



Serbia's Investment Risk Level Lowered
Joint Venture of Delta and Agrokor
Industrial Production Up by 7,8%
Top Class Business Hotel in Belgrade
3G on the Way
Great Interest Shown in RTB Bor
Triglav Buys Serbian group
Rauch Buys Vocar for CSD 105m
€36,5m Recycling Contract Signed
Germanwings Flies
37,5% of Termoelektro up for Sale
Serbia To Complete Corridor 10
Highway to Montenegro in 4 years
New Plant for Processing of Medical Herbs
Bermet and Kulen



SIEPA News

SIEPA Among the Best IPAs in the World!!!

Who is the Best?

Financial Incentives for Investors in Serbia

First Investment Fair in Serbia – Invest Expo 06

Serbia's Investment Risk Level Lowered

According to the Serbian Ministry for International Economic Relations, Michael Lenard, chief economist of one of the world's leading risk assessment companies - Jardine Lloyd Thompson has recently visited Belgrade and met many government officials and representatives of the biggest domestic and foreign companies in the field of risk assessment and insurance. Based on the reforms that have improved the investment climate in the country, rise in FDI and hard currency reserves, and peaceful dissolution of the union with Montenegro, Jardine Lloyd Thompson decided to lower the risk level for investments in Serbia. This means that the price investors pay for insuring investments in Serbia will go down, at the same time rendering the cost of investment lower. Jardine Lloyd Thompson also sees the Serbian policy toward the EU as "successful".



Joint Venture of Delta and Agrokor

Serbian Delta and Croatian concern Agrokor have agreed on a joint venture of their retail units. Although the details on when and how the two companies will connect have not yet been disclosed, it is quite clear this would be the most powerful enterprise in South East Europe. Both companies are the biggest private-owned businesses and their owners are the richest men in their respective countries, Serbia and Croatia. Belgrade-based Delta M has over 400 retail units in Serbia within its trademark networks Maksi, Pekabeta, Tempo and C-market. Agrokor's retail networks Konzum, Konzum maksi and Superkonzum are the market leaders in Croatia. They accommodate more than 500,000 shoppers daily in 570 sales units in every Croatian municipality. If the deal goes through, the Miskovic-Todoric empire will not just dominate the retail sector, but will secure a very strong position in the full cycle of production and sale, with major assets in the agriculture and the food industry. Agrokor and Delta own the two biggest vegetable oil producers in Serbia, Dijamant and Sunce. Delta also owns the meat processing company Juhor and five industrial farms that process 20,000 square meters of farmland and has shares in other food producers in Serbia. Among its assets in Serbia, Agrokor boasts frozen food producer Frikom - Belgrade and Mlin - Kikinda. In Croatia, Agrokor practically controls food production with ownership over industrial farms in Belje, Vinkovci and Vrbovec, the leading producer of mineral water Jamnica, the salt factory on Pag Island and several companies in Slovenia and Bosnia-Herzegovina.



Industrial Production Up by 7,8%

According to the Statistics Institute, industrial production has grown by 7,8 percent in Serbia in July this year. At the same time, the first half of 2006 saw a 6,5 percent rise compared to the same period in 2005. The sectors that contributed to the July growth are: chemical processing and production, basic materials production, beverages, fruit and vegetables processing and production, as well as furniture manufacturing and the production of electrical power.



Top Class Business Hotel in Belgrade

Hotel In - the top class business hotel was opened in Belgrade under the €20 million investment. This 10,000 square meters hotel has 156 rooms, 28 apartments, three rooms for persons with special needs, conference halls, two bars with terraces, a fitness centre, garage, parking space and is equipped with the most modern amenities. Currently there are 41 hotels in Belgrade, of which 10 are four or five star hotels, but the city needs at least 10 more hotels in this category because tourism revenues are rising 15% to 25% annually. So far, 80 companies have been privatized in the hotel industry in Serbia, while 56 more companies are in the process of privatization including Hotel Intercontinental and Hotel Slavija in Belgrade which are due to be privatized by the end of 2006.



3G on the Way

After the Mobi 63 sale, mobile communications are set to undergo rapid changes. While the Telenor promises Norwegian standards of telephony, the second mobile operator Telekom (MTS) announces it is ready for the competition. It will soon offer fast internet and a number of new services, including 3G. The introduction of 3G will inevitably lead to a drop of prices of classic packages, text messages and phones. Although Telenor is still not giving any hints on its package prices, Telekom promises to remain cheaper.



Great Interest Shown in RTB Bor

According to the RTB Bor privatization strategy only its property will be sold, not its mining and mineral resources. So far, 19 companies have shown interest in purchasing RTB Bor including Romanian Cuprum and Quatro Investment of the Saint Kitts and Nevis Islands. The tender is expected to be announced in mid September.



Triglav Buys Serbian Group

Slovenian insurance company Triglav has purchased a 95% stake in Belgrade-based insurance firm Kopaonik Osiguranje for €17.5 million. The total value of the company is estimated at €7 million. Triglav, the biggest Slovenian insurance company, has also submitted its bid for the takeover of DDOR Novi Sad.



Rauch Buys Vocar for CSD 105m

Fruit and vegetable processing plant Vocar from Koceljeva is acquired through privatization by the Austrian Rauch Fruchtsafte GmbH, Rankweil.



€36,5m Recycling Contract Signed

Leskovac municipality president Gojko Velickovic and the owner of the company Por-Werner-Weber from Austria have signed in Leskovac a contract on construction of the regional recycling centre and dumpsite for disposal of communal and solid industrial waste worth €36,5 million. Recycling centre will be used by the Austrian partner for the next 25 years. Aside from Leskovac, recycling centre and dumpsite would also be used by municipalities Lebane, Vlasotince, Bojnik, Medvedja and Crna Trava.



Germanwings as of September

Germanwings airliner started a passenger transport from Belgrade on September 2. Germanwings will fly the Belgrade-Cologne and Cologne-Belgrade lines three times a week. The price of the return ticket, taxes included, will be at around 140 euros. The tickets can be booked and purchased online.



37,5% of Termoelektro up for Sale

Serbian Privatization Agency (PA) has published a tender for the sale of 37,5% of shares of Belgrade-based company Termoelektro, specialized in engineering, maintenance, overhaul and revitalization of energy and industrial facilities and engineering, production and transport of equipment for energy production facilities. Share Fund of the PA stated it would invite small shareholders holding 60,4% of shares to join their shares with a package offered for sale. Nominal price per share currently stands at CSD 2,400. Interested buyers can purchase tender documentation until September 22, while the deadline for submitting binding offers expires on October 16. Potential buyers must have a core business concentrated on metal processing or general machine works, with 2005 revenue above €20 million.



Serbia To Complete Corridor 10

Serbian Minister of Finance Mladjan Dinkic has said that the Serbian government has decided to finish works on Corridor 10 in southern Serbia with its own funds. The total investment is worth €900 million, and the Greek government will help with €100 million through the Hellenic Plan for the Economic Reconstruction of the Balkans, and €800 million will be allocated from funds for the National Investment Plan.



Highway to Montenegro in 4 years

Serbian Capital Investments Minister Velimir Ilic said that the highway between Belgrade and Bar, Montenegro, could be completed in four and a half years. According to preliminary estimates, this 6-lane highway would cost approximately €3,5 billion.



New Plant for Processing of Medical Herbs

Belgium company Planta Spontanea announced that it will start the construction of the company for the processing of medicinal herbs in Dobra, close to Golubac, in which €17 million will be invested.

Director of the company Planta Spontanea Rino Tuttobene told Beta agency that the construction should be finished until October 2007 and that close to 50 people will be employed in the factory, out of which half would be pharmacists and bio-chemists.



Bermet and Kulen

Bermet wine from Fruska Gora area and flavored sausage Kulen from Backi Petrovac will be the first Serbian national brands from food industry that will be promoted on foreign market. Serbian Ministry of Agriculture has launched the procedure to draft a strategic action plan for agricultural food products with a potential to obtain protection for their geographical origin.

SIEPA Newsletter is prepared in cooperation with:



For more information on the daily newsletter Serbia & Montenegro Today, or to subscribe:

e-mail: SMT@omniacomm.co.yu

Phone: +381-11-347-55-38

Fax: +381-11-347-57-87

www.omniacomm.biz

SIEPA News

SIEPA Among the Best IPAs in the World

SIEPA is the right place for foreign investors! The results of the *Investment Promotion Agency Performance Review 2006: Providing Information to Investors* undertaken by MIGA have shown that SIEPA ranks among the top eight IPAs of the developing countries!

The MIGA Review was conducted throughout late 2005 to the first quarter of 2006. Some 114 developing economy IPAs were assessed and benchmarked against a selection of some of the world's best performing IPAs. The Review examined the manner in which IPAs provide relevant information, as well as their organizational behavior in responding to foreign investors information needs, with a view to positively influencing their decision to invest.

SIEPA gained an overall score of 71.5%, constituting a very strong performance, better than any IPA from 10 new EU member countries. The study has found that the best practice IPAs (the average of the top five of the developed economy IPAs) achieved an average overall score of 89.8% (some 45.7 percentage points ahead of the average of the developing economies average of 44.1%).

As for the website assessment, SIEPA achieved a score of 79.2% and this also constitutes a strong performance. The developing economies gained an average score of 51% whereas the top five IPAs gained an average of 91.6%.

In relation to inquiry handling, developing economies achieved an overall average score of 37.3% compared to 88.1%, achieved by the top five IPAs overall, whereas SIEPA gained a score of 63.7%.

Commenting on these excellent results, Ms. Jasna Matic SIEPA CEO said "I think this is an excellent result that proves not only the good performance of the Agency, but also a great potential of Serbia to attract FDI. Surely, this will lead to even more rapid increase of inward investment in the country".

Who is the Best?

The winners of the Invest in Serbia tryout organized in the scope of MEGA project (Municipal Economic Growth Activity) financed by USAID are the three municipalities: Zrenjanin, Indjija and Loznica. As assessed by the jury they have shown the greatest level of knowledge, professionalism, and skills necessary for successful attraction and facilitation of foreign investors, and therefore won the opportunity to represent themselves at the Entrepreneurial Fair in Chicago from October 27 to 29, where they will be able to meet potential investors.

Ten municipalities made it to the final round of the contest: Subotica, Zrenjanin, Indjija, Novi Beograd, Loznica, Užice, Kragujevac, Kruševac, Prokuplje and Vranje. The final ceremony was held in late August in Belgrade, as the final stage of the process that was commenced last year and that had several stages of assessment. Over the period, all municipalities have underwent the process of pre assessment of their English skills, quality of information provided, marketing skills, promotional materials, and an ad for a catalogue of exhibitors at the fair.

Ms. Jasna Matic, SIEPA CEO was one of the members of the jury. Commenting on the results of the contest she emphasized the importance of having the capacity in place to facilitate FDI at the local level.

Financial Incentives for Investors in Serbia

In addition to the existing benefits comprised of highly qualified labor force at competitive prices, the possibility of duty-free exports to all the markets in South East Europe and Russia, strategic geographic position and the lowest corporate profit tax in Europe at 10%, Serbia is proud to offer financial assistance for future investments in the country. Based on the Serbian Government Decree adopted in late June of 2006, the non-refundable funds will be assigned according to specified criteria for investment projects in all areas, except for trade, tourism, hospitality and agriculture. Eligible companies are those involved in manufacturing activities, internationally marketable services sector and research and development sector.

Investments in manufacturing activities:

- Available funds: starting at €2,000 up to €5,000 per every new employee,
- The minimum investment amount: between €1 million and €5 million, depending on the unemployment rate in the municipality where the investment is made,
- The minimum number of new job positions: 50.

Investments in the internationally marketable services sector:

- Available funds: starting at €2,000 up to €10,000 per every new employee,
- The minimum investment amount: €1 million,
- The minimum number of new job positions: 10.

Investments in the R&D sector:

- Available funds: starting at €5,000 up to €10,000 per every new employee,
- The minimum investment amount: €1 million,
- The minimum number of new job positions: 10.

Investment projects will be scored and evaluated based on the specific criteria: 1) investor's references, 2) participation of domestic suppliers in the final product and the investment effect on local companies, 3) investment's sustainability and viability, 4) the effect related to the R&D sector, 5) the effect on human resources, 6) environmental impact, 7) international turnover of services for investments in this area, 8) the effect on development of the local community, and 9) municipality support related to providing all necessary permits and incentives.

Applications are to be submitted to the Serbia Investment and Export Promotion Agency (SIEPA). All necessary documentation will be available at the Agency's website (www.siepa.sr.gov.yu) after the invitation for application is published. Upon evaluation and scoring of investment projects, the funds for selected projects will be awarded in accordance with the number of points, and paid out in four increments throughout the project's lifetime.

SIEPA will shortly announce an invitation for all interested investors to apply for this funding. We cordially invite you to contact us for detailed information and look forward to working with your company.



First Investment Fair in Serbia – Invest Expo 06

“Kragujevac is the investment capital of Serbia today as nobody in Šumadija has ever seen so many investors at one place” this is how the Mayor of Kragujevac, Veroljub Stevanović, opening the First Investment Fair in Serbia - Invest Expo 06 on September 6, 2006 in Kragujevac.

Speaking about the significance of this manifestation, Stevanović pointed out that Invest Expo is an exceptional event for the entire Serbia, since the potential financiers and partners will be presented with the projects of the big number of local self-governments, regional chambers of commerce and enterprises.

After the opening ceremony, round table – National Investment Plan: Encouraging of FDI attraction took place. The speakers before numerous representatives of foreign and local companies, municipal authorities, and economic attachés were Ms. Jasna Matic, SIEPA CEO, and State Secretary Mr. Vlatko Sekulovic from the Ministry of International Economic Relations.

The organizers of the Invest Expo 06 fair were the Regional Chamber of Commerce of Kragujevac and the City of Kragujevac, whereas the entire manifestation was held under the patronage of the Ministry of International Economic Relations, Chamber of Commerce of Serbia and Serbian Investment and Export Promotion Agency - SIEPA. SIEPA had a very prominent stand visited by almost a thousand visitors.



Fifth Business Roundtable with the Government of Serbia

Maintaining momentum, stability and growth

October 16th-17th 2006, Hyatt Regency, Belgrade

Serbia has accomplished much in recent years, and corporate executives are seeing the benefits of improvements to the operating environment. Fast progress on reform and the completion of a three-year agreement with the IMF all send positive signals to foreign investors.

Do you believe Serbia can continue to outperform its regional neighbours as a growth centre for business? Debate the way forward for Serbia at the **Fifth Business Roundtable with the Government of Serbia** sponsored by HP, Orgachim, VISA and Wolf Theiss; supported by SIEPA.

Among those invited to speak, we have already confirmed Vojislav Koštunica, Prime Minister; Ivana Dulić-Marković, Deputy Prime Minister as well as other key government officials and senior corporate leaders. For the full list of speakers and topics they will be discussing please visit www.economistconferences.com.

An opportunity for off-the-record debate and networking

This is a unique forum in which to meet those shaping Serbian policy at the highest level and voice your concerns directly to those with the power to change things.

Clients and partners of SIEPA receive a special 15% discount

To reserve your place or for more information please contact Liana Traugott-Hazlie at (43 1) 712 41 61 46 or at lianahazlie@economist.com.

1st Investment Fair in Novi Sad

Project design, financing, finding partners, available support from national bodies in charge, and much more will be in the scope of the 1st Investment Fair that will take place as one of the Specialized Autumn Fairs on Novi Sad fairground from 7th to 10th of November 2006. This fair organized under the auspices of Ministry for International Economic Relations, Ministry of Public Administration and Local Self Government, and Agency for Local Self Government and Infrastructure Development will gather key people of towns and municipalities in Serbia, who will present potentials of their regions and relevant factors which guarantee safe investments in development of local infrastructure. Thus, the Fair will be a place of direct contact between domestic and foreign investors exchanging information - investment funds, consulting companies and credit funds, companies and individuals seeking partners, entrepreneurs and other interested parties. Forums and panel discussions will enable prospective investors to learn more about investment possibilities and projects planned in the field of investing in infrastructure. Investments in production, industry and infrastructure, tourism and SMEs, state bonds, real estate consulting and advisory will be in special focus of the fair.

For more info and registration, please contact Mr. Ognjen Bjelić, Project Manager at +381 21 483 01 23 or objelic@sajam.net

International Property Exhibition BelRE-Belgrade Real Expo, takes place from 02nd to 04th of Nov 2006 in Belgrade.

Following the actual situation of Belgrade and Serbia (Belgrade is announced as city of future of South East Europe, and Serbia is co-president in OECD), BelRE has the objective to provide first-class range of information in order to initiate and develop local and regional projects, business and investments.

With the headline *Building the future* and supported by Belgrade Land Development Public Agency and SIEPA (Serbia Investment and Export Promotion Agency), BelRE will gather key leaders, decision makers, local and foreign developers, investors, consultants, financial institutions and end users.

Conference named *Future development of RE market in the region* is divided into 3 meeting popints: *Cities and regions, Investment opportunities and financing, Projects and special markets.*

Exhibition place is EXPO XXI - new modern exhibition hall located in Novi Beograd (Španskih boraca 74a) with flexible layout, improved technical system, ample parking space and easily accessible.

Organizer of the BelRE is Dynamic Communications Group Ltd., company for consulting and marketing, specialized for creation, development and positioning of the new products/services on the market, as well as improvement of the already made products and PR activities. BelRE has been created as regional fair (between Sofia and Vienna), with objective to support expanding local and regional RE market.

www.belre.org