



**GUIDE TO**

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**FOREIGN  
INVESTORS  
COUNCIL  
in Serbia**

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**2015/16**

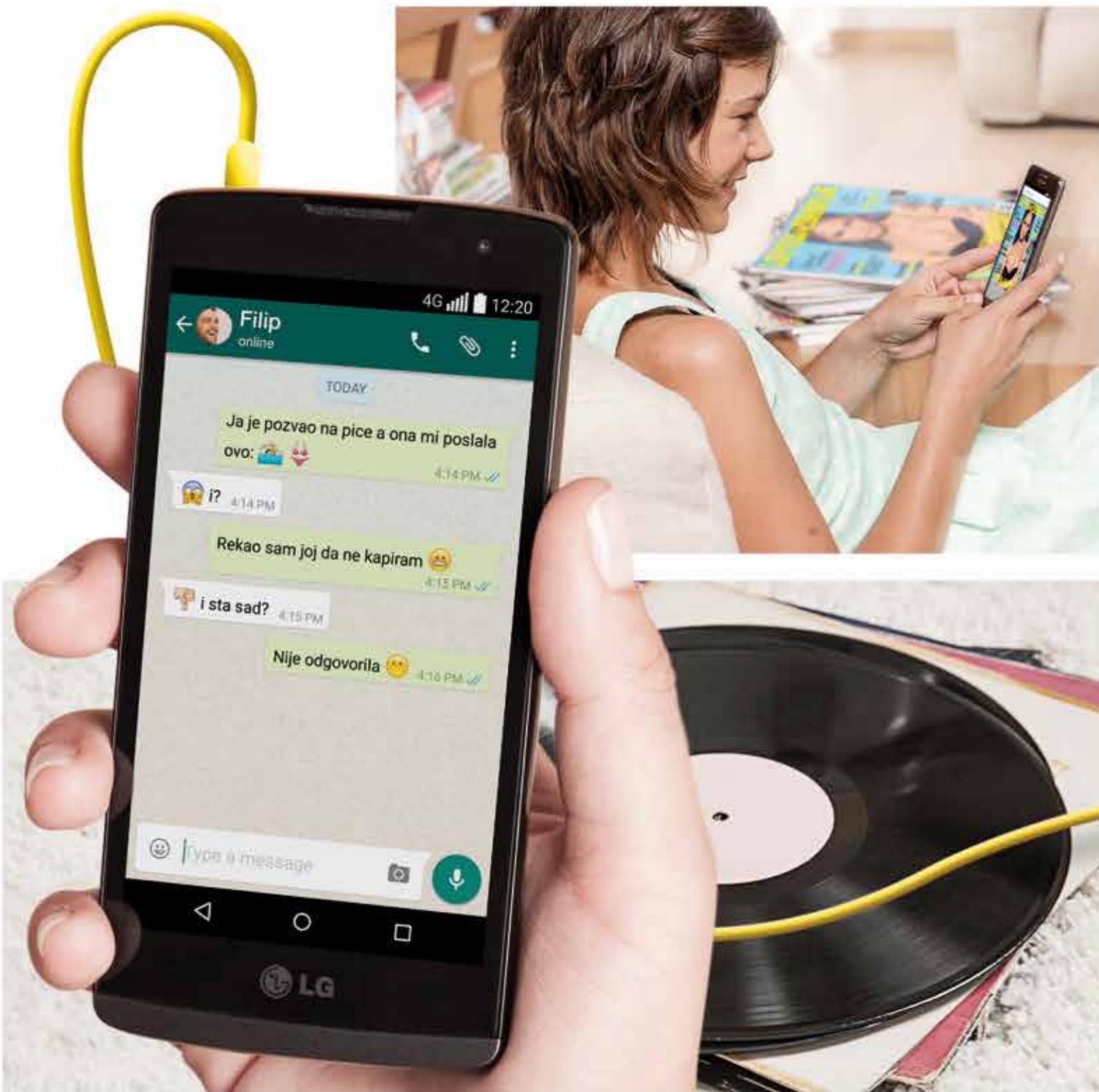


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# Challenges of the “New Normality”

Positive evaluations from investors, international financial institutions and European politicians are gratifying, but also oblige further action, because growing in parallel with this is the expectation that Serbia will continue to tackle reforms vigorously

“When Prime Minister Aleksandar Vučić and I first met, all media reported on the historic meeting. Regarding this new one, they probably will not write, because our meetings are today routine,” said Albania Prime Minister Edi Rama during a recent meeting with his Serbian counterpart on the eve of the Vienna Summit of the leaders of the Western Balkans. This is the other side of the success of the normalisation of relations in the region – that which was once hard to imagine has now become usual, normal and expected.

Just as an understanding of the Western Balkans as part of the solution, and not a disruptive factor of European integration, has become an element of the “new reality” of the region, thus the initial good results of Serbia’s European integration and reform process, in the eyes of the beholder, are growing from something new, extraordinary in its appearance, and a novelty that should be supported wholeheartedly, into something that is accepted with approval and great hopes of even better results.

The Government of Prime Minister Vučić is precisely at this stage where – after a series of compliments and prudent but complimentary praise of the “European” budget deficit, low inflation and a stable and predictable macroeconomic situation – citizens and major economic players, primarily domestic and foreign companies, now expect the government to continue its good work.

If the government continues with reforms, as suggested in public statements and tangible actions, it could count on a large number of well-meaning interlocutors willing to share their experiences and the expertise at their disposal.

The business sector welcomed, with approval and appreciation, the decision of the government to tackle some of the problems that have remained unresolved for a long time and have caused disorder or uncertainty on the market, or which have rendered business conditions less attractive relative to the markets of the region or the European market, which is home to the majority of investors in Serbia.

**If the government continues with reforms, as suggested in public statements and tangible actions, it could count on a large number of well-meaning interlocutors willing to share their experiences and the expertise at their disposal**

This primarily relates to the laws that have enabled greater labour market flexibility, accelerated the process of issuing building permits and resolving the issue of land conversion, all of which inspired widespread approval. All the more because, when it comes to the first two, in practice and not just on paper, they are proving to be legal solutions that are experiencing good implementation in practice. When it comes to the third law, it has yet to experience implementation, but the way the law was passed was positive, as it was preceded by extensive consultations which included the participation, among others, of the Foreign Investors Council (as in the Labour Law), which played a significant role by providing expert recommendations.

Positive evaluations from investors, international financial institutions and European politicians are gratifying, but also oblige further action, because growing in parallel with this is the expectation that Serbia will continue to decisively grapple towards the introduction of European rules and fair market competition.

The deeper the government enters into reform, the tougher the steps and the greater the resistance from obsolete structures that have for years hindered, and still hinder, the firm establishment of these changes in the management structures of state-owned enterprises and among employees, as was also noted recently by Serbian Finance Minister Dušan Vujović. Despite these challenges, he said, the government intends to continue its work. Such intentions have also been confirmed on numerous occasions by Serbian Prime Minister Aleksandar Vučić.

Creating equal conditions for doing business for all – which is the key message of the business community – essentially represents a call for the implementation of predictability, transparency and systemic, permanent positive changes, which represents a constant challenge for the government, and suggest that such an effort will be rewarded with higher economic growth, a significant inflow of foreign investments and the creation of new jobs. ■

Creating equal conditions for doing business for all – which is the key message of the business community – essentially represents a call for the implementation of predictability, transparency and systemic, permanent positive changes, which represents a constant challenge for the government, and suggest that such an effort will be rewarded with higher economic growth, a significant inflow of foreign investments and the creation of new jobs. ■

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# All stakeholders should embrace reforms



**OVE FREDHEIM**

President of the Foreign Investors Council and CEO of Telenor Serbia

*If we want Serbia to be efficient it is not just about the Government staying on the current positive course and pushing further, but rather about all stakeholders working step by step on this long journey. There is an opportunity out there and it is now up to us to grab it.*

forms need a different mind-set among all stakeholders – not by opposing, but by embracing them as a long-term effort reaching further than the next election process, says Ove Fredheim, FIC President and CEO of Telenor Serbia.

► **Which of the government's reform moves, from the FIC's perspective, marked the year behind us?**

– If we were to pick the most important one, that would be the enactment of the amendments to the Labour Law. It came into force in July last year and included (partially or in full) 70% of recommendations presented in the last FIC White Book edition. Among positive developments, I will

point to the extension of the maximum duration of fixed-term employment to 24 months, the abolishment of the

**W**e at the FIC see positive developments both at the level of early phases of Serbia's EU accession process, in tangible measures the government is taking in terms of securing macroeconomic stability, and when it comes to legal activity. We urge the government to proceed on that course, by accelerating the privatisation process, reforming public administration and exerting additional efforts in law enforcement. In all these tasks, the FIC is offering a helping hand, but it is also sending a message that, in order to be successful, these re-

**If we had to pick the most important reform move over the last year, it would be enactment of the amendments to the Labour Law, in which 70% of FIC proposals were included**

## PROGRESS

The sooner we get through the somewhat painful journey of privatising public companies, the sooner we will go down the road of innovation, new ideas and activities that are future proof.

obligation to pay an increased salary for shift work, the change of the basis for the calculation of salary compensation, where the new basis is set to the average salary over the previous 12 months and the obligation to provide redundancy payments only for the years of service with the current employer, as well as limited extended application of industry-wide collective agreements, if more than 50% of an industry is represented in negotiations.

There are still some remaining issues, staff leasing is not regulated yet, flexibility in the calculation of salaries which is based on free agreement between employees and employers, the legal limit of 24 months for a fixed-term employment contract, where we proposed extension to 36 months, and the extended applicability of collective agreements hasn't been repealed in full.

► **How have the government's moves with regard to the macroeconomic environment impacted on the overall business climate?**

– First and foremost, and the overarching element we are seeking as foreign investors is to see a stable macroeconomic picture with the path towards economic growth. Adopted Government measures of fiscal consolidation provided immediate relief to budgetary expenditure, albeit with the presence of a still extremely high public debt, and the overall slowdown of the economy. Therefore, it is important to push further and ensure future growth. The approved arrangement with the IMF is an important guarantee that we will witness an increase in the speed of reforms and then, in the longer run, more structural, fundamental reforms are needed in order to obtain continued macroeconomic stability.

Here I would like to point to some concrete areas that need attention: the finalisation of the privatisation process, as a key for publicly-owned corporations and overall reforms of the public administration. It is also essential to improve efficiency of the public sector. An example of that is consistent implementation of public

## LEGISLATION

We see liberalisation of the Law on Foreign Exchange Operations, adoption of the Law on Charges and harmonisation of the Law on Personal Data Protection and the regulation of Staff Leasing as short-term priorities.

## EU INTEGRATION

The FIC strongly advocates Serbia's economic integration into the EU and wants to be part of the goals the country needs to achieve in that process.

procurement policy ensuring better allocation and utilisation of budgetary resources, where there is significant room for improvement. Then, talking about the bigger picture, there is the need for a pension system that works, a healthcare system which is future proof and more focus on education, as this is key to the competence and capability of the next generation. Those

three areas are on the FIC agenda for Serbia's 2025 vision, and here we will argue that broad political alignment is needed in order to have a longer term perspective, not only until the next elections.

► **How would you assess Serbia's progress towards Europe to date?**

– It is fair to say that we are still in the early days of the accession process, but in the FIC we are really pushing in that direction and we advocate strongly for Serbia's economic integration into the EU, as it brings predictability, transparency and competitiveness for the Serbian economy. The scope of economic negotiations is significant and will include evaluation of many criteria Serbia needs to fulfil in order to demonstrate that it has a functioning market economy. The integration process is also a great mechanism to evaluate where we are at the local legislative framework



**When it comes to the grey economy, the penalty policy needs to be executed more forcefully and we need to set some examples out there in the streets, in order to change the overall mind-set of what this is about**

and its impact on the Serbian economy, citizens and society at large. Based on our recent experience, we believe that Serbia is ready, as we also clearly mentioned at the Reality Check conference, to open concrete negotiations on the first chapters. We have witnessed that the last months were productive and brought some concrete results in this respect. Apart from this, the key FIC expectation is better implementation of laws, which is absolutely essential.

► **Do you think the new Law on land conversion responds to concerns investors have with regard to this issue?**

– This was an important topic on the FIC agenda for six years, as we have been actively engaged in giving pro- ►

posals on how this should be done. We really appreciate and recognise the efforts of the Ministry of Construction, Transport and Infrastructure and the Government in finding a solution to this long journey. We supported the stance that the fee for the conversion should correspond to the amount of added value that is created in the conversion process. We believe that, through recent changes to this Law, this principle is respected and we are waiting for full implementation to be carried out and will carefully monitor what is happening.

- ▶ **Which changes to laws and bylaws has the FIC singled out as the most important to be tackled?**  
– Our main expectations from the government are to



continue harmonising laws with the EU *Acquis*. When it comes to specifics, we are looking forward to liberalisation of the Law on Foreign Exchange Operations which is currently rigidly interpreted by the NBS, adoption of the Law on Charges, which should safeguard us from new para-fiscal charges, at the national, regional and municipal levels. When it comes to the harmonisation of the Law on Personal Data Protection with EU regulations, we can just adopt what the EU standard is within that space and finally there is regulation of Staff Leasing, which doesn't exist.

- ▶ **Are you satisfied with the attitude of the government towards the business community; and how can this cooperation be further improved?**  
– More than a decade after our establishment, we can say that we have had a positive and open dialogue with all Serbian governments. At the same time, the FIC has also developed its organisation, its working principles, capabilities and competences, and that

**We really appreciate the effort of the Ministry and the Government in finding a solution for the land conversion issue, and we believe it is an important move that would pay off soon through further investments**

is why I think we have more integrated cooperation with the Serbian public sector today than before. We are spending huge amounts of resources from the membership companies into our working Committees and our voice is being heard through the recommendations, both through the White Book and the Reality Check conferences.

- ▶ **Why does the FIC see privatisation as one of the most important topics and what are your expectations with regard to this issue?**

– The privatisation process is critical when it comes to the creation of a level playing field. The state should reform its ownership policy in order to create a sustainable public sector and stimulate economic growth. This means that we have to finalise the privatisation process for publicly-owned enterprises within new timelines, followed by the bankruptcy procedure for those companies that are not able to transform into a new structure. There will then be unemployment in the short term and then the government should move in to support those affected by that process. We have seen that in so many other places and we know that further down the road is innovation, new ideas and activities that are future proof.

- ▶ **What are investors' expectations with regard to reform of the public administration and administrative procedures?**

– When it comes to administrative procedures, it is again about the level playing field - so the same rules need to apply to all companies, regardless of the ownership structure; the Government should define a clear strategy for the privatisation of large state-owned enterprises, and those at the municipal level as well. Public enterprises need to introduce modern governance models and that means we need to draw a line on what is a political party and political activity responsibility, apart from what

are responsibilities of limited companies and private companies delivering services to the public space.

- ▶ **To what extent does the current level of the grey economy hurt investors' interests and what are the FIC suggestions for tackling this on a permanent basis?**

– To see what it means to have a grey economy that is out of control we can just look at Greece. The grey economy severely affects all stakeholders in society and has two very negative concrete dimensions: lack of state income and the fact that you're creating an uneven playing field among companies and sectors in

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terms of establishing sustainable business. The FIC has been taking that very seriously and in May 2014 we established the Anti-Illicit Trade Committee within the FIC. Here we can complement the Prime Minister Aleksandar Vučić's government on adopting the Law on Inspection Oversight, and improved - but still not good enough - results when it comes to the control of illicit trade in practice. The Police formed the Department for Combating Illegal Trade, which is good. However, we need further improvement when it comes to amendments of sector-based laws, where there is a certain level of inconsistency. Finally, then, there is a penalty policy, but it needs to be executed more forcefully and we need to set some examples out there in the streets, in order to change the overall mind-set of what this is about.

► **What do you think are the most important short-term priorities in the coming period when it comes to the areas where there is still uncertainty in terms of doing business?**

– Continuation of harmonising laws with the EU Acquis is absolutely essential, but now that a significant amount of new laws have been passed, the implementation of laws should also get increased attention. That means having public sector bureaucracy that has capacities and competences to do so, but also about all of us being stakeholders to be involved in the process of improvement. - Don't fight against reforms, but rather embrace them and be happy that they are happening. Then if we have that mind-set, if strong opponents or strong stakeholders in that space give that message, I think we will see step by step that improvement on the ground level will happen.

► **Considering that the FIC is one of the first points of contact for potential new investors, can you conclude from the number of inquiries you receive that there is more interest in investing in Serbia?**

– It is embedded in the mission of the FIC to promote a sustainable business environment in Serbia. Everything we do is publicly and easily available, and as such we are a hub for objective information on what is going on in Serbia. It is not that we are keeping a record on the number of requests we receive, but what is clear is that posi-



**What we need is a PR journey to sell Serbia abroad, and for that we need a vision for Serbia 2025 - where do we want to head? It is a political responsibility to create that vision, but we, as the FIC, can join in, in terms of sharing some ideas of what that could be about**

tives are happening in Serbia and that is noticed. We are actively engaged in the EU accession process and that is being noticed, we are in alignment with the IMF and are seen as a disciplined nation, and that is being noticed. So, there is a certain feeling at least within the FIC and personally as well, that there is increased attention around Serbia as a destination for bringing activities and investments outside of FIC membership.

► **Which preconceptions do potential investors most commonly have when they come here and how much, from the perspective of investors who are already doing business here, are their fears justified?**

– Some people have a very distant opinion on Serbia, which is often flavoured by some vague history type of assumptions. And then it is about corruption, a public sector that does not work well, old fashioned bureaucracy and an inconsistent legal framework that is difficult to work with. Often the more distant the opinion is on Serbia, the worse the impression is, and that's great. Because that is a fantastic starting point for us to educate

them, to provide concrete information, and I think I have yet to experience meeting anyone who has come and taken the effort to obtain more competence and insight into what the situation is in Serbia, who are not moving toward a more positive impression of where we are at. But we shouldn't fool ourselves: there is a long, long way to go, but it is also a reminder that we need to sell Serbia abroad, and here I think that Vučić's government is really on the road and

doing that effort. But we could do more. At present we are somewhat stuck in the past, and the past is important, but you should learn from the past and create something which is about painting the vision of the future. So I think what we need is a PR journey to sell Serbia abroad and for that we need a vision for Serbia 2025 - what is our destination; where do we want to head? It is a political responsibility to create that vision, but we, as the FIC, can join in, in terms of sharing some ideas of what that could be about. So, I think there is opportunity out there and it is now up to us to grab it. ■



# We Want to Become Number One for Investors

**ZORANA MIHAJLOVIĆ PH.D.**

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

*With the construction of roads that will inevitably link us to the European road network, we want to permanently highlight Serbia on the investors' map*



kilometres. The process of modernising and reconstructing Serbia's roads is running in parallel with the reform of the European infrastructure policy. Regulation 1315/2013 of the European Parliament and the Council set the guidelines for the development of the trans-European network. If we view it as a whole, the existing network of European roads, railways, rivers and canals, air, sea and river ports, it is fragmented, and it will be converted into a single trans-European transport network that will serve to improve infrastructure and simplify cross-border

**Corridors 10 and 11 are being built at full speed and they will be our transportation lifeline that will inevitably bind us to European roads and permanently mark us on the investors' map**

traffic of passengers and goods throughout the whole of Europe. Considering that the EU transport sector directly employs around ten million people, which is 4.5 per cent of the total workfor-

From reforms in the area of construction permit issuance to resolving the issue of land conversion and accelerating works on Corridor 10 and 11, the ministry is getting to grips with all the urgent problems that are important to building a good business environment and increasing the level of investment, says Serbian Deputy Prime Minister and Minister of Construction, Transport and Infrastructure, Zorana Mihajlović.

► **What concrete effects on attracting foreign investment do you expect from the inclusion of the road network of Serbia and the Western Balkans in European transport corridors?**

– Serbia is building in order to join European transport corridors. Serbia's goal is to become part of the major European transport system. All of our efforts in the area of road construction are heading in that direction. Corridors 10 and 11 are being built at full speed and they will be our transportation lifeline that will inevitably bind us to European roads and permanently mark us on the investors' map. Our goal is for us to no longer be bypassed. This year about 150 kilometres of roadway will be reconstructed, with spending of 60 million euros. The total reconstruction of roads in Serbia includes plans to restore 1,100

## AMBITION

We're doing all we can to make Serbia a good place for investment.

## DIALOGUE

The Ministry pays full attention to maintaining a public dialogue and we are open to suggestions from foreign investors' associations regarding the legislative proposals we are working on.

## CHALLENGE

We're awaited by the area of concluding contracts before the court, because that implies reform of the entire judicial system, which is a major challenge.

ce, and generates 4.6 per cent of GDP, that manufacturers of transport equipment provide an additional 1.7 per cent of GDP and 1.5 million jobs, the tangible effects of the inclusion of the roads of Serbia and the Western Balkans in European transport corridors include improved quality and reduced costs of transport services, which have a significant impact on the competitiveness of companies, economic development and quality of life. That is exactly what investors are looking for when selecting countries for investment.

► **What are your highest expectations in this context, in terms of progress in Serbia's process of joining the EU?**

– Everything we do, we do for a better future that cannot come without investment. We want to become the number one for investors. When we finish everything we plan in terms of transport infrastructure and become part of the European corridors, investors will know how to appreciate that by not opting for alternate routes to transport goods and passengers, or by deciding that Serbia is in fact their chosen destination for investment or business expansion, because from there they will have appropriate roads for fast transport both eastwards and westwards. Only when that money starts flowing into our budget will we become fully aware of how much we lost by waiting to connect ourselves through transport. It's great that, in parallel with this, there is the continuing process of bringing Serbia closer to the European Union, because the two processes inevitably rely on each other.

For now that process is going well. Explanatory screening for chapters 14 - Transport and 21 - Trans-European networks, was held in December 2014, while bilateral screening took place in February 2015 in Brussels. It is expected that the European Commission will evaluate Serbia well in its report on the screening of chapters 14 and 21.

► **In your opinion, what will be the key effects of the Law on Land Conversion, enabling the right of ownership over construction land, and do you think the adoption of this law fully eliminates the reservations of investors in this regard?**

– Respect for the law, new building sites and more employees are the main goals of the adoption of this law, which should complete the transformation of ownership rights over construction land in Serbia. Furthermore, the category of people to which the law applies has enabled them to acquire the right of ownership of the land, for a fee, and to construct legally. Thus, one of the key effects will be increased construction activity, which automatically means increasing the number of employees, directly and indirectly, in view of the multiplier effect of construction. At the moment, no charges are paid for this land, while conversion of the land will see it become an immovable asset which is subject to property tax,

which benefits the state. The adoption of the Law was unable to meet the requirements of users of this land who have sought for the conversion of property to be carried out without fees, given that usage rights were not included in financial lines. Future owners of land acquired in this way will have greater legal security for their investments, which is especially important since legal uncertainty has always been at the top of the list of complaints of foreign investors when it comes to investing in Serbia.

► **How effectively is the the Law on Planning and Constructed enforced today at the local government level and what can your ministry do to reduce the still high level of paperwork accompanying applications for the issuance of permits?**

– The Law on Planning and Construction, almost six months after the start of implementation, has now fully taken root and its effects are evident even earlier than expected. Based on the latest available data from the Serbian Statistical Office, the number of building permits issued in the first six months of 2015 is the largest since 2009, with a total of 2,161 building permits issued during this period.

**The strongest effects of the application of the new law are expected to be felt early next year, when the issuing of electronic building permits will begin**

In June 2015, nearly 40 per cent more building permits were issued than in June last year. As time passes, so the application of the law improves, as shown by the results that, for example, in July alone three times more licenses (606) were issued compared to the first month of the implementation of the Law, March, when 202 permits were issued according to the unified procedure for issuing this permit swiftly.

The strongest effects of the application of the new law are expected to be felt early next year, when the issuing of electronic building permits will begin and launching construction in Serbia will be simplified significantly, which to date has been among the biggest complaints of investors in Serbia.

It is good that all cities and municipalities apply the unified procedure, while in Belgrade the average time required to issue a permit is one week.

► **In which areas do you expect Serbia to make its biggest ratings jump on the World Bank's Doing Business list, and in which areas does work still lie ahead for the Government when it comes to improving the business climate?**

– Serbia will become a good place to invest. We do our best to improve Serbia's position on this list and we have reason to expect a better result in the areas of paying taxes, issuing building permits, listing property and registering a company. This has been dealt with since the beginning of the year by the joint working group formed by the government. After eight months of work with results, I expect the World Bank to take note of the better conditions offered to investors. We started with the most ►►

difficult, so in late 2014 we started reform of the area with the lowest rank, which was the issuance of construction permits. We're awaited by the area of concluding contracts before the court, because that implies reform of the entire judicial system, which is a major challenge. The plan is to carry out reform in the area of harmonising the customs system with EU rules, which will have direct implications on the field of cross-border trade and so on. Our idea is for everything to be clearly defined in the action plan that will be forwarded to the Government in September.

► **How have you assessed your cooperation to date with foreign investors' associations in Serbia when it comes to removing barriers to investment, and what further government measures can you announce in this area?**

– We have an understanding with investors and we want to create the best possible conditions for them to do business in Serbia, because that is essential to our economy. The Ministry pays full attention to maintaining a public dialogue and we are open to suggestions from foreign investors' associations regarding the legislative proposals we are working on. The opinions of the general public, individuals and business associations mean something to us, because they are people who, in practice, face difficulties in investing, so they can best show us which direction we should work towards. This cooperation does not boil down to merely individual exchanges of views, but rather it is based on the principle of regular contacts and joint meetings, where we exchange arguments according to certain provisions and principles. This method of cooperation yields results and we are pleased to continue in this way.

► **You have announced that complete cadastral reform will be completed by the end of 2015. Will you be able to keep this promise?**

– There is no more time to waste and we want to maximally shorten all procedures. Amendments to the Law on State Surveys and Cadastres will significantly improve the functioning of the Republic Geodetic Institute, which is extremely important for the whole country. This law will be in front of MPs in the National Assembly very soon, and it envisages, among other things, that registration of title to real estate property is completed within seven days, as opposed to the current average of 45 days.

► **How satisfied are you with the pace of corporatisation and fiscal consolidation of large state enterprises in your sector, and which measures are you planning next in this area?**

– Through reforming we want to show that savings are possible and that public companies can be effective. The corporatisation of large public companies is a prerequisite to financially consolidating and preparing for successful economic management. This is especially true as most of these companies are in the hands of some kind of monopolists. In the key companies in our portfolio – Serbian Railways, Corridors and Roads of Serbia – this process has moved a fair distance since the start.



**Amendments to the Law on State Surveys and Cadastres envisages the registration of title to real estate property is completed within seven days**

► **Which measures of the government and your ministry can you announce when it comes to combating the high level of penetration of the grey economy in Serbia?**

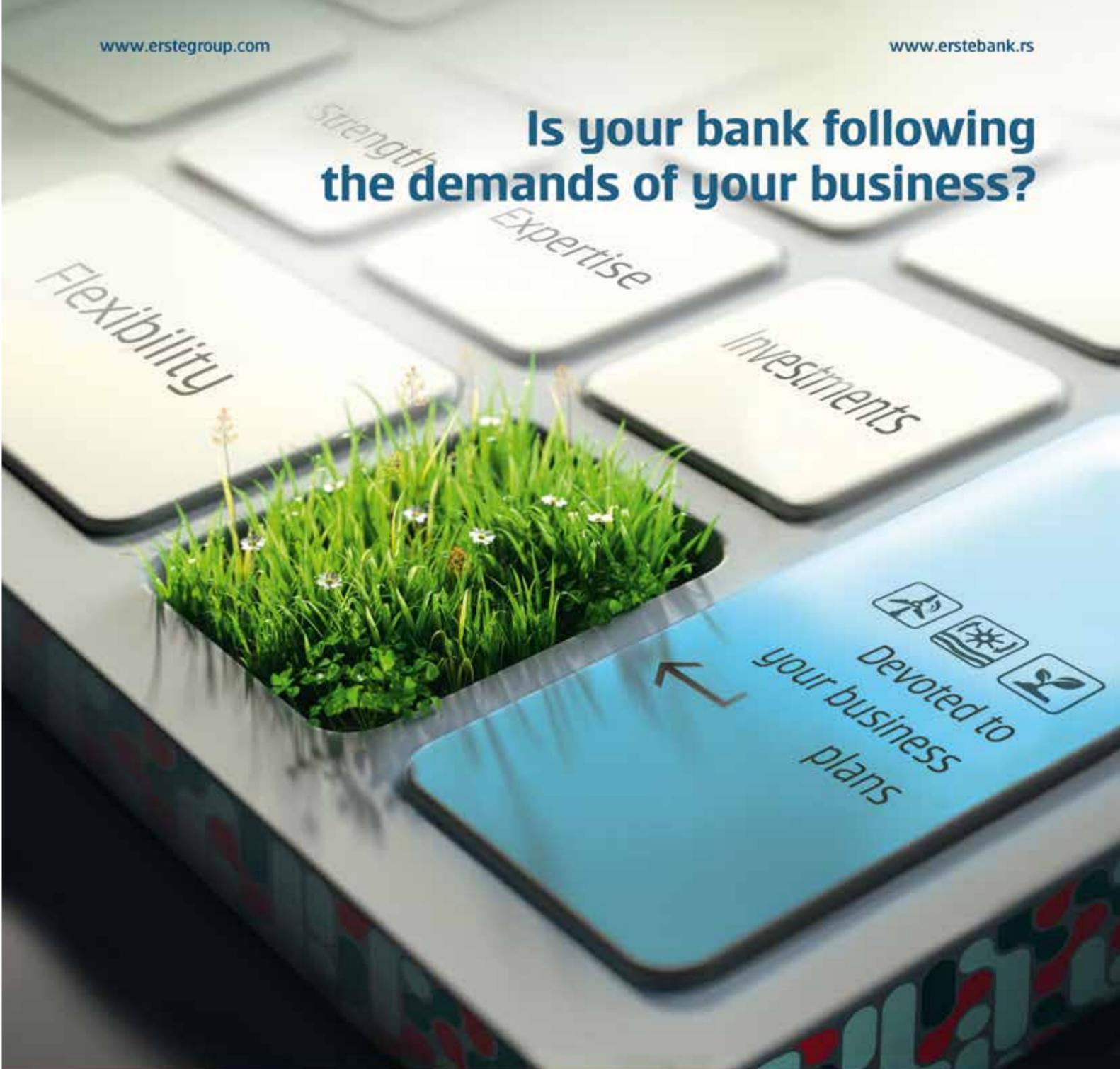
– The grey economy is a scourge we must deal with resolutely. The suppression of the grey economy in road transport, whose volume is estimated at around a hundred million euros, is essential to ensuring greater passenger safety and the creation of a regulated environment for the operations of the carrier, and the first step in this direction is the adoption of the new Law on passenger transport by road. On the basis of my initiative, we formed a working group to combat the grey economy in the area of road transport, which is analysing the causes and has proposed measures to reduce the grey economy in this area. In addition to this law, it is essential to have stricter application of existing regulations, giving priority to handling issues related to the grey economy, as well as the creation of a unique database of illegal transportation of companies in the sector of the ministry's inspections. The working group also proposed designating a person in each ministry to be responsible for combating the grey economy and the exchange of data, in

order for each body within its jurisdiction to operate more effectively. The establishment of operational teams is also envisaged.

The fight against the grey economy will also include harmonisation of tax rates for public, city and intercity transport, as well as the implementation of a marketing campaign that will explain to citizens that cheap illegal transport is actually the most expensive transport in terms of safety.

The Ministry expects that the adoption of these measures will lead towards the efficient resolving of problems of the grey economy in the road transport domain, which is necessary primarily because of the safety of passengers, but also for the creation of a healthy market environment for carrying out this activity. ■

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# Keep Up the Good Work

**GABOR BEKEFI**

Vice President of the Foreign Investors Council and CEO of Carlsberg Serbia Group



*The government took a number of initiatives in order to create a balanced macroeconomic environment in Serbia and improve the business climate, and the FIC encourages it to continue in that direction by bringing public utilities companies to the market and enacting the Law on Charges*

**W**ith the anticipation that structural reforms would lead to us all being better off in the long run, companies are ready to accommodate the negative aspects of these changes, says Gabor Bekefi, FIC Vice President and CEO of Carlsberg Serbia Group.

► **In your opinion, does the Serbian government pay sufficient attention to the needs of investors who are already in Serbia, thereby encouraging them to expand their business in the country?**

- It is very visible that the Serbian government is exerting a lot of effort to bring new investors to Serbia and we, as the Foreign Investors Council, are interested in promoting that idea. At the

same time, the objective of the FIC is to negotiate with the government on ensuring a level playing field for all

**The government passed a number of laws that are important for the creation of a balanced playing field and for the transparency and predictability of the economy, such as the Law on Insurance, the Labour law and the Law on Land Conversion**

players in the economy of Serbia and in that sense we would like to see a fair amount of incentives for both new and existing investors in order to secure further

investments. The impression is that right now there might be a little too many incentives aimed at attracting new investors, while we would like to see a more balanced approach of the government. One should not forget that those companies which invested one, two, three or ten years ago are today part

of the Serbian economy and also need to be considered and offered a proper incentive system.

**GUARANTEE**

As the Foreign Investors Council, we see the IMF arrangement as a guarantee that financial consolidation will take place.

**PRIORITIES**

There are three laws which we hope the government will deal with in the near future: the Law on Foreign Exchange Operations, the Law on Personal Data Protection and the Law on Charges.

**OBJECTIVE**

Our objective, as the FIC, is to negotiate with the government about providing a level playing field for all players in the economy.

► **Are the fiscal consolidation measures taken to date reflected in the business environment and how ready are investors to bear the burden of reducing demand in order to achieve long-term stability?**

- It is obvious that the Serbian government is now following through with measures that should have been taken a long time ago. One needs to recognise that it is a race against time, both to catch up with the past and also prepare better for the future, and we are seeing a large number of government initiatives aimed at creating a balanced macroeconomic environment in Serbia. As the Foreign Investors Council, we see the IMF arrangement as a guarantee that financial consolidation will take place. We notice developments regarding the privatisation process and that there are efforts to bring reforms to the public administration. However, we still think there is more room for new government initiatives, especially with regard to the future of public enterprises – at both the state and municipal levels. Inevitably, there are few other topics that should be considered, such as the reform of the pension system, education system and healthcare system, which are equally difficult to the topics the government is now addressing.

All of these items we've mentioned so far create a negative impact on short-term consumer demand and, of course, companies don't like when that happens. However, they didn't come to Serbia for the short-term and, provided there is predictability, companies can deal with this and prepare for more difficult times with the anticipation that, through structural reforms, consumer demand will grow in the long run. Carlsberg is no different to others – we see consumer demand falling, but when we look at the Serbian level of consumption we see it is still lower than the European average, and thus we believe that once there are more jobs, and the state is in a better position, we will see that trend improving.

► **Which laws introduced during the mandate of this government do you feel have contributed the most to improving the business climate?**

- The Foreign Investors Council has a positive view on what has happened in the last few years, during the mandate of this government. The government passed a number of laws that are important for the creation of a balanced playing field and for the transparency and predictability of the economy. I would like to mention only a few items: one is the new Law on Insurance,

which brought more clarity regarding how insurance companies are to operate, although we think there is still room for improvement; the Labour Law brought many significant improvements when it comes to issues that were a burden on businesses, however, that law doesn't deal with the leasing of workers, and investors would welcome this question being addressed soon.

I would like also to mention the Law on Land Conversion, which we, as the FIC, believe is a step in the right direction that will resolve a lot of issues businesses had with regard to this area.



**We would like to see the completion of the privatisation process, better implementation of the Law on Employment of Foreigners and elimination of inconsistencies in the tax system**

► **How much closer are we today when it comes to achieving the goal of ensuring equal conditions for doing business for all market players?**

- Advocating for the creation of a level playing field is one of the fundamental objectives of the Council. We think we are getting closer to what is a fair situation. Why? Because we

see that the government is ready to privatise state companies that are not strategic, although not as fast as we anticipated. We would like to see large utility companies, as well as municipally-owned companies, brought to the market and governed by efficient use of capital, rather than exposed to other state holders. We also need a judicial system that makes clear judgements, irrespective of the ownership structure of companies, so independence is granted in the case of legal disputes and only the subject matters, not the background. ►►

► **What are your expectations of the Law on Charges?**

- Let me refer here to one of the most important FIC objectives, and that is that we would like to see predictability and transparency. Predictability means that we know what laws are being passed, because in that case capital knows how to prepare itself for future situations. In that context, we see the Law on Charges as being critical, because it will create a framework about and around para-fiscal charges that, unfortunately, have accelerated in the last two years and created unexpected financial hurdles for investors.

► **What problems do companies most commonly face when it comes to tax legislation and the practical implementation of regulations?**

- There have been issues related to taxation and the tax system for a long time, and this represents one of the top priorities of our association. Two topics I want to raise again are consistency and predictability. Consistency means that the Tax Administration and the Ministry of Finance should have the same interpretation of laws and bylaws, which is not the case at present. Second, we advocate to the government to make cohesive bylaws, as opposed to the scattered and mutually contradictory bylaws we have now. When it comes to predictability, we would like to see the government not changing the legislation under short deadline, but rather that changes to laws are part of the normal legislative procedure, so that members of the economy have the opportunity and the time to provide feedback to the government and accommodate to these changes.

► **Which of the recently prepared and adopted laws do you rate as being the most important when it comes to improving conditions for doing business?**

- I already mention our view on the Labour Law and here I want to make a more specific comment on the Law on Land Conversion. The FIC has been advocating for six years for us to reach this point where the question of land is clarified. We appreciate that we are at the stage of implementation being discussed and the way the law defines how conversion will take place is in line with what the FIC was advocating for it to be done, and that is a fair relationship between the amount to be paid versus the



**The Labour law brought many significant improvements when it comes to issues that were a burden on businesses, but further effort is needed to address the leasing of workers**

added value that can be created with the piece of land. Therefore, we are looking forward to seeing the end of this process and would like to see a relatively fast process that participants in the economy can go through in order to become the true owners of the land. We believe this would accelerate investment in Serbia in the next couple of years and we see the positive leverage of this change.

► **Are you satisfied with how e-government areas have been functioning to date?**

- One element of e-government that is working is the filling in of tax returns and, as an active company CEO, I see that it simplifies life in this certain context. At the same time, I do see and experience that other parts of the e-government don't function, especially when it comes to citizens and issues related to social security and healthcare, for example, where the government also needs to make improvements.

► **Which measures should the government implement in the coming period in order to attract new investors?**

- I would like to break the time horizon into two areas. The best and most systematic approach to new investments would be through European Union accession negotiations, because that would secure an environment that is known to companies operating in Serbia, whether they are from the European Union or other parts of the world. When we talk about more specific and short-term initiatives, then we look forward to seeing the positive impact of some of the new laws we mentioned earlier,

such as the Law on Charges, and the Law on Foreign Exchange Operations. We believe that the National Bank of Serbia is interpreting that law in a very rigid way, while in the region we see some more relaxed interpretation. Another law that we would like to see improved is the Law on Personal Data Protection, which will create more protection for individual data. These are the three laws we hope the government will deal with soon. And then there are another couple of initiatives that I would like to add to the laws: first is completion of the privatisation process, second is the implementation of the Law on the Employment of Foreigners, which makes life quite complicated for many people working in Serbia, and third is the elimination of inconsistencies in the tax system. ■

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# Decisive on the reform course



DUŠAN VUJOVIĆ

Ministar of Finance

*Having secured a stable macroeconomic environment, ahead of the government is the task of tackling the most pressing problems of public administration and public sector reform, as well as breaking entrenched interest groups and internal resistance of the system*

ble exchange rate. At the same time, we are creating a significantly improved fiscal position. After eight months, the deficit of the national budget is 30 billion, or just 1.1 per cent of the estimated GDP. This ranks Serbia among the leaders in Europe; we have positive economic growth. Despite the negative impacts of the 2014 floods, the low level of economic activity in Europe and the implementation of fiscal consolidation measures, Serbia is slowly but surely emerging from recession. The IMF corrected its projection of GDP growth from -0.5 to +0.5, with good prospects for revenue growth in 2015 to be even higher. On the supply side, we expect the launch of operations of the second

blast furnace in Smederevo, resolving the issue of chemical complexes, growth of coal and electricity production, as well as growth of the manufacturing industry. On the demand side, we are recording a higher level of consumption compared to earlier projections, as well as the growth of exports. We expect the whole trajectory of economic growth in the next two years to

raise by another half or a full percentage point, but that crucially depends on the successful continuation of reforms. We have a better business environment: for example, easier and significantly faster issuance of building permits. Tax procedures have been improved by switching to electronic reporting for shorter and simpler tax payments. We have also improved and consolidated banking and the financial sector: after resolving the problem of NPLs, the protection of creditors' rights and raising financial discipline, lower interest rates and improved credit terms are expected. We can offer better systemic laws that support healthy market institutions and encourage economic growth. For example, the law on investment, the law on consensual financial restructuring, amendments to the law on Agencies for licensing bankruptcy administrators, the new law on bankruptcy procedures, the law on the temporary restrictions of rights. We are implementing the agreed structural reforms: alongside maintaining macro stability and the continuation of fiscal consolidation, these reforms are essential for achieving a more sustainable path of sustainable long-term economic growth. This includes resolving the status of companies in the portfolio of the Privatisation Agency and increasing efficiency in the public sector, as well as deep reform of the state apparatus and the entire public sector.

**ADVANTAGES**

We offer a super stable macroeconomic environment: with very stable prices, a significantly improved fiscal position and positive economic growth.

**COMMITMENT**

Reform of the public sector, including its rationalisation, will be a real test of our commitment to reforms.

**DECISIVENESS**

We remain resolute in our intention to put a stop to state aid for public infrastructure companies and strictly adhere to EU rules.

are part of the European infrastructure system and the stability of economic growth and development of the Eurozone will largely depend on their effects.

In accordance with accepted international standards, we have developed contingency plans to prevent the negative effects of disturbances in the surrounding area, based on the achieving of the objectives of fiscal consolidation and structural reforms in the coming years.

► **You've said that there is only one element of the cost savings that neither the government nor the ministry are proud of:**

► **Your ministry has announced a series of legislative initiatives aimed at creating a better business climate and more transparent operations – from reform of the tax administration to the new law on financing local governments and charges. How far have you progressed? Will the pressure on municipalities to increase their revenue lead to rampant new fees for companies?**

► **Besides the aforementioned measures for improving the business environment, we also will adopt essential laws. First of all, we will adopt the law on financing local governments, which will soon be subjected to a public debate. Along with that will be the law on remuneration, which will establish a modern and transparent way of regulating the field of so-called fiscal charges, the second most important source of revenue at the local level (122 municipalities and 23 cities). We expect these laws will introduce more order and predictability in the tax environment which investors face directly, as well as motivating local levels of government to behave rationally and in the economic interests of the citizens and the whole country. At the same time, we are working on the modernisation of the tax administration which, with the application of the best practices in the world, will raise the level of tax compliance and the voluntary payment of taxes significantly. We want citizens to know that without tax revenue there are no schools, nurseries, street lighting and organisation of the country. We think there is room for significant expansion of the tax base, ►►**

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**We expect that the new Law on Financing Local Government and the Law on Charges will introduce more order and predictability in the tax environment which investors face directly**

**the "savings" of more than 10 billion dinars on capital investments. What are you doing to remove this important barrier to economic growth?**

– I will mention a few things. Firstly, this year we are taking a major step in the transition to programme-based budgeting that views all elements of the budget as projects and programmes. This changes the way all budgetary expenditure is planned, and especially capital expenditure. We will use the practical experiences of Ireland and other countries that have done the most work on this plan in difficult fiscal circumstances and with limited resources.

Secondly, we are trying to strengthen, in terms of staff and in a technical sense, the sector that deals with capital investments within the Ministry of Finance.

Thirdly, we are trying to integrate all the key elements of the planning and implementation of capital expenditure by sectors (infra-

**T**o date we have prepared the reform strategy and action plans, and now we are going through the challenges of implementing the programme, including the resistance of interest groups and the weakness of the administrative system that should implement this process from the top to the bottom. The government views these problems as a test of its commitment to reforms and its intention to persevere in them, says Finance Minister Dušan Vujović.

**To date we have prepared the reform strategy and action plans, and now we are going through the challenges of implementing the programme**

► **What kind of macroeconomic environment can the government offer foreign and local investors in the coming period?**

– We offer a super stable macroeconomic environment: with very stable prices (inflation of around 1 per cent) and a sta-

not only in terms of the number of subjects, but also the number of transactions on which tax is paid.

► **You announced at the Reality Check conference you tax reform will be adapted to the needs of taxpayers to a much greater extent. What does that mean in practice?**

– As I mentioned, we are quickly shifting to electronic registration (and payment) of all taxes. By using quality software, most citizens and businesses will easily pay their taxes and, thus, significantly reduce the time needed for complying with the law and thereby also reduce costs. In those situations where taxpayers do not have computers or are not sufficiently trained to use them, we will stimulate the provision of these services through training by private tax advisors. This can be a good source of employment for thousands of young people who already possess the necessary knowledge, and often also own computers. With the training programmes and accreditation that we will offer, they can quickly become a key link in the chain of fiscal discipline and the modern (electronic) state.

In addition to simplified tax procedures, we will try to abolish double taxation between both countries where our citizens earn income and within Serbia. In the first case, the conclusion of agreements on avoidance of double taxation and other in policy areas determines the correct tax base that would allow all legitimate expenses to be treated as deductible items.

In this context, I emphasise that in the VAT system we have already secured equal treatment of non-residents to exercise their right to tax rebates.

► **Following the first positive IMF assessment, it seems that the government has somewhat lost pace in the implementing of structural reforms? What you can announce as priorities in your portfolio for the coming period?**

– The most important task at hand is to focus our efforts on implementing the key structural reforms.

We are faced with weak administrative capacity, many legal and institutional rigidities which, in the hands of vested interest groups – both among managers and workers – tend to slow down or even stall the necessary restructuring and reforms of state owned and public sector infrastructure companies. Reluctantly, we had to grant additional time for privatization and resolution of state owned and distressed companies, but expect that most cases will be finalized before the new deadlines (end of 2015 for most and the end of 2016). Likewise, we expect that restructuring programs for the largest public infrastructure companies (electricity, gas, telecom, roads, rai-



**Many reform ideas are based on the ideas of the FIC or verified by them**

lways, waterways, etc.) will be finalized soon and implemented without delay. We stand firm on our commitment to stop state aid flows and strictly abide by the EU rules.

Public sector reform, including rightsizing, will be the real test of our ownership of reforms. It will also be a clear demonstration of government's credibility in applying the same reform rules across the board (to the business community and broad public). We critically lack the appropriate incentive systems, performance measurement, and delegation of authority that will enable true reform of the public administration and the public sector as a whole. Presently, ministers and public sector managers perceive reforms and attempts to measure performance as a constraint on their behaviour. This must change before we can proceed with true public sector reforms. Introduction of the program (and performance) budgeting without further delay is in my view the best vehicle to introduce new incentive schemes, improve the efficiency of the budget process and the quality of public resource management.

► **You have announced that if Telekom Srbija is privatised the money will be directed "towards things that overcome the shortcomings of the past and encourage economic growth". What did you mean by that specifically?**

– Money from the possible sale of assets must not go directly to cover current costs, but must rather create the conditions for future economic growth. This can be achieved either by directing resources to the completion of priority investment projects that will quickly yield effects or by repaying the most expensive loans or government bonds. In both cases, a high effective rate of yield

or savings is realised and, thus, the efficiency of the use of the limited resources we have available is increased significantly.

► **How would you rate your Ministry's cooperation with the Foreign Investors Council in terms of reaching concrete proposals for improving the business climate?**

– To date we have had plenty of good cooperation. The Council closely monitors an entire series of elements of the business climate in Serbia and provides many useful suggestions on how to fix it. Many reform ideas are based on the ideas of the Council of affirm them. I expect we will cooperate even better in the future and reach clearly defined priorities in the implementation of certain measures, identifying the resources necessary for their successful implementation. Here I'm thinking particularly about the possibility of using the specific experiences of some leading countries and devoting adequate attention to issues of training people. ■

## INTERVIEW

# Better Days Are Coming



**MARIA ROUSSEVA**

Executive Board President at Societe Generale Srbija

*Societe Generale Srbija looks forward with optimism to the possibility of credit growth in the coming period and announces innovations in the method of using products and services, in line with the development of internet technology*

**A**lthough Societe Generale Srbija is a veteran of the Serbian banking sector, this bank is constantly fighting for its clients by offering them new and innovative solutions both in the field of new products and in terms of new technologies, says Maria Rousseva, president of the bank's Executive Board.

► **Banks were among the first foreign investors to arrive in Serbia. How much has the overall business environment changed for banking operations during that time?**

– Societe Generale came to Belgrade back in the time of The Socialist Federal Republic of Yugoslavia, so it would be an understatement to say that a lot has changed since our arrival. That was our Group's first representative office in Eastern Europe, which testifies to the country's reputation in the business circles of the time. During four decades, the competitiveness of the market has strengthened with the arrival of a large number of banks, while the sector has evolved and become increasingly transparent. This, alongside the development of new technologies that enabled access to information for a large number of citizens and experience with the usage of financial services, led to customers now being much more selective in choosing the banks with which they want to cooperate. Considering the positive signals from the market, I am optimistic when it comes to credit growth in the forthcoming period, while there will also be innovations in the way products and services are used, in line with the development of internet technologies.

► **What kind of effects do you expect from the measures that are being implemented in accordance with the provisions of Serbia's arrangement with the IMF that relate to the banking system?**

– One of the points of the arrangement with the IMF is a new stress test for banks, in which it is positive that banks belonging to major European groups have been at least partially involved in the diagnostic investigations of the European Central Bank. I don't think one should expect some surprises, because the average capital adequacy ratio of banks on the market far exceeds the prescribed

**One of the interesting novelties we have offered our clients is distribution chain financing. This programme has received extremely positive reactions from local companies**

12 per cent, but – with the aim of excluding systemic risks and considering their importance for the functioning of the economy – it is important to check the state of the sector. Banks which are shown not to have conducted an adequate policy in the field of the quality of the assets of their banking portfolio and collateral assessments will have to carry out certain adjustments.

► **Societe Generale's business line for global transactional banking was declared the best bank for asset management and company liquidity services in Central and Eastern Euro-**

**pe. What's new in your offer for clients?**

– This award shows that Societe Generale is recognised as an institution which, in a new and efficient way, enables clients around the world to use a wide spectrum of global transactional banking services, which includes documentation operations, asset management and correspondent banking and factoring services. Additional confirmation of the quality recognised by the surveyed companies (financial institutions) which use these services is the fact that the prestigious financial magazine Euromoney also declared Societe Generale Bank as the best in the domain of managing the cash flows of companies in Serbia in 2014. One of the interesting novelties that we have offered our clients is Supply Chain Financing.

► **What are the advantages of this product and how has it been accepted?**

– Supply Chain Financing is a financial arrangement between the Bank and the suppliers of large companies, its partners. Financing is carried out through an electronic platform, providing factoring services through the purchase of receivables that suppliers provide for major companies on the market, whereby participants also save time by not delivering physical documentation to the Bank.

From the start, this programme has received exceptionally positive reactions from local companies, in light of the simple approval procedure, the efficiency of the process and the low cost of financing, as well as the fact that companies do not require security in order to receive the means required to improve their current liquidity. ■

# Continue with Reforms



**DIMITRIJE KNJEGINJIĆ**

Vice President of the Foreign Investors Council and Lafarge Serbia CEO

*An accelerated and transparent privatisation process, more consistent implementation of tax regulations, better coordination between the Ministry of Finance and the Tax Administration, as well as more liberal interpretation of the Law on Foreign Exchange Operations, should be in the focus of the Government on its further reform path*

comes to aligning legislation with the EU Acquis. Since the previous edition of the “White Book”, we have witnessed how the Serbian government has continued to make significant improvements to the business climate with the adoption of amendments to several laws, such as, for example, the Law on Planning and Construction, the Law on Inspection Oversight and the Law on Land Conversion. The first-mentioned law is now well implemented and has led to the shortening of deadlines for the issuance of construction permits. Amendments to the Law on Inspection Oversight have brought some improvements in the direction of providing better conditions for the work of inspection services. In mid-July this year, the Serbian government adopted the long-awaited Law on Land Conversion. The FIC was an active participant in the public debate on this very important law, and we support this law and hope for its successful implementation. These examples, of course, do not mean that the process of harmonising laws has been brought to an end, rather there’s still work to do, especially because, generally speaking, the implementation of legislation in Serbia is the biggest stumbling block between doing business on this market and in the European countries where our members operate.

## The implementation of legislation in Serbia is the biggest stumbling block between doing business on this market and in the European countries where our members operate

The FIC expects the Serbian government to continue with the harmonisation of legislation with the EU Acquis and improving the implementation of the laws, because it is critical for the predictability of operations, attracting new investment and ensuring economic growth. In this area of work, the government can count on the wholehearted professional assistance and expertise of the FIC – says Dimitrije Knjeginjić, Vice President of the Foreign Investors Council and CEO of Lafarge Serbia.

► **How much has Serbia’s progress in European integration and the adoption of solutions from European legislation in business stabilised European practices, and how much, and where, does the greatest gap exist between doing business here and in European countries where a large number of FIC members operate?**

– I would first like to point out that Serbia has progressed well on its road to European integration when it

## MOVEMENT

Since the previous edition of the “White Book” we have witnessed that the Serbian government has continued to significantly improve the business climate.

Better law enforcement in all areas should be an imperative, and can be provided through the reform of public administration and raising administrative capacities in ministries and other state institutions, with a particular focus on tax administration and inspection services.

### ► In which ways does the FIC support the government of Serbia in the European integration process?

– The Council is ready to be a key focal point of the private sector in the process of negotiations with the European Union. We possess the unique capacity to support the process of European integration, given that more than 70 per cent of Council members come from the EU, while the rest have a foothold in the EU market. With this in mind, we organised the first official visit to Brussels in October 2014, where the FIC delegation met with representatives of various EU institutions in order to promote Serbia and offer the Council’s assistance in the process of economically integrating Serbia into the European Union. On that occasion we expressed our resolve to support both sides in the negotiations – the EU Commission and the Government of Serbia – in order to contribute to efficient and effective accession negotiations. From that moment, we have continued regular communication with the EU Commission and the EU Delegation in Serbia regarding all current issues that are important to investors. The next FIC visit to Brussels is planned for September 2015.

### ► In which areas of reform should the Government have a long term focus in the coming period, in order to eliminate key barriers faced by domestic and foreign investors?

– The FIC’s most important expectation of the Government is for it to continue harmonising legislation with the EU Acquis and to

## EUROPEAN INTEGRATION

The Foreign Investors Council is ready to be the focal point of the private sector in the process of negotiations with the European Union.

improve the enforcement of laws. The laws that should be changed, with consideration for recommendations: the Law on Foreign Exchange Operations, to enable “cash-pooling” and expand the possibility of issuing guarantees for non-residents, adoption of the Law on Charges, which should provide protection from para-fiscal charges, harmonisation of the Law on Personal Data Protection with the regulations of the EU, and the



## We have pointed out repeatedly that the problem with the Law on Foreign Exchange Operations is that its existing rules are conservative and rigid and should be liberalised

regulating of staff leasing. This area is not currently regulated at all. I will give you a few examples that should be key objectives for the better enforcement of laws: an accelerated and transparent privatisation process, consistent implementation of tax legislation, better coordination between the Ministry of Finance and the Tax Administration, as well as a more liberal interpretation of the Law on Foreign Exchange Operations.

### ► In your opinion, will the Law on Land Conversion be acceptable to investors and eliminate the problems they have encountered to date?

– It is widely known that the construction industry has been in a problem for a number of

## IMPERATIVE

Better enforcement of the laws in all areas should be an imperative, and can be ensured through public administration reform and the increasing of its administrative capacities.

years and that it was necessary to take some decisive steps for the sake of its recovery. Accelerating the process of issuing construction permits came with amendments to the Law on Planning and Construction and its implementation, while we consider that the Law on Land Conversion, which we supported in the form it was adopted, will benefit investors and the state. All the more so because some of the provisions of this Law specifically aim to encourage investors to build, which aims to re-launch the construction industry and ultimately lead to the creation of new jobs.

### ► How satisfied are you with the operationalization of the Law on Inspection Oversight?

– According to the information we have, implementation of the Law on Inspection Oversight has not yet started, but we are aware of the fact that some bylaws have been written. This is a topic that we discussed actively with the authorities at the “Reality Check” conference and which is really important to us, and which is a particular concern of our committees for combating illicit trade and for food and agriculture. It is something that will also be in our focus in the coming

period. We expect tangible progress regarding the implementation of this Law.

### ► What are the FIC’s recommendations for the amending of the Law on Foreign Exchange Operations?

– We have repeatedly pointed out that the problem with this law is that the existing rules on foreign exchange operations are conservative and rigid and should be liberalised. We have come up against the following problems: it is not possible to issue guarantees on the basis of accounts of non-residents in transactions between two non-residents in all non-credit business, “cash pooling” between companies is not permitted, while the possibility of set-offs between resi- ►►

dents and non-residents is narrowed (not only in import-export relations). For these reasons we believe that this is one of the legal solutions that should be improved. More specifically, the Council considers that the law should be changed so as to allow the issuance of guarantees based on accounts of non-residents in transactions between two non-residents in all non-credit jobs, allow “cash pooling” and broaden the possibility of issuing guarantees to non-residents.

► **When it comes to recently enacted legislation (Law on Planning and Construction, Law on Employment of Foreigners etc.), where can substantial progress be seen in practice where does the practice lag behind the letter of the law?**

– The implementation of the Law on Planning and Construction has been good for now, while with the Law on the Employment of Foreigners we have noticed a problem in that the relevant institutions (the Ministry of Labour, the National Employment Bureau and the Labour Inspectorate) interpret the new Law on the Employment of Foreigners in different ways, requiring different supporting documentation. It is good that the relevant Ministry is aware of this problem and is working to introduce regulations that would harmonise this practice. We also advocate for the introduction of a simplified procedure for obtaining work permits for foreigners, as well as the formation of integrated services (“one-stop shop”) for the issuing of residence and work permits.

► **Where do you see the role of FIC in helping prevent the brain-drain by retaining skilled young workers in Serbia?**

– Foreign investors have multiple positive roles in Serbia. They bring new investment and thus employ the workforce in Serbia, promoting ethical business conduct and operating in accordance with the principles of responsible corporate governance, which is very important to employees in terms of providing them with predictability and stability. They invest not only in buildings but also in people, which is a significant competitive advantage. In addition to this, FIC members are companies that lead by example and whose strategy sees an important role played by corporate social responsibility (CSR). Through CSR, Council members provide support to local communities and work with them in solving

local problems and addressing the needs of vulnerable groups. Under the auspices of the Council, we also have a working body, i.e. a Committee for Human Resources, which – viewed in the long run – aims to ensure skilled workers remain in Serbia and contribute with their knowledge to the general welfare of this society. On the other hand, it should be noted that improving Serbia’s public image is something that can help encourage young people who complete university to seek employment in their own country, because it is in the interest of all of us to hear good things about Serbia, especially since we have concluded that there is some progress within the context of the business environment.



**The Law on Land Conversion includes solutions that encourage investors to build and which aim to re-launch the construction industry and create an opportunity for job creation**

► **In which areas are the FIC’s working groups (committees) most active when it comes to giving recommendations and participating actively in the formulation of laws and legal solutions in cooperation with the Government and other state and independent institutions?**

– This question is complex, because the Council currently has eight committees with a

main role of contributing actively to the improvement of the business climate, i.e., the regulatory environment. More specifically, the committees work to identify barriers that prevent the inflow of investments and give recommendations on how to overcome them. They communicate actively with public administration bodies and other stakeholders, including through forums at which they present concrete proposals for improving operations. It is important to note that the Council exclusively promotes views and proposals that represent the common voice of the majority of its members. That is a source of strength of the association, because it is not offering the voice of a single company, but rather a unified voice of more than 100 business entities, whose operations depend on the development and growth of the entire Serbian market. The Council is among the few organisations whose views and recommendations are publicly available to all and easily accessible, in particular through the “White Book”. In the previous period we have been very active on a variety of topics and the results of our efforts will be presented extensively in the latest edition of the “White Book”. We deal with analysis and recommendations for the improving of systemic and sector-specific laws that are of interest to our members. As an example of one in which we have achieved tangible results in the past, and that I have not mentioned previously, I would point out the Law on Inspection Oversight, which was adopted in April this year and included key recommendations of the Foreign Investors Council.

In summary, the regular activities of the Council can be divided into three groups: the first refers to analysis of the current business climate and evaluation of existing legislation and its application, the second includes active participation in the preparation of new legislation by providing comments and recommendations, as well as through participation in working groups for drafting new legislation and regulations, and the third group of activities is related to interaction with the surroundings, in terms of systematic presentations of the views and recommendations of the Council to relevant stakeholders. This includes conferences (such as the presentation of the “White Book” and the “Reality Check” conference) expert round tables and presentations, as well as participation in relevant initiatives and relevant forums. ■

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# We're Laying the Groundwork for Future Growth



**SNEŽANA BOGOSAVLJEVIĆ BOŠKOVIĆ**

Serbian Minister of Agriculture and Environmental Protection

*Despite the fact that today there is no scope for a significant increase in support for agriculture and rural development, the ministry is working intensively to boost the competitiveness of this important sector and create the basis for attracting domestic and foreign investments*

production of major crops is so far estimated in the range of 20-50 per cent, depending on the culture, varieties, cultural practices and the region of production.

► **Within the area of its competence, what is your ministry doing to improve the business environment and create a stronger presence of local and foreign investors in the agriculture and food production sector?**

– The Ministry has set several objectives in its agricultural policy, namely: increasing the competitiveness of agricultural holdings, new investments and setting clear and predictable

**Total damage to the production of major crops is so far estimated in the range of 20-50 per cent, depending on the culture, varieties, cultural practices and the region of production**

conditions for agricultural producers. The Law on Incentives in Agriculture and Rural Development ensures the predictability, stability and consistency of the agricultural policy of the Republic of Serbia, given that the types of

incentives have been defined, in terms of direct payments, rural development measures and special incentives, their use and conditions for eligibility to incentives, as well as minimum amounts per type of incentive. From the framework of measures, it is important to note credit support, because loans at very favourable interest rates have been provided provided for agricultural production.

A large number of free trade agreements with favourable trade conditions – i.e. preferential access to major markets (CEFTA, EFTA, EU, Russia, Belarus, Turkey, Kazakhstan and the U.S.) – make agriculture in the Republic of Serbia particularly favourable for foreign investment.

The Republic of Serbia's priority for agriculture is to increase the general level of competitiveness of domestic production, processing and marketing through the modernisation of technical processes, adoption and application of new knowledge and technologies, investing in the commercialisation of products for the market, the modernisation of domestic production, investing towards the adoption and implementation international standards, as well as vertical and horizontal integration of domestic producers, processors and exporters.

With the limited resources at its disposal, the Ministry of Agriculture is exerting efforts to ensure existing incentives are distributed fairly and predictable conditions are created for agricultural producers, enabling them to attract EU funds, says Minister Snežana Bogosavljević Bošković.

► **What are the forecasts of the Ministry of Agriculture like regarding this year's crop yields and the contribution of agriculture to GDP growth? How will the drought impact on the expected export performance of the agricultural sector and food processing?**

– At this moment it is still too early to talk about the forecast for this year's crops, given that the harvest of spring crops is yet to come. The long period of dry and warm weather led to a reduction in reserves of moisture in the soil to a minimum, which was unfavourable for all agricultural crops, especially corn, soybeans and sugar beets. Total damage to the

**SHOCK ABSORBER**

In the period of economic crisis the agriculture sector is expected to play the role of a shock absorber against economic and social imbalances.

**OBJECTIVES**

The Ministry's objectives are increasing the competitiveness of agricultural holdings, new investments and setting clear and predictable conditions for agricultural producers.

**ADVANTAGES**

A large number of free trade agreements with CEFTA, EFTA, EU, Russia, Belarus, Turkey, Kazakhstan and the U.S. make agriculture in Serbia particularly favourable for foreign investment.

► **How practically implementable are measures envisaged by the adopted strategy of agricultural development in terms of savings in the budget and reducing incentives?**

– The Ministry and experts were aware of the socio-economic conditions influencing the development of agriculture and the entire country, including available budgetary resources, as well as the uncertainty over the precise moment when EU pre-accession funds would start being used. Therefore, during the development of the Strategy of Agriculture and Rural Development of the Republic of Serbia for the strategic 2014-2024 period, the strategy was presented by sub-period instead of annually.

In the first sub-period of the economic crisis (probably 2014-2016.) it is considered that there will not be room for significant growth in support for agriculture and rural development.

During this period it is important to preserve the stability of the support system, without radical changes in the structure of the measures and the scope of funds earmarked for specific measures and programmes. The period of economic crisis, for a country whose national economy is strongly dependent on agriculture, as a rule, is a period in which the agriculture sector is expected to play the role of a shock absorber against economic and social imbalances. In such circumstances, agriculture is a sector that contributes more to the national economy and social well-being than is returned to it through budgetary incentives, which is emphasised through the assumption that budgetary allocations to this sector remain unchanged during the crisis.

In the second sub-period of re-growth and access to IPARD funds (probably from 2017 to 2020), it is expected that there will be significant

GDP growth, which would create room for the growth of funds earmarked to support agriculture. This is the period during which the undercutting of the needs of agriculture for fiscal incentives from the previous period must be compensated for, and therefore it is required that the agrarian budget grow at a rate that is faster than the rate of GDP growth (real growth in the values of the budget).

The second, equally important characteristic of this period is marked by the fact that the pace of Serbia's progress in the international integration process will be much more certain. It is expected that the approximate period of Serbia's accession to the EU will be known by the beginning of this sub-period, and therefore the period for the full integration of agricultural support into the common agricultural policy system.

For the last, third subperiod, the programme

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would be harmonised fully with EU policy for the post-2020 period.

And despite the modest budgetary resources available to us this year and next, the Ministry is exerting efforts to direct these funds in the fairest possible way towards those farms that most need support to ensure their survival and market competitiveness, as well as strengthening them for the time ahead.

► **Which funds can Serbia count on in the field of agriculture within the auspices of the EU integration process and how does the state intend to spend them?**

– The IPARD Programme 2014-2020, which is part of the EU's pre-accession assistance (IPA) and is intended for rural development, has an indicative amount for the 2014-2020 period of approximately 175 million euros. Its implementation requires the setting up of a complete IPARD operational structure at the level of the Government of the Republic of Serbia, in accordance with the Sectoral Agreement between the European Commission and the Serbian Government (to be signed following adoption of the IPARD programme).

The largest part of this process relates to the Ministry of Agriculture and Environmental Protection, which participates with its two organisational units in the entire process of developing, accrediting and implementing the IPARD Programme, the Department for Rural Development (Managing Authority), as well as the Directorate of Agricultural Payments (payment agency).

The IPARD Programme 2014-2020 was adopted by the European Commission on 20th January 2015 in Brussels.

During 2015 and 2016, the process of accreditation is carried out for the IPARD operational structures (Department of Rural Development – managing body; Department of Agricultural Payments – payment agency), as well as certain parts of the Ministry of Finance and the audit authority of the Government of Serbia.

For further work on the accreditation process it is essential to reach the number of employees defined through analysis of the burden of implementation of the IPARD programme, which is a prerequisite for the finalisation of accreditation, i.e. in order for Brussels to delegate tasks. Our ministry incorporated this position into existing systematisation and at present the Ministry of Finance is working on identifying a model for the start of employment.

In addition to our ministry, a large share of responsibility is also expected to fall on the Ministry of Finance, which has the role of coordinator of all these activities and which, with its clearly defined structures for this purpose, is also part of the accreditation process.

All employees of these institutions will have to undergo preparation and training during 2015 and 2016 in the precisely defined procedures for the use of these funds.

In parallel with this process of preparing institutions, preparations are also being carried out for the transfer of knowledge on the procedures linked to applications for financial resources from IPARD funds, which are very



**In parallel with preparations at the Ministry of Agriculture and Ministry of Finance, the process of transferring knowledge to producers is also underway and should facilitate the smooth utilisation of IPARD funds granted under the auspices of this programme**

complex and correspond to those applicable on the territory of EU member states.

For this purpose, the IPARD programme itself is being presented to associations of agricultural producers, as well as local governments, and the most important part will consist of training of our agricultural advisory and expert services that will be at the service of our producers related to bidding documentation at the moment when the first invitations are made public.

These activities will include all organizations, producers' associations and civil society organizations, which, together with representatives of local governments, will work on the promotion of the IPARD programme, with the aim of ensuring the best possible utilisation of resources.

The first calls for tenders for the use of funds from the IPARD programme are expected in 2016.

To this end, intensive work is being carried out with all of our inspection services that will be responsible for granting users the necessary confirmation that relate to the fulfilment of the required standards.

The Ministry of Agriculture and Environmental Protection, together with other ministries and financial organisations, is working to identify models of pre-financing for IPARD users that will be in accordance with the economic potential of their farms, due to the fact that it is extremely tough for commercial banks to approve these types of loans to users from rural areas.

► **One of the requests of the business community is to establish unique rules / consistent application of procedures for sanitary and phytosanitary border inspections for the food industry, non-alcoholic beverages and tobacco. How will the ministry respond to this request?**

– In accordance with the Law on Food Safety, the precise division of competencies was carried out when it comes to controlling food being imported into the Republic of Serbia, thus all foodstuffs from any point of origin are covered by controls, both at border crossings and in customs clearance areas.

Specifically, the inspectors of the Phytosanitary Border Inspectorate who are responsible for the control of shipments of food of plant origin and mixed food at the import stage (finished products and raw materials for the food industry – 35 groups of product, one of which covers non-alcoholic beverage products) carry out controls in the customs clearance stage, while inspectors of the Sanitary Inspectorate of the Ministry of Health carry out import stage controls of dietetic products, baby food, additives, flavourings and enzyme preparations, water (spring, mineral and table), also in the customs clearance zones. In addition to these groups of product, sanitary inspections also control tobacco and tobacco products, as well as items that come into contact with food (packaging, etc.), also in customs clearance zones. This method of conducting controls at border crossings and customs clearance zones has established a unique system for the control of food, tobacco and tobacco products, which is performed by the Phytosanitary Border Inspectorate and the Sanitary Inspectorate. ■

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# Good Combination

ALEXANDROS DANIILIDIS

HEINEKEN Serbia Managing Director

*HEINEKEN is experiencing strong growth in Serbia, since consumers are rewarding our efforts to offer top quality products at a fair and consistent price frame*



Although it started from a low base in 2008, HEINEKEN is experiencing positive results and believes the Serbian market provides important opportunities for investors, such as a well-educated and talented workforce and a competitive cost structure. The company forged a strong bond with consumers by offering quality and reasonable prices, managing to double its volume of sales in the last four years. Although it can be said that Serbia suffers from the same problems that other countries in the region have, such as complicated bureaucracy and underdeveloped infrastructure, HEINEKEN remains optimistic about the future.

► **This year sees Zaječar Brewery celebrate 120 years of its existence, development and successful work. What are the main factors that have contributed to the successful privatisation and combination of international corporate culture and national heritage?**

– You already mentioned the strongest reason for this success: the successful combination of the long heritage and expertise of HEINEKEN with the passion for quality and the tradition of Southeast Serbia. The most international brewer in the world had the opportunity to invest

in a brewery where the people are ready to do their best in order to offer top quality products to the Serbian market. The key success factor comes from the fact that HEINEKEN's values match the Serbian culture: respect for consumers, the local society and our partners.

► **How do fiscal consolidation measures and the reduction of purchasing power reflect on the HEINEKEN business?**

– HEINEKEN Serbia has almost doubled its volumes in the last four years and has seen great development in all key parameters of its business performance in 2015. We have to mention that, regarding this year, very good weather

**The key success factor comes from the fact that HEINEKEN's values match the Serbian culture: respect for consumers, the local society and our partners.**

conditions have also boosted our strong growth trend, so it's pretty early to evaluate the influence of the broader economic environment. In any case, we believe that consumers rewarded our strategy of offering top quality products within a fair and consistent price frame, despite the challenge of the micro or macroeconomic environment, and this is a very strong foundation for the future.

► **As a significant exporter of beer from Serbia, how would you asse-**

**ss further opportunities to increase your market share on the markets of the region?**

– We truly believe that exports should always be an area where we should explore many opportunities. All successful economies of countries with a similar scale have very active exporting activities. We believe that Serbia has two key competitive advantages: well-educated and very talented people; and a competitive cost structure. HEINEKEN Serbia is willing to develop opportunities not only in the surrounding countries – where we already export to 10 different markets – but even on different continents.

► **How do you rate the overall business environment in Serbia and how do you envisage the further development of your company on this market?**

– We would like to be the first, but even more the best. We started the journey in Serbia in 2008 from a very low base. We invested a lot of money and resources and now we can see a very positive reaction from the Serbian consumers. The economic environment in general in Europe is challenging. Serbia is facing the common challenges of this region that are mostly related to bureaucracy and infrastructure, but we are optimistic about the future. The people of this country are its biggest asset and we will do our best to contribute to ensuring a much brighter future for the Serbian society and economy. ■



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# We Actively Support Reform

**JORGOVANKA TABAKOVIĆ**

Governor of the National Bank of Serbia

*With the measures from its domain, the National Bank of Serbia contributes significantly to achieving macroeconomic stability and drafting reform legislation, thereby supporting the government's commitment to implementing structural reforms and ensuring economic growth*



ring dinar interest rates on government borrowing, the economy and the population, as well as increasing the participation of local currency loans, which will allow for even greater efficiency of monetary policy in the future. The National Bank also provided a significant contribution to the development of a number of reform laws, thereby supporting the government's commitment to implement structural reforms.

I would like to emphasise that we are assisted greatly in achieving our goals thanks to fiscal consolidation measures, which in recent months have enabled greater relaxation of monetary policy, while the effects of these measures create extra room for that.

► **From the perspective of the NBS's measures, how resistant is Serbia to shocks coming from the environment?**

– By reducing internal and external imbalances and agreeing an arrangement with the IMF, the Serbian economy has become much more resilient to external shocks than

**Measures have been adopted with the aim of tackling existing problematic loans, but – vitally – also preventing or reducing the risk of new ones emerging**

With a series of new measures being prepared, the National Bank of Serbia will continue to build trust between the central bank and enterprises and the financial sector, and to contribute to the reform efforts of the Serbian Government – says Jorgovanka Tabaković, Governor of the National Bank of Serbia.

► **The new letter of intent to the IMF sees the Serbian Government pledge to continue reform measures, many of which are in the portfolio of the NBS. What measures would you emphasise as being important for achieving macroeconomic stability?**

– The National Bank of Serbia ensures macroeconomic stability primarily through the realisation of its basic goals – price and financial stability, which is one of the key factors for attracting investors, especially foreign ones. We succeeded, first of all, in dropping and then stabilising inflation at a low level. At the same time, expectations for inflation in all sectors, even in the medium term, are moving to within the inflation target, which confirms the credibility of monetary policy. With its measures, the NBS contributed to increasing the share of local currency securities, low-

## TRUST

Surveys on inflation expectations show that enterprises and the financial sector have confidence in monetary policy.

## EU INTEGRATION

At the suggestion of the NBS, the assembly adopted a series of important laws, which give a great contribution to the harmonisation of domestic legislation with the EU Acquis.

## RESISTANCE

By reducing internal and external imbalances and concluding an arrangement with the IMF, the Serbian economy has become much more resilient to external shocks than in previous years.

in previous years. Since the beginning of 2015, the current account deficit has been reduced significantly and, vitally, it is entirely covered by the inflow of foreign direct investment. Such a favourable balance of payments development has also contributed to stable movements on the foreign exchange market. With the implementation of fiscal consolidation measures and the reduction of the budget deficit, public debt has been placed on a sustainable basis, which – alongside the arrangement concluded with the Fund – improves the perception of risk in Serbia. This contributes to the stabilisation of inflation at a low level of around two per cent, with the stabilising of inflation expectations around the target level ( $4 \pm 1.5\%$ ).

► **Which NBS measures would you single out in particular when it comes to strengthening investor confidence and the predictability of the business environment?**

– When it comes to improving the business environment in Serbia, the most important measures are those that contribute to preserving stability of prices and finances. Since the end of 2013, inflation has been moving to a low level of around two per cent, and the goal of the NBS is for it to be as stable and predictable in the long-term. Confidence in monetary policy is confirmed by the survey on inflation expectations for one year and two years in advance, which show that companies and the financial sector

believe that the NBS will be able to achieve its inflation target. And the movement of the exchange rate has also become much more stable in the past two years, due to the reduced exposure of Serbia to external shocks, and because of the NBS's interventions in the foreign exchange market in both directions, which are mitigated by excessive short-term volatility, which provides investors with a predictable macroeconomic environment. Also, the financial sector has remained stable and resilient to shocks from domestic and international environments, while maintaining confidence in the banking sector, and the reason is precisely the appropriate prudential regulation of the NBS and the intensifying of supervisory and regulatory activities in the previous period.

► **According to the latest report, the level of non-performing loans from banks has increased slightly. What measures and time periods are envisaged by the announced strategy of the Govern-**

**ment and the NBS to resolve the issue of NPLs?**

– In May this year the Government established the inter-agency working group to prepare a strategy to address the issue of problem loans and adopted this document in August. It is important that any planned activity has a clearly defined deadline for implementation, a competent institution and the result (indicator) with which it is determined whether it has been implemented or not. The measures are aimed at resolving the existing problem loans, but also – of particular importance – to prevent or reduce the risk of new ones. This means that the Strategy envisages activities that when implemented should contribute to a systemic solution to this problem, where the focus will be on solutions that are based on market principles, without adversely affecting the budget of Serbia.

► **What kind of help do you expect in this context from international financial institutions, the IMF, IFC, WB and EBRD?**

– Representatives of these international institutions were members of the working group for drafting the Strategy, contributing their knowledge and positive world experience in the design of good and sustainable solutions. I expect that their assistance will be especially important in operationalizing the strategy, because the resolution of problem loans cannot be short-term, but rather exclusively a long-term process, given the fact that the problem

has been generated over years and many mechanisms and institutional solutions still need to be established and built.

► **What is the position of the NBS when it comes to the further liberalisation of foreign currency operations?**

– First, let me remind you that the current Law on Foreign Exchange Transactions and its bylaws have already achieved significant liberalisation of the movement of capital, which primarily relates to current operations, as well as long-term capital transactions. In order to realise sustainable liberalisation of capital movements, the starting point is the principle of gradual phased liberalisation, which is conducted depending on economic, monetary and balance of payments indicators, with consideration given to the notion that premature liberalisation of capital flows could significantly undermine the realisation of sustainable macroeconomic and financial stability. We received support for this kind of approach from the International Monetary Fund. ►►



**The working group for drawing up of the new Law on Foreign Exchange Transactions will, among other things, perform detailed analysis of all the recommendations of the Foreign Investors Council for the creation of a favourable business environment in Serbia**

In accordance with this, the National Programme for the Adoption of the Acquis, with an application period lasting until 31<sup>st</sup> December 2018, it is envisaged that in the future we will first consider the possibility of progressive liberalisation of borrowing on the basis of short-term financial loans and credits, then the liberalisation of short-term portfolio investments and transactions with financial derivatives, while the full liberalisation of deposit services, insurance and investments of residents in voluntary pension funds abroad, would be conducted after the process of liberalisation of short-term capital flows.

I would also note that, at the proposal of the Ministry of Finance, a working group was formed for drawing up the new law, which will, among other things, perform detailed analysis of all of the recommendations of the Foreign Investors Council for the creation of a favourable business environment in Serbia. Moreover, considerations will also be given to the provisions of the Law, which can cause confusion in its implementation, including in particular the application of Article 10.

► **Which activities of the working groups of the NBS and the Ministry of Finance would you highlight in terms of synchronisation of legislation in the areas of these two institutions, and which are pointed out by foreign investors?**

– I want to assure you that the activities undertaken by the NBS and the Government in order to create a better business environment in the country take into very careful consideration the opinions and attitudes of the Foreign Investors Council. A good example of this is the improvement of the regulatory framework in the insurance sector. I mentioned the preparation of amendments to the Law on Foreign Exchange Transactions on the basis of problems encountered in its implementation. A similar example is represented by inter-agency cooperation within the framework of the working group, whose task is to prepare legislative changes in the area of capital markets. I am convinced of the fact that many of the recommendations of foreign investors from the domain of the NBS that were given in 2014 have already been realised – such as the adoption of several laws and the introduction of options to receive money for local businesses and citizens in April this year under the auspices of the PayPal service – which represents an indicator of our willingness to ensure cooperation between the Foreign Investors Council and domestic regulatory bodies is even better.

► **What measures from its domain does the NBS intend to take with the aim of further harmonising national legislation with that of the EU?**

– I would also remind you that, at the proposal of the NBS, in December 2014 the Serbian national assembly adopted five important

laws - the Law on Insurance, the Law on payment services, as well as amendments to the Law on the Protection of Financial Services, the Law on Foreign Exchange Transactions and the Law on the Prevention of Money Laundering and the Financing of Terrorism, which has provided a great contribution to the harmonisation of domestic legislation with the EU Acquis. Additionally, the adoption of amendments to the Law on the National Bank of Serbia and the Law on Banks fundamentally renews the domestic regulatory framework for the recovery and restructuring of banks in accordance with the EU Directive on the recovery and restructuring of credit institutions, while at the same time a number of solutions have also been improved in the field of the operations and supervision of banking.



**The NBS is preparing the Draft Law on the Protection of Financial Services for contracting at a distance, the proposal for which should arrive at the Assembly by the end of 2015**

In an effort to comprehensively and continually develop the regulatory framework of banks' operations, actions have already been undertaken in order to further harmonise our regulations in the area of bank operations with the EU Acquis, with which Basel III standards are introduced and the preparation of regulations is planned for 2015. In order to further improve solutions in the field of protection for consumers of financial services and provide incentive for the development of e-commerce, the NBS is preparing a Draft Law on the Protection of Users of Financial Services in contracting at a distance, the proposal for which should arrive at the Assembly by the end of 2015. I would emphasise that we also undertook legal regulation of matters of financial security, in accordance with the solutions from EU regulations.

► **With its letter of intent, the Government also committed itself to the adoption of a new legal and operational framework for assessing the value of real estate that has concrete ramifications when it comes to the banking sector. What should these measures specifically allow?**

– In the framework of implementing the Strategy, the intention is to set up a new legal and operational framework for a transparent assessment of the value of property by the end of this year, which would encompass regulations to establish clear standards of assessment, then create a database that would be available to banks and assessors and which would contain precise data on the evaluation of the value of collateral of residential and commercial real estate that would be submitted in accordance with predetermined criteria, as well as the adoption of regulations that would regulate the adequate supervision of authorised appraisers. The tangible results of these measures will be visible from 2016, which will contribute to a more realistic overview of credit risk to which the bank is exposed and, consequently, better management of these risks, as well as greater transparency in real estate prices and higher awareness of all market participants. ■

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# Dialogue Towards a Better Business Environment

**MARKO ČADEŽ**

President of the Serbian Chamber of Commerce



*The Vienna Summit has confirmed that chambers of commerce will be an important focal point for domestic companies and foreign investors interested in what the Western Balkans has to offer*

**B**oth in the Western Balkans and the internal market there must be a removal of all obstacles hindering the operations of domestic and foreign investors. The SCC plays an active role in this important task, says Marko Čadež, President of the Serbian Chamber of Commerce.

► **What are the concrete results of the recent Vienna Summit with regard to strengthening political and economic stability and attracting foreign investment to the region?**

– The meeting in Vienna acknowledged progress achieved in regional cooperation in the past year, both in the political field and in economic cooperation through agreements on specific projects that will contribute to improving the business and investment climate and the competitiveness of the region, economic growth and job creation. Improvements in regional relationships, both in terms of infrastructure and business ties, are a prerequisite to meeting these objectives.

The chambers of commerce of the Western Balkans presented an Action Plan with 26 common projects agreed upon in recent months and with the aim of supporting the economies of our countries to strengthen their capacities, to connect, combine resources and participate jointly. Our economies are small and our companies have individual capacities that are too modest for them to compete successfully independently on third markets or in tenders for large projects. It is because

of this that we opened the Chambers investment forum, which has the aim of exchanging information and proposing measures to increase investment and more effectively involve the region's business community region in the implementation of infrastructure projects and other development works that are important for the region. This is even more significant given the announcement that the European Union will support the countries of the Western Balkans with €600 million for energy, transport and railway projects.

In addition to the investment forum, we will also establish Forum Western Balkans for pro-

**The Law on Investment will bring equal rights of domestic and foreign investors, providing greater precision to the notion of investment and introducing new forms of investment**

gramming regional projects financed from EU funds, in order to more efficiently, and in greater volume, utilise the money earmarked for this region, and the Regional Platform project for streng-

hening small and medium-sized businesses.

The Chamber also has the role and task of advocating for the development of regional economic cooperation, for the elimination of remaining barriers and improving the business and investment climate of our markets. A decisive prerequisite for this is definitely improving regional transport infrastructure, which has been agreed by the six Western Balkan leaders and relevant ministers. However, neither highways nor hi-speed railways will help us much if we fail to remove the remaining barriers to mutual trade and cooperation; if a lorry traversing the new road is left standing for hours at the border due to some customs tariff or non-tariff barriers.

It is up to us to convince the governments to simplify or abolish bureaucratic procedures that monitor the flow of people, goods and services, as well as eliminating the 41 non-tariff barriers, which is the amount that has remained since 2009.

► **What are the basic prerequisites to ensure that the SCC is able to properly protect the interests of the economy in cooperation with the**

## PARTNERSHIP

The Chamber system must be sufficiently strong and representative to be an equal interlocutor; a partner to the Government in making economic policies and regulations important for the economy.

**government and international institutions?**

– Our intention, through the process of modernisation modelled on the chambers of commerce of countries with developed market economies, is to build a unique, modern and efficient chamber system that will function fully to serve the economy – to recognise its needs and respond, promptly and professionally, to industry demands. It must be sufficiently strong and representative to be an equal interlocutor; a partner to the Government in making economic policies and regulations that are important for the economy, while at the same time it must be sufficiently competent and qualified to be a proper service for the economy. In order for us to achieve this, we are strengthening all the pillars of chamber action – from representation of the economy, through support to the economy in terms of internationalisation, to education – which will pro-

vide the base for the functioning of the chamber system of Serbia.

First of all, we will secure much more significant participation of the economy in the legislative process – in the launching of legislative initiatives, drafting new laws and amending existing legislation, implementing essential public debates that were once held merely to satisfy a formality, analysing the effects of legislation, particularly from the perspective of new financial obligations for the economy, primarily SMEs, which we are also bound to by EU regulations.

► **Does the Serbian Chamber of Commerce have sufficient professional and analytical capacities to become a real service to the economy, and where do you see the greatest need to improve the SCC?**

– In order for the chamber system of Serbia to

## FOCUS

The Chamber will dedicate special attention to promoting the export and investment potential of our economy abroad and attracting as many foreign companies as possible to invest here.

## BARRIERS

Neither highways nor hi-speed railways will help us improve cooperation in the Western Balkans if we fail to remove the remaining barriers to mutual trade and cooperation.

function successfully and be in a position to be equal in talks with institutions in the country and abroad, we must have high quality information on time. That's why we are working on building a modern information system with a reliable database, which will be available to businesses and will provide them at all times with access to reliable and verified information and data necessary for doing business in the country and abroad.

In parallel, we are developing existing services and introducing new ones, as well as raising internal capacities in order to provide these services to businesspeople efficiently. In the period ahead we will focus on legal and financial consultancy services, especially in the networking of companies, primarily with potential foreign partners. We will also provide more support to the economy in the future through research and detailed analysis of domestic and foreign mar-

The highly successful decade of Tigar Tyres's operation is undoubtedly described by a constant contribution to Serbia's development with over 300 million EUR of continuous investments into production growth, installing state of the art equipment, people development and insuring a safe, healthy and environment-friendly workplace, while supporting the growth of the local community.

The greatest investment over the last 10 years is the new construction for the expansion of the production capacity, which enabled Tigar Tyres to reach a production of 12 million passenger, light truck and SUV tires in 2016. The factory produces six brands (Tigar, Riken, Kormoran, Taurus, Orium and Strial) in 1.500 different dimensions of various passenger, light truck and SUV vehicles, thereby tripling the tonnage of production achieved during the past ten years.



## A DECADE OF SUCCESS

**Tigar Tyres** 2005-2015

The newly created production capacity will generate 500 additional jobs until 2016. Currently, approximately 2200 Tigar Tyres employees in Serbia are serving clients in Europe, CIS countries, Middle East and North Africa. With total exports of 226 million EUR, Tigar Tyres is ranked the third largest Serbian exporter in 2014, while the 2015 plan is to achieve a 25% growth. **We keep growing!**

**TIGAR**

kets. This is especially important for small and medium-sized enterprises that do not have the capacity for this kind of analytics. In sector-specific analysis will place a special emphasis on export and investment potential.

► **In this context, what are your views on the needs and methods (mandatory or voluntary) of financing the reformed chamber system?**

– In countries with a developed market economy and an efficient chamber system, which are providing full support for the modernisation of the Serbian chamber system, the law makes membership in the chamber of commerce compulsory. Our goal, following the example of the Austrian model we are aspiring to apply, is to introduce compulsory membership required by law, a single membership fee, to reduce the level of contributions, in order for that not to be a big burden on the economy, especially for small businesses. Our goal is to expand our base and ensure we are fully representative. That's because this is the only way we will be able to represent the interests of the whole economy in talks with the state authorities, and not just its parts or certain interest groups. When it comes to the amount of membership fees (contributions), it will have to correspond to the benefits provided to a member of the Chamber of Commerce.

► **Do you consider it necessary to conceive shared chamber services, especially when it comes to helping the export sector; what does this imply specifically?**

– Special attention will be dedicated to promoting the export and investment potential of our economy abroad, ensuring its most successful possible appearance on foreign markets and attracting as many foreign companies as possible to invest here, produce here and export from here, as well as including our companies in their production and distribution chains. In addition to standard existing services, exporters will be able to count on future support in the form of expert analysis of competition and competitiveness on foreign markets for individual products and services. Apart from trade fair and expo activities, the priority list includes "roadshow" activities with presentations of Serbia's investment, project and export potential in strategically identified markets, which the SCC organises successfully. In this way, through B2B meetings and establishing direct contacts with pre-selected partners, the expected results are achieved in the most efficient way.

Soon, with financial support from the German Federal Ministry for Economic Cooperati-

on and Development, we will start training for export managers with the training programme that the German Chamber of Commerce organises for its members.

► **Presenting the expected results of the modernisation of the chamber system, you said that the chamber system of Serbia would emerge from this process "as a unique and functional service to the economy, including both domestic and foreign investors." What does that mean when it comes to foreign investors?**



**The chamber will, through participation in the creation of key legislation and giving opinions on all key regulations significant to the economy, influence the creation of a legal framework and environment for doing business in an efficient and timely manner**

– The aim of the reforms that we have started, viewed from the perspective of advantages to domestic and foreign investors, is to increase the efficiency and capacity of the chamber system to better meet the needs of investors. At the same time, working is also continuing on the harmonisation of capacities and activities with state bodies and institutions. The essential element is synchronising activities at the national level in order to ensure resources are used as efficiently as possible. The results are already visible in the promotion of the investment potentials and projects of Serbia, but also in the internationalisation of the Serbian economy.

The active involvement of the Serbian Cham-

ber of Commerce in these processes enables investors to access a large number of services in the preparatory phase and during the implementation of the investment project, including expert reports and analysis of sector-based capacities, effective cooperation with representatives of the authorities at both the national and the local level, as well as recommendations and better connections with potential local suppliers.

► **What are the pros and cons of the new Law on Investments, which was greeted with conflicting opinions during the public debate, regarding its appropriateness?**

– The Government of Serbia should, as announced by the Economy Ministry, soon confirm the proposed Law on Investment. It is most important that the new law is in accordance with the standards of international investment law – that it provides the best conditions for both foreign and local investors and guarantees their freedom and the legal security of their investments. The draft law was presented at public debates organised by the Serbian Chamber of Commerce in Niš, Novi Sad and Belgrade, with the participation of the business community and expert public, after which suggestions from the discussions were taken into account during the implementation of solutions to improve the original text of the law. The Law on Investment will bring equal rights of domestic and foreign investors, which the SCC advocated for, providing greater precision to the notion of investment and the introduction of new forms of investment, such as public-private partnerships. Also, the rights and responsibilities of investors and public bodies, primarily representatives of local authorities, will be more precisely defined, and an institutional framework will be set up to ensure the effective delivery of services to investors.

► **Both foreign investors and domestic companies are interested in the introduction of a dual education system. Where do you see the SCC's role in this domain?**

– Chambers of commerce play a crucial role in implementing the dual education system: they publish lists of vacancies in the economy (without finding a job vacancy, students cannot enrol in dual education), determine whether companies meet the requirements for the practical training of students, regularly analyse staffing requirements and propose new occupations that can be included in the catalogue of practical training of students, training mentors in enterprises, organising final exams and motivating new companies to join the project. ■

**INTERVIEW**

# Banks are an Important Factor in the Reform Process



**MARINOS VATHIS**

CEO / President of the Executive Board  
Vojvodanska Banka a.d. Novi Sad (Member of NBG Group)

*The strategy adopted for non-performing loans, and the continuation of reforms, represent the base for stimulating economic growth, which Vojvodanska banka contributes to by steering the development of the SME sector*

**W**ith its consistent policy, care for customer relations and careful selections of the offered products, Vojvodanska Banka contributes to the overall economic recovery effort, says Marinos Vathis, Chairman of the Executive Board of Vojvodanska Banka ad Novi Sad.

► **How much do you think the recently adopted strategy to address the issue of problematic loans will help resolve this problem?**

– The NPL problem is a long-term problem that has accumulated over time and is now threatening to jeopardise lending activity. The Strategy is very detailed and has encompassed all aspects of the problem of these loans, except for the possibility of selling retail ones to third parties that are not banks. I completely agree that, given the complexity of this problem, joint activities and harmonisation of the public and private sector are necessary in order to find a solution that will be accepted by all parties. I am of the opinion that banks should have a choice in the manner of solving the NPL issue, whether that be through write-offs, selling or any other way.

► **In your opinion, what are the key reform moves that are essential to ensuring economic growth and attractiveness for foreign investment?**

– The State needs to provide a good business environment, first by passing corresponding

systemic laws, then by efficient implementation of those laws and by conducting a credible economic policy. Structural reforms will foster private sector-led development and investment, and will increase the currently modest level of private sector engagement in the overall economy. In order for that to happen, we need to have sound corporate governance and clear transparency in all aspects of business. Equally important, predictability is paramount, with sufficient notice and transition periods needed in case of changes. Comprehensive reforms with the implementation

**One of the greatest challenges today is how to adjust products to clients' needs, thereby providing for the stable collection of receivables and maintaining the bank's profitability**

of the adopted Strategy for solving NPLS are a sure path towards having a sound economy and for attracting serious foreign direct investments. Banks contributions are significant, since we are here to support the government's efforts and the overall economy. Most importantly, by doing so we are helping people in their everyday life.

► **In conditions of a continuously decreasing number of high-quality corporate clients, and partly retail sector clients, how does Vojvodanska Banka ensure its**

**positive business results?**

– Vojvodanska Banka has a very extensive client base that exceeds a million clients, who have been with us for many generations. We have proved that a good risk assessment policy is crucial for successful operations, and thus for our clients; we achieved a successful increase in total placements by keeping the percentage of NPLs far below the market average. For us, it is crucial to have strong placements for the economy without an adverse impact on overall business growth.

One of the greatest challenges today is how to adjust products to clients' needs, thereby providing for the stable collection of receivables and maintaining the bank's profitability.

► **Based on the experiences of your bank, how vital are SMEs to the Serbian economy?**

– SMEs are the backbone of the private sector and the drivers of the economic development growth of the entire country. Thus, Vojvodanska Banka pays special attention to supporting SMEs, offering both financial and advisory support through four regional business centres that are strategically located in Belgrade, Novi Sad, Subotica and Kragujevac. Our commitment is to continue in this direction and to develop this segment intensively, supported by the fact that Vojvodanska Banka was one of the four leading banks on the market in 2014, according to the number of disbursed subsidised loans to this client segment. ■

# So Far So Good



**TONY VERHEIJEN**

World Bank Country Manager for Serbia

*Although results could have been even more significant in some areas, one has to be realistic because the Serbian government is presently dealing with a much more complicated set of reforms that does not allow for much faster progress*

data. Growth in 2015 could have been even higher if not for the recent drought that will significantly reduce agriculture output this year. All other sectors (manufacturing, energy, services and, finally, the construction sector) performed well in the first half of the year. Demand for Serbian goods and services abroad are increasing, which has led to a continuous increase in exports. A modest recovery in the EU – the main source of both remittances and investments in Serbia – helped to see a recovery in these two categories as well. Increases in remittances helped to mitigate the negative impact of lower public sector wages and pensions to some extent. We still did not revise projections for 2016-2017, but considering the recent progress achieved with structural reforms (labour legislation; construction permits; progress with the resolution of SOEs and some of the large utilities) and increased chances that

EU accession talks will start soon, there are chances that the recovery of the Serbian economy could accelerate.

The Serbian government has a successful track record to date when it comes to resolving some of the important topics, such as issuing construction permits and paying taxes, and it is seriously tackling the reform of public enterprises and the privatisation of remaining companies in the portfolio of the Privatisation Agency, says Tony Verheijen, World Bank Country Manager for Serbia. However, he notes, implementation remains the key for sustained success.

► According to the latest World Bank forecast, Serbia will have negative GDP growth of 0.5 per cent in 2015 and 1.5 per cent in 2016, which is significantly lower than other countries in the region and lower than government projections of GDP growth. What are the factors contributing to the World Bank making such a prediction?

– The World Bank has revised its projections for 2015 – from -0.5 to +0.5 per cent – based on the latest available

**EPS and Serbian Railways show significant progress towards modernisation and they can turn from a burden on the government's budget into a key factor of Serbia's competitiveness**

other transition economies show that similar policy measures could have different outcomes in different countries. Therefore, patience is needed while the government of Ser-

► How would you evaluate the success of reforms to date?

– Serbia is now going through a second generation of the reforms that are typical to transition economies. Those reforms are much more complicated and require a longer time to prepare and implement. In addition, experiences from

bia is working on the design and implementation of these reforms. Nevertheless, a lot has been achieved – in particular two problems that dragged down Serbia's ranking on various competitiveness indicators, including the World Bank's Doing Business report, have been addressed: issuing construction permits and paying taxes. In particular, results in the issuing of construction permits have been remarkable (growth of over 30 per cent year-on-year in the number of issued permits). The Tax Administration is embarking on the implementation of the Transformation Plan and we expect major improvements there. Significant reforms in the area of public administration reform are continuing and restructuring and financial consolidation plans of major utilities (EPS, Srbijagas, Serbian Railways and road sector agencies) are being designed, with the most

**The Rail Cargo Company has the potential to compete for business at the regional level, given the likelihood of increased transit traffic and the expected upturn of industrial production in Serbia**

important one (EPS) having already been adopted, while others are likely to be approved by year's end. Successful implementation of these plans would put the macro-fiscal situation on a much more predictable trajectory and enhance the quality of the services of these companies, thus improving the investment climate.

► Are you satisfied with the current pace of resolving the problems of companies with open bankruptcy proceedings and the privatisation of enterprises that are in the portfolio of the Privatisation Agency? How does the World Bank intend to support government efforts to reform the state and social enterprises?

– The pervasive role of public enterprises and their relative poor performance, which requires direct and indirect State support, creates significant distortions and leads to the misallocation of production factors, deterring private sector investments. Addressing the situation of companies in the Privatisation Agency's portfolio – especially those that have been in restructuring for a long time – will be critical to unleashing private investments and boosting economic growth. Following respite of several years, the authorities have now restarted and accelerated the process of resolving these companies. For companies that might still have a viable business, the authorities have initiated a last focused attempt to privatise them and facilitate new investments or partnerships; for many of the other companies there is no viable business left, and so the authorities have made, and implemented, the difficult decision to resolve them through bankruptcies. If the current momentum is maintained, we expect most of the companies from the portfolio of the Privatisation Agency – including a large majority of the most difficult companies, those that were previously in restructuring – to be resolved by the end of the year. The World Bank works with the government to strengthen the legal framework and ensure consistent implementation; ensuring that the workers ►



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## PATIENCE

Patience is needed while the Government of Serbia is working on the design and implementation of the second generation of reforms

## SUPPORT

The World Bank and the Government have recently agreed on a new project aimed at strengthening Serbia's competitiveness and helping to create jobs in the private sector

## PROGRESS

Important milestones have been reached on the issue of improving efficiency in the management of public finances

affected by this process are treated fairly and that financial compensation is offered, as well as measures designed to help them secure new employment. The Bank is also providing financial support through a series of budget support loans (US\$100 million approved in March, second US\$100 million loan currently under preparation) aimed at offsetting the short term costs of these important reforms.

► **Are you satisfied with the pace of the corporatization and financial consolidation of large state enterprises, as an area in which the World Bank is supporting the government?**

– Results there could have been even more significant, but we need to be realistic: the problems and capacities of these enterprises do not allow much faster progress with these reforms. Nevertheless, the achievements from EPS and Serbian Railways show significant progress towards the modernisation of these enterprises, which could be turned from a burden on the government's budget into a key factor of Serbia's competitiveness. EPS, thanks to recent reforms, is heading towards becoming a better organised company which, along with continuing investment, should create a company that can be a regional leader. Similarly, Serbian Railways is preparing a significant set of reforms that should make individual parts of this enterprise accountable for results, thus creating a more market orientated approach to doing business, instead of relying heavily on government subsidies (of around €100 million annually). We believe that the Rail Cargo Company in particular has the potential to compete for business at the regional level, given the likelihood of increased transit traffic and

the expected upturn of industrial production in Serbia. The overall recovery of the economy should help both EPS and Railways increase their operations and revenues thereafter, which should in turn create room for new investments. These efforts and achievements should encourage the government to proceed with similar reforms in other public enterprises.

► **In which way does the World Bank intend to help the government attract the investment that would enable economic growth and dealing with the issues of high unemployment and poverty?**



**The creation of a smaller and more efficient public sector will come soon, and I am sure that citizens will be highly appreciative of this reform**

– The best way to attract investment is to have a sound and predictable business environment. Several important laws have been adopted over the previous year aiming to address some of the main issues in the business environment. The key, as always, will be implementation. The World Bank and the Serbian Government recently agreed on a new project aimed at strengthening Serbia's competitiveness and helping create jobs in the private sector. The project support is organised across three main themes: private sector investment and export promotion; firm-led innovation and research sector reforms; and labour market intermediation. In addition, there is a horizontal theme that focuses on policy planning, monitoring and coordination. This project will be implemented over three years. Recognising that sustained implementation is the main challenge, the instrument chosen for this project is what we call results-based financing, where disbursements under the project (total of US\$100 million) are tied to the tangible realising of concrete goals and targets.

► **How would you evaluate government efforts to date when it comes to improving efficiency in the management of public finances, increasing the efficacy of state administration and reducing surplus staff in the public sector?**

– The government has already been working on this important issue for a couple of years and important milestones have been reached. Serbia now has a central registry of public sector employees; it has a list of budget beneficiaries; legislation on the maximum number of employees has been adopted and work is continuing on a functional review of the main

budget beneficiaries. This should all enable the government to proceed with the targeted rightsizing of the public sector over the short-term. Public administration reform is not only about reducing the number of employees; it is about reducing redundant functions and creating an efficient system that delivers good quality and timely services to citizens and businesses. In order to achieve this, public administration reform needs a lot of lead work and we congratulate the Government of Serbia on its efforts thus far. The creation of a smaller and more efficient public sector will come soon, and I am sure that citizens will be highly appreciative of this reform. ■



# Ready to Support Reform Efforts



**DANIEL BERG**

Director for Serbia at the European Bank for Reconstruction and Development (EBRD)

*The EBRD plays an important role in many of the key reform processes in the Western Balkans and Serbia through its policy advice and financing, while it also continues to play an important supporting role for both public and private initiatives*

The authorities in Serbia are taking important steps in the right direction by implementing extensive reforms, and the EBRD is ready to assist the government by supporting them, says Daniel Berg, newly appointed EBRD Director for Serbia.

► **You have amassed considerable experience in the region, both in EU member countries like Bulgaria and candidate countries like Albania. Where do you see similarities with Serbia, when it comes to the economic reform process, and what are the major differences?**

– It has been an honour and a pleasure for me to work in the Balkan region for the past 8+ years, and before that in Central Asia. In each country I have met senior leaders and everyday people who are ready to work for the well-being of future generations and their country. The EBRD, through its policy advice and financing, continues to play an important supporting role for both public and private initiatives. I am very excited about the opportunities I am already seeing in Serbia.

Each transition country faces some common problems and challenges.

Fundamentally, transition can only succeed when there are robust institutions (physical infrastructure, as well as institutions, laws and regulations) that support private entrepreneurship and market-orientated growth. These countries have

struggled to build such institutions to support growth and, thus, transition remains a work in progress.

On the other hand, they have significant advantages to support transition. In the first place, they can benefit from a “catch-up” phase and from lower cost structures. They can also benefit from their well-educated, youthful workforces. These positives make them competitive vis-à-vis Western Europe. Another opportunity (or obstacle, if not effective) is the possibility of working together on regional initiatives. In fact, some of my favourite moments at the EBRD have been when we were able to support regional integration, either with private or public sector partners.

There are, of course, differences between countries. Obviously, as an EU member, Bulgaria has certain benefits

in terms of support available (EU Operational Programme funds) and more generally in that EU membership gives investors confidence in the investment climate. Serbia, at the early stages of a membership process, however, is demonstrating significant urgency to implement reforms and that bodes well for the business climate.

► **What do you think is required if the region wants to attract larger foreign investments?**

– The Western Balkans region has a lot to offer potential investors, for instance, its trade links with the European Union

**The EBRD is supporting plans for the privatisation of Telekom Serbia and we will consider working with selected bidders when the time is right**

and access points to the Adriatic. However, relatively small domestic markets and existing problems in the business environment make investors less keen to engage. It is necessary to create the right conditions to attract potential investors. Enhanced regional cooperation, implementation of structural reforms and improvements in the investment climate are crucial for attracting foreign players, but also to support domestic investors. Attracting large investors also brings follow-on impacts, such as improved cross-border infrastructure and trade relations.

The EBRD is already playing an important role in enhancing the business climate in the Western Balkan countries under the auspices of our Investment Climate and Governance Initiative. Our President, Suma Chakrabarti, recently met with Prime Minister Vučić and the other regional leaders to discuss such regional opportunities. In Serbia, we’re focusing on some key issues to support growth. This includes measures to support bank lending, including through NPL resolution, improvements to corporate governance in private and public

## The restructuring of EPS will bring the country closer to full liberalisation of the energy market and move it towards EU standards and goals

companies, privatisation of publicly- and socially-owned enterprises and infrastructure investments.

Serbia, with one of the larger economies, can be a driver for attracting investments in the region. The authorities are moving in the right direction by implementing extensive reforms, including those suggested by the IMF. The IMF package is an important development not only because it provides funds to deal with the budget deficit and public debt, but also because it creates a reform roadmap and generally improves investor confidence.

► **How would you assess progress made by Serbia so far with regard to the structural portion of reforms envisaged under the auspices of the IMF agreement?**

– In my first days in the country, I can say that the Government seems focused and determined to implement a wide-ranging and impressive agenda. Several important measures have been taken and others have been initiated.

Bankruptcy, privatisation and labour legislation were changed last year to allow more flexibility and provide stronger support to the reform agenda.

The fiscal adjustment started even before the conclusion of the IMF agreement and the fiscal outcome may be even better than expected this year, according to the Fiscal Council. However, fiscal sustainability depends on further reforms in public administration and maintaining discipline.

The NPL resolution strategy is soon to be adopted by the government, but implementation again will take a long time – given the size of the portfolios and the measures to be taken.

The initial decisions on public administration reform were made and the maximum number of public employees (the first step ►

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## POTENTIAL

Serbia, with one of the larger economies, can be a driver for attracting investments to the region

## SUPPORT

We're focusing on some key issues in Serbia to support growth through improvements to corporate governance, privatisation and infrastructure investments

## REFORM AGENDA

The government seems focused and determined to implement a wide-ranging and impressive reform agenda

in "right-sizing" administration) was already adopted by the National Assembly.

All these measures, provided they are fully implemented, will help Serbia be more competitive in global markets.

► **Are you satisfied with the pace of restructuring of the Serbia's EPS state power company?**

– We are encouraged by the determination of the authorities and EPS management to bring changes to the company. Working with the Government and other IFIs, we have supported the development of the company's financial consolidation plan. We are now working on a €200 million restructuring line to support this project. This is an important step for Serbia, as the restructuring of EPS will bring the country closer towards full liberalisation of the energy market and move it towards EU standards and goals. Management will need full support in order to carry out difficult and sensitive reform measures.

► **There are differing opinions in Serbia about the planned privatisation of Telekom Serbia. What do you see as the pros and cons of this move?**

– Our experience has shown that telecommunications is an industry which lends itself to private ownership. Private operators tend to be faster, cheaper and more innovative than a public monopoly operator. Competition benefits costumers and drives technological progress. Successful investors can expect attractive returns, while the public purse and private customers also stand to benefit. Thus, the EBRD supports plans for the privatisation of Telekom Serbia and we will consider working with selected bidders when the time is right and the EBRD involvement can facilitate a successful transaction (It should be noted that we are pleased with our cooperation in the sector, including working with both SBB and Orion Telecom). I would also stress that telecoms is not the only sector where we hope to support government efforts to bring commercial policies – we are working with the government on the privatisation of Komercijalna Banka and are prepared to work with such companies as Serbia Gas, the Belgrade Airport and municipal companies.

► **Your predecessor, Mr Patrone, said that the EBRD would be interested in assisting**



**We are working with the government on the privatisation of Komercijalna Banka and are prepared to work with such companies as Serbia Gas, Belgrade Airport, and municipal companies**

**in the process of preparing Dunav Insurance Company and Nikola Tesla Airport for privatisation. Are those options still viable and how is the EBRD engaged in them?**

– Indeed, our position hasn't changed. We are interested in assisting the government in the privatisation of a number of companies, including Dunav Insurance Company and Belgrade Airport and some of the companies included on the list of 502. We have a well-established skills set when it comes to privatisation, including restructuring and financial turn-around of companies. Depending on what is needed,

we can contribute in many different ways – ranging from pre-privatisation support to providing debt or equity. This will in turn raise the attractiveness of local companies to investors.

► **The EBRD was also involved in drafting the government's strategy to address bad loans. What preconditions are necessary in order for this strategy to prove successful?**

– The strategy (really, a detailed action plan) addresses key obstacles to NPL resolution in a range of fields, including taxation, provisioning, judicial or collateral registration processes. The strategy can only be successful if sufficient progress is achieved in all key fields through strong cooperation of all major stakeholders. The government and the National Bank of Serbia have crucial roles to play in improving the regulatory environment, but banks will also have to be ready to sell or transfer their NPL portfolios to new entities.

The EBRD can help through technical assistance and also through teaming up with private sector investors ready to invest in NPL portfolios, thus freeing up banks' resources to concentrate on new lending. We are also ready to help restructurings on a case by case basis.

► **The EBRD was behind the idea to adopt the Pre-harvest Financing Framework in Serbia, which came into force on 1st June this year. What are your main expectations from the application of this law?**

– This new law is the cornerstone of a system that will allow farmers to use their pre-harvest crop as collateral to obtain working capital from local banks and input suppliers. This will allow access to finance to a very important and underserved market segment of rural agri-entrepreneurs. Serbia is second to Ukraine in adopting pre-harvest financing legislation in Europe. The EBRD and FAO provided technical support to the government of Serbia during the drafting of the law, as well as in its implementation, in particular in establishing a transparent register for the new instrument and in training stakeholders and potential users of the new system. ■



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# High-Quality Dialogue Leads to Better Business Climate



Foto: Oliver Bunić

Since it was founded in 2002, the Foreign Investors Council has continually advanced its internal organisation, working principles, capacities and competencies, with the idea of contributing in a transparent and high-quality way to the creation of a sustainable business environment in Serbia

Through continuous improvement of its activities and by providing thoughtful and tangible proposals, the FIC has established itself as an active participant in the reform process in Serbia and one of the key stakeholders and reliable partners of the Serbian government and international organisations in terms of achieving these goals. Along with the growth of membership, in more than a decade of its existence, the Council has developed mechanisms for exchanging opinions and building consensus between members, while at the same time enhancing the quality of dialogue it has with the government and other relevant actors.

From 14 founding members, the FIC has grown to encompass over 130 companies, which have invested more than €22 billion, and directly account for 18% of the Serbian GDP, employing over 96,000 people. FIC members want to stay in Serbia and that's why they're interested in creating a long-term, sustainable, healthy, business framework, as opposed to short-term gains.

## The Council provided a noteworthy expert contribution to the formulation of the provisions of the Law on Land Conversion

The FIC was founded at the initiative of the Organisation for Economic Cooperation and Development (OECD) – the Investment Compact for SEE, and consists of domestic companies with the significant participation of foreign capital. The Council is also open to local consulting companies and firms representing foreign business interests, regardless of the form of their incorporation. The majority of FIC members hail from the European Union, but there are also members from other parts of the world – from the United States to the Russian Federation and the People's Republic of China.

Promoting a sustainable business environment in Serbia is one of the fundamental objectives of the Council's work. By using the impressive technical resources of its member companies, through the work of specialised committees, the Council formulates its recommendations in the "White Book" and at its Reality Check conferences.

Everything the Council does is documented and easily accessible, which has ensured the Council has built a re-

putation as a source of objective information about the business climate in Serbia.

The Council is actively engaged in Serbia's EU accession process.

The FIC defines its stances through active debates among members and promote only those reforms that are in the interests of the wider business community, as opposed to individual companies or groups; advocating for a stable and predictable business environment and for the same rules to apply for everyone, while believing that the process of European integration can help achieve these goals; it supports systemic reforms that are aimed at building an efficient public sector and achieving long-term macroeconomic stability. The FIC is a strong advocate of improved and more consistent implementation of legislation and a reduction of unnecessary administrative burdens.

The FIC's goals are: improving the business climate in Serbia; promote the opinions of the members in order to achieve common objectives and stimulate foreign direct investment; constant strengthening of dialogue with the state administration and promoting the interests of the international business community in Serbia.

With their activities, Council members actively support the principles of high ethical business operations and modern corporate governance, using their business operations to impact on the promotion of these standards in the wider environment.

### WHITE BOOK

The "White Book" represents the FIC's most important publication, in which it provides a comprehensive overview of the business climate in Serbia and presents recommendations for its improvement. This annual publication includes assessments of the fulfilling of recommendations provided

in the previous year's publication, thus providing insight into the dynamics of the reform process in Serbia. The "White Book" is the product of a consultative process within the membership and it contains tangible and applicable solutions, formulated in a systematic and comprehensive way, for overcoming legislative obstacles. The results of the "White

Book" are presented publicly each year and its contents are discussed in an open dialogue between FIC members and the government, in the presence of distinguished representatives of the state, the economy and civil society.

The "White Book" defines the priorities of economic policy from the perspective of foreign investors, providing suggestions for improving conditions for doing business in the three main segments:

Pillars of development – encompasses the area of infrastructure (transport, energy, telecommunications and information technology), labour, real estate and construction, where reforms can lead to multiple positive effects on the business environment.

Legal framework – consisting of a critical review of company law, competition and consumer protection, trade, tax policy, etc.

Sector specific – presenting the legislative framework and recommendations for individual industries.

All topics are presented in separate chapters with a unique fourfold structure: current situation, positive developments, remaining issues and FIC recommendations, accompanied by easily observable graphical presentations and reviews of progress in the implementation of the recommendations provided by the "White Book".

The "White Book" enables the defining of a unique platform for associating and represents a constructive resource for dialogue with the government and other stakeholders. ▶▶



The "White Book" is the Council's most important publication, in which a comprehensive overview of the business climate in Serbia is provided and in which recommendations for its improvement are presented



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## ACTIVITIES

The FIC has a complex structure and clearly defined principles of communication between members, whose goal is to use a transparent process to formulate shared viewpoints and proposals that are in the interests of the wider business community, as opposed to a particular company or business group.

The work of the FIC is managed by Board of Directors consisting of nine members that are elected by the Assembly of the Association for a two-year term. The Board of Directors defines programmes and development plans, adopts positions on legal solutions and special initiatives, decides on promotional activities and cooperation with other organisations and institutions, in accordance with the aims of the Council.

The Council's activities are organised through inter-sector and sector-specific committees, which bring together representatives of member companies who are experts in specific fields. Committees provide their comments on new draft legislation, propose amendments to existing laws and formulate specific recommendations. Through participation in the committees, FIC members have the opportunity to propose solutions to overcome existing barriers to doing business, discuss regulatory issues that relate to their industry, and participate in the writing of the "White Book", thereby creating a common platform that they represent in direct dialogue with the state.

Half a year after the public presentation of the annual "White Book", the Council regularly organises a conference under the title Reality Check. This year's conference included the participation of European Commissioner for Enlargement and Neighbourhood Policy, Johannes Hahn, thereby placing a special emphasis on the European integration process. The conclusions and recommendations of the conference are documented in a separate publication.

Other regular FIC activities can be divided into three segments:



### This year's Reality Check conference included the participation of European Commissioner for Enlargement and Neighbourhood Policy, Johannes Hahn

The first relates to analysis of existing legislation and its implementation. For example, the adopted amendments to the Labour Law included 70 per cent of the Council's recommendations presented in last year's "White Book".

The second is linked to active participation in the preparation of new legislation and the launch of individual so-called advocacy initiatives. The Council, for example, provided a noteworthy expert contribution to the formulation of the provisions of the Law on Land Conversion.

The third segment relates to regular communication with all relevant stakeholders, through roundtable discussions and presentations, as well as participation in relevant initiatives and forums.

The FIC currently has eight active committees, as follows: cross functional committees such as the legal, tax, human resources and anti-illicit trade committees; and sectoral committees – for food and agriculture, leasing and insurance, real estate, and telecommunications and information technology. At the head of each FIC committee is a president and vice president, who are elected by the members of the committee for a two-year mandate.

The FIC's executive team offers daily administrative support for committees and coordinates their work.

Committees are constituted on the basis of the interests of members and in accordance with changes in the business environment; participation in committees is voluntary and reserved exclusively for members of the Council; sector-specific committees are founded on the basis of a shared request from all members of a given sector. Committees realise direct dialogue with government representatives and other relevant stakeholders, conveying valuable knowledge and experience on how to advance and improve the enforcement of certain legal solutions.

FIC members choose whether they will have the status of an active member work in the committee or that of an observer, depending on their interest in a particular topic. ■

Foto: Oliver Bunić

## INTERVIEW

# Quality That is Recognised



## DRAGAN SANTOVAC

Deputy President of the Executive Board at Komercijalna Banka

*In terms of market participation and working procedures, Komercijalna Banka is at the very top of the domestic banking sector. This quality is also recognised by savers who – primarily due to trust and not the level of interest rates – have recognised this bank for years as the undisputed leader of savings.*

In the face of uncompromising competition on the Serbian banking market, Komercijalna Banka decided to strengthen its market share primarily by insisting on quality – offering its customers all the more comfortable, high quality and cheaper products and services, and it does so at the cost of giving up part of its profits.

► **Komercijalna Banka has 44 years of tradition. What does this tell us about the success of the bank itself?**

– In the economy, and especially in the banking sector, nothing lasts without success. Komercijalna Banka has not only lasted, but in 44 years it has gone from a branch in Sremska Mitrovica to being the second biggest player on the Serbian banking market. It achieved its greatest successes in the last decade, reaching a market share exceeding 13 per cent and approaching the largest bank. We're near the top, or at the very top in terms of size and the territorial coverage of the network, the number of clients, account holders, employees etc. At the same time, I am proud to point out that Komercijalna Banka is also at the top when it comes to the organisational method, working procedures, business culture and our range and quality of products and services. In addition to this, the most objective indicator is the trust of our clients, which is measured in the banking business primarily in terms of the number of depositors and volume of savings. And we certainly have that trust.

► **It was reported recently that foreign currency savings at Komercijalna Banka continued to grow in the first half of 2015. This places you in a leadership position in this domain. What is to thank for that?**

– We have been a leader in savings for years, thanks to the trust I mentioned. Komercijalna Banka has been entrusted with this role by the largest number of citizens and in the greatest amounts. Nearly a fifth of the total foreign currency savings of citizens are on accounts at our bank. And, as time passes, our leadership position is continually reinforced. Thus, for example,

► **Clients can certainly expect from us all the more comfortable, high quality and cheaper products and services**

of the total increase of savings in Serbia in 2015, exactly half relates to the growth of savings at Komercijalna Banka. Our savings are the largest, even though we do not offer the highest interest. On the contrary, they are moving ever closer to the European level. The certainty of roles, constant availability, as well as the large number of savings models and associated services that depositors at the Bank can rely on, have long been recognised and proven as our quality.

► **What innovations at Komercijalna Bank in the coming period can be expected by both corporate and retail banking clients?**

– There have been no major innovations for a

long time in the banking world, including here in Serbia. This mainly boils down to new modalities of existing products, primarily in the field of electronic commerce, credit card offers and loan products. We bring them closer to customers, either by improving the quality they receive or by lowering the costs and prices at which they will use them.

► **Komercijalna Banka pays great attention to social responsibility. Which areas of work are the most important for you in this field?**

– Social responsibility has long been part of our business philosophy and culture. We are aware that the bank must return part of its potential, from profits earned, to the community in which we operate in a quality manner. This does not only mean in financial terms, but rather also as a form of behaviour, which will be monitored and followed by our business partners and customers. The focus of our CSR projects is on the future, especially that of the youngest. The most significant project is Together for Babies (Zajedno za bebe), in which we are finalising equipment, together with the B92 Fund, required by maternity wards across Serbia. In addition to this, we use tangible campaigns to invest in the treatment and care of sick children, education and recognition of the most successful and most talented youngsters.

A special cultural challenge, and today significant affirmation, came from the project "Kombank Art Hall", where we are already agreeing with exhibitors about exhibition dates for next summer, as all earlier dates have already been filled. ■

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# Increased Competition Better For All



**DR GIORGIO AMBROGIO MARCHEGANI**

DDOR General Director

*The privatisation of the last insurance company owned by the state and increased liberalisation of auto insurance liability would contribute to the creation of equal market conditions for all, as well as increasing competition*

The new Law on Insurance has been a very important and positive step, and it represents the key to the growth of the insurance sector in this country. The further improvement of market relations in the insurance field would encourage new investment in the sector and enable the creation of new jobs, says DDOR General Director, Dr Giorgio Ambrogio Marchegiani.

► **How much room exists for insurance companies to make further progress when the general situation is one of cutting expenses in**

**the country; where do you see potential to further develop DDOR's operations?**

– The Serbian market has strong potential, linked both to the development of the economy and the stronger penetration of insurance in the economy, but efforts are needed to make this happen. DDOR will certainly continue contributing to market development: we see opportunities in SMEs and household insurance, even their growth demand is a function of available resources and cultural factors. DDOR, unlike other players, has a very strong, rooted salesforce which is able to “awaken” insurance need in clients. Life insurance has huge

**DDOR, unlike other players, has a very strong, rooted salesforce which is able to “awaken” insurance need in clients**

potential and also types of coverage that are still in their infancy in Serbia, i.e. in the areas of General Liability and Health.

► **In your view, how much has the new Law on Insurance improved the regulating of the insurance market, and what other changes do you wish to see?**

– The new insurance law has been a very important and positive step, and it represents the key

to the growth of the insurance sector in this country. The law reinforces the insurance environment in a number of factors: internal controls, risk management, reserving, distribution, transparency.

One of the key aspects of the new law is the protection of customer rights, in terms of the meaning of details informing about insurance products. Transparency is one of our main concerns in doing business and we are also using digital media, following market development trends with the main goal of being as close as possible to clients' needs. The list of measures the NBS will be entitled to share with the public has also increased, and customers will be able to be informed about the quality of insurance companies' work. This will influence clients when they have to choose the best partner for their insurance.

Still, some of the issues that are also defined under other laws could be improved. MTPL, which is a third of the market, is the most relevant. Its increased liberalisation in distribution and pricing would be an important step towards stimulating competition and supporting consumer choice. We see, in both the new Insurance Law and in the regulatory/competitive environment, some positive signs of future evolution, but I underline the importance of completing the privatisation of the one state-owned company still left, as soon as possible. The current situation does not enable a level playing field in insurance and penalises us, with has consequences regarding shareholders' appetite to invest in new initiatives and increase employment. By the way, this also impacts on the external perception of Serbia as country in which to invest.

► **You have held this post for a relatively short period. What do you believe are the greatest challenges facing the Serbian market in macroeconomic terms?**

– I have been at the helm of DDOR Novi Sad since January 2015 and have had a few months to come to understand the situation. It seems to me that the biggest challenge is continuing to work towards being an excellent destination for foreign investors, adding to a favourable price/quality ratio on the labour market, as well as other components of a reliable economic system: an efficient legal setting, price stability and the simplification of relations with public organs. Serbia can leverage on the experience of other countries already in the EU, in order to move smoothly towards a system more similar to that of the EU. But there is also a second key point I would like to make: Serbia has to halt the brain-drain and the general outward migration of young people and the prospective risk of the population falling. This is a challenge for other countries too, but it seems to me that it is particularly significant for Serbia.

► **In your opinion, what could the state do to encourage the development of the insurance market?**

– The state could support the development of private insurance in a number of areas: life, pensions,

health, natural disaster, general liability, etc.

For Life and Pensions, the way to stimulate insurance development is through tax advantages, given this is a type of long-term saving. Constraints in asset management regulation (i.e. investment constraints) also play an important role.

The issue for health is specific regulation, including tax advantages, in order to bring both individuals and employers to integrate the Serbian NHS with voluntary health coverage.

For General Third Party Liability, which is a growth area for the decades ahead, stimulation should come from some obligatory coverage, for

certain professions and activities. The efficiency of courts in settling disputes is key to the development of this area. A Court system which is quick to settle disputes reduces uncertainty, stimulates lower premiums and creates a better business environment.

Last, but not least, educating young generations about insurance and risk consciousness is an area where cooperation between insurers and institutions can support an improvement in the readiness to spend on insurance services.

► **Which new products is DDOR developing?**

– We target both corporate and retail clients and try to enrich our products with services that clients demand and by innova-

ting on distribution channels (that is why deregulation is so important).

For corporates, we are developing products in employee benefit, liability and motor lines, adding specific features relevant to these target clients.

For retail and SME clients, we are focusing on the development of “packages” that make it easier for each type of client to cover all their risks.

As I said, DDOR focuses not only on covering risks, but also on add-on services and customer management. Some examples of how DDOR differs from others include the fact that we have in place a loyalty card, “Super kartica”, which we launched in 2014 together with complementary market players. We invest in safety for our vehicle insurance clients through our unique partnership with the Navak Driving academy. There is huge potential to improve the delivery of our services and the perception of their value. ■



**DDOR sees opportunities for further development of the insurance market in SMEs and households, and endeavors to offer its corporate and retail clients new and innovative services**

# Implementation of New Legislation - Improvements and Challenges

ĐORĐE NIKOLIĆ & ĐURO OTAŠEVIĆ

NKO Law Office

*Numerous new framework laws have been adopted in the Republic of Serbia in the previous two years, which improved the business environment and are generally positively perceived by local and foreign investors. The perception is that the state administration has adopted a more modern approach to communication with investors, while the courts remain generally inefficient*

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**N**KO law office represents a number of multinational companies and has advised various clients in the realisation of some of the biggest investment projects in the Republic of Serbia over the past few years. In addition to substantial practical experience, NKO lawyers, including founding partners Đorđe Nikolić and Đuro Otašević, actively participate in various professional organisations providing expert assistance to state bodies and authorities in the process of adopting laws and other legislation.

► **What is your evaluation of the existing legal framework in Serbia, from the perspective of business operations?**

– In our opinion, the legal framework is relatively satisfactory, especially considering the numerous framework laws that have been adopted of late and which were positively received and reviewed by experts and investors. The practical application of laws remains a problem, since administrative officials often lack adequate training to be able to apply the new legislation. An additional problem is that the state administration is often late adopting bylaws, which are intended to elaborate certain institutions in more detail and can lead to delays in the application of legal solutions that are generally good.

**We consider the existing legal framework in Serbia to be good for investors and that, by undertaking careful analysis prior to realising an investment, potential risks can be minimised effectively**

► **What are the positive effects of these pieces of legislation?**

– The Labour Law regulates numerous institutions in a better and more modern fashion, making Serbia more competitive from the perspective of investors, compared to surrounding countries. Naturally, the indirect consequence is expected to be higher employment of Serbian citizens, due to the emergence of new companies. The Law on Planning and

► **Can you point out specific laws which you consider as having improved the business environment?**

– Above all, we highlight the Labour Law, the Law on Planning and Construction, which regulates the procedure for issuing construction permits, the Law on Land Conversion, the Energy Law and, to a certain extent, the Law on Privatisation.

Construction simplified the process of issuing permits and facilitated project financing, due to the fact that the charge for urban development of construction land is now paid after the issuance of a construction permit, which can be pledged to creditors (i.e. banks), prior to payment of the fee. Even though there are some problems in terms of the practical application of the law, the experiences of some of

our clients are very positive and they have already acquired construction permits for shopping centres, retail parks and commercial buildings. The Law on Land Conversion provides models for converting rights over land which are fair and suitable to practical application, thus it is expected that many locations that were effectively blocked for development, due to inadequate regulation, will soon be available. The Energy Law introduced the complete liberalisation of the electricity market, while the formation of the power exchange market is expected soon, and thus interest among clients for doing business in this sector is substantial.

► **In your opinion, what are the shortcomings of the Law on Privatisation, which you noted as being not completely satisfactory?**

– The Law on Privatisation introduced certain positive innovations, such as the possibility

of strategic partnerships between investors and the state. This is especially important for strategic state-owned companies that are encountering financial difficulties and lack a clear business strategy. However, while we advised American company Esmark during negotiations on a strategic partnership for the Smederevo still mill, we identified numerous shortcomings and ambiguities in the implementation of this model. For example, the lack of a clear legal framework for the transfer of capital to strategic investors without compensation practically disables implementation of this privatisation method, which could be very attractive for strategic partners interested in investing in financially distressed state-owned companies.

► **Which other important laws do you believe are not good enough and should be changed?**

– There are still many such laws, but there are certainly fewer than before. For example, we would point out the Law on Public-Private Partnerships and Concessions. This is a very important piece of legislation for the development of the business sector that remains inapplicable in practice, despite the fact that it has been in force for almost four years. It is incomplete and ambiguous in many aspects, and its procedures are complicated and not clearly defined. The new Law on Investments, expected to be adopted in the immediate future, is also very important. Moreover, it is our opinion that the Law on Bankruptcy Proceedings should also be amended so that founders of companies that enter bankruptcy with the intention of defrauding creditors, as well as their affiliates, are banned from establishing new businesses. It is a common occurrence in Serbia for companies to intentionally fail to fulfil their obligations toward creditors, while their founders continue doing business through other companies, which are easy and cheap to establish, without any consequences or liability. NKO has advocated for adoption of this concept in many different ways, but, unfortunately, such suggestions have yet to be adopted.

► **In which ways has NKO provided expert support in procedures for adopting new laws?**

– As chair of the Real Estate Committee at the American Chamber of Commerce, NKO was very active in the procedure of drafting and

adopting the recently promulgated Law on Planning and Construction and the Law on Land Conversion. Among other things, NKO initiated synchronised actions by different professional associations, under the leadership of the American Chamber of Commerce and the Foreign Investors Council, with the aim of presenting joint, harmonised proposals to the competent Ministry. This initiative was a success, with many key principles incorporated into the final texts of both laws. Moreover, we were active participants through many professional organisations during the process of adopting the Labour Law, and after its adoption we organised workshops with representatives of the Ministry of Labour, who provided comments and interpretations regarding the



**In the procedure of drafting and adopting the recently promulgated Law on Planning and Construction and the Law on Land Conversion, NKO, as chair of the Real Estate Committee at AmCham, initiated synchronised actions by leading professional associations with the aim of presenting joint, harmonised proposals to the competent Ministry**

issues not clearly regulated by the law. This initiative was of great significance for the representatives of employers who participated in these workshops.

► **How would you evaluate the quality of the work of state authorities in Serbia, both administrative bodies and the courts?**

– Notwithstanding the fact that the state administration is generally bulky and inefficient, there have been a lot of positive impressions recently. Above all, due to the modernisation of procedures and the centralisation of data-

bases, communicating and obtaining information is now much more efficient than it was previously. Many administrative officials now communicate via email. For example, responses to specific inquiries to the Business Registers Agency are usually obtained within a day or two. We also have positive experiences with some state agencies, which promptly confirm requests for meetings. As an example, we can highlight the Agency for Pharmaceuticals and the Energy Agency. The situation in the judicial system is quite poor and we unfortunately do not see potential for any significant change for the better in the short term. Court procedures are lengthy, judicial practice is inconsistent and many judges lack any experience in procedures which involve the application of newly introduced legal solutions. As a result, it is very difficult to predict the outcome of any dispute that is slightly more complex, while clients often expect at least some degree of legal certainty when it comes to estimating the outcome of disputes.

► **Do you think all investors receive equal treatment in Serbia?**

– It is difficult to provide a concise and clear answer to this question. There are certainly those who are favoured for different reasons. We think that this phenomenon exists in every country, the only difference being the extent and the form in which it manifests. When investors do not have the opportunity to participate in the market under the same conditions, it is clear that certain investors are favoured. We have had such experiences in the past, but they also exist today. A notable example is the privatisation of NIS, which was conducted without a public procedure. Many regulations were violated in the process, which was the subject of detailed analysis published by NKO in 2009, immediately after the completion of this

process. In addition, the treaty on cooperation with the United Arab Emirates exempts businesses from this country from being subjected to public procurement, tender and similar mandatory procedures, which effectively puts them in a privileged position compared to other market participants. Notwithstanding the above examples, we consider the existing legal framework in Serbia to be good for investors and that, by undertaking careful analysis prior to realising an investment, potential risks can be effectively minimised. ■



## A Good Law Seeks Good Application

**GORAN PEKEZ**

President of the FIC Anti-Illicit Trade Committee  
(JT International a.d. Senta)

*The adoption of the Law on Inspection Oversight is the most significant positive step in the systematic fight against illegal trade in the past year. The Committee will monitor whether or not its solutions will come to fruition in practice*

The grey economy and illicit trade represent a serious threat to any country's integrity and stability. They deprive the budget of income, leave the socially vulnerable without the protection of the state, endanger pensions and salaries in the public sector, finance criminal groups and their smuggling channels and, finally, also create an unfavourable business environment. No business in the world can compete with someone who does not pay taxes, workers or leases. That's why this Committee will remain committed to its main goal – to intensify the fight against illicit trade by proposing regulatory changes and advocating for more effective implementation of the law.

The commitment of the Serbian government to address the fight against the grey economy provides visible results. There is a noticeable increase in the level of control inspections and the number of significant seizures in the field and, consequently, there has been an improvement in the collection of VAT and excise according to official figures. Although these indicators show a positive trend and undoubtedly deserve to be recognised by the business community, they still do not yield the kind of effects that would enable the creation of a stable business environment and cover budget losses caused by illicit trade.

What are actually the greatest challenges in this area? In the first place, the problem is more efficient implementation of the penal policy. Current experience shows that the perception of the risk of dealing with illicit trade remains well below the level of earnings that perpetrators can expect. In order for the fight against the grey economy to be effective on the ground, it must include the prosecution and the courts within the limits of their jurisdiction. At present, the competent courts are prosecuting a disproportionately low number of cases of illegal trade, and even if convictions are made, the result is usually the minimum penalties.

Alongside this, we should add that cases of illegal trade are usually characterised as petty offenses, although there is a basis for them to be qualified as criminal offenses. Such an approach sends the wrong message to potential offenders and encourages illegal trade in the long term.

On the other hand, the adoption of the Law on Inspection Oversight is the most significant positive step in the systematic fight against illicit trade in the past year. It should be emphasised in particular that this law went through intense public debate that was one of the catalysts for intensifying collaboration between the state and the business community in terms of combating illicit trade and the grey economy generally. This process has now gained its logical upgrade in the development of a comprehensive National Programme for the fight against the grey economy, with the full engagement of the Committee on this project.

An essential precondition for the successful implementation of the Law is the timely formation of a functional Coordination Commission and the harmonising of a number of sector-specific laws with solutions from the Law on Inspection Oversight. Particular improvements are expected in terms of the control

of non-registered entities and the planning of the work of inspection authorities on the basis of risk analysis, and those are the areas that this Committee will monitor intensively.

The Committee will also engage in improving other key areas, such as specialised prosecutors, commitments to ensuring the necessary material resources for the competent authorities, transferring surplus administrative staff in control bodies and the introduction of integrated control of border crossings by all competent services, with the aim of preventing illegal border crossings of goods and their further distribution through grey flows. ■

**The commitment of the Serbian government to address the fight against the grey economy yields visible results, but it is necessary to more efficiently implement the policy of penalties and include prosecutors and the courts in order to achieve more significant effects**

## Address for all investors' dilemmas

**VUK DRAŠKOVIĆ**

Partner at Bojović & Partners



*Bojović & Partners offers legal services to investors in all industrial sectors, in all areas of their business and at all levels of complexity*

**de to foreign investors that are already doing business in Serbia?**

– Bojović & Partners provides continuous legal support to a large number of foreign investors that are already doing business in Serbia. Our relationship is typically of a long-term nature. Clients who decide to engage us when entering the Serbian market tend to continue to cooperating with us. The legal services that we offer these investors are linked to their current operations. This relates to all areas of the law which a specific investor faces in their daily work, such as corporate and business law (status issues, drafting contracts, etc.), labour rights (engaging employees and other

– Inconsistency and vagueness are inherent shortcomings of Serbia's legal framework. Certain shortcomings exist in almost all relevant areas. Illustrative examples include regulations relating to project planning and construction, then the field of labour rights. In truth, in these precise areas some amendments were recently adopted that go in the direction of better organising and improving the legal framework. On the other hand, it should also be noted that the practical implementation of legislation is probably more of a problem in relation to the shortcomings of these regulations.

**B**ojović & Partners assists foreign companies in all phases of their activities in Serbia – from simple procedures for establishing legal entities to highly sophisticated takeover and acquisition process, says Vuk Drašković, a partner at Bojović & Partners.

**► In which legal areas do you most often advise investors who are arriving in Serbia for the first time and, from the perspective of your practice, what are the most common concerns of investors?**

– Foreign investors who want to launch operations in Serbia are primarily interested in getting acquainted with the legal framework applicable to their future operations. As such, the initial issues relate to the legal form of organising operations for future investors, then the possibilities offered by the legal framework and the obligations it imposes. When it comes to concerns, in practice there is almost no investor who does not have some concerns regarding the launch of its operations in Serbia, considering the specificities of our legal system and the method of implementing regulations. It can be concluded that the more the legal framework of the countries from which potential investors come differs from the Serbian legal framework, the more concerns there are and the greater complexity.

**► Which services do you most often provide**

**Bojović & Partners provides continuous legal support to a large number of foreign investors that are already doing business in Serbia**

persons), issues related to the protection of competition and legal disputes. Our services include the interpretation of relevant regulations and consulting in this regard, drafting appropriate acts, representation before the competent authorities and negotiation.

**► Foreign investors very often complain about inconsistencies and the vagueness of our legal framework. How often do you encounter this problem in practice, and in which areas?**

**► Which industries does your team specialise in and what can you offer clients in these areas?**

– I am proud to note that our team offers legal services to investors in all industries, in all areas of their operations and at all levels of complexity. Thus, on the one hand, we assist in the process of establishing companies, while on the other hand we provide legal support regarding sophisticated takeovers and acquisitions, representing clients in simple cases, participating in multi-million arbitration processes, compiling simple lease contracts for business premises and providing legal support in some of the largest real estate development projects in Serbia. Thus, we offer comprehensive legal support, which is also tailored to meet the needs of each specific client, to paraphrase our motto. ■



## Clear Application as a Key Factor of Predictability

MILICA STEFANOVIĆ

President of the FIC Food & Agriculture Committee  
(The Coca-Cola Company-Barlan S&M d.o.o.)

*Our industry has great expectations of the Law on Inspection Oversight, which could have a far-reaching positive impact on many industries, but, at the same time, producers have certain doubts that, as in some earlier cases, there will be a lack of clarity or arbitrariness in the application of this law*

The year behind us brought improvement and major steps forward, but at the same time revealed all the weaknesses of the existing legal framework, particularly when it comes to interpreting and applying the law.

On the one hand, we had the opportunity to participate in an effective and open process of cooperation in the development and adoption of the Law on Inspection Oversight, from which we expect a multitude of problems in this complex area to be resolved. From the perspective of food and agriculture, adoption of the Law on Inspection Oversight is the biggest shift since the 2009 adoption of the Law on Food Safety.

This law is exceptionally important – not only for the food and beverage industry, but also for all those who are links in the chain – from producers of raw material to consumers and the state.

This is one of those laws of which the most is expected by industry, given that solving the problems of coordination, control of risk and the unification of the inspection process will increase predictability and certainty in the area of import and food production, while at the same time contributing to better control of food safety standards.

Given the experience of the food industry and agriculture with the inconsistent application of the law, the implementation of the Law on Inspection Oversight is expected to ensure there will be no repeat of past mistakes.

Namely, the food industry has a problem with the inconsistent application of regulations, one example of which is the Rulebook on labelling and marking packaged food, which the industry has welco-

med, but which has also seen the appearance of different interpretations in its implementation.

In the year that is behind us, we were burdened, as manufacturers, with a number of vague regulations and their arbitrary application, which led to a standstill in our established production activities in the industry that lasted several weeks. Unfortunately, time has shown that this was not the only such example and that it is not sustainable for solutions in the decision making process to be entrusted to the highest levels of state power.

On this occasion, we saw that the Ordinance on labelling and marking packaged food safety, which we have spent years continuously advocating for, should be improved and better understood. The FIC Food and Agriculture Committee has already taken the initiative to formulate proposals for amendments to this important Rulebook, in order for us to receive applicable provisions that could be implemented in practice.

These experiences once again showed us that it is essential that

there exists open and constructive dialogue where the authorities are flexible and industry is willing to consider this issue from a broader perspective, in order to propose applicable and useful solutions to this important problems.

We will get our next opportunity for mutual success with the announced amendments to the Law on Food Safety, which must be harmonised with EU regulations and which will, on the one hand, take into account the real situation in Serbia, while on the other it will establish an ambitious framework for joint action. ■

**The FIC Food and Agriculture Committee has already launched an initiative to formulate proposals for amending the Rulebook on labelling and marking packaged food in order to gain applicable provisions that could be operationalised in practice**

For years we have been recognizing one another



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## Room for Further Improvement of Legislation

DEJAN JEČMENICA

President of the FIC Human Resources Committee  
(Wiener Stadtische osiguranje a.d.o. Beograd)

*Amendments to the Labour Law have significantly improved labour regulations, but the need to regulate the issue of staff leasing remains. The new Law on the Employment of Foreigners and bylaws should in turn supplement and bring precision to certain provisions of the law, in order for there to be no conflicting interpretations in practice*

The amendments to the Labour Law that were passed in July 2014 represent a significant improvement of labour legislation in Serbia. These amendments to the law included, in whole or in part, the adoption of 70 per cent of the FIC's recommendations. This relates to key proposals, among which are the extension of the duration of fixed-term employment contracts the calculation of redundancy payments with the last employer and limited extension to the application of specific collective agreements. However, we consider that there is room for further improvement of labour legislation with the aim of introducing greater flexibility and approaching the market environment.

One of the spheres in which there is a need for further regulation is the leasing of workers. Although often applied in practice, the concept of staff leasing is still not legally regulated. The result is the existence of a considerable degree of legal uncertainty in this area: the ability to penalise these employers due to the fact that people who work as leased labour have no kind of contract with these employers, the risk that leased workers claim that they are practically employed by the company where they perform their work even though they have no contract with said company.

When it comes to the new Law on the Employment of Foreigners, passed in late 2014, it regulates the area of employment of foreigners in a very different way. Although this law has brought the solutions for employing foreigners closer to solutions present in the EU and other neighbouring countries, it is necessary

to simplify and speed up the process of obtaining work permits. After adoption of the law, many problems in practice emerged, since the competent authorities interpreted the law and the bylaw in different ways, and due to inaccurate or incomplete legal provisions. Likewise, certain provisions of the law have proven to be impractical when it comes to obtaining work permits for directors and other company representatives.

It is a fact that in the past two decades we have done very little to expand new knowledge, skills and capabilities at all levels of society. Such an approach has resulted in all-out in-

competence when it comes to new market demands. However, compared to the previous period, when the education system in Serbia was very slowly adjusted to the needs of the companies doing business here – whether that be domestic or foreign employers – we estimate that today there are certain visible changes in the education system. The majority of universities are aware that they

are in a very competitive market. They began to change in order to position themselves better than the competition on the market. The implementation of the Bologna process has started in Serbia and will certainly lead to improvements in the education system. However, there is still a lack of colleges that are in a position to provide our students with knowledge that is applicable in practice, which is why companies are forced to invest significant resources in the education and training of newly hired young graduates. ■

**Although colleges are aware of the strong competition on the market, there is still a lack of colleges that are in a position to provide our students with knowledge that is applicable in practice, which is why companies are forced to invest significant resources in the education and training of newly hired young graduates**

## Quality is the Key of Success



MARINKO UKROPINA

General director, SGS Belgrade, SGS Adriatica, SGS Slovenia and SGS Bosnia & Herzegovina

*Apart from its existing laboratory services, SGS intends to introduce a series of new solutions for its clients, who attach great importance to the consistent implementation of international standards*

It is only through the consistent implementation of international standards and regular independent checks by valid certification bodies that companies can ensure the establishing of a systemic approach to fulfilling legal requirements - says Marinko Ukropina, general director SGS Belgrade, SGS Adriatica, SGS Slovenia and SGS Bosnia & Herzegovina.

► **What conditions must Serbia satisfy in the area of certification in order to become a stable and capable supplier of food and agricultural products in continuity?**

– The best method of fighting for a place on developed and demanding world markets is primarily through products of excellent quality that meet high standards, both in terms of qualitative parameters and in terms of health and safety requirements. Modern trends in quality control recognise a whole range of new services that are applied in production processes (production monitoring, controlling the application of preservatives, conditions of production, storage, packaging and transport conditions). As such, it is essential to implement an entire series of standards in production, from Globalgap to GMP, and this means their actual implementation, and not merely the formal securing of certification.

► **How does SGS intend to ensure its capacity can follow these plans?**

– Apart from existing laboratory services, the plan over the next few years is to also introduce control of seeds and planting material, in order to assure our clients that high-quality and high-yielding varieties or hybrids are seeded or planted.

Our laboratory services will also be extended to cover analysis of finished products of the food industry, with an emphasis on the content of harmful substances such as allergens, toxins, artificial additives, etc. In addition to that, we are working on the development of monitoring services as well as the application of software for monitoring production processes in all areas of agriculture and food production. We are introducing a service known as quality mapping, i.e. mapping quality according to the production regions of our country, then a map of toxins,

pesticides etc., which will have the end result of motivating producers to fight to ensure the best possible quality of their products, in order for customers to turn to them first for an offer.

► **How much are Serbian companies currently aware of not only the necessity of introducing standards, but also ensuring their strict application?**

– Consistent observance of legal requirements, regulations and international standards is the foundation for progress in the world. We have many laws and regulations that are harmonised with those in the EU, but unfortunately even the legislator itself does not insist on consistent implementation, but rather allows non-compliance. We underline that the

**With certification according to IFS and FSSC standards, food manufacturers, processors and distributors confirm the stability and capability of their business systems**

implementation of international standards on food safety, environmental protection, health & safety in the workplace and social responsibility, as well as regular independent checks by valid certification bodies, ensures the establishment of a systemic approach to satisfying the legal requirements.

► **How much have foreign companies that use domestic subcontractors as suppliers influenced the transfer of knowledge in the field of standards to smaller companies and agricultural producers in Serbia?**

– Associations of major German, French and Italian retailers has, due to growing consumer requirements, slightly increased the accountability of traders, globalisation and stricter legal requirements developed the IFS uniform standard, the standard for food quality and safety, with the aim of evaluating suppliers of food in relation to agreed criteria and with precisely defined methodology for verification. The condition for doing business with international retail chains is that food producers, processors and distributors must have implemented and certified internationally recognised standards, such as IFS and FSSC. With certification according to these standards, food manufacturers, processors and distributors confirm the stability and capability of their business systems, thus ensuring a continuous supply of products that are safe and healthy, and improving their position on the increasingly demanding global market of food production. ■



## Good Step Forward, Fine Tuning Required

**JUAN CAZCARRA**

President of the FIC Leasing and Insurance Committee  
(AXA Osiguranje)

*The new Law on Insurance and its bylaws brought improvements to the industry that are in line with EU standards, but there are some important outstanding issues yet to be addressed*

The new Law on Insurance and recently approved bylaws are creating a clearer landscape and will bring improvements to the industry and convergence towards EU regulations. It is evident that the intention of the legislator is to achieve a high level of harmonisation with currently applicable European practices, as well as to create an environment for further work in this field – given that a new directive will come into force as of 1<sup>st</sup> January 2016 in the insurance industry (Solvency II) in the EU, which will bring significant changes to business practices.

However, there are some important outstanding issues for the industry that are yet to be addressed. They include discrimination between composite companies, which are permitted to carry out life and non-life activities under the same licence, while the rest – either by allowing separate companies to merge or reducing discrimination through an extensive and tax neutral treatment of the shared services – are allowed by the new law.

It is also important to raise the awareness and maturity of the market through tax incentives for insurance products and progressive implementation of Natural Disaster coverage.

The next issue is the agent contract. The new Law has opened some new possibilities (leasing, banks, postal), but liberalisation of the agent status would enable the enlarging of distribution networks and, thus, boost the labour market.

When it comes to MTPL regulation, a level playing field should be created that is in line with European standards. This could be achieved by strengthening the action of the regulatory body to enforce legal provisions over the entire market and by changing the regulatory framework to leverage best practices that are already present in other markets: liberalising prices,

allowing insurance companies to perform motor vehicle registrations on their business premises, reviewing the number and timeliness of obligatory technical checks for newer vehicles and enabling online sales.

When it comes to leasing, the FIC recognises the relevant change included in the new Law on Insurance that permits leasing companies to act as representatives of insurance companies. However, further improvements would still be necessary in order to assist with such an important and efficient source of funding. Among them are: the initiation of amendments to the Law on Value-Added Tax concerning the taxation of interest; the initiation of amendments to decisions on public car parks owned by local governments, wherein the lessee would be considered as the user of a public car park in the case of leased vehicles. Furthermore, financial leasing companies should also be given the possibility of conducting operating leasing, according to IAS 17, within a single company.

The Law on Insurance should be harmonised with the Law on Financial Leasing in terms of provisions on the right of the Guarantee Fund to seek

recourse from the owner, i.e. the registered user of a vehicle, upon the payment of compensation for damages caused by a vehicle without compulsory vehicle insurance. We also think that financial leasing should be included in the Law on Incentives for Agriculture and Rural Development, while leasing and insurance companies should be on the same level playing field as banks when it comes to the Law on Personal Income Tax regarding the writing off of receivables from individuals. On top of that, capital requirements for performing leasing operations involving immovable assets should be lowered, in order to make real estate leasing more attractive on the Serbian market. ■

**The FIC recognises the relevant change included in the new Law on Insurance. However, further improvements are still necessary to assist such an important and efficient source of funding**

## Successful **business approach**



**RONAN CONROY**

Director BPI d.o.o.

*In 2016 BPI will be celebrating 10 years in Serbia. Looking back we have learnt a lot meaning looking forward is with greater certainty*

Competing in a market exposed to global dynamics has been an ever-increasing characteristic of the agriculture market in Serbia since BPI entered in 2006, and which over the course of the last year has intensified.

The year has been one of heightened market volatility globally, with commodity prices fluctuating which filtered through to our local market. This however saw a rather distinctive and inconsistent fluctuation in commodity prices locally; with input prices increasing and output prices tumbling.

This characteristic of the agriculture market in Serbia BPI factors as a constant for our business, and which we believe our business can only contend with through consistent strengthening of our operational efficiencies and output while simultaneously forming close alliances with compatible fellow market participants. This is an approach formed from an ethos which has guided our Company since its origins in Ireland over 80 years ago.

We seek to establish relationships which endure, are diverse and are based on collaboration and that can only sustain through our Companies competence of what we bring to the table - and of course the mutual interests of our partners in business. As a Company we deem this is our duty to all of our stakeholders.

Moreover, and coming into our 10th anniversary of business in Serbia – we can say we have successfully modelled this business approach in Serbia too. We are proud of the array of local partners with which we have developed mutual business by providing an offering that is competitive with both local and international standards.

This approach since 2006 has provided BPI with many critical learning points, and which we take with us into our future plans

for investment.

Looking forward, and as echoed by our business partners in Serbia, while the volatile nature of the market can be a headache, there remains inherent enthusiasm for future opportunities.

This enthusiasm thankfully derives too, not alone from the market itself, but also from the gradual but yet fundamental changes

sought in key market influences; being financial markets, legal frameworks and other state driven policy initiatives.

Such changes, and as BPI has experienced in Ireland's recent economic and social example, can be painful to bear at the outset. When guided consistently however by the state, with the support of key stakeholders, these changes do act as preparatory catalysts for the country. Catalysts for both existing and new business to grow and also for the country

to seize investment opportunities from abroad when they come knocking; in-turn seeking to grow employment and social conditions.

Be changes those that are necessary to align with EU standards or those to support local initiatives of sound economic and social merit; critical for the implementation of any changes,

is the coherent application of legislation and or policy which forms such changes. Vitality, such legislation or policy must also be underpinned by concrete signals from the states administration in upholding the principals enshrined in such legislation or policy.

Coherence in application is necessary from all organs of the state to ensure that confidence builds for all stakeholders. This will then go far towards the creation of a stable and predictable business environment which can allow business to focus on contending with both the challenges and opportunities posed by our business markets for economic advancement for all. ■



**We are proud of the array of local partners with which we have developed mutual business by providing an offering that is competitive with both local and international standards**



## We're Ready to Help the Government

**RASTKO MALIŠIĆ**

President of the FIC Legal Committee  
(Marić, Mališić & Dostanić o.a.d.)

*Despite undeniable progress in legislative activities in Serbia, the FIC considers that operations in some segments require significantly faster implementation of reforms and is ready to contribute to this work with its recommendations and advice*

Legislative activity on amending or enacting new regulations in the most important areas for the operations and functioning of enterprises in Serbia, as well as their harmonisation with European legislation, is advancing in parallel with the pace of Serbia's approach to the EU and the expected opening of the first chapters on the road to Europe. In this context, work has been intensified not only for state bodies, but also for the Foreign Investors Council, particularly within its Legal Committee.

Given that the common goal of both the Government and the Council is the further advancement, and long-term predictability of the legal framework in Serbia, the FIC is glad that the Government has recognised the Council as a partner and given it the opportunity to participate in working groups for the drafting of legal documents and comment on them during public debates.

The aforementioned represents a positive signal, and particularly more frequent communication of government officials with representatives of the Council, as well as the adoption of a significant number of our recommendations and comments.

Without diminishing the importance of the above, we believe it is necessary to considerably speed up the implementation of reforms in certain segments of business and change the legal framework in order to bring that into full compliance with the EU Acquis.

In that sense, we point out two groups of rules – one which relates to laws adopted or amended relatively recently that have not yet completely fulfilled the purpose for which they were passed and which, as such, need to be additionally amended and improved, and a second group which concerns areas that, due to an undeveloped legal framework, have lagged behind the latest trends and solutions envisaged by European legislation for many years.

In the first group of regulations we would certainly highlight the Law on Companies and the Law on Bankruptcy Procedures. Following the

amendments they were subjected to, these laws improved the business environment in Serbia significantly. However, a number of issues (which the Council also pointed out when they were adopted) have not been resolved in an adequate way, which is why certain problems have arisen in the implementation of these laws, especially in the way they are interpreted by the relevant authorities. Bearing this in mind, the Council fully supports the announcement of upcoming amendments to these laws and expresses its full readiness to help, through its comments and recommendations, in the development of the best and highest quality solutions.

The second group of regulations includes a whole set of specific financial laws: the Law on Foreign Exchange Operations, the Law on the Capital Market and the Law on Investment. All of these laws, and primarily the Law on Foreign Exchange Operations, have been in our focus to a significant extent for many years and represent an area in which Serbia lags behind not only European legislation, but also the legislation of almost all countries in the region. Significant liberalisation of foreign

currency operations, as well as the implementation of the latest trends in legal acts regulating the capital market, is of immeasurable importance if Serbia wants to be attractive to foreign investors. The fact that there are working groups for the development of all three laws is a positive sign, but it would be good for them to be fully coordinated, in order to ensure that these laws are fully

harmonised and to avoid leaving room for different interpretations of their hierarchy, as is currently the case.

Finally, we wish to highlight that the adoption of the Civil Code is expected in the coming period, as a systemic legal act with the aim of regulating a whole range of issues in a new and modern way. Given the importance of this law, as well as the fact that its currently valid counterpart Law on Obligatory Relations has been in force for over 30 years, the Council intends to participate actively in recommending and commenting on the provisions of this law. ■

**We are particularly happy with the more frequent communication of government officials with representatives of the Council, as well as the adoption of a significant number of our recommendations and comments**

## How Ideas Grow



**ĐURAĐ CARANOVIĆ**

CEO at Fundus holding

*Moja Bašta (My Garden) is today a successful start-up company that produces premium organic food with an emphasis on e-agronomy and online franchising, while the crucial factor in its success was the belief in one good idea*



**W**e have fantastic potential in young educated people, but unfortunately they are waiting to be hired instead of seeking their own solutions by launching start-up businesses in any field imaginable, says Đurađ Caranović, owner of successful start-up company Moja Bašta.

► **How do you see the start-up scene in Serbia today?**

– The biggest advantage of our region is talent. We are known for having great technical talent, which mainly stems from our education system. However, difficult access to capital, less transparency of information and numerous cultural barriers are problems that need to be overcome.

Our formal education still does not support entrepreneurship. Even private technical colleges, which are good, are not quite in step with the region. We need to encourage more young people to get into entrepreneurship. We need a cultural change and greater openness to risk.

On the other hand, a start-up is just that: finding a way to realise an idea that you have faith in. In entrepreneurship that freedom is the greatest virtue.

I'm glad I have the honour to be present and contribute to that change in Serbia. Investment funds from around the world are investing in start-ups from Serbia. In the last few years, more than four million euros has been invested in start-ups from Serbia that are in the initial stage of development.

► **In which areas do you see the greatest opportunities for the development of start-up companies in Serbia?**

– The biggest value of a company is an idea and a belief in that. Look to shape that idea with the tools that are around you. A common mistake is to focus mainly on the financial aspect. That is one of the components, but never the biggest.



**It is a mistake to believe that the issue of finance is crucial, as the most important factors for the success of start-ups are good ideas and the people that surround you**

When I started, technological start-ups dominated. They mainly developed software solutions and mobile applications. Currently, the most profitable start-ups are in the field of pharmaceuticals, small laboratories that develop various patents. We can find successful start-ups in every area, so in every field we have the ability and needs that should be satisfied.

► **As part of the start-up scene in Serbia, what advice would you give to others, as starters; what is your recipe for success?**

– We would never have succeeded if I had not had the good fortune of being surrounded by people who believed in me and who were there when it was the most difficult.

Moja Bašta - organic farm, was the dream of a young man from Vračar, who had the idea of sharing his passion for food with others. Success is not defined as money or fame or power. Success is waking up in the morning so excited to be doing what you love that you literally fly out of the door; the ability to work with people you love. Success is finding a way to connect people who have nothing in common except ideas. Moja Bašta is today a successful start-up company that produces premium organic food, with special emphasis on e-agronomy and online franchising. We are currently represented in Austria, Germany and Spain.

We are spreading our passion towards someone else, who would like to embark on their first start-up.

► **What are the key decisions for start-up investments and how does this differ from classic investments in already established companies?**

– A start-up company is a new form of company whose goal is to find a new sustainable business model on the market. A start-up is a temporary organisation created for a product to find its place in the market and only defines a business model, while established companies are permanent organisations, with positioned products on the market and working according to a tested and proven business model. ■



## Two Steps Closer to a Modern Real Estate Market

**NEBOJŠA NEŠOVANOVIĆ**

President of the FIC Real Estate Committee  
(Jones Lang LaSalle d.o.o. Beograd)

*Amendments to the Law on Planning and Construction and the new Law on Land Conversion have paved the way for the creation of a modern real estate market. The next step should be a new tax approach, which would ease investing and discourage the passive holding of capital*

The FIC has identified three basic systemic problems in the field of real estate and construction that contribute to the real estate market in Serbia remaining underdeveloped and the construction industry struggling with problems. These are the efficiency of issuing building permits, conversion of usage rights into the right of ownership over construction land and a discouraging tax system.

The previous year saw reform launched “full steam ahead” with the adoption of amendments to the Law on Planning and Construction. The amendments to this law fundamentally change the philosophy of the public sector, which saw itself as the protector of the country. The new principle is that the public sector should become a service to citizens, to control the form, while the essence will suit licensed individuals and professionals. We were positively surprised by the advanced preparation of an implementation plan, which should break the resistance to reforms in the public sector and the transition to a new method of working. All previous reforms failed not because of mistaken or bad ideas, but rather because of poorly planned implementation. Results to date in implementation are generally satisfactory, with a clear trend towards improvement. Further reform and the transition to electronic building permits should ensure Serbia is included among the countries that effectively issue construction permits.

Another prerequisite of a modern real estate market is the conversion (anachronistic) of usage rights into the general recognised right of ownership. I believe that the Law on Land Conversion, which was adopted by the National Assembly in mid-July, is an excellent solution to this problem and the Foreign Investors Council gave its support. This law had to respect the restrictions imposed by the Constitutional Court, solve the technical problems associated with conversion, adopt the demands of the EU, comply with the legitimate demands of investors and the network for restitution,

as well as being politically acceptable to the general public. The law made its own kind of slalom through restrictions and respected demands to the maximum. We need to realise that nobody got everything, but everybody gained enough to ensure that they should support the Law.

The third pillar of a modern real estate market, the tax system, has only been improved to a certain extent with amendments to the Law on Planning and Construction, but insufficient political capacity existed to fundamentally change the tax system. We cannot ask an investor to pay to enter the market, but rather we enable them to invest freely, while the state should generate its tax revenues from the profits that they realise. Our

**The creation of REITs would activate the Serbian capital market, with money trapped in empty apartments and commercial units being used for investments, and Belgrade would then become that which we all want – a centre of regional investment**

tax system, as it is set up, creates a negative spiral and effectively prevents the development of the market. The new tax system should ease investments and make them more affordable, while at the same time discouraging the passive holding of capital, which is dominant in our country. Both processes should run in parallel, being designed

a few years in advance and known to the public. Increasing tax pressure on passive, captive, capital should be harmonised with the creation of new investment opportunities that will absorb capital that is activated. I personally believe that REITs (specialised investment funds to invest in real estate) should play an important role in the development of the Serbian real estate market and that the state, alongside reform of the tax system, should participate actively with the private sector in the creation of REITs. This would activate the Serbian capital market, with money trapped in empty apartments and commercial units being used for investments, bringing owners higher revenues. Belgrade would then become that which we all want – a centre of regional investment.

The FIC will continue to be a partner of the Government in achieving this common goal and we want to invest all of our energy and knowledge in the adoption and application of the best legal solutions. ■



## Changing Rules Without Prior Notification Leads to Uncertainty

**BILJANA BUJIĆ**

President of the FIC Taxation Committee (KPMG d.o.o.)

*Changes to tax regulations without prior consultation with the industry and a lack of clear procedures, the application of which would be unique, have a negative impact the level of predictability of operations and create legal uncertainty*

A key expectation of the Foreign Investors Council when it comes to the reform of the Tax Administration is that it introduces improvements to the application of tax regulations. We are confronted with examples of how different organisational units of the Tax Administration apply certain provisions of the tax legislation in a different way. We are faced with an absence of clear procedures that would be applied uniquely in all organisational units of the Tax Administration in Serbia. All this has a significant impact on the assessment of the business environment and its predictability and, hence, on the attractiveness of investing in Serbia.

When it comes to the application of regulations, in practice it still occurs that the Tax Administration does not apply the binding opinions of the Ministry of Finance, which means that the Tax Administration directly violates the provisions of the Law on Tax Procedures and Tax Administration. This has an additional impact on the level of predictability of operations and creates legal uncertainty.

It is necessary for the work of various organisational units of the Tax Administration to be harmonised with the adoption of clear guidelines and instructions on how to act in certain situations. We believe that the public availability of guidelines and instructions contributes to the improvement of the business environment, the predictability of operations and timely reactions of taxpayers and the regular payment of taxes.

It is commendable that the Tax Administration has continued with the introduction of electronic filing of tax returns. We hope that this process will continue, with the goal of further improving services for taxpayers.

On the other hand, we must note that in recent times amendments to regulations have been adopted without public debates. The most recent examples are amendments to the Law on Excise Tax, which brought about major changes in the taxation system. Here I am primarily referring to the introduction of excise duty on electrical energy, which will have a direct impact on all companies operating in Serbia.

Industry was not given the possibility of participating in developing amendments to the law, and unfortunately there was no possibility for industry to familiarise itself with the intended modifications and, on the basis of those amendments, estimate the effects that the introduction of excise duties would have on their operations.

A similar example is the abolition of tax credit for investment on the basis of fixed assets in December 2013 without prior notice and public debates.

The Foreign Investors Council has repeatedly highlighted its willingness to participate actively in all changes to tax regulations by giving clear proposals and taking into account best practices. In this regard, we wish to emphasise the openness and willingness of representatives of the Tax Administration and the Ministry of Finance to discuss these issues with the FIC.

We believe that there are several key areas that will contribute to increasing legal certainty. These are, primarily, unified implementation of regulations for all organisational units of the Tax Administration, enabling the public to participate in changes to tax regulations, relocating second instance appeals based on requests in the

Ministry of Finance and the establishment of a separate organisational unit within the context of Administrative Court that would deal only with tax disputes.

In connection with the implementation of regulations, we believe it is essential to strengthen coordination between the Department for the fiscal system within the Ministry of Finance and the Tax Administration, as well as within the Tax Administration.

Relocating second instance appeals on the basis of requests in the Ministry of Finance would contribute to the better coordination of work, developing tax practice and unifying the approach. A key prerequisite for this is strengthening capacities in both the Ministry and the Tax Administration. We hope that an active dialogue among all parties will lead to a significant improvement of the business environment and, thus, encourage investment in the near future. ■

**The Council is ready to participate actively in public debates regarding tax regulations and is encouraged by the willingness of the representatives of the Tax Administration and the Ministry of Finance to discuss these issues with the FIC**



# Predictability and More Modern Legal Solutions

**JASMINA VIGNJEVIĆ**

President of the FIC Telecommunications and Information Technology Committee (Telenor d.o.o.)

*In contrast to the digitisation process, which the Government implemented by following the best European practices, some legal solutions and the manner of their implementation do not follow the development of the telecommunications sector and bring unpredictability to its operations*

The Ministry of Trade, Tourism and Telecommunications has successfully implemented the digitisation process in Serbia within the time limits set by the International Telecommunications Union, in which Serbia ranks among EU member states in terms of the speed of implementation of digitisation. The campaign for radio broadcasters to change their equipment has also been successfully implemented, while devices have been provided on the market for receiving digital signals for citizens who have analogue TV sets and free devices have been provided for the socially disadvantaged.

For mobile operators, the transition to digital television has provided an available frequency spectrum. The subject spectrum at 800 MHz (digital dividend) is the best quality for rural areas, i.e., thanks to faster data transfer, better quality use of the internet is made possible. It also provides a better signal in urban areas (in building). Thanks to the characteristics of the propagation of frequencies in the 800 MHz band, rural areas will be completely covered and, as such, all the basic services will be available to the population. The entire digitisation process has been accompanied by the timely preparation of the legislative framework, which enabled the timely implementation of the whole process.

Unfortunately, there are also different examples.

Specifically, in our sector for a long time there has existed a trend of shifting the business focus from basic services to the development of new services, but the legislative framework itself, or even the implementation of already adopted laws, often do not follow up the development dynamic of the market itself. It is essential that regulations follow the development of the market and adapt to market movements.

I would quote as an example that the existing legal framework in Serbia does not allow operators to directly offer services to charge users for content downloaded from Google Play and Windows Store (service operator billing). The key obstacle is the disharmony of the

Law on Foreign Exchange Operations the Law on VAT and the Law on Corporate Income Tax (the issue of withholding tax).

Domestic regulations on foreign exchange operations allow foreign currency payments, collection and transfer only under current and capital transactions. Pursuant to the opinion of the Ministry of Finance, foreign currency payments under the auspices of direct payment operators cannot be considered current or capital transactions. In addition to this, the "collection agent" institute is not expressly covered by domestic regulations on foreign currency operations and is not allowed as such. All these problems prevent us from offering the operator billing service that operates to a great extent in the EU, and even in many countries in the region.

I would also quote a few examples that have contributed to significantly reducing our confidence in the predictability of the business climate in Serbia. This is about a reduction in the prices of roaming, which was done without consultation with mobile operators. The proposal to finance the 112 emergency number through monthly bills for mobile services, as well as the proposed para-fiscal

charges, i.e. the proposal to introduce an annual tax for the installing of optical infrastructure in the City of Subotica, are also examples of an unpredictable business climate in the area of electronic communications. These are all attempts to additionally tax a sector that is one of the biggest drivers of economic development and contributes almost five per cent to Serbia's GDP.

I would note that in preventing the introduction of para-fiscal charges we had great support from our competent Ministry. We see the solution for the prevention of such attempts in better coordination between state institutions and consultation with the competent Ministry and the regulatory body when there are attempts for any law to introduce para-fiscal charges for the telecommunications industry. ■

**In order to avoid new attempts to impose para-fiscal charges on the telecommunications industry, it is necessary to have better coordination between state institutions and consultation with the competent Ministry and regulatory body**



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# Quality Dialogue is a Two-Way Street

ANA FIRTEL

Executive Director of the Foreign Investors Council

*The Foreign Investors Council is dedicated to dialogue in an active way, through concrete recommendations, in a desire to contribute to strengthening institutions and Serbia's road to EU integration*



call us, so that certain laws, regulations and bylaws change or are applied differently.

► **In which ways can the business community support the government's reform measures?**

– If you want to be a partner, you should be honest and objective, to identify and say if something is a good thing in order for you to have legitimacy and to say “but this did not happen” or “this is not good”. We are trying to work on the basis of this principle, and form

that recognise all reform measures. How do we do that?

Each year the Council comes out with a set of recommendations in the context of the “White Book” and then, after a year, our membership assesses what the shift was like. We convert all of this into numbers and

then say that a certain percentage of our recommendations have been implemented, and point out in which areas there was a shift, and which there was not.

The Council is recognised as a relevant and objective source of information about the business climate in Serbia, and therefore when we praise the reform moves of the government in conversation with international actors or potential investors, that has its own weight.

At the micro level, each company can provide its support, thanks to an improved business environment, by producing and servicing

There are ever more opportunities for expert dialogue between the economy and the government, which is good, but the real essence of communication is the assumption that the things agreed upon will be implemented, says Ana Firtel, executive director of the Foreign Investors Council.

► **How would you rate the quality of communication today between the Government and the business community; in which stage of forming regulations is the FIC usually involved in discussion and in which way (participation in working groups, sending written recommendations, etc.)?**

– The quality of communication is very good – if you are thinking of openness in the dialogue and the opportunity to discuss good things, but also the problems. However, I think the essence of communication is wider than this concept, which is that the agreed objectives are implemented within the deadlines set.

Progress in communication and substantive expert dialogue is evident, but problems still exist with inefficient and uneven application of regulations.

It is good that the current government has really recognised the benefits that countries can have from conversing with the economy, and that does not only mean with those who have gathered in the FIC, but also with various other groups and associations. We are often members of the working group for the adoption of laws, but also when we are not there generally exists a possibility to achieve an exchange of information and opinions in the framework of public hearings.

On the other hand, on the basis of the experience we have in other markets, we give suggestions, not waiting for someone to

**Behind everything that we advocate for is the primary desire for Serbia's economic integration into the EU**

more and thereby contributing to the growth of GDP. In addition to this, foreign companies relay the good experiences they carry from Serbia home and thus promote this market.

► **Where do you see the greatest scope for the action of the FIC when it comes to Serbia's European integration and which activities of the FIC would you emphasise in particular?**

– The FIC's members are companies that are very familiar with the Serbian and European markets, so the Council can and will help to ensure that the integration process is as effective and efficient as possible. The Council also discusses with the Serbian negotiating team and the EU by giving specific proposals of which areas need to be harmonised and in which way. Since last year, we have also organised official visits to Brussels and, in addition to the aforementioned, the key message we convey, as an association with 70 per cent of members coming from the EU, is that the European Union should support Serbia and that this market is important.

► **In Serbia we are seeing the creating of ever more business associations, although we have a relatively small inflow of new investments. How much can such developed “market associations” contribute to the multiplying of the message to the government?**

– Their contribution and I believe this is good, but care should be taken to ensure the messages are not always identical in content. For example, when seeking good conditions for doing business, in particular laws some associations advocate stances that are opposed to the attitudes of the Council, which is continually and consistently committed to market liberalisation and clear rules of the game that will be equally applicable to all.

It is good that there are examples of associations that formulate common positions on certain issues and organise joint activities, because the collective voice is certainly stronger than the individual's.

The new Law on Associations and the abolition of obligatory membership in the Serbian Chamber of Commerce has enabled the formation of new, primarily sector-based, associations. This is good, because it represents a precondition for a structured dialogue between business and the state and the basis for self-regulation, which is a trend in many areas. We hope that the modality of compulsory membership in the Serbian Chamber of Commerce will not return, as this would increase operating costs and lead to stronger state influence.

► **What makes the Foreign Investors Council specific in its approach and articulating the attitudes of the business community?**

**How, given the increasing number of its members, does it ensure democracy in internal decision-making processes?**

– Associations operate in different ways and in accordance with that they choose modalities that ensure they have a democratic decision-making process. The system in the FIC is designed in order to ensure that everything the Council represents is in the general interest, and not that of the individual. Likewise, the key role in formulating the views of the Council does not lie with the administration, but rather the members who work hard on their preparation.

Such an approach, on the positive side, allows us to reach certain decisions and attitudes in the framework of basic consultations with members, while on the other side, the negative side of this process, it is quite demanding and quite time consuming, so we are not able to respond quickly like other associations that have simpler decision-making mechanisms. At the Council decisions are first made at the level of the eight working committees that deal with specific areas, which is not an easy job because they include representatives of various branches and industries, but also competitors within certain industries. The conclusions of the working committee are discussed at the level of the Board of Directors, which consists of nine members who, according to some unwritten rule, come from different industries, and they assess whether the recommendations of the working committees are in the general interest of the membership.

► **In which way does the FIC collaborate with local business associations when it comes to representing the goals that have determined as being shared?**

– I consider it important for the interests of all market segments, groups and clusters to be present and for the state to establish contact with them. When it comes to foreign investors, at least those which come together within the Council, I think it is important to say that these are local companies established with foreign capital that operate here, employ people

here, pay local taxes and continue to invest. The Council is working with local associations to the extent that we have common interests, or rather, we cooperate with all national and international associations at the project level – wherever we have common ground.

I personally think that Serbian SMEs are not sufficiently represented. Although they are not in the membership of the Council, in the formulation of our positions we take care of their interests because they are clients, customers of our members, and it is in our interest for the Serbian economy and SMEs to do good business. ■



**We hope that the modality of compulsory membership in certain associations will not return, because that would increase operating costs and lead to stronger state influence**



## KEY MESSAGES

### SNEŽANA BOGOSAVLJEVIĆ BOŠKOVIĆ,



Serbian Minister of Agriculture and Environmental Protection  
"The ministry of Agriculture is working intensively to boost the competitiveness and create the basis for attracting domestic and foreign investments into agribusiness."

### OVE FREDHEIM

President of the Foreign Investors Council



"If we want Serbia to be efficient, all stakeholders should embrace reforms. We at FIC are offering a helping hand."

### GABOR BEKEFI

Vice President of the Foreign Investors Council



"We would like to see the completion of the privatization process, better implementation of the Law on Employment of Foreigners and elimination of inconsistencies in the tax system."

### DIMITRIJE KNJEGINJIĆ

Vice President of the Foreign Investors Council



"The implementation of legislation in Serbia is the biggest stumbling block between doing business on this market and in the European countries where our members operate."

### GORAN PEKEZ

President of the FIC Anti-Illicit Trade Committee



"The commitment of the Serbian government to address the fight against the grey economy yields visible results, but it is necessary to more efficiently implement the policy of penalties."

### ZORANA MIHAJLOVIĆ PH.D.

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



"With the construction of roads that will inevitably link us to the European road network, we want to permanently highlight Serbia on the investors' map."

### MARKO ČADEŽ

President of the Serbian Chamber of Commerce



"The Chamber will dedicate special attention to promoting the export and investment potential of our economy abroad and attracting as many foreign companies as possible to invest here."

### MILICA STEFANOVIĆ

President of the FIC Food & Agriculture Committee



"From the perspective of food and agriculture, adoption of the Law on Inspection Oversight is the biggest shift since the 2009 adoption of the Law on Food Safety."

### DEJAN JEČMENICA

President of the FIC Human Resources Committee



"Amendments to the Labour Law have significantly improved labour regulations, but the need to regulate the issue of staff leasing remains."

### JUAN CAZCARRA

President of the FIC Leasing and Insurance Committee



"The new Law on Insurance and its bylaws brought improvements to the industry that are in line with EU standards, but there are some important outstanding issues yet to be addressed."

### RASTKO MALIŠIĆ

President of the FIC Legal Committee



"The Law on Foreign Exchange Operations, represent an area in which Serbia lags behind not only European legislation, but also the legislation of almost all countries in the region."

### DUŠAN VUJOVIĆ

Serbian Minister of Finance



"The most important task at hand is to focus our efforts on implementing the key structural reforms. To date we have prepared the reform strategy and action plans, and now we are going through the challenges of implementing the programme."

### JORGOVANKA TABAKOVIĆ

Governor of the National Bank of Serbia



"The NBS contributes significantly to achieving macroeconomic stability thereby supporting the government's commitment to implementing structural reforms and ensuring economic growth."

### NEBOJŠA NEŠOVANOVIĆ

President of the FIC Real Estate Committee



"Amendments to the Law on Planning and Construction and the new Law on Land Conversion have paved the way for the creation of a modern real estate market."

### BILJANA BUJIĆ

President of the FIC Taxation Committee



"Changes to tax regulations without prior consultation with the industry and a lack of clear procedures, the application of which would be unique, have a negative impact the level of predictability of operations and create legal uncertainty."

### JASMINA VIGNJEVIĆ

President of the FIC Telecommunications and IT Committee



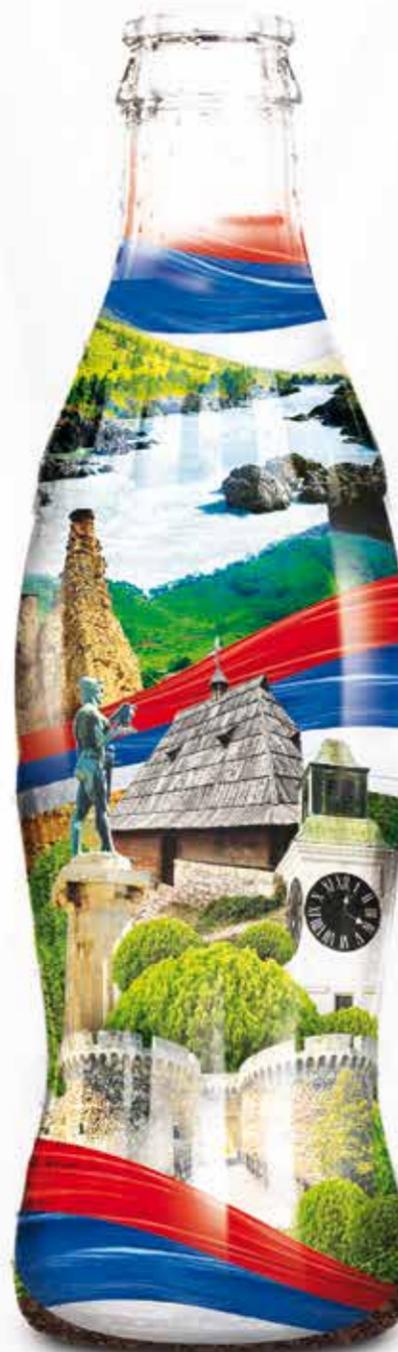
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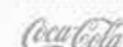
# STVARAMO BOLJI SVET ZAJEDNO

**DIREKTNIA DODATA VREDNOST** COCA-COLA SISTEMA IZNOSI **28 MILIONA EVRA** (0,1 ODSTO BDP-A) I VEZANA JE ZA **224 MILIONA EVRA** DODATE VREDNOSTI ZA SRPSKU EKONOMIJU (ILI 0,7 ODSTO BDP-A). **NA 1 EVRO DODATE VREDNOSTI** COCA-COLA SISTEMA DOLAZI **7 EVRA DODATE VREDNOSTI** ZA SRPSKU EKONOMIJU.

**KOMPANIJA PLAĆA 7 MILIONA EVRA NA IME POREZA** I POVEZANA JE SA **95 MILIONA EVRA** KOJE DRŽAVA PRIHODUJE OD POREZA (ŠTO ČINI 1,4 ODSTO UKUPNOG PORESKOG PRIHODA SRBIJE).

COCA-COLA SISTEM ZAPOSŁJAVA SKORO **1.100 LJUDI** I INDIRECTNO OBEZBEĐUJE POSAO ZA **11.600 LJUDI** U SRPSKOJ EKONOMIJI.

Bazirano na studiji Socio-ekonomskog uticaja Coca-Cola sistema u Srbiji, koju su sproveli Ethan B. Kapstein i Steward Redqueen, oktobar 2014.





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