

WHAT G-MNT PREPARES

No. 12, July 2009

Special Edition of
SURVEY – REPUBLIC OF SERBIA

Public Agency *Yugoslav Survey*

Phone: + 381 11 3233610

info@pregled-rs.rs • www.pregled-rs.rs

Dear Users,

There are less and less news about new tenders and new investments and more and more about the new measures towards alleviating the aftermath of the financial crisis. The Government is now able to relax a little thanks to the favourable decisions taken by European institutions to give support to Serbian requests for the abolishment of visas and the increasing number of statements made by the EU officials to the effect that Serbia is making good progress in the association procedure.

The Government is drafting hastily a programme of measures which it is going to address to the IMF, together with new requests, in late August. According to the announcements made by government officials, it is expected that the IMF is going to accept the additional deficit financing. The proverbially cautious bankers and big investors are, nevertheless, showing reluctance with regard to new arrangements.

September will in any case be a kind of big temptation for the Government, both because of the outcome of negotiations and checking whether further decline is going to be arrested and whether the social tensions can be put under control.

With best regards,
SURVEY-RS Editors

■ GOVERNMENT REQUESTING CHANGES IN STANDBY ARRANGEMENT

Less than two months after the making of this year's standby arrangement with the IMF, the Serbian Government officials have stated that changes are going to be requested, including in the first place an increase of the budgetary deficit from 3% to about 4.5% of the GDP. The aggravation of the output crisis and declining exports and imports prevented the budgetary inflow from reaching the necessary level and made it impossible to meet the obligations to the

budgetary beneficiaries in the first half of the year, when the deficit reached about RSD 45 billion, although it was planned to be almost twice lower. The Government is expecting that full understanding will be shown for these changes, since the majority of European countries are registering an even greater GDP decline and running relatively higher budgetary deficits. As a compensation for risen deficit, a package of reforms which would also provide for lasting sustainability of fiscal policy is going to be offered at the negotiations with the IMF which should take place in August.

DISPUTES OVER THE CONSTRUCTION LAW

The energetic announcements made to the effect that the National Assembly will adopt a new law dealing with spatial development and construction before the summer break became incredible in the light of the fact that its draft was not put on the agenda of the Government session scheduled for 2 July. A heated dispute arose over a provision which would alter very much the status and rights of the earlier investors who had purchased enterprises in the privatisation procedure. So far, they were able to convert the the unoccupied space on urban land used by enterprises into building land, without paying the market price for it and thereby make enormous profit. → (page 2)

At the same address www.pregled-rs.rs:

- [Laws in English On-line](#)
- [Banking Regulations](#)
- [FIDIC Publications](#)

Serbia has drawn in May the first instalment of € 788 million of the projected total of € 2.942 billion IMF credit for this and next year.

■ A GUILLOTINE FOR REGULATIONS

Proposals for the reform of Serbian regulations can be submitted until 15 July 2009. (Proposals may be sent to the following address: <http://www.srp.gov.rs/srp/KO/Giljotina.asp>).

For the purpose of simplifying the regulatory framework, the Serbian Government has adopted the Regulatory Reform Strategy for the 2008 – 2011 Period. All-inclusive Regulation Reforms (ARR) are expected to be conducted in the course of 2009. The Government has established the ARR Conducting Unit, the duty of which will be to identify the proposals and carry out the procedures for the rescision or simplification of the existing regulations.

■ FIRST AGREEMENT IN THE SCOPE OF THE HELLENIC PLAN

The Serbian Minister of Telecommunications and Information Society, Jasna Matić, has signed the first of the three agreements on the SEELight Project management services on 3 June in Belgrade. → (page 2)

ASSEMBLY TO ADOPT EIGHT NEW LAWS

(page 3)

→ (continuation from p. 1) Quite often, that was also the sole motivation for buying enterprises. The biggest dispute is under way with the new owners of the Danube Port of Belgrade, who are of the opinion that by purchasing the Port, they had also acquired the right to use about 200 hectares of urban land and build residential and office buildings combined on it.

The new provision entails prior payment of the full price of urban land, if the buyers of enterprises want to build residential/office buildings on it or change the purpose of land. Another important change should have been made by the provision according to which investors would acquire the title to urban land after paying the market price for it, which has been made possible with the adoption of the new Serbian Constitution in 2006. As things are at present, investors can only take up to 99-year leases on urban land.

→ (continuation from p. 1) The SEELight Project provides for upgrading of the computer network of the academic institutions of Serbia and their linking with other Balkan countries in the scope of the Hellenic Plan.

This is the first agreement to be signed by our country in the scope of the Hellenic Plan and the selected contractors are the Greek Research and Technology Network (GRNET) and the Belgrade Faculty of Electrical Engineering. This project also makes provisions for the leasing of optical transmission systems in the duration of 15 years, as well as for the procurement of appropriate equipment, whereby it will be provided for good operation of the academic network in Serbia.

The whole project (all three agreements) is valued at € 6,125,842 and it will be financed by the Hellenic Plan (€ 4,900,673 or 80%) and the Republic of Serbia (€ 1,225,169 or 20%).

■ *FIRST LICENCES FOR RAILWAYS*

The Railways Authority has issued the first three licences for the use of railway tracks. The licence holders will not be able to start operating before the Government adopts the terms of and tariffs for the use of tracks, at the recommendation of the Ministry of Infrastructure. According to law, licences may be issued only to domestic and foreign legal entities registered in Serbia. Licences may be issued to companies from other countries only on the basis of bilateral agreements with the latter.

The experience of other countries in which private operators have been introduced shows that national railways have not stopped being the main ones and that nothing bad has happened to them because of the introduction of private operators.

That will also be the case with the Corridor X passing through Serbia, because the assortment of transport services will be expanded with the introduction of the ones which are not being provided by the Serbian Railways at present.

■ *APPROX. € 22 MILLION FOR ROLLING STOCK MAINTENANCE AND PRODUCTION*

It has been announced by the Ministry of Economy that approximately RSD 2.1 billion are going to be allocated to the rolling stock production and maintenance sector, which consists of eight plants employing about 2300 workers. Altogether 109 coaches, 500 wagons and 12 locomotives are going to be overhauled and also 100 new wagons are going to be procured. The whole project should be completed within the first six months of the year 2010.

The Serbian Railways have only 150 coaches available for passenger transport every day, while they actually need 235 in order to run things according to schedule. The coaches are more than 28 years old on average.

The situation is even worse in the cargo transport segment. Namely, in order to satisfy the transport needs of industries, the Serbian Railways would need to have about 5500 wagons at their disposal, while they actually have about 3500. More than 40% of wagons are older than 30 years.

■ *MORE THAN € 10 MILLION FOR THE MILITARY INDUSTRY*

It was announced by the Ministry of Economy in early July that the Government is going to provide about RSD 1 billion (about € 10.5 million) for the military industry in the next two years in the form of credits on very favourable terms. In the

scope of that programme of support to the military industry, the Government is going to subsidise interest to the tune of about RSD 100 million from the budget in the next two years. The formula for subsidised Dinar credits was devised by the Government: NBS reference interest rate (13% at present) less 3.5%. The Government is going to support the exporting transactions of eight military industry enterprises and the whole project is going to be managed by Jugoimport SDPR public enterprise. According to the Ministry of Economy, this credit will secure jobs for about 9000 workers. Thanks to the investments made over the last two years and return to some of its traditional markets, the military industry has managed to export products to the value of approximately US\$ 400 million over the last two years.

■ *APPROX. € 44 MILLION FOR START-UP LOANS*

Ten thousand people will be able to get jobs this year thanks to the implementation of the Start-up Business Loan Programme of the Ministry of Economy, which has just been completed for the year 2009. About 3000 start-up loans amounting to RSD 4.1 billion (approx. € 44 million) were extended in two rounds in 2009, which is as much as was allocated from the Serbian Budget for this kind of support to entrepreneurs. The smallest start-up loan without mortgage amounted to RSD 500,000 and the biggest, RSD 1.3 million. The loan repayment term is five years, with a one-year grace period, the interest rate being 1% p.a.

The majority of loans extended to the entrepreneurs were to do with the opening of handicraft shops, while the majority of those extended to legal entities were to do with food production. The rest of these loans went to the prospective founders of firms for metalworking and production of metal products, chemical and textile products, woodworking, tourism, education, production of machines, electrical and optical appliances, etc.

In 2009, 722 start-up loans were extended to young people under 25 years of age and 1136 to people 26 to 40 years old.

Besides the Government, regulations (decisions, instructions and the like) are recommended or enacted independently by 70 other entities – 24 ministries and 46

agencies, commissions and other regulatory bodies (directorates, funds, associations...).

■ *SRBIJAGAS AND GASPROMET PALE TOGETHER*

The Minister of Industry, Power Sources and Mining of the Republika Srpska (Serb Republic), Slobodan Puhac, and the Serbian Minister of Power Sources and Mining, Petar Škundrić, signed in Banja Luka on 26 June the Memorandum of Understanding Concerning the Proprietary Relations between Srbijagas public enterprise of Novi Sad and Gaspromet a.d. of Pale (Republika Srpska).

- We have created the legal framework for the unification of our resources in the best possible way. Following the signature of this Memorandum, the Gaspromet and Srbijagas companies will have the legal framework necessary for the establishment of a joint company for more efficient implementation of the South Stream gas pipeline – said Minister Škundrić on that occasion.

The Serbian Government press service stated on this occasion that the signature

of this Memorandum means the start up of a process which is fully in keeping with the European Union principles and policies concerning the regional and European linking in the field of power sources.

■ *A LAW AGAINST LAWS*

The State Secretary of the Ministry of Justice, Slobodan Homen, announced at the beginning of July the adoption of a law which will make it possible to remove the secrecy mark from about 400 Serbian laws and regulations in which the secrecy of some data is referred to. Many provisions of and data in the regulations of various entities were proclaimed secret in order to cover up facts of public concern. That was exploited particularly in the public procurement procedures in order to cover up irregularities and abuses.

This law should be adopted in the course of July, but it will not come into effect before 1 January 2010, in order to make it possible to find out whether it would be justifiable for some regulations to contain secret data and provisions.

EIGHT NEW LAWS

In late June, we witnessed the end of the debate about eight new laws, including also the long awaited Law on the Protection of Competition, which should give additional authorisations to the corresponding Commission, and the Electronic Document Law, which should facilitate and speed up business operations and administration. If the Government secures the majority for the first of the laws mentioned below, all of them should be adopted on 8 July. These laws are:

1. Regional Development Law
2. Law on the Protection of Competition
3. Government Aid Law
4. Law amending the Investment Fund Law
5. Obligatory Transport Insurance Law
6. Draft Association Law
7. Municipal Police Law
8. Electronic Document Law

The MPs of the Muslim-Bosniac parties from Raška District (Sandžak) have announced that they will not vote for the Regional Development Law, if all municipalities with Muslim-Bosniac majority are not put in the same district.

CONTENTS OF PREVIOUS ISSUE

ECONOMIC POLICY MEMORANDUM FOR 2010, 2011 AND 2012 ADOPTED ■ IN FIVE MONTHS ADOPTED MORE LAWS THAN IN TWO YEARS ■ NOTHING NEW ABOUT TAXES ■ NEW LAW ON SPATIAL PLANNING AND CONSTRUCTION TO BE ADOPTED SOON ■ SOON JOINT COMPANY FOR CONSTRUCTION OF SOUTHERN STREAM ■ MEDIA FINANCIAL ASSISTANCE ANNOUNCED ■ RUSSIANS SEEK HIGHER PRICE OF OIL PROCESSING ■ ADOPTION OF REGIONAL DEVELOPMENT LAW ANNOUNCED ■ NEW SET OF LAWS OF THE MINISTRY OF JUSTICE ■ NEW LAW ON ASSOCIATIONS ■ LAWS ADOPTED BY THE SERBIAN ASSEMBLY IN APRIL AND MAY 2009