

“Strengthening integration of the economies in transition into the world economy through economic diversification”

**Day 2
Roundtable 5**

**INVESTMENT PROMOTION STRATEGIES
AND THEIR EVALUATION**

SIEPA

**Serbia Investment and Export Promotion Agency
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Foreign Investment Advisor**

**Geneva
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SIEPA – Who are we?

A Specialized Government Agency with a Mission:

- To attract foreign direct investment and facilitate its entry and establishment in Serbia, and
- To promote exports by assisting Serbian companies to penetrate new markets

**INFORMATION
& FACILITATION
ONE STOP SHOP**

**FDI
Department**

**Export
Promotion**

**Marketing &
Research**

Channels of FDI Inflow into Serbia

- Privatization accounting for a major portion of total FDI
- Non-privatization FDI data not produced by the official statistics
- Business services as leading FDI recipients

- **Greenfield**
- **Brownfield**
- **Joint Ventures**

SIEPA

Key Drivers to FDI

- SIEPA Long-term political stability & Integration Processes**
- SIEPA Sound macroeconomic policy**
- SIEPA Business-friendly legislation**
- SIEPA State and local incentives**
- SIEPA International free trade agreements**
- SIEPA Great market potential**
- SIEPA Quality intellectual base**
- SIEPA Low overhead costs**
- SIEPA Availability of local suppliers**
- SIEPA A good country image**
- SIEPA Who else is there?**

FDI Obstacles

- SIEPA Negative country image**
- SIEPA Inefficient administration**
- SIEPA Indifference towards FDI**
- SIEPA Corruption and red/tape**
- SIEPA Lack of information**
- SIEPA Unrealistic expectations**

Macroeconomic Environment

Robust GDP growth averaging 7.2% over the past three years

Annual Inflation

2007*	8.5%
2006	6.6%
2005	17.7%
2004	13.7%
2003	7.8%
2002	14.8%
2001	40.1%

*Forecast

Source: National Bank of Serbia

GDP Growth Rate

2007	8.7%
2006	5.8%
2005	6.5%
2004	9.3%
2003	2.4%
2002	4.5%
2001	5.1%

Source: Statistical Office of the Republic of Serbia

S&P Credit rating: BB-,
Stable outlook

*All-time record foreign
currency reserves
amounting to \$14.5 billion*

Integration Process

-  CEFTA agreement signed in 2007
-  Partnership for Peace, member state since December 2006
-  WTO accession expected in 2008
-  Stabilization and Association Agreement (SAA) with EU initialed; candidate status planned for 2008
-  Political issues pending



Legislative Environment

- More than 260 laws passed since March 2004
- Majority related to economic environment:
 - Bankruptcy (avg. 7 years -> 1 year)
 - Business Registration (51 day -> 5 days)
 - Company Law
 - A package of tax laws, including VAT
- Constitutional changes and privatization of industrial land expected in the near future, as a result of a new Constitution adopted in November 2006.

**“Serbia is Number One Business Reformer in the World”
World Bank, Doing Business 2006**



Market Access

- **Strategic position**
- **Demanding local market**
- **Sound road network (Corridor 10, Corridor 7 The Danube, >40,000 km internal roads)**
- **CEFTA – duty free access to 30 million people**
- **Autonomous Trade Measures granted by the EU in December 2000, provide for duty free exports to the EU**
- **FTA with Russian Federation - market of 150 mil.**
Limited number of exceptions: complete vehicles, confectionery, some alcoholic beverages
- **Customs operations have been improved by electronic database, electronic declarations, and imports & exports time drastically shortened**

Sourcing Opportunities

- Decades of cooperation with International companies
- JVs, licensing and other partnership forms
- Automotive component, textile, electronics, food and beverages, and IT industry leading the way



Financial Sector

- **23 Foreign Banks:**
Credit Agricole, Societe Generale, UniCredit Bank, HVB Bank, Hypo Alpe-Adria-Bank, LHB Bank, National Bank of Greece, Raiffeisenbank, Volksbank, Intesa – San Paolo IMI, Alpha Bank, EFG Bank, Erste Bank, Citi Group...
- **Total savings—around €3 billion or 150 times the amount in 2000**
- **International Financial Institutions eager to co-finance private sector projects: EBRD, IFC, ...**
- **14 Leasing Companies:**
Raiffeisen Leasing, Hypo Leasing, TBI Leasing, S-Leasing...
- **Investment and Export Insurance:**
World Bank/ MIGA, OPIC, Exim Bank, Hermes, Kontrollbank, COFACE, SACE, Serbian Export Credit Agency – SMECA

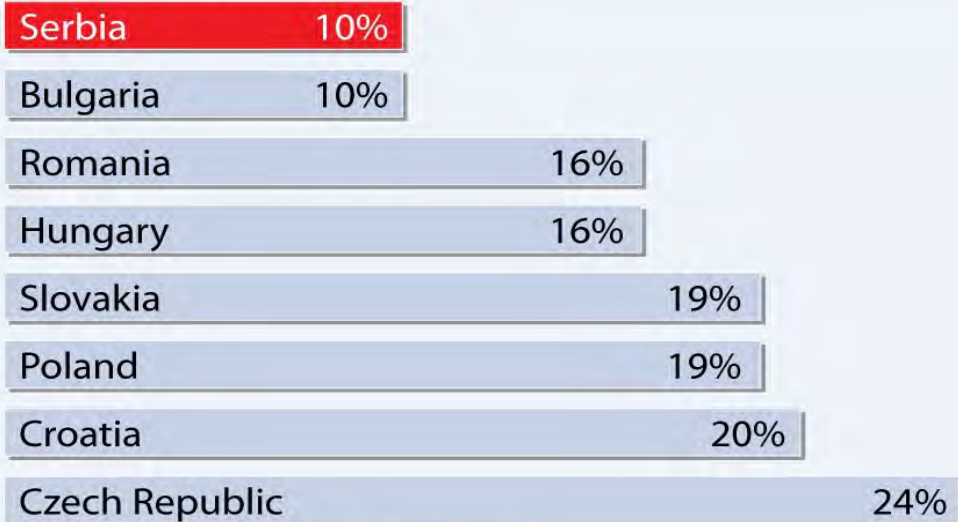


Qualified and Easy-to-recruit Labor

- Well educated
- Productive & Competitive
- Readily available
- Language proficient

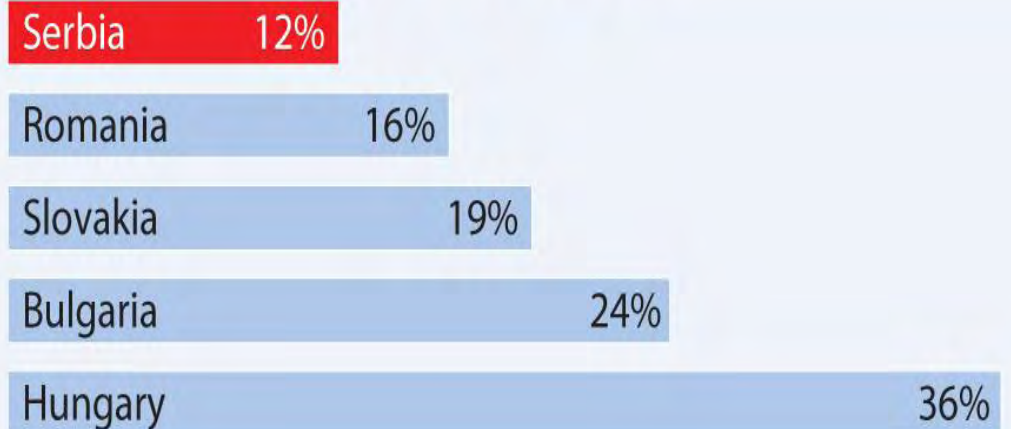
Attractive Tax Environment

Corporate Profit Tax Rate



Source: PricewaterhouseCoopers

Lowest Individual Income Tax Rates



Favorable Investment Regime

Financial Incentives	Grants from €2,000 up to €10,000 per new job created
	Numerous support schemes offered by the National Employment Service
Tax Incentives	A 10-year corporate profit tax holiday for large investments
	Corporate profit tax credits up to 80% of the fixed assets investment
	Tax Reduction for New Employment
	A 5-year corporate profit tax holiday for concessions
	Carrying forward of losses over up to 10 years
	Salary tax and social insurance charges exemptions for employees under 30 and over 45 years
	Annual income tax deductions up to 50% of the taxable income
Other Incentives	Accelerated depreciation of fixed assets
	Customs-free imports of equipment based on foreign investment

Financial Incentives

- Assigning non-refundable funds for investments in all sectors, except agriculture, tourism, hospitality and trade
- Investment projects are rated based on the evaluation criteria such as: investors reference; participation of domestic suppliers; effects on R&D and HR and others

Financial Grants Overview

Eligible Sectors	Manufacturing Activities	Internationally Marketable Services Sector	R&D
Available Funds per every new employee	€2,000 - €5,000	€2,000 - €10,000	€5,000 - €10,000
The Minimum Investment Amount	€1 mn - €3 mn depending on the unemployment rate in the municipality where the investment is made	€0.5 mn	€0.25 mn
The Minimum Number of New Jobs Created	50	10	10

All the necessary documentation available at the Agency website (www.siepa.sr.gov.yu) after the invitation for application was published.

FDI Inflow

Inward FDI (US\$ mn)	
2007	3,569
2006	5,474
2005	1,550
2004	966
2003	1,360
2002	475

Source: National Bank of Serbia

FDI Stock (2000-2007): \$13.5 mn



FDI Track Record

Best SEE regional track of Greenfield project realization (OECD)



- 2006: Airport City Belgrade - Africa Israel Corporation, Israel
 - First specialized business park in Serbia, and the biggest project of its type in the region – a city inside a city
 - €120million and covers an area of 12 hectares, comprising 126,000m² of prestigious, modern, tailored office space providing employment to more than 200 people

- 2005: Metro Cash & Carry - Metro Group, Germany/Austria
 - €42 million investment in a wholesale center in Belgrade providing employment to more than 280 people

- 2004: Ball Packaging Europe - Ball Corporation, USA
 - €80 million investment in a can production plant that gave employment to 150 people

Success Story: Embassy Group



- More than 250.000 m² of IT and services related space
- More than 25 000 job opportunities
- Client portfolio: IBM, Microsoft, HP, Goldman Sachs, Fidelity, Covansys, Yahoo, Google, Daimler, Juniper Networks, Target Corporation, Alcatel-Lucent

600 million EUR investment

SIEPA – Among the Best!

■ SIEPA success stories

Company	Country	Industry	Investment value (EUR mn)	Number of employees
Japan Tobacco International	Japan	Tobacco	100	376
Ball Packaging Europe	USA	Packaging	60	120
Knauf	Austria	Construction	20	290
Veno Establishment	Cyprus	Logistics	20	tbd
Albon Engineering	Great Britain	Automotive	18	200
Bianca Alena	Great Britain	Textile	5	3,000
Farmina	Italy	Food	4	v25
Volvo	Sweden	Automotive	4	100
Baufinanzierung-Bayern	Germany	Services	tbd	150

SIEPA is ranked among the 8 best agencies in the world (out of 114 reviewed), according to the assessment conducted by the World Bank Group (MIGA)

European Attractiveness Award 2007

A close-up photograph of a white computer keyboard. The focus is on the 'Serbia' key, which features a red arrow pointing left and the word 'Serbia' in red. Other visible keys include F10, F11, F12, '+', '=', '[', ']', 'Shift', and 'Ctrl'.

THANK YOU!

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