



Highlights of the Month

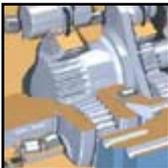
Infrastructure keeps up its steady modernization in Serbia.

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Meet SIEPA

SIEPA will be present at numerous conferences and roundtable events throughout central and southern Europe this month. [Read more >>>](#)



Sector Close Up

Machines and Apparatus Sector 2009

Although still small, earnings and exports from this high-potential sector have grown considerably over the past few years. [Read more >>>](#)



Q & A

Mr. Vladimir Ilic, Director, National Employment Service

Find out how the National Employment Service is tackling Serbia's various employment problems. [Read more >>>](#)



Monthly Reporting

Crisis and Entrepreneurship

Surprisingly, the crisis has not impacted the drive to engage in private enterprise. [Read more >>>](#)



Arts & Entertainment

From Nis to Novi Sad, notable exhibitions, concerts, and festivals from are waiting for you this June. [Read more >>>](#)



The Other Home

Positive first impressions of Serbia's people from an expat from the Ukraine [Read more >>>](#)



Must See

Endless hiking, breathtaking scenery, and historic churches and monasteries await visitors just minutes away from Novi Sad in Fruska Gora National Park. [Read more >>>](#)

Arthur Little Brought on to Improve EPS

Publicly-owned company Electric Power Company of Serbia (EPS) has recently signed a contract with Czech company Arthur D. Little GmbH to assist in restructuring and improving the performance of EPS. Arthur Little will provide consulting services to bolster the organizational, financial and investment performance of EPS. This is the second time the two companies will work together, as they already cooperated in a similar arrangement in 2005 and 2006.

EFSE to Invest €50m into Serbia

The European Fund for Southeast Europe (EFSE) will invest €50m in Serbia in 2009 according to Klaus Glaubitt, the President of EFSE's board of directors. EFSE will invest roughly €200m in South East Europe in 2009. EFSE is one of the world's largest microfinance funds that collects funds from private and public sector and provides, through commercial banks, loans for small and mid-sized enterprises and farmers, as well as for households to help procure housing or to improve energy efficiency.

Advances in Telecommunications on the Horizon

The tender for the license for fixed telephony in Serbia will be announced in September according to Jasna Matic, the Minister of Telecommunications and Information Society. She added that the license should be issued by the end of 2009. Telekom Srbija is the only fixed telephony operator in Serbia. A license for wireless telephony and internet using CDMA technology has been issued to Telekom Srbija and Belgrade-

based Media works. The license should be put into operation within the next six months.

The announcement of the tender for introduction of telephony and high-speed internet in WiMax technology has been postponed because of the economic crisis and because a part of the frequency spectrum intended for that purposes in Belgrade has already been used by radio stations and enterprises.

Ladjevci Airport to Take on Civil Transportation?

The Mayor of Kragujevac, Veroljub Stevanovic, announced that the City Council of Kragujevac had granted \$22,000 in order to design an economic-traffic feasibility study for Ladjevci Airport, which is situated between Kragujevac, Kraljevo and Cacak. "The decision for Kragujevac to enter the project by financing the feasibility study for Ladjevci Airport has been made because we estimate that Sumadija needs a business-civilian airport with such capacity," sad Stevanovic. The \$178,000 economic-traffic feasibility study for Ladjevci Airport is financed by the United States Agency for International Development (USAID), which has contributed \$85,000 for the effort. Various funds have also been set aside by the other regional municipalities for the study. After all technical conditions are met at Ladjevci airport, a military installation, civil transportation can be established as well, which would be of great importance to the local economy and tourism.

Five Companies Vie for Strategic Partnership with EPS

Five companies have qualified for the tenders for strategic partnership in construction of Steam Power Plant Kolubara B and the third block in Steam Power Plant Nikola Tesla

B, according to EPS. The conditions for participation in the tender for construction of Kolubara B, with two blocks of 350 MW each, have been met by Edison from Italy, CEZ from the Czech Republic, Energie Baden-Württemberg (EnBW) from Germany and AES from the United States.

RWE from Germany has also qualified to be a strategic partner of EPS in construction of the third block of 700 MW in Obrenovac-based Steam Power Plant Nikola Tesla B. According to EPS' announcement, Chinese company SMES from China also applied for participation in the tenders, but failed to meet the qualification terms.

The Minister of Energy of Serbia, Petar Skundric, said in April that about €1.6 billion should be invested in construction of those new units for production of electric power, whose total power will be 1,400 MW. According to some earlier statements of the representatives of EPS, the share of EPS in the ownership of new facilities may not be smaller than 20% or greater than 49%. Qualified bidders should submit technical and financial bids for aforementioned joint investments with EPS.

Northern Italian Delegations Explore Investment Options in Serbia

The Chamber of Commerce of Serbia, in association with the Trade Chamber of Varesa and the Brescia Export consortium, will host a business delegation of Italian entrepreneurs on June 4th, 2009. The delegation will comprise representatives of 5 Italian companies that are interested in various forms of economic partnership with Serbian companies. This event is part of a Chamber of Commerce of Serbia program whose objective is cooperation with Italy through regional and sector-specific meetings of entrepreneurs.

Agreement with Singapore Airlines Opens up Asian Horizons for Serbian Travelers

Serbian airliner Jat Airways has signed a contract with Singapore Airlines which would enrich the offer for the passengers in Belgrade with flights to 54 destinations in Asia, Australia and New Zealand. Passengers will be able to fly with Jat Airways and Singaporean Airlines to destinations in Malaysia, Thailand, Vietnam, Cambodia, the Philippines, Indonesia, China, Taiwan, Japan, Korea, Australia, and New Zealand. Passengers will be able to choose where to land in Europe when connecting to fly to and from their destination. Tickets for these flights can be bought in all offices of Jat Airways and at authorized agent locations in Serbia, Montenegro and Macedonia. According to representatives of Jat Airways certain passengers would be able to fly the Airbus A380 aircraft to certain destinations as Singapore Airlines is the first airliner in the world to introduce this "super jumbo jet" in its fleet.

Sper Factory to Open in September

Kremona-based Italian company Sper from Kremona will open a modern factory to produce joints for articulated buses built in the free zone next to the Belgrade - Nis highway. Manager Vesna Mitic says that over €1 million has been invested so far in the 2,400 square meter facility near Velika Plana. Production at the factory, which will employ between 20 and 30 people, is expected to commence in September.

Royal Eco Recognized for its Outstanding Sour Cherry Preserve

Belgrade-based company Royal Eco Food, one of the first local manufacturers of certified organic

food, received this year's award of the International Taste & Quality Institute (iTQi) for a product from new product portfolio for its sour cherry preserve. The award of this prestigious European institute is granted for superior taste and quality of food products. iTQi's expert jury comprises 140 chefs and sommeliers and members of 12 of most prestigious European Culinary Organizations from France, Italy, Belgium, Germany, Spain, Greece, and Portugal. This year's contest featured 290 companies from 75 different countries offering 796 different food products.

New Stand-by Arrangement Signed with IMF

The International Monetary Fund (IMF) granted a new stand-by arrangement to Serbia on Friday, May 22nd. The arrangement is worth €2.9 billion or about \$4 billion, of which €799 million of which can be withdrawn immediately. The new stand-by arrangement should be fully enacted prior to mid-April, 2011.

According to Muril Portugal, the Deputy Director of the Executive Board of the Fund and its Acting President, authorities in Belgrade have improved their strategy to confront the current challenges of the global economic crisis. This, he pointed out, deserves further support from the international community. He explained that by granting this stand-by arrangement, the IMF is trying to significantly alleviate economic difficulties that the country is facing at the moment. Portugal noted that the funds would be used to maintain fiscal stability, banks' solvency, and the exchange rate of Dinar. He warned, however that the Government must reduce consumption, maintain a reasonable inflation rate, resume the often postponed structural reforms, and be ready for an economic downturn in 2009 and limited growth prospects in 2010.

Meet SIEPA

June 5, 2009

Innovation in Construction
Szeged, Hungary

June 8, 2009

Regional Meeting of IPA Heads and GIPB Report Launch
Vienna, Austria

June 11, 2009

Presentation of Serbian Businesses
Pordenone, Italy

June 12, 2009

Business in the Balkans
Budapest, Hungary

June 15 – 18, 2009

21st Century Governance in an Era of New American Leadership
Athens, Greece

June 16, 2009

AWO Forum, "The Western Balkans region – Opportunities in the renewable energy sector"
Vienna, Austria

June 19, 2009

OECD Automotive Industry Conference
Belgrade, Serbia

June 23, 2009

Roundtable: Opportunities in Serbia,
Brno, Czech Republic

ComTrade System Improves Efficiency at BRA

Thanks to the implementation of the Knowledge Factory system developed by ComTrade for at the Business Registry Agency, the procedure for business registration in Serbia was shortened from 50 days to a mere 5. Citizens can now submit unique registration forms for founding of business subjects and registration with the Tax Payers Registry. Citizens will be able to receive a decision about registration of business subjects and tax identification number (PIB) at one window in the Agency. This is largely made possible thanks to the electronic communication between the BRA, the Tax Administration, the Pension and Disability Insurance Fund, and the Republic Medical Insurance Institute.

“This system has simplified and lowered the price of registration process for both local entrepreneurs and foreign investors. We want to set an example for other agencies as well. We have been sticking to EU standards since the beginning, and we are applying experiences of the other countries, primarily Ireland,” noted Branislav Dobrosavljevic, the CEO of the Business Registry Agency. According to Dobrosavljevic, the first phase of the one-window system has been completed. The second phase is now in progress and is set to include other institutions that directly cooperate with the Agency. Complete electronic registration is foreseen for the third phase.

Swedish Fund to Invest €35m in Serbia

Swedish investment fund “East Capital Special Investments Funds” plans to invest €35 million in companies in Serbia and the wider eastern European region. According to Gert Tiivas, the CEO

Regular Participation in M.O.W. Fair Already Paying Off

Serbian furniture manufacturers Lagado, Ekstraform, Dalas, Kolarevic, and Eurosalon participated in the M.O.W. furniture fair in Bad Salzuflen, Germany for the second time. The five firms, each of whom participated in last year’s M.O.W. fair, looked to sell their furniture to large European chains which frequent the event. It is estimated that initial contacts established at the conference will lead to least €500,000 worth of new business. Kolarevic secured a lucrative agreement with Austrian buyer XXXL Lutz, which is the second largest furniture firm after IKEA. The agreement resulted from lengthy negotiations that began during last year’s M.O.W. fair.

This year’s M.O.W. fair gathered over 500 companies from 26 countries. The Serbian companies’ participation in the event was supported by SIEPA and the United States Agency for International Development’s (USAID) Competitiveness Project.

SIEPA Targets French Business Community

SIEPA organized an investment conference to familiarize French businesses and officials with investment opportunities in Serbia on May 19, 2009 in Paris. The conference gathered over 70 French enterprises, consulting companies, and officials interested in investing in Serbia. Officials and members of the French business community were addressed by Dusan Batakovic, the Ambassador of the Republic of Serbia in Paris; Mirjana Dimitrijevic, Deputy Director of SIEPA; Olivier Parquet, Deputy Economic Advisor to the Ambassador of the Republic of France in Belgrade; and Francois Edouard Drion, the President of the Board of Directors of Meridian Bank – Credit Agricole. The conference was jointly organized by SIEPA, the Embassy of the Republic of Serbia, the Chamber of Commerce of Serbia, and UBI France. This was the first in a series of events that SIEPA plans to undertake to attract more investment into Serbia from France.

of East Capital Exploer, the fund will be put in operation in the second quarter of year 2009 for a period of four years. Tivas noted that East Capital Special Investments Funds was interested in companies that registered better results at the time of the crisis than others. These are primarily companies from the food industry and trade sector. “The companies we intend to invest in must have good financial reports, minimum debts and strong management. Also, there is not going to be any risky investments. It is important for us to point out that we are not looking for the companies in restructuring, or companies whose business results are bad or the companies that are facing bankruptcy,” he added.

Morgan Stanley Gives Komercijalna Banka Capital Injection

Proving doubters wrong, American bank Morgan Stanley purchased 2,900 of Komercijalna Banka’s shares for RSD 50 million, thus becoming a 33% owner in the Serbian bank. 42% of Komercijalna Banka is owned by the Republic of Serbia, while the European Bank for Reconstruction and Development (EBRD) also holds a 25% stake. Komercijalna Banka is a popular choice for investors because it’s a successful company, its shares are affordable, and because it’s a stable investment as it is partly state-owned. The total value of Komercijalna Banka on the Belgrade Stock Exchange is roughly RSD 20 billion.

Machines and Apparatus Sector

Source: Ekonomist Magazin

High Starting Point

Ten companies from this industry that qualified for the Top 300 leading enterprises have recorded combined revenues of about €382 million, which is almost 55% higher than 2006.

Among the 300 largest enterprises in Serbia in 2007, there are ten companies from the sector of production of other machines and devices. This sectors' share in the physical volume of industrial production amounts to about 2% and almost 6.5% of the total exports. Observed at the level of the entire sector, annual exports from the branch amount to about €400 million, with a growth rate of about 44% yearly.

Ten companies from this industry that qualified for the Top 300 leading enterprises have recorded combined revenues of about €382 million, which is almost 55% higher than in 2006. The first two companies that appear on the list of producers of other machines and devices for the first time are Utva Silosi and Gorenje, which recorded revenues of about €52 million and EBITDA margin higher than 2%.

Revenues growth that is 7.5 times higher than 2006, was recorded by the Factory of Cooling Devices Gorenje, with a daily production of about 2,000 devices. Besides construction of the Factory of Cooling Devices in Valjevo, which started production at the end of 2006, Gorenje continued with further Greenfield investments, constructing a factory of water heaters in Stara Pazova in 2007, which confirmed the significance of such investments for Serbia. Another company that stands with significant growth of operating revenues (over 60%) compared to 2006, is Galeb Group, the first registered private enterprise in the territory of the former SFRY, which recorded revenues of about €29 million and a high EBITDA margin in the sector of 14%.

As the most profitable company in the sector, we can mention Alfa-Plam with the highest EBITDA margin of almost 15%. This enterprise is one of the biggest manufacturers of heating devices in Serbia, with an annual production of almost 200,000 units. The enterprise that recorded the highest negative EBITDA margin in the sector (20%) is ATB Sever. This company, as a member of the business system ATB Austria and A-Tec Industries AG Group, deals with the production of all kinds of electrical motors and generators. Companies that have qualified for the list of the 300 leading exporters in Serbia in 2007 are Prvi Partizan (with export volume of about €20.6 million), which holds 24th place,



Alfa-Plam (with export volume of about €19 million), which holds 27th place, and ATB Sever (with export volume of almost €17 million), which is the 30th in the list. Having in mind that a characteristic of this sector is a high foreign trade deficit (almost a billion Euros), growth in production will enable a reduction of export dependence for domestic producers, and will create opportunities for increased exports, since part of the program of these branches is very attractive for export.

Machines and Apparatus Sector (in EUR 000)

Rank	Company	Operating revenues 2007	Operating revenues 2006	Growth of Operating revenues	Number of employees 2007	EBITDA 2007	EBITDA margin 2007
1	Utva Silosi	52,539	44,742	17.4%	270	1,352	2.6%
2	Gorenje	52,362	7,002	647.9%	593	1,215	2.3%
3	Kolubara Metal	50,730	37,925	33.8%	2,765	-1,174	-2.3%
4	ATB Sever	37,897	30,709	23.4%	1,607	-7,765	-20.5%
5	Alfa-Plam	37,316	36,452	2.4%	947	5,491	14.7%
6	Livnica Kikinda Automobilska Industrija	33,077	0	0	552	-4,346	-13.1%
7	Fresenius Medical Care Srbija	32,239	24,281	32.8%	275	4,273	13.3%
8	Gosa Fabrika Opreme i Masina	30,772	27,512	11.9%	1,086	1,368	4.4%
9	Galeb-Group	28,702	17,743	61.8%	830	4,034	14.1%
10	Prvi Partizan	26,898	21,984	22.4%	800	1,678	6.2%

Mr. Vladimir Ilic, Director,
National Employment Service

The National Employment Service is a modern, public service that offers financial and other assistance to businesses and unemployed persons in Serbia. NSZ was founded in 1921 and it encompasses its headquarters, 2 regional offices, 34 branch offices, and over 120 sub-branch offices throughout the country.

In your opinion, how successful is the government in providing assistance to business to help them employ more people?

NSZ offers financial and non-financial assistance to help increase employment: We offer financial grants to businesses for each new job created, for start-up enterprises, for businesses which employ apprentices, and reimburse employers for salaries paid to employees engaged on public-sector projects. NSZ also helps unemployed persons by assisting them in their job search and by helping them develop the skills and knowledge needed for today's jobs. We also offer special programs to encourage businesses to employ people under the age of 30, people over the age of 45, and people with disabilities. Our budget for 2009 is RSD 3.5 million.

How does the NSZ encourage businesses to employ more people? Is there enough funding for everyone?

NSZ provides financial grants ranging from RSD 80,000 to RSD 160,000 for each new job created with the amount depending on the level of development of the region where the employer is located. In this way, we focus our efforts on improving employment in the regions which need it most. We have a budget of RSD 400 million for this



2009, which is not a great percentage of our total budget, but it's important to direct assistance to those who are at the greatest risk during this crisis, i.e. to people under 30 or over 45.

Of all the measures offered by the government to increase employment, which do you consider to be the most successful and why?

The First Chance (Prva sansa) program, which is aimed at increasing employment in the youngest segment of the population, the public works program, and the program for the creation of new jobs can be considered the most successful. First Chance provides training to young people to help them land their first job while also helping employers finance and organize training programs for these new employees. NSZ also reimburses companies for salaries paid to young people or apprentices. The public works program aims to employ segments of the population that are at the greatest risk while providing useful labor for beneficial public works projects. The program for the creation of new jobs encourages

businesses to employ more people by providing grants, while at the same time offering the greatest reimbursement for jobs created in lesser-developed regions.

What are the biggest problems faced by businesses looking to hire new employees?

That has to be the selection and expertise of people who would work for them. Employers today have higher standards for people they look to hire – knowledge of how to use a computer, knowledge of foreign languages, as well as skills specific to their job or sector. Employers who solicit our assistance usually ask for people with specific skill-sets or specific backgrounds in engineering, pharmacy, architecture, or foreign languages. There aren't enough people to satisfy these specific demands. At the same time, we also have too many unemployed people registered with NSZ with skill-sets for which there is very little demand. This demonstrates a clear disconnect between our educational system and the demands of the job market in Serbia.

Crisis and Entrepreneurship

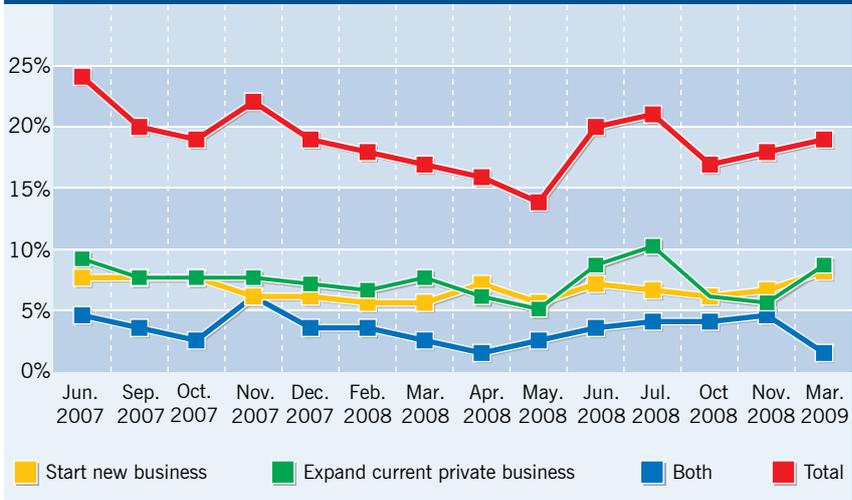
At the end of March, 2009, TNS Medium Gallup interviewed face-to-face a sample of 1018 people representative of the Serbian adult population. The study examined how the crisis has impacted peoples' will to engage in or expand private enterprise as well as to pinpoint the reason for these changes.

According to the poll conducted in 2009, more than two thirds of Serbian citizens have no plans in private business. Every tenth respondent plans to start or expand a business, while 2% plan on doing both.

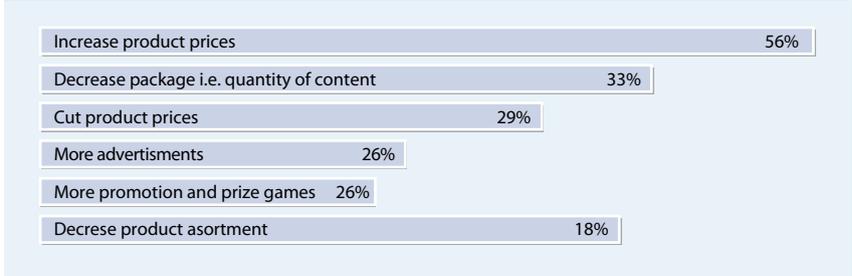
The total percentage of respondents who plan on undertaking some kind of private business initiative is around 20%, most of who plan to expand their current, private business. The trend over the past two years has fluctuated with longer dips and shorter rises. From late 2007 until mid-2008, we see an overall decrease with a slight increase towards the beginning of summer, 2008. Given recent results, it seems as though the current economic crisis has not impacted private initiative.

Roughly two thirds of our citizens do not have any private

In the following year, do you plan on starting a private business or expand a private a business if you already have one?



Consumers believe producers will increase prices



business plans because they do not view it, as worthwhile in light of current economic conditions. Many also believe that there is a lack of talent and competency needed for such an undertaking

Interest rates, the crisis, and inflation are also frequently given

as reasons for not engaging in private business, demonstrating that the crisis is in fact blocking private enterprise and forcing people to play 'the waiting game.'



Source: TNS Medium Gallup



The Other Home

Anastasija Akimova, SIEPA

The first thing I noticed in people is their positive emotion, which I immediately shared with my family and friends in the Ukraine. When I met the people in Belgrade and saw their friendly smiles, I knew that I had no reason to worry about my stay in Belgrade. People here have been supportive in every step of the way, from helping me get settled to providing me emotional support. People here don't make each other feel uncomfortable, and they go out of their way to make others feel confident and happy. Guests in Serbia are very lucky people!

It's pleasant to see the friendly smiles in the streets, in shops, and everywhere else. I appreciate how Serbia keeps its national traditions and how its people think independently and don't want to make their minds globalized. Thank you for inviting me! I wish you never lose your open hearts! It seems impossible to happen!

Belgrade

June 26, 2009
Simply Red – Concert

The popular British band will visit Belgrade at the end of the month to perform on the historic Kalemegdan citadel. Simply Red will come to Serbia as part of their tour to promote their greatest hits album, Simply Red 25: The Greatest Hits, before they retire in 2010. The last time the band visited Serbia in 2006, the band rocked a full house at Pionir Hall. Come see Simply Red for what will likely be their last ever visit to Serbia. More info: www.simplyred.com

May 26 - June 30, 2009
Dali and the Magic of Illustration – Art Exhibition

Instituto Cervantes and the Gallery of Contemporary Art of Nis will team to present this exhibition of 18 illustrations, sculptures, and books signed by Salvador Dali, one of the greatest artists of the 20th century. The exhibition will be held at the Instituto

Cervantes in Belgrade from May, 26th until June 14th before moving to the Gallery of Contemporary Art in Nis from June 16th until June 30th. More info: www.exitfest.org

June 1 – June 21, 2009
Palic – Subotica
Etnofest – Ethnic Festival

The sixth annual EtnoFest in northern Serbia will bring together artists of various creative outlets to celebrate the creativity and innovation in music that brings us together. Visitors will have the opportunity to hear renowned musicians from across the world as well as to enjoy numerous exhibitions, workshops, food and drink tasting. The festival will take place across numerous locations in Palic and Subotica. More info: www.etnofest.org

Novi Sad

6 June – 14 June, 2009
Cinema City – Film Festival

Vojvodina's capital city will host the 2nd annual international film and media festival from early to mid-June. For 8 days, all of Novi Sad will be consumed by this festival which will air 135 different films in over 20 locations throughout the city. Production houses from Serbia and abroad will be showcased at the event, which will also feature music and academic segments. More info: www.cinemacity.org

Must See

Fruska Gora National Park

Breathtaking scenery, an enormous selection of beautiful trails, and historic churches and monasteries are all along the paths of this national park which covers an area of over 25 square kilometers and is situated just minutes away from Novi Sad. Fruska Gora is also home to numerous protected, rare, and endangered species which can be found in the various valleys, pastures, fields, vineyards, and orchards which cover the park. More info: www.npfruskagora.co.rs



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