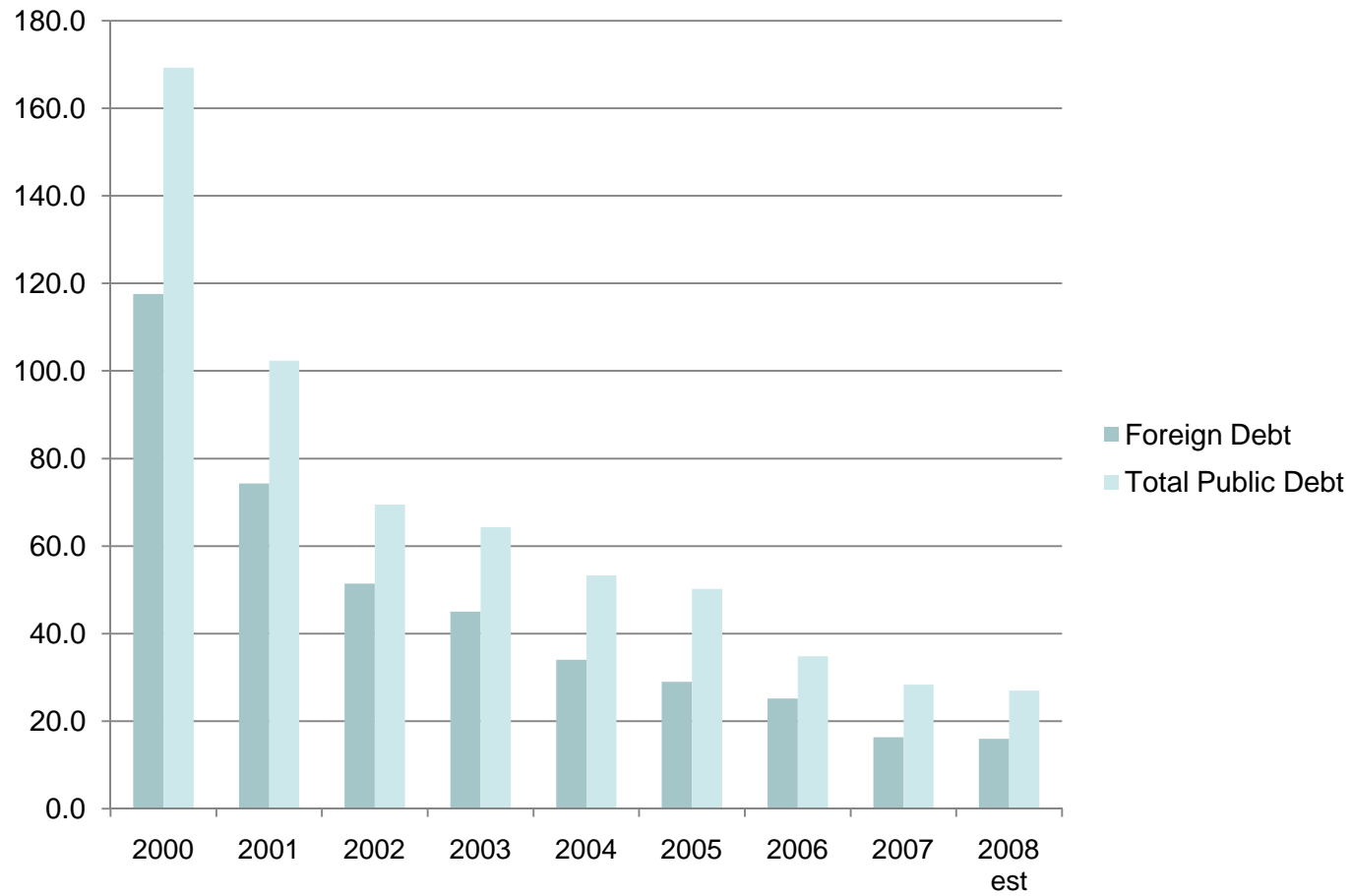


- International Financial Institutions eager to co-finance private sector projects: EBRD, IFC, ...
- 14 Leasing Companies:
Raiffeisen Leasing, Hypo Leasing, TBI Leasing, S-Leasing...
- Investment and Export Insurance:
World Bank/ MIGA, OPIC, Exim Bank, Hermes, Kontrollbank, COFACE, SACE,
Serbian Export Credit Agency – SMECA

Foreign Currency Reserves of the National Bank of Serbia (billions of EUR)



Public Debt as % of GDP



Foreign Trade (Jan. 06 – Feb. 09) – monthly figures in millions of EUR

