

WHAT G-MINT PREPARES

No. 8, December 2008

Special Edition of
SURVEY – REPUBLIC OF SERBIA

Public Agency *Yugoslav Survey*

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Dear Users,

This issue will not include many of the expected pieces of information of big concern to all of you who have business and other interests in Serbia. As you know, in the last two issues, we announced the adoption of many new laws and amendments to the existing ones, as well as other Government measures in connection with the financial crisis and accelerated European course.

The adoption of new laws and amendments to the existing ones is going on very sluggishly, not only because of the obstructions being made at the National Assembly, but also because of the Government's low capacity and slow reconciliation within the coalition (social policy, budget...), despite the high consensus reached about the European agenda and cooperation with the Hague Tribunal.

We believe that in the next issue or the last one in 2008, we will be able to make many new and more reliable announcements and disclose undisputable facts of importance for life and business in 2008, which will have nothing to do with the good pre-holiday disposition.

With best regards,
SURVEY-RS Editors

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2009 BUDGET APPROX. € 8.6 BILLION

According to the Draft Budget which was adopted by the Serbian Government on 6 December, the total 2009 budgetary revenues will amount to CSD 698.7 billion and the expenditures to CSD 748.3 billion (approx. € 8.6 billion). The budgetary deficit will amount to about CSD 50 billion or about 1.5% of the GDP. The Budget should be adopted by the National Assembly by 18 December 2008, i.e., at least a day before the IMF decides on the arrangement with Serbia, which was concluded in mid-November and which, among other things, also makes provisions for US\$ 520 million credit support in 2009.

	CSD bln.	Structure, %	Growth rate, % (2008 =100)
Total revenues	698.7	100.0	7.5
<i>Fiscal revenues</i>	640.1	91.6	5.6
Individual income tax	81.3	11.6	7.0
Corporation profit tax	44.3	6.3	22.8
Value-added tax	338.8	48.5	7.3
Excise tax	116.8	16.7	14.2
Customs duties	50.8	7.3	-27.9
Other fiscal revenues	8.1	1.2	36.7
<i>Non-fiscal revenues</i>	58.6	8.4	34.1
Total expenditures	748.3	100.0	7.5
<i>Current expenditures</i>	686.5	91.7	11.6
Expenditures on the employed	188.4	25.2	6.1
Goods & services purchasing	45.8	6.1	-0.2
Debt servicing	24.0	3.2	46.0
Subsidies	41.0	5.5	-15.4
Transfers to other gvt. levels	73.6	9.8	6.9
Social security	233.3	31.2	30.4
Public welfare	72.0	9.6	5.7
Other expenditures	8.4	1.1	-23.9
<i>Capital expenditures</i>	40.4	5.4	-31.5
<i>Net budgetary borrowing</i>	21.5	2.9	-1.8

■ THIRD TENDER FOR RTB BOR

After two failures, tenders were invited for the third time in late November 2008 for the sale of RTB Bor (Bor Copper Mines and Smelters). The purpose of this is to find a strategic partner who should acquire 67% of the company's equity on the basis of recapitalisation. The minimum amount of recapitalisation for the acquisition of 67% of equity in the new enterprise is US\$ 300 million. (Detailed information about RTB Bor is accessible at: http://www.priv.rs/pregled_preduzeca/pdf/teaser387.pdf)

The tender may be submitted by any tenderer who satisfy the following requirements cumulatively:

- That it has been engaged in the production and/or processing and/or trading of copper or copper or other non-ferrous metal products in the

three years preceding the publication of this Invitation to tender, and

- That its 2007 revenues were greater than US\$ 500 million.

If the interested tenderer is a consortium, it has to satisfy cumulatively a set of requirements stated in the invitation to tender.

The deadline for submitting tenders is 30 January 2009. Tenders will be considered subject to the submission of US\$ 15 million bid bonds.

■ ENERGY AGREEMENT WITH RUSSIA – LAST ROUND

Following the visit of the chairman of the Gazprom Board of Directors, Alexei Miller, and Prime Minister Putin's delegate, Georgie Poltachenko, to Belgrade on 5 December 2008, it seems that the oil and gas arrangement will at long last acquire the form of an agreement. →

The Serbian side stated that significant progress has been made and the Russian one, that everything will be dealt with after some contractual details have been reconciled, without saying anything about such details. The only thing that appears to be certain is that the agreements will be signed by the end of the year.

■ *INVESTMENTS IN INFRASTRUCTURE*

The Minister of Infrastructure, Milutin Mrkonjić, said that in the next four years, the Serbian Government is going to invest € 4 billion in the Corridor X projects and € 1.6 billion in the construction of motorways. International loans are going to cover the best portion of such investments. With the completion of the Corridor X projects, the net foreign exchange inflow will be doubled in two and a half years.

The Minister also said that € 1.21 billion will be invested in the railway section of this corridor in the next four years, so that some stretches will be fit for speeds up to 160 km/h and the Belgrade, Novi Sad and Niš junctions will be completed.

■ *INVESTMENTS IN POWER SOURCES*

The Minister of Mines and Power Sources, Petar Škundrić, said in late October that tenders should be invited by the end of the year for completion of the Kolubara B Thermal Power Station (valued at € 750 million) and Nikola Tesla 3B Thermal Power Station (valued at € 900 million).

As for the hydroelectric power stations, the biggest investment will be the capital overhaul of the Đerdap Hydroelectric Power Station and a joint engineering enterprise should be established with the Republika Srpska by the end of the year, when preparations for construction of the Buk Bijela Hydroelectric Station on the River Drina should be started – said Škundrić.

By the year 2015, the number of households connected to the gas supply system should reach 400,000 and gas consumption should be increased

from 2.4 to 3.4 billion cubic metres. In Serbia, gas is used by only about 700 industrial consumers and 170,000 households.

■ *MORE THAN € 10 MILLION FOR INDUSTRIAL ZONES*

The Ministry of Economy and Regional Development and the World Bank Office are going to present in December the industrial park development strategy based on an analysis of the demand for land suitable for construction of industrial facilities.

Besides the World Bank Advisory Service and the Ministry of Economy and Regional Development, the following are also taking part in working out that strategy: Serbia Investment and Export Promotion Agency, Serbia Investment Promotion Programme), which is financed by EU funds, United States Agency for International Development, National Alliance for Local Development and Permanent Conference of Cities and Municipalities.

The State Secretary of the Ministry of Economy and Regional Development, Dejan Jovanović, said on this occasion in Kragujevac that about SCD 1 billion or more than € 10 million originating from the National Investment Plan have been invested in the equipping of 29 industrial zones in Serbia.

Jovanović announced that a law and rules dealing with the operation of industrial zones are being drafted, because the unsettled proprietary relations in that area are posing a big problem. In Central Serbia alone, approximately SCD 200 million or about € 2.2 million are being invested in the industrial zones of the Ministry of Economy and Regional development, government administration and local self-government units, mostly in connection with the FIAT investment in Zastava.

■ *EBRD ABOUT TRANSITION – A BETTER GRADE FOR SERBIA*

The European Bank for Reconstruction and Development reported towards the end of November 2008 that Serbia has improved its grade for progress in

transition from 2.7 to 2.85 thanks to the improvement of its financial sector and trade deregulation.

In the EBRD 2008 Report on Transition, it was stated that „Serbia has made considerable progress in the direction of regional and European integrations” and that „also big progress has been made in the negotiations with the World Trade Organisation, so that it could become a WTO member in 2009”.

■ *€ 1 BILLION FROM EIB*

The European Investment Bank is going to finance infrastructure projects, expansion of entrepreneurship and upgrading of public health in Serbia to the tune of about € 1 billion. These funds will be drawn from 2009 to 2012.

The EIB President, Philippe Maystadt, is going to pay a visit to Serbia on 12 December, when new details will be disclosed and it is possible that also additional funds might be offered on that occasion.

■ *NEW ENTERPRISE FOR CORRIDOR X*

The National Infrastructure Council has decided to establish a special public enterprise, Corridor X Ltd., as a subsidiary of the Putevi Srbije (Serbia Roads) state enterprise. It will be established for a limited period of time, i.e., for the duration of the Corridor X construction.

The new enterprise for the mentioned business is to be formed in order to evade the possible problems of the Putevi Srbije is having in consequence of its heavy indebtedness.

■ *DRAFT PUBLIC PROPERTY LAW SOON*

The State Secretary of the Serbian Ministry of Finance, Slobodan Ilić, said in late October 2008 that the public debate about the Draft Public Property Law has been completed and that it will be adopted by the Serbian Government by the end of 2008.

The Public Property Law will deal with the proprietary rights of state, autonomous province, local self-government

units and public enterprises and establishments in accordance with the Serbian Constitution. This law should make it possible for local self-government units to take loans and issue municipal bonds. (This is not prohibited at present, but it has not been regulated so far).

This draft provides for the existence of two fundamental forms of property - public and private - and certain property of public interest, such as railways, roads and various kinds of networks (oil, gas and water supply and sewers), can be owned only by the state, province, cities or municipalities, which will also be able to have private property, like other legal entities and individuals.

According to this draft, the state will be the exclusive owner of natural resources in its entire territory and such property is to be managed by enterprises established for such purposes or on the basis of awarded concessions.

In most cases, the property in relation to which ownership has been established will remain in possession of the party to which it belongs, because under previous laws, assets were not confiscated, but only the ownership right instead.

■ *QUICKER ADOPTION OF SPATIAL DEVELOPMENT PLANS*

The Assistant Minister of the Environment and Spatial Planning, Nebojša Janjić, said on 24 November 2008 that this ministry will finish the first version of draft amendments to the Planning and Construction Law.

Janjić said that the proposals and suggestions for amending that law are to do mostly with simplification and shortening of procedures and decentralisation of the procedure for the enactment of spatial development plans.

The Chairman of the Executive Board of the Serbian Chamber of Engineers Head Section of Planners, Nebojša Stefanović, said that it would be necessary for the kinds of plan-related documents to be redefined by introducing a new spatial development plan, explaining the professional checking procedure and decentralising the planning

system. Stefanović said that the amendments to the Law should contribute to quicker and simpler adoption of plans, to their being comprehensive and easily applicable, so that citizens could benefit from them.

■ *PUBLIC AND PRIVATE SECTOR PARTNERSHIP*

The Economic and Financial Advisor to the Serbian Deputy Prime Minister, Goran Radosavljević, said that the working version of the Private and Public Sector Partnership Law has been drafted and that he expects this law to be adopted in the first quarter of next year.

The existing Concessions Law, Local Self-government Law and other laws allows the business of general concern to be conducted also by private partners, but they don't regulate this area sufficiently, particularly with regard to the duties of and the way in which the partnerships should be established, which represents a major legal insecurity for investors.

He said that in Serbia, such partnerships are established mostly in the sectors of public utilities and local water works and added that also amendments to the Concessions Law are being drafted, with a view to resolving also the problems in the field of concessions on the global level, as well as to dealing with the problems of private and public sector partnerships.

■ *ACTION PLAN FOR EXPANSION OF TELECOMMUNICATIONS*

The public debate about the Action Plan for Expansion of the Telecommunications Market, which should set the steps to be taken towards expansion of telecommunications in Serbia in the next two years, began in late November 2008.

The Serbian Minister of Telecommunications and Information Society, Jasna Matic, said recently that the first session of the Serbian Government without printed documents is going to be held in March 2009.

The regulations for introduction of the CDMA and WiMax technologies, which provide for good provision of Internet services and fixed telephony, will be enacted by the end of 2008 and the preparation of plans for transition to digital television in Serbia will be started in December.

■ *SEVEN NEW LAWS FROM THE MINISTRY OF LOCAL SELF-GOVERNMENT*

Towards the end of October 2008, the Minister of Government Administration and Local Self-government, Milan Marković, said that his ministry is preparing seven laws, which are in different stages of drafting at present.

The Draft Associations Law, which has been put in the Assembly adoption procedure, provides for a reduction of the number of persons necessary for founding associations, from ten competent individuals or legal entities at present, to three. The Draft Registries Law, which has been approved by the Serbian Government, provides for the issuance of registry certificates whose validity is not limited to six months and citizens will be able to obtain certificates in any municipality. The Government has also prepared the Draft Law Amending the Civil Servants Law.

The Municipal Police Law, State Election Commission Law, Local Elections Law and Political Parties Law are still being drafted.

In his statement made to the Tanjug agency, Marković said that the planned amendments to the Local Elections Law are intended to provide for introduction of the majority election system and for the proportionate system to be applicable to the distribution of seats, which would encourage the parties to nominate persons in whom citizens have confidence. The votes won at elections are to be allocated in accordance with D'Onofre system, where parties have to see to the seats being given to the persons who had won the largest number of votes.

Following the adoption of the laws dealing with local elections, state elec-

tion commission, political parties and voters' registers, the election system is planned to be changed on the republic level in accordance with the model for the local level.

The Political Parties Law is going to provide for an increase in the number of signatures required for the establishment of political parties, from 100 at present to 5000, re-registration of parties within six months and re-entry in the register at eight-year intervals.

■ *LAW ON THE PREVENTION OF HARASSMENT AT WORK*

The State Secretary of the Ministry of Labour and Social Policy, Snežana Lakićević-Stojačić, said that harassment (mobbing) at work is not something sporadic, which is why it was decided to deal with this matter by a special law. According to her, more than 60% of Serbian citizens fear more the loss of job than loss of health, which was a serious warning that things should be made easier for people and that they should be provided with institutional protection in the period of transition, which is lasting a long time.

The public debate about the Draft Law on the Prevention of Harassment at Work lasted until mid-November.

■ *AMENDMENTS TO THE COLLECTIVE AGREEMENT*

According to the new Annex to the General Collective Agreement, each employed person should receive about CSD 7,200 or about € 70 a month in addition to his/her wage, as of 1 January

2009. Of that amount, about CSD 5,100 is meal allowance and about CSD 2,100, holiday subsidy. Judging by the employers' response, this agreement can hardly be implemented. In the first place, the Government is not going to apply it to the government administration employees, which will be a good signal also to the private employers.

About 400,000 workers are paid the minimum wages amounting to CSD 13,500, while the next 400,000 are receiving just a little more than that.

■ *ELECTRONIC TRADING LAW IN EARLY 2009*

The State Secretary of the Ministry of Trade and Services, Ljubiša Dimitrijević, said that the Electronic Trading Law is going to be adopted in the first quarter of 2009. The participants of a conference on this subject, which was held in mid-November 2008, were in agreement that the Electronic Trading Law needs certain modifications and they said that they expect that the recommendation for amendments to that document will be taken into consideration.

■ *NEW OBLIGATORY INSURANCE LAW*

The debate about the draft law on the insurance of motor vehicles, insurance in air transport and insurance of vessels has begun. The new law should also deal with the problem of the Guarantee Fund, which is burdened by old commitments. The standing Obligatory Insurance Law was adopted in 1991 and

the new one is expected to be adopted in the next few years.

■ *REGULATION ON SUPPLEMENTARY AND PRIVATE HEALTH INSURANCE*

At its session of 20 November 2008, the Serbian Government adopted the Regulation on Optional Health Insurance, which makes provisions for parallel supplementary and private health insurance. The Minister of Public Health, Tomica Milosavljević, said that subject to the licence issued by the National Bank of Serbia, private insurance companies will be able to offer insurance packages relating to parallel supplementary and private insurance, which also goes for the Republic Health Insurance Office.

Together with the Rules of Supplementary Work, which will be published in the Official Gazette this week, this regulation will set a new mode of determining the field of supplementary optional services in the Serbian public health system.

■ *LAW FOR THE INVISIBLE*

The Serbian Minister of Human and Minority Rights, Svetozar Čiplić, said in late November that the Law on Recognition of Legal Personality, dealing with the status of refugees and other persons having no personal documents, should be adopted in the first quarter of 2009.

He announced that the persons who have been "legally invisible" will be able to enjoy all of the rights guaranteed to them by the state very soon and effectively.

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