




GUIDE TO

**FOREIGN
INVESTORS
COUNCIL** 2019/20

PARTNER FOR GROWTH

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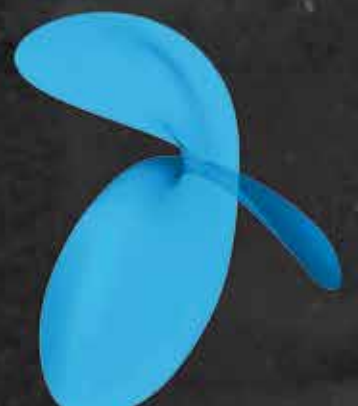
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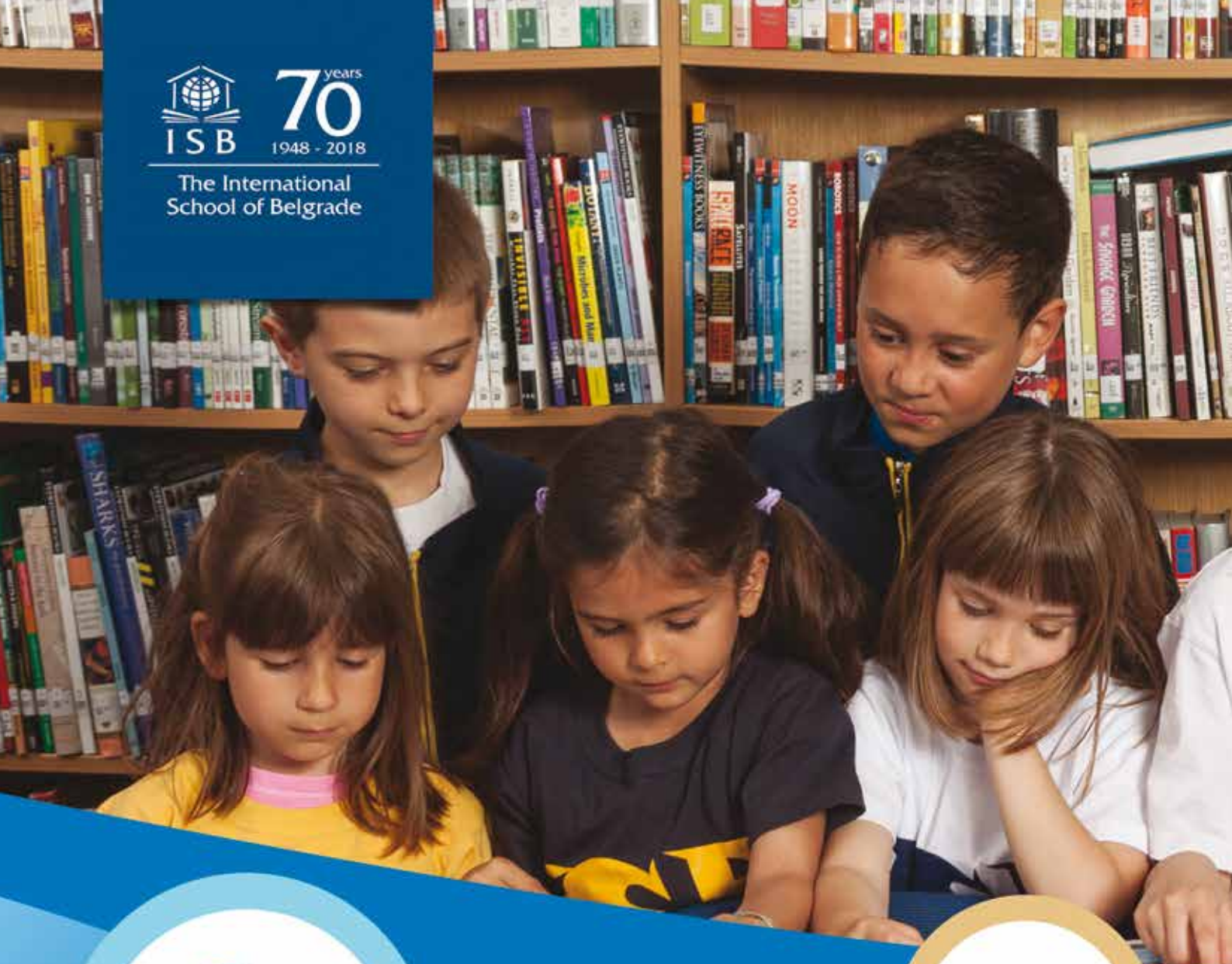
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12 CHAMPIONS NEED TO DELIVER CONTINUOUSLY
COMMENT

14 INVESTORS HAVE FAITH THAT SERBIA WILL PROGRESS



YANA MIKHAÏLOVA
President of the Foreign Investors Council and CEO of Nestlé South East Market (Adriatic region, Romania and Bulgaria)

18 REAPING THE FRUITS OF SUCCESSFUL REFORMS



ZORANA MIHAJLOVIĆ
Serbian Deputy Prime Minister and Minister of Construction, Transport and Infrastructure

22 ENCOURAGING GROWTH IS OUR NEW CHALLENGE
SINIŠA MALI
Serbian Finance Minister



35 QUALITY IS KEY TO OUR DECADES OF EXPERIENCE
MILOŠ VUČKOVIĆ
Executive Board Chairman of JUBMES Bank a.d. (JSC), Belgrade

36 PROGRESS MUST BE MAINTAINED



H.E. SEM FABRIZI
Ambassador and Head of Delegation of the European Union to the Republic of Serbia

26 HARMONISING WITH EU POLICIES IS A PRIORITY OF THE MINISTRY



BRANISLAV NEDIMOVIĆ
Serbian Minister of Agriculture, Forestry and Water Management

30 WE STAY TRUE TO OUR COMMITMENTS TO BREWING A BETTER WORLD
NIKOS ZOIS
Managing Director of HEINEKEN Serbia

32 PRESERVING STABILITY IS KEY



JORGOVANKA TABAKOVIĆ
Governor of the National Bank of Serbia

39 STRONG SUPPORT FOR SERBIAN EXPORT GROWTH
DEJAN VUKOTIĆ
Director of AOFI, Serbian Export Credit and Insurance Agency

40 PILLARS OF SUSTAINABLE GROWTH YET TO BE REINFORCED



DEJAN TURK
Vice President of the Foreign Investors Council and CEO of VIP mobile and A1 Slovenia

44 WE EXPECT REFORMS TO CONTINUE



VLADISLAV LALIĆ
Vice President of the Foreign Investors Council and Regional Property & Expansion Manager of Ikea Srbija

46 BOTH US AND OUR USERS ARE SATISFIED



DRAGANA MARKOVIĆ
Director of the Tax Administration

49 IMPROVING THE OVERALL BUSINESS CLIMATE WILL BRING EVEN MORE INVESTMENT
DEJAN TURK
Vip mobile CEO

50 DIGITALISATION BRINGS OBVIOUS BENEFITS FOR THE ECONOMY AND THE STATE
MIHAÏLO JOVANOVIĆ PH.D.
Director of the Serbian Government Office for Information

KONSTRUKTOR

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59 GROWTH PATH BASED ON COMPETITIVE STRENGTHS
 RONAN CONROY
 General Director of BPI d.o.o. (Ltd.),
 Agri Business Partner d.o.o. (Ltd.)

Technology and e-Government

53 GOOD INVESTMENT
 VELJKO TODOROVIĆ
 Grundfos Serbia Plant Manager

54 WE'RE RUNNING A MARATHON



ALEKSANDAR LJUBIĆ
 Executive Director of the Foreign Investors Council

56 REFORMS NOT ONLY ATTRACT BUT KEEP INVESTORS



ZSUZSANNA HARGITAI
 Director of the European Bank for Reconstruction and Development (EBRD) for the Western Balkans

60 AMBITIOUS REFORM AGENDA REQUIRED



SEBASTIAN SOSA
 IMF Resident Representative in Serbia

64 PRAISE BRINGS EXPECTATIONS



DUBRAVKA NEGRE
 Head of the European Investment Bank (EIB) Regional Office for the Western Balkans

67 SHIFTS ARE VISIBLE; SYSTEMIC ACCESS REMAINS LACKING

DRAGAN PENEZIĆ
 President of the Anti-Illicit Trade Committee of the Foreign Investors Council (British American



(Karanović & Partners o.a.d.)

Tobacco SEE Ltd.)

68 UTILISE BUSINESS SECTOR EXPERTISE IN THE DIGITALISATION DOMAIN



NEBOJŠA JOVANOVIĆ
 President of the Digital & E-Commerce Committee of the Foreign Investors Council (Raiffeisen Bank a.d. Beograd)

69 FASTER HARMONISATION OF REGULATIONS WITH THE EU TOWARDS A MORE COMPETITIVE FOOD AND AGRICULTURE SECTOR



DRAGANA STIKIĆ
 President of the Food & Agriculture Committee of the Foreign Investors Council (Nestlé Adriatic S Ltd.)

70 MODERN BUSINESS CONDITIONS SEEK MORE FLEXIBLE ORGANISATION OF LABOUR



MILENA JAKŠIĆ PAPAC
 President of the Human Resources Committee of the of the Foreign Investors Council

71 FURTHER ACCELERATE THE ECONOMIC GROWTH TREND



ĐORĐE POPOVIĆ
 President of the Infrastructure & Industrialisation Committee of the Foreign Investors Council (Telenor d.o.o.)

72 HARMONISE INSURANCE SECTOR REGULATIONS WITH EUROPEAN PRACTISES



DUŠAN LALIĆ
 President of the Leasing & Insurance Committee of the Foreign Investors Council (Generali Osiguranje Srbija a.d.o.)

73 COOPERATION FOR BETTER REGULATION



IGOR ŽIVKOVSKI
 President of the Legal Committee of the Foreign Investors Council (Živković Samaržić a.o.d.)

74 ZJOINT WORK TO THE LATEST THERAPIES



RADOMIR CEROVIĆ
 President of the Pharma Industry Committee of the Foreign Investors Council (Roche Ltd.)

75 CONTINUING TO ADDRESS CHALLENGES TO REAL ESTATE SECTOR DEVELOPMENT



IVAN GAZDIĆ
 President of the Real-Estate Committee of the Foreign Investors Council (Petričić & Partners a.o.d., in cooperation with CMS Reich-Rohrwig Hainz)

76 CONSULTATION WITH BUSINESS IS THE ROUTE TO HIGH-QUALITY SOLUTIONS AND A PREDICTABLE ENVIRONMENT



DRAGAN DRAČA
 President of the Taxation Committee of the Foreign Investors Council (Pricewaterhouse Coopers d.o.o)

77 CREATE SPACE TO IMPROVE SERVICE QUALITY



DANIEL ŠUŠNJAR
 President of the Telecommunications Committee of the Foreign Investors Council (Telenor Ltd.)

78 KEY MESSAGES

**NEW
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Champions Need To Deliver Continuously

Being a champion in attracting foreign direct investments is a sign of macroeconomic achievements, as well as an improved business climate. However, it is also a warning that the promise of accelerated reforms has to be kept

Much has been said about the Greenfield FDI Performance Index 2019, compiled by fDi Intelligence – a data division of The FT – which ranks Serbia number in terms of the number of new projects launched in 2018 relative to the size of its economy. Indeed, no one would dispute that attracting almost 12 times the amount of Greenfield FDI that could be expected given the size of its economy is good news. What is even more important is that the ranking is not a one off success, but rather a sustained achievement. Serbia took first place on the same list in 2016 and was ranked second a year later.

Clearly, foreign investors increasingly see Serbia as a place where it would be wise to invest. This judgement is obviously based on the achievements that Serbia has made in reforms during previous years, as well as on the personal testimonials of investors already operating in Serbia. Yet there is another dimension to this. New investments are coming on the premise that existing favourable trends – in terms of the country's transition to a fully-fledged market economy aligned with EU standards and a business climate conducive to growth and the creation of new jobs – are to be maintained and improved.

The countries that top such rankings mostly tend to be small, as measured according to their GDP, and in a developmental phase. As economist Vladimir Gligorov points out, expectations are much higher for large and developed countries, in view of the size of their GDP, so many projects would be required for them to be ranked among the leading countries according to this criterion.

Another important element that's revealed by the fDi Intelligence ranking is that Serbia tops the list on the basis

of the number of projects, and not on the basis of their value. Most of the new investments are directed towards the automotive industry, real estate, food production and the textile industry, which are well known as industries that create a lot of jobs for cheap labour and little added value for the country. Moreover, the type of investment also shows that Serbia is seen as a country with a rising but relatively basic standard of living and a strong and growing diaspora community that sends money home.

Achieving a lot, as the Serbian government has done in the previous period, often represents success achieved from a very low starting base. Now that basics like fiscal consolidation and a sound budget have been mastered, it isn't easy to progress

by leaps and bounds. Yet, gradually, international financial organisations – with the IMF being the most recent – and foreign and domestic businesses and economic experts are sending warnings to the Government that it might be suffering from reform fatigue. "Accelerate reforms" – this is a universal message that has been emanating for some time, from

“Accelerate reforms” – this is a universal message that has been emanating for some time, from macroeconomic data, expert discussions and business circles

macroeconomic data, expert discussions and business circles.

The government and businesses increasingly see digitisation as a promising path – not only to greater growth, but also to attracting more complex investments based on innovation and the creation of high-paid jobs and a better quality of life as an antidote to the disturbing brain drain.

Provided it is embraced seriously, this path of intervention probably won't lead to a similar ranking on the fDi Intelligence Index. Indeed, as Gligorov rightly stresses, "if expectations based on GDP trends are corrected upwards, one should expect Serbia to gradually descend on the ladder, which would be a positive trend". ■

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Investors Have Faith That Serbia Will Progress



YANA MIKHAILOVA

President of the Foreign Investors Council and CEO of Nestlé South East Market (Adriatic region, Romania and Bulgaria)

The economic milieu in which domestic and foreign companies operate has shifted forward. However, in order to bring conditions for doing business in Serbia closer to European standards, the country needs to accelerate reforms and improve law enforcement. Investors that are coming are counting on that acceleration and expect Serbia to further embrace reforms

Sustained macroeconomic stability is an important element that makes Serbia attractive for the arrival of new investments. “The business environment is evolving in the right direction, as is the regulatory framework. Probably not at the speed most of the business community would have expected, but it could be said that the regulatory framework is now quite well

aligned with that of Europe,” says Yana Mikhailova, President of the Foreign Investors Council and CEO of Nestlé South East Market (Adriatic region, Romania and Bulgaria).

Having said that, there is a big gap in law enforcement compared to the EU. “Visible progress in that area would provoke many entrepreneurs, big and small, to invest more, and confirm Serbia’s

EXPECTATIONS

The FIC's main expectations of the government are to work on structural reforms and improve the implementation of laws

VALUES

We are interested in supporting important projects that are not exclusively related to business, but that have a positive impact on the society by creating shared value

PRIORITY

What is essential for Serbia is not the speed of accession, but preparedness to become a part of the large EU community and be ready to face competition

position as the most attractive investment spot in the region," says the FIC president, adding that – in order for that to happen - it is important to move beyond economic stability and accelerate along favourable macroeconomic indicators.

"Investors that are coming to the country are counting on that acceleration. They expect Serbia to further embrace reforms and cover the gap between its own economy and those of neighbouring countries advancing towards the EU," says our interlocutor. "As for whether Serbia would be able to outpace other countries in the Western Balkans in attracting FDI, I'm sure it would."

► Which of the strategic priorities of reform and EU integration would you single out as being the most current at this juncture?

– Building a resilient open economy will be necessary for the country to be ready to (hopefully) enter the EU. The FIC's main expectations of the government are to work on structural reforms and improve the economy's resilience.

On the top of that, we've highlighted eight priorities as the most important areas to be worked on by the joint FIC-GoV Task Force: taxes, labour, inspections, food safety, real-estate, digitalisation & e-commerce, bankruptcy and Forex. Progress in these areas would be of interest to all market participants and would contribute greatly to the economy's growth.

► Numerous debates are being led in Serbia about whether the Western Balkans and Serbia will remain among the priorities of the EU. How much can the FIC – through dialogue with EU institutions and the government – contribute to speeding up the pace of integration?

– We are always advocating for Serbia's accession, as economic integration into the EU brings predictability and transparency, and increases the competitiveness of the economy. The FIC itself has a unique capability to give support to Serbia's accession process. FIC member companies have a deep understanding of



The business environment is evolving in the right direction, as is the regulatory framework, yet the pace is somewhat moderate

both the EU and Serbian markets, and can thus help in the smooth transition of the Serbian market into the EU. We will continue our traditional visits to Brussels, where we can provide feedback on how the process is evolving and what

priorities have to be set for aligning Serbian reforms with the EU's governmental strategies.

► Accelerated economic growth and improved living standards are two of the major topics that are debated in Serbia. How much do the FIC's members contribute to achieving these goals, and how do they see room for further growth?

– FIC members are among the biggest companies in Serbia. I think, however, that the most important things about these companies are not their scale, ►►

but rather their experience, the way they invest in people and create new jobs, the knowledge and innovations they bring; their mentality, long-term commitment to the country and efforts to always raise the bar when it comes to improving the business climate. FIC members provide knowledge and knowhow from other European countries and share their feedback in a very transparent way.

Furthermore, the FIC gathers companies that are among the Serbian market's best employers. They set benchmarks on compliance, respecting the laws, paying full taxes and benefits, protecting employees and investing in people.

Companies came here with a long-term commitment to develop their businesses while creating shared value for the society, and that means supporting important projects that are not exclusively related to business, but that have a positive impact for the society.

► **The White Book monitors reform progress through a scoring system, while the FIC Index was introduced as of 2017 in order to compare the progress made between all the areas covered by the White Book. What does it tell us about the greatest shifts in individual areas, and what kinds of signals does it send regarding the priorities in the period ahead?**

– A few years ago we made an innovation in the White Book by introducing score cards, as a very clear indicator of whether or not some progress had been achieved in each of the listed areas. It gives both us and the government a signal of where to place our focus. However, it is important to note

that there are sometimes profound changes that are not yet at the stage where they can be measured. One such example is food safety legislation, where a lot has been going on, as well as the tax area, where we can see certain developments that are yet not recorded in the White Book.

Let me emphasise one of the best examples of well-executed reforms, which happened in the area of oil and gas. It is ranked 8 of 67 in the White Book, which is good, and has to do with combating illicit

trade by tracking all gas products and rendering illicit trade visible. This reform brought value to everybody: to the state, legitimate businesses and citizens.

Traditionally, one of the areas that performs well is transport infrastructure. We will see whether this progress will also continue this year.



One area in which Serbia is well positioned to create a competitive gap vis-à-vis the EU is digitalisation

► **The ratings given in the White Book reflect the experiences of member companies. How much opportunity do your members have to convey their experiences to public policymakers?**

– Policymakers are there to make regulatory changes. What we can do is share our experience and issue position papers, which are a result of a well-designed process through which over a hundred FIC member companies contribute to the White Book by engaging in different committees with either a specific or general focus. The question is how willing counterparts are to hear the recommendations. The FIC has a continuous dialogue with the government in different formats. What we would like to see are public debates before any change in legislation. Such an approach assures transparency, and the better implementation of legislation. The government is increasingly following that procedure and we respect that.

► **A more direct form of cooperation between the Government and the FIC was established two years ago, at the initiative of then Prime Minister Aleksandar Vučić. How are experiences in cooperation to date and how can improvements be made?**

– In January 2017, the White Book Task Force was formed with the idea of advancing the implementation of reforms. However, like all new tools, we needed some time to find ways to move forward. After we evaluated the results achieved with the Government, we decided to re-launch the Task Force and try to dedicate resources and energy to a limited list of priorities in order to achieve a better result in 2019. When we launch a new White Book, we will see whether there were certain or significant improvements in the areas listed. ■

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Reaping The Fruits Of Successful Reforms

ZORANA MIHAJLOVIĆ

Serbian Deputy Prime Minister and Minister of
Construction, Transport and Infrastructure

There's nothing more important to the development of a country than investing in infrastructure, and over the last four years Serbia has built around 300 kilometres of highways and reconstructed some 500 kilometres of railway tracks. The reforms implemented in the previous period are yielding results, which we can best see in construction



We can today say that the field of construction has been completely regulated, with which all conditions for it to develop have been created. Electronic building permits have been introduced, and new laws have been adopted, or amendments to the laws on planning and construction, legislation, conversion, cadastral entries and construction products. Serbia has one of the world's best systems for the issuing of building permits, and that's not something that we say – rather that's according to the World Bank's Doing Business Index, says Zorana Mihajlović Ph.D., Serbian Deputy Prime Minister and Minister of Construction, Transport and Infrastructure, with whom we discussed the broader context of reforms and the current issues in her domain of work.

► **The Foreign Investors Council contributed to changes in your field with its expertise in identifying appropriate solutions. How is your cooperation with the Council today and on which areas is it focused?**

– The Ministry of Construction, Transport and Infrastructure and the Government of Serbia devote great attention to cooperation with the Foreign Investors Council, considering that the Council represents the interests of more than 120 companies that employ more than 97,000 people and that have, to date, invested more than 34 billion euros in Serbia.

The focus of this cooperation is certainly on realising the measures recognised in the scope of the White Book of the Foreign Investors Council, for which a joint working group of the Council and the Government of Serbia has also been formed.

During the last half a year, the Ministry has been working intensively with representatives of the Council and other relevant ministries and institutions on harmonising the 'Work Plan' of the Working Group for Implementing the Recommendations of the White Book. We expect to harmonise the positions of the Council and the relevant authorities and organisations by the end of September, in order to start implementing them as soon as possible.

CADASTRE

Cadastral reform is as important to us as the introduction of electronic building permits, and the aim is to have a fully electronic real estate register by year's end 2020

INVESTMENTS

Alongside highways, we are continuing to invest in railways, waterborne transport and aviation, while the total value of infrastructure projects – including current and planned projects – is approximately 14 billion euros

CONTINUITY

Constant increases in the number of active construction sites and the number of issued building permits show that reforms in the real estate sector have come to life

In terms of the specific areas addressed by the White Book, the best results have been achieved in the areas of 'Real Estate and Construction' and 'Electronic operations, E-Commerce and E-Government', while we've also recorded certain progress in the areas of 'Food Inspections and Safety' and 'Bankruptcy and Foreign Currency Operations'. On the other hand, the majority of recommendations in which there is disagreement between the Council and the competent ministries relate to issues in the domains of 'Taxes' and 'Labour', so the focus in the period ahead will certainly be on creating conditions to enable certain progress in these areas.

► **Reform of the real estate cadastre is making constant but limited progress. Why are there still examples in practise of inconsistent applications of the law by different real estate registration services?**

– The real estate cadastre is one of the most important registers, and cadastral reform itself is one of the most important and complex reforms. The Ministry has primarily dealt with improving the work of the cadastre at the legislative level, with the adopting of the Law on the Registration Procedure in Real Estate Cadastre and Plans. The positive effects of this law can already be seen, because the registering of property is now completed in one place, with a notary, instead of by visiting five counters. The average number of days required for the electronic registration of real estate in the second quarter of 2019 was around eight days, while the average in 2017 was 191 days. Moreover, through the implementation of administrative oversight, the Ministry controls the work of the Republic Geodetic Authority and its services, and that form of control was conducted in 2018.

Under the auspices of the project "Improving Land Administration in the Republic of Serbia", which is being implemented with the support of the World Bank, a new central information system for the real estate cadastre is being established, while work is also being undertaken to improve the quality of data, as well as the digitalisation of business processes. All activities carried out under the scope of this project are planned for completion by 2021, in accordance with a dynamic plan

that will have its implementation monitored in cooperation with the World Bank.

► **In terms of the attracting of foreign investment and the balanced development of Serbia, which of the projects in the field of transport infrastructure would you single out as being the most important?**

– There is nothing more important to the development of a country than investing in infrastructure, and over the last four years Serbia has built around 300 kilometres of highways and reconstructed some 500 kilometres of railway tracks. During this year we are completing Corridor 10, with the southern

section already opened to traffic and the eastern section to be completed this autumn. Likewise, in 2019 we'll also have a total of 120 kilometres of highway open to traffic on Corridor 11 from Surčin to Čačak.

In parallel with the completion of ongoing projects, we've prepared ourselves for new ones, and thanks to that this year and next will see the launch of the construction of as many as five new highways. We've started works on the Preljina-Požega section, along Corridor 11 in the direction of Montenegro, and during summer we're awaited by the start of work on the Sremska Rača-Kuzmin highway, a section of the Belgrade-Sarajevo

highway, as well as on the Moravian corridor, from Pojate to Preljina, which will link corridors 10 and 11. In addition to this, works should commence this year on the Ruma-Šabac-Loznica highway and high-speed road link, and next year on the first section of the Niš-Merdare highway, from Niš to Pločnik. With these projects we're creating conditions for the accelerated development of Western Serbia and the districts of Srem, Mačva and Toplica, as well as Central Serbia, which will be connected internally for the first time with the construction of the Moravian Corridor.

► **How many active construction sites are there in Serbia today?**

– There are more than 40,000 active construction sites in Serbia today, which – for example – is three times more than in 2015, when there were fewer than 13,000 construction sites. The ►►

In terms of the specific areas addressed by the White Book, the best results have been achieved in the areas of 'Real Estate and Construction' and 'Electronic operations, E-Commerce and E-Government', while we've also recorded certain progress in the areas of 'Food Inspections and Safety' and 'Bankruptcy and Foreign Currency Operations'

value of construction works conducted in Serbia in 2018 was 13.9% higher compared to the previous year, representing an increase of more than 40 billion dinars. The total value of works has increased over the last five years by more than 140 billion dinars, or almost 1.2 billion euros – having totalled 189.5 billion dinars in 2013.

Construction was a driver of GDP growth in 2018, with the construction sector's share of GDP increasing from 4.1% in 2017 to 4.7% in 2018, while there was a continued upward trend in the total number of building permits issued – from 18,477 in 2017 to 19,635 in 2018.

► **How are reforms in the area of railways progressing at this juncture?**

– Reforms of the railways have been implemented successfully to date, which is also confirmed by the assessments of international financial institutions, which mention Serbia as an example to other countries.

The first significant step in reforming the railway sector was the separation of elements of joint-stock company Serbian Railways A.D. with the establishment of new rail enterprises: Infrastruktura železnice Srbije A.D. [Serbian Railway Infrastructure JSC], Srbija voz A.D. [Serbia Train JSC] and Srbija Kargo A.D. [Serbia Cargo JSC], which was completed in 2015. A legislative framework was then established, in 2016, that made it possible to open the railway market. We've now reached the point where Serbia's railways – in addition to two state-owned transport companies – have eight private railway operators providing transport services. Moreover, the Serbia Cargo enterprise has been operating without subsidies since its separation.

The losses of railway companies have been reduced by around six billion dinars since 2015, with the repayment of historical debts and investment in the development of capacity from internal resources.

Through reorganisation and increasing the efficiency of employees, the basis has been created to optimise the number and structure of employees. During the three-year programme of the newly formed companies, about 5,000 workers departed, while during the same period some 300 employees of specific executive services were hired, along with a smaller number of engineering personnel with various specialisations.

In addition to this, the network has also been streamlined with the adopting of two decisions to suspend public transport of passengers and goods, in September 2016 and April 2017, relating to a total of 1,091 kilometres of tracks that have not seen transport operations for decades. In this way, Serbian Railway

Infrastructure JSC will have annual savings of around 30 million dinars – considering the lack of economic interest in maintaining and organising transport on the aforementioned lines.

► **The scope of your ministry's work includes six EU accession negotiation chapters. How would you assess the level of harmonisation of Serbia's regulations with the EU Acquis when it comes to road and rail safety?**

– The Ministry of Construction, Transport and Infrastructure leads the work of the Negotiation Group for Chapter 14

- Transport Policy and Chapter 21 - Trans-European Networks, while it also participates in the work of seven other negotiation groups. When it comes to the Negotiating Groups that we lead, it can be said that we, at the ministry, and the European Commission are satisfied with the level of progress. We completed the screening process without additional requirements and submitted the negotiating position. It is now up to the EC to invite us to formally start negotiations.

In the area of road traffic safety, we've amended the Law on Road Safety, through which a large number of provisions from EU regulations were incorporated. By-laws enable additional progress in this area, and work on them is progressing continuously.

Moreover, through the Berlin Process, which has been ongoing for several years between the Western Balkans and the EC, it is evident that we are a long way ahead of others in the region when it comes to this field.

Legislation governing railway safety has been adopted, implemented and applied. With the adoption of the new Law on Railway Safety, the Law on Accident Investigations for Aviation,

Railways and Waterborne Transport, as well as a number of guidelines, full compliance has been achieved with Directive 2004/49 on safety on the Community's railways.

► **Do you expect any of the chapters within your domain to be opened in the near future?**

– Negotiating positions for Chapter 14 - Transport Policy and Chapter 21 - Trans-European Networks were submitted to the European Commission – after being adopted by the Government in October 2018 – vi the Negotiating Team tasked with leading Serbia's EU accession negotiations. In the period ahead, we expect a decision to be brought on the opening of these two chapters at the Intergovernmental Conference between the Republic of Serbia and the EU. ■



The economic stability and continuous economic growth achieved contribute significantly to the situation in the construction sector being the best in the last few years

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Encouraging Growth Is Our New Challenge

SINIŠA MALI

Serbian Finance Minister

We will continue implementing our fiscal policy in a responsible and credible way, but we'll also employ measures that are within our remit – through the tax policy and in other ways - in order to stimulate economic growth



Preserving hard-won fiscal stability and financial balance remains our priority, but we're also adding another priority to that – identifying mechanisms of economic growth, says Serbian Finance Minister Siniša Mali.

► **You've announced a significant increase in investments in road and rail infrastructure for the next year. How will this impact on overall fiscal stability?**

– After we succeeded in stabilising our public finances over the past few years, we set ourselves the new goal of achieving high rates of growth. On the other hand, we also want to maintain the hard-won stability of public finances. Expenditures in public investments won't jeopardise fiscal stability – on the contrary, it can only prove to be an incentive for the further growth of our economy.

Moreover, if you invest in road infrastructure it automatically leads to greater attractiveness for investors. It is precisely roads and developed railways that provide investors with faster and shorter routes for transporting manufactured goods – all of which implies more jobs and a more secure future for our citizens.

In the last five years alone, We've constructed almost 300km of a brand new highway in Serbia over the last five years alone, with 103.35km completed just in 2018. We want to continue at an even faster pace.

When it comes to growth rates, our economic growth reached 4.3% last year, and we want that trend to continue in the years ahead. This will actually enable us to implement the investment cycle worth 12 billion euros that was announced by Serbian President Aleksandar Vučić.

► **What kind of effects do you think the announced increase in the minimum wage will have on the Serbian economy's competitiveness?**

– Increasing the minimum cost of labour is actually important in order to improve the quality of life of Serbian citizens. On the other hand, we are also working to further reduce the

GROWTH

It is only with greater economic growth that we can raise the standard of living of citizens and catch up with Europe's more developed countries

INCENTIVES

Specific measures for unburdening the economy create space for new employment and – along with an improved financial system and favourable conditions for borrowing – also provide an incentive for private investment

INVESTMENTS

We want more factories and even more foreign direct investment, because that's the only way we'll be able to impact on improving the living standards of this country's citizens

tax burden on earnings, as we are aware that this will make Serbia even more attractive to all those who already operate in our country or are planning to launch their business here.

Apart from increasing wages and pensions, increasing the minimum cost of labour will also impact greatly on the level of average income in Serbia, so we expect that to increase to 500 euros per month as early as this December. The tough reforms that we've implemented have created the possibility for us to work today on creating better standards of living for citizens.

► **The Ministry of Finance recently launched consultations with the business community and is organising meetings aimed at exchanging views on existing and future regulations. Does this finally mean that the practise of passing laws in this field under emergency procedures will be abandoned?**

– The voice of the economy is extremely important to both the state and citizens, and that's something we're very well aware of. I started holding meetings with various business communities from the moment I took on the position of minister, and I immediately instructed my team to consult with all relevant parties during the period of writing laws. We don't want laws that will remain as dead letters, but rather laws that will regulate the areas they relate to in a proper way and that will be harmonised, which is why public debates are essential.

► **How would you rate cooperation with the Foreign Investors Council in this context? To what extent does the ministry rely on the FIC's expertise when it comes to issues related to tax?**

– Instructions from the White Book are very important for us, where recommendations are provided for improving regulations that will ease the operations of businesses. We would also like reforms to be implemented faster and more efficiently, which is why we're listening to what business world participants in Serbia have to say. However, everything requires time and certain preconditions, and our precondition was the tough reforms that we had to traverse in order to create conditions to ease business. One shouldn't forget that the business environment has changed significantly for the better. When it comes to tax issues, we're working

to unify tax practises, which is a thorn in the eye for those doing business here. So, our aim is to finally reach the point – within the framework of Tax Administration reforms – at which procedures are respected and processes related to the business scene are predictable. We've done a lot, but there's still plenty of work ahead of us.

► **Which regulations are in your focus and what kinds of changes can be expected?**

– We're awaited by the adoption of several important laws concerning the development of the capital market by the end of this year. That package of system-specific laws will contribute to the development of our financial market. This primarily relates to the Law on Alternative Investment Funds and amendments to the existing Law on Investment Funds.

The Law on Alternative Investment Funds will also support so-called 'venture capital funds' – which invest in entrepreneurs, young people, ideas... in order to develop them further. It is important for us that young entrepreneurs fund their ideas in the right way, in order for them also to be provided with appropriate tax breaks, and in order for them to be able to utilise their full potential. Young people are the carriers of future development,

which is why we'll devote additional attention to them through various programmes and policies.

► **The FIC has been advocating for years for the introduction of "Instructions for the implementing of tax laws", in the form of an accompanying document for each law, instead of numerous guidelines/rulebooks and opinions. Is it operationally possible to implement this recommendation?**

– Requests of taxpayers aimed at simplifying and ensuring uniformity in the application of tax regulations are always current. This is especially important for SMEs that don't have sufficient capacities to secure adequate expert support. A problem objectively exists – and that's not only the case in our country, but also in much more developed tax jurisdictions. Reducing the number of by-laws that regulate individual taxes would certainly improve the situation and make it easier for taxpayers to navigate their application. We're also planning concrete activities in this sense, with the Ministry of Finance and USAID having launched a project aimed at replacing ►►

Instructions from the White Book are very important for us, where recommendations are provided for improving regulations that will ease the operations of businesses

more than 30 rulebooks/guidelines concerning VAT with a single rulebook in the first half of next year.

► **How much progress has been made on the modernisation of the Tax Administration? Has the risk of the Tax Administration behaving differently in similar situations now been reduced?**

– We've taken tangible steps this year that relate, first and foremost, to separating the basic and secondary activities of the Tax Administration. Currency exchange jobs were transferred to the NBS at the beginning of this year, while jurisdiction for games of chance was transferred to the newly formed administration of the Ministry of Finance as of 1st March 2019. This area was previously under the jurisdiction of the Tax Administration. We've strengthened our inspection oversight, while the merging of field and office controls is planned for this year. Moreover, the number of tax admin branches has also been reduced from 78 to 38, with 17 branches set to be reduced to seven in Belgrade alone.

The tax administration has considered the needs of citizens in terms of tax forms, such as the tax on the transfer of absolute rights for motor vehicles and real estate, the tax on inheritance and monetary gifts, and the tax on holding, carrying and using assets. It is precisely for this reason that the Sector for Separated Activities was established, which has organisational units at locations throughout the Republic of Serbia where taxpayers can also file their tax returns in paper form.

► **To what extent has the introduction of e-solutions in the tax domain led to reductions in trade in the grey economy?**

– We improved our tax administration processes significantly in the previous period, primarily through the introduction of new technologies and the development of electronic systems for filing tax returns and paying taxes. As of 1st January 2018, taxpayers have been able to submit all tax returns under the jurisdiction of the work of the National Tax Administration electronically, via the e-Porezi portal, which enables the quick, simple and secure filing of tax returns from a user's computer.

The new national programme for combatting the grey economy envisages reducing the volume of operations in the grey zone by nearly 200 million euros and transferring at least 11,000 workers and 9,000 businesses from the grey zone into legal flows over the course of the next two years. Over 50 per cent of activities have been implemented since the adoption of this programme in April this year, but we

want all of them to be implemented in full and will work on that in the period ahead.

► **When it comes to E-government, what further changes can businesses and citizens expect when it comes to settling tax obligations?**

– All avoidance of paying tax means less money for schools, nurseries, hospitals or a better quality of life for citizens. I believe citizens understand this link between tax and a better quality of life.

When it comes to some changes in the domain of settling tax obligations, the first phase of developing the E-inspector portal has been completed. Transparency, reduced risk of corruption, greater efficiency, better coordination and the electronic exchange of data between inspection services, as

well as stronger control over the work of inspectors themselves, are some of the effects of the way inspections will work in Serbia in the future.

A Contact Centre for all inspectors will also be created, so they will be able to report all complaints and oversee the process. By the end of this year, the E-inspector system will also be linked to the E-government portal, in order to introduce full transparency to the work of inspectors. The end goal is the electronic receiving of tax obligation calculations and electronic payments.

► **Which principles will form the basis of the 2020 budget?**

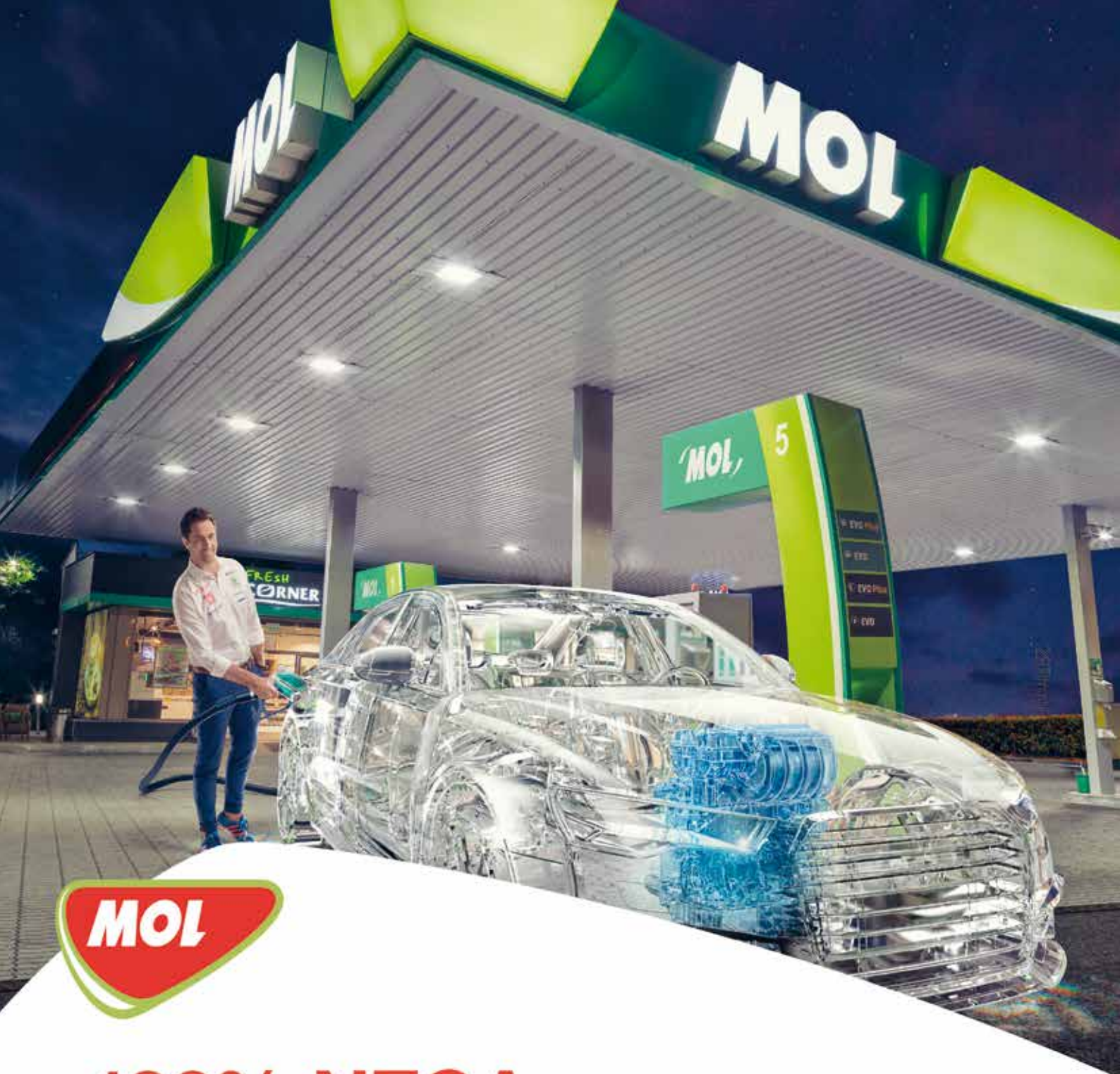
– Increasing the transparency and visibility of the entire budget process, which will be followed by an adequate public debate in parliament, respect for the budget calendar and the adopting of the 2020 budget on time, within the deadlines set – these are the tasks entrusted to myself and my team and that we will work on. Preserving the hard-won fiscal stability, financial

balance, will certainly remain our priority, but we are also adding another priority – identifying mechanisms for economic growth. We will also try – through the tax policy, but also in other ways such as enacting regulations for developmental and other investment funds – to provide that which is within our jurisdiction with an incentive for this economic growth.

It is only with greater economic growth that we can raise the standard of living of citizens and catch up with Europe's more developed countries. Social inequalities have been identified as an important factor limiting economic growth and social progress as a whole. That's why an important segment of our work on the budget will be the "nuancing" or mitigating of these inequalities through responsible, more even and more balanced budgeting. ■



The tough reforms that we've implemented have created the possibility for us to work today on creating better standards of living for citizens



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Harmonising With EU Policies Is A Priority Of The Ministry


BRANISLAV NEDIMOVIĆ

Serbian Minister of Agriculture, Forestry
and Water Management

One of the Ministry's most important priorities is further harmonisation with the EU's Common Agricultural Policy, i.e. with relevant food safety, veterinary and phytosanitary policies, but also with the EU's Common Fisheries Policy

Agriculture's share of gross value added to total GVA over the last ten years has ranged from 7.3% to 8.8%, while the share of GVA from agriculture within the country's total GDP has recorded a level of between six and 7.4%. The Ministry of Agriculture, Forestry and Water Management works constantly on the introduction of measures that will contribute to this sector's modernisation.

At this juncture, it is too early to make estimates of agriculture's share of GDP in 2019, but it is highly likely that for some crops this year's results will be at a slightly lower level than last year, as indicated by preliminary estimates of the production of individual crops. We asked Serbian Agriculture, Forestry and Water Management Minister Branislav Nedimović what he considers the key challenges in reforming the agriculture sector.

► **Why is the agricultural sector not sufficiently utilised as a lever for progress, despite its clear potential in that regard?**

– One of the basic problems of local agriculture is the fragmentation of farms and estates, which prevents farms, to a great extent, from realising the effects of economies of scale in their production. Moreover, the majority of market-orientated households operate independently on the market, which ensures they don't have sufficient bargaining power and often lack sufficient quantities for long-term contractual arrangements in the market chain. That's why the often mentioned associating of farmers is important, and on its side the Ministry implements specific measures and criteria for the forming and strengthening of associations in the field of agriculture.

The age structure of farmers shouldn't be overlooked

EURO-INTEGRATION

Serbia has spent a number of years working on the formatting of the institutional framework in such a way that it will be equivalent to the European institutions and countries that engage in trade with us

INVESTING

The Ministry of Agriculture invests constantly in incentives for increasing the productivity and competitiveness of agricultural production

RELIABILITY

With the building and constant strengthening of institutions, we ensure the reliability of our official controls and guarantee the health and safety of each of our products that are placed on the market

either, nor the fact that the number of farms has fallen by almost 10 per cent since the 2012 Agriculture Census. The average age of heads of farmsteads in Serbia is 61, which is two years older than was the case in 2012, according to statistics. The trend of increasingly older holders of farms isn't present only in Serbia – the deteriorating age structure of farmers is also evident in the European Union, which is why the EU has created special measures for young farmers, while the Serbian Ministry of Agriculture has implemented a similar policy that encourages young farmers to launch agricultural activities.

Another important problem of domestic agriculture is a short market chain, or the sale of primary agricultural products directly from farms, without additional processing at the farms themselves, or the production of higher value added products.

► What is the structure of the export of Serbian agricultural products and food like today, and to what extent are foreign investors represented in this sector?

– Almost three quarters of the total value of agriculture and food exports (72% in 2018) comprises primary agricultural products, while 27% of the value comprises processed agricultural products, with a negligible share of the export value coming from fish and fish products.

If we observe the structure of exports on the basis of export destinations, just over half of the export value of primary agricultural products is generated in the European Union (53% in 2018), while the CEFTA markets dominates when it comes to exports of processed agricultural products (40% in 2018).

► Which markets are opening up to Serbia when it comes to food exports and how able is Serbia to really take advantage of these opportunities?

– The most significant markets for the placement of agro-food products are certainly those where Serbia enjoys preferential access, and those are the markets of countries with which we have free trade agreements, either multilateral or bilateral.

The European Union is undoubtedly Serbia's most significant foreign partner in the area of the trade exchange of agricultural and food products, given that in excess of half of the total value of this trade is realised through trade with the EU. Likewise, the countries of CEFTA represent an important trade partner for Serbia, given that around a quarter of total annual exchanges of agri-food

Opportunities for preferential access to new markets have recently revealed themselves, so Serbia will be a signatory of the Free Trade Agreement with the Eurasian Economic Union

products are realised with CEFTA countries. A significant level of exchange is also achieved with the countries with which Serbia has bilateral free trade agreements (primarily the Russian Federation and Turkey).

► To what extent has the availability of IPARD funds contributed to the development of modern farms?

– The IPARD programme is primarily a development programme which has funds that are intended for the development and modernisation of agricultural smallholdings and processing capacities. Given that we're at the beginning of the programme's implementation, we don't have the mechanisms with which to determine the actual effects on the development of our agriculture, but

we expect them to be excellent. Specifically, we've had a growing number of requests with each public call conducted to date, which shows that great interest in the possibilities offered by IPARD funding prevails.

The first wave of a significant number of approved projects related to purchases of new tractors, and the implementation of these investments is well underway. If it is known that mechanisation on farms has an average age of around 30, the importance of the possibility of IPARD support in the purchase of new tractors and machinery is clear.

Farmers have also applied for funding for the construction and equipping of capacities for accommodating livestock, for investments in the modernisation of plantations, i.e. irrigation and anti-hail protection systems... All of these investments are aimed at increasing the productivity and competitiveness of agricultural production, and we hope that this will soon also be seen in the field.

When it comes to investments in processing capacities, most funds have been invested in the modernisation of equipment for processing and packaging products in the fruit processing sector, and the greatest impact in this regard will be felt in the regions of Šumadija and Western Serbia, which are traditionally known as fruit growing regions.

► What are your strategic priorities in further reforming the agriculture sector?

– x Bearing in mind Serbia's European integration process, particularly the complexity of negotiations in the areas covered by Chapter 11 (Agriculture and Rural Development), Chapter 12 (Food Safety and Veterinary and Phytosanitary Issues) and Chapter 13 (Fisheries), one of the Ministry's most important priorities is certainly further harmonisation with the Common Agricultural Policy of ►►

the EU, i.e. alignment with relevant food safety, veterinary and phytosanitary policies, as well as with the EU's Common Fisheries Policy. The aim of these extensive and complex activities is to ensure the timely adaptation of national policies and gradual adoption of the complex rules and requirements of EU policies in the areas addressed by these three chapters. In this sense, ahead of us is the adoption of a large number of regulations and the establishing of the necessary mechanisms for the future implementation of rules and measures that are harmonised with EU policies. All this requires the engagement of significant administrative capacities, the strengthening of which also awaits us in the period ahead.

One important result of European integration to date is the ability of Serbia to access funds from the fifth component of the IPA Fund (IPARD), the benefits of which are utilised by farmers directly. Specifically, following the accreditation of the Agrarian Payments Directorate, as an IPARD agency for the realisation of Measure 1 (Investments in the fixed assets of agricultural holdings) and Measure 3 (Investments in fixed assets related to the processing and marketing of agricultural and fishery products), which have already formed the basis for the realisation of the first projects, in the coming period, we are awaited in the period ahead by the accrediting of two more measures - Measure 7 (The diversification of agricultural holdings and the development of operations) and Measure 9 (Technical assistance).

► How much is Serbia investing in the creation of a transparent institutional framework and infrastructure when it comes to food safety?

– When it comes to the institutional framework and transparency, Serbia has spent a number of years working on the formatting of the institutional framework in such a way that it will be equivalent to the European institutions and countries that engage in trade with us. With the building and constant strengthening of institutions, both in terms of equipping them and in terms of procedures and the expertise of personnel, we ensure the reliability of our official controls and guarantee the health and safety of each of our products that are placed on the market. The EU has, through a series of technical assistance projects, equipped our institutions at

all levels, our laboratories, inspection services, veterinary and other services, to be able to properly, and in a timely manner, identify risks and threats to health and to respond in an appropriate way. Through the National Reference Laboratories and the Expert Council for Risk Assessment in the Field of Food Safety, which represent an important link in the chain of the system, we ensure reliable and transparent insight into the quality of the food that we consume.

► Which parts of this mechanism are lacking and what is your Ministry doing to address that?

– There are no parts of the food safety system in Serbia that aren't developed or have been omitted. What we have an obligation to do is to keep up-to-date with developments and evenly develop our services that are included in the food safety system. This is firstly done through continuous staff training and in the form of introducing new techniques for testing food, the health of animals and plants, and the maintaining of consumer health. We've spent years developing all segments of our relevant ministries, laboratories and other services, establishing institutions that deal with risk assessment. What we are working on now, among other things, is the more efficient coordination of laboratories, the introduction of - and of course adherence to - the principles of hierarchy in terms of the competencies of well-organised and accredited official laboratories.

► To what extent is the work of inspections and customs services in this area harmonised with EU standards?

– The work of these services is completely equivalent, i.e. harmonised, and the confirmation of this harmonisation is certainly represented by the possibility of exporting our products to the EU markets, the mandate of our Ministry to apply for or approve facilities for the export of food to the EU. Of course, this is continuous process that will never be finished and which demands constant investments in the hiring of expert personnel and in the equipping and educating of technical and administrative staff at all levels and in all relevant institutions and services. In this way we are also creating a favourable environment for new investments and exports of our products. ■



We are working on the more efficient coordination of laboratories and the introduction of - and of course adherence to - the principles of hierarchy in terms of the competencies of well-organised and accredited official laboratories

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NIKOS ZOIS

Managing Director of HEINEKEN Serbia



We at HEINEKEN Serbia strive to meet all the needs of local consumers, whilst at the same time – as one of the biggest brewers in the country - we feel a deep obligation to constantly advocate for responsible consumption

HEINEKEN Serbia Managing Director Nikos Zois knows our region very well, with his previous posts having included Greece and Bulgaria. This is what prompted us to ask him how he assesses the Serbian market's potential in terms of the beer industry.

► **What do you see as Serbia's specifics?**

– The Serbian beer market is competitive and unique, with its own particular demands, challenges and potential. As a country with a rich tradition and heritage, Serbia definitely has a specific culture ar-

ound food and hospitality, which is highly relevant to beer as a category.

Taking into account regional and socio-economic specificities, beer consumption per capita in Serbia is at a good level and consumers here are offered different taste profiles that address various brands and specific occasions.

Our motivation is to meet all the needs of local consumers and, accordingly, we have built a wide portfolio of high-quality brands. As one of the biggest brewers in the country, we feel deep responsibility to always be a responsible corporate citizen

by constantly advocating responsible consumption and addressing the importance of that message through our brands and on all occasions.

► **What role does innovation play in your type of business and what novelties do you intend to bring to HEINEKEN in Serbia?**

– At the HEINEKEN Company, both globally and locally, innovation is at the heart of our business. We believe that great ideas and innovative solutions come not only from our own people, but also from our consu-

mers. Innovation is a critical factor, since our consumers request it and are always willing to explore and try new offers. In that respect, the novelties we create and offer are related to beer drinking occasions, new types of beer and various pack types.

One of our innovations that we are proud of is the Blade®. It is a professional draught beer system. Blade's small footprint and innovative compression system, which doesn't require CO2 or other gasses, allows you to serve premium draught beer from any counter.

Around the world, a growing number of consumers are discovering the appeal of cider. In Serbia, with this year's launch of our refreshing apple cider Bandit, we aim to shape the cider category using the best apples for a refreshing and crisp apple taste. Cider and beer are also consumed at similar social occasions, thus making them great complementary partners.

► **Considering that living standards in Serbia are improving, how does this impact on your portfolio and sales figures?**

– The improvement of living standards touches our industry in terms of distribution channels, choice of brand and preferred pack types, concluded with the increasingly vast mixture of dining-out possibilities. Consumers nowadays appear to be limited in location only by their imaginations and the availability of specific beer brands.

Still, improved standards are not expected to hit consumption hard or increase it enormously, but it can certainly be expected that consumers will upgrade their preferences.

► **One of your achievements while you were in Bulgaria was to help improve the business climate and to position HEINEKEN as a preferred employer. What is important today if the company wants to secure and boost its talent pool?**

– There's a deep-rooted focus on employee engagement and motivation at HEINEKEN.

As a country with a rich tradition and heritage, Serbia definitely has a specific culture around food and hospitality that is highly relevant to beer as a category

We are inspired by our consumers to brew the best beers and we do so with the help of our passionate and talented employees. In order to secure and boost talent, it is important to have a solid recruitment process that recognises people with the potential to grow further and to provide developing opportunities in line with individual needs and preferences. We explore the benefit of international expansion and encourage career extensions all

around the world. Running a sustainable business and acting as a responsible citizen have become values that attract people when they are considering their career and ideal working environment.

► **How does HEINEKEN Serbia plan to contribute to the SDGs in Serbia?**

– We have already focused our business strategy on achieving the utmost differences in tackling social and environmental challenges. Development, growth and prosperity need not, and should not, be in conflict with sustainability and that is why our 'Brewing a Better World' long-term strategy — which encompasses water stewardship, reducing CO2 emissions, sourcing sustainably, advocating responsible consumption, promoting health and safety, and growing with communities — is one of our company's six business priorities.

We will only succeed if we go with the grain of what individuals and businesses want, and channel our creativity to confront the environmental challenges that we all face. Our strong commitment to the local community is reflected in our engagement in locally important sustainable issues, thus preserving heritage, tradition and nature.

I am truly convinced that, by fully integrating sustainability into the way we do business, we make a meaningful impact on the world around us and create added value for all of our shareholders. ■



Preserving Stability Is Key

JORGOVANKA TABAKOVIĆ

Governor of the National Bank of Serbia



The National Bank of Serbia will remain committed to preserving the country's financial stability in the period ahead. Given the country's openness to international flows, we must still be aware that stability doesn't depend only on our own results, but is rather also dependent on external challenges

The National Bank of Serbia is fully committed to the country's EU accession process. The NBS is the leading institution for EU Accession Negotiation Chapters 9 and 17, is the second most responsible for the chapter covering the free movement of capital, and also participates in the work of eight more negotiation groups.

"That's the largest number of chapters in which a central bank is participating, and that places the institution I head at the forefront in the domain of integration into European economic flows," says National Bank of Serbia Governor Jorgovanka Tabaković. "We have drafted an entire set of reformist laws with which we've improved legal certainty for participants in the financial market. It is crucial that services are now of a better quality, are more diverse and are more accessible to citizens."

When it comes to the remaining areas of harmonisation, the largest and most significant part of conditions for Chapter 17 has already been aligned by the NBS, insists the governor. "The remaining harmonisation in the field of

monetary policy relates largely to changes that will apply after accession to the EU. And we've already done the key work within the scope of Chapter 9".

► **From your perspective, what are the most important tasks for the central bank today, as a partner of the government, in creating conditions for further economic growth?**

– Without a dilemma, I would say that maintaining stability is key. The NBS has maintained low and stable inflation, at a level of about two per cent, for six years already. The government, with its decisive implementation of consolidation since 2015, has improved the fiscal result significantly. Thanks to the joint action of the NBS and the Government, our progress is sustainable, with which we've earned the confidence of market participants, as evidenced by the significantly reduced risk premium and extensive investments in Serbia. On the whole, we've significantly facilitated the realisation of business plans and created new opportunities for investment, to which

RATING

Further improvement of Serbia's credit rating implies maintaining favourable macroeconomic trends

DEDICATION

The Government and the NBS are fully dedicated to preserving stability and advancing the structural reform agenda

CONSISTENCY

Stability of the exchange rate and inflation has become a kind of "new normal", but that we will continue to maintain

the NBS also contributed by maintaining favourable conditions for financing and a healthy financial sector.

► **To what extent has the National Bank of Serbia's past monetary policy easing succeeded in contributing effectively to growth in domestic demand and growth in bank loans?**

– As of May 2013, we lowered our key policy rate from 11.75% to 2.5%, which is its lowest level since we began targeting inflation. This was also a key determinant for the sharp fall in interest rates on dinar loans granted to the private sector, which declined by over 11 percentage points. The fall in lending rates has been among the important factors in the recovery of credit activity since 2015 and its dynamic growth. Lending activity recorded almost double-digit growth in 2018, which has also continued into this year. In June 2019, corporate lending increased by 8.9%, while loans to households were up 9.7% year-on-year. This indicates unambiguously that monetary policy contributes directly to the growth of domestic demand. Simultaneously, thanks to the easing of the monetary policy, the costs of servicing existing loan obligations have also been reduced, which contributes to improving the economy's financial results and to the securing of funds for new investments, i.e. to higher disposable income for the population.

► **From the perspective of the central bank, what are the most important effects of further cooperation with the IMF, under the framework of the "house guardian" arrangement?**

– The new IMF cooperation programme is being implemented successfully and entered its second year in July. This is an arrangement that doesn't envisage the use of funds, but

rather advisory and technical assistance in the defining of the economic programme.

► **When will the NBS, or Serbia, be in a position to accept the IMF's recommendation and introduce greater flexibility to the exchange rate?**

– Bearing in mind the success of macroeconomic



We consider the constant growth of foreign direct investments as the best indicator that the level of liberalisation achieved in the domain of FX operations is high

mic reforms, as well as the National Bank of Serbia's contribution to their implementation through the achievement of the price and financial stability objectives, assisted to a great extent by the maintaining of the relative stability of the exchange rate, it is clear for all to conclude the importance of continuing to maintain such a monetary policy. Inflation targeting, and the compatible managed float exchange rate regime, represents one of the

key factors in the further growth and development of our country. The exchange rate on the domestic FX market is formed on the basis of the supply of and demand for foreign currencies, and the NBS intervenes only in case of a need, i.e. to ease excessive short-term volatility of the exchange rate, in an objective and impartial way on both the purchase and sale side, while not targeting any specific exchange rate or affecting its trend. The relative stability of the exchange rate has proved to be one of the key factors (secured as of August 2012) underlying improvements to the domestic macroeconomic environment which ensued and which transformed Serbia into a country that's recognised by foreign investors as a desirable destination for stable and secure investments.

► **In your opinion, does the stability we now have come at the right time to liberalise the Foreign Exchange Law?**

– In order to ensure more favourable conditions for doing business in Serbia, the NBS has repeatedly proposed amendments to the Foreign Exchange Law, which formed the basis for achieving a significant degree of liberalisation. The degree of liberalisation achieved in capital flows is fully aligned with the commitments Serbia assumed by signing the Stabilisation and Association Agreement. We carefully monitor the effects on macroeconomic stability and economic development, and regularly consider possibilities and conditions

for further liberalisation, whilst respecting demands for the creation of more favourable conditions for doing business, and in doing so considering the long-term maintaining of the financial stability achieved. We consider the constant growth of foreign direct investments as the best indicator that the level of liberalisation achieved is high and doesn't represent a barrier to the arrival of foreign investors. In accordance with the experiences of other ►►

countries that also gradually liberalised capital movements in their EU accession process, the remaining restrictions – which relate to deposit operations of residents abroad – will be abolished when Serbia becomes a full-fledged member of the EU.

► **Following the successful issuance of Eurobonds, with which an expensive debt has been replaced, what are your predictions regarding further trends in external borrowing?**

– The successful issuance of Eurobonds made it possible to replace the state's more expensive debts with cheaper ones, but conditions have also been created to greatly reduce the reference price for government and private sector borrowing on the international market. The NBS will, in cooperation with the Government, continue to preserve and strengthen macroeconomic and financial stability, thereby providing for sustained low risk premium and favourable external borrowing conditions and possibilities. Considering the results achieved in terms of reducing public and external debt, as well as the continued good performances of our economy, we can also expect further improvements in debt indicators in the coming years. Additionally, we also expect that access to affordable financing on the domestic market will improve in the period ahead.

► **Will an increase in pensions and the expected hike in electricity prices lead to a rise in inflation? What are the most important stabilisers of the local currency today?**

– Considering that the rise in pensions is aligned with the nominal GDP growth in Serbia, we don't expect an increase in inflationary pressures on that account. When it comes to the effects of a possible rise in the price of electricity, that cannot jeopardise price stability. As an example, a two per cent rise in the price of electricity would cause inflation to increase by 0.1 percentage points. The stability of the exchange rate and inflation has become a kind of “new normal” that we didn't achieve easily, but will continue to maintain. A greater balance has been achieved in foreign currency supply and demand of domestic companies and movements are now

significantly more stable than they were a few years ago. The current investment cycle and increased imports of energy products, machinery, equipment and raw materials ensure that demand for foreign exchange among domestic companies is still relatively high. However, it is almost completely covered by the significantly higher FX supply, which is recorded as a result of the accelerated growth of exports and the



We are continuing to work with the aim of increasing the rates of economic growth and the living standards of our citizens, by maintaining stability, opening new factories, encouraging development and innovation

strong inflow of FDI, which has been more than sufficient to cover the current account deficit for four consecutive years. The increased interest among foreign investors in Serbia's long-term dinar bonds also increases the supply of foreign currency. In fact, what lies at the core of increased FX supply since April 2017, when appreciation pressures became prevalent, is the improvement of Serbia's macroeconomic indicators and prospects.

► **What is the situation today in the banking and insurance sector?**

– High capitalisation and a long-term stable level of liquidity and solvency point to the good performance of the Serbian banking sector. The regulatory framework in the banking domain has been amended significantly with the aim of preserving and strengthening banking sector stability, thus protecting the

interests of depositors and financial services consumers. Results in terms of resolving non-performing loans (NPLs) are particularly noteworthy, with their share in total loans having been reduced by more than 17 percentage points and, according to the latest figures, reaching a historical low of 5.2% at the end of June. The measures taken have impacted positively on the quality of banks' portfolios, contributing to the competitiveness and efficiency of the banking sector, and leading to double-digit growth in lending and to a rise in profitability. The insurance sector is also stable, well-capitalised and liquid, with a positive operating result. Also testifying to the positive trends in this segment of the financial market is the double-digit growth in balance sheet totals and technical reserves. Stability is also evidenced by the fact that the technical reserves have been fully invested in prescribed asset forms, which has been made possible - among other things - through the improvement of the securities market.

► **What does Serbia have, and what does it still need to do, in order to be able to obtain investment grade credit rating in 2020?**

– Serbia has significant and positive results when it comes to achieving macroeconomic stability and improving the business and investment environment. This is also recognised and highlighted by credit rating agencies, which note that the deserved credibility of monetary and fiscal policy contributes to the solid growth prospects of our economy. Further improvement of Serbia's credit rating implies a continuation of strong economic growth and the preserving of price and financial stability, along with further reductions in external imbalances and the share of public debt in GDP. ■

Quality Is Key To Our Decades Of Experience



MILOŠ VUJNOVIĆ

Executive Board Chairman of JUBMES Bank a.d. (JSC), Belgrade

As a small bank, we have the ability to devote ourselves fully to each individual client and to adapt to their specific needs



JUBMES Bank a.d. (JSC) Belgrade is one of the banks with the longest experience on the Serbian banking market, and an enduring good reputation among its clients. Although operating in a new business environment and with a different focus, this bank has taken on the challenge of responding in a high-quality way to growing competition, and its business results show that it has found its own market niche.

► **With what kind of vision for the bank are you entering the fifth decade of operations?**

– Over the past four decades, JUBMES Bank has achieved significant business successes. Although we today operate in different circumstances, the Bank is still often perceived through the prism of JUBMES as an important and influential financial institution. That obliges and motivates us to continue achieving success in the future. Quality in the process of providing financial services is something that has always separated us from the competition and is something we will not deviate from in the future. An important factor in the multiple decades of our existence is adaptability to the changes coming from the environment in which we operate, which is why we will

continue modernising our processes and operations in the period ahead. Our vision is to successfully position ourselves on the banking and financial market as an innovative, dynamic and financially strong bank, but also as a socially responsible company that strives for a recognised top level of service, specialised in supporting SMEs and encouraging exports.

► **What can JUBMES Bank offer its business clients that larger competitors cannot?**

Good familiarity with foreign markets from all aspects, and particularly the markets of developing countries and the region of Southeast Europe, is one of our characteristics that clients particularly value

– I consider quality as the key to our decades of experience, despite the size or different business concept compared to other market players. What sets us apart from others and creates a comparative advantage is the synthesis of experience and knowhow from different stages of the development of the Bank's operations; good familiarity with foreign markets from

all aspects, and particularly the markets of developing countries and the region of Southeast Europe. This is also confirmed in the current period of our operations through the providing of support to our clients in the implementation of infrastructure development projects on targeted foreign markets. The etiquette of small banks, with a relatively small number of clients, allows us to devote ourselves fully to each individual client and to adapt ourselves to their specific needs. The satisfaction of existing clients has a great impact on the

Bank's reputation and the establishing of long-term, high-quality business relations with new clients.

► **Would you characterise JUBMES as a domestic bank for domestic clients, or do you also have clients with headquarters in other countries?**

– JUBMES Bank has a significantly diversified portfolio of clients. A dominant position is held by domestic clients, i.e. clients with founders who are domestic companies or private individuals. At the same time, the bank also operates with domestic clients that have foreign founders or owners, as well as with foreign individuals, i.e. non-residents who conduct business with locals, i.e. residents of the Republic of Serbia. ■

Progress Must Be Maintained

H.E. SEM FABRIZI

Ambassador and Head of Delegation
of the European Union to the Republic of Serbia

The quality of reforms is the most important factor when it comes to building a fully democratic society and efficient market economy. In its latest report, the European Commission acknowledged the progress Serbia has made along those lines and provided a number of valuable recommendations for further steps in that direction



The year 2019 has been one of progress in terms of the EU accession process,” says H.E. Sem Fabrizi, Ambassador and Head of Delegation of the European Union to the Republic of Serbia. Our interlocutor emphasises the signing of the regional mobile roaming agreement in April as a significant milestone in building good neighbourly relations and tangible cooperation in the region. Moreover, he also notes Serbia’s participation in the Western Balkans Six Process in Poznań at the beginning of July, aimed at fostering strong regional cooperation in a number of key areas. Another chapter was opened in Serbia’s EU accession negotiations in June, which means that Serbia now has 17 of 35 chapters open, with two having been provisionally closed. “Overall, these developments show the progress being made in Serbia and the region, and the EU’s commitment to helping Serbia pursue its European prospects, says Ambassador Fabrizi.

However, he notes, the European Commission’s latest report provided a detailed assessment of Serbia’s progress in the accession process, with a number of detailed recommendations - particularly in the area of the rule of law - now awaiting the attention of the government. Their implementation is in Serbia’s hands.

► **Considering current deliberations within the EU, should we consider 2025 – which was set as the year when Western Balkan countries could expect to join the EU – as being relevant and, if so, in what sense?**

– The year of 2025 – since first being mentioned in the 2018 Western Balkans strategy – has been considered as a “horizon period” for Serbia to complete the necessary reforms. In this regard, Commissioner Hahn has stated in the past: quality goes before speed; there is, however, no speed limit.

Beyond specific dates, EU integration is a merit-based

PROSPERITY

The development and consolidation of democratic institutions is a guarantee of the future prosperity of the country and its citizens

PRIORITIES

Greater efforts are needed to strengthen the independence, impartiality and efficiency of the judiciary, as well as stepping up the fight against corruption

PROGRESS

We are particularly proud that our financing of innovative companies and the commercialisation of research has given the government an appetite for this kind of activity

process: the more reforms implemented successfully, the closer a country moves to the ultimate objective. This should be the main focus. In the crucial area of the rule of law and fundamental rights, the Commission report recommended greater efforts to strengthen the independence, impartiality and efficiency of the judiciary; stepping up the fight against corruption and organised crime; and creating an environment that fully guarantees freedom of expression and of the media.

► **Among the topics highlighted in the last annual report, which would you consider as having the greatest relevance when it comes to economic growth and the well-being of society?**

– A precondition for strong economic growth – and the overall well-being of society stemming from that – is certainly to implement reforms that create a solid foundation to allow for this growth. There are two important aspects; two sides of the same coin: on the one hand, to achieve and maintain macroeconomic stability so that economic stakeholders can invest and operate in a sound economic environment (low inflation, price stability, contained deficit, sustainable public debt etc.), and, on the other, to create a positive, business-friendly environment to boost investment, attract FDI and ensure the necessary level playing field for private investors/operators. On this first side, the Government has posted good results, as recognised in the EC Annual Report, while more effort is needed on the second side.

► **Now that fiscal consolidation and macroeconomic stability seem to have been achieved in Serbia, which goals have to be set when it comes to creating a fully-fledged market economy?**

– It is indeed correct to say that macroeconomic stability has been achieved as a result of fiscal consolidation implemented over recent years. The fiscal and monetary policy mix was appropriate. The large fiscal deficit has become a surplus, while the share of public debt in GDP has been reduced considerably. It is important, however, that this achievement is maintained – and for that it is important to adopt a set

of fiscal rules that will prevent future fiscal deficits and an increase in public debt. On the other hand, Serbia is called to address structural reforms more vigorously. Some large state-owned companies are yet to be restructured. The private sector, particularly SMEs, needs a more transparent and more predictable set of reforms that will create an environment conducive to faster development.



The Commission has encouraged Serbia to act with stronger determination in pursuing reforms and to place the EU accession process front and centre when it comes to Serbia's political action

► **In your opinion, how much has the current state of negotiations between Belgrade and Pristina, including the ban on trade, impacted on the reform process in Serbia and the government's ability to focus on other priorities?**

– The EU has consistently stressed that the unilateral customs tariffs imposed by Pristina are in violation of the CEFTA agreement, and we have consistently urged Pristina to withdraw them to allow a swift resumption of the EU-facilitated Dialogue. The issue of tariffs also represents a difficulty in fostering better regional cooperation. Having said that, the reforms process - particularly regarding the rule of law and economic governance - does not depend on the normalisation process with Pristina and must be addressed with determination and vision.

► **To what extent have reforms in the public sector been conducive to growth?**

– Public administration reform - through the implementation of the Serbian PAR strategic framework, in close coordination with the European Commission - is a chain of the transmission of good governance. Thanks to close coordination and support from the EU, evident positive effects and clear positive trends are already emerging. Citizens and businesses have benefited in particular from improvements in service delivery - with simplified administrative procedures for specific public services - and from the open data agenda. Optimising and digitalising administrative procedures and decreasing the regulative financial burden has improved not only public sector services and the business environment, but also generated additional benefits and savings. Equally, reforms have significant impacts on public procurement, ►►

inspections and the issuance of construction permits. The ongoing work of the Government of Serbia in further optimising the PAR strategic framework is positive.

► **The priorities that you've mentioned also include the labour law, wages and the law governing the banking sector. In which areas does Serbia lag behind when it comes to these particular sectors?**

– The EC Annual Report identified structural reforms as an area where more progress is needed. Bearing this in mind, a number of specific priorities for Serbia were identified in the joint conclusions of the economic dialogue between ECOFIN Ministers of the EU and Serbia in May.

Regarding wages, recommendations include the need to implement public sector wage system reform for 2020. This means that the relevant measures should be included in discussion of the budget law this year, which would fall under the 2020 budget.

When it comes to the banking sector, the recommendation is to finalise the privatisation and restructuring process of the remaining state-owned banks; the privatisation of Komercijalna banka is underway and we are waiting to see further progress soon.

On labour, we recommend a significant increase in the funding and implementation of active labour market measures that would address the needs of the unemployed, in particular women and youth, that are identified as being the most vulnerable.

All these are parts of a broader picture. Governing an economy is a complex task, with all elements interconnected in any economy. In view of this, we would certainly like to see faster and more balanced progress in all of the aforementioned areas.

► **Serbia is now using IPARD, which is an important step for the agriculture sector. But how does it have to be reformed in order to meet EU standards?**

– There are several elements in one question here. IPARD is a programme implemented through indirect management. This means that Serbia has established an IPARD Agency and a Managing Authority within the Ministry of Agriculture, Forestry and Water Management, which have full responsibility – including for launching calls for farmers, assessing applications and making payments. The system was established according to complex EU standards and accredited by the European Commission. The experience during the year and a half after the first calls reveals that only some applications reached the final stage, i.e. the

awarding of the grant to the applicant. The processing of applications must be accelerated, otherwise Serbia will only partially be able to use the EU resources allocated to this programme – 175 million euros for the 2015-20 period. We are therefore encouraging our Serbian partners to exert extra efforts in this process, in order to avoid the risk of losing access to precious resources that are critical to assisting farmers on a greater scale.

► **How much do FDI and the foreign business community contribute to the development of the overall business climate and the export orientation of the Serbian economy?**

– The exact figures are certainly the best indicator of how much FDI contributes to the Serbian economy. Foreign companies have brought new jobs, new technologies and new knowhow, but these companies also have a strong impact on the overall business environment and Serbia's export orientation. These companies can – individually or via different business associations – help to shape various policies and align them with EU standards.

When it comes to exports, if you look at this July's list of the biggest Serbian exporters, you will see that all of the top 10 companies are foreign investments – this is a reply to your question.

► **What assistance can the EU offer Serbia in terms of digitalisation, innovation and R&D, which are the most important elements for the further growth and sustainability of the economy and society?**

– These areas are indeed important, not only for growth and sustainability, but even more for the competitiveness of the national economy. Since 2001, the EU has allocated more than 200

million euros for projects aimed at improving and strengthening various sectors of the Serbian economy, especially the SME sector – as a sector of significant importance in the process of developing Serbia's market economy and contributing to Serbia's ongoing EU integration process. Since the focus of the latest EU-funded interventions in this area is on support to the competitiveness of the Serbian economy, the EU promotes innovation in priority areas of science and technology, and supports the commercialisation of research and development, thus enabling new technologies to reach the market. So far, more than 30 million euros has been dedicated to innovation, research and development, and the results achieved with the Serbian Innovation Fund are remarkable! ■



About three quarters of FDI in Serbia originates from the EU. This in itself is something that strongly supports Serbia's general orientation towards the EU, as its main trade and investment partner

Strong Support For Serbian Export Growth



DEJAN VUKOTIĆ

Director of AOFI, Serbian Export Credit and Insurance Agency

Compared to the same period last year, AOFI is growing in every segment of its business. It is also encouraging that our portfolio contains ever more exporters entering global markets with sophisticated products that beat those of competitors that have been active on these markets for a much longer time

Through loans, insurance, export guarantees and purchase of export receivables, AOFI does everything planned in its mandate to help Serbian export to be competitive, and thus contributes fully to the growth of Serbian exports. Our clients export to almost 100 countries on all continents and it means a lot to these exporters to have at AOFI all the instruments related to export financing and insurance that their competitors have in developed economies.

“AOFI’s export receivables payment insurance most directly impacts on the competitiveness of AOFI’s domestic corporate clients”, says Dejan Vukotić, AOFI Director. “By securing the payment of export receivables, domestic companies become more competitive because they are able to offer the foreign buyer longer payment periods. Today’s products are mostly standardised, of much the same quality, functionality and design, and a competitive advantage is often achieved through the longer payment periods offered to a foreign customer. A Serbian company that makes use of AOFI knows it will not have to worry about collecting its claims, but can concentrate on offering

a product on the world market that will outperform competitors with its quality and functionality, with longer payment deadlines and security of payment.”

The role of AOFI in all this is to accurately assess the risks from foreign customers and so assure Serbian companies that their receivables will be paid, either by the foreign buyer or by AOFI, in the event of a foreign buyer’s bankruptcy or prolonged default, says AOFI’s Director.

AOFI's insurance also covers the political risks that are prominent today in an international context

► **What AOFI products do your customers want most?**

– Besides traditional insurance, loans, guarantees and factoring services, our clients have recently been looking for a mixture of services, as is the case with non-recourse factoring. This is when the receivables from factoring transactions are insured with AOFI, so the client is at the same time the beneficiary of two

services that we offer - both insurance and factoring. We are currently the only institution in Serbia competing with commercial banks and factoring companies offering this service. We do all this to support exporting companies to be secure in dealing with foreign clients. This mixture is a product of our constant effort to recognise the needs of Serbian companies and offer services on a level with those available in the world’s most developed economies, both in terms of price and quality.

Besides this mixture of factoring and insurance, there has been a recent increase among Serbian companies in the demand for the service of issuing guarantees to carry out construction works abroad. AOFI recognises this need and strives to respond to it in the best way possible in line with best international practise. Finally, I would like to emphasise that our insurance policies and guarantees are reinsured with first-class world reinsurers. This shows how much AOFI has deserved their trust through many years of effort to be an insurance and financial services provider for Serbian exporters, but also for the historical results it has achieved. ■

Pillars Of Sustainable Growth Have Yet To Be Reinforced


DEJAN TURK

Vice President of the Foreign Investors Council
and CEO of VIP mobile and A1 Slovenia

Fiscal consolidation can only be made sustainable if followed by deep structural reforms, such as the finalisation of the privatisation process and the corporatisation of public enterprises, advancing public administration reform and improving public sector efficiency

Structural reforms are complex, and their implementation takes time and expertise – so says Dejan Turk, FIC Vice President and CEO of VIP mobile and A1 Slovenia, with whom we discussed the biggest challenges facing Serbia in the continuation of reforms.

► **What can explain the fact that, despite evident efforts exerted by the government to change the business environment, there has been little change in the pace of progress as measured by the White Book?**

– There are several challenges ahead on Serbia's path towards the EU. I would single out just one – ensuring sustainable fiscal consolidation in order to initiate stronger economic growth. The timely adoption of the government's fiscal consolidation measures

provided immediate relief to budgetary expenditure, but fiscal consolidation can only be made sustainable through the executing of deep structural reforms. Here we point out the finalisation of the privatisation process and the corporatisation of public enterprises, as well as public administration reform. It is also essential to improve public sector efficiency: ensuring the consistent implementation of public procurement policy and enabling the better allocation and utilisation of budgetary resources. The reform of pension, health and education systems is needed to enable a sustainable macroeconomic framework. When we talk about the pace of progress, it is true that we need faster progress, but one has to consider that structural reforms are complex and their implementation thus requires time and expertise.

► **Some changes – such as the reform of construction permits or combatting the grey economy in petrol and cigarette trade – have shown that swift progress can be achieved. Which areas would you single out as being areas in which it would be possible, in a similar way, to reach a win-win solution via public-private dialogue?**

– These are good examples of how things can be changed for the better. We believe that digitalisation is Serbia's chance to quickly make a breakthrough and achieve a comparative advantage. Together with the further development of a unified e-government system aimed at cutting bureaucracy, digitalisation would improve the quality of public services significantly. It is of utmost importance to establish and maintain tight cooperation between the public and private sector, in terms

EQUALITY

We support the introduction of a well-regulated environment that would ensure the equal treatment of all players on the market

of exchanging knowhow, industry experience and customer insights, in order to accelerate digitalisation efforts. Moreover, awareness is of significance importance, so we recommend educational programmes aimed at increasing awareness among citizens regarding the benefits of utilising digital technologies.

► **To what extent have things changed, both systemically and in practise, when it comes to creating equal business conditions, or a level playing field, for private and state-owned enterprises?**

– Things are evolving, but the problem is yet to be resolved. Foreign companies operating in Serbia are local companies and are subject to the same laws as other local companies. The FIC believes in equal treatment, meaning that the same rules should apply to all companies. The most important element is to set up a transparent system that would imply no discrimination between foreign and domestic players, as well as between big and small companies. The current environment in Serbia gives too much discretionary rights to the administration and therefore opens the door to the unequal treatment of different players. We support the introduction of a well-regulated environment that would ensure the equal treatment of all players on the market.

► **In addition to long-term structural reforms, all countries are also facing new emerging challenges, such as, for example, the pace of digital transformation and the introduction of e-services. How quickly is Serbia progressing in this area?**

– Digitalisation has been marked by moderate

OPPORTUNITY

Digitalisation is Serbia's chance to quickly make a breakthrough and achieve a comparative advantage

progress, as shown in the previous edition of our White Book. One positive example is that an electronic document now holds the same weight as a written document, although there



It is of utmost importance to establish and maintain tight cooperation between the public and private sector in terms of exchanging knowhow, industry experience and customer insights, in order to accelerate digitalisation efforts

is still some resistance evident in practise. We recommend facilitating the use of digital identity/signature so that it may reach the widest possible circle of citizens, given that the digitalisation of public administration via E-Government and enabling the use of an advanced electronic signature (not necessarily qualified) would lead to more efficient work and the better provision of services to citizens and the private sector.

LIBERALISATION

Serbia remains the most restrictive country in the region with regard to Forex regulations and must gradually liberalise them

► **Which sort of information should be made publicly available to companies in order to ease their daily operations?**

– E-government should be used as broadly as possible, as that will consolidate and streamline processes and procedures, and cut unnecessary bureaucracy, as we've seen with the example of e-permits for construction. This also means that it will help increase transparency and accountability, and enable a systemic fight against corruption.

► **From the perspective of financial regulations, to what extent is Serbia aligned with the needs of the business community?**

– The previous period brought moderate improvements in Forex regulations. Under the scope of the Stabilisation and Association Agreement (SAA) with the EU, Serbia must gradually liberalise Forex regulations. To that end, further development of the digital and IT sector was seriously hampered by Forex-related obstacles. Serbia remains the most restrictive country in the region with regard to Forex regulations.

► **To what extent do the legislative framework and practises related to working relationships favour employers who want to respect all prescribed standards and value the work of their employees fairly?**

– There is room for improvement in this segment. One example is that the current Labour Law prescribes that people are paid more when not working than when working (employees receive an average of their 12 previous salary instalments, inclusive of bonuses, during any official leave period). We believe that this should be changed, as companies should be encouraged – and not penalised – for rewarding their employees. ■

BREWING A BETTER SERBIA

HEINEKEN Serbia actively operates in 2 breweries. Our brewery in Zaječar is proud of its long lasting tradition and brewing expertise dating back to 1895, while the brewery in Novi Sad is one of the most technologically advanced breweries in the region.

294 EMPLOYEES



ADVOCATING RESPONSIBLE CONSUMPTION



We partnership with the Road Traffic Safety Agency, Public Transport Company, faculties and Special hospital for Addictions, to advocate responsible consumption



We provide info on calories on all our packaging and all the nutritional information for all our beer brands is available at heinekensrbija.rs



Every year we invest minimum of 10% of Heineken® media spent in our responsible consumption campaigns



We promote healthy, balanced lifestyle through our innovative non-alcoholic brand Heineken® 0.0

SOURCING SUSTAINABLY



More than 90% of all our raw materials is from the local suppliers in Serbia. We continue to improve our policies for locally sourced raw materials and to raise our suppliers' standards in more sustainable production

100%

suppliers signed our Supplier Code, ensuring high standards of business conduct and respect for human rights and the environment



GROWING WITH COMMUNITIES

We are strongly committed to the local community which we operate in through locally valuable sustainable topics



Let's open the National Museum

We launched Zaječarsko beer campaign, collecting with our consumers almost €50,000 for reopening of the National Museum of Serbia, which has been closed for 15 years



Public drinking water springs restoration

In partnership with local government, NGO and the Ministry of Environment, we revitalize historical artesian springs in the town of Zaječar, where our famous Zaječarsko beer is brewed



Recycling

Our campaign „Make Serbia HEINEKEN green“ aims to raise awareness about importance of recycling plastic packages and environmental protection at big festivals in Serbia



INVESTMENT

>€200 million

investment in Serbian economy
in the last 10 years



PRODUCTION AND SALES

Total beer production in 2018 was
1,8 million hl

could fill **720** Olympic sized
swimming pools



GOVERNMENTAL REVENUES

More than

>€50
million

in 2018



PROMOTING HEALTH AND SAFETY FOR EMPLOYEES

SAFETY FIRST

Our „Safety First” approach is focused on improving safety across the whole company. All our employees are provided with free private health insurance packages, every year along with special privileges for their family members



LIFE SAVING RULES COMPLIANCE

The 12 Life Saving Rules set out clear and simple “do’s” and “don’t’s” for all our day-to-day activities.

We are 99% compliant with requirements included in global safety standards and procedures related to Life Saving Rules and we aim to reach the full 100%

‘EVERY DROP’: PROTECTING WATER RESOURCES



EFFICIENCY

More than 70% of the water used for production of one liter of our beer has been reduced since 2009



WASTEWATER

100% wastewater used for production of our beer is treated before being released back to nature

HOW WATER INTENSIVE IS BEER?



The average water footprint per unit for a selection of beverages and other consumer goods. Includes agriculture.

‘DROP THE C’: REDUCING CO₂ EMISSIONS

In 2018, we launched our CO₂ reduction strategy for 2030, Drop the C. It focuses on energy efficiency, electricity and thermal renewable energy generation in production, distribution, packaging and cooling.



We reduced CO₂ emission for
39%
in **PRODUCTION** since 2009



We made a reduction of CO₂ emission
from **DISTRIBUTION** by
17%
since 2009



100%
of our
FRIDGES
are green



We explore ways to
grow our share of
renewable thermal
energy and electricity
in production

We Expect Reforms To Continue



VLADISLAV LALIĆ

Vice President of the Foreign Investors Council and Regional Property & Expansion Manager of Ikea Srbija

The FIC's three key expectations of the Government are to achieve sustainable fiscal consolidation through structural reforms, to improve the enforcement of laws and to ensure greater transparency in public consultations

Only lasting work on easing conditions for doing business can bring benefits to society in the longer run, says Vladislav Lalić, vice president of the Foreign Investors Council and regional manager of IKEA responsible for the development of Southeast Europe.

► **How quickly is the business climate changing in Serbia and what kind of signals are we sending to major renowned companies that are seeking attractive new markets?**

– The fiscal consolidation measures that have been adopted by the Government ensured an immediate reduction in the budget deficit. Stable but moderate progress on reforms has ensured stability, but that's not enough to achieve the goal set – the creation of a fully sustainable and competitive business climate, a strong economy that can achieve full parity with developed markets, and a high standard of living for citizens. It is necessary for Serbia to accelerate reforms and accession negotiations, in order for the country to reach the level of economic development seen in the EU. The Council's three key expectations of the Government are to achieve sustainable fiscal consolidation through structural reforms, to improve the enforcement of laws and to ensure greater transparency in public consultations. On the other

hand, the Government is exerting great efforts in order to attract foreign direct investment, and we welcomed the news – published by The Financial Times – that Serbia ranked first in terms of the number of implemented FDI projects in 2018. It was precisely the positive impact of improving the business climate and the environment that resulted in improving Serbia's ranking on the aforementioned list and that will, as an overall effect, serve to increase foreign direct investments in the future. That's because nothing functions as well as a good example, in which a satisfied investor sharing their experience with other potential investors contributes to growth in investment as a whole.

► **What, in your opinion, would be the most incentivising instruments for attracting companies that bring modern technologies and offer high-quality jobs?**

– Continuing reforms, along with the harmonising of laws with EU regulations, continuously reducing bureaucracy and improving the application of laws are always a winning combination. There are conflicting opinions regarding subsidies, and our view is that incentive measures have a limited short-term effect, but cannot yield long-term results. Only long-term work on easing conditions for doing business can bring benefits over the long run.

PRIORITIES

When it comes to harmonisation with the EU acquis, the Government needs to focus on the areas of tax, labour, e-business, inspections, food safety and the general legal framework

EFFICACY

The Government should increase the administrative capacities of ministries and other state institutions, as well as increasing efficiency and transparency by switching to digital technologies

EXPERIENCE

Nothing functions as well as a good example, where satisfied investors share their experiences with other potential investors and thus contribute to the growth of investment as a whole

► **Considering the expertise possessed by the FIC, which areas – apart from those already noted – would you single out as having the greatest potential to improve the business environment?**

– When it comes to harmonisation with the EU acquis, we consider that there is a need to focus on eight areas: tax, labour, digitalisation and e-commerce, inspections, food safety, and the general legal framework with a focus on regulations relating to bankruptcy and Forex operations. Regarding the enforcement of laws, the Government should increase the administrative capacities of ministries and other state institutions, as well as increasing efficiency and transparency by switching to digital technologies (eGovernment). Particular attention should be paid to the Tax Administration and inspection services.

► **Considering that the structure of investments in Serbia is dominated by European investors and that the country is orientated towards Europe, as its most important export market, which regulations and practises would you highlight as being most in need of harmonisation with European standards?**

– There are existing regulations that require harmonising among all of the eight priority areas that I mentioned. Thus, for example, it is necessary to improve the implementation of tax legislation by introducing “Instructions for the Implementation of Tax Laws”, in the form of an accompanying by-law document for each law, instead of numerous rulebooks and opinions, which would be particularly helpful for SMEs and entrepreneurs, and would continue the process of improving existing laws and modernising the Tax Administration. Then, with regard to labour regulations, it is necessary to further update regulations, for example by simplifying the method of calculating income, changing the calculation of earnings during

official leave periods, introducing digitisation, i.e. the digital archiving of documents instead of paper form, and the like.

► **To what extent does synergy exist between public policymakers and the business com-**



We welcomed the news that Serbia ranked first in terms of the number of implemented FDI projects in 2018, which was published by The Financial Times

munity when it comes to finding the best solutions for the state and businesspeople? In which way is the FIC contributing to that dialogue?

– Open communication with public policymakers has long since existed, as contributing actively to improving the business climate is actually a role of the Council. Dialogue, thus, exists, and it is up to us to provide proposed solutions, i.e. primarily improving draft laws, while it is up to the state to decide what will be accepted and what won't. The fundamental strength of the Council comes from the experience of our members gained on other, more developed markets, and on our side there is always a strong willingness to help. However, there are unfortunately still cases of the non-transparent adopting of laws,

and we advocate for this practise to be halted, because it is only in this way, and through open dialogue and arguments, that we will together reach the best solutions.

► **One major topic among members of the business public is the potential inclusion of Serbian companies in the production and service chains of large multinational companies. In your opinion, are there enough positive examples of this or is there still joint work to be done?**

– The Council actively supports and implements this practise, but I would agree that there are both positive examples and joint work that still needs to be done. We primarily gather together the large, multinational companies that represent the motor of Serbia's economic development, but we are simultaneously aware of the fact that the backbone for sustainably strengthening a market is composed of small and medium-sized enterprises – that's how it is in Germany, in Switzerland and in America, and that's also how it is in Serbia.

► **Which values does the FIC support when it comes to CSR and responsibility for the local community and business partners?**

– Foreign investors have a multifaceted positive role in a Serbia, as they bring new investments and employment, introduce modern technologies and facilitate innovation, promote ethical business conduct and operate in accordance with the principles of responsible corporate governance. We also engage local SMEs and integrate them into the global market. We don't only invest in facilities, but rather also in people, which represents a great comparative advantage. We are proud of the fact that, through corporate social responsibility, our members not only support local communities, but also work with them to resolve local problems and address the needs of the most vulnerable groups. ■

Both Us And Our Users Are Satisfied

DRAGANA MARKOVIĆ

Director of the Tax Administration



With the organisational transformation of the Tax Administration, we have taken another very significant step forward - as of the middle of this year - in the process of transforming Serbia's tax administration into a modern and efficient organisation. This is a prerequisite for the further development and advancement of the working processes we undertake

The new organisational structure of the Tax Administration came into force on 1st July 2019. It was precisely these changes in the work of the Tax Administration that prompted us to interview Tax Administration Director Dragana Marković. “Since 2015, when I took over at the helm of this important institution, a number of fundamental changes have been implemented,” says our interlocutor.

Since then, notes Marković, a new organisational structure of the Tax Administration has been established, in which the number of organisational units was initially reduced from 178 to 78, then - in July this year - to 37 branches. Among the new sectors formed are the Sector for Taxpayer Services and Education, Sector for Separated Activities, Sector for Tax Accounting, Sector for Determining the Origin of Fixed Assets and Special Tax, Department for Strategic Risks and Department for International Cooperation and the Coordination of European Integration. All tax returns are now transferred into electronic format. As of

this March, taxpayers have been receiving their tax confirmations electronically, while taxpayers communicate with the Tax Administration without the need to physically visit branches of the Tax Administration. Alongside this, explains Marković, “we have strengthened tax controls (through the merging of field and office controls), identified core activities, transferred certain competencies for dealing with non-tax laws to other institutions, and eliminated all legal and technical barriers that impeded working processes and the centralisation of the Tax Administration.

► **How has the transformation of the Tax Administration to date impacted on the level of efficiency and effectiveness of business processes? What is the impact on combatting the grey economy?**

– The new organisational structure creates the preconditions for a higher level of efficiency and effectiveness of all business processes, while raising the quality of work and uniformity of approach, while certain systemic

PROGRESS

We've eliminated all legal and technical barriers that impeded working processes and the centralisation of the Tax Administration

GOAL

Our aim is to create a modern tax administration that will effectively administer and collect public revenues

RESULTS

The result of the new approach to taxpayer controls is a significant increase in budget revenues and efficient collection

solutions lead to reductions in operating costs and higher collections of public revenues, with which the trend of increasing public revenue collection - which we've had since 2014 - will continue.

The grey economy, which is one of the biggest challenges facing our economy, represents one of the priorities in the work of the Tax Administration aimed at protecting the budget of the Republic of Serbia. We've introduced a new approach to planning and implementing tax controls, in accordance with the guidelines of the Regulatory Compliance Plan and on the basis of strategic risk analysis. The result is a significant increase in budget revenues, efficient collection and activities to curb the grey economy that are implemented by the Tax Administration.

A significant contribution to combatting and reducing the grey economy was also provided by the 24-hours-a-day activity of the Tax Police in the field, where - in coordination with other state bodies - constant activities are undertaken to suppress illicit trade in goods and services within all spheres of the economy.

The beginning of this year saw a "black market department store" discovered in central Belgrade, in a leased warehouse covering an area of more than 450 square metres, where goods of world-renowned brands were being sold without excise duties and taxes having been paid, including: alcoholic spirits, cigarettes, cigars, coffee, fast-moving consumer goods and goods used for furnishing restaurants, as well as food products without documented origin. The seized goods had an estimated value of around 28 million dinars.

Activities aimed at combatting the illicit trade of tobacco and tobacco products have been strengthened over recent years, along with actions to cut illegal smuggling channels. This has led to the confiscating of significant quantities of cut and dried tobacco and cigarettes.

Similarly, 2019 has also seen a growing trend in the smuggling of oil and petroleum derivatives. Supporting this claim are the criminal charges for tax evasion filed in July 2019 on the basis of illicit trade in 36,908.27 tonnes of Euro diesel transported via the Danube by transporter ships with false customs documentation declaring shipments as

only transiting petroleum derivatives through Serbia, when in reality those goods were unloaded from the Danube on the territory of the Republic of Serbia and mostly sold on the black market. The preliminary total of tax evasion in this case is estimated at several billion dinars.

Comparative analysis of the excisable products confiscated in the first six months of 2019 compared to the same period of 2018 shows a manifold increase in the amount of confiscated alcoholic beverages (12.6 times more). Likewise, the amount of seized tobacco on the list, as well as both oil and petroleum derivatives, has almost doubled during this year compared to 2018.



With the reorganisation of the Tax Administration, we've created a functional organisational system in which each individual has their own place, depending on their expertise, knowhow and daily commitments

► What do the changes implemented mean for business users?

- We have significantly improved tax administration processes with the introduction of new technologies and the development of electronic systems for filing tax returns and paying taxes in Serbia.

As of 1st January 2018, taxpayers have been able to submit all tax returns under the jurisdiction of the Republic Tax Administration electronically, via the ePorezi portal, which enables the quick, simple and secure filing of tax returns from a user's personal computer. The ePorezi portal's services are free of charge and available daily from 6am to midnight. As of March this year, we have also expanded our range of services to taxpayers by issuing tax certificates electronically.

► Among the demands of businesses is the quicker refunding of VAT charges. Have deadlines for VAT refund been shortened?

- When it comes to shortening the VAT refund deadline, refunds for all taxpayers identified as low-risk are now - as of April this year - made earlier than the legally prescribed deadline, as follows: within 11 days of the legal deadline for filing for predominant exporters, and within 21 days for all other taxpayers. This is a result of applying risk assessment criteria for every tax return requiring a VAT refund. However, refunds are not made if there are objective reasons preventing it. For example, if an account does not exist in the unique register of accounts; then if the Tax ID Number has been temporarily withdrawn ►►

or closed; if the account control code is incorrect or if the account is inactive and similar.

► **It is very common to hear claims that the organisational units of the Tax Administration approach the same cases in an unequal way. To what extent can the current organisation of the Administration's work guarantee the uniformity of procedures?**

– We have primarily ensured a uniform approach through the establishment and development of high-quality communication, both at the level of the entire operational network of the Tax Administration and between the Tax Administration and the business community or taxpayers.

Taxpayers can receive tax information over the phone, via our Contact Centre, and can also pose questions via email - through the Tax Administration's portal and social network accounts. Special "Your tax officer" counters have been opened across the territory of the Republic of Serbia, where taxpayers can – in direct communication with tax officials – receive requested information, printed educational material, brochures and flyers that detail various topics related to tax matters in a simple and understandable way. We organise education for risky taxpayers, as well as participating actively in meetings with businesspeople that are organised by professional associations, while we continuously hold "Open Doors with the Tax Administration" meetings with the Chamber of Commerce & Industry of Serbia, in order to inform businesspeople about the latest changes and amendments to tax laws in a timely manner.

► **To what extent do companies utilise the special advisory services that you've introduced?**

– The Tax Administration cooperates intensively with the business and professional community, striving - through mutual dialogue - to reach the best systemic solutions that will be applied in practise for the benefit of all participants.

We had significant meetings in the previous period with representatives of the American Chamber of Commerce in Serbia, the French-Serbian Chamber and the Chamber of Italian-Serbian Businessmen, then with representatives of the Foreign Investors Council, the Serbian Association of Managers and the Confindustria Serbia Association, while we have a regularly meeting once a month with representatives of the Chamber of Commerce & Industry of Serbia.

► **What is the pace at which the services of the Tax Administration are being digitalised and which functions**

are now available to users?

– The introduction and development of electronic services, through the implementation of state-of-the-art IT solutions, have improved tax administration processes significantly. Since the start of last year, the process of transitioning from paper to electronic operations has been fully completed. All tax returns are now electronic, which means they can be submitted quickly, easily and simply.

► **Does the transformation programme imply the hiring of new personnel?**

– There were 10,092 employees in the Tax Administration back in 2005, while today there are around 4,800. We expect another 1,058 employees to retire over the course of the next two years. This leads to the conclusion that the recruitment of new employees, new personnel, is inevitable.



The electronic verification and filing system is set up in such a way that any risk of mistaken filing is eliminated

► **To what extent does the new approach based on analysis of the risk of a taxpayer contribute to better discipline, or the development of voluntary compliance with regulations?**

– One of the main goals and commitments of the Tax Administration, as a modern tax administration, is to create an environment in which every taxpayer – voluntarily and without excess costs - fulfils their tax obligations. Accordingly, the Department for Strategic Risks was established three years ago as a separate organisational unit.

Tax compliance plans stem from the strategic commitments of the Tax Administration, such as establishing improved cooperation with taxpayers, ensuring the protection of their rights, strengthening trust and guarantees of

the Tax Administration's integrity and professionalism. The risks identified by the compliance plan are handled in two ways by the Tax Administration. The first way encompasses a wide range of services, assistance and education to taxpayers who want to comply with regulations. The second method implies repressive measures, i.e. controls, possible punishment and forced collection, which relates to taxpayers who don't want to comply with tax regulations.

► **What are the next steps to be taken in transforming the Tax Administration?**

– The next step that awaits us is the modernisation of the Tax Administration through the activation of a line of credit from the World Bank. Our aim is to create a modern tax administration that will effectively administer and collect public revenues, with modern, understandable and effective tools and timely information for taxpayers. ■

Improving The Overall Business Climate Will Bring Even More Investment



DEJAN TURK

Vip mobile CEO

As a representative of the industry that accounts for four percent of GDP, I believe that an overall improvement in the business climate would greatly contribute to the further development of companies in this area, especially when it comes to using telecommunications infrastructure

Dejan Turk arrived in Serbia as the CEO of Vip Mobile in 2014, then a year later also took on the position of Director/CEO/CMO of the company's then new "Serbia and Slovenia" organisational unit and became the only manager in the region to win the Manager of the Year award in both countries. We asked him to rate the climate for investment and reinvestment in Serbia?

"The news that recently resounded in media about Serbia ranking first in the world, according to the Foreign Direct Investment Index, supports the fact that the development of the business climate has been on an upward trajectory in recent years," says Turk. "Vip recognised the potential of the Serbian market, in which it has – as the country's largest greenfield investment – invested over a billion euros so far to date. Additionally, over the last four years we've invested more than €120 million in the development of the network, infrastructure and new network technologies. Stable but moderate progress in pursuing reforms has contributed to the economy's stability, but there is still room for improvement when it comes to establishing a sustainable and competitive business climate, strong economy and high standard of living for citizens. It is necessary to work further in

order to improve conditions for doing business, reduce bureaucracy, establish equal conditions for all market players, strengthen the rule of law and modernise regulations."

► **To what extent is the institutional framework in the telecommunications sector favourable for further development of companies operating in this domain?**

– The institutional framework represents the basis for further development of telecommunications, and in this sense Serbia is working on harmonising legislation with the European Union's directives, while the relevant institutions are aware that operators are investing significant funds to construct and improve mobile

hase of IT devices, reducing customs tariffs on retail prices, VAT and other fees. Vip has been investing a lot in the digitalisation process in recent years. Thus at the end of last year – in cooperation with the Ministry of Education, Science and Technological Development – we installed routers with 4G internet in 25 primary schools in rural parts of Serbia, ensuring internet access for school departments to support teaching staff in digital education.

► **In your opinion, what is of outmost importance when it comes to the efficient use of human capital in Serbia?**

– There is a direct correlation between a company's employees and its success. I believe in the saying "Be the change you want to see in the world", which is why - for us at Vip - people are the starting point in every process. I'm glad that more and more companies recognise the importance of this trend. The level of earnings hasn't been the leading factor when it comes to employee satisfaction for a long time. An adequate environment needs to be created for their growth and development, along with creating common goals, nurturing team spirit, mutual respect and trust. That's why I'm very pleased that the general public has recognised our endeavours in this field, which led Vip to becoming the first recipient of the 'Family Friendly Enterprise' certificate, awarded by the Ekvilib Institute from Slovenia. ■

Vip achieved a market share of 24.6% in 2019, while in 2018 the company generated revenue of €249 million

networks. As a representative of the industry that accounts for four per cent of GDP, personally I believe that the overall improvement of the business climate would contribute greatly along with creating to the further development of companies operating in this area, especially when it comes to the use of telecommunications infrastructure. Another method for improving conditions in the telecommunications sector could be providing of incentives for the pur-

Digitalisation Brings Obvious Benefits For The Economy And The State

MIHAILO JOVANOVIĆ PH.D.

Director of the Serbian Government Office for Information Technology and e-Government



The idea and concept of digitalisation, which Prime Minister Ana Brnabić set as one of the priorities of the Government, has been recognised both in the country and across the region as an effective tool for establishing a modern public administration. Both businesses and citizens have had the opportunity to feel the benefits of this approach in the recent past

Here we discuss with Dr Mihailo Jovanović Ph.D., Director of the Serbian Government Office for Information Technology and e-Government, progress made to date on digital transformation and the next steps to be taken in the process.

► **What does the transformation of public administration into a modern administration look like if gauged from the perspective of the economy?**

– Within a period of just six months, the Office for IT and e-Government centralised all data and established a portal as a unique information system for local tax administrations – LPA (lpa.gov.rs), where businesses and citizens are able, at a click, to obtain information about their property tax liabilities and other sources of public revenue on the territory of Serbia as a whole, to electronically file applications

for determining the level of property tax for registered companies and private individuals, but also to settle their obligations electronically. The convenience of electronically filing applications for determining the level of property taxes is particularly important for companies, as they have to repeat this procedure annually, and this is especially so for those registered companies that have a larger number of properties. As of this year, companies are obliged to submit electronic applications via the LPA Portal. The establishing of this system also brings significant benefits for the state. Specifically, now that all data is available in one place, it is possible to make any query in real time – one click reveals the tax efficiency of each of the LPAs: taxpayer statistics, annual debt levels, collection percentages, debts carried over from the previous year... Simply, data is already available now for each LPA showing the percentage of collection

COOPERATION

The Government of Serbia and the Office for IT and e-Government cooperate very successfully with foreign partners when it comes to sharing knowhow in the domain of e-Government

DEVELOPMENT

The regional exchange of knowhow and ideas, but also regional interconnectivity and the enabling of e-Services within the region, is invaluable for the further development of the region as a whole

SECURITY

The new data centre will enable faster, more efficient, better and more secure e-Government and its faster development in the country, whilst guaranteeing the security of data related to Serbian citizens

success completed in 2018, but also the level of success of collection while taking into account transferred obligations.

The introduction of the e-Inspector information system is also of great importance to the economy and the state, as it enables better coordination between inspection services, the automation of work and improved oversight efficiency, standardisation in the work of inspectors and the availability of data to all inspection services. Some 36 inspections started operating within this system at the beginning of July. It will be possible by the end of this month for all registered companies to be able to see, via the e-Government Portal (euprava.gov.rs), all the findings of inspections, risks in oversight, information on the subjects and objects of supervision, their files and fines, and this will thus enable them to improve their operations.

► **How do we stand when it comes to educating the ICT staff who need to support the digital transformation process and developing the infrastructure that should carry it?**

– In the digital age it is also necessary to have digital skills in order to get the job done. The Government of the Republic of Serbia has determined that there is a lack of competent human resources in the market of the fast-growing ICT sector and has launched the IT Sector Retraining Programme, at the proposal of the Ministerial Council for Innovative Entrepreneurship and Information Technology, which is chaired by Prime Minister Ana Brnabić.

The retraining courses for the IT Sector are designed to quickly contribute to the supply of talent on the labour market. Three rounds of retraining qualification programmes have been completed to date, during which over 1,500 candidates received training, while the programme organised by the Office for IT and e-Government, aimed at people who are already employed, is still underway and

is attended by 411 candidates. A fantastic statistic is that as many as 30 per cent of those who have completed the Programme have succeeded in finding a job in the IT sector.

► **What does the building of the National Data Centre, for the managing and storing of data, mean for Serbia?**

– The Republic of Serbia will be the first country in the region to have a National Data Centre for preserving and storing data. This will enable the accommodating of equipment and data of the state administration and local governments, thus contributing to the much faster development of new services for citizens, the economy and the state.

Alongside space to house equipment and data from the state administration and local self-governments, the National Data Centre in Kragujevac will also have space for large commercial users, such as Microsoft, Oracle and commercial banks

The construction of the National Data Centre is an important project for the Republic of Serbia, which enables the advancement of the e-business system and the utilisation of the latest ICT capacities in the provision of customer services, while reducing the risk of the loss of data of great importance to the Republic of Serbia, as well as developing and supporting efforts in the development of Serbia's digital transformation. Alongside the latest infrastructure, the data centre will enable faster, more efficient, better and more secure e-Government and its faster development in the country, whilst guaranteeing the security of data related to Serbian citizens.

The National Data Centre in Kragujevac will be fully owned by the Republic of Serbia and will have a maximum capacity of nearly 1,200 server rack cabinets, which is more than five times greater than the capacity of the existing National Data Centre in Belgrade. The first phase of the investment has a value of 30 million euros, while the investor - on behalf of the Republic of Serbia - is the Office for IT and e-Government and construction will take a year to complete. Alongside space to house equipment and data from the state administration and local self-governments, there will also be space here for large commercial users, such as Microsoft, Oracle and commercial banks.

► **The introduction of the 5G network began symbolically at the Belgrade Science Technology Park in Zvezdara. When will access to this network become a reality for businesses and citizens?**

– Unlike all previous generations of mobile telephones, the 5G generation delivers much faster network response and much higher rates of data transfer, which means that we will be able to use mobile devices on the move to run many applications that previously required fixed computers, such as virtual and augmented reality. The 5G network will enable the managing of devices in real time, bringing to life the networks of a large number of sensors (Internet Of Things) that manage city services and large systems (Smart City). All of this will not only impact on increasing the quality of everyday life and reducing the cost of doing business, but will also create many opportunities for the development of new businesses and entrepreneurship. And those working at the Science Technology Park Belgrade in Zvezdara will be able to test the 5G network in the experimental phase even before the announcement of calls to apply for the frequency spectrum within the 5G network. ►►

► **Despite Serbia having done a lot in recent times on the development of the digital economy and infrastructure, in many aspects of this process it still lags behind more developed countries. What are the priorities of your Office in the period ahead?**

– After marking the launch of construction of the National Data Centre in Kragujevac, which will contribute to the smooth and reliable operating of e-Government services, as well as the secure storing of data and the development of future services, the Office for Information Technology and e-Government will turn towards “Champions of Cashless Payment”. This project enables all local government units to implement, free of charge, the system for the payment of administrative taxes using payment cards via POS terminals installed at municipal counters. The aim is to eliminate the need for citizens to visit multiple counters in order to pay their taxes, as well as increasing the level of cashless payments, as one of the measures included in the Action Plan for Combatting the Grey Economy in Serbia.

As of 1st July, all citizens submitting applications for new driving licences at the counters of the Interior Ministry can opt to receive the document at their home address, meaning that they don't need to visit the counter twice. Specifically, it will be possible for citizens to utilise the e-Government portal to apply and pay for their Confirmation of (Non)Penalties, which they will be able to collect from the police administration office according to their place of residence. The introduction of this service eases the process for citizens by ensuring they don't need to go to the police station twice.

► **In which way does the Serbian Government and your Office work with businesses and foreign investors when it comes to sharing knowhow related to e-solutions?**

– The Government of Serbia and the Office for IT and e-Government cooperate very successfully with foreign partners when it comes to sharing knowhow in the domain of e-Government. One successful form of international cooperation is the programme for the exchange of knowhow with Korea, in which the focus is placed on a new strategic framework for e-Government, which relates to the Programme for the Development of e-Government for the 2019 to 2022 period. The knowhow and experience shared between Serbia and Korea during the implementation of the first programme, in 2018 and 2019, proved to be of

incalculable importance to the development of e-Government infrastructure and the construction of the National Data Centre in Kragujevac, as well as for the establishing of National Cloud Infrastructure in Serbia.

► **The Serbian Government Office for Information Technology and e-Government's e-Inspector Information System found itself among the three best innovative initiatives at this year's 'Emerging Europe' meeting of European leaders in London. Would it be overly optimistic to consider exporting knowhow from Serbia to other countries, or does that seem like a realistic option?**

– Some time has now passed, and now that impressions have settled somewhat, I can say that I consider this as having been a great success for the Office and all those who participated in the implementation of the e-Inspector project, but ultimately for the whole idea and concept of the digital transformation of the Government of Serbia. Acknowledgement received at such a gathering, at the headquarters of the EBRD in London, is a true indicator that we're on the right track, which makes us satisfied. The very fact that our e-Inspector information system found itself at the top among a total of 227 nominated projects shows that work on digitalisation is at an enviable level in Serbia.

One of the topics that we touched on in London, and which is invaluable for the further development of the region as a whole, is the regional exchange of knowhow and ideas, but also regional interconnectivity and the enabling of e-Services within the

region. The Digital Summit of the Western Balkans, which was held in Belgrade in April, provided the basis to establish links within the region that will soon result in the sharing of knowledge. Thus, in July we signed an Agreement in the Field of Digital Transformation with the Republic of North Macedonia. This is also the first step in the realisation of the “Serbia Digitalises” programme, with which the Serbian Government Office for Information Technology and e-Government is setting out to disseminate knowledge and solutions in the field of the digital transformation of public administration. Namely, the idea and concept of digitalisation, as set by Prime Minister Ana Brnabić as one of the Government's priorities and which have resulted – in the short period of just two years – in the establishing of different e-Government solutions, have been recognised in the countries of the region as an effective means of establishing a modern public administration. ■



Within a period of just six months, the Office for IT and e-Government centralised all data and established a portal as a unique information system for local tax administrations

Good Investment


VELJKO TODOROVIĆ

Grundfos Serbia Plant Manager

Grundfos is operating excellently in Serbia and has long-term plans, as illustrated by its investments in experts dealing with advanced technologies and business solutions



The Grundfos plant in Serbia produces over four million final products annually, which represents slightly over 20% of the total units sold by the Grundfos Group. “This is confirmation that the company’s management has a very positive view of its investment in Serbia,” says Grundfos Serbia Plant Manager Veljko Todorović. Also testifying to the claim that the company has long-term plans for Serbia is the fact that – in addition to the manufacturing plant employing over 750 people and a sales enterprise responsible for the markets of Serbia, Montenegro, Bosnia-Herzegovina and Albania – Grundfos also employs over 60 experts in Serbia, within departments for advanced production technologies, digitalisation, direct and indirect procurement, quality, an OEM [Original Equipment Manufacturer] division, health & safety in the workplace and environmental protection, who work directly for the Grundfos Group and support its global operations, adds our interlocutor.

► **What capacities do you have at your disposal in Serbia today and what kind of operational results are you achieving?**

– The production plan for this year is for 4.5 million pumps and systems to be delivered from the plant, which represents around 60 per cent of the total installed capacity of final product

lines. The main buyers of our products are large OEMs from Europe, Asia and America, which ensures additional demands in terms of quality, delivery and costs. The plant also produces around 25 million other semi-finished products that are incorporated into our final products or delivered to other Grundfos plants or service organisations as spare parts. Various technologies are represented within the scope of the

As an award in recognition of last year's outstanding results, Grundfos Serbia was declared the group's best factory in the areas of production processes and financing

manufacturing process, from final assembly through rotor and stator production, to injection moulding of composite materials and machining in the form of deep extractions, punching, CNC machining and various types of welding.

Company Grundfos is ranked as seventh among Serbia's largest exporters, while products were sold on all of the world's major markets. Planned growth for 2019 is slightly over 10 per cent, and that value is set to be created from both existing capacities and new ones installed during the course of this

year. As an award in recognition of last year's outstanding results, Grundfos Serbia was declared the group's best factory in the areas of production processes and financing. One fact that we are particularly proud of is that our employees – brought together within our corporate responsibility committee – have implemented a large number of projects aimed at improving conditions for education in the schools of the Municipality of Indija and helping special needs children.

► **What are your further plans when it comes to production processes and exports? To what extent does the business climate in Serbia correspond to the further expansion of your operations?**

– Plans for the coming years are linked to the expanding of production capacities and the establishing of new technologies, in order for us to further optimise our supply chain. Exports will be primarily dependent on the world economy and further investments in infrastructure projects, but current plans suggest that we can expect mild growth in comparison to 2019. The current business climate has a positive impact on our operations in Serbia, but we still expect improvements, especially in the education sector, in order for us to be able to secure a workforce of sufficiently high quality. ■

We're Running A Marathon

ALEKSANDAR LJUBIĆ

Executive Director of
the Foreign Investors Council

The biggest challenge for me is to properly present the proposals advocated by the FIC in such a way that they are interpreted by the Government of Serbia as our contribution to creating an even better investment climate and opening space for accelerated economic growth. We're not sprinters, but rather marathon runners who've made the decision to work in Serbia and intend to stay



FIC Executive Director Aleksandar Ljubić is the new face of the executive office of this business association, who has amassed extensive experience in both the private and public sectors. That's why we began this interview by first asking him how much the FIC White Book has been a reference source of information about the business environment in his work to date.

“For us in the Government of Serbia, during the time when I was working as state secretary at the Ministry of the Economy, the White Book was an important document that highlighted what needed to change, in the institutional framework and in practise, in order to ease the operations of all investors – both foreign and domestic. Everyone wanting to deal with business had to pay attention to this document, because it contained recommendations on how to harmonise business operations in Serbia in accordance with standards applied in Europe,” says Ljubić. “That’s why the ministries of economy, finance and all other ministries dealing with this issue are in constant communication with the Council.”

“When you're in the Government, you gain experience in drafting laws and utilise the work of working groups and public debates in order to gather comments on a proposal you've submitted, but all of that isn't enough, because it is only through implementation that you can

see the obstacles needing to be removed, and in that the experience of business, which the FIC provides, is invaluable,” explains Ljubić, continuing: “From the experience of my work in the economy, the recommendations provided in the White Book were extremely relevant to me, because in doing business it is important to reduce administrative obstacles and unequal applications of regulations to a minimum.”

► **In your opinion, what are the most important prerequisites for establishing a high-quality dialogue between the private and public sectors?**

– In communication with the Government of Serbia, the FIC starts from position papers that are prepared by its members and based on the experience of both doing business in other countries in the European setting and of working in Serbia. The recommendations provided in these documents are not of a lobbying nature and don't advocate solutions that would benefit a single company or group, but are rather devised to advance the business environment for all participants. Harmonising regulations with European standards gives investors a sense of safety in Serbia, as they have business conditions like those in their home countries or other developed markets, in Austria, Switzerland, China or Japan.

STANDARDS

FIC members are companies that bring high operational and working standards, and which provide employees with good conditions for work and life

MOTIVATION

We all desire to make Serbia an excellent place to invest, to do business and to live

IMPARTIALITY

The White Book isn't the voice of a single company or group of companies, rather the unified voice of more than 100 companies with operations that depend on the development and growth of the entire Serbian market

► What do you consider as the biggest challenge in this work?

– With experience in both the public and private sectors, I think that I can contribute from the position of executive director of the Council to the creation of a bridge, or even better communication between the state and the FIC. The Council exclusively promotes stances and recommendations that represent a common denominator among the majority of its members. That's the source of the association's strength, because it isn't the voice of a single company or group of companies, rather the unified voice of more than 100 companies with operations that depend on the development and growth of the entire Serbian market. We are that "front line" that points out to the state that certain challenges exist, within the institutional framework or in practise, that need to be addressed. Moreover, we don't criticise in doing this, but rather offer solutions for overcoming identified challenges, while it's clear to us that certain changes need time. What's important to us is that the government has a desire to improve business conditions, and we see that it does.

► Apart from maintaining a dialogue with the government, the FIC also communicates constantly with many other international and domestic stakeholders.

– Exchanges of experience are extremely important, and we take every opportunity to share our considerations primarily with international financial institutions and representatives of the European Delegation. The specificity of the FIC is that it is an independent organisation, unlike other associations and chambers that are affiliated with a specific country or institution. It is precisely such a position that makes the FIC a valued interlocutor that many partners want to hear.

► The number of members of the FIC is growing constantly, along with their economic strength and share in the GDP of Serbia. What kinds of numbers are we talking about today?

– The Council's membership today includes around 120 companies that have invested more than 33 billion euros in Serbia and employ



The FIC highlights the need to harmonise regulations and practises in Serbia with European practises, thus contributing to Serbia's progress in the European integration process

more than 100,000 people in the country. This marks exceptional growth compared to 2003, when the level of investment of FIC member companies totalled around 150 million euros and our companies employed about 3,160 people. The Council increases its membership constantly, as new investors are continuously coming to Serbia.

► Is such a powerful organisation in itself a sufficient magnet for attracting new members?

– The Council is an organisation with a great reputation. Many of our members are also members of other business associations, but it is actually membership of the FIC that gives

them an opportunity to do things in a specific way. The presenting of the results of the White Book is attended every year by the highest representatives of the state and provides a unique opportunity for exchanges of experience and opinion between the government and FIC members, and the opening of new perspectives for the creation of a competitive business environment. Likewise, the FIC is the only organisation to have an established institutional channel of communication with the Government, through our joint working group with the Government that works to advance the implementation of the recommendations of the Council's White Book and is chaired by the Serbian Prime Minister.

► Apart from the White Book, what other channels of communication does the FIC develop in its dialogue with the public and internally with the membership?

– The main channels of communication for membership are the committees, of which there are 11, through which members – relying on their own expertise – work on analysing the institutional environment and practises, and on developing recommendations that become part of the contents of the

White Book. In addition to this, the Council organises various gatherings for members that address significant topics, such as, for example, the launch of implementation of the Personal Data Protection Act, which was adopted in accordance with the General Data Protection Regulation (GDPR), during which our members had an opportunity – in direct contact with representatives of the Ministry of Justice and the Commissioner for Personal Data Protection – to discuss concerns and confusion regarding the implementation of this law, which is applicable to many of our members. Through our LinkedIn account and website, we provide members with information that's prepared by the FIC Executive Office. ■

Reforms Not Only Attract But Keep Investors

ZSUZSANNA HARGITAI

Director of the European Bank for Reconstruction and Development (EBRD) for the Western Balkans

If Serbia wants to accelerate growth, more work is needed on improving the business environment and enabling a higher level of local private investments. On the top of that, there is a need to increase public investments in infrastructure and education



Better institutions, less government interference, more investment in infrastructure - this was the EBRD proposal to the countries of the Western Balkans if they don't want to lag too far behind the EU. To gauge how much we accepted this advice in Serbia, we asked Zsuzsanna Hargitai, EBRD Director for the Western Balkans.

"The EBRD actively helps the Serbian government and others in the region to improve the business environment. In Serbia, the government has stepped up the business inspections reform with our help, improving the coordination and targeting of inspections. The EBRD also supports the training of public procurement professionals and provides for capacity building at the Commission for the Protection of Competition," says Hargitai, adding: "More work is needed to accelerate growth through the improving of the business environment in order to enable a higher level of local private investments and increase public investments in infrastructure and education."

"There is ample room to further reduce the administrative

burden on enterprises, especially small ones, strengthening competition in many sectors or promoting the regional economic role of Serbia, e.g. through gradually easing foreign currency controls that limit the operational efficiency of Serbian and foreign companies," says our interlocutor.

► **Macroeconomic stability is there, fiscal consolidation in sound, yet GDP growth, the pace of industrial production and even exports remain moderate. The Fiscal Council often points to the lagging reforms within EPS as one of the reasons for slower-than-expected growth. Given your involvement in EPS, what is your opinion?**

– Indeed, fiscal consolidation has been substantial in the past five years, transforming the fiscal deficit of 6.6 per cent of GDP in 2014 to a surplus in the past two years. Growth, however, needs to accelerate significantly and in a sustainable manner, as it has averaged just 1.6 per cent post-2009.

A large and inefficient state sector is clearly one of

GROWTH

Growth needs to accelerate significantly and in a sustainable manner, as it has averaged just 1.6 per cent post-2009

FOCUS

Instead of higher subsidies, we believe that Serbia should focus on reforms that make life easier for all, both domestic and foreign businesses

PROGRESS

There has been some progress in enhancing the corporate governance of large state-owned enterprises where we work, such as EPS and Srbija voz

the factors slowing economic growth. Serbia has the third largest share of SOE employment among 21 Central and Southeast European countries, as shown in a recent IMF paper prepared in cooperation with the EBRD. The financial performance is also weak compared to the private sector, and improved resource allocation could result in sizeable growth benefits, raising GDP permanently by two per cent.

This would require, first and foremost, better governance, strengthening the role of professional supervisory boards with independent members, eliminating acting managerial positions, but also a non-politicised oversight and clear goal-setting - e.g. key performance indicators - for the companies by the owner, i.e. the state.

This is precisely what we try to enable and support at EPS and Srbija voz with our Corporate Governance Action Plans.

► **Which public companies would you outline as those who are transforming the most with your support?**

– The EBRD has first-hand experience of improving the performance and corporate governance of state-owned enterprises in the region and has participated in numerous transactions that included governance improvements as part of financing arrangements.

In Serbia, we are engaging with EPS and Srbija Voz on these matters. The restructuring loan to EPS in 2015, and the loan to Srbija Voz for refurbishing the technical depot in Zemun, provided us with an opportunity to gain insight into the corporate governance practises of those companies and the challenges they face in this respect.

Both projects resulted in the development of Corporate Governance Action Plans outlining the actions that the companies will take and are already taking (with Government support) in order to more closely align the functioning of their key corporate bodies with international standards and best practises, as well as to strengthen their strategic and monitoring roles. Under these programmes, the companies are also working to improve their internal control and risk management systems, as well as the disclosure of relevant governance information to the public.



Privatisation has moved ahead, including for Komercijalna banka, but there is still much to do in terms of improving the monitoring of performance and increasing the efficiency of public enterprises

► **As you stated in one interview, the need for a “level playing field” is one boring thing to be always repeated, but it seems that we are still missing the message. Apart from reforms in the public sector, what else do we need the most in that respect?**

– To ensure a level playing field, Serbia needs a sound business environment where barriers to entry are removed and effective institutions are in place to ensure vigorous competition and competitive neutrality among private and public sector players. Serbia has made significant progress in terms of strengthening its competition policy, and the Commission for the Protection of Competition has been

increasing its efforts and capability, including with EBRD support. Nonetheless, much still needs to be done on state aid issues, which are critical to ensuring competitive neutrality, especially in a country where state-owned enterprises still dominate many sectors of the economy. The Commission for State Aid Control is not an independent body and its budget and enforcement capabilities are still weak, as recently acknowledged by the EU Commission.

► **In numbers, FDI inflows to Serbia are respectable, yet the quality of these investments vary in terms of new technologies, market access and business standards. Do we need more subsidies, more targeted subsidies or something else?**

– Net FDI inflows have increased from 3.5 per cent of GDP in 2014 to 7.5 per cent in 2018. This is impressive and helps both to create jobs and to finance the current account deficit. According to a recent CEVES study, the structure of

FDI inflows has changed to a less beneficial one for broader economic development since year's end 2009: the share of investments requiring lower skilled workers has increased compared to those requiring a more educated workforce. This suggests that Serbia still competes more with other countries on low wages than on its offer of a generally good business environment.

Instead of higher subsidies, we believe that Serbia should focus on reforms that make life easier for all, both domestic and foreign businesses, e.g. enhancing the ►►

skills of the public administration and making their interaction with businesses simple and predictable, making inspections less intrusive for companies and more targeted towards those with higher compliance risk, accelerating and improving judicial processes.

► **The privatisation of Komercijalna banka will represent a further step in removing the state from the banking sector. What would be the expected impact of this sale on the overall banking sector and how would you assess its soundness?**

– Komercijalna banka, as one of the largest banks in Serbia, is an important market player. The initial steps under the privatisation process, after a long period of promised privatisation, suggest that the government is ready to take important steps forward.

The Serbian banking sector is still in the consolidation process and a high quality, ambitious new owner of Komercijalna banka may bring stronger competition in terms of new products and better quality services.

► **It is often believed that we don't pay enough attention on our own domestic entrepreneurs. Do you see new stars among them, apart from those companies that we already know, such as Forma Ideale, MK Group and others?**

– The EBRD has worked with many Serbian companies and over 800 SMEs, many of which were recognised as potential stars. We helped them develop and grow, but - beside our support and their efforts - they also need a competitive business environment, while the state needs to continue enhancing the rule of law and efficient mechanisms for rules enforcement and compliance.

► **Do these new medium-sized companies that the EBRD is working with represent isolated islands in a ravaged economy or part of new archipelagos of growth?**

– The EBRD's support for SMEs stretches over several priority areas. We provide businesses with finance and advice to help them innovate and grow, and we work with policymakers to create an environment where they can succeed. To that end, we help transform a huge range of businesses, from start-ups to medium-sized companies and market leaders that want to go global. In the Western Balkans, we have worked with over 5,000 businesses to date. This would have not been possible if it wasn't for our fruitful partnerships with donors, including the European Union, Luxembourg, Sweden and Italy, all of which support business advisory services.

For a select group of companies with aspirations to grow

rapidly, a high degree of commitment to competitiveness and innovation, high standards in management, as well as openness to work with a long-term financial partner; we have created a dedicated Blue Ribbon programme. It offers a range of tailor-made advisory services and financing options to companies that stand out for their market leadership qualities.

► **Although your work is not related to education, what do you discerning from the relatively low unemployment rate in Serbia (about 10-12% in most developed parts), pronounced migration and shortages of qualified staff? How does this impact on the much-desired job creation?**

– You might be surprised, but the EBRD also supports (vocational) education by teaming up with companies to set up internship and traineeship programmes for young people, as we did in Serbia with road construction company Putevi



The ongoing reform of business inspections will improve the business environment significantly

Srbije and Belgrade municipalities. This is all the more important as, despite declining unemployment figures (the unemployment rate dropped from 24 per cent in 2012 to 13 per cent in 2018), youth unemployment is still very high – at around 30 per cent. Reducing youth unemployment is very important, as the country is losing valuable resources and unemployed young people lose productive years without gaining work experience. As a consequence, they might choose to leave the country.

The quality of education is also highly relevant for job creation. It not just the theoretical part, like the quality of education in maths and science, where Serbia ranks relatively well (29th in the 2017-18 World Economic Forum's Global Competitiveness Index), but also in the more practical fields

that future employers require. That is why on-the-job training is so important.

► **The EBRD will this year invest up to 500 million euros in Serbia, and for the first time more than 70 per cent of these funds relate to the private sector. Is that a trend that's set to continue in 2020 too?**

– I would like to remind readers that EBRD financing is demand driven, i.e. our mandate is to mobilise – and not to squeeze out – commercial financing, focusing primarily on private sector development and innovations in products and financing structures. So, we pay high attention to well-prepared investment projects and novel financial approaches, while the pure volume of investments is not a priority for us. Still, our objective to reach financing of 500 million euros for this year - representing a 20% increase compared to 2018 - is based on us having found such clients and investment opportunities. The good news is that the trend is likely to continue! ■

Growth Path Based On Competitive Strengths



RONAN CONROY

General Director of BPI d.o.o. (Ltd.), Agri Business Partner d.o.o. (Ltd.)

Serbia's rich tradition of food production and experience in certified crop seed production offers vast potential for agri-sector development. We see real potential for new legislation around the labelling of non-GM products, which – if undertaken sensitively – represents a real potential upswing for farmers and food producers

Coming from a challenging base in 2018, 2019 continued as another challenging year for agriculture. International commodity markets presented volatile conditions for both traders and producers alike, with international trade barriers and stand-offs intensifying. Furthermore, weather conditions – both locally in Serbia and further afield – pushed production to its limits.

It is in such an environment as this that it is most necessary to take stock. And in so doing it is reasonable to propose that, while challenges for 2018/2019 are individual to these production years – in the sense that they present challenges that materialise in market volatilities – they are by no means unique.

It is in this context that we in the agri-sector must take stock of where we have come from and, more importantly, what strategy we wish to adopt going forward. Here is where the role of the state and industry, with its representative bodies, is pivotal in nurturing the discussion and development of a strategy through which the Serbian agri-sector can chart a path using our competitive strengths.

At Agri Business Partner, we maintain the approach of business development in

concert with our strategic partners. We take care of our house and our partners take care of theirs, and we both come to the table with a secure footing to do mutually beneficial business today, and to put in place plans for the future. We believe the same must be true for the broader

The role of the state and industry, with its representative bodies, is pivotal in nurturing the discussion and development of a strategy through which the Serbian agri-sector can chart a path using our competitive strengths

agri-sector. Both the state and industry already do very important work on existing legislative and regulatory alignment, but they should also importantly develop new frameworks and undertake actions for the future development of the agri-sector.

Serbia's rich tradition of food production and experience in certified crop seed production offers vast potential for agri-sector development. We see real potential for new legislation around the labelling of non-GM products, which – if

undertaken sensitively – represents a real potential upswing for farmers and food producers, where existing Serbian production of non-GMO quality is reinforced, both locally and regionally, as value-added and high-quality production. We also see merit in farmers' production of certified crop seed being supported with land rent subsidies, as this production represents a national competitive advantage at a global scale.

Also reflecting on the global scale of agriculture and the environment – where there are opportunities for Serbia to contribute to the development of greater sustainable agriculture and the environmental economy – we see it as opportune for the state to maintain its role in the continued roll-out of bio-energy,

considering the growing conversation around carbon-footprints and sustainability, and indeed considering our responsibility to contribute to addressing environmental concerns.

It is clear that the agri-sector will withstand annual volatilities, as it has for years. However, in order to reinforce and develop all facets of the agri-sector, stakeholders should respond and create new development frameworks for Serbia's agri-sector. ■

Ambitious Reform Agenda Required

SEBASTIAN SOSA

IMF Resident Representative in Serbia



Prompt implementation of an ambitious structural reform agenda will be needed to address bottlenecks and support Serbia's transformation into a modern, private sector-led economy with faster and more sustainable growth

According to the IMF, Serbia's economic situation is encouraging. The short-term macroeconomic outlook remains positive, although downside risks - mostly from abroad - have increased. After reaching 4.3% in 2018 - representing the fastest rate in 10 years - real GDP growth decelerated in early 2019, partly due to lower energy production and reduced export growth. FDI and public investment have been very strong in the first half of the year, while strong growth in wages and bank credits to households have supported consumption. "In this context, our growth projection remains at 3.5 per cent in 2019, with weaker external demand offset by stronger domestic demand, although we are in the process of updating these projections in light of GDP data for the second quarter", says Sebastian

Sosa, IMF Resident Representative in Serbia, continuing: "in 2020, growth is projected to accelerate to four per cent, but downside risks are mounting for this year and next, including an escalation of trade tensions that can disrupt supply chains, as well as weaker economic activity in the euro area."

► **To what extent has Serbia managed to secure the necessary preconditions to sustain long-term growth?**

– Macroeconomic stability – an important precondition for high long-term growth – has been achieved and needs to be preserved. Inflation is low and stable, the fiscal position is solid, and interest rates – of both government securities and bank lending – are at record-low levels, all of which create a positive environment for businesses.

STRENGTH

A key policy priority would be to cement the hard-won fiscal gains by strengthening fiscal frameworks

CHALLENGE

Tackling the poor corporate governance of public and state-owned enterprises is critical, but won't be easy

DIFFICULTY

The performance has been mixed in terms of structural reforms, with significant delays in some important areas

The financial sector is stable and now well positioned to support growth. However, some structural weaknesses are yet to be tackled and will require the advancing of a comprehensive set of structural and institutional reforms. While progress has been made in some areas, the pace of reform needs to be accelerated in others.

► What ingredients are missing in Serbia compared, for example, to the CEE countries that have achieved much more robust growth?

– Despite recent progress in some reform areas, Serbia's economy still exhibits structural weaknesses that constrain growth and prevent a faster income convergence with EU income levels. These weaknesses are reflected in the low stock of capital per worker, high structural unemployment, low labour participation rates, a large and inefficient SOE sector, and anaemic productivity growth. In fact, stagnant productivity explains the growth gap vis-à-vis more dynamic emerging markets to a large extent. Promptly implementing an ambitious structural reform agenda will be needed to address these bottlenecks and support Serbia's transformation into a modern, private sector-led economy with faster and more sustainable growth. Policy priorities include boosting investment (particularly domestic private investment), improving the business environment, fighting informality and reforming public enterprises.

► What preconditions are necessary for the domestic private sector to grow?

– Supporting private sector growth will require the tackling of infrastructure gaps, improving public administration efficiency and the quality of public services, reducing the size of the informal sector and addressing skills shortages and mismatches in the labour market. A

favourable business environment also requires stronger rule of law and contract enforceability, reduced corruption and a more efficient and independent judicial system.



Policy priorities include boosting investment, improving the business environment and fighting informality

► How would you assess the results achieved so far under the Policy Coordination Instrument (PCI)? In which areas is IMF support to Serbia the most important in terms of growth?

– Macroeconomic performance under the PCI has been strong. The fiscal position is solid and has facilitated higher capital spending, as well as faster reduction of public debt. Unemployment continues to decline, inflation is low and stable, and financial sector resilience continues to improve, with non-performing loan ratios now below pre-crisis levels. Performance has been mixed in terms of structural reforms, with significant delays in some important areas. Good progress has been made towards the modernisation of the tax administration, strengthening public investment management, privatising the largest state-owned bank and addressing shortcomings on anti-money laundering and combatting the financing of terrorism. However, public wage system reform and the resolution of problematic state-owned enterprises have faced substantial delays, with further actions needed to strengthen SOEs' management and corporate governance.

► How would you explain the reasons for the lower-than-expected results in terms of corporate governance?

– Poor corporate governance of public enterprises and SOEs is a key concern. A recent study conducted by the IMF's European Department suggests that Serbia performs poorly in SOE governance both against OECD best practises and compared to other countries in Central, Eastern, and Southeast Europe. This is explained ►►

through several factors, including a weak ownership policy, lack of adequate financial oversight, and a weak role of boards of directors. Tackling these problems is critical, but will not be easy, as it is typically required to fight vested interests and political influence.

► **To what extent has Serbia managed to place its fiscal policy on a solid footing?**

– Serbia’s public finances have improved dramatically over the past few years, with two consecutive years of overall fiscal surplus, in 2017 and 2018 – compared to a deficit of almost seven per cent of GDP in 2014-15. This adjustment has supported a rapid decline in public debt ratios, from about 75 per cent of GDP to nearly 50 per cent of GDP. Public debt is projected to remain on a declining path going forward. A key policy priority would be to cement the hard-won fiscal gains by strengthening fiscal frameworks—for instance, by introducing a new set of credible fiscal rules—which would ensure that fiscal discipline can be sustained over the long run. Fiscal policy should also focus on improving the composition of spending, by containing current expenditures to create space to adopt growth friendly measures, such as boosting public investment and reducing the burden of labour taxation.

► **Serbia recently sold a \$1 billion euro-denominated sovereign bond in order to pay off more expensive dollar-denominated government debt. How do you evaluate this transaction in terms of the overall goal of debt reduction?**

– The recent eurobond issuance is part of a public debt management strategy aimed at improving the debt profile by extending maturities and reducing the share of foreign currency debt. The eurobond issuance facilitated the early redemption of more expensive dollar-denominated sovereign bonds maturing in 2021 and 2023, with coupons of 7.25% and 4.875%, respectively. Meanwhile, the new bond, denominated in euros, was issued at a yield of only 1.6%, which is the lowest rate ever achieved by Serbia in international financial markets and implies a sizeable reduction of the interest bill.

► **According to plans, the privatisation of Komercijalna Banka, the country’s second largest lender,**

should be finished by year’s end. What do you see as the major gains of that sale when it comes to the state and the soundness of the banking system?

– The privatisation of Komercijalna Banka is a key element of the reform agenda for state-owned financial institutions. Previous Serbian governments have targetted the privatising of this bank for many years,



and we are glad to see the process moving forward. This privatisation, which should be a transparent and competitive process, will help improve the overall efficiency and stability of Serbia’s banking system. History, both in Serbia and other countries of the region, suggests that state-owned banks tend to engage more in operations that are not always commercially based. For instance, they are generally more willing to lend to loss-making SOEs or to sectors or regions facing difficulties, due to political pressure. Thus, in many cases they take excessive risks, ending up with high levels of NPLs. Moreover, corporate governance is typically weaker in state-owned banks than in private banks, as is the case in SOEs more generally. While this was not the case with Komercijalna Banka in recent years, that can partly be explained by its ownership structure, which has included a group of IFIs as shareholders.

The privatisation of Komercijalna Banka is a key element of the reform agenda for state-owned financial institutions

► **How would you assess Serbia’s monetary policy and the central bank’s recent decision to increase gold reserves?**

– The NBS’s accommodative monetary stance, including the recent interest rate cut, has been appropriate, supporting domestic demand and credit growth in recent years, while keeping inflation well under control. With macroeconomic stability now firmly entrenched, a gradual move towards greater exchange rate flexibility over the medium-term would help develop the exchange rate market and promote dinarization. Regarding the NBS’s decision to buy gold, let me point out that central banks’ international reserve portfolios typically include gold as part of their diversification strategies. The NBS is not an exception, and the share of gold in total reserves of around 6.5 per cent is broadly in line with the average for emerging markets. Many central banks, including Serbia’s, have increased their gold holdings in the first half of 2019, taking into account market conditions. ■



CHECK IN TO LUXURY

CROWNE PLAZA BELGRADE
LIFE DOESN'T STOP WHEN BUSINESS BEGINS

Praise Brings Expectations



DUBRAVKA NÈGRE

Head of the European Investment Bank (EIB)
Regional Office for the Western Balkans

Serbian's economic indicators have improved, but for the country to integrate successfully into the European market, and raise domestic and foreign investment levels, it needs to have a stable and predictable system in every single segment of the society, as a guarantee of a sound, safe and successful business environment

Reforms in Serbia are evident, and should be commended, but also further encouraged, as their completion and harmonisation with European standards is crucial, says Dubravka Nègre, Head of the European Investment Bank Regional Office for the Western Balkans.

According to the latest report of the European Commission, the State still has a significant influence on the economy, while private sector faces difficulties due to weaknesses in the rule of law and a lack of fair competition, adds our interlocutor. "Economic indicators have improved. However, for the country to integrate successfully in the European market, and attract more domestic and foreign investors, it needs to have a stable and predictable system in every segment of the society, as a guarantee of sound, safe and successful business environment," says Nègre. "Implementation of the rule of law, reforms of the public administration and the restructuring of the state-owned enterprises are nec-

essary both at local and central level. And finally, it is essential to create a system in which education will be in line with the needs of the labour market."

► **How favourable is the economic environment in Serbia when it comes to public and private investment?**

– Public investments are a prerequisite for private investment. If you build a road – as a public and capital investment – you usually do so with the help of the private sector to mutual and long-term benefit. We support the State to conduct capital investments and the progress is evident. The Southern section of Corridor 10 is completed and the Eastern section is to be finalized soon. The completion of this essential infrastructure is also a signal for the private sector to invest in that part of Serbia. Of course, to ensure stable private investments, it is crucial to implement the reforms that I have already outlined. So far, there has been only a few

PRIORITIES

The state needs to increase public, capital investments, and to continue the restructuring of public companies

EURO-INTEGRATION

When it comes to Euro-integration, it is more important for countries to have closed chapters, successfully finalised and completed processes, and we hope that there will be more of those

INVESTMENT

The projects that are funded by the EIB always engage local experts, and the knowhow that remains following the implementation of our projects is the biggest investment in this country

private capital investments at the national and local levels. Concessions and public-private partnerships are not yet widespread. Although complex, such structures are sustainable, provided certain legal and institutional preconditions are fulfilled.

► **As one of the largest investors, with a strong presence in the region, how would you rate the progress Serbia has achieved in managing major projects, in terms of good planning, management and finances?**

– We finance capital projects, or rather, we are mostly known by these type of investments in the region (from transport corridors and science parks, to clinical centres). These are complex, demanding and difficult large scale projects that require thorough preparation, in order to ensure their realisation within the planned deadlines and the envisaged costs. Serbia and project promoters were able to learn a lot from already implemented investments, such as the Clinical Centre in Nis or the construction of the Southern and now the Eastern section of Corridor 10. With that knowledge, with positive and less positive experiences, any future project will progress more smoothly. On the other hand, the State needs

to consider how to attract and keep qualified staff in the public administration, because a system in which a poorly paid or unmotivated employees manage important public investments is unsustainable.

► **Which of the projects funded by the EIB would you single out in particular as being key to GDP growth?**

– I would primarily point out the Southern section of Corridor 10 to North Macedonia and the Eastern section towards Bulgaria, the opening of which is expected in the autumn. EIB financed these projects with 579 million euros. There is also the railway corridor connecting Niš and Dimitrovgrad, which is being financed with a €134-million loan in addition to the investment

grant from EU donors worth €73 million. When we were considering our support for the Eastern section of Corridor 10, we estimated that 19,000 people would be engaged during construction alone, while between 75 and 100 new jobs would be created to maintain the highway, which means nearly 100 families in one of the poorest parts of Serbia. This is the estimate of direct

employment being created through this investment – not to mention how much a highway contributes to the economic development of the region it traverses.

At the same time, the EIB also finances – via local commercial banks – small and medium-sized enterprises (SMEs), particularly those that are innovative, with a small number of employees, or enterprises which are riskier from the credit point of view. With such investments in Serbia, the EIB contributed to sustaining more than 40,000 jobs in 2018 alone.



Companies gathered within the Foreign Investors Council transfer their know-how to the local economy, as application of their processes contribute to the development and modernisation of the Serbian economy

► **Why is GDP still modest, despite these investments? What are the main obstacles to growth?**

– There are many factors that influence economic growth, both externally and internally. Domestic factors are directly linked to structural reforms. Among other things, the State should look into improve-

ments to the legal system, labour conditions, the tax system and the functioning of public administration, but also increase public, capital investments, and continue the restructuring of public enterprises. A sustainable economy can only be established with a strong private sector and healthy market competition.

► **To what extent has the opening of different chapters in the EU accession negotiation process – the most recent being Chapter 9 – impacted on the investment climate as a whole?**

– It is important for the state to open new chapters, because that means the start of monitoring of harmonisation with EU standards in a given sector. However, ►►

the most important for the country is to close chapters successfully, and we hope to see more such cases in the future. When it comes to Chapter 9, covering financial services, it looks into the legal arrangements related to capital markets, insurance (including individual pension systems) and the banking sector. The acquis sets minimum binding standards concerning the taking-up and conduct of finance businesses, together with the financial structure and supervision of financial services providers.

► **What does Serbia require to attract FDI in advanced technological sectors? How do companies like those gathered within the FIC contribute to transfers of technology and the modernisation of the Serbian economy?**

– The European Investment Bank invests actively in the technology and innovation sectors. We support innovative companies which are competitive in global markets and offer their know-how and products.

The European Investment Fund (EIF), together with commercial banks in Serbia, provides guarantee schemes, thanks to the EU budget, which allow banks to support SMEs under more favourable conditions (reduced interest rates, reduced collateral, extended repayment periods). With a contribution of €20 million signed this year with the EIF, around 180 million euros will be activated in the form of more favourable loans to SMEs. Over the last three years, the EIF has extended some 200 million in guarantees, which has stimulated around a billion euros of new loans to the economy in the region.

At the same time, companies gathered within the Foreign Investors Council offer transfer of their knowledge and experience to the local economy. This leads to modernization of operational procedures, corporate responsibility and better businesses management.

► **To what extent does Serbia utilise EIB investments in education, research and development?**

– The EIB has financed €13.5 billion the R&D sector at the global level last year alone. In Serbia, the EIB has been for many years directly funding the education, research and development, and applied sciences, primarily through its Research & Development programme with an amount

of 200 million euros. This relates to the construction or upgrade of research centres infrastructure and provision of modern equipment needed for research. At the same time, we are investing in research centres in the field of medical sciences, and we are financing the modernisation of Clinical Centres in Niš, Belgrade, Novi Sad and Kragujevac. The EIB is also financing the construction

of science and technology parks in Novi Sad, Niš and Belgrade, as well as the construction and equipping of the building of the Biosens Institute in Novi Sad, and the Institute of Physics. We are investing in expanding the capacity of the Faculty of Electrical Engineering in Niš, in the construction of a new building of the Faculty of Organisational Sciences in Belgrade. At the same time, we have also supported the construction and renovation of more than 120 primary and elementary schools in Serbia, with 40 more schools remaining to be completed.

► **How would you rate Serbia's external and internal position in terms of debt repayment?**

– The figures suggest that it is heading in the right direction, in the direction of fiscal and monetary stability. Public debt has fallen from more than 70% to around 50% of GDP, which is encouraging. Also, Serbia issued bonds - under relatively favourable terms, in order to finance part of its previous debt. These are good indicators and I hope progress will continue in this direction.

► **Is it realistic to expect Serbia to receive an investment rating by the end of 2020? What are the prerequisites for that to happen?**

– If all structural reforms are continued and economic stability is maintained over the medium term, it will provide a good basis for Serbia to receive an investment rating. Making progress in the accession negotiation process with the EU will be very important as well in that regard. Although we monitor the reports of credit-rating agencies, the European Investment Bank does not make these types of projections, so it would be difficult to forecast. As a responsible financial institution, we have our own internal system of credit evaluation and classification, which currently ranks Serbia in a similar range as the leading crediting agencies. ■



When it comes to Euro-integration, it is most important for the country to close opened negotiation chapters successfully, and we hope to see more such cases in the future



Shifts Are Visible; Systemic Access Remains Lacking

DRAGAN PENEZIĆ

President of the Anti-Illicit Trade Committee
of the Foreign Investors Council (British American Tobacco SEE Ltd.)

In order to ensure a systematic fight against illegal trade, it is necessary to enable the full implementation of the Law on Inspection Oversight and improve the resources of bodies responsible for controlling its implementation

The grey economy impacts negatively on all branches of industry, including companies dealing with production and those trading in excise goods or other goods. Companies that are battling with unfair market competition from the grey zone are unable to generate planned revenues, invest in development and employment, or invest in further research in order to meet the needs of consumers for new and better products and services. At the same time, the grey economy also reflects negatively on the budget and prevents the state from realising all of its social and developmental plans and needs.

The problem of the grey economy cannot be eradicated through ad hoc measures and one-off activities, rather there must be a systemic approach to addressing this problem. The Government of Serbia officially declared 2017 and 2018 years of the fight against the grey economy, thereby emphasising the priority position and importance of this problem.

Positive shifts are evident through largely consistent implementation of the National

Programme for Combatting the Grey Economy and the associated Action Plan over the past two years. Application of the Strategy for the Integrated Management of Borders in the Republic of Serbia has commenced, while the Government Working Group for Combatting Illicit Trade is working actively on the adoption of action plans (workflows) for strengthening controls on trade in certain regions and for certain products, and the establishing of a single Contact Centre for Inspection Oversight for citizens and businesses has been launched.

The Ministry of Finance has formulated measures in the field of the tax policy on excise goods – primarily tobacco, oil and coffee – via consultations with representatives of these industries. This

allowed for the adopted measures not to jeopardise the stability of the legal market, but also to lead to a significant increase in tax revenues.

The treatment of misdemeanors and criminal charges in the area of illicit trade by prosecutors and courts, i.e. ineffective proceedings and exceedingly lenient penalty policies, remains a key problem.

The Law on Inspection Oversight is not fully applied, as there is still no harmonisation of sector-specific laws under an umbrella law, despite the envisaged deadlines having long since passed.

The bodies tasked with controlling the application of the law do not possess the necessary resources to combat illicit trade systematically, although their engagement is intended to protect and increase budget revenues.

A comprehensive upgrade of the inspection system is essential, to include: harmonisation of the number of inspectors and implementation of professional training in accordance with identified needs; implementation of a unified information system in the field of inspection oversight;

the securing of lacking equipment and resources for the work of inspection services.

In parallel, it is necessary to raise the efficiency of legal proceedings before judicial authorities, which would also serve the purpose of acting preventatively on other market participants.

Perhaps the most important element, but so far also proving the most difficult, is to ensure the coordinated work of state services (inspections, Interior Ministry, prosecution, judiciary etc.). Continuous cooperation with responsible business and education will ensure the raising of awareness among consumers regarding the importance of combatting the grey economy and creating a positive effect in all segments of the society and the economy. ■

The more efficient processing of cases and an appropriate policy of penalties for offenders would serve to advance existing efforts aimed at combatting the grey economy significantly



Utilise Business Sector Expertise In The Digitalisation Domain

NEBOJŠA JOVANOVIĆ

President of the Digital & E-Commerce
Committee of the Foreign Investors Council (Raiffeisen Bank a.d. Beograd)

Cooperation between the Government and the economy would contribute to the development of an all-encompassing regulatory framework that would support the digitalisation process and electronic operations, and would enable Serbia to take a leading position in the area of digitalisation among the countries of the neighbourhood

There is a positive pace in the creation of a regulatory framework that will support the further development of digitalisation in Serbia. A set of new decisions and laws governing the use of electronic documents and electronic signatures have been prepared and adopted during the last two years. Also, the decisions of the NBS [Serbia's central bank] have enabled the video identification of individuals by financial institutions, signing contracts through dual-factor authentication and instant payments.

Significant regulatory steps were taken in the domain of digitalising financial products and services, which forms the basis for the further digitalising of processes and services in business and public administration. Of course, there is room for further improvement, especially in the domain of speed and coherence in developing a regulatory framework. The finalisation of by-laws that more precisely regulate the use of electronic signatures, enabling the video identification of registered companies, as well as the establishment of a state-level system for citizens' digital identity, represent only some of the key areas of further action for regulators. Although the current development of digitalisation has been assessed as moderate, Serbia is given a chance - with the implementing of new laws - to take the leading position in the field of digitalization among the countries of the region.

The expansion of services, as well as information available via e-Government, are important activities in further improving efficiency and reducing paper administration. The popularisation of services, education of individuals and businesses, as well as spreading awareness of the possibilities of the e-Government

More cooperation is needed between the state and financial institutions in terms of exchanging information that would contribute to a more efficient process of lending to citizens and businesses

portal, would have a direct impact on increased user confidence, mass usage and greater efficiency. In particular, the need for cooperation with financial institutions is specifically recognised in the exchange of information that would contribute to more efficient lending to citizens and the economy. Information on the tax and communal obligations of clients is still not available to the Credit Bureau service, which means that banks are unable to accurately assess clients' creditworthiness. Moreover, taking into account the

high usage rate of mobile devices, the e-Government portal's optimisation for mobile phones and tablets would contribute to its efficient and much greater usage.

As regulation remains ex-post adapted to dynamic technological changes, cooperation between the business sector and the Government is unavoidable in the field of digitalisation and e-business. The

expertise of the business sector in the digital domain (especially IT and telecommunications companies) has the potential to contribute directly to the overall optimisation of e-business, particularly in the area of the horizontal connecting of services. Government cooperation with the business sector is essential for building a comprehensive regulatory framework that can be provided to support digitalisation and e-business processes in each aspect and in a way that avoids them being left incomplete. One example is the legislative framework regulating digital lending for private individuals, but not the provision of collateral - bills of exchange - via electronic channels. The digital transformation of bills of exchange is not only significant from the aspect of the banking business, but also for the economy as a whole. ■



Faster Harmonisation Of Regulations With The EU Towards A More Competitive Food And Agriculture Sector

DRAGANA STIKIĆ

President of the Food & Agriculture Committee
of the Foreign Investors Council (Nestlé Adriatic S Ltd.)

The previous period has been marked by progress in the domain of food safety, but harmonisation with European regulations remains slower than the needs of the economy

The beginning of the year saw the publishing of long-prepared amendments to the Food Safety Law, which have been in force since April and which reorganised the division of competences for inspection oversight between the relevant inspectorates of the Ministry of Agriculture and the Ministry of Health. Certain improvements have been evident during 2018 and 2019 in areas that are under the jurisdiction of the Agricultural Inspectorate of the Ministry of Agriculture, which was granted control of the retail sector in April, as well as the adoption of Rulebook defining the area of competence of inspectorates. The publishing of the Rulebook on specific elements of risk assessment – from the scope of both sanitary and agricultural inspectorates – marked the start of the creation of a framework for the launch of risk assessment processes. A series of regulatory rulebook (fruit juices, chocolate) harmonised with European regulations have been published, some national regulatory rulebook have been updated, or work has begun on them (chocolate-like products, products made from fruit and vegetables), which confirms that the Ministry of Agriculture's Quality Group demonstrates a sense for the needs of the economy. Alongside this, with amendments to the Rulebook on Nutritional and Health Declarations, the deadline for compliance with its requirements has been extended, with which the Ministry of Health recognised the economy's need for timely planning and reductions in costs, which regulatory changes inevitably bring, and ensured better application aimed at protecting the interests of consumers.

However, harmonisation with European regulations is still progressing slower than the needs of the economy. And this is

causing losses for the food and agriculture sector, as conditions for simplified product placements on the markets of EU member states are being prolonged – whether domestic products or products made also with the use of raw materials sourced abroad, the procurement of which is hampered due to the lack of harmonisation of requirements, which impacts directly on the free movement of goods. Likewise, vertical legislation places economic operators in a disadvantageous position vis-à-vis producers in the countries of the region and the EU, further narrowing the choice of healthy and safe raw materials that don't comply with regulations on quality.

More intensive cooperation among competent ministries and harmonising methodologies in their work would help accelerate the harmonisation of regulations with the EU and enable the improved implementation of regulations already harmonised

There are also limits on freedom in the technological innovation of finished products that do not fall under the categorisation of domestic guidelines.

Experience in the work of several working groups for the adoption of regulations under Chapter XII in both ministries in charge (Agriculture and Health) has shown that one of the problems is a difference in the methodology of adopting regu-

lations in our country and in the European Union, for which the Republic Secretariat for Legislation is responsible. Thus certain provisions cannot be taken on or formulated in the same way. This implies additional consultations and checks, and sometimes also subsequent exclusions or reformulations of certain provisions. The consequence is harmonisation being hindered or prevented completely, along with the applying of regulations that have been harmonised. More intensive cooperation among competent institutions and the harmonisation of methodology in their work would help accelerate the process, and should be a prerequisite for the process of adopting the EU acquis. ■



Modern Business Conditions Seek More Flexible Organisation Of Labour

MILENA JAKŠIĆ PAPAN

President of the Human Resources Committee of the of the Foreign Investors Council (Karanović & Partners o.a.d.)

Although the Labour Law recognises the possibility of establishing working relations beyond the premises of the employer, this concept is insufficiently developed in law and needs to be adapted to modern, flexible forms of work

The need to modernise labour legislation and adapt it to contemporary business conditions has been talked about for many years. Companies increasingly recognise the need to introduce flexible organisation of work that will enable quick and simple changes to agreed working conditions in terms of location, time and the way employees can perform their jobs. This way of working has numerous benefits, given that it enables the creation of conditions in which employees will work effectively and deliver the best performance, while simultaneously striking a satisfactory balance between the demands of professional and private life. Although the Labour Law recognises the possibility of establishing employment relations for work carried out beyond an employer's premises, as well as the possibility of temporarily working from home, the benefits of such forms of work are relatable with the obligation

to define a place of work in an employment contract or the need to conclude an annex to an employment contract in order to amend it.

The concept of working out of the premises of the employer is also insufficiently developed in terms of the way measures related to safety and health at work are ensured, i.e. unclear mechanisms through which employers can fulfil their obligations with such forms of work. Companies' experience shows that employees show great interest and welcome employers' efforts to encompass different, unconventional forms of work, such as working from any place where an employee can secure an internet connection, into the requirements of our labour regulations. The FIC will also propose its own recommendations for improving the legislative framework through this year's edition of the

White Book, in the hope that the legislator and social partners will see this as a constructive proposal that can contribute to increasing productivity and reducing work absences, and a concept that makes the business environment more attractive, enticing a larger circle of interested candidates.

When it comes to the flexible organisation of work, companies also point out the need to expand the possibilities of introducing overtime work in such a way that this form of labour isn't linked only

to extraordinary circumstances, and to give employers and employees the freedom to agree on ways to compensate for overtime work, either through payments of increased earnings or through additional leave.

Finally, the Council has for many years stressed the need to regulate work through the staff leasing, considering the widespread availability of this form of work in

The FIC considers it essential to legally regulate work through the leasing of labour, but considers that the current concept has no basis in international standards or in the legislative practise of most European Union countries

the Serbian economy. In this sense, we welcome the completion of the draft Law on Agency Employment and its entry into parliamentary procedure. Through the active participation of its membership, the FIC strove to provide constructive proposals for the creation of a high-quality legal text during the public debate. Unfortunately, the existing draft law shows that some of our key recommendations were not adopted, primarily relating to the introduction of quotas for the possible number of remote employees. It remains to be seen whether this proposal will be subject to further changes during the parliamentary procedure, given that the proposed concept has no basis in international standards and isn't found in the legislative practise of most EU member states. ■



Further Accelerate The Economic Growth Trend

DORĐE POPOVIĆ

President of the Infrastructure & Industrialisation
Committee of the Foreign Investors Council (Telenor d.o.o.)

The positive growth of investment in infrastructure should be further supported through the establishment of more robust control mechanisms for bidding procedures and strengthening transparency

Investing in infrastructure is still in full swing, and it is an encouraging fact that some long-awaited projects are nearing completion, primarily in the sector of road infrastructure. However, it is still necessary to exert significant efforts in order to further accelerate the economic growth trend and ease local, regional and international integration, as well as cross-sector cooperation.

In the area of competitiveness, it is important to establish more robust control mechanisms for bidding procedures, as well as transparency regarding the dynamics and qualitative conditions of participation in procedures and the awarding of public contracts. Apart from public procurement itself, it is also necessary to improve the capacities of the Commission for Public-Private Partnerships, as well as to clarify certain legal inconsistencies in practise (e.g. regarding the determining of the value of a public contract) in order for this important precondition to ensure the proper development of projects is able to reach its full potential. When it comes to this segment of the market, however, significant progress has nonetheless been made in the past year, so projects that are smaller in scope, but that have an immeasurable impact on the development of local communities, have started being implemented. This primarily relates to small and medium-sized projects in the sectors of energy efficiency and transport infrastructure.

In the energy sector, the market is impatiently awaiting the adoption of a new package of regulations and incentives that will allow the further development of renewable energy projects and which are planned for late 2019 or early next year. The manner in which the expected auction system is introduced will be of great importance, as will the enabling of additional capacities for solar

energy, which has to date achieved only very modest results in Serbia. However, the fact that some of the largest projects in this segment were implemented successfully in the previous period, specifically in the area of wind energy, can only contribute to the further development of the market, both from the perspective of the preparedness of investors and project financiers, as well as from the sharing of knowledge and experience, and the readiness of the public sector to consider the importance of certain issues that are essential to the proper implementation of projects (such as the issue of phased construction and the like).

Enabling the realisation of some specific market segments will be of great importance, such as a diversified approach to waste incineration, commercial water treatment

(via public-private partnerships), the introduction of incentives for heating energy generated from renewable sources, as well as the greater competitiveness of the retail market for heating energy, the stimulating of imports and the sale of electric vehicles, as well as the actual infrastructure required for their use on strategic transport sections in Serbia. It will

The market is impatiently awaiting the adoption of a new package of regulations and incentives that will allow the further development of renewable energy projects and other specific market segments

be necessary for multiple market participants to exert additional efforts, and not just the public sector, in order to enable the continued development of these new, important sectors of the economy.

The FIC Infrastructure & Industrialisation Committee will very closely monitor the achieving of these goals, many of which have already been on the agenda of the Committee for two years. The key to success in this regard will be interdisciplinary cooperation, and the support that we – as an FIC Committee – can provide to both the public sector and the economy, in terms of legal, tax and other important aspects. ■



Harmonise Insurance Sector Regulations With European Practises

DUŠAN LALIĆ

President of the Leasing & Insurance Committee
of the Foreign Investors Council (Generali Osiguranje Srbija a.d.o.)

It is necessary to modernise insurance sector regulations in line with the practise of European countries, because the current solutions don't follow the changes that have occurred on the market in previous years, nor the development of technology

Considering the current situation in the insurance sector, and led by experience in the practise of European countries, it would be appropriate for insurance activities to be regulated in a different way, or through three different laws: the Law on Insurance Supervision, the Insurance Contract Law and the Law on Insurance Intermediaries and Agents. While the Law on Insurance Supervision would primarily deal with relations between the National Bank of Serbia, as the supervisory authority, and insurance companies, as well as status issues, the Insurance Contract Law would regulate in detail and define the relationship between insured and insurer, i.e. the contractual obligations between these parties. Finally, the Law on Insurance Intermediaries and Agents would deal with regulating the way insurance is sold via other licensed individuals.

This would serve to complete the harmonisation with current

trends in the insurance industry, as existing regulations don't follow the changes that have occurred on the market in previous years, nor the development of technology. Amending regulations would enhance the protection of insurance users, rendering the concluding of contracts simpler and more flexible, while it would also lead to the introduction of new institutes that currently don't exist in our law.

On the other hand, we're witnessing greater and more common disastrous weather conditions that impact on the territory of our country, but - despite that - no significant progress has been recorded in terms of the number of sold policies for insurance against natural disasters and other catastrophes. In order to raise awareness of the

importance of insurance against disastrous weather conditions and climate change, it is first necessary to establish a strategy for increasing this type of insurance, which would be intended to ensure that, in the case of some major adverse event, a significant proportion of the costs of damage would be transferred to insurance companies. An obligation for this type of insurance could be imposed on particular properties, e.g. state and public property and infrastructure, and tax breaks could be considered for companies with the aim

of promoting insurance against natural disasters.

Likewise, the state should get involved - together with the Association of Serbian Insurers - in actively raising awareness regarding the importance of this type of insurance and its promotion, and perhaps even through the subsidising of part of the premium.

And finally, we mustn't forget the leasing sector. Specifically, the proposal is for leasing hou-

ses and insurance companies to be equated with banks in terms of taxes, i.e. in the case of the write-off of claims they would not be obliged to pay additional citizens' income tax provided they've previously fulfilled the conditions stipulated by law. In addition to the aforementioned, the Law on the Insurance of Property and Persons should be harmonised with the Law on Financial Leasing, in terms of the provisions on the right of recourse of the Guarantee Fund upon payment for damages caused by a vehicle not covered by compulsory insurance, by the owner or registered user of the vehicle, giving the insurance company a right of recourse from the lessee instead of the leasing company. ■

The state should get involved – together with the Association of Serbian Insurers – in actively raising awareness regarding the importance of this type of insurance and its promotion, and perhaps even through the subsidising of part of the premium



Cooperation For Better Regulation

IGOR ŽIVKOVSKI

President of the Legal Committee of the Foreign Investors Council (Živković Samardžić a.o.d.)

The joint work of the Government of the Republic of Serbia and the business sector on preparing the new Law on Trade and recently adopted amendments to the Law on E-Commerce represents an example of the good practise of cooperation between the public and private sectors, which should also be applied when adopting other regulations

When it comes to the rule of law in fields that are of particular significance to the business community, it is important to point out the obvious aspiration of the legislator to further strengthen the rule of law by amending regulations governing bankruptcy and enforcement, labour relations, tax procedures and other areas of vital importance to the economy. Such activities undertaken by legislators result in faster economic growth and the further development of a positive business climate.

The development of a system that's founded on the rule of law will create a predictable business environment, as well as a more efficient judicial system. To this end, it is necessary to improve the level of implementation and compliance with laws. A lack of adequate knowledge and specialisation among judges, especially

in more complex economic and financial disputes, is an area requiring particular attention, via amendments to procedural laws and adapting to the contemporary form of doing business. Regardless, we are awaited by work on amendments to existing regulations, as well as the adoption of new regulations that relate to the business community, and which serve to create an even more transparent and favourable business environment.

Close cooperation on the preparation of the new Law on Trade and amendments to the Law on E-Commerce, which were recently adopted, should be highlighted as an example of the good joint work of the Government of the Republic of Serbia and the business sector on amending regulations. The working group for drafting the aforementioned laws brought together all relevant stakeholders in this field. In line with the

trend of growth in e-commerce – both worldwide and on the domestic market – the Government recognised the importance and need to work on these regulations, along with successful cooperation with representatives of the group of traders operating in the e-commerce field.

The FIC Legal Committee devoted the most attention to the Law on Alternative Investment Funds and the Law on Open Investment Funds with Public Offerings, while it had the opportunity - through its

membership in the working group for drafting the noted laws that introduce additional ways to raise available funds from investors - to participate actively in their creation. The adoption of these laws is very important for the harmonisation of the regulating of the Serbian capital market with that of the European Union's capital market. It is essential to harmonise the aforementioned laws with the applicable Capital

Market Law, with the aim of unifying and creating a single capital market.

Representatives of the FIC Legal Committee participated in working groups for amending the Civil Procedure Act, the Law on Enforcement and Security and the Law on the Protection of Competition, while we paid special attention to the Law on Personal Data Protection and its implementation, organising a conference in July, with Justice Minister Nela Kuburović as the keynote speaker and representatives of the Ministry of Justice and Commissioner's Office as key panellists. Improving the aforementioned regulations and further liberalising the Law on Foreign Exchange Operations remain priorities for the FIC Legal Committee, which we will advocate intensively for in the period ahead. In parallel with these activities, the Legal Committee will continue to monitor, analyse and propose changes to regulations of relevance to the economy as a whole. ■

We consider it necessary to improve the knowledge of judges, especially in more complicated economic and financial disputes, and to work on the further liberalisation of the Law on Foreign Exchange Operations



Joint Work To The Latest Therapies

RADOMIR CEROVIĆ

President of the Pharma Industry
Committee of the Foreign Investors Council (Roche Ltd.)

The process of using so-called special contracts to determine – between the RFZO [National Health Insurance Fund] and pharmaceutical companies – the financial conditions under which a particular medicine can be made available to patients is very positive. Improving these kinds of contracts will be a priority in the work of the Committee

The value of both innovative and generic medicines is multifaceted and can be seen through the benefits that their availability brings – primarily to patients, but then also to the healthcare system and society viewed as a whole. The use of modern therapies allows patients to enjoy a longer and higher quality life, generates saving for the healthcare system in other segments, such as length of hospitalisation, and increases productivity for patients by contributing to the advancement of their community. Perhaps the best illustration of everything stated is provided by elemental figures. Specifically, following the global peak in cancer mortality rates (1991), we've reached a situation in which two of every three cancer patients live at least five years after the confirming of a diagnosis (2016). Similar data could also be presented for chronic diseases like cardiovascular disease, rheumatoid arthritis, diabetes etc.

This is nothing new, if we recall that in the 2013-2016 period there was a deadlock in adding innovative medicines to the List of Medicines of the National Health Insurance Fund (RFZO). But it should certainly be treated as a very positive process that was launched in 2016 and has continued to this day. This process implies the use of so-called special contracts with which the financial conditions under which a particular medicine can be made available to patients are confirmed between the RFZO and pharmaceutical companies. Thanks to such contracts, as well as the large concessions of pharmaceutical companies, more than 40 modern

therapies were made available to patients in the 2016-2019 period.

It seems, however, that the existing models of special contracts, as well as the funds available to the RFZO for the purpose of financing innovative therapies, are not sufficient to ensure further progress in this area. Recognising this, the priority in the work of the FIC Pharma Industry Committee will certainly be on providing greater flexibility in contracting between the RFZO and pharma companies through the

introduction of new models of contracts. This primarily refers to the so-called "contract on hidden costs", as well as a contract under which each medicine would be financed on the basis of the clinical results of patients (outcome-based agreement). This latter contract would establish the fair distribution of costs through which the RFZO would gain the possibility to fund only the therapy of patients with whom a medicine has proved effective.

The reality, however, is that despite all the models of special contracts that are already in place,

as well as those that we hope will be introduced, the funds of the RFZO that are currently earmarked for medicines are not sufficient to cover the real needs of patients. It is for this reason that joint activities of the Ministry of Health, the Ministry of Finance and the RFZO are underway, and include our Committee, which should ensure the stable and long-term financing of contemporary therapies. Something like that requires the establishment of a separate appropriation in the Financial Plan of the RFZO, which would be regularly subsidised by the central budget whenever the need arises. ■

Our Committee is already providing, and will continue to provide, every kind of support to state bodies in creating the conditions for the stable and long-term financing of contemporary therapies, as it is completely clear that the health of individuals/nations is a prerequisite for every social well-being



Continuing To Address Challenges To Real Estate Sector Development

IVAN GAZDIĆ

President of the Real-Estate Committee of the Foreign Investors Council
(Petrikić & Partners a.o.d., in cooperation with CMS Reich-Rohrwig Hainz)

Simplifying the procedure for obtaining building permits for line infrastructure facilities and the fact that the efficiency in obtaining permits for other projects has been generally maintained represent a significant success, which could be even greater if the procedures in Belgrade were accelerated

When addressing regulatory changes in the domain of real estate and construction, I would say that one of the main impressions is a significant simplification of the procedure for issuing a building permit for infrastructure facilities.

However, certain proposed solutions raise the issue of legal certainty and predictability of the business environment. For example, the latest amendments to the Law on Planning and Construction envisage that building certain infrastructure facilities (such as roads or railways) can take place even before the investor resolves property relations on the land, and to do so on the basis of the investors statement that it will resolve property relations prior to the issuance of the occupancy permit.

On the other hand, we would like to praise the work of the Ministry of Construction, Transport and Infrastructure, as it supported the initiative of the FIC Real-Estate

Committee to amend the problematic provision of the Law on Planning and Construction that prevented the issuance of a building permit if there was a marginal note on a dispute over property ownership rights registered in the real estate cadastre. The registering of a dispute now does not prevent the issuance of a building permit, yet in such a case the permit is issued at the investor's risk.

In practise, this provision was easily abused for the purpose of pursuing legal disputes in order to harass or block the investor,

to have its project halted until the frivolous lawsuit comes to an end. In this regard, we are proud of our contribution to have the investors' problems resolved.

It is also good news that, according to the latest statistics of the World Bank, Serbia finds itself ranked 11th when it comes to obtaining building permits, which is an exceptional leap when compared to the 152nd place that Serbia occupied just a few years ago. Nevertheless, based on information from our members, we

get the impression that a shadow is being cast on this excellent result by the acting of the Secretariat for Urban Planning and Construction of the City of Belgrade. Our Real-Estate Committee plans to establish a dialogue with this institution in the coming period in order to identify obstacles to the effective handling of permits in the country's largest construction site – Belgrade.

When we speak about the real estate cadastre and the reform that is underway, unfortunately frequent strikes at the cadastre

have disabled us to properly assess the effects of the new law that was adopted last year. This is a topic that our committee will continue to deal with and pay particular attention to.

Likewise, in the period ahead we plan to continue organising numerous meetings with representatives of the line ministry, the Geodetic Authority and other relevant institutions, in order for us to discuss, through dialogue, other challenges that investors face and areas where we see room for the business environment to advance. ■

We are proud to have contributed, in collaboration with the Ministry of Construction, Transport and Infrastructure, to the removal of obstacles for investors whose projects were blocked due to marginal notes on unfounded disputes recorded in the cadastre



Consultation With Business Is The Route To High-Quality Solutions And A Predictable Environment

DRAGAN DRAČA

President of the Taxation Committee
of the Foreign Investors Council (PricewaterhouseCoopers d.o.o)

The previous year was marked by amendments to tax regulations that resolved in a positive way several problems that have been pointed out by the Foreign Investors Council for years, though a significant number of problems remain unresolved. Several new official opinions of the Ministry of Finance have caused plenty of concern and discontent within the business community

The most significant positive changes encompass the new Law on Fees for the Usage of Public Goods, which encompasses - in a systematic way - a large number of various fees that were previously regulated through different regulations, as well as tax exemptions for “team-building” activities and employee recreation from the perspective of tax on citizens' income, the removal of restrictions on recognising advertising expenses for corporate income tax purposes, and the reform of tax depreciation rules. Other positive changes encompass the introduction of tax incentives for investment in R&D and intellectual property, as well as tax exemptions (under certain conditions) for rewarding employees by allocating shares/stocks and share/stock options in member companies of the group to which the employer company belongs.

The opinion of the Ministry of Finance regarding the obligation to document transportation costs for employees to and from work has caused great disquiet among companies, both due to the controversial grounding of such an interpretation in existing laws and due to doubts as to how this should be interpreted and applied in practise, and the significant administrative costs that it would require. The Foreign Investors Council considers that such an opinion should be immediately repealed or amended. Likewise, the opinions of the Ministry regarding the determining of rates property taxes for medium and small companies

that have their property valued according to the method of fair valuations have caused a great deal of indignation.

The lack of transparency and public debate in the area of amending tax regulations has been one of the significant problems highlighted by the Foreign Investors Council for years. The previous period has seen some progress made, given that the Ministry of Finance submitted several draft regulations for public debate, and the FIC was in a position to have a constructive dialogue with

the Ministry of Finance related to some important topics, such as the reform of tax depreciation and fees for the usage of public goods. After a longer break, the work of the Working Group tasked with implementing the recommendations of the FIC White Book has continued. We expect a constructive dialogue to be continued in the future, with greater transparency and

timely public disclosing of all draft regulations.

The Foreign Investors Council welcomes the positive shifts in the transformation of the Tax Administration that have been introduced since 2016, and particularly the introduction of electronic tax returns and communication. We consider that the further strengthening of the Tax Administration – in terms of the number of employees and their professional training, information systems and other resources – is important for successfully completing the transformation and resolving existing problems. ■

We expect a constructive dialogue to be continued with the Ministry of Finance in the future, with greater transparency and timely public disclosing of all draft regulations



Create Space To Improve Service Quality

DANIEL ŠUŠNJAR

President of the Telecommunications Committee of the Foreign Investors Council (Telenor Ltd.)

In order to ensure fresh growth in the telecommunications sector, it is necessary to remove administrative constraints on the construction and deployment of mobile telecommunications infrastructure. The Committee remains available for further consultation with the Government

The telecommunications sector is increasingly entering a widening gap between the high expectations of users, state institutions and regulatory bodies, and a lack of interest in addressing some problems that represent a prerequisite for meeting those expectations, but also for fresh growth. An example is network coverage and service quality, primarily when it comes to mobile internet services. Mobile operators face constant demands to improve 3G and 4G signals and increase internet speeds. Operators would like to respond to positively, but this is not feasible due to the inability of mobile operators to install new base stations in almost all urban areas. Due to inadequate interpretations and misunderstandings of environmental protection regulations, as well as the inclusion of spatial constraints in the urban plans of local governments, as well as the long process of conducting environmental impact studies in each case, mobile telecommunications infrastructure is facing stagnation. Customers have thus been deprived of a high-quality service and a great deal of legal uncertainty exists, because although the levels of the electromagnetic fields of base stations are below the permitted limit (which is actually 2.5 times stricter in Serbia than in the EU), this provides no guarantee whatsoever that it is possible to install base stations.

The Roaming Agreement in the Western Balkans Region (Serbia, North Macedonia, Montenegro, Bosnia-Herzegovina, Albania and AP Kosovo and Metohija) has already brought significant reductions in costs for end-users as of 1st July 2019, while in the second phase – from 1st July 2021 – roaming tariffs will be completely abolished with the introduction of the 'Roam Like at Home' principle. Given

that the process of drafting the agreement is not accompanied by adequate public consultations, its implementation within short deadlines would not be possible at the technical level. However, thanks to the professional capacity of RATEL [the Republic Agency for Electronic Communications and Postal Services], an adequate solution has been found and implemented according to the same model across all six markets. Furthermore, at the initiative of the Ministry of Trade, Tourism and Telecommunications, the new Law on Charges for the Use of Public Goods envisages lower charges for the use of radio frequencies, which will encourage further investment in the capacities of transport networks.

The recommendation is for the Government to conduct public consultations with mobile operators when drafting future international agreements in the field of electronic communications, given that their implementation is very complex. We also propose that the Government select a model and period for holding radio frequency spectrum au-

ctions, alongside timely consultations with industry aimed at selling the bands that are most needed from the perspective of technologies used and market demands. Likewise, the Ministry of Environmental Protection, in cooperation with the construction and telecommunications ministries, should educate providers of professional services in local governments, with the aim of removing administrative restrictions on the constructing and establishing of mobile telecommunications infrastructure. The Telecommunications Committee remains at the disposal of the Government with regard to all relevant topics that are handled by our Committee. ■

The recommendation is for the Government to conduct public consultations with mobile operators when drafting future international agreements in the field of electronic communications

YANA MIKHAILOVA, President of the Foreign Investors Council and CEO of Nestlé South East Market (Adriatic region, Romania and Bulgaria)



Investors Have Faith That Serbia Will Progress

The economic milieu in which domestic and foreign companies operate has shifted forward. However, in order to bring conditions for doing business in Serbia closer to European standards, the country needs to accelerate reforms and improve law enforcement. Investors that are coming are counting on that acceleration and expect Serbia to further embrace reforms.

ZORANA MIHAJLOVIĆ, Serbian Deputy Prime Minister and Minister of Construction, Transport and Infrastructure



Reaping The Fruits Of Successful Reforms

There's nothing more important to the development of a country than investing in infrastructure, and over the last four years Serbia has built around 300 kilometres of highways and reconstructed some 500 kilometres of railway tracks. The reforms implemented in the previous period are yielding results, which we can best see in construction.

SINIŠA MALI, Serbian Finance Minister



Encouraging Growth Is Our New Challenge

We will continue implementing our fiscal policy in a responsible and credible way, but we'll also employ measures that are within our remit – through the tax policy and in other ways - in order to stimulate economic growth.



DEJAN TURK, Vice President of the Foreign Investors Council and CEO of VIP mobile and A1 Slovenia

Pillars Of Sustainable Growth Have Yet To Be Reinforced

Fiscal consolidation can only be made sustainable if followed by deep structural reforms, such as the finalisation of the privatisation process and the corporatisation of public enterprises, advancing public administration reform and improving public sector efficiency.

BRANISLAV NEDIMOVIĆ, Serbian Minister of Agriculture, Forestry and Water Management



Harmonising With EU Policies Is A Priority Of The Ministry

One of the Ministry's most important priorities is further harmonisation with the EU's Common Agricultural Policy, i.e. with relevant food safety, veterinary and phytosanitary policies, but also with the EU's Common Fisheries Policy.

JORGOVANKA TABAKOVIĆ, Governor of the National Bank of Serbia



Preserving Stability Is Key

The National Bank of Serbia will remain committed to preserving the country's financial stability in the period ahead. Given the country's openness to international flows, we must still be aware that stability doesn't depend only on our own results, but is rather also dependent on external challenges.

H.E. SEM FABRIZI, Ambassador and Head of Delegation of the European Union to the Republic of Serbia



Progress Must Be Maintained

The quality of reforms is the most important factor when it comes to building a fully democratic society and efficient market economy. In its latest report, the European Commission acknowledged the progress Serbia has made along those lines and provided a number of valuable recommendations for further steps in that direction.

VLADISLAV LALIĆ, Vice President of the Foreign Investors Council and Regional Property & Expansion Manager of Ikea Srbija



We Expect Reforms To Continue

The FIC's three key expectations of the Government are to achieve sustainable fiscal consolidation through structural reforms, to improve the enforcement of laws and to ensure greater transparency in public consultations.

DRAGANA MARKOVIĆ, Director of the Tax Administration



Both Us And Our Users Are Satisfied

With the organisational transformation of the Tax Administration, we have taken another very significant step forward - as of the middle of this year - in the process of transforming Serbia's tax administration into a modern and efficient organisation. This is a prerequisite for the further development and advancement of the working processes we undertake.

MIHAILO JOVANOVIĆ, Director of the Serbian Government Office for Information Technology and e-Government



Digitalisation Brings Obvious Benefits For The Economy And The State

The idea and concept of digitalisation, which Prime Minister Ana Brnabić set as one of the priorities of the Government, has been recognised both in the country and across the region as an effective tool for establishing a modern public administration. Both businesses and citizens have had the opportunity to feel the benefits of this approach in the recent past.



DUBRAVKA NEGRE,
Head of the European Investment Bank (EIB) Regional Office for the Western Balkans

Praise Brings Expectations

The Serbian economic indicators have improved, but for the country to integrate successfully into the European market, and raise domestic and foreign investment levels, it needs to have a stable and predictable system in every single segment of the society, as a guarantee of sound, safe and successful business environment.

ALEKSANDAR LJUBIĆ, Executive Director of the Foreign Investors Council



We're Running A Marathon

The biggest challenge for me is to properly present the proposals advocated by the FIC in such a way that they are interpreted by the Government of Serbia as our contribution to creating an even better investment climate and opening space for accelerated economic growth. We're not sprinters, but rather marathon runners who've made the decision to work in Serbia and intend to stay.

ZSUZANNA HARGITAI, Director of the European Bank for Reconstruction and Development (EBRD) for the Western Balkans



Reforms Not Only Attract But Keep Investors

If Serbia wants to accelerate growth, more work is needed on improving the business environment and enabling a higher level of local private investments. On the top of that, there is a need to increase public investments in infrastructure and education.

SEBASTIAN SOSA, IMF Resident Representative in Serbia



Ambitious Reform Agenda Required

Prompt implementation of an ambitious structural reform agenda will be needed to address bottlenecks and support Serbia's transformation into a modern, private sector-led economy with faster and more sustainable growth.

DRAGAN PENEZIĆ, President of the Anti-Illicit Trade Committee of the Foreign Investors Council (British American Tobacco SEE Ltd.)



Shifts Are Visible; Systemic Access Remains Lacking

In order to ensure a systematic fight against illegal trade, it is necessary to enable the full implementation of the Law on Inspection Oversight and improve the resources of bodies responsible for controlling its implementation.

NEBOJŠA JOVANOVIĆ, President of the Digital & E-Commerce Committee of the Foreign Investors Council (Raiffeisen Bank a.d. Beograd)



Utilise Business Sector Expertise In The Digitalisation Domain

Cooperation between the Government and the economy would contribute to the development of an all-encompassing regulatory framework that would support the digitalisation process and electronic operations, and would enable Serbia to take a leading position in the area of digitalisation among the countries of the neighbourhood.

DRAGANA STIKIĆ, President of the Food & Agriculture Committee of the Foreign Investors Council (Nestlé Adriatic S Ltd.)



Faster Harmonisation Of Regulations With The EU Towards A More Competitive Food And Agriculture Sector

The previous period has been marked by progress in the domain of food safety, but harmonisation with European regulations remains slower than the needs of the economy.

MILENA JAKŠIĆ PAPAC, President of the Human Resources Committee of the Foreign Investors Council (Karanović & Partners o.a.d.)



Modern Business Conditions Seek More Flexible Organisation Of Labour

Although the Labour Law recognises the possibility of establishing working relations beyond an employer's premises, this concept is insufficiently developed and needs adapting to modern, flexible forms of work.

ĐORĐE POPOVIĆ, President of the Infrastructure & Industrialisation Committee of the Foreign Investors Council (Telenor d.o.o.)



Further Accelerate The Economic Growth Trend

The positive growth of investment in infrastructure should be further supported through the establishment of more robust control mechanisms for bidding procedures and strengthening transparency.

DUŠAN LALIĆ, President of the Leasing & Insurance Committee of the Foreign Investors Council (Generali Osiguranje Srbija a.d.o.)



Harmonise Insurance Sector Regulations With European Practises

It is necessary to modernise insurance sector regulations in line with the practise of European countries, because the current solutions don't follow the changes that have occurred on the market in previous years, nor the development of technology.

IGOR ŽIVKOVSKI, President of the Legal Committee of the Foreign Investors Council (Živković Samardžić a.o.d.)



Cooperation For Better Regulation

The joint work of the Government of the Republic of Serbia and the business sector on preparing the new Law on Trade and recently adopted amendments to the Law on E-Commerce represents an example of the good practise of cooperation between the public and private sectors, which should also be applied when adopting other regulations.

RADOMIR CEROVIĆ, President of the Pharma Industry Committee of the Foreign Investors Council (Roche Ltd.)



Joint Work To The Latest Therapies

The process of using so-called special contracts to determine – between the RFZO [National Health Insurance Fund] and pharmaceutical companies – the financial conditions under which a particular medicine can be made available to patients is very positive. Improving these kinds of contracts will be a priority in the work of the Committee.

IVAN GAZDIĆ, President of the Real-Estate Committee of the Foreign Investors Council (Petrikić & Partners a.o.d., in cooperation with CMS Reich-Rohrwig Hainz)



Continuing To Address Challenges To Real Estate Sector Development

Simplifying the procedure for obtaining building permits for line infrastructure facilities and the fact that the efficiency in obtaining permits for other projects has been generally maintained represent a significant success, which could be even greater if the procedures in Belgrade were accelerated.

DRAGAN DRAČA, President of the Taxation Committee of the Foreign Investors Council (PricewaterhouseCoopers d.o.o)



Consultation With Business Is The Route To High-Quality Solutions And A Predictable Environment

The previous year was marked by amendments to tax regulations that resolved in a positive way several problems that have been pointed out by the Foreign Investors Council for years, though a significant number of problems remain unresolved. Several new official opinions of the Ministry of Finance have caused plenty of concern and discontent within the business community.

DANIEL ŠUŠNJAR, President of the Telecommunications Committee of the Foreign Investors Council (Telenor Ltd.)



Create Space To Improve Service Quality

In order to ensure fresh growth in the telecommunications sector, it is necessary to remove administrative constraints on the construction and deployment of mobile telecommunications infrastructure. The Committee remains available for further consultation with the Government.

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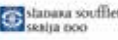










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	<p>IKEA SRBIJA D.O.O. Astrid Lindgren 11 11231 Beograd Web: www.ikea.com Enrolment date: 2008</p>		<p>LAFARGE BFC D.O.O. Trg BFC 1, 21300 Beočin Tel: +381 21 874 102 E-mail: lbfc.office@lafarge.com Web: www.lafarge.rs; www.lafargeholcim.com Enrolment date: 2002</p>
	<p>INOS BALKAN D.O.O. Mirka Obradovića BB, 14000 Valjevo Tel: +381 14 221 560 E-mail: contact@inosbalkan.com Web: www.inosbalkan.com Enrolment date: 2017</p>		<p>LEONI WIRING SYSTEMS SOUTHEAST D.O.O. Pane Đukića 1, 18400 Prokuplje Tel: +381 27 319 111 Web: www.leoni-serbia.com Enrolment date: 2018</p>
	<p>INTESA LEASING D.O.O. BEOGRAD Milentija Popovića 7b, 11070 Beograd Tel: +381 11 2025 400 E-mail: ilbhead@intesaleasing.rs Web: www.intesaleasing.rs Enrolment date: 2010</p>		<p>LUKOIL SRBIJA A.D. BEOGRAD Bulevar Mihajla Pupina 165d 11070 Beograd Tel: +381 11 2220 200 Web: www.lukoil.rs Enrolment date: 2009</p>
	<p>JANKOVIC, POPOVIC & MITIC O.D. Vladimira Popovića 6, NBGP Apt., 11070 Beograd Tel: +381 11 2076 850 E-mail: office@jpm.rs Web: www.jpm.rs Enrolment date: 2009</p>		<p>MARBO PRODUCT D.O.O. A COMPANY OF PEPSICO Đorđa Stanojevića 14, 11070 Beograd Tel: +381 11 3637 000 E-mail: belgrade.office@pepsico.com Web: www.pepsico.com; www.pepsico.rs Enrolment date: 2009</p>
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	<p>JT INTERNATIONAL A.D. SENTA Subotički drum 17 24400 Senta Tel: +381 11 2050 300 Web: www.jti.com Enrolment date: 2003</p>		<p>MESSER TEHNOGAS A.D. Banjički put 62, 11000 Beograd Tel: +381 11 3537 200 E-mail: postoffice@messer.rs Web: www.messer.rs Enrolment date: 2002</p>
	<p>KARANOVIĆ & PARTNERS OAD Resavska 23, 11000 Beograd Tel: +381 11 3094 200 E-mail: serbia@karanovicpartners.com Web: www.karanovicpartners.com Enrolment date: 2003</p>		<p>METROPOL PALACE D.O.O. Bulevar Kralja Aleksandra 69, 11000 Beograd Tel: +381 11 3333 100 E-mail: reception@metropolpalace.com Web: www.metropolpalace.com Enrolment date: 2017</p>
	<p>KLEEMANN LIFTOVI D.O.O. Golubinačka bb, 22310 Simanovci Tel: +381 22 409 000 E-mail: serbia@kleemannlifts.com Web: www.kleemannlifts.com Enrolment date: 2019</p>		<p>MILENIJUM OSIGURANJE A.D.O. Bulevar Milutina Milančkovića 3B, 11070 Novi Beograd Tel: +381 11 7152 300 E-mail: office@milenijum-osiguranje.rs Web: www.milenijum-osiguranje.rs Enrolment date: 2017</p>
	<p>KNAUF INSULATION D.O.O. Batajnički drum 16b, 11080 Beograd Tel: +381 11 3310 800 Email: office.belgrade@knaufinsulation.com Web: www.knaufinsulation.rs; www.knaufinsulation.com Enrolment date: 2011</p>		<p>MINI PANI DOO Hipodromska 2c, 24107 Subotica Tel: +381 24 621 521 E-mail: kontakt@minipani.com Web: www.minipani.com Enrolment date: 2012</p>
	<p>KONSTRUKTOR KONSALTING Oslobođenja 10, 11000 Beograd, Rakovica Tel: +381 11 2562 231 E-mail: office@konstruktorgrupa.com Web: www.konstruktorgrupa.com Enrolment date: 2018</p>		<p>MIRABANK A.D. BELGRADE Španskih boraca 1, 11070 Beograd Tel: +381 11 6355 400 E-mail: office@mirabankserbia.com Web: www.mirabankserbia.com Enrolment date: 2015</p>

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	MOL SERBIA D.O.O. Đorđa Stanojevića 14, 11070 Beograd Tel: +381 11 2096 900 E-mail: reception@molserbia.rs Web: molserbia.rs Enrolment date: 2017		PROCREDIT BANK Milutina Milankovića 17, 11000 Beograd Tel: +381 11 2077 906 E-mail: srb.info@procredit-group.com Web: www.procreditbank.rs Enrolment date: 2004
	NESTLÉ ADRIATIC S D.O.O. Železnička 131, 11271 Beograd-Surčin Tel: +381 11 2019 301 E-mail: info@rs.nestle.com Web: www.nestle.rs Enrolment date: 2002		RAIFFEISEN BANKA A.D. BEOGRAD Đorđa Stanojevića 16, 11070 Beograd Tel: +381 11 3202 100 E-mail: info@raiffeisenbank.rs Web: www.raiffeisenbank.rs Enrolment date: 2002
	NIS A.D. NOVI SAD (NAFTNA INDUSTRIJA SRBIJE) Narodnog fronta 12, 21000 Novi Sad Tel: +381 21 4811 111 E-mail: office@nis.eu Web: www.nis.eu Enrolment date: 2011		RAIFFEISEN LEASING D.O.O. Đorđa Stanojevića 16, 11070 Beograd Tel: +381 11 2207 400 E-mail: info.leasing@raiffeisen-leasing.rs Web: www.raiffeisen-leasing.rs Enrolment date: 2003
	NOKIA SOLUTIONS AND NETWORKS SERBIA D.O.O. Đorđa Stanojevića 14, 11070 Beograd Belgrade Office Park, Building II, Gallery Floor Tel: +381 11 3070 123; 3070 111 Web: www.nsn.com Enrolment date: 2009		RAUCH SERBIA D.O.O. Baja Pivljanina 13, 11000 Beograd Tel: +381 11 2652 225 E-mail: office.serbia@rauch.cc Web: www.rauch.cc Enrolment date: 2011
	OTP LEASING D.O.O. Bulevar Mihajla Pupina 115e, 11070 Beograd Tel: +381 11 2287 982; 2288 071; 2288 074; 2288 079 E-mail: office@otpleasing.rs Web: www.otpleasing.rs Enrolment date: 2004		RINGIER AXEL SPRINGER D.O.O. Kosovska 10, 11000 Beograd Tel: +381 11 3334 701 E-mail: komunikacije@ringieraxelspringer.rs Web: www.ringieraxelspringer.rs Enrolment date: 2014
	PERNOD RICARD SRBIJA D.O.O. Bulevar oslobođenja 211 11000 Beograd Tel: +381 11 3091 500 Web: www.pernod-ricard.com Enrolment date: 2003		RIO TINTO RIO SAVA EXPLORATION D.O.O. Resavska 23, 11000 Beograd Tel: +381 11 4041 430 Web: www.riotinto.com;www.riotintoserbia.com Enrolment date: 2004
	PETRIKIĆ & PARTNERI A.O.D. IN COOPERATION WITH CMS REICH-ROHRWIG HAINZ Krunska 73, 11000 Beograd; Tel: +381 11 3208 900 E-mail: belgrade@cms-rrh.com Web: www.cms-rrh.com Enrolment date: 2004		ROCHE D.O.O. Milutina Milankovića 11a, 11070 Beograd Tel: +381 11 2022 803 E-mail: serbia.office@roche.com Web: www.rochesrbija.rs; www.roche.com Enrolment date: 2013
	PHILIP MORRIS SERVICES D.O.O. BEOGRAD Bulevar Zorana Đinđića 64a, 11070 Beograd Tel: +381 11 2010 800 Web: www.philipmorrisinternational.com Enrolment date: 2004		SANOFI-AVENTIS D.O.O. Španskih boraca 3/IV, 11070 Beograd Tel: +381 11 4422 900 E-mail: info.serbia@sanofi.com Web: www.sanofi.com Enrolment date: 2014
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	PMC AUTOMOTIVE D.O.O. KRAGUJEVAC Oktobarskih žrtava bb, Kragujevac Tel: +381 34 309 600 E-mail: officeserbia@pmcautomotive.com Web: www.gruppoproma.it Enrolment date: 2016		SBERBANK SRBIJA A.D. BEOGRAD Bulevar Mihajla Pupina 165g, 11070 Beograd Tel: 19909 E-mail: info@sberbank.rs Web: www.sberbank.rs Enrolment date: 2004
	PRICEWATERHOUSECOOPERS D.O.O. Airport City Belgrade, Omladinskih brigada 88a 11070 Beograd; Tel: +381 11 3302 100 E-mail: rs-office@rs.pwc.com Web: www.pwc.rs Enrolment date: 2002		SGS BEOGRAD D.O.O. Jurija Gagarina 7b, 11070 Beograd Tel: +381 11 7155 277, +381 11 7155 288 E-mail: sgs.beograd@sgs.com Web: www.sgs.rs Enrolment date: 2016

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	SLADARA SOUFFLET SRBIJA D.O.O. Industrijska zona 2 21400 Bačka Palanka Tel: +381 21 752 910 Web: www.soufflet.com Enrolment date: 2004		THE INTERNATIONAL SCHOOL OF BELGRADE Temišvarska 19, 11000 Beograd Tel: +381 11 2069 999 E-Mail: isb@isb.rs Web: www.isb.rs Enrolment date: 2014
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	SOGELEASE SRBIJA D.O.O. Bulevar Zorana Đinđića 50 a/b, 11070 Beograd Tel: +381 11 2221 369 E-mail: sogelease.srbija@socgen.com Web: www.sogelease.rs Enrolment date: 2011		UNICREDIT BANK SRBIJA JSC Rajićeva 27-29, 11000 Beograd Tel: +381 11 3777 888 E-mail: kontakt@unicreditbank.rs Web: www.unicreditbank.rs Enrolment date: 2013
	STMG CONSULTANCY D.O.O. BEOGRAD Bulevar Zorana Đinđića 144v, 11070 Beograd Tel: +381 11 3535 400 E-mail: info@stmgconsultancy.com; sasa.trajkovic@stmgconsultancy.com; Web: www.stmgconsultancy.com Enrolment date: 2006		UNIQA NEŽIVOTNO OSIGURANJE A.D.O. Milutina Milankovića 134G, 11070 Novi Beograd Tel: +381 11 2024 100 E-mail: info@uniqa.rs Web: www.uniqa.rs Enrolment date: 2006
	SWAROVSKI SUBOTICA D.O.O. Batinska 94, 24000 Subotica Tel: +381 24 636 785 E-mail: subotica@swarovski.com Web: www.swarovskigroup.com Enrolment date: 2015		VIP MOBILE D.O.O. Milutina Milankovića 1ž, 11070 Beograd Tel: +381 60 1234 E-mail: komunikacije@vipmobile.rs Web: www.vipmobile.rs Enrolment date: 2007
	TECHNIC DEVELOPMENT D.O.O. Bunuševac bb Vranje 17500 Web: www.geox.com Enrolment date: 2017		WIENER RE AKCIONARSKO DRUŠTVO ZA REOSIGURANJE BEOGRAD Trešnjinog cveta 1, 11070 Beograd Tel: +381 11 2209 960; E-mail: wienerre@wiener.co.rs Web: www.wienerre.rs; www.vig-re.com Enrolment date: 2014
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