



DOING  
BUSINESS IN

# SERBIA

2013

SIEPA

Serbia Investment and  
Export Promotion Agency



## DOING BUSINESS IN SERBIA 2013

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# 00

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*Airport City Belgrade, the first multi-use commercial facility in Serbia that merges the latest in building technology, together with a tenant-focused approach.*



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# 01 FOREWORD

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*Dear Readers,*

We are witnessing profound changes to how we live our lives, how we communicate and how we compete and organize our business. No one has the luxury to disregard the challenges the world is facing, but we at SIEPA believe that this should not lead to pessimism or passive behavior. Quite the opposite, we see our path as one of continuous improvement, from supporting economic reforms and policies in Serbia to the services we provide to our clients.

We are not alone in the reform process, as we have strong support from the European Union. Serbia received EU candidate status in March, 2012, an important step that demonstrates that we are ready to begin formal negotiations and one day become a member of the EU - a key goal of all governments since 2000.

The world is in the middle of a technology-driven revolution which has spurred so many great ideas and opened a wealth of opportunities. The best thing about this is that the main tool one needs to take advantage of these opportunities is not a piece of expensive equipment purchased far away, but something that “grows” locally – people. Perhaps the globally-known fruitful Serbian soil started the process, and Microsoft continued this trend by establishing both development and



innovation centers in Belgrade. National Cash Register (NCR) must have also noticed this when it decided to set up its excellence center in Serbia.

Serbian people know the word crisis quite well - perhaps having this intimate understanding helped us perform better.

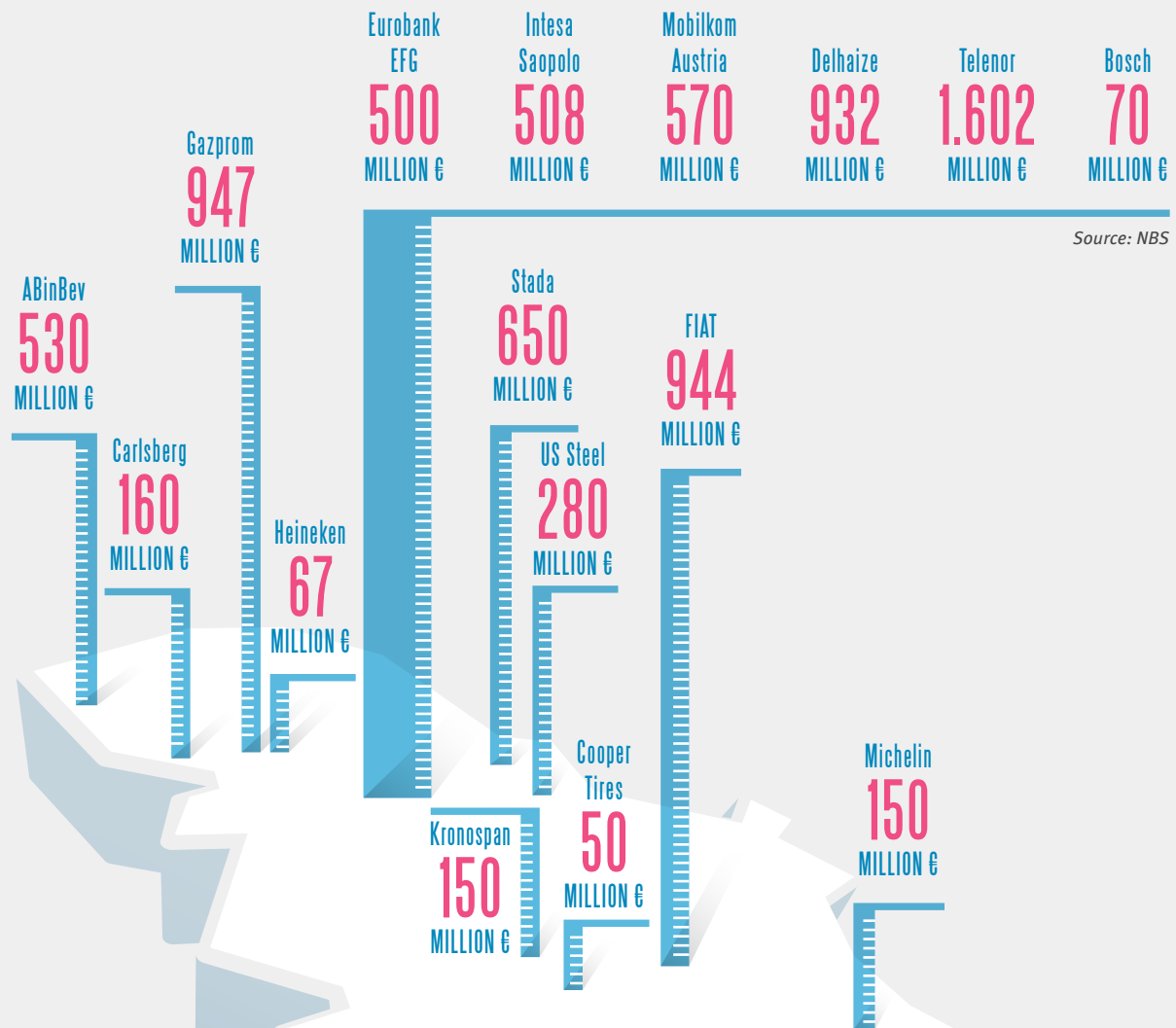
We have recorded one of the best results in attracting FDI in 2011, outperforming all our regional competitors, bringing global giants such as Bosch, Siemens, Microsoft, Geox and Benetton to Serbia.

At the same time, our exports increases close to 15% annually with FIAT's export yet to reach a full swing. Although the EU is the major market for our products, we expect our FTA with the Russian Federation, Belarus, and Kazakhstan to play a bigger role in our future trade.

At SIEPA, we will continuously improve our services and offer our clients the type of support that goes well beyond the scope of work usually related to investment promotion agencies. We aim to be the focal point for business development in Serbia and we invite you to join our network to help you grow.

*Bozidar Laganin  
Director, SIEPA*

As forecasted by the KPMG Belgrade in November 2011, in spite of the global crisis, the inflow of foreign investment into Serbia in 2011 was the largest in the region.



Source: NBS

2,200	1,356	303	1,917
Serbia	Croatia	Macedonia	Romania
1,341	1,000	518	766
Bulgaria	Hungary	Slovakia	Slovenia

Inflow, 2011 (million EUR)

Source: National banks, IPA's

# 02

# BUSINESS ENVIRONMENT

---

Over the past several years, the Serbian economy has experienced growth due to strong foreign investment and continuous improvement of its business environment, even during the crisis and recession in 2009. Taxes were not increased until 2012, even though public revenues declined, while real wages and contributions relating to salaries were reduced. Specific actions were taken to strengthen fiscal responsibility and improve transparency of policies and administration. This remains a major priority for the future. Major reforms in the pension and social system are on the governments agenda, whose aim is to increase incentives for employers and decrease taxation of wages.

The government and central bank have voiced a strong commitment to the continued engagement with the IMF and the World Bank, which will provide policy support and recommend structural reforms. At the end of September, 2011, the IMF's Executive Board approved an 18-month Stand-By Arrangement worth about €1.1 billion for the Republic of Serbia. This was done in order to help maintain macroeconomic and financial stability in an uncertain global and regional environment. The program was also intended to improve the investment climate and safeguard the Serbian economy against risks, including adverse spillover effects from the second wave of the global crisis. Serbia's external position was assessed to be more balanced than before the 2008–09 crises. This was reflected by a lower current account deficit, a more competitive exchange rate and a comfortable level of international reserves. Implementation of monetary and exchange rate policies was effective, while reduced inflationary pressures created room for further policy easing. The banking system was assessed as liquid and well-capitalized, a result of cautious economic policies pursued before and during the crisis.

EU accession remains one of the Serbian government's top priorities. After the European Commission recommended Serbia to receive EU candidate status in October 2011, Serbia became an EU membership candidate on March 1, 2012. In addition to praising substantial reforms of the previous years, the EC highlighted that Serbia has taken important steps towards establishing a functional market economy and achieving a degree of macroeconomic stability despite the global economic and financial crisis. Based on the National Program for EU Integration, the country's regulatory framework is due to be fully harmonized with Acquis Communautaire by the end of 2012.

To date, twenty-six EU member countries have ratified the Stabilization and Association Agreement (SAA), which has yet to be ratified only by Lithuania. The SAA with the EU was inked back in April, 2008, and the formal application for EU membership was submitted in December 2009. To speed up the process of economic and trade integration, Serbia unilaterally commenced implementing the Interim Trade Agreement as in January, 2009. Serbia has also gradually been eliminating import customs duties for industrial and certain agricultural products from EU countries; it plans to abolish all duties by 2014.

WTO compliance negotiations are in the final stage. Serbia is working hard to resolve technical details with a few countries and expects to join the WTO during 2012.

 [www.srbija.gov.rs](http://www.srbija.gov.rs)

 [www.seio.gov.rs](http://www.seio.gov.rs)





Foreign investors are accorded national treatment and provided with full legal security and protection in respect to the rights acquired by the virtue of investment.

The protection of foreign capital is further safeguarded by Bilateral Investment Treaties signed between Serbia and 32 other countries. For the complete list of countries, please refer to the SIEPA website.

Serbia became  
an EU membership candidate  
on March 1, 2012.

# STABLE AND PREDICTABLE

 [www.nbs.rs](http://www.nbs.rs)

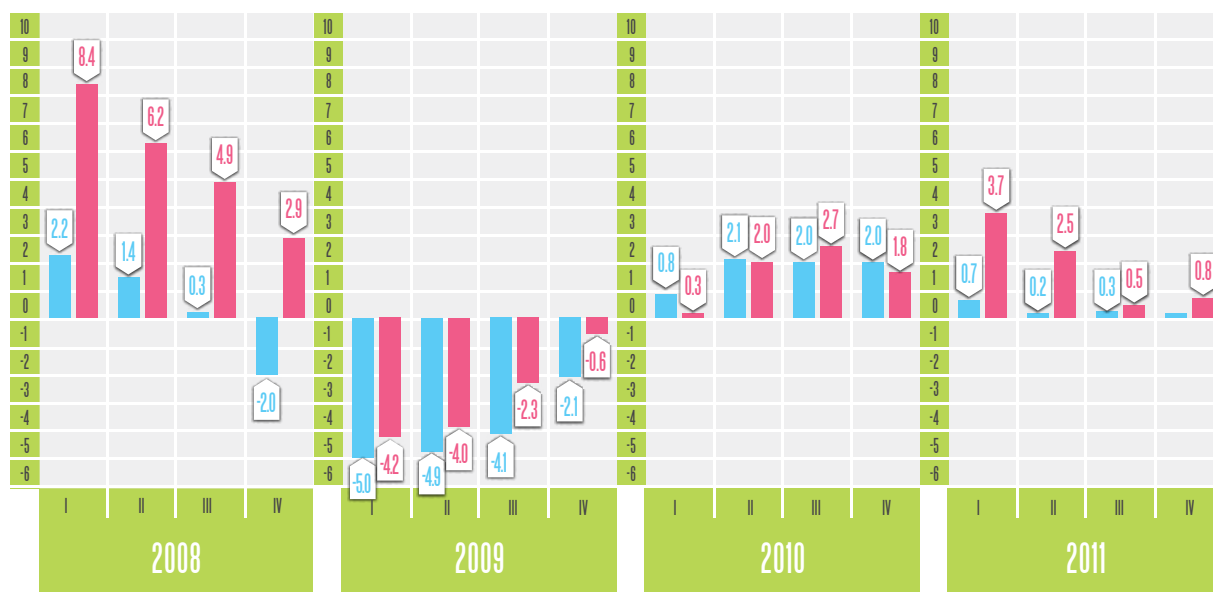
Between 2004 and 2008, Serbia was one of Europe's fastest growing economies. Strong GDP performance was largely driven by service sectors such as telecommunications, retail, and banking. In light of the global financial crisis, Serbia's economic output in 2009 contracted by 3.5% before expanding by 1% in 2010. This was the result of a comprehensive set of state measures, including state-subsidized banking loans. In 2011, the economy grew by an estimated 1.9% (NBS estimate), but the growth was slowed down in 2012 due to the recession in the euro area, Serbia's main export partner. It is, however, estimated that

increased net exports will boost gross domestic product. This is largely due to the upcoming realization of agreed-upon investments, notably in the automotive industry. Assuming that Serbia's export markets recover, higher economic growth is expected as of 2013 because of increased net exports and final household and government spending.

Inflation continued to fall in the fourth quarter of 2011 and came down in December near the upper bound of the target tolerance band, measuring 7.0%.

GDP, Serbia - Eurozone Comparison

 Eurozone GDP  Serbia GDP



Source: NBS, Eurostat

## Tax rates in Serbia are still one of the most favorable in Europe

In December 2011, Bloomberg assessed Serbia's dinar to be the second-best performing currency in Europe because of its ability to attract foreign capital. The Dinar has appreciated by 2.7 percent against the year before, being the reason behind Bloomberg's optimism over investment and the economic prospects of Serbia. The national currency's stability was

further bolstered by the continued growth of export revenue.

In 2011, GDP per capita values showed signs of a restored upward trend following a drop in 2009. However, Serbia's GDP per capita is only 35% of the European average and thus has a lot of room for improvement.

Annual export  
growth rate in EUR

30.4%	25.0%	16.9%	-16.5%	18.8%	15.0%
2006	2007	2008	2009	2010	2011

Source: NBS

GDP Per Capita,  
Purchasing Power  
Parity (PPP), \$

10,059	10,252	10,661	11,079	11,628	12,289
2009	2010	2011	2012*	2013*	2014*

Source: International Monetary Fund;  
\*estimate, September, 2011

As of the end of Q3 2011, the Serbian banking sector consisted of 33 banks. Of the total number of banks, 21 were in foreign and 12 in domestic ownership. In terms of the latter, 8 banks were in the ownership of the state (either as a majority shareholder or the largest individual shareholder) and 4 in the ownership of private individuals.

In terms of their share in total banking sector assets, the most significant foreign banks are from Italy and Austria (22% and 18%, respectively), followed by banks from Greece (16%), France (9%) and other countries (8% share in total). Foreign banks are members of banking groups from 11 countries.

# 03 WHY INVEST?

TRADE  
UNLIMITED

HUMAN  
RESOURCES

FAVORABLE  
GEOGRAPHIC  
POSITION

LOW OPERATING  
COSTS

FINANCIAL  
INCENTIVES

Many world-renowned companies have recognized Serbia's potential and decided to locate their operations in the country. For some, Serbia serves as a manufacturing hub that enables duty-free exports to a market of almost 1 billion people. Others are attracted by highly-skilled, easily-trained, English proficient workforce and extremely low 10% profit tax rate. Regardless of the reason for their initial interest, businesses that decide to set up operations or conduct trade in Serbia will find it to be a reliable and dynamic country that affords them a much greater opportunity than initially perceived.

Austrian companies to grow within the Eastern European markets. Germany and Italy are Serbia's main foreign trade partners and neck to neck in terms of Serbian export markets and key contributors to FDI. Slovenia, the first country from the former Yugoslavia to join the EU, also plays an important role in the FDI portfolio. Serbian companies have also realized a several major investment projects in Slovenia.

However, the number of registered investment projects paints a slightly different picture: Norway, Belgium and Russia leave

FDI Ranking  
by No. of Projects

15.5%	13.5%	13.2%	10.6%	5.9%	5.6%	5%	3.3%	3%
GERMANY	ITALY	AUSTRIA	SLOVENIA	GREECE	FRANCE	ISRAEL	US	CROATIA

FDI Ranking  
by value

12.9%	11.1%	10.2%	8.2%	7.7%	7.2%	5.9%	5.1%	5.1%
AUSTRIA	ITALY	GREECE	NORWAY	GERMANY	US	SLOVENIA	RUSSIA	BELGIUM

Source: SIEPA\*

When we look at national origin of companies that have invested Serbia, it is clear that the EU countries dominate the list of investments and that American and Russian companies have shown strong interest as well. Russian investments dominate the oil and gas sector (Gazprom and Lukoil) while Telenor's €1.6 billion investments still puts Norway high on the FDI value list. Belgium's contribution to the overall FDI stock was limited until the finalization of a €1 billion deal to acquire a local food retailer, Maxi. Greek banks were among the first to enter the Serbian market with many privatizations and acquisitions in the sector between 2001 and 2006. Austria tops the list primarily because of the closeness of the two economies and a strong motivation of

the top 10, while the United States remains on the list. French companies have a stronger showing in these terms, largely due to a large number of investments in the automotive sector.

Germany, Italy, Austria and Slovenia are extremely important in terms of the number of projects and investment value. The importance of proximity and knowledge of the local and regional markets is shown through, as Hungary and Croatia occupy prominent spots in terms of overall number of projects number. Israeli investors are heavily involved in the real estate sector; with quite a few projects in the pipeline, so we expect them to climb the value list in the years ahead.

The background of the page features several stacks of Euro coins. On the left, there are tall stacks of gold-colored coins. In the center and right, there are stacks of silver-colored coins. The coins are stacked in a way that creates a sense of depth and texture. The lighting is soft, highlighting the metallic surfaces of the coins.

Duty-Free Access to a 1 billion people market  
State grants of up to €10,000 for each new job created  
One of Europe's Lowest Corporate Tax Rates - 15%  
Major European corridors' intersection point  
Access to a competitive and qualified talent pool

*\* SIEPA database of investment projects from 2001 – to date includes over 300 foreign investment projects valued at €19.5 billion EUR and tracks all investment types in the manufacturing and service sectors (privatizations, acquisitions, Greenfield and Brownfield investments) but does not include portfolio investments. Data is obtained from various sources: SIEPA projects, questionnaires sent to investors, foreign investors associations, and news. Although SIEPA makes every effort possible to provide the most accurate, up-to-date data about investment projects, the agency cannot be held responsible for any incorrect or incomplete information.*

Owing to the free trade agreements with these countries, Serbia is an ideal place for setting up a manufacturing/distribution hub to serve the markets of the Russian Federation, South East Europe, the EU and EFTA countries, the US, Belarus, and Turkey.

## TRADE UNLIMITED

 [www.mfp.gov.rs](http://www.mfp.gov.rs)

### USA

Duty-free export regime applies to approximately 4,650 products, including most finished and semi-finished goods and selected agricultural and primary industrial products. The list of eligible goods is reviewed and adjusted twice per year with input from U.S. industries.

Outside the Commonwealth of Independent States, Serbia is the only country with a Free Trade Agreement with Russia.

Increase your competitiveness by benefiting from a Customs-Free Access to a Billion Person Market

## WHY INVEST?

### Belarus

There are only a few exceptions to the Agreement, including sugar, alcohol, cigarettes, as well as used cars, buses, and tires.

### EU

Export limitations are only imposed on the exports of baby beef, sugar and wine in the form of annual export quotas.

Imports from the EU are customs-free for most products, provided that progressive abolishment of import customs duties is applied for industrial and certain agricultural products by 2014.

### Turkey

Companies in Serbia can export to Turkey without paying customs duties. Imports of industrial products from Turkey are generally customs-free, but for a large number of goods customs duties will be progressively abolished over a six-year period, ending in 2015. Customs duties remain in effect for agricultural products.

### Russian Federation

The agreement stipulates that goods produced in Serbia, i.e. which have at least 51% value added in the country, are considered of Serbian origin and exported to Russia customs free. The list of products excluded from the Free Trade Agreement is revised annually. As of March 2012, the list of excluded products includes: poultry and edible waste, some sorts of cheese, sugar, sparkling wine, ethyl-alcohol, tobacco, cotton yarn and fabric, some types of compressors, tractors, and new and used passenger cars. There is also a list of products originating from Russia which are excluded from the agreement.

### CEFTA

In addition to duty-free trade between member countries, the agreement specifies accumulation of product origin, meaning that products exported from Serbia are considered of Serbian origin if integrated materials originate from any other CEFTA country, the European Union, Iceland, Norway, Switzerland (including Liechtenstein) or Turkey, provided that such products have undergone sufficient processing, i.e. if at least 51% of the value added in the product is sourced in Serbia (if value added there is greater than the value of the materials used in Serbia).

### EFTA

Industrial products exported from Serbia to EFTA member states (Switzerland, Norway, Iceland, and Liechtenstein) are exempted from paying customs duties, except for a very limited number of goods, including fish and other marine products. Custom duties for imports of industrial products originating in EFTA states will gradually be abolished by 2014. Trade in agricultural products is regulated by separate agreements with each of the EFTA members, providing for mutual concessions for specified products.

According to the Report on the results of EU Innovation (Innovation Scoreboard Union), in 2011, Serbia devoted more funding to the development of science relative to the previous year than any other country in the EU or wider region.

## HUMAN RESOURCES

[www.bg.ac.rs](http://www.bg.ac.rs)  
[www.uns.ac.rs](http://www.uns.ac.rs)  
[www.ni.ac.rs](http://www.ni.ac.rs)

### Educated

Serbia's labor force offers a unique combination of high quality, wide availability and cost effectiveness. It is one of the key factors enabling strong business performance.

For decades, Serbia fostered extensive relationships with leading western economies. A list of blue-chip companies maintaining strong ties with local partners is topped by Siemens, Alcatel-Lucent, Fiat, IKEA and many others. Throughout years of cooperation, Serbian workers received specific know-how and adopted advanced technological applications and intense quality control standards. Having vast experience in manufacturing and management, local staff requires minimum training to adopt to cutting-edge technologies and assembly processes.

Universities and colleges in Serbia produce around 43,000 graduates annually, one third of which comes from technical universities. Leading institutions in this field such as the School of Electrical Engineering or the School of Mechanical Engineering in Belgrade or the Technical University in Novi Sad, are recognized internationally for their expertise. High-quality technical education is largely based on elementary and high schools offering a more advanced curriculum in technical sciences than in most other CEE countries. Top-quality management education in Serbia is provided through joint graduate and post-graduate courses organized by local universities and renowned western business schools such as the French HEC, British Sheffield

University and Heriot Watt University. In addition, there is an increasing number of international elementary and high schools in Serbia. At the moment, they offer curricula in English, German, French, and Russian, including internationally recognized examinations.

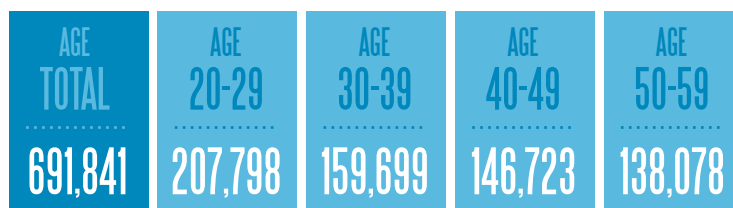
### Available

The labor market in Serbia has become truly vibrant with an increasing number of international investors relocating their businesses to the country. Recruitment of young graduates and undergraduates is simple given the high unemployment rate, especially among those from the 20-30 age group. Many are keen to work for international companies. Serbian workers have a strong work ethic and demographics are favorable for foreign companies: a wealth of ambitious and educated people coupled with a high unemployment rate keep wage expectations at competitive levels.

The rate of unemployment is as high as 25%, while the percentage of those with college and university level education seeking jobs stands at around 12%. The number of engineers and managers is sufficient to meet the growing demand of international companies in the country.

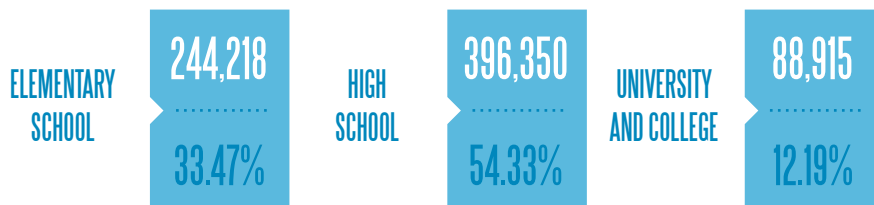


Number of registered unemployed people, by age (November 2011)



Source: National Employment Service of Serbia

The structure of unemployed by level of education (December 2010)



Source: National Employment Service of Serbia

## Flexible

Labor regulations are transparent and comprehensive. During sick leave, 65% of the average salary of the preceding three-month period is paid to employees. A working week consists of 5 workdays scheduled by the employer, A workday generally lasts 8 hours and a workweek normally consists of 40 hours. Overtime hours may amount up to 4 hours per day, or 8 hours in total per week, and are paid additionally. Minimum annual leave totals a minimum of 20 days.

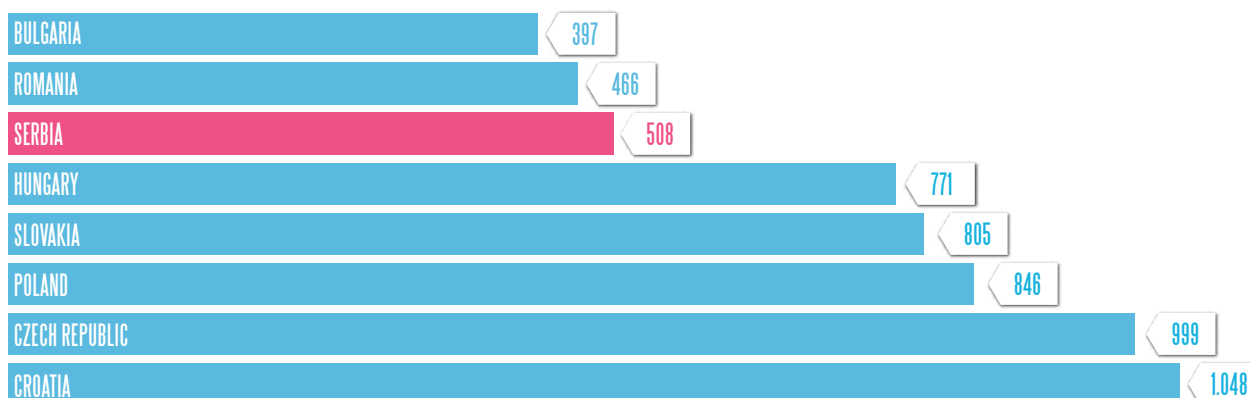
## Cost Competitive

Average salaries in Serbia are low enough to ensure cost-effective operations. While only slightly higher than in neighboring countries such as Romania, total costs for employers stand at merely 60% of the level in CEE countries. Social insurance charges and salary tax amount to roughly 60% of the net salary, but the tax burden for employers can be largely reduced through a variety of financial and tax incentives.

The average gross salary across economic sectors in 2011 was around €510, but the labor costs vary among individual industries, cities, and education levels. The ratio of average salaries among economic sectors and cities may differ as much as 4:1, while the salary range for workers of various educational levels reaches 3:1. Overall salary levels are and will remain reasonably stable.

The minimum salary has to be at the statutory minimum wage determined by the mutual consent of the Serbian Government, labor unions, and the association of employers. It is currently €1 per hour.

## Average gross Monthly salary (EUR)



Source: Vienna Institute, 2012

Serbia bridges East and West.  
 Its treasured position in the heart of South East Europe  
 makes it an outstanding investment location.

## FAVORABLE GEOGRAPHIC POSITION

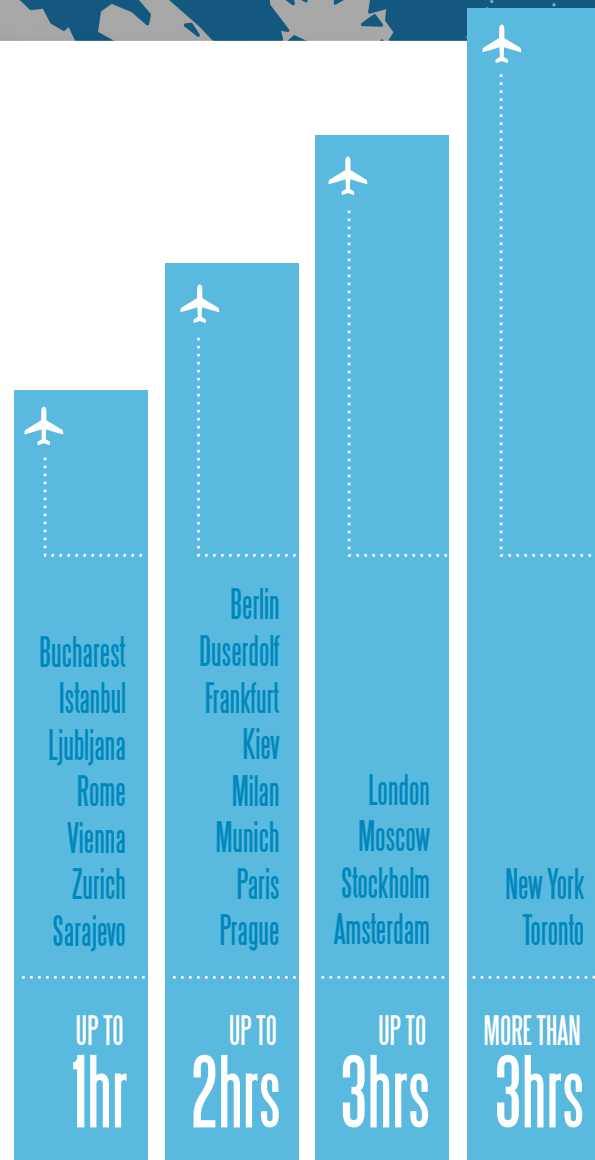
Owing to its position on the geographic borderline between the East and West, Serbia is often referred to as a gateway of Europe. Two important European corridors, VII – the River Danube and X – the international highway and railroad, intersect on the Serbian territory, providing excellent connections with Western Europe and the Middle East. Serbia is thus a perfect place for a company to locate its operations if it wants to closely and most efficiently serve its EU, SEE or Middle Eastern customers. Bordering the EU, Serbia still offers a possibility of enjoying all benefits of working outside the EU while being able to provide services and transport goods in projected and flexible time frames.

The most efficient way to reach Serbia is by air, using one of the two available international airports in Serbia - Belgrade Airport and Nis Airport. The ease of traveling from Belgrade to almost every destination in the world, either directly or with a layover is provided by almost all major international airlines. The daily flight schedule to major transportation hubs such as Frankfurt, Rome, and Moscow includes more than four flights.

Once in Belgrade, airport Nikola Tesla is located only 18 km away from downtown and, by taking a highway, it takes no longer than 20 minutes to reach the heart of the city. The road network connects the airport with major international roads E-75 and E-70 which link the capital to Zagreb, Nis, Novi Sad, Subotica, and other cities in Serbia and the region.

Air traffic to Nis is less frequent, yet it provides a good international connection to the city.

### Duration of flights



WHY INVEST?

— 10th Pan European Corridor  
 — 7th Pan European Corridor



Amsterdam	1,722km	Hamburg	1,547km	Berlin	1,255km	Frankfurt	1,282km	Zurich	1,175km	Munich	930km
Milano	1,009km	Rome	1,289km	Prague	907km	Warsaw	1,067km	Kiev	1,302km	Bucharest	641km

To avoid unnecessary tax burdens,  
Serbia has double taxation treaties  
with 41 countries  
(as of November 2011)

# LOW OPERATING COSTS

 [www.mfp.gov.rs](http://www.mfp.gov.rs)

## Lucrative Tax System

Serbia's tax regime is highly beneficial for doing business. The corporate profit tax, which is paid at a uniform rate of 15%, is one of the lowest in Europe, while VAT is among the most competitive in Central and Eastern Europe. The tax base is the taxable profit shown in the tax balance sheet. Capital gains are recognized for the purpose of corporate income tax assessment.

Capital gains are generated by the sale or transfer of real estate, rights related to industrial property, as well as shares, stocks, securities, and certain bonds.

Withholding tax is calculated and paid at the rate of 20% on various forms of income (dividends, shares in profits, royalties, interest income, capital gains, lease payments for real estate, and other assets) by non-residents.

	SERBIA	ROMANIA	SLOVENIA	POLAND	CZECH REPUBLIC	HUNGARY	CROATIA	SLOVAKIA
Corporate Profit tax	15%	16%	18%	19%	19%	19%	20%	23%
	SERBIA	CROATIA	CZECH REPUBLIC	ROMANIA	POLAND	SLOVAKIA	BULGARIA	HUNGARY
Salary Tax rate	10%	15%	15%	16%	18%	19%	20%	24%
	SERBIA	BULGARIA	SLOVAKIA	CZECH REPUBLIC	POLAND	ROMANIA	CROATIA	HUNGARY
VAT	20%	20%	20%	21%	23%	24%	25%	27%

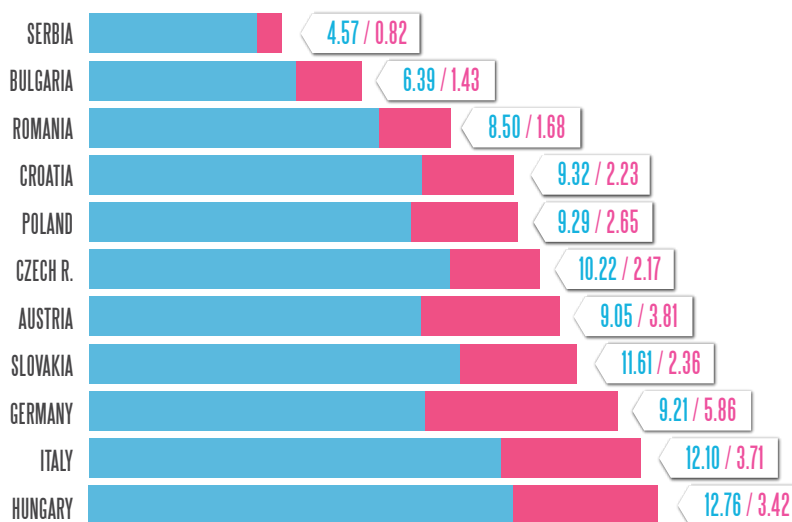
Source: National IPAs

To encourage new investments, the government also provides a range of tax breaks, exemptions and reductions of up to 80% of the investment amount into fixed assets.

## Utility Costs

According to Eurostat, the costs of operating in Serbia are among the lowest in Europe. The prices of electricity, gas, and other fuels, postal services, landline telephony, fax service and maintenance of motor vehicles are the lowest among 37 European countries. The costs of telecom services, namely postal services, telecom equipment and phone charges are at the very bottom of the list, by far lower than in almost all European countries, or only 39% of the European average.

The 100% state-owned Electric Power Industry of Serbia is the sole electricity supplier at the moment. The electricity price varies according to the consumption category and daily tariff rate. The state-owned company Srbijagas is the prime natural gas supplier in Serbia and pursues its pricing policy in accordance with world prices of oil derivatives and the US dollar exchange rate fluctuations. The referential price for a cubic meter of gas (assessed over benchmarked annual consumption between 10,000 - 100,000 GJ, for Serbia 41,860 GJ, and exchange rate 1 EUR = RSD 99.91) is €0.336/m<sup>3</sup>.



Special prices of electrical energy for industrial users  
Eurostat methodology  
(Euro Cents/kWh)

Without Taxes ■  
Taxes and VAT ■

Benchmarked: annual consumption between 500-2000MWh, for Serbia 2000MWh, Exchange rate 1Eur=99.91 RSD  
Source: Eurostat

SIEPA - one-stop-shop  
for financial support

# FINANCIAL INCENTIVES

[www.siepa.gov.rs](http://www.siepa.gov.rs)

To offset initial capital investments and ease the startup of business endeavors, the government of Serbia offers financial support for Greenfield and Brownfield projects in manufacturing, export-related services and tourism. Non-refundable state funds are offered through SIEPA in the range between €4,000 and €10,000 per new job created.

Qualifying criteria include minimum number of new jobs (10 for services, 50 for manufacturing and tourism) and minimum investment amount (€0.5 - 1 million, €5 million for investments in tourism). Funds are awarded based on a number of criteria such as investor's references, participation of domestic suppliers in the final product, investment's effect on human resources and other criteria assessing the project's impact on the local community.

Funds are paid out in up to four increments throughout the project's lifetime. Investment projects in shared service industries and BPO have special treatment as the value of the lease contract throughout the investment process is included in the investment amount, while the funds are disbursed in two installments.

Special packages are available for large investors which invest at least €50 million and employ 300 people and medium-sized investors which employ at least 150 people and invest at least €50 million. These projects are eligible to receive up to 20% or 10% of the total value of the investment, respectively.

Decree implementation, statistics, January 2013.

TOTAL NUMBER OF  
ACTIVE PROJECTS

226

TOTAL VALUE  
OF THE PROJECTS

€ 1,290,319,474

TOTAL AMOUNT  
OF SUBSIDIES PLEDGED

€ 223,927,000


NEW JOBS  
CREATED

40,088

AVERAGE AMOUNT  
PER PROJECT

€ 4,265

# A DECADE OF MINDING YOUR BUSINESS



SIEPA was established more than a decade ago and entrusted with the mission to support foreign companies seeking to set up or expand their presence in Serbia and Serbian companies doing business abroad. Today, a staff of nearly 50 multilingual employees handles projects from and to all over the world.

We provide professional services to companies interested in setting up business operations in Serbia, focusing on all relevant issues in their decision making process. Our staff is ready to offer information on the general investment environment, as well as targeted legal and industry-specific advisory services. Our network of contacts provides links to all levels of government, as well as private service providers.

By administering the financial incentives program offered by the government, we have supported opening of more than 40 thousand new jobs since the launch of the program in 2006. At the same time, we have technically and financially supported thousands of Serbian companies in increasing their competitiveness at the global markets.

SIEPA's work is widely recognized, with World Bank's MIGA ranking SIEPA among the top five IPAs of developing and countries in transition topping the list of our international acknowledgements. The list of our clients includes Fiat, Benetton, Panasonic, Bosch and many other global and regional industry leaders.

We invite you to contact our expert staff which is ready to assist you in developing your business in Serbia. Working with us is simple, easy, and still costs nothing.

# 04 WHERE TO INVEST?

AUTOMOTIVE INDUSTRY	AGRICULTURE AND FOOD	ICT SECTOR	ELECTRONICS INDUSTRY	TEXTILE INDUSTRY	
PHARMACEUTICAL INDUSTRY	SHARED SERVICES AND BPO	RENEWABLE ENERGY SOURCES	REAL ESTATE	WOOD AND FURNITURE INDUSTRY	CREATIVE INDUSTRY

In previous chapters, we saw the main reasons why companies selected Serbia as the host for their projects. In order to get the big picture and to understand the potential and attractiveness of Serbian economy, we will take a look at the specific sectors which attracted the largest investments.

Agro-food investments are second in terms of FDI by sector. There are a few reasons for this: firstly, the booming local market was marked by a number of significant privatizations between 2001 and 2005. This was followed by major acquisitions by

production were also quite important both in terms of value and the number of projects.

If we deepen the sector analysis and look at the number of projects realized in particular sectors, we are able to get a better understanding of the attractiveness of Serbia. The importance of the automotive industry growth takes on even greater significance. This proves that the Fiat investment, although strategically important, was not the main contributor and that the sector has much more to offer. Agro food investments remain extremely important even in

FDI per sector by value	FINANCIAL	FOOD BEVERAGE & AGRICULTURE	TELECOM.	RETAIL	AUTOMOTIVE	OIL & GAS	REAL ESTATE	TOBACCO	CONSTRUCTION	PHARMA	METALLURGY	OTHERS
	16.6%	13.9%	11.5%	10.0%	7.7%	7.7%	5.6%	5.2%	4.4%	4.2%	2.3%	10.9%
FDI per sector by No. of projects	AUTOMOTIVE	FOOD BEVERAGE & AGRICULTURE	CONSTRUCTION	TEXTILE	ELECTRICAL & ELECTRONICS	FINANCIAL	RETAIL	REAL ESTATE	MACHINERY & EQUIPMENT	METALLURGY	PHARMA	OTHERS
	12.5%	11.6%	9.6%	7.9%	6.3%	5.3%	5%	5%	4.6%	4.3%	3%	24.9%

Source: SIEPA

PepsiCo, Heineken and others which occurred after 2007. Secondly, the regional CEFTA market proved to be one of the major drivers of the FDI in this sector. Finally, as can be seen from export figures, Serbian agro-food products have a strong future in not only the European, but also Russian and other markets. Apart from unsurprising results in the financial sector (the vast majority of banks operating in Serbia are now foreign-owned), telecommunications, retail and real estate, Serbia has also attracted big investments in the automotive sector. These sectors are also one of the main drivers of exports. The pharmaceutical sector was also quite interesting to investors in large part due to Serbia's network of FTAs, especially with Russia, where our pharmaceutical products are exported in significant scale). Investments into construction material

terms of the number of projects. However, looking at project numbers, the manufacturing sector plays a much more important role than in value terms. The automotive, electrical and electronics, machinery, equipment, textile, and metallurgy, and metal work projects account for a large number of the total projects. These analyses tend to confirm our strategic orientation, as the government has designated investments into the automotive, electronics and ICT sector as being of strategic importance. It also confirms that the key messages sent in the previous chapter are correctly perceived by the investment community.

In the following pages, we will provide more information on the particular industries outlined in the above analysis and highlight the advantages of each sector.



“Our operations here will provide Fiat Group with the means to widen its customer base and to support its expansion and volume aspirations from a strategic region, while, at the same time, contributing to Serbia’s industrial and technological development. For over half a century, Fiat and Zastava have played an important role in developing the Serbian automotive industry.”

*Mr. Sergio Marchionne,  
President, FIAT Group*

„I have been nothing but impressed by Serbia - a hidden gem to the business world. I will be sure I share my very positive experience with many inside and outside of NCR“

*Jeff McCroskey, VP Services, Europe*

- Wide availability of highly-qualified staff; top technical education at both the secondary and tertiary levels.
- Perfect geographic location for efficiently serving EU, SEE and Middle Eastern customers.
- Sufficient capacity for even larger volumes of production.

MEET US AT:

 Automechanika Moscow, Moscow, Russia

# AUTOMOTIVE INDUSTRY

## Sector Overview

The Serbian automotive industry has a tradition of more than 70 years, dating back to 1939 in the city of Kragujevac, where the Serbian producer of motor vehicles, Zastava, produced automobiles under the license of Fiat. Zastava's suppliers manufactured under strict Fiat quality standards and acquired high-quality production standards that enabled them to work with other western car manufacturers such as Mercedes, Ford, PSA and Opel.

Today, it is one of the most prominent sectors in Serbia, accounting for almost 10% of the entire FDI stock in Serbia since 2000. Twenty seven international investors have invested almost €1.5 billion, creating more than 19.000 jobs. The Serbian automotive industry supplies almost all major European and some Asian car manufacturers.

Manufacturing of vehicle chassis system parts, especially tires and suspension parts is most prominent in the industry. Electrical system components are another dominant product group with car batteries and wiring installations as the most important products. Also, production of engine components, mostly casted, is very significant, along with forged and machined parts like camshafts, brake discs, valves and flywheels.

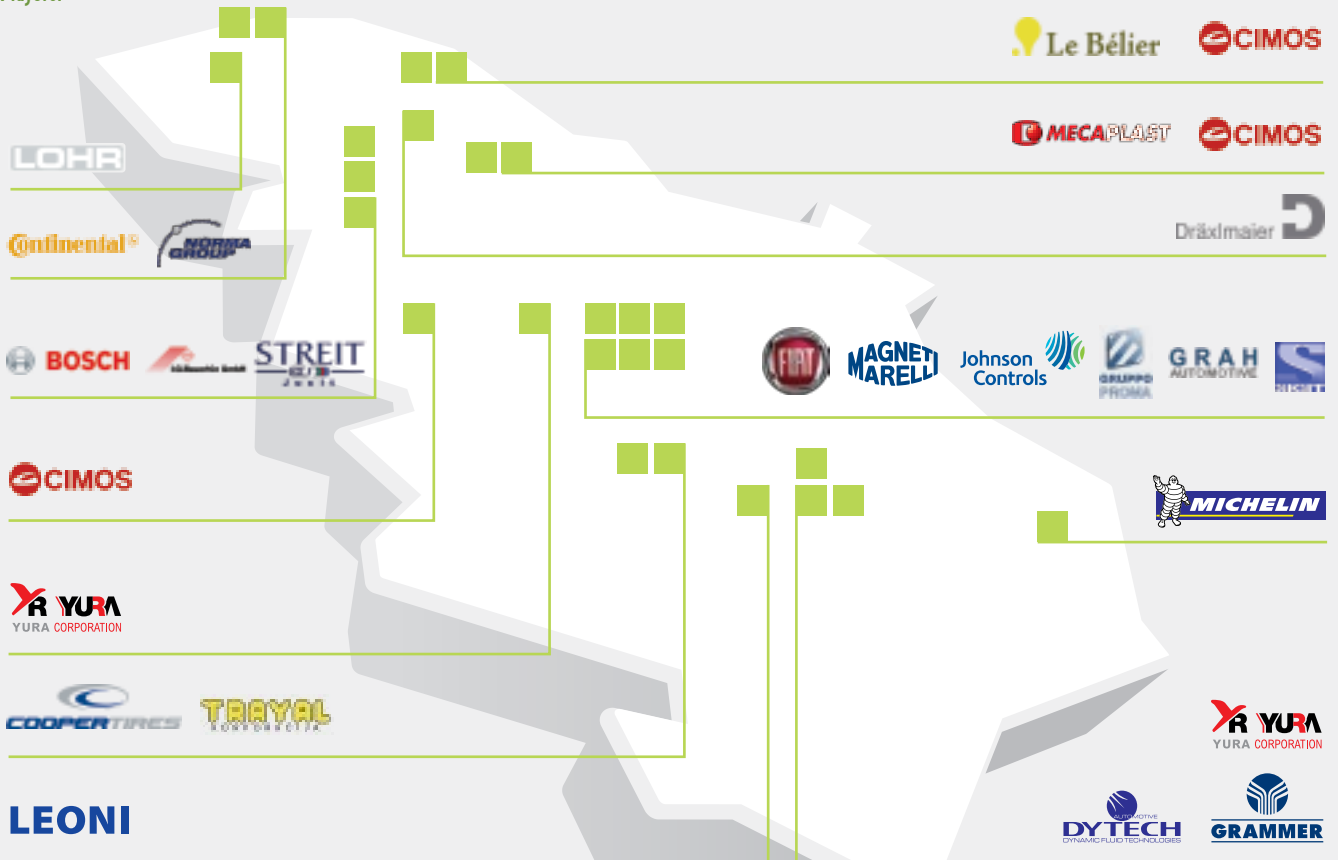
The largest and the most important investment in the sector is the FIAT project, not only because of the investment amount, but also because it has helped to attract a number of other car parts producers. It is also the largest one of the most important investment projects in the past 20 years and a future engine of growth of the Serbian economy. Also, once the production capacity increases to an expected level of 200,000 units, it will generate annual exports worth €1.5–2 billion.

WHERE  
TO INVEST?

“Serbia fulfills a lot of preconditions for labor-intensive JIT production with available labor force, good infrastructure and let’s not forget the strong and highly qualified support of the government and local authorities.”

Mr. Peter Prohaska,  
Former General Manager,  
LEONI Serbia

Major Players:



- Serbia is a global leader in the export of frozen raspberries – 95.5 thousand tons exported in 2010.
- Over 6.12 million ha of agricultural land, 60% of which is arable.

# AGRICULTURE AND FOOD PRODUCTION

## MEET US AT:

-  Foodex, Tokyo, Japan
-  SIAL, Paris, France
-  Seoul Food & Hotel, Seoul, Korea

## Sector Overview

Serbia boasts ideal natural conditions for growing crops, fruit and vegetables. The soil is still one of the cleanest in Europe, while most of the fruit is grown in perfect conditions; it is hand-picked, carefully stored, and packaged in order to attain the highest possible quality and its unique flavor. Serbia's diverse climate and ample land resources also create unique opportunities for the development of primary vegetable production.

An excellent raw material base, network of FTAs, and long tradition in quality production of food and strong regional brands were key reasons world class companies came to Serbia. As we saw in the previous analysis, the agro-food sector accounted for a massive proportion of foreign direct investments, both in terms of value and number of projects.

In addition to quality raw materials and conditions for producing high-quality, healthy food in Serbia, investors can

also enjoy strong support from Serbia's widely recognized fruit-research institutes. Research mainly focuses on technologically-advanced production that leads to high-quality, environmentally-friendly seeds and vegetable crop production. Moreover, Serbian law prohibits the production and import of any genetically modified (GMO) foods and seeds.

Made-in-Serbia food is present around the globe, from Japan to the US, and is sold under Serbian brands and through world's largest supermarket chains such as Tesco, Lidl, Asda, Spar, Carrefour, Metro, Idea, Leader price, Kopeika, and Rewe. In the first ten months of 2011, Serbia exported \$2.24 billion of agriculture produce, making it one of the few industry sectors recording a trade surplus (\$1.2 billion). International customers keep increasing orders for Serbian truffles, raspberries, apples, corn, juices, concentrates, purees, jams, frozen and dried fruit and other high-quality produce.



- Serbia - home to 1,600 innovative IT Companies employing more than 14,000 people
- Microsoft's 4th development center in the world opened in Serbia, evolving over time into an innovation center
- Expertise in custom, high-end IT development services including web design, hardware, and software solutions

# ICT SECTOR

MEET US AT:



CeBIT, Hannover, Germany

## Sector Overview

As the world market for ICT continues to evolve towards outsourced software engineering, offshore systems design and integration, Serbia is well-placed both geographically and structurally to provide a cost-effective, reliable alternative to more established markets. An outstanding pool of intellectual capital, attractive labor costs, excellent skills, good communications networks and a high fluency in English are just some of the key competitive advantages that persuade international companies to expand their businesses to Serbia.

Engineering education in Serbia is particularly strong, with approximately 33% of university graduates coming

from technical schools. The industry employs a highly-skilled workforce, of which 70% has completed a university-level of education. The cost-competitiveness of engineers is another advantage of doing business with Serbia. Compared to salaries in the country, IT specialists earn more than average, but compared to their European colleagues, the situation is quite different. Net salaries range from €600 to €1,200 per month for highly-qualified, university-educated personnel, while gross salaries range from €1,000 to €2,000 per month.

A large number of Serbian ICT companies offer very strong technical skills that have attracted partnerships with international firms and won them a place in high-value market niches.

WHERE  
TO INVEST?

“Serbia has great potential in the IT industry  
- that is why the world’s biggest software company  
decided to open a development centre in Belgrade”.

Mr. Christopher Brennan,  
Central Eastern Europe General Manager,  
Microsoft

Major Players:



- Significant investment track record  
Siemens, Panasonic, Gorenje,  
Elrad, ATB, Gruner, Eaton

# ELECTRONICS INDUSTRY

MEET US AT:

Embedded World, Nuremberg, Germany

## Sector Overview

Serbia is home to a rich tradition in the electronics industry that dates back to the days of Nikola Tesla, one of the greatest pioneers and inventors in the field of electricity. This industry had its peak back in 1980s, when Yugoslavia's electronics industry was a \$1 billion sector that employed around 100,000 people. Although the sector today is still only a fraction of what it was back then, recent foreign direct investment into the industry and various state-driven initiatives suggest that this sector has strong potential for future growth.

From 2001 onwards, this industry has witnessed a steady revival primarily driven by a continual inflow of foreign direct investment - roughly €168 million. This, coupled with the upcoming opening of several IT-electronics parks, illustrates that the best is yet to come for companies in Serbia's electronics sector. Some of the key investments are those of Austrian giant ATB Gruppe, Slovenian home appliance company Gorenje that has invested a total of €50 million in three separate locations, Siemens and Panasonic's €13 million facility in central Serbia.

The Serbian electronics industry is a thriving, export-oriented sector that only figures to grow with the recent influx

of foreign direct investment. Relative to 2008 and 2009, exports from the industry in 2010 grew by 15% and 44%, respectively. The 2009 economic crisis gap was surpassed swiftly in 2010 and, with new export-oriented projects such as the first Panasonic factory in Serbia, exports are expected to flourish further. Between 15 and 20 electronics companies each export more than €1 million per year.

The government of Serbia is actively promoting the growth of this sector: Along with the automotive and ICT industries, the electronics sector has been designated as one of the priority sectors in Serbia's National Development Strategy. This allows investors in this sector to receive more favorable investment incentive packages. Companies in this industry have taken advantage of this fact: investments in the electronics industry are third when it comes to the number of projects which have been approved for funding and the fourth highest in terms of all investments in Serbia since 2000.

Furthermore, numerous initiatives, including the promotion of IT and Research and Development parks throughout the country and the founding of an electronic systems cluster, will propel the sector even further.

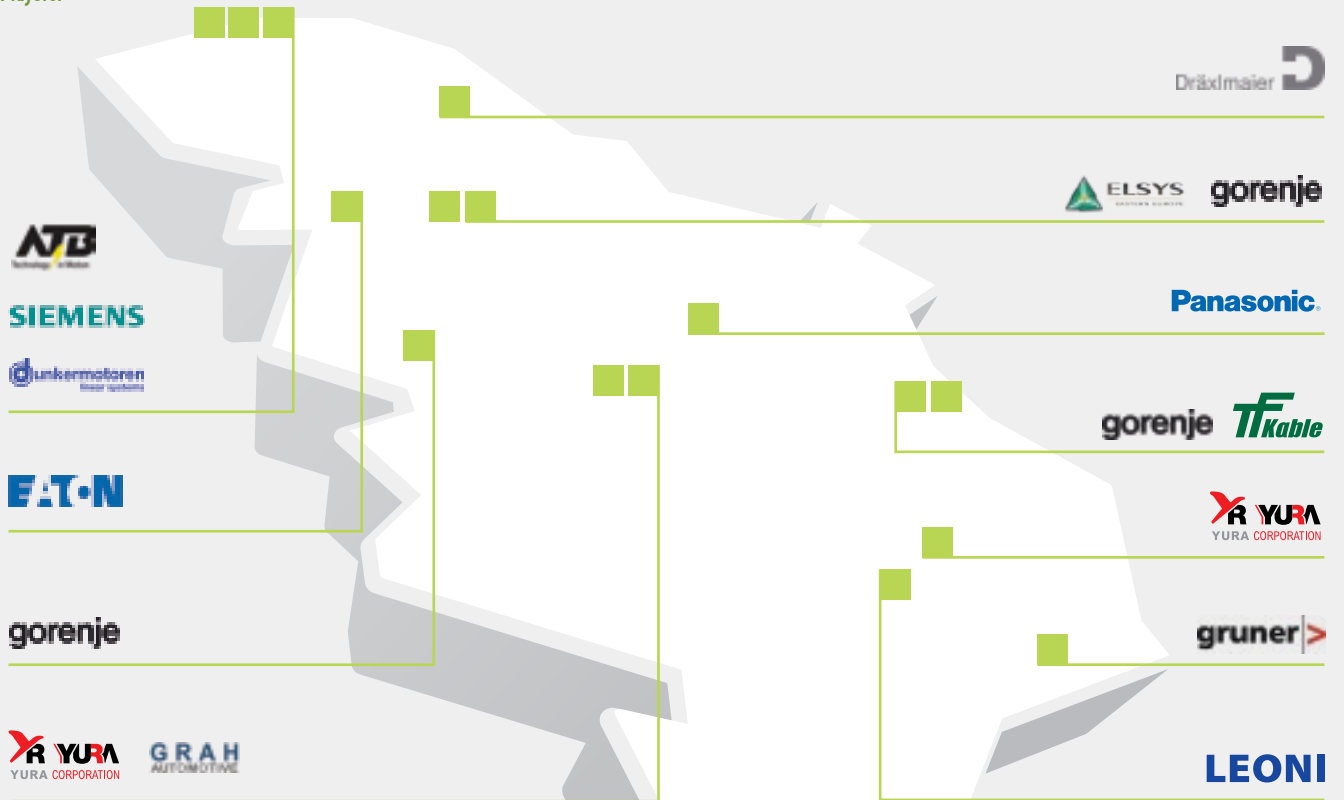


WHERE  
TO INVEST?

- Manufacturing tradition and skillset in place
- Sector of high priority - investors are entitled to more favorable investment incentive packages.



Major Players:



Know-how owing to  
long tradition and successful international  
track record of Serbian companies

# CONSTRUCTION INDUSTRY

MEET US AT:



Budma, Poznan, Poland

## Sector Overview

The construction industry in Serbia has a long tradition of great achievements that have been attracting international attention for many years. Numerous successful projects carried out by Serbian companies can be seen around the globe, from North America to Europe, from Asia to Africa and the Middle East. Today, just as in the past, Serbian architects and construction companies are recognized as highly-educated, innovative and reliable partners offering a large spectrum of activities performed in accordance with the most rigorous global standards.

The emerging local real estate market, together with the Free Trade Agreement with the Russian Federation, has driven the dynamic development of the domestic construction industry. The possibility of exporting building materials from Serbia to the Russian market without paying customs makes the country particularly attractive for foreign investors. This opportunity has already been recognized by leading multinational construction companies and producers which established their production facilities in Serbia in order to export to the customs union of Russia, Belarus and Kazakhstan. Over the last 11 years, more than 25 well-known, global companies invested over €863 million in the Serbian construction industry and had a significant effect on job

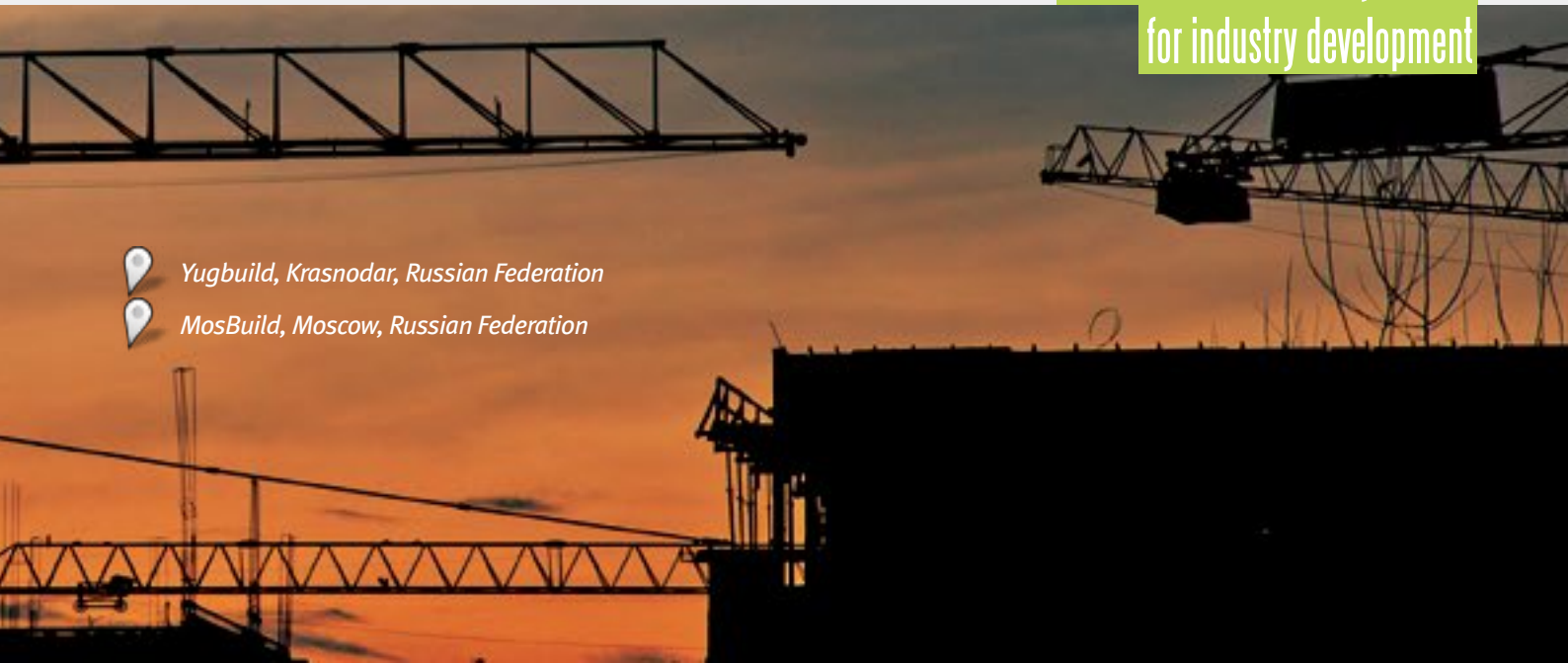
creation and lowering of the unemployment rate. Austria is the origin of more than 40% of the investors and is followed by Germany, France, and Greece.



Since the construction industry was adversely impacted by the world crises, in 2010, the Serbian Government prepared several investment incentives in order to contribute the sector's improvement. As a result, the construction industry in Serbia in 2011 recorded a 17% increase in activity. The new Law on Spatial Planning and Construction that was adopted in Serbia in August of 2009 has decreased the number of approvals necessary for starting construction and improved conditions for foreign investors to invest in real estate and construction.

Investments in road and energy infrastructure are high priorities of the government. One of the main national projects is construction of Corridor X which passes through the heart of Serbia as part of this important Pan-European road network. One of the recent projects is the Ada Bridge on the Sava River in Belgrade that was officially opened after 3 years of construction on the New Year's Eve of 2012. The new bridge is designed as landmark structure for the people of Serbia, incorporating a 200m high needle shaped Pylon as part of the longest single-pylon, cable-stayed bridge in the world.

# WHERE TO INVEST?

Emerging local real estate market, infrastructure development projects and FTA with Russia are key drivers for industry development



-  Yugbuild, Krasnodar, Russian Federation
-  MosBuild, Moscow, Russian Federation

## Major Players:



- One of the most price-competitive industries in Europe with a respectable tradition and vast availability of skilled workforce
- Existing FTAs all encompass textile products, enabling efficient access to various markets

# TEXTILE INDUSTRY

 [www.siepa.gov.rs](http://www.siepa.gov.rs)

## Sector Overview

Textile and apparel production has a long history and admirable tradition of fruitful collaboration with foreign partners. Throughout this illustrious history, principles of high-quality manufacturing, price competitiveness and controlled operating costs have made Serbia a leading garment manufacturer for the biggest textile companies of Western Europe. Because they are highly labor-intensive, investments in the textile industry greatly reduce unemployment and therefore enjoy full support from local government.

In terms of the number of investment projects and jobs created, the textile industry ranks quite high on the list of sector attractiveness. Companies such as Benetton, Calzedonia, Golden Lady, Pompea, and many more are extensively using their production facilities as secondary manufacturing sites for production of high-quality apparel.

Thus, they can react quickly to smaller orders with quick turnaround times. Competitively-priced labor, as well as the strong textile tradition in Serbia, ensures manufacturing of high-quality products at very affordable prices.

Over the last 10 years, the Serbian fashion industry has evolved from a domestic, manufacturing-based industry into a design-led sector operating in the global marketplace. Many Serbian design students go on to work in global fashion houses which promote the Serbian fashion industry abroad.

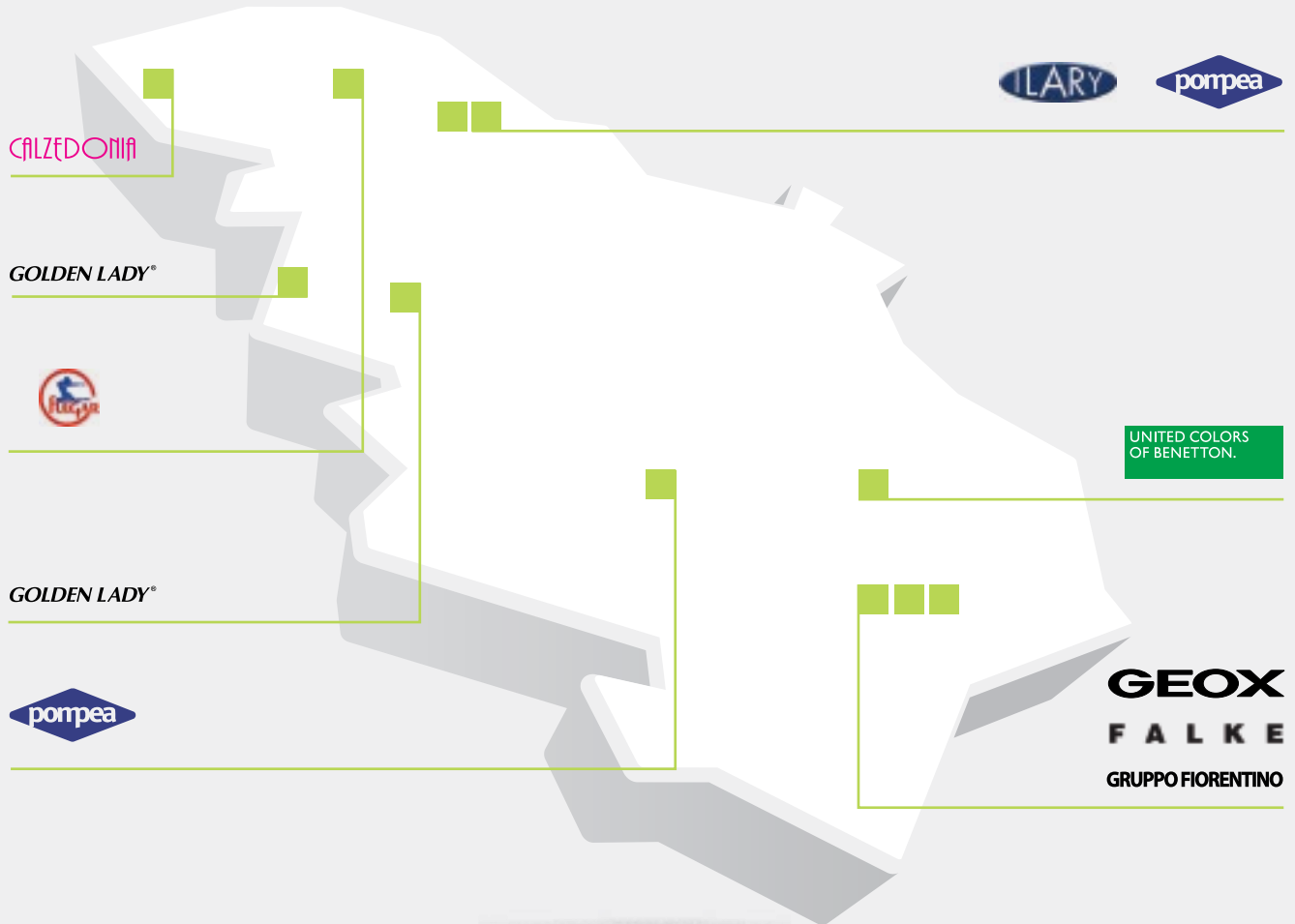
Serbia predominantly trades with EU member countries (Italy, Germany, France, Austria, and Slovenia), the Russian Federation, Turkey, and China. Exports have risen by 71% since the free trade of textile products to EU was instituted in 2005.

WHERE  
TO INVEST?

- Numerous business opportunities, primarily in yarn,  
fabric and ready-made garment production;  
more than 25 investors have already taken advantage  
of this opportunity



Major Players:



- Free trade agreement with Russia and other countries provide for access to a large market
- Relatively large local market with significant growth prospects
- Galenika, the second largest local player, has yet to be privatized

# PHARMACEUTICAL INDUSTRY

 [www.siepa.gov.rs](http://www.siepa.gov.rs)

## Sector Overview

The pharmaceutical industry in Serbia mainly consists of 20 key manufacturers of generic drugs. The industry is a large contributor to the local economy (3.24% of total GDP), accounts for 50% of the total production of the chemical industry, and recorded annual growth of around 8% in 2010. Domestic production meets close to 60% of the local demand, with Hemofarm (owned by Stada under a €560 mln investment) and state-owned Galenika accounting for 80% of production volume. Together with Zdravlje Actavis (also a cross-border acquisition) they are the key players, although there are an increasing number of companies with foreign ownership which are gaining momentum. The majority stake of the state in Galenika's ownership structure may be for sale in the future. Meanwhile, a leading global health care company, Abbott Laboratories, has put Galenika among the top five pharmaceutical companies globally. The two companies signed a contract in 2010 which provided for Galenika to become the first and the only pharmaceutical company in the region to produce medications for one of the largest laboratories in the world.

Customs-free access to many markets such as Russia, SEE and the EU, provide many opportunities for both medicines and medical devices, such as export-oriented Greenfield investments, contract manufacturing and outsourced

small-batch production. Serbia's leading pharmaceutical companies have modern technological solutions that comply with GMP and enable them to manufacture over 95% of existing galenical forms.

The value of the Serbian pharmaceutical market in 2011 was estimated at €710 million with the prospect of significant growth in the years to come. Generic drugs sales account for almost one third of the market in value. It is estimated that generics and OTC drugs will record the strongest increase in total profit – by 2012, the share of OTC products in all drugs will increase to around 15%. The share of products for oral hygiene should not be neglected and their sales are also expected to grow in the near future. Traditional herbal medicines and dietary products have recorded increased sales, also presenting a business opportunity for investment into the domestic pharmaceutical industry. Most of the 70 key global industry players are already present on the market, either through imported or licensed products or through business agreements with local companies. Pfizer is one of the leading names which, together with other American companies, account for about 15% of the market. Swiss company Roche records the highest revenues among all foreign pharmaceutical companies in Serbia.

Major Players:

 Actavis

 PharmaSwiss  
Change More Life

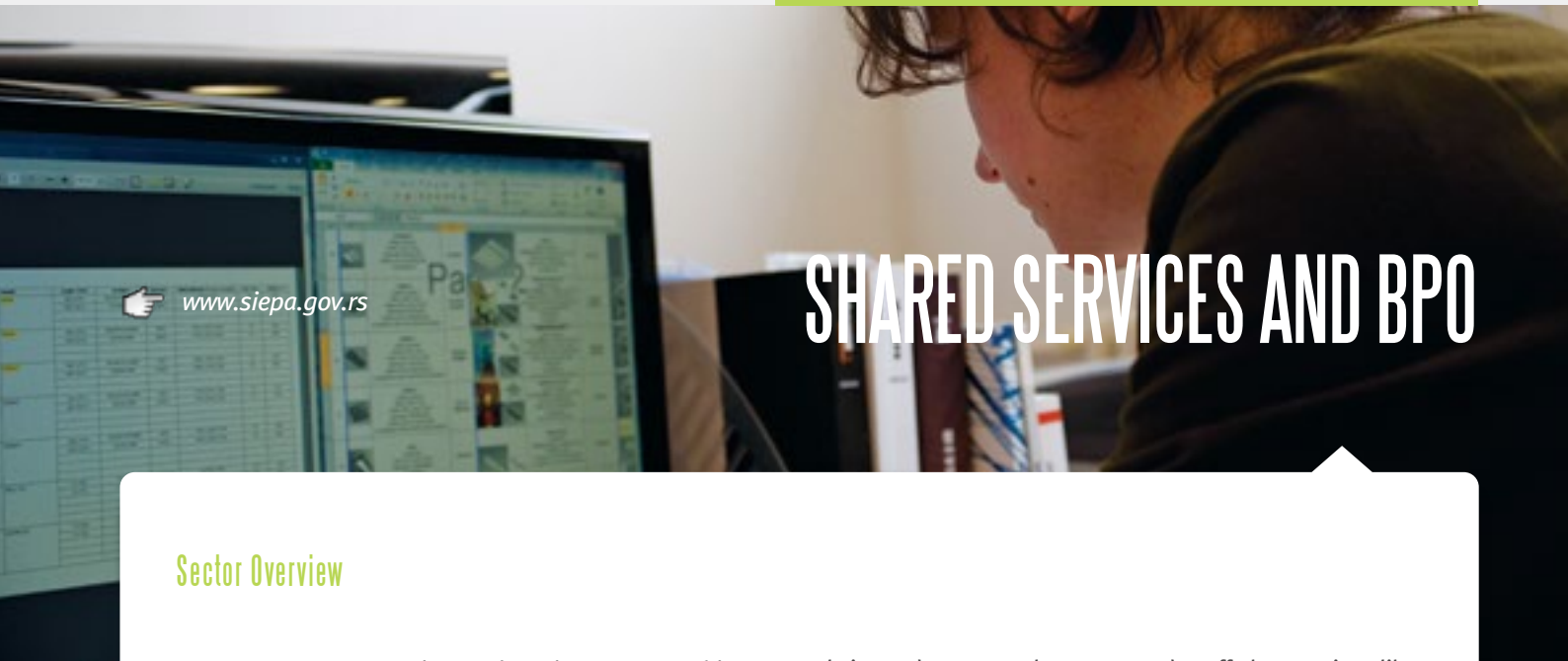
 MESSER

 STADA

 Fresenius Medical Care

 WEST Pharmaceutical SERVICES

- Low market saturation
- Available labor with low attrition rates which is proficient in foreign languages
- The right time zone to service European customers



## SHARED SERVICES AND BPO

### Sector Overview

Many European countries and regions are reaching a saturation point and companies are faced with multitude of issues including high staff turnover rates, a lack of the required language skills, cultural assimilation, and others. In these, as in many other respects, Serbia holds a whole range of aces up its sleeve, and is emerging as a new hot spot for hosting shared service centers. This has been proved by the recent setup of global industry players in Serbia. This includes the opening of the service center of the US company Sitel and NCR's excellence center. Many similar projects are in the pipeline. They are tapping into a pool of available people with multiple language skills and, more importantly, those with a rather unique combination of technical skills and language proficiency. Therefore, in addition to the provision of international customer service, centers in Belgrade are usually offer product, service, and software development.

Serbia is located at the heart of CEE and shares the same time zone as most West European countries (GMT+1), thus offering

obvious advantages when compared to off-shore regions like India. The market is still fresh, as only a handful of international companies have capitalized on the opportunities that beckon. The workforce is reliable, with a robust skills base and a business culture rooted in strong cultural and business ties with the West. The country has a level of multilingualism – especially in the English language – almost without parallel in many other parts of Central and Eastern Europe.

Given the high unemployment rate, recruitment of young graduates and undergraduates is simple, especially among the under-30 population. Many are keen to work for international companies. Employees have a strong work ethic, while shared services centers are not viewed as a transition industry, but a career for young people. Employment rates are such that demand has kept wage expectations at competitive levels; the average gross salary of an international contact center operator is around €650.

### Major Players:



- Favorable conditions for energy production from almost all types of renewable energy sources.
- The renewable energy market is unsaturated and ready to receive new investments.

# RENEWABLE ENERGY SOURCES

 [www.merz.gov.rs](http://www.merz.gov.rs)

## Sector Overview

Serbia is country rich with renewable energy sources. It is estimated that the total potential of renewable energy accounts for 4.3Mtoe. Biomass is by far the biggest renewable resource which Serbia possesses, although other resources such as hydro, solar and wind will also play important roles in the future development of renewable energy sector in Serbia.

In spite of its high potential, the renewable energy in Serbia is in its initial phases of development. By 2020 the Republic of Serbia aims to significantly enhance the use of renewable energy sources and increase account of bio-fuels in total fuel consumption in the transport sector. The first big step to developing the renewable energy sector in Serbia was enacted in 2009 when the government adopted a decree, which introduced a stimulating feed-in tariff system for energy produced from renewable sources in power plants. According to this decree, feed-in tariffs are guaranteed for every renewable energy source for at least 12 years.

Furthermore, in November 2009, the Italian and Serbian governments signed an agreement that allows Serbian

renewable energy producers to export green energy to Italy at prices significantly higher than those of the local market. Finally, in 2011, Serbia introduced a new Energy law which has for the first time included renewable energy as its complementary part. According to this law, the Serbian state is now permitted to issue guarantees of origin, which will provide to the final customer assurance that a given share or quantity of energy was produced from renewable energy sources. This document is an important precondition for successful export of energy produced from renewable energy sources.

In addition to the establishment of legislative framework, a number of projects in various fields are currently in the pipeline. Currently, there are more than 30 small power plants projects being developed in Serbia. In wind energy, the ministry responsible for energy has issued licenses for approximately 1.4 GW to prospective projects. Furthermore, Serbia expects huge solar park projects in the near future. However, apart from several smaller hydro power plants, Serbia does not have any significant projects realized in the field of renewable energy. This leaves a lot of room for investment in all segments of the industry.

## Main Projects in Pipeline:





# WHERE TO INVEST?

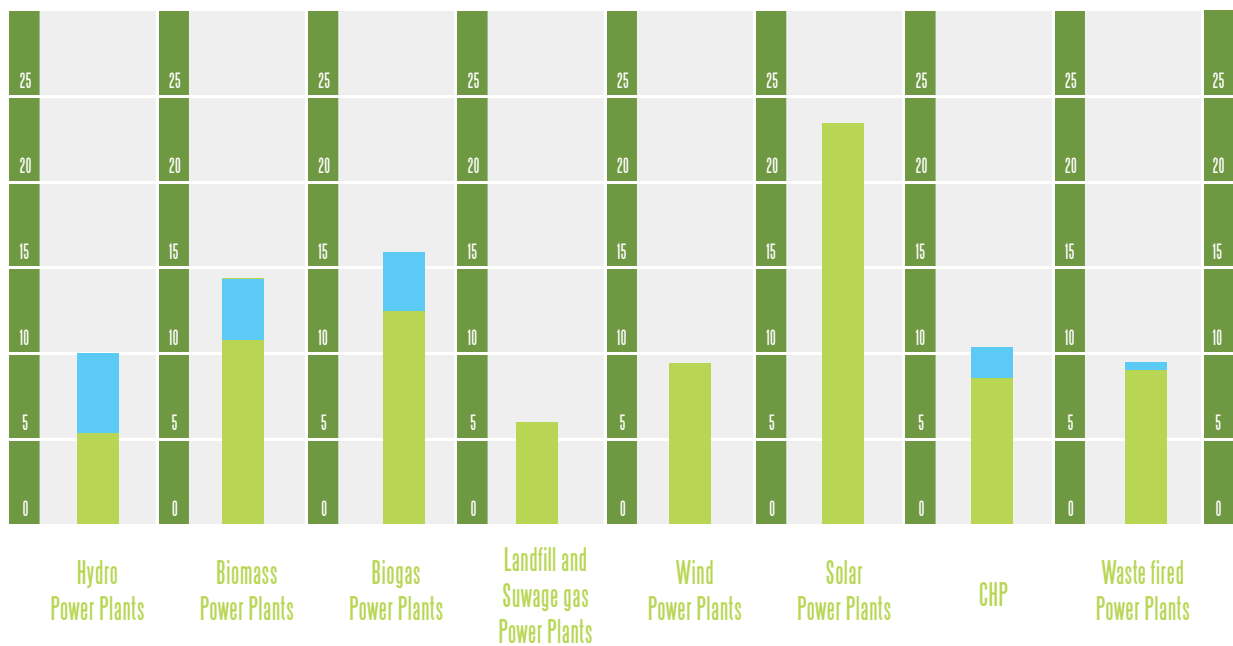
- Extensive marketing opportunities: stimulating feed-in tariff system on the local market and preferential export opportunities



Source: Ministry of Energy, Development and Environmental Protection

## Feed - in Tarrifs for Renewable Energy Power Plants in Serbia (€/kWh)

■ For higher capacity power plants  
■ For smaller capacity power plants



Average price for industry users Serbia, as shown on page 21 is 5.39 €/kWh.

Source: Ministry of Energy, Development and Environmental Protection

- Among the highest office yields in Central and Eastern Europe
- Strong demand for residential space across the country
- Shopping center stock well below the CEE average

# REAL ESTATE

MEET US AT:

EIRE, Milano, Italy

Expo Real, Munich, Germany

MIPIM, Cannes, France

## Sector Overview

2011 brought many challenges to all participants in the real estate market in the region. Although it is too early to talk about the overall improvement and restored confidence, the market has witnessed international companies who have chosen Serbia instead of, for instance, the Czech Republic, Slovakia, or Bulgaria, which is quite encouraging.

In that regard, major lease acquisitions in the office segment were thus linked to some of the key global blue chip companies such as Microsoft, Sanofi Aventis, NCR, Medtronic, Alcatel-Lucent, SGS, LG Electronics, and Wrigley, to name a few. Consequently, the vacancy rate which exceeded 25% in 2010, which was largely due to the increased office stock and companies' reluctance to move or to expand their businesses, is experiencing a downward trend, falling to a two-year low of 21%. Likewise, the total take-up has also shown a significant increase relative to the previous year, while the number of small deals is declining in favor of the number of medium deals. In terms of relative development, Belgrade office stock has increased by a quarter million square meters of marketable office space over a five-year period. At the end of 2011, gross leasable area stood at 500,000 square meters.

In contrast, the segment with the most promising investment potential is the retail market. As the sector is underdeveloped with only two modern western-style shopping centers on offer, it offers vast opportunity for both international developers and retailers. As reference point, present retail stock in Belgrade, including all shopping formats, is 200,000 sq m, two times less

than what is on offer in Zagreb, a city whose population is half the size of Belgrade's. Likewise, Budapest's shopping center stock is almost 5 times larger than Belgrade's, even though these two cities have approximately the same population size.

Despite the financial and administrative difficulties that have been and continue to slow down many pipeline projects, it is evident that the retail segment is the one that will dominate in the next couple of years. The construction of several western-type shopping centers is being considered, which would eventually increase the total stock and attract new retail brands to Serbia. Recent market entrants that have enriched the offer both in high street zone and in shopping centers are Guy Laroche, GAP, Marella, Sherri Hill, Yves Rocher, C&A, Takko Fashion, Deichmann, Napapijri and Quiz, to name a few. A particularly notable trend in this market niche is further diversification into new shopping formats, such as out-of-town retail parks. This is principally due to the lack of available financing for large-scale shopping centers schemes, which forces developers to focus on less expensive retail parks, as well as increased demand from retailers attracted by the enticing combination of strong turnover and lower operating costs.

The residential market has seen a correction of sales prices throughout 2011, although the prime areas with quality product maintained stable prices. 2012 will not see dramatic price changes for on the residential market. The probability for an increase in large-scale developments will remain low.

## Major Projects:

*Airport City Belgrade, Belgrade; Block 67, Belgrade; Big Center, Novi Sad*

## WHERE TO INVEST?


- Strong local demand and duty-free export access  
to Russian, EU and SEE market

- Wide opportunities in sawn wood, engineered wood products, furniture, and paper production

- Top-quality raw base materials

### MEET US AT:

 MOW, Bad Salzungen, Germany

 Mebel, Moscow, Russia

# WOOD AND FURNITURE INDUSTRY

## Sector Overview

FTAs with CEFTA, the EU and Russian Federation provide for vast opportunities of customs-free export of office furniture. Made-in-Serbia furniture has a good reputation on the Russian market. This creates many ways in which international companies can cooperate with local ones - either through subcontracting, undertaking a Greenfield or Brownfield investment, or entering a Joint Venture. Moreover, numerous Serbian construction companies are engaged on projects in the Russian Federation, further increasing demand.

One of the sub-sectors of the industry with the brightest future is production of massive furniture offering comparative advantages such as: local raw materials, low-priced labor force, energy prices lower than in other European countries, and a strategic geographic position that allows fast shipment. All these benefits represent advantages relative to Asian competition. Almost all producers of solid wood furniture from Serbia are successful, as they focus on exporting to Germany, France, Belgium, Austria, and Switzerland. Upholstery production is also a strong point for Serbia. Simpo, the biggest producer in Serbia and the region and an esteemed supplier of IKEA, is followed by Dallas, Lagado, Eurosalon and Extraform, which are widely recognized for their style and quality. Serbian companies dominate the region, especially in Macedonia, Bosnia and Herzegovina, Montenegro, Croatia and Albania. To support the local and regional demand for chipboard furniture, there have been significant investments into automated lines for

production of chipboards, especially by Austrian company Kronospan, the largest multinational company in this domain, and Fantoni from Italy. Interior design is also a sub-sector from which Serbian companies achieve great results not only in smaller markets like Montenegro and Greece, but also in larger countries like the Russian Federation.

Forests cover some 2.252.400 hectares (29.1%) of the territory of Serbia. Broad leaves constitute 90% of Serbian forests, while the remaining portion is made up of various conifers. The main tree groups of Serbian natural forests are beech (40%), oak (30%) and other broadleaves. Some 30% of forests are certified by FSC standard, while the rest are undergoing certification. In the local market, forestry is closely linked to the construction industry, matching its outputs to the demand of this sector. As the Serbian real estate market is growing, local market needs are increasing. The development and growth of this sector is also associated with the expansion of the banking sector and the wide availability of personal loans.

The skill-set for the wood processing industry is constantly improving. There are 22 high schools specialized in wood processing, while the Forest Sciences Faculty at the Belgrade University produces around 1,000 graduates annually. Serbian companies also have long-standing traditions of supplying western buyers.

### Major Players:



- The most important sectors are furniture design, architecture, publishing, advertising, video, and computer media.
- The most profitable are music and motion picture and video production.

# CREATIVE INDUSTRY

MEET US AT:

Salone Internazionale del Mobile  
/Zona Tortona, Milano, Italy

## Sector Overview

The creative industry is a significant component of the modern Serbian economy that taps into a knowledge-based society and raises the image of the country as a whole. The creative professional services constitute a flexible, high-quality, and export-oriented part of the Serbian creative sector which comprises 3,861 enterprises and employs 21,000 professionals. Many of the existing businesses are small enterprises and studios specializing in specific market segments and attractive services. Belgrade, Novi Sad and Nis offer significant concentrations of creative sector enterprises offering strong infrastructure, distribution network channels, and a vast supply of creative workforce.

Serbian artists are recognized globally: The global competition for the Human Rights Logo was won by the Serbian designer Predrag Stakic. His winning masterpiece, pigeon forming a hand called „Free as a man“ will be used universally as a sign for human rights.

*Film in Serbia* For more than half a century, Serbia has been developing its film tradition. Former Yugoslavia was an attractive set for different international film productions, especially in Serbia. Avala Film Studios hosted a number of impressive American film projects – Long Ships, Kelly's Heroes, The Aviator, Shatterhead, Castle Steep, Genghis Khan, and The Fortunate Pilgrim starring Sophia Loren.

Serbia is once again emerging as an attractive film location offering regionally superior studios, pristine nature, elegant city looks, and a highly-skilled workforce. Serbia is the only country in the region to establish a film commission. The Serbia Film Commission, a member of the Association of Film Commissioners International (AEC), promotes Serbia as a film location and supports domestic and international film productions. In addition, Serbia offers alluring film incentives amounting to a 20% cash rebate. This has resulted in attracting numerous international film productions. Recent productions that were filmed in Serbia include Coriolanus, The Raven, District B13 (Banlieue 13), The Brothers Bloom, and The Big Picture (L'Homme Qui Voulait Vivre Sa Vie).

*Creative Space Serbia (CSS)* SIEPA supports the creative industry in Serbia, covering design, film, advertising, fashion, music, architecture, and art. For the past four years, SIEPA has organized and funded participation of young Serbian designers at Salone Satellite and Zona Tortona in Milan, Italy. The designers selected in a competitive process have a unique opportunity to work with local companies in the production of their pieces which are exhibited at these prestigious design shows. In addition, CSS supports a number of creative activities in Serbia and abroad.

## Major Productions:

*Coriolanus, The Raven, District B13, The Brothers Bloom, The Big Picture*

SIEPA

If you know what you're looking for,  
we know where to find it

# SIEPA SUPPLIERS DATABASE™

Upgrade your business by buying products and services from Serbia. In order to assist you in doing just that, we have developed a comprehensive tool that enables on-line browsing of our SIEPA Suppliers Database™ and find the suitable product or component for your business. This ever-expanding database currently has around 2.500 suppliers and is searchable by various criteria such as product, sector, technology, region, and others. We set in once you find the product and shortlist companies. By using our vast experience with the Serbian industry, we will help you select the right company and put you in contact with the key people to make sure you establish mutually-beneficial business cooperation.

# 05 STEPS TO TAKE

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GETTING TO  
AND WORKING  
IN SERBIA

OFFICE AND  
RESIDENTIAL  
SPACE  
MARKET

CONSTRUCTION  
PROCEDURE

## Starting a Business in Serbia

Company types in Serbia are similar to those in other countries. Usually, international investors pursue business in Serbia by setting up a Limited Liability Company, for which the minimum capital required is as low as €1. Other available forms available include Joint Stock Companies, for which the minimum capital required is around €26,500 (RSD 3 million). Insurance companies must operate in the form of a Joint Stock company and with an operating license issued by the National Bank of Serbia. Minimum capital requirements range from €2-4 million for companies providing life insurance to €1-4.5 million for those offering other forms of insurance.

A representative office can be founded in Serbia, but a foreign parent company assumes responsibility for all obligations that may occur as a result of the representative office's performance in Serbia. The office must be registered with the Serbian Business Registers

Agency. A representative office does not have the status of a legal entity, and it may have one or more branches in Serbia.

The Company Law in force is in accordance with the European Union's directives and the latest trends in harmonization with the EU legislation.

Within the statutory deadline of 5 days, the Business Registers Agency will issue a decision on the registration of a company, along with the registration and tax identification number (PIB), certificate on the registration with the Fund for Pension and Disability Insurance, and certificate and registration number with Republic Health Insurance Fund. The agency's headquarters are in Belgrade, and it also has 13 branch offices throughout Serbia (the list of cities can be found at [www.apr.gov.rs](http://www.apr.gov.rs)). The agency is also accepts applications over the Internet.

 [www.apr.gov.rs](http://www.apr.gov.rs)



The business registration procedure in Serbia typically takes around 5 business days.


“The registration of the company went on simple and fast. We think that the procedure is very rational and that the competent institutions in the state administration perform their work very professionally”.

*Mr. Milutin Ivanovic,  
Former General Manager,  
Knauf Beograd, Germany*

“Life is very cosmopolitan, it is very easy to integrate, and I have a great quality of life. It’s relatively easy for me to get back to the UK at weekends, as my children do not live here with me. But when they come over to visit, my kids love it.

Anthony Burnett,  
Former Plant Manager, Ball Packaging

## GETTING TO AND WORKING IN SERBIA

 [www.siepa.gov.rs](http://www.siepa.gov.rs)

Citizens of the EU member countries may travel and stay in Serbia for up to 90 days without a visa. The same regime applies to EU membership candidate countries and a number of other countries such as Argentina, Australia, Canada, Israel, Japan, Mexico, New Zealand, the Russian Federation, Switzerland, Turkey, Ukraine, the United Kingdom and USA (for a complete list of countries please refer to [www.siepa.gov.rs](http://www.siepa.gov.rs)). Residents of other countries traveling to Serbia for business purposes or permanent employment may obtain a business visa which is valid for up to 1 year from a Serbian embassy abroad.

Visas can be requested by submitting an application to the Consular Section of the responsible Embassy or Consulate General. There are three types of visas that are available: Short stay visas (type C visa), Transit visas (type B visa) and Temporary residence visas (type D visa). Short stay visas are mainly issued for tourism, business and other travel needs and may be valid for single, double or multiple entries into the Republic of Serbia. The duration of an uninterrupted stay and/or the total duration of successive visits of a foreigner with a short stay visa shall not exceed 90 days within a period of six months, starting on the day of the first entry. Short stay visas with multiple entries option are valid for up to one year, for a maximum stay of 180 days.

To start employment in Serbia, a foreigner must be granted the approval for temporary residence as well as the approval for employment. Temporary residence may be approved for a period of up to one year and may be extended multiple times for the same duration. Business Permits are issued to company founders, directors of companies with foreign shareholders, directors of representative offices, directors of banks, bank representative offices, insurance companies, and their representative offices; Work Permits are issued to all non-Serbian citizens looking to establish employment. The prerequisite for this is the proposed employment contract and letter written on company letterhead that explains the company’s need for the expatriate’s skills. A work permit is issued for a period of at least 3 months, but not more than 12 months. It always has the same validity period as the temporary residence permit. It can be renewed without any obstacles.

Temporary residence can also be obtained on the basis of ownership over residential or business structure, professional specialization, training, engagement at NGOs, private visits, as well as to accredited journalists, officers of international institutions and university professors.

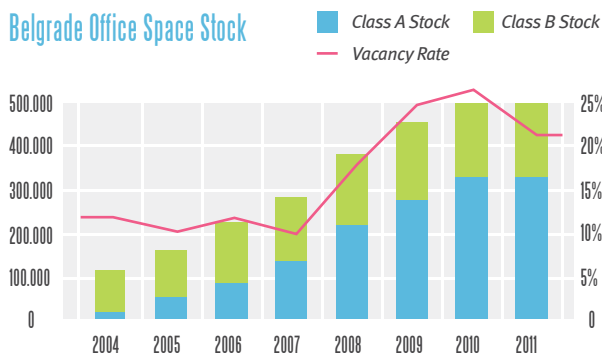


“I have lived in Belgrade for 4 years and I must say, personally, I believe that Belgrade is the most attractive and most interesting city in Europe. There is no doubt”.

Doerte Weidig,  
Former President of ProCredit Bank, Serbia

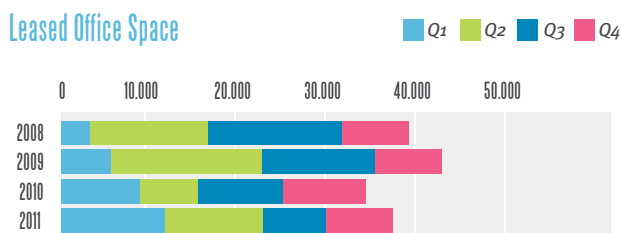
# OFFICE AND RESIDENTIAL SPACE MARKET

Investors can also rent or buy office space in all major cities in Serbia. Speculative stock of modern Class A and Class B office buildings in Belgrade as of late 2011 stood at approximately 500,000 sq. m of gross leasable area (GLA), with a vacancy rate of roughly 22%. The graph below shows the development process of Belgrade office stock:



Source: CB Richard Ellis

There was a decrease in demand in the second half of 2011 relative to the same period in 2010. Still, despite weak results achieved in this period, YTD, leasing activity in general was strong and increased by approximately 10% compared to 2010.



Source: CB Richard Ellis

Rental levels of both Class A and Class B office space remained mostly stable throughout 2011. Asking rental values of Class A office buildings varied between €14-16/sq m/month, while average asking rents of Class B stock amounted to around €12/sq. m/month. However, achievable rental levels, with incentives included, stand at around €13.5/sq m for Class A and €11/sq m/month for Class B buildings.

## Residential Market Developments

In addition to residential projects targeting growing demand in mid-end markets, strong development has also been recorded in high-end market categories for a high-income population looking for elite apartments or houses. Based on official statistics, a number of constructed residential units in Serbia and Belgrade constantly grew up to 2008; a downward trend was recorded in 2009 and 2010. 5,684 residential units were constructed in Belgrade during 2010, a decrease of 7.6% relative to 2009 and a decline of 27.7% compared to 2008.


Even though demand increased, prices of residential units remained mostly unchanged during 2011 due to the high number of projects. In central Belgrade municipalities, average asking prices of high-quality projects are around EUR 2,700 (VAT included), with mid-end projects varying between EUR 1,500-2,100, with tax included.

Prices of consumer goods in Serbia stand at 52% of the European average. Prices of clothes and footwear are near the European average (98 and 95%, respectively), while the food and beverages price index stands at 65%.

“Mace would invite major investors to join Microsoft, Lukoil, Intesa Sanpaolo, Coca Cola, Telenor, and Mace itself. The Serbian economy is on the move, has the right attitude for future growth and a stable political and financial platform to move forward”

Mr. Mark Richards,  
Business Development Director International,  
Mace International.

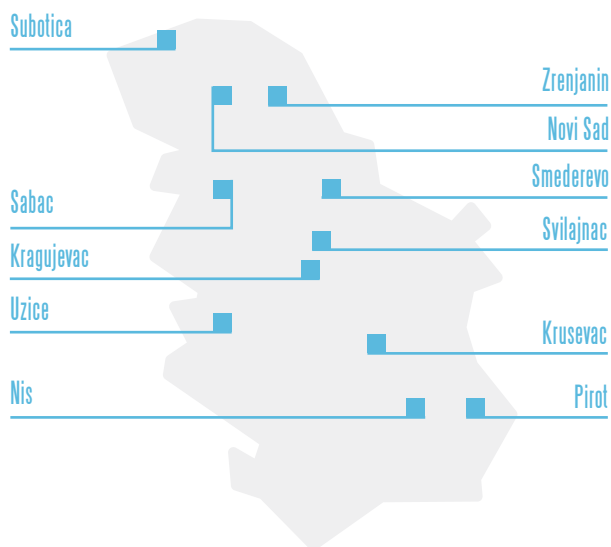
# CONSTRUCTION PROCEDURE

 [www.mgu.gov.rs](http://www.mgu.gov.rs)

 [www.usz.gov.rs](http://www.usz.gov.rs)

The Law on Planning and Construction provides for private ownership over construction land and enables its further transfer. Urban construction land may be purchased or leased from a municipality through either public bidding or public tender where the land is sold or leased to the highest bidder. However, municipal authorities have, and often exercise, the power to lease the land at a fee lower than the market value or free-of-charge with the prior consent of the government.

## Free zones in Serbia



Additionally, a plot of agricultural land may be converted into construction land with approval of the competent bodies and payment of the land conversion fee.

Once a Location Permit is obtained from a municipal authority, an investor applies for the Construction Permit, which is issued within 8 days from the date of submission of the application. A structured technical inspection is done upon the completion of construction. It may sometimes be carried out simultaneously with the construction process, upon which the Occupation Permit is issued. The final stage in the construction process is the registration of an initiated structure in the Real Estate Cadaster or in the Land Book Registry kept by a Municipal Court.

As an additional benefit for companies to streamline their operations, many municipalities have offer the possibility of operating within designated industrial zones. Such zones offer advantages such as streamlined process for obtaining land, favorable geographic location and ready-to-use infrastructure. Currently, eleven of those industrial zones are also licensed free customs zones. Import into and export from these zones is free of VAT, customs and clearance, while income generated from production within the zone is exempt from taxation. If goods are produced within zone using a minimum of 50% of domestic components, they are considered of a Serbian origin and are therefore eligible to be imported into Serbian territory or exported without customs, pursuant to free trade agreements.

The logo consists of the word "SIEPA" in white, uppercase letters, centered within a solid blue square.

SIEPA

Greenfield and Brownfield Sites That  
Match the Color of Your Business

# SIEPA INVESTMENT LOCATIONS DATABASE™

A SIEPA database of more than 500 available Greenfield and Brownfield sites throughout Serbia will ease your quest for locations that suit the needs of your business. The database is easy to browse: you just need to choose the size, rough geographic location and few other details, and you will instantly get a list of matching locations. Couple that with municipality-specific data also, and you will be able to screen the list of potential locations and come up with a shortlist.

Let us take it from there and advise you on the final selection and further steps to be taken.

 [serbia-locations.rs](http://serbia-locations.rs)

# USEFUL CONTACTS

## Ministries

### ***Office of the Prime Minister***

Belgrade, Nemanjina 11  
Phone/Fax: +381 11 3617-586  
E-mail: kabinetpremijera@gov.rs  
www.srbija.gov.rs

### ***Ministry of the Interior***

Belgrade, Bulevar Mihajla Pupina 2  
Phone: +381 11 306-2000  
Ext: 2601  
E-mail: info@mup.gov.rs  
www.mup.gov.rs

### ***Ministry of Finance and Economy***

Belgrade, Kneza Milosa 20  
Phone: +381 11 3614-007; 3642-606  
Fax: +381 11 3618-961  
E-mail: press@mfp.gov.rs  
www.mfp.gov.rs

### ***Ministry of Foreign Affairs***

Belgrade, Kneza Milosa 22-26  
Phone: +381 11 306-8000; 3616-333  
Fax: +381 11 3618-366  
E-mail: msp@mfa.rs  
www.mfa.gov.rs

### ***Ministry of Regional Development and Local Self-Government***

Belgrade, Vojkovicева 10  
Phone: +381 11 333-4210  
Fax: +381 11 333-4181  
www.mrrls.gov.rs

### ***Ministry of Construction and Urban Planning***

Belgrade, Nemanjina 22-26  
Phone: +381 11 3616-518  
Fax: +381 11 3616-521

### ***Ministry of Agriculture, Forestry and Water Management***

Belgrade, Nemanjina 22  
Phone: +381 11 3065-038; 3065-039  
Fax: +381 11 3616-272  
E-mail: press@mpt.gov.rs  
www.mpt.gov.rs

### ***Ministry of Education, Science and Technological Development***

Belgrade, Nemanjina 22-26  
Phone: +381 11 3616-489  
Fax: +381 11 3616-491  
E-mail: kabinet@mp.gov.rs  
www.mp.gov.rs

### ***Ministry of Energy, Development and Environmental Protection***

Belgrade, Nemanjina 11  
Phone: +381 11 3617-722  
Fax: +381 11 3617-588  
E-mail: kabinet.min@merz.gov.rs  
www.merz.gov.rs

### ***Ministry of Natural Resources, Mining and Spatial Planning***

Belgrade, Nemanjina 11  
Phone: +381 11 3617-717  
E-mail: info@ekoplan.gov.rs  
www.ekoplan.gov.rs

### ***Ministry of Labour, Employment and Social Policy***

Belgrade, Nemanjina 22-26  
Phone: +381 11 3617-587  
E-mail: ministar@minrzs.gov.rs;  
kabinet@minrzs.gov.rs  
www.minrzs.gov.rs

### ***Ministry of Foreign and Internal Trade and Telecommunications***

Belgrade, Bulevar Mihajla Pupina 2  
Phone: +381 11 3112-916  
Fax: +381 11 3114-650  
E-mail: kabinet@mtt.gov.rs  
www.mtt.gov.rs

## Other Relevant Institutions

### **National Bank of Serbia**

12, Kralja Petra St., 11000 Belgrade  
Phone: +381 11 30 27 100  
Fax: +381 11 30 27 394  
E-mail: kabinet@nbs.rs  
www.nbs.rs

### **Serbian Business Registers Agency**

25, Brankova St., 11000 Belgrade  
Phone: +381 11 20 23 350  
Fax: +381 11 33 31 410  
E-mail: register@apr.gov.rs  
www.apr.gov.rs

### **Privatization Agency**

23, Terazije St., 11000 Belgrade  
Phone: +381 11 30 20 800  
Fax: +381 11 30 20 828  
E-mail: info@priv.rs  
www.priv.rs

### **Customs Administrations**

155a, Bulevar Zorana Djindjica St., 11070 Belgrade  
Phone: +381 11 2015 800  
Fax: +381 11 311 72 72  
E-mail: pr@carina.rs  
www.upravacarina.rs

### **Statistical Office of the Republic of Serbia**

5, Milana Rakica St., 11000 Belgrade  
Phone: +381 11 24 12 922  
Fax: +381 11 24 11 260  
E-mail: stat@stat.gov.rs  
www.stat.gov.rs

### **National Employment Service**

8, Kralja Milutina St., 11000 Belgrade  
Phone: +381 11 29 29 800  
Fax: +381 11 29 29 980  
E-mail: odgovori@nsz.gov.rs  
www.nsz.gov.rs

### **Belgrade Stock Exchange**

1, Omladinskih brigada St., 11070 Belgrade  
Phone: +381 11 31 15 328  
Fax: +381 11 31 14 286  
E-mail: info@belex.rs  
www.belex.rs

### **National Tourism Organization of Serbia**

18, Cika Ljubina St., 11000 Belgrade  
Phone: +381 11 6557 127  
Fax: +381 11 2626 767  
E-mail: office@serbia.travel  
www.serbia.travel

### **University of Belgrade**

1, Studentski trg, 11000 Belgrade  
Phone: +381 11 303 5550  
Fax: +381 11 3207 481  
E-mail: officebu@rect.bg.ac.rs  
www.bg.ac.rs

## Other Useful Contacts:

### **National Agency for Regional Development**

5/6, Trg Nikole Pasic, 11000 Belgrade  
Phone: +381 11 20 60 888  
Fax: +381 11 33 46 107  
E-mail: office@narr.gov.rs  
www.narr.gov.rs

### **Vojvodina Investment Promotion – VIP**

23d, Narodnog Fronta St., 21000 Novi Sad  
Phone: +381 21 47 23 240  
Fax: +381 21 47 21 921  
E-mail: office@vip.org.rs  
www.vip.org.rs

### **Agency for Investment Promotion and Business Support in Central Serbia**

10/V, Dr Zorana Djindjica St., 34000 Kragujevac  
Phone: +381 34 338 077  
Fax: +381 34 338 077  
E-mail: office@invest-in-central-serbia.org  
www.invest-in-central-serbia.org

### **Regional Development Agency Eastern Serbia (RARIS)**

1, Trg Oslobođenja St., 19000 Zajecar  
Phone: +381 19 426 376  
Fax: +381 19 426 377  
E-mail: office@raris.org  
www.raris.org

### **National Alliance for Local Economic Development (NALED)**

4a/2, Zetska St., 11 000 Belgrade  
Phone: +381 11 334 7634  
Fax: +381 11 334 7614  
E-mail: naled@naled-serbia.org  
www.naled-serbia.org

### **Serbia Chamber of Commerce**

13-15, Resavska St., 11000 Belgrade  
Phone: +381 11 33 00 900  
Fax: +381 11 32 30 949  
E-mail: kabinet@pks.rs  
www.pks.rs

### **Foreign Investors Council**

37, Svetogorska St., I Floor, 11000 Belgrade  
Phone: +381 11 303 5550  
Fax: +381 11 303 5560  
E-mail: office@fic.org.rs  
www.fic.org.rs

### **American Chamber of Commerce in Serbia**

24, Smiljaniceva St., I Floor, 11000 Belgrade  
Phone: +381 11 30 88 132  
Fax: +381 11 30 88 922  
E-mail: info@amcham.rs  
www.amcham.rs

### **Delegate office of German Industry and Commerce for Serbia**

19-21, Toplicin venac, 11000 Belgrade  
Phone: +381 11 2028 010  
Fax: +381 11 3034 780  
E-mail: info@ahk.rs  
www.serbien.ahk.de



*"Europe's New Capital of Cool", **Sunday Times***

*"Belgrade one of the ten "hotspots" of Europe", **Lonely Planet Guide***

*"Les folles nuits de Belgrade", **Le Monde***

*"City of Future", **Financial Times***

*"For the real beguiling Balkan spirit, it has to be Belgrade. It is a city where hospitality crackles in the air and where looking good is a birthright. Simply irresistible", **CNN Traveler***

*"Serbia... a natural combination of Oriental passion and European finesse", **Time Out***

*"The real Belgrade is in the people – they are generous, warm and extraordinarily friendly- they will go to any lengths to help and make you welcome", **Spaces Magazine***

*"After taking my traditional Sunday stroll down Knez Mihajlova, I feel enlivened", **Herald Tribune***

*"No 1 to Party the Night Away", **Times Magazine***





[www.doingbusinessins Serbia.com](http://www.doingbusinessins Serbia.com)

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