

PRIJEPOLJE

NEW BUSINESS CHALLENGE

Investment
Guide
2009



www.opstinaprijepolje.rs

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- Democratic country with the fastest reforms according to the World Bank 2006 Report
- Geo-strategic location: Southeastern Europe, on the crossroads of Corridor 7 (the Danube) and Corridor 10 (Highway)
- Macroeconomic stability: inflation rate under 10 % and a constant GDP growth
- Low cost qualified labor and workforce with foreign language skills
- Custom-free access to markets in Southeastern Europe and Russia, comprising a total of 210 million consumers
- Preferential trade status with the USA and the EU
- Lowest profit tax rate in Europe: 10 %
- Lowest VAT rate in the region: 8 to 18 %
- 10 years of tax exemption for major investments
- Tax credits between 20 and 80 % of the fixed assets investment
- Tax and financial incentives for increase in employment
- Tax-free import of raw material, semi-product and component
- Privatization as an investment opportunity

December, 2008.



CHOOSE PRIJEPOLJE!

MEET PRIJEPOLJE

- Excellent location: tri-border area - Serbia, Montenegro and Bosnia and Herzegovina
- Access to 12,5 million consumers in three countries
- Proximity of Belgrade-Podgorica main road and Belgrade-Bar railway
- Rich natural resources: forests, water, agricultural land, ore
- Tourist potential: rafting, country tourism, monasteries and churches
- Greenfield investment opportunities in the Industrial zone
- Brownfield investment opportunities
- Labor and workforce costs lower than Serbian average
- Experienced workforce in textile, footwear and machine industries
- Profit tax reduction for 2 years
- 50 % reduction in local fees and charges during the first three years of business
- Construction permits issuance period - 60 days.
- Institutional support for investors

Healthy environment, natural sights and a rich cultural and historical heritage

Prijepolje (pronounced - PRIJEPOLJE) lies on the main road leading from Belgrade to the Adriatic, at the confluence of two rivers - the Lim and the Milesevka - surrounded by picturesque hills and the mountains of Zlatar and Jadovnik. Sopotnica Waterfalls and dense forests flank the mountain slopes around the town, located at the height of 1200 meters above sea level. In its vicinity one can see marvelous canyons perfect for rafting, so in the summer of 2007 Prijepolje hosted the European Rafting Championships. Prijepolje is the hometown of many prominent sports people, such as the famous basketball player Vlade Divac - in whose honor the Basketball Museum is being established - and the football player Ivica Dragutinovic, as well as the alpinists who conquered the Mount Everest - Dragan Petric and Ilija Andrejic.

Prijepolje is a town rich in tradition and cultural and historical heritage, which is borne out by authentic ethnovillages, old churches and monasteries. A long time ago Prijepolje was a Roman settlement and one of the stops along the caravan-road leading from Dubrovnik to the East, so there are numerous archeological sites in the vicinity, such as the remains of the ancient cliff fortress of Milesevac. The name of Prijepolje was mentioned for the first time in a trade agreement dating from 1343, as a market-place of the Mileseva monastery. This monastery has become world-famous for its unique White Angel fresco, as well as for other 13th century frescoes. The Old Ibrahim-pasa Mosque, built in 1572, testifies to the long period of Turkish rule in this region.

Due to its favorable geographical location and the network of main and regional roads, Prijepolje has become a significant trade center. National and municipal authorities are developing the industrial zone and stimulating private entrepreneurship and investments in this town.



LOCATION AND MARKET

TERRITORY AND POPULATION

Prijepolje is situated in southwestern Serbia, in the tri-border area of Serbia, Bosnia and Herzegovina and Montenegro. The size of the markets of these three countries combined is over 12,5 million consumers.

There are 7,5 million consumers in Serbia alone.

The market within the radius of 200 km from Prijepolje adds up to 600 thousand consumers.

Prijepolje is connected with Montenegrin market by M8 and M21 main roads, as well as by Belgrade-Bar railway. R114 Regional road connects Prijepolje to Bosnia.

Prijepolje is located 300 km from the Belgrade airport, and 200 km from the airports in Sarajevo and Podgorica. The Ponikve airport near Uzice, which is under construction, is located 100 km from Prijepolje.

Serbian Dinar (RSD) is official currency in Serbia. In the first half of 2007 one Euro was equivalent to 80.5 dinars (on average).

Distances

Prijepolje is located 30 km from the Montenegrin border, and 35 km from the border with Bosnia and Herzegovina. Distances between Prijepolje and major cities in the region and in Europe are as follows:

Podgorica	143 km	Rome	691 km
Sarajevo	180 km	Ljubljana	709 km
Skopje	312 km	Bucharest	716 km
Tirana	324 km	Athens	913 km
Zagreb	545 km	Madrid	1387 km
Sofia	477 km	Berlin	1394 km
Budapest	575 km	Paris	1895 km



Prijepolje, with a total area of 827 km² and a population of 41.188, is the second largest municipality in the Zlatibor District (population of 313.000). Population density is 49,8 per km².

Serbs, with 56,8 %, are the majority in Prijepolje, whereas Bosniaks/Muslims constitute 41,1 % of the population. The average age in Prijepolje is 36,7 years, lower than the Serbian average (40,6 years).

With the average height of over 1.200 m above sea level, Prijepolje is a mountain area. Its highest peak is Katunic (Jadovnik mountain), at 1.734 m, while the lowest point in the Municipality is at 440 m, at the confluence of the Milesevka with the Lim.



CLIMATE

The climate in Prijepolje is mildly continental, and is substantially influenced by the surrounding mountains:

- Median temperature - 9,3 °C
- January is the coldest month, and July the warmest, with the median temperature of 19,1 °C
- Number of days with temperature over 25 °C - 60
- Number of snow days 60 - 90
- Average rainfall - 66 l/m² (the most in July, the least in March).



NATURAL RESOURCE

Land

Territory of Prijepolje Municipality is rich in diverse landscapes: starting from pleasant Lim Valley, dense forests, mountain pastures, to canyons and Sopotnica waterfall.

38.205 ha of farming land present an important natural resource.

Ore

Prijepolje Municipality has 65.523,63 ha of socially-owned forests. 6.525,87 ha are conifer forests and 22.220,32 ha are low forests. Prijepolje has major potentials in wood-processing industry.

Forests

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Water and Springs

Prijepolje also stands out for its high quality hydrological capacities: water sources and in-land waterways of Seljasnica, Milesevka, Lim and other rivers. Municipality takes on water from the spring of Seljasnica River, plentiful of water of 220-240 l/sec.

Analyses of the Serbian Health Protection Institute found that water of all 13 sources in this municipality is drinkable. More than 10 sources of 20 l/sec capacity can be used for water bottling. Source of high quality and selenium rich mineral water is located in the valley of Seljasnica River (8 kilometers from downtown). Water temperature is 14°C, and capacity is 17 l/min.



INFRASTRUCTURE

HUMAN RESOURCE

Roads and Railway

Main and regional roads are in very good condition, while local roads condition is satisfactory - 36 % of local roads are asphalted. Road network covers all communities on the municipal territory. Railway network is 41,5 kilometers long and entirely electrified (part of the Belgrade-Bar railway).



Electrification, Gasification and Heating

Level of electrification in the municipality is 100%. Construction of Zlatibor-Prijepolje gas supply system will be supported by the National Plan in the following three years. 5 % of households are covered with the heating system.

Telecommunication

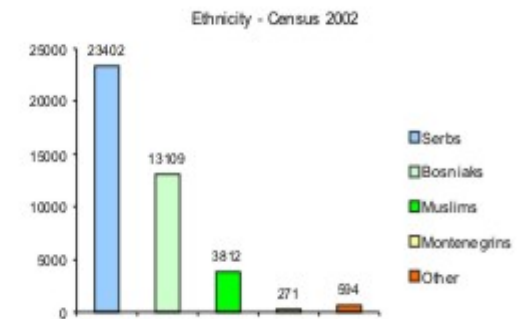
Телефонски саобраћај се обавља посредством 10 telephone exchanges are used in the telephone communication system. Communication is performed through 12.700 telephone lines. Dial-up, ADSL and wireless Internet connections are available (60 % of municipal territory covered).

Water Supply and Solid Waste Management

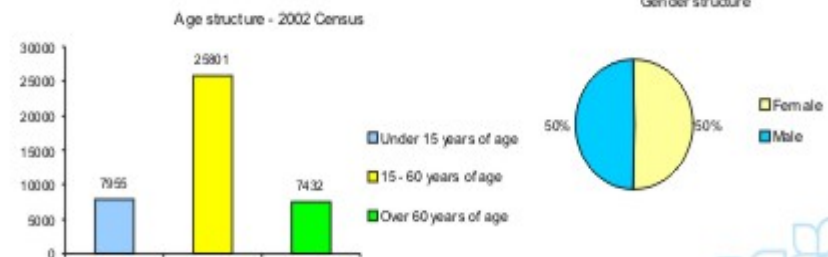
Water supply network is 74 kilometers long. 65 % of the territory is covered with the water supply system. Additional 32 kilometers of water supply system need to be built and 10 kilometers need to be reconstructed. This project will be funded by the National Investment Plan (NIP) and Water Directorate. Entire urban area is covered with the sewerage system, while situation in suburban areas is not so good. Feasibility study and master project, as a solution to sewerage and waste waters problem, have been designed. Solution will cover 80 % of Prijepolje population. Modern regional landfill is currently under construction.

Population structure

According to the latest census 2002, 41.188 people reside in the Municipality of Prijepolje, 15.031 of which live in the town. The number of men and women is balanced. Serbs and Bosnians are predominant ethnic groups.

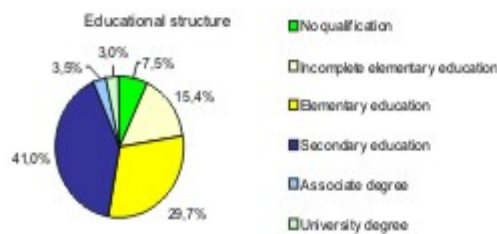


There are 26.673 able-bodied people, amounting to 65 % of the population. Average age is 36,7 years, which means that citizens of Prijepolje are relatively young and in their prime in terms of work and productivity.



Education

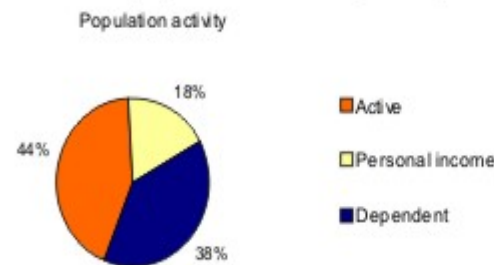
There are 9 elementary schools in the Municipality of Prijepolje with more than 4 thousand pupils, 3 secondary schools (High School, Technical School and School of Economy and Trade) with more than 1,5 thousand students and an affiliate of Čačak Technical College with a total of 270 students.



Educational structure of the population over 15 years of age is dominated by people with secondary education (c. 40%), whereas there are approximately 7% of people with associate or university degrees. The population with no qualification mainly comprises of women (77%).

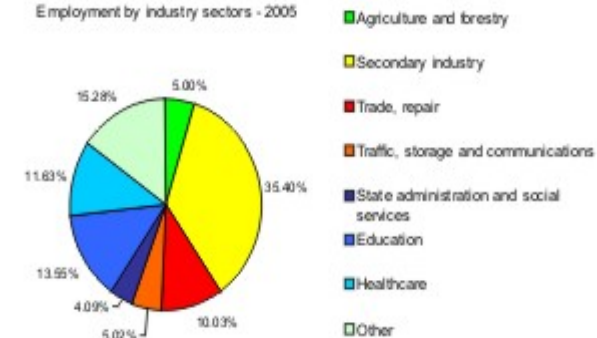
Employment

62% of the population is working or has personal income.



Although the processing industry records enormous decrease of employment in the last few years due to privatization and economic restructuring this sector is still the biggest employer, it employs as many as 44% of all employed people.

Employment by industry sectors - 2005



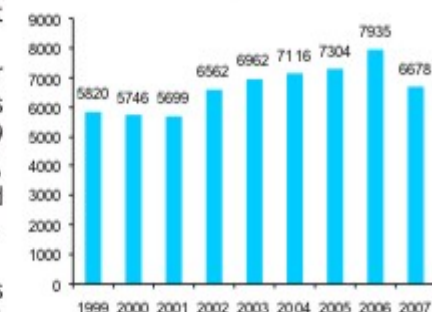
The smallest contribution to employment rate is provided by the sectors of mining, hotel industry and gas and water production (0,02% to 3%).

In the period from 2001 to 2005 the largest growth in employment rates is recorded in the sectors of trade (61%) and construction (21%). Public sector records 10% employment growth.

During the same period a major decrease in employment rates is recorded by secondary industry (39%), traffic and storage (29%) and, finally, agriculture, forestry and water resources management (22%).

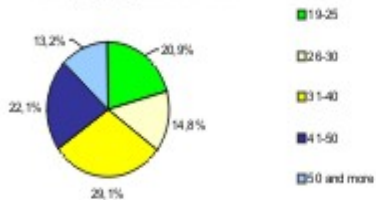
Number of unemployed people has been constantly growing since 2001 due to the transition - during 6 years used for the purpose of analysis the unemployment rate grew by 17,1%.

Unemployment trends

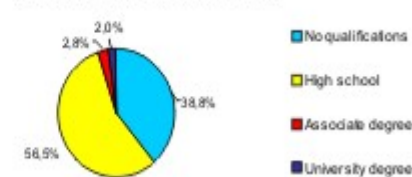


The unemployment rate (number of unemployed/ number of people at the working age) in 2005 was 27 %, which means that Prijepolje has a vast unused labor potential. Out of total number of unemployed people 50 % are women.

Unemployed age structure - 2005.



Unemployed qualifications structure - 2005.

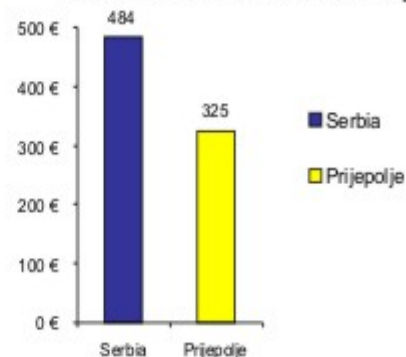


Majority of unemployed people, almost 30 % of the total number of unemployed, are in the best period of working age - between 30 and 40. Amongst the unemployed majority of them holds a high school degree - over 56 % of them.

Price

Average gross salary in July 2008 in the municipality was 424€, which is 25 % less than the republic

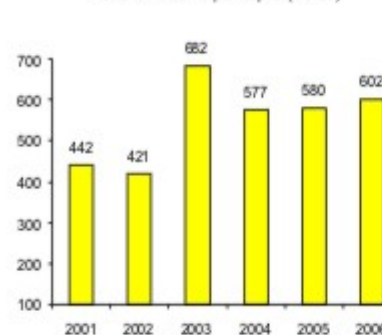
Ratio of Salaries in Serbia to that in Prijepolje



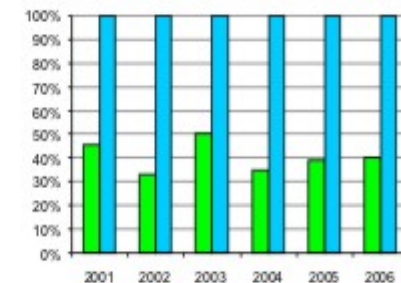
National income and Municipal budget

Economy of Prijepolje Municipality is predominantly focused on processing industries (textile and wood industry) and agriculture.

National income per capita (euros)



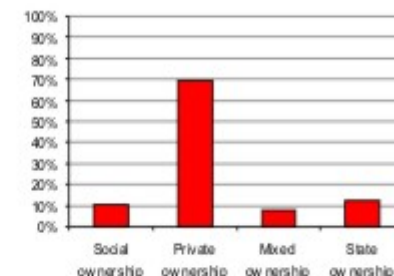
National income of Prijepolje compared to Serbia



National income per capita showed tendency to grow, and in 2005 it was 580 EUR (48.124 dinars). However this is still a lot below the republic average.

The national income generated in 2005 is dramatically improved by the business capital (almost 70 %). Socially owned property is decreasing because of the privatization process after the social and economic changes in 2000.

National income per ownership forms 2005.



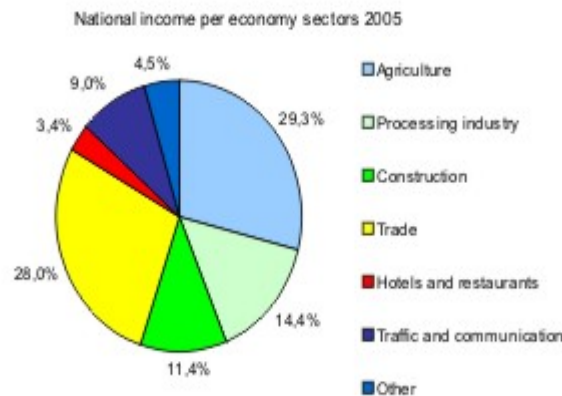
ECONOMY

Preview of enterprises which are in the process of privatization:

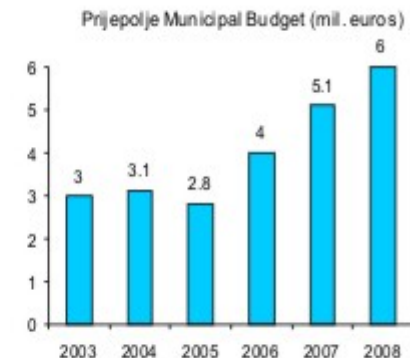
Enterprise	Business Activity	Privatization method
"Ljubisa Miodragovic"	Clothing & textile Manufacturer	Undone privatisation
"Jasen" Brodarevo	Clothing Manufacturer	Auction
Iris	Clothing Manufacturer	In proces of privatisation
Car Dealers - Prijepolje	Vehicle parts and equipment sale	Bankruptcy
FAP Foundry	Manufacturer of vehicle parts, casts and attachments	Tender

From 1999 to 2005 several sectors have shown growth tendency, such as: construction sector (124 %), trade (98 %), traffic and transport (68 %) and agriculture (44 %). The highest decrease happened in processing industry (64 %) due to its intense restructuring.

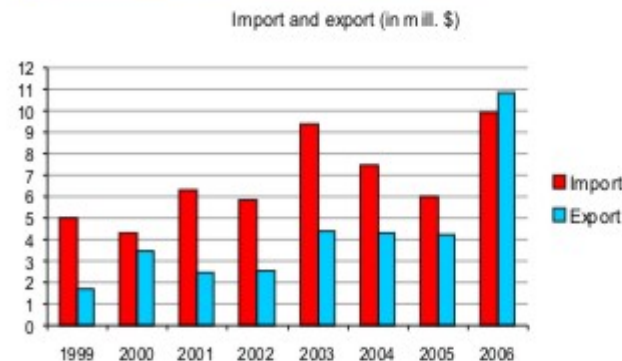
Faster economic growth in the following period in Prijepolje will be enabled through investments in infrastructure, tourism, agriculture and processing capacities, new investments and better use of the existing Brownfield locations.



As a result of the efforts invested by the municipal leadership and support of the Serbian Government to date, and in line with the Sustainable Development Strategy, 2007 municipal budget was increased by 17,6 %.



Import and Export



Trade with foreign countries has positive tendency: export in 1999 was increased 2,5 times and in 2006 the surplus was 923 thousand dollars.

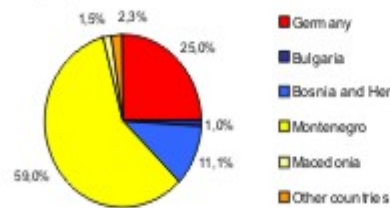
Major importers and exporters are the neighboring Bosnia and Herzegovina, Montenegro and then Germany.

Prijepolje mainly imports cotton and chemical products, while export relates to meat, medical herbs, fruits and vegetables, semi-processed wood, textile, chemical products, joining machines and castings.

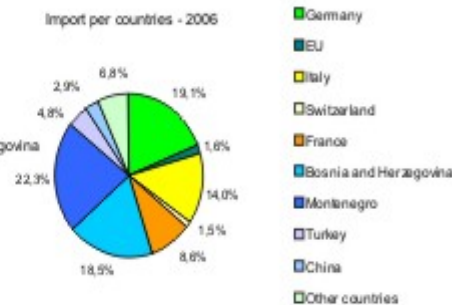


ECONOMY

Export per countries - 2006



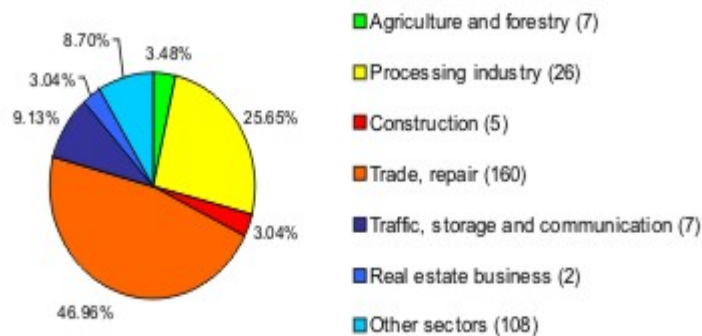
Import per countries - 2006



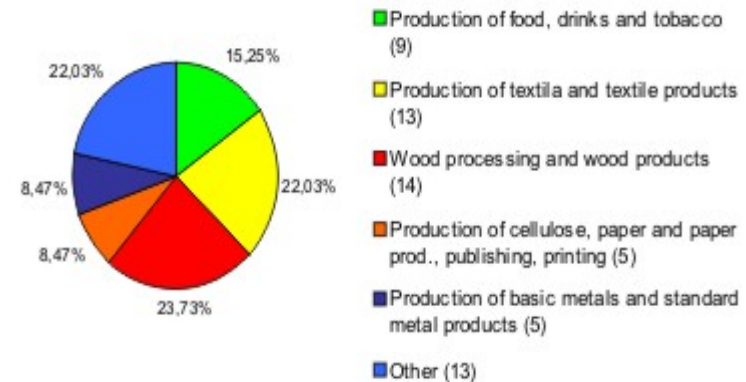
Enterprises

According to data of National bank of Serbia, Prijepolje Municipality had 215 active enterprises in 2008. Most enterprises operate in trade sector, and processing industry.

Structure and number of enterprises per business sectors

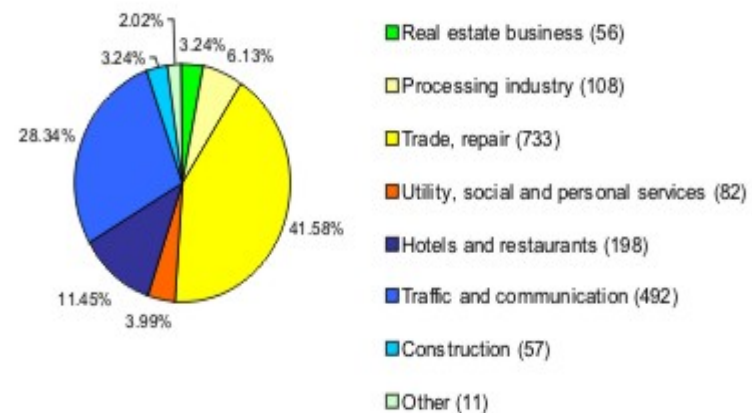


Structure and number of enterprises in processing industry



Prijepolje Municipality has 1.737 operating shops.

Summary of shops data per business sectors



Out of the total number of businesses in the municipality 95 % are small enterprises, 4 % are medium and 1 % large ones. Most small and medium enterprises (74 %) operate in trade sector and processing industry.

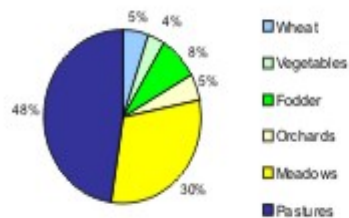
AGRICULTURE

TOURISM

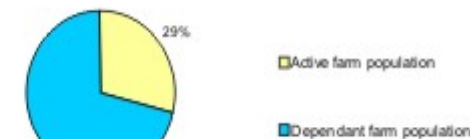
Agriculture is one of the most important business sectors in Prijepolje Municipality as it share in total income is 30 %.

Total area of farming land is 38.205 ha, out of which 82 % is owned by individuals and 18 % is socially owned.

Use of farming land (38 205 ha)



Structure of farm population



Farming population in Prijepolje is 3.283, with almost similar number of men and women.

Development Potentials and Priorities

- Cattle breeding development through support to mini farms
- Fruit production development: plantation growing of plums, apples and raspberries
- Contemporary development of vegetable raisings, above all, potatoes
- Growing traditional grain, such as buckwheat, rye, barley...

Prijepolje is a rare combination of wild and pleasant nature, different cultures and civilizations, traditional and new. Tourism development potentials are substantial:

- Rural tourism - preserved nature and ethno villages
- Mountain - numerous and different mountains
- Transit - good position in the Serbian transportation network
- Sports-recreation - hunting, fishing, rafting, kayaking, cycling, paragliding
- Religion - old monasteries, cathedrals and mosques

Accommodation and Visits

In spite of rich and diverse offer, accommodation facilities are underdeveloped. Therefore, this sector might be interesting for investors.

- Hotel Mileseva: 2 stars, 104 beds
- Touristy residence Bosko Buha (uncategorized, 290 beds)
- Grbo Inn (uncategorized, 28 beds)
- Sopotnica and Kamena Gora villages (uncategorized, 50 beds in total)

Share of foreign tourists is between 5 and 10 % in total visits to Prijepolje. Foreign tourists stay averagely 1,5 days. Most tourist visits were recorded in 2004 - almost 9.500 visits.



TOURISM

INVESTMENTS



Main Events in 2007. / 2008.

- European Rafting Championship, "Rafting Eurocup"
- Vlade Divac's, basketball star, farewell to basketball and opening of the Basketball Museums in his honor

Don't miss in Prijepolje!

- Rafting unique Lim River
- Monastery Mileseva from XIII century and famous fresco of the White Angel
- Sopotnica Waterfalls
- Kamena Gora and Ticije Polje ethno villages
- Ancient town of Milesevac

The Master Plan (General Urban Plan) defined an industrial zone between the main road and the freight railway station. The total area of the Zone is 50 ha (mostly privately owned land), out of which 25 ha have been finished. An industrial park with 13 lots with total of 2,5 ha of land is planned within the Zone - for this reason the works on development of the Kolovrat location close to Ivanjski Bridge have already been initiated.

Support provided to investors

Investors may count on support of the institutions and the municipal authorities of Prijepolje:

- **Regional Agency for Development of Small and Medium Enterprises**
Jelena Zivkovic, Manager LC +381 33 710 112, prijepolje@mspue.co.yu
- **Local Economic Development Office**
Dragisa Rakonjac, Head of the Department of Economy and Finance, +381 33 711 389, oprij@ptt.yu; prijepoljekler@gmail.com
- **Citizens Assistance Centre**
Hanka Hajdarevic, Head of the Municipal Administration +381 33 712 297, oprij@ptt.yu
- **Tourist Organization**
Svetlana Slovic, Director, +381 33 710 140, toprijepolje@ptt.yu, www.turizamrijepolje.org.yu

It is planned to open a Cross-Border Cooperation Office (IPA - Instrument for Pre-assessment Assistance).

There are 3 domestic banks in the Municipality - Komercijalna Banka, Privredna banka Beograd and Metals Bank, and 9 foreign banks - Procredit Bank, Societe General, Alpha Bank, Meridian Bank, Banca Intesa, EFG Bank, Raiffeisen bank, Unicredit bank, Vojvodjanska banka and one microcredit organisation - Agroinvest.

Insurance companies operating in the Municipality: Dunav Osiguranje, DDOR Novi Sad and Takovo Kragujevac.

PRIJEPOLJE

NEW BUSINESS CHALLENGE



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