

A full-page background image featuring a statue of a man holding a globe, standing on a tall column. The scene is set against a sunset sky with orange and blue hues. In the foreground, a stone wall and a city skyline are visible.

BELGRADE INVESTOR GUIDE

City of the future wishes you a warm Welcome

‘Belgrade Waterfront’ is the largest project development in the city.

- Investment of more than €3.0 billion,
- Construction of 1.8 million square metres of mixed-use space,
 - 5,700 residential units,
 - 600 hotel rooms,
 - 120,000 square metres of office space,
 - 170-metre tower.

The works on two residential towers with 296 apartments and a total area of 68,000 square metres commenced in September 2015.





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I Project Development Office of the City of Belgrade

City Government successfully consolidated the public finances and public utility companies and introduced cost-saving procedures in day-to-day business, installed strict monitoring procedures of the new philosophy and announced a zero new debt policy. The main focus of the City of Belgrade now is to free up resources for development projects and to concentrate on investors as an attractive, modern and stable partner.

Project Development Office is the product of this strategy and has a task to:

- Maintain a detailed project base,
- Attract new investors, with a special accent on private-public partnerships,
- Organise a one-stop-shop office for contact and communication with investors,
- Actively participate in initiation and realisation of projects,
- Mediate the communication between the investors and various city bodies.

Belgrade currently has approximately **60** projects in various stages of preparation or realisation. There is also **one** company from the privatisation portfolio on offer, more than **750,000 square metres** of land ready for greenfield investment, including the newly-established Belgrade Economic Free Zone.

By centralising the project and investment management at the city level, Belgrade introduced a detailed and up-to-date overview of the stage of realisation of every project in the pipeline, of any arising problem or missing resource, all in order to act quickly in overcoming obstacles and accelerating the investments.

The Project Development Office team wishes you a warm welcome to Belgrade, city of the future, and is at your disposal at all times.





II City of Belgrade

Belgrade has a 7,000 year long history and is one of the oldest cities in Europe. It lies on the junction of two pan-European Corridors, VII and X, as well as on the route connecting Romania, Serbia, Montenegro and Italy, therefore offering investors with regional or multinational focus an ideal location for strategic positioning. Belgrade is the capital of Serbia, the EU candidate country with ongoing accession negotiations, and the main economic and political centre, with a contribution to the country's GDP of almost 40%.

Belgrade is a multicultural, vibrant and diverse metropolis and an excellent host to all of its inhabitants and visitors.

2.1 Basic Data

Belgrade at a Glance

		<i>Trend 3 to 5 years</i>
Population (estimate 2015)	1,786,000	↗
GDP per capita in PPP (2014)	€16,700	→
GDP as % of the national GDP	39%	n/a
Monthly average salary in PPP (2014)	€1,022	→
Salaries growth 2010-2014	+14%	↗
Unemployment rate (average 2014)	16.2%	↘
Exports growth 2010-2014	+32%	↗

2.1.1 Short SWOT Analysis

Strengths <ul style="list-style-type: none"> - Strategic geo. position – 'easy to get there' - Strongest business centre in a 800 km diameter - Excellent global economic relations - Attractive business environment and low costs 	Weaknesses <ul style="list-style-type: none"> - Fast developing city - infrastructure capacity requires upgrading
Opportunities <ul style="list-style-type: none"> - Excellent economic relations and important strategic partnerships - Highly educated workforce - Readiness of the projects - Effective administration 	Threats <ul style="list-style-type: none"> - Slowing European economy - Slow procedures at the national government level

2.1.2 Geography

Belgrade takes a central position on the Balkan Peninsula, at the confluence of two large international rivers, the Danube and the Sava. The main characteristic of the city is its territorial diversity: the north is a vast plane, featuring one of the most fertile grounds in Europe, and the south is hilly, with two mountains, Avala and Kosmaj. The urban area of Belgrade is 3,223 square km and the city area is 360 square km.



The central position of the city is also confirmed by the vicinity of other regional capitals, for instance: Budapest 369 km, Sofia 379 km, Zagreb 393 km, Skopje 440 km, Sarajevo 325 km, Podgorica 450 km, and Bucharest 614 km. This fact makes Belgrade ideal for settling regional headquarters and for organising various events, conferences, congresses and other gatherings.

2.1.3 Demographics, Human Capital and Purchasing Power

Belgrade has a population of 1,786,000, and is the 14th largest European city. The population growth has shown a constant trend within the last decade (13% in the period between 2002 and 2015) – 100% through newcomers. Moreover, in the last 3 years the new born rate started picking up pace, an encouraging development for the city's future.

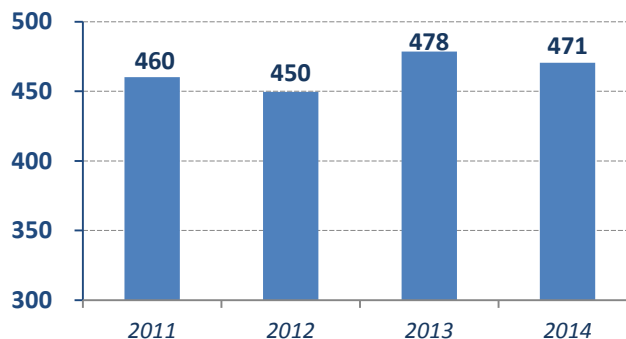
Average unemployment rate in 2014 was **16.2%**. Approximately 81,000 of the people looking for a job have experience in various industries and could immediately enter a new position. Approximately 28%

of the unemployed have a college or a university degree. More than 80% of the active population has high school, college or university education, posing an exceptional human capital for all kinds of investments.

In 2014 compared to 2013 Euro salaries in Belgrade remained at approximately the same level.

In PPP terms monthly average salary in Belgrade in 2014 was approximately **€1,022**.

Net Salaries in Belgrade in Euro



2.1.4 Infrastructure and Science

Belgrade proactively started upgrading the city infrastructure, with a special focus on regional integration in all areas.

Roads

Belgrade is on the junction of European roads E-70, E-75 and E-763. The highway network connects the city with all important regional centres, such as Budapest, Zagreb, Sofia, Skopje and Thessaloniki, whereas the highway towards Montenegro is under construction.

The road network connects all economic and commercial zones within the city.

Rail Transport

Belgrade lies on an important railway corridor, connecting the Middle East, Turkey and Greece with the northern and western parts of the European Union. This is the main link with the seaports relevant for Serbian exporters, such as Thessaloniki and Bar.

The rail transport in the city is soon to be revolutionised because of the large upcoming investments in two new train stations, Belgrade Centre and New Belgrade. At the same time the infrastructure is being upgraded for the introduction of new commuter lines, connecting the suburban parts with the centre. A new 15 km line, worth €69 million, is currently under construction between Belgrade and Pančevo.

Rivers

Belgrade lies on the confluence of two large rivers, out of which the Danube has a special international importance. Via this river and via the Rheine-Main-Danube canal the city is directly connected with Budapest, Vienna, Bratislava and one of the largest ports in the world, Rotterdam, in the North, as well as with the Port of Constance and the Black Sea in the East. The Port of Belgrade is therefore a significant player on the cargo route between the East and the West, and the passenger terminal 'Sava' has become an unavoidable stop for large river cruisers.



Airport

Belgrade airport 'Nikola Tesla' (ANT) is the largest airport in the region, boasting significant and constant increase in the number of passengers. The growth was 31% in 2014 and 3% in 2015 when 4.78 million passengers used the airport's services, placing it among the serious players on the international scene.



With the new partnership between Air Serbia and Etihad the number of transit passengers has been on a constant rise; at the same time, the destination network and connections with important financial, touristic, cultural and political centres have been improving month after month. Moreover, the relaunch of long haul operations to the United States is scheduled for June

2016.

All these positive developments continued to push the airport's share price up, resulting in a 20% growth in 2015.

Telecommunications

Belgrade is the telecommunications centre of Serbia and the headquarters of all important companies in this industry. At the end of 2014, 99% of the city was covered with the TV signal, 93% with the mobile network and 73% had cable TV signal. Approximately 70% of the population has internet access from their homes.

University and the Scientific Research

In school year 2013/2014 approximately 129,000 students attended approximately 100 faculties and colleges.

155 research and development organisations in Belgrade employ approximately 12,000 people out of whom 8,000 are scientists (4,600 with a PhD). 53% of these organisations specialise in sophisticated areas, such as technological development, medicine, mathematics etc.



III Belgrade as a Business Centre

Gross domestic product of Belgrade in 2014 was approximately €12.9 billion; GDP per capita was therefore approximately €7,700. In PPP terms the GDP per capita was €16,700.

Foreign direct investments in Belgrade in the period 2005-2014 totalled €5.9 billion or approximately €3,530 per capita.

Exports of the Belgrade Region reached €2.4 billion in 2014. Average growth of exports in the period 2011-2014 was 7%. This trend is expected to continue in the years to come.

In 2014 the **imports** were €6.6 billion, revealing great potential for FDI in local manufacturing and services.

3.1 The Improvement of the Legal Environment

In order to improve the position on the global investment destination map the Serbian Parliament passed numerous laws, directly responding to the challenges of the local businesses. Some of the more recent ones are presented below.

3.1.1 The new Law on Investments (2015)

This Law, most importantly, establishes equal rights for domestic and foreign investors. Among other improvements the Law introduces clear roles and responsibilities of the government bodies in case of disrespect of deadlines and significantly improves the overall business environment for the procurement of investments.

3.1.2 The Labour Law (2014)

This Law harmonises the Serbian with the European legal environment and provides more flexible solutions for employers, such as:

- Extending the temporary work period to 24 months,
- Limiting the overtime work,
- Introducing electronic forms for salaries,
- Extending the notice period (now minimum of 15 days),
- Terminating employment made easier.

3.1.3 The Law on Tax and Tax Administration (2014)

This Law thoroughly modernises the tax process in Serbia by introducing mandatory online submission of tax forms. This fact therefore significantly simplifies the tax procedures and saves time and money to both the companies and the administration.

3.1.4 The Law on Planning and Construction (2014)

This Law revolutionises the building permit issuance process, by introducing the one-stop-shop concept into the communication between the client and the institutions and by limiting the application



processing time to 28 days. In order to tackle the potential corruption the new Law also gives interested parties an option to follow the application status online.

Another important aspect of the Law is the improvement of the energy efficiency of the objects.

3.1.5 The Law on Energy (2014)

The Government enacted the new Law on Energy at the end of 2014. This solution aims to integrate the European legal practice into the Serbian regulation on energy and to set the base for the European internal energy market. This Law also brings the application of the directives on cross-border power grids and on promotion of energy from renewable sources.

The Law is set to improve the business environment, to simplify the procedures for investments in this industry and to remove identified problems in the production, distribution and the supply of energy for district heating.

3.2 International Relations and Agreements

With signed free trade agreements Serbian companies already have an access to a 1.1 billion people market. Belgrade, the centre of the country, is at the same time the centre of the international business dialogue and cooperation, and ever more the place where foreign investors meet and gain business contacts.

Belgrade has always been striving towards diversity, in both cultural and religious terms, as well as towards nourishing the relationship between the East and the West, the North and the South. As the historical capital of the Non-Allied Movement, candidate for the European Union, the centre of the Free Trade zone with Russia, Belarus and Kazakhstan, the place of the special relations with the United Arab Emirates and Peoples' Republic of China, Belgrade possesses a significant advantage compared to similar investment destinations, because it welcomes business people from all over the world as a friend and a stable partner.

Free and Preferential Trade Agreements of Serbia – Overview

<i>Market</i>	<i>Type</i>	<i>Market size (population)</i>
European Union	Preferential Trade Regime	494,070,000
USA	Generalized System of Preferences	302,558,000
Russia, Belarus, Kazakhstan	Free Trade Agreement	168,640,600
CEFTA	Free Trade Agreement	29,990,542
EFTA	Free Trade Agreement	13,000,000
Turkey	Free Trade Agreement	75,000,000
Total		1,083,259,142

3.2.1 Preferential Trade Regime with the European Union

According to the Stabilisation and Association Agreement (SAA) Serbian exports to the European Union are not subject to taxation, except for some agricultural products underlying quotas (e.g. baby beef, sugar and wine). Imports from the Union are tax free for more than 95% of the products with the exception of some strategic agricultural products.

3.2.2 Free Trade Agreement with the Russian Federation, Belarus and Kazakhstan

The cooperation between Serbia and Russia had historically always been important to both sides, but, in business terms, this cooperation was intensified after the signing of the Free Trade Agreement in 2000. Later on Serbia signed similar Agreements with other members of the Customs Union, Belarus and Kazakhstan.

The Agreement states that all products with at least 51% of the components produced or manufactured in Serbia can be exported to Russia duty free. The only cost for the exporters is the import tax of 1%. The list of products not subject to this regime is updated yearly and currently includes some sorts of cheese, white sugar, sparkling wine, cigarettes, cotton materials, some models of tractors, compressors and cars (2011). According to the latest announcements (end of 2014) cars and cheese produced in Serbia could soon be taken off the list.

The Agreements with Belarus and Kazakhstan are similar to that signed with Russia, with small abbreviations in the lists of products.

Serbia is one of the few countries with such a preferential treatment relative to the Customs Union, turning the country into a very attractive FDI destination for manufacturers targeting the Customs Union member states.

3.2.3 Free Trade Agreement with Turkey

Serbia and Turkey signed an Agreement similar to that signed with the European Union. The only difference is in the treatment of agricultural products that are still subject to taxation, except for those included on the list of the Most Favoured Nation.

3.2.4 Free Trade Zones CEFTA and EFTA

Serbia is also a member of another two important free trade zones, namely CEFTA (Albania, Bosnia and Herzegovina, FYR Macedonia, Moldova, Montenegro and UNMIK Kosovo) and EFTA (Switzerland, Norway, Iceland and Lichtenstein). CEFTA Agreement relates to all industrial and agricultural products mainly produced in Serbia. EFTA Agreement partly limits the exports of the fish products, whereas agricultural products underlie bilateral agreements between the individual member states.

3.2.5 Negotiations on Free Trade Agreement with Egypt

Negotiations on signing of the free trade agreement with Egypt are ongoing and once completed will allow Serbian companies access to a market of an additional 80 million people.

3.2.6 Significant Relations and Strategic Partnerships

Serbia has established significant relations with other countries, concentrating on expansion of business cooperation and on protection of mutual investments.

Special Relations with the United Arab Emirates (UAE)

The Republic of Serbia and UAE signed an Agreement in 2013, stressing the mutual protection of investments. This cooperation resulted in construction of the first two residential towers of the Belgrade Waterfront project, envisaging development of 1.8 million square metres of mixed-use commercial, residential and office space and a foreign direct investment of more than €3.0 billion.

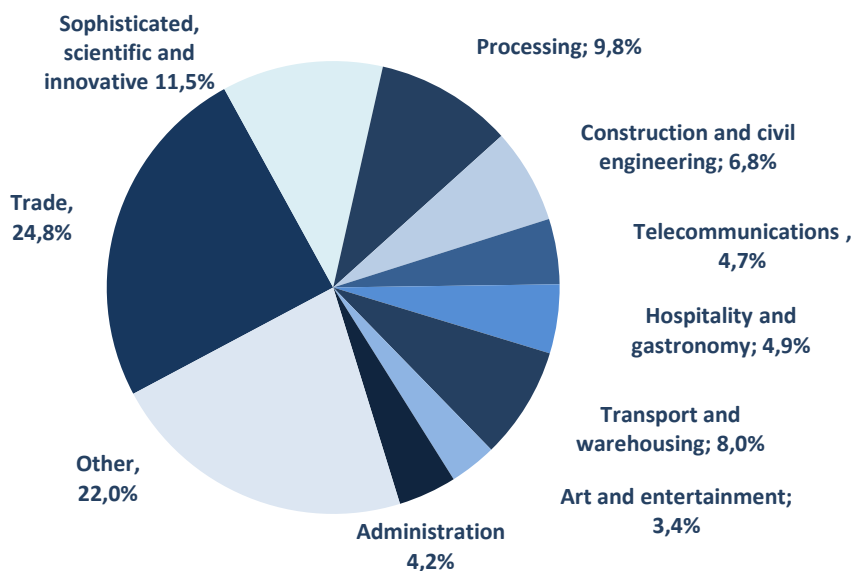
Special Relations with the People's Republic of China

The Agreement on Strategic Partnership between Serbia and China was signed in 2009. First investment realised under this regime – the Belgrade Northern City Bypass (SMT), worth approximately €200 million – was completed in December 2015. Other ongoing Chinese investments are: construction of the highway, connecting the capital and the Southwest and upgrade of the Kostolac coal-fired power plant. Beginning of the works on high-speed railroad between Belgrade and Budapest is expected in 2016.

3.3 Main Industries in Belgrade

The heavy industry has almost completely been expelled beyond the city limits. Approximately 5% of Belgrade companies deal in telecommunications, 12% in scientific, professional and innovative industries, and 7% in civil engineering. The most important industry is trade, with a portion of approximately 25%. Accommodation and food services experience a growing trend, but still take only 5% of the total number of companies, revealing therefore a large investment potential in this field.

Breakdown of Belgrade business



There are approximately 111,000 SMEs in Belgrade, employing 256,000 people and representing 34% of all SMEs in the Republic of Serbia.

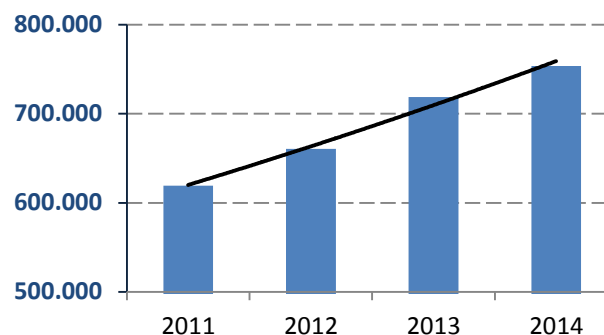


3.4 Tourism

Belgrade is returning to the European touristic map in grand style, recording a constant growth in number of foreign visitors in the period 2009-2014; in 2014 the growth was 14% compared to 2013.

This trend instigated a true construction boom in the hotel industry, attracting ever more international chains into Belgrade. Some of them, such as Radisson Blu, Crown Plaza, Holliday Inn, and Marriott already opened their doors for the visitors. The construction works on the hotels that will operate under the brands Hilton and Kempinski will commence in 2016.

Tourists in Belgrade



3.4.1 Belgrade as a Congress Centre

Owing to its perfect geographic position, excellent connection with the world, and significant hotel capacities Belgrade managed to climb from 168th to 44th place on the list of the global congress centres between 2007 and 2013. Belgrade reached the 22nd position on the European list and already a high 4th place in Eastern Europe.

International Congress and Convention Association consider Belgrade one of the fastest developing cities in the industry.

Belgrade as a Congress Centre *Ranking by the International Congress and Convention Association*

Global ranking	44
European ranking	22
Eastern European Ranking	4

3.4.2 Belgrade as a River Cruisers Destination

In the last couple of years Belgrade established its position on the river tourism map, with a constant annual increase in dockings. 526 cruisers were recorded at Sava passenger terminal in 2014, carrying approximately 64,500 tourists.

Number of River Cruisers Dockings and Number of Passengers in Belgrade

	<i>Cruisers Dockings</i>	<i>Number of Passengers</i>
2011	445	54,019
2012	480	63,294
2013	510	62,573
2014	526	64,468
Increase 2011-2014	18%	19%

IV Belgrade Investment Potentials

The City of Belgrade prepared a clear development strategy for the period 2015-2020 with a precise action plan, determined roles and introduced a strict system to monitor the realisation. This strategy envisages investments of approximately **€4 billion** with a special focus on:

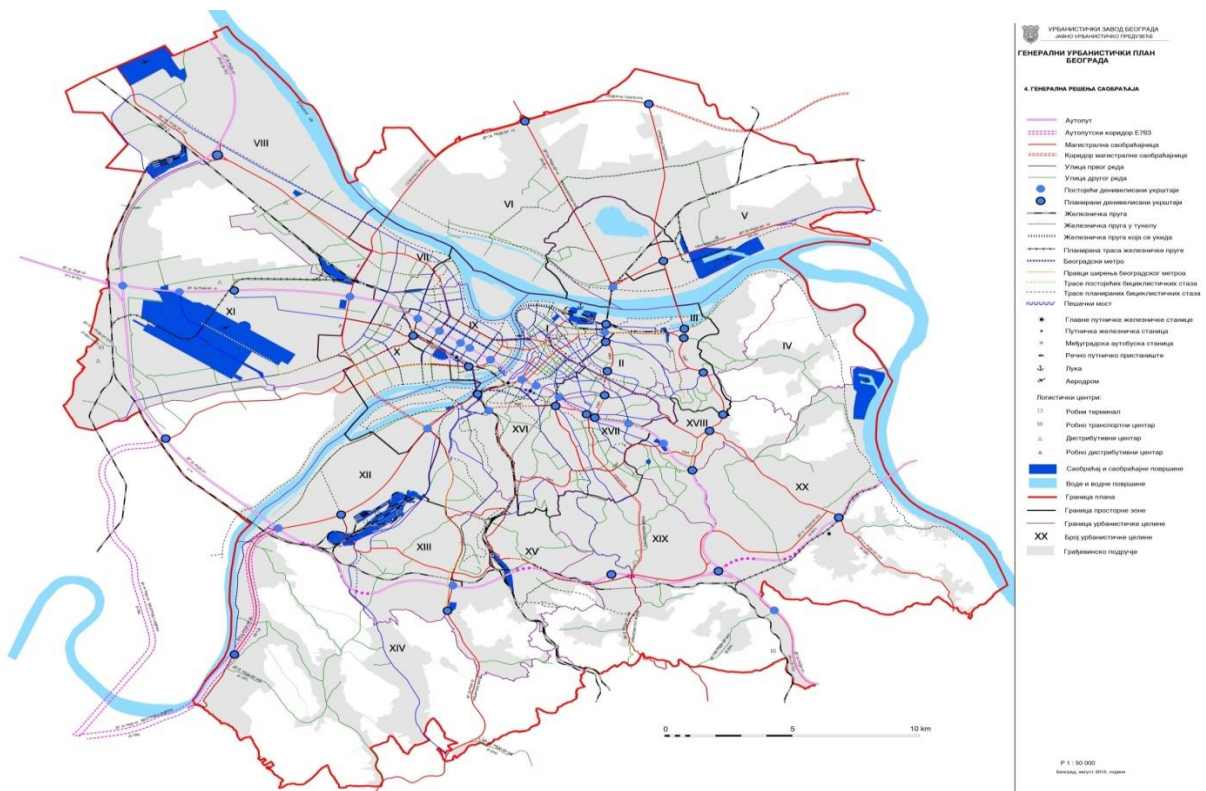
- Human capital,
- Infrastructure (energy, roads and railways),
- Sustainable economic growth (accent on the environmental protection) and
- Development of institutional capacities.

The City Government is determined to endure in the zero new debt policy and for that reason is open to all investors willing to invest under the regime of private-public partnership. Therefore, Belgrade is seeking long-term partners with strong track records and great experience in their industries.

4.1 Infrastructure Development Projects

In order to secure the long-term development and to respond to investors' requests for infrastructural improvement Belgrade began the realisation of significant projects. The most important ones are the construction of the new roads, such as the city bypass, rail lines, new train stations, new bus terminals, metro and the airport. Belgrade Land Development Public Agency is the City institution responsible for planning, design, public procurement process and realisation of these projects.

4.1.1 Road Infrastructure



Northern City Bypass (SMT) – The Zemun-Borča Bridge

The SMT encompasses the construction of new sections, as well as the reconstruction of the existing ones in order to close the second ring road around Belgrade and to improve the communication between various parts of the city. A 21 km long 6-lane express road, including a bridge over the Danube River, has been completed in cooperation with the Chinese partners and now connects the municipalities Zemun and Palilula and more than half a million of their citizens. The total investment was approximately €200 million.

The most significant aspect of this project is the diversion of transit and trucks from the most attractive parts of the city centre that await a serious reconstruction and redevelopment process in 2016.

Highway and Railway Bypass – Sector C and the 'Vinča' Bridge

In order to completely free Belgrade from the transit traffic the missing parts of the highway and railway rings must be completed, so that trucks and trains, especially those carrying dangerous goods, could bypass the city. There are projects for these sections, where only the investment in a new bridge over the Danube River would cost approximately €260 million. This project is part of the already mentioned corridor connecting Romania, Serbia, Montenegro and Italy.

Inner City Ring Road (UMP)

One of the largest investments in the city infrastructure is the construction of the inner city ring road meant to divert the traffic around the city centre. So far a few sections have been completed, including the already famous Ada Bridge, the topic of one of the Discovery channel episodes 'Build it bigger'. The construction cost of the bridge and the adjacent roads was €450 million.

Remaining sections of this project include tunnels, bridges and intersections in highly populated areas. Next in line for construction is the 'Topčider' tunnel, requiring an investment of approximately €50 million.

Reconstruction of the Ruzveltova Street

In order to tackle traffic congestion and improve the intra-city communication Belgrade conducts various smaller projects. An important one is a thorough reconstruction of the Ruzveltova Street, the main entrance into the city from the North-east Serbia and Romania. This €12.5 million project incorporates construction of a completely new road and tram infrastructure and once completed in 2017 will significantly increase both the safety and efficiency of both tram and road networks.

Reconstruction of the Slavija Square and the Oslobodjenja Boulevard

Another significant traffic improvement project and the answer to one of the largest problems in the city is the reconstruction of the Slavija Square and Oslobodjenja Boulevard. This €35 million investment introduces a better solution for the intersection of car, trolleybus, tram, bus and pedestrian traffic of the square and a completely new road and tram infrastructure in the boulevard. In addition, this project intends to make the surroundings visually more attractive, with a large fountain and visitors' platform in the middle of the square.

4.1.2 Rail and Bus Infrastructure

The New Main Train Station – Belgrade Centre

In order to make the central city areas next to the Sava embankment available for development, the current central station must be moved to a new location. This endeavour is part of the 'Belgrade Railway Junction' project started in 1970s. More than €1.3 billion have already been invested, with another €200 million required to complete the missing facilities. All platforms of the new station were put into operation in January 2016, securing the train traffic for more than 8 million commuters every year. The new central train station is envisaged as a future hub for 50 million passengers.

Further investments in the railway junction are expected in the near future in order to free up the construction site for the largest real estate development project in Belgrade's history, the 'Belgrade Waterfront'.

'Block 42' Complex – The New Train Station 'Novi Beograd' and the New Main Bus Terminal

Together with the relocation of the main station, the need to reconstruct the existing one in New Belgrade emerges in order to meet the requirements of a fast developing city. The importance of this station is in its vicinity to both the largest business centre of the city and the future main bus terminal. 'New Belgrade' is also a 'pass through' station and it will be a part of the new business complex 'Block 42'. The winning design for the whole complex envisages development of approximately 82,000 m² of business and commercial space.

The new main bus terminal has a goal to divert the intercity bus traffic from the centre to a new location, which is perfectly connected with all parts of the city. The project encompasses the construction of another, smaller stop in Autokomanda, in the southern part of the city.



4.1.3 Belgrade Underground Railway System – the Metro

The construction of the Belgrade metro has been in planning since 1958. Although there have been numerous initiatives and studies, the realisation picked up pace only at the end of 2014. A study on the

passenger numbers has been completed and another two are ongoing: The Network Plan and The Update of the Transport Model of the City of Belgrade, both an important input for the general SMART plan on integrated public transport. According to plans 3 metro lines will be built, where only the first one could cost more than €1 billion.

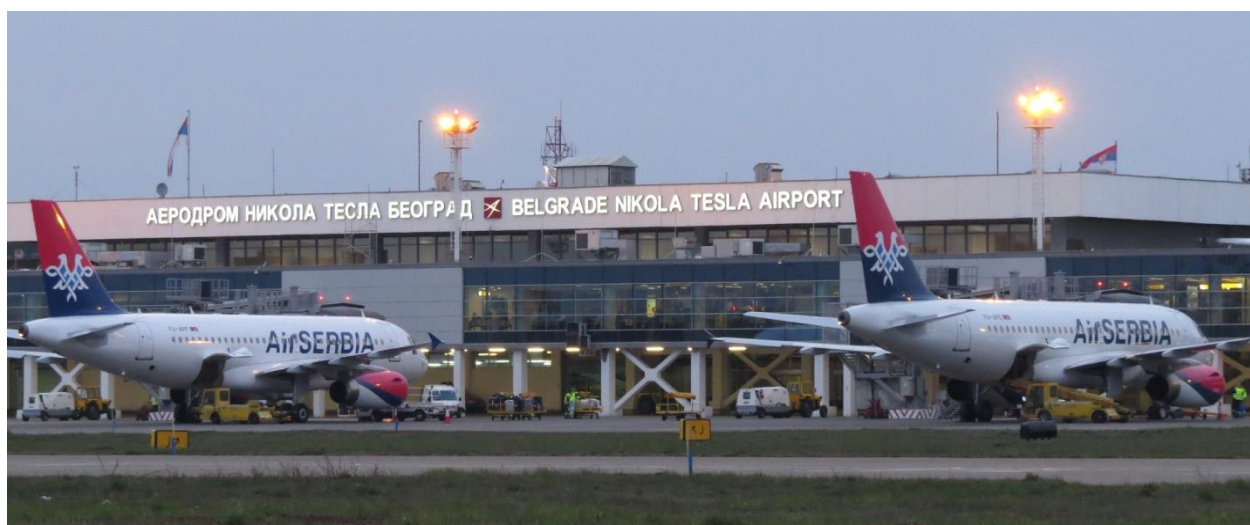
The revision of the earlier concepts of the line network is urgent due to the new situation arising from the development of 'Belgrade Waterfront', where approximately 1.8 million square metres of mixed-use space will emerge in the city centre.

For further detail on large-scale infrastructure development projects please visit www.beoland.com.

4.1.4 Belgrade Airport 'Nikola Tesla' and the Strategic Partnership between Air Serbia and Etihad

Belgrade airport, as already mentioned, is one of the fastest growing airports in terms of passenger numbers. One of the reasons for this growth is the strategic partnership between Air Serbia and Etihad. This is at the same time one of the most successful projects of the Serbian Government, who retained a 51% share in the national carrier, selling the remaining 49% to the partner from the UAE. Significant aspect of this transaction was the fleet renewal with 10 new aircrafts. Approximately 2.3 million passengers travelled with Air Serbia in 2014, an increase of more than 68% compared to 2013, placing the company among the largest airlines in the region. This trend continued in 2015 as the growth in passenger numbers in the first 9 months reached 10% compared to the same period the year before.

This growth will soon push the airport's annual capacities of 5.5 million passengers to the limit, justifying therefore an urgent expansion. The plans encompass an additional runway and a train connection between the airport and the city centre. Investments from own sources as high as €40 million will be realised in the next three years. The Government of Serbia is interested in finding a renowned private partner for the airport. The preferable investment model is a concession.



4.2 'Belgrade Waterfront' Real Estate Development

In cooperation with the partners from the United Arab Emirates the City Government revived the long awaited project of the new city centre on the river banks. Approximately 90 hectares of land in the prime zone will be freed up after the current Belgrade central train station has been moved to a new location. Simultaneously with this process the works on the first two residential towers, with a gross usable area of 68,000 square metres commenced in September 2015.

An investment of more than €3.0 billion entails the development of:

- 5,700 apartments,
- 600 hotel rooms,
- 120,000 square metres of office space,
- 170-metre tower.

Along with the buildings a whole new road infrastructure will be build, featuring wide boulevards, with a well-integrated public transport, both above and underground, new parks, squares, museums etc.

'Belgrade Waterfront' should reinstate Belgrade's position on the global real estate map. The interest for the project is large, supported by the number of already reserved apartments and offices during the preparation stage.

4.3 Energy

Belgrade has been rapidly developing and therefore has been constantly increasing the need for energy. In the period from 2001 to the relevant period 2012-2014 the consumption of the electric energy rose 36%, consumption of heat for district heating 16% and the consumption of natural gas 37% (the relevant period is referred to because of the oscillation in the annual consumption based on the weather conditions).

Electric Energy Consumption in MWh			Heat Consumption in '000 MWh			Natural Gas Consumption in '000 m ³		
	Av.			Av.			Av.	
2001	2012- 2014	<i>Increase</i>	2001	2012- 2014	<i>Increase</i>	2001	2012- 2014	<i>Increase</i>
5,521,048	7,529,206	36%	2,454	2,853	16%	328,009	449,546	37%

These numbers clearly unveil the necessity for investments in the energy production facilities. In the previous decades no power plants were built.

4.3.1 Investments in Renewable Energy Sources

Delivered electric energy in Belgrade was 6,918,172 MWh in 2014. Heat for district heating is predominantly produced from gas (88%) and heavy oil (11%). This fact unveils an enormous potential for investments in green production facilities, i.e. the exploitation of the renewable energy sources.



Solar Power

Belgrade has approximately 300 sunny days per year or approximately 2,100 sun hours, making it a favourable location for investments in solar power plants. Currently there are no such facilities in the city. As part of the compliance with the European Union requirements in the field of energy efficiency, Serbia took an obligation to raise the percentage of the energy produced from renewable sources to 27% by 2020. Construction of solar power plants therefore emerges as an attractive business concept.

Attractive investment possibilities include:

- Installing solar panels on rooftops of various city institutions,
- Installing solar panels on private homes with support from the City Administration with permits,
- Building solar power farms in the outskirts.

According to existing studies 45,000-60,000 MWh could be produced from the collectors for the conversion of sun radiation in one year. These investments would in mid case satisfy 0.5% of the annual energy consumption.

Wind Power

The analysis of the wind power in Belgrade concluded that the suburban areas offer the largest potential. The average annual wind speed at three locations studied was 4.73, 5.05 and 5.93 m/s. The speed and the turbulence of the wind suggest the net factor use capacity of the perspective wind plants in the range of 25 to 30% per annum (equivalent time with nominal power of 2,200 to 2,600 h per year). This factor is much higher than in the existing plants in the European Union, where it stands at 20%.

According to recent analysis on installation of wind generators, a 10 MW plant would require an area of 1 square km. Therefore the location with sufficient land for wind parks of 50 MW and more would be in the northern parts of the city.

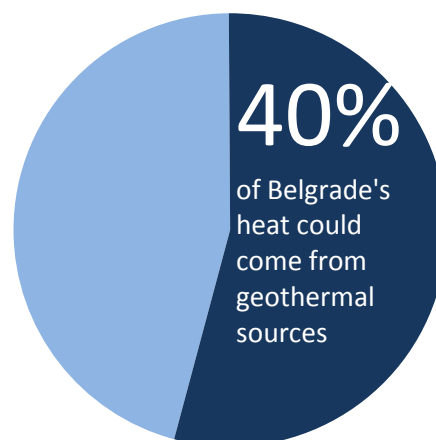
Geothermal Energy

Belgrade lies on a vast hydro geothermal potential for district heating energy. In the central city area the temperature of geothermal wells ranges from 15 to 23 °C, whereas in the outskirts wells with a temperature as high as 50 °C exist. Having in mind the purity and the renewable aspect of this energy source it is marked one of the main strategic goals of the city's sustainable development.

Attractive investment models include:

- Connecting large district heating plants to geothermal sources,
- Connecting large city institutions to geothermal sources (individual buildings),
- Constructing new district heating plants.

Belgrade district heating system has a full installed capacity of approximately 3,000 MW. Geothermal potential of the quaternary and pre quaternary sediments totals 1,190 MW, meaning that approximately **40%** of the city's need for district heating energy could be produced from this source.



Biomass

Biomass is another significant source of energy for Belgrade. Analysis shows that electric energy in the range of 700,000-1,800,000 MWh per annum could be produced from agricultural waste. Beside that there is also a possibility to exploit wooden pellets. A few studies analysing this potential are ongoing.

Attractive investment models include:

- Building new plants using biomass as fuel,
- Replacing outdated plants, using highly polluting fuel, with new ones using biomass.

The city has already identified a couple of potential locations for the construction of district heating plants, so that the realisation of the investment can be relatively quick.

Energy Infrastructure Investment Pipeline

<i>Project</i>	<i>Amount</i>	<i>Status</i>
<i>Suburban district heating pipeline from 'TENT A' to the heating plant 'New Belgrade'</i>	€187 m	Urban and feasibility studies completed..
<i>New heat pumps in the district heating plant 'New Belgrade'</i>	€100 m	Conceptual design, draft.
<i>Replacing old district heating pipelines</i>	€15 m	Main project, analysis of the current network losses.
<i>Installing a biomass boiler in the DH plant 'Višnjička banja'</i>	€3 m	Feasibility study, conceptual design.
<i>Installing a biomass boiler in the DH plant 'Borča'</i>	€2.5 m	Preliminary internal analysis.
<i>Reconstruction of the heating plant 'Železnik'</i>	€2 m	Preparation of main project ongoing.
<i>Water and oil treatment plant</i>	€1 m	Ongoing revision of the main project.
Total	€310.5m	



4.4 Public Lighting

Public lighting takes the portion of approximately 2.4% in the total electric energy consumption structure. This fact is important having in mind that Belgrade is one of the few cities that have a public lighting network disintegrated from the electric energy distribution system. In order to decrease the consumption and to improve the environmental protection the implementation of clean technologies is a necessity.

Attractive investment models are via:

- Replacing the old, mercury-based, public lights, with new sodium high pressure sources and thereto belonging lamps,
- Installing new public lighting network in the parts of the city with an underdeveloped network.

Public Lighting Investment Pipeline

<i>Project</i>	<i>Amount</i>	<i>Status</i>
<i>Improving public lighting installation – Surčin</i>	€20 m	Preparation of projects.
<i>Improving public lighting installation – Grocka</i>	€16.8 m	Preparation of projects.
<i>Improving public lighting installation – Mladenovac</i>	€15.1 m	Preparation of projects.
<i>Improving public lighting installation – Barajevo</i>	€13.4 m	Preparation of projects.
<i>Improving public lighting installation – Sopot</i>	€10.1 m	Preparation of projects.
<i>Improving public lighting installation – Obrenovac</i>	€5 m	Preparation of projects.
Total	€80.4 m	

4.5 Water and Sewerage Infrastructure

In the period 2015-2020 Belgrade plans significant investments in water production and wastewater treatment infrastructure. The strategy has recently been confirmed by the document, defining the works and the sources of finance for the next 10 years.

4.5.1 Water Infrastructure

The investments in drinking water production include the improvement of the distribution network, the expansion of the total system capacity, but before all, the tackling of significant system losses.

Production and Consumption of Water in Belgrade

	2012	2013	2014
<i>Production of water in '000 m³</i>	236,523	227,723	208,670
<i>Consumption of water in '000 m³</i>	161,476	155,698	140,241
<i>Losses in '000 m³</i>	75,047	72,025	68,429

The largest potential lies in investments to upgrade the existing infrastructure in order to achieve savings via Energy Performance Contracting concept, using an ESCO.

Losses	32%	32%	33%
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All suburban water pipeline networks show some kind of dysfunction and therefore require large funds for the reconstruction.

Water Infrastructure Investment Pipeline

<i>Project</i>	<i>Amount</i>	<i>Status</i>
<i>Various works on the reconstruction of the old water treatment plant 'Makiš I' and connection of the new 'Makiš II' to the system</i>	€29.6 m	For some stages the main project is completed and for others main project preparation ongoing.
<i>Reconstruction of 20 water wells</i>	€12 m	Main projects for 3 wells. Main project for one more ongoing.
<i>New pumping station 'Vračar'</i>	€5.0 m	Main project.
<i>New water pipeline in Kaludjerica</i>	€3.8 m	Main project.
<i>New water pipeline in Banovo brdo</i>	€2.6 m	Main project.
<i>New water pipeline Pinosava-Beli potok</i>	€2.0 m	General project.
<i>New water pipeline Surčin-Dobanovci</i>	€1.5 m	Conceptual design.
Total	€56.5 m	



4.5.2 Sewerage Infrastructure

Belgrade sewerage network is underdeveloped; therefore some parts of the city still lack connection to the system.

Currently all wastewater is directly released into the rivers via 29 outflows. This is a large ecological

Households with Sewer Connections

	2012	2013	2014
<i>Total connections</i>	518,586	533,473	557,686
Increase	-	3%	5%

problem of the city and at the same time an immense investment potential, especially having in mind that Belgrade and Serbia must improve the sewerage system before joining the European Union.

connected to the sewerage network.

Approximately **30%** of the city is still not

Significant investment possibilities open with the necessity to build 4 wastewater treatment plants – Veliko selo, Batajnica, Ostružnica i Krnjača – with the adjacent infrastructure in terms of collectors and secondary network. Ideal investment model would be via private-public partnership.

Sewerage Infrastructure Investment Pipeline

<i>Project</i>	<i>Amount</i>	<i>Status</i>
<i>Wastewater treatment plant 'Veliko selo' – phase I</i>	€100 m	Feasibility study.
<i>Wastewater treatment plant 'Veliko selo' – final phase</i>	€76.8 m	Feasibility study.
<i>Pumping station 'Ušće' with the 'Interceptor' connection</i>	€29 m	Preparation of documents.
<i>Sewer collector 'ER-Venizelosova' with the connection to the pumping station 'Mostar'</i>	€24.8 m	Conceptual design.
<i>Remaining sections of the 'Interceptor'</i>	€24.2 m	Conceptual design.
<i>Wastewater treatment plant 'Batajnica'</i>	€16.5 m	Conceptual design.
<i>Wastewater treatment plant 'Krnjača'</i>	€15 m	Main project.
<i>Rain collector 'Kumodraž'</i>	€11 m	Preparation of documents.
<i>New rain collector 'Mokri lug'</i>	€9.3 m	Preparation of documents.
<i>Wastewater treatment plant 'Ostružnica'</i>	€8.4 m	Preparation of documents.
<i>New pumping station 'Batajnica 1'</i>	€8.1 m	Conceptual design.
<i>Wastewater treatment plant 'Lazarevac'</i>	€5 m	Conceptual design.
<i>New pumping station 'Galovica-Nova'</i>	€5 m	Preliminary analysis finished.
<i>New pumping station 'Mostar'</i>	€3.5 m	Preparation of documents.
<i>Sewer collector in Ostružnica</i>	€3.2 m	Preparation of documents.
<i>Sewage collector 'Šangaj'</i>	€3.1 m	Preparation of documents.
Total	€342.9 m	

4.6 Waste Management Plan

'Vinča' landfill represents one of the largest ecological problems in Belgrade. A long-term solution for the collection, separation, recycling and the use of waste for energy production is required. In compliance with the Serbian Strategy on waste management 2010-2019 the City defined goals that must be met by 2020 on the local level, including 14 of its municipalities.

In order to fulfil these goals the City of Belgrade announced request for qualification for the PPP Project for the provision of services of treatment and disposal of residual waste in August 2015. Eleven companies submitted their offer out of which 5 qualified for the final phase. The private partner will be selected in 2016 when the construction works should also commence.

4.7 The ESCO Model – Renewing Facilities to achieve Savings

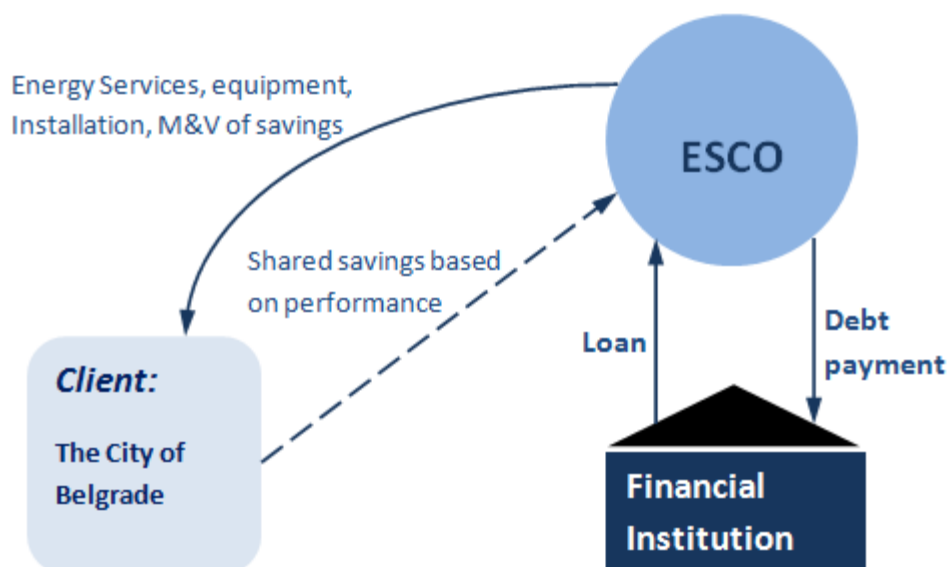
Many projects have been identified for this investment model, especially due to the number of old facilities and outdated technology in the fields of:

- Energy production,
- Public lighting,
- Water infrastructure, and
- Sewerage infrastructure.

There is a possibility to establish private-public partnerships, where the partner would invest and also guarantee the expected level of savings due to improved technological solutions, whereas the City would pay an amount to the partner defined by the contract, equal to a portion of the savings achieved.

This model, known under the concept of EPC (Energy Performance Contracting) and executed via the ESCO (Energy Service Company) structure has already been applied worldwide and perfectly coincides with the zero new debt policy of the City Government.

Although there are a few different EPC models, the most attractive one is the so called 'Shared-savings EPC' (presented below).



Under this model the client receives new or renewed facilities, as well as the guarantee for the increased efficiency, i.e. the savings. ESCO raises debt and is responsible for the repayment, being the only party to the contract with the financing institution.

Belgrade identified various projects attractive for this concept, presented in the table below. This list is not definite and the City eagerly awaits further investment ideas and suggestions in this field.

EPC Model eligible Projects

Project	Amount	Type
<i>Improving the public lighting installation – various municipalities</i>	€80.4 m	Public lighting
<i>Replacing the old heating pipelines</i>	€15.0 m	Energy infrastructure
<i>Installing a biomass boiler in the heating plant 'Višnjička banja'</i>	€3.0 m	Energy infrastructure
<i>Installing a biomass boiler in the heating plant 'Borča'</i>	€2.5 m	Energy infrastructure
<i>Reconstruction of the heating plant 'Železnik'</i>	€2.0 m	Energy infrastructure
Total	€102.9 m	

4.8 Belgrade Wholesale Market – Veletržnica

Veletržnica was established in 2012 to promote and develop the wholesale market of fresh fruit, vegetables, meat, fish and flowers. The company is situated in the western part of the city, on an 18,500 square metre site, and features a 7,000 square metre open market area and a 3,000 square metre office and warehouse space.



Since Veletržnica has been marked crucial for the promotion and increment of the wholesale market in mentioned goods, the City of Belgrade started an ambitious development plan for this company and therefore began the realisation of the first of the two stages of capacity expansion and constructed a 10,400 square metre mixed storage, indoor market building.

The stage II of the project encompasses the construction of two more buildings, namely warehouses and indoor markets for meat and fish products and for flowers, with a total area of 10,200 square meters.

Belgrade Wholesale Market

<i>Project name</i>	<i>Amount</i>	<i>Status</i>
<i>Realisation of the Phase II of the Belgrade wholesale market development</i>	€8 m	Conceptual design. Clear ownership and property relations.
Total	€8 m	

Veletržnica owns a 50,000 square metre outdoor parking area and, as already mentioned, a 10,400 square metre building. Combining these facilities with the solar potential of Belgrade, an interesting investment concept emerges: turning these two objects into solar power plants via private-public partnerships. A rough estimate of the electric energy potential is that these plants could generate approximately 8 to 9 MW.



4.9 Public Parking

Belgrade, like all large cities, suffers from a constant lack of parking capacity in the centre. According to already conducted studies, 16 potential locations for the construction of the underground public car parks have been identified and the existing, multi-storey aboveground ones are ready for expansion.

Due to the impressive growth of Belgrade airport 'Nikola Tesla' defining the long-term solution for the airport parking has also become urgent.

Possible investment models are:

- Via construction of new public car parks through private-public partnerships, where the City would provide the land and all administrative support, and the investor would build, equip and operate the object,
- Via reconstruction and expansion of the existing objects.

Public Parking Investment Pipeline

<i>Project</i>	<i>Amount</i>	<i>Status</i>
<i>Underground garage 'Djeram'</i>	€10.2 m	Conceptual design, building permit
<i>Underground garage 'National Library'</i>	€7.4 m	Existing plan on the network of public garages. Location terms defined.
<i>Aboveground public garage 'Aerodrom 2'</i>	€7.4 m	Location analysis, preparation of the conceptual design.
<i>Underground garage 'Kosovska'</i>	€5.8 m	Existing plan on the network of public garages. Location terms defined.
<i>Marina 'Ada Ciganlija'</i>	€5.4 m	Solving the ownership structure of the location. Preparation of the main project.
<i>Business complex in Block 45, New Belgrade</i>	€2.9 m	Conceptual design. Solving the ownership structure of the location.
Total	€39.1 m	

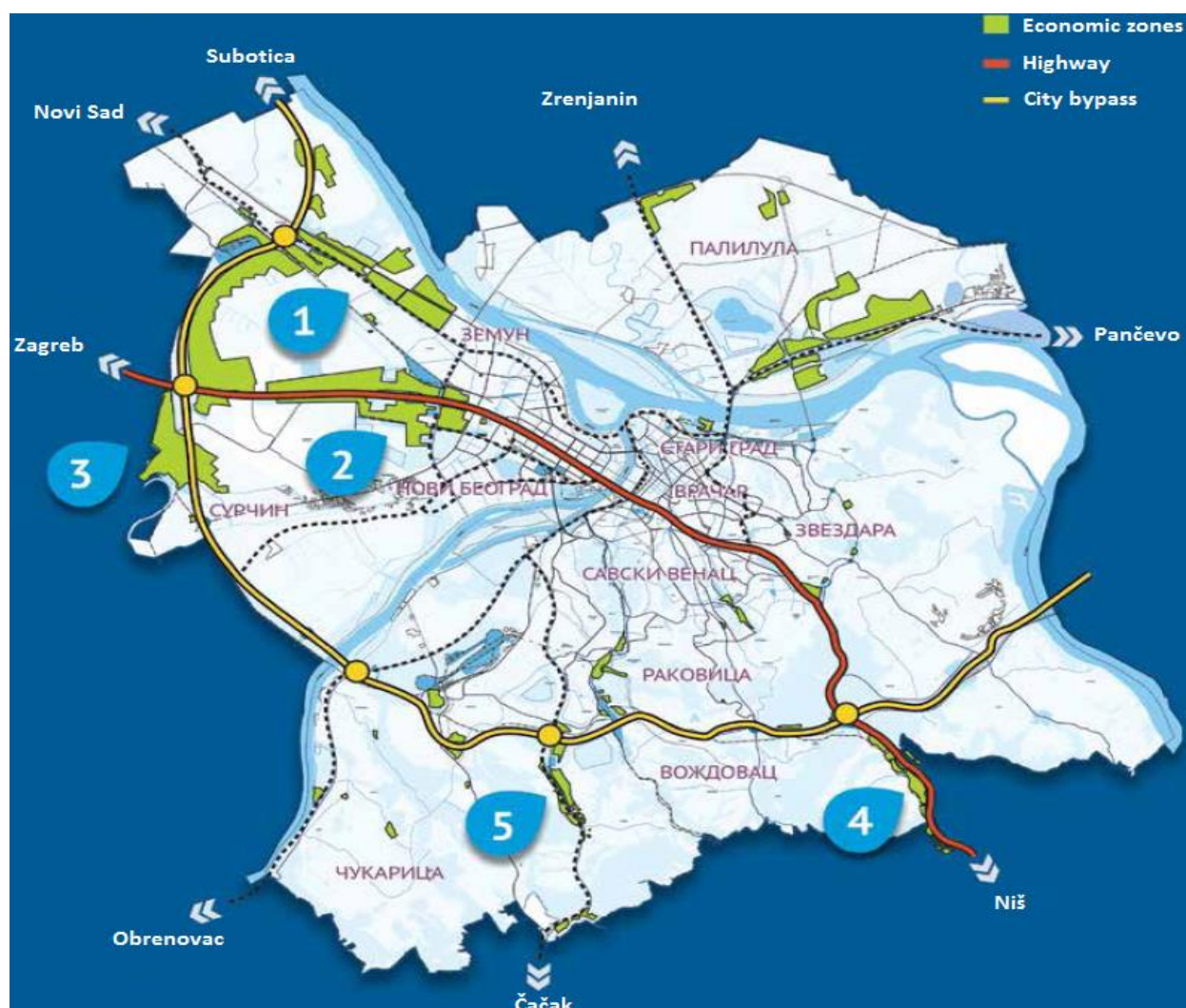
4.10 Economic and Free Economic Zones

4.10.1 Economic zones

Belgrade envisaged sufficient land for the development of economic and economic free zones.

The largest economic zones are:

1. 'Zemun' (146 hectares of free land for manufacturing and commercial activities),
2. 'Autoput' (600 hectares of free land for manufacturing and commercial activities),
3. 'Surčin' (245 hectares of free land for manufacturing and logistics facilities),
4. 'Bubanj potok' (166 hectares of free land for manufacturing and commercial activities), and
5. 'Ibarska magistrala' (132 hectares of free land for manufacturing and commercial activities).



The land in these zones is predominantly privately owned, but the City also possesses land ready for development of commercial and manufacturing facilities.

Land for Greenfield Investments (industrial and commercial activities)

<i>Land</i>	<i>Area</i>	<i>Planned development</i>	
<i>Autokomanda</i>	6,421 m ²	Commercial / shopping mall	22,473 m ²
<i>Novosadski put 1</i>	8,021 m ²	Industrial, petrol station	6,417 m ²
<i>Novosadski put 2</i>	74,428 m ²	Industrial, commercial	44,657 m ²
<i>Block 53 LOT 2 in New Belgrade</i>	37,800 m ²	Industrial, commercial	37,800 m ²
<i>Block 53 LOT 3 in New Belgrade</i>	21,000 m ²	Industrial, commercial	21,000 m ²
<i>Block 53 LOT 4 in New Belgrade</i>	32,800 m ²	Industrial, commercial	32,800 m ²
<i>Dimitrija Tucovića, Lazarevac</i>	8,179 m ²	Commercial	10,592 m ²
Total	188,649 m²		

4.10.2 Economic Free Zone

Belgrade established the first economic free zone on its territory, offering special customs and tax treatment to investors who settle there. The zone has an area of approximately 980,000 square metres and envisages employment of 1,540 people and investments of €78 million by 2020. The first investment is the €30 million factory for automotive parts by Meita, employing 1,400. Currently there are 564,900 square metres of land available for development of industrial and commercial facilities.





4.11 Privatisation

The City of Belgrade redefined the strategic directions and therefore decided to sell all noncore businesses. At this stage there is one highly profitable company on offer for sale.

4.11.1 PKB

Privredna korporacija Beograd a.d. was founded in 1945 and is the largest agricultural company in Serbia. The City holds 100% of the share capital.

The production of PKB provides the main base for the dairy, meat, animal food, and vegetable industries; at the same time the company is a significant market player in the production of the base for the wheat, baking and sugar industries in Serbia.

The City Government decided that the model of privatisation will be the sale of the company's assets. Additional details will be announced through the public procurement procedure.

PKB Privatisation

<i>Business type</i>	<i>Business description</i>	<i>Privatisation goals</i>
<i>The largest agricultural company in Serbia.</i>	Provides the main base for further processing in the production of milk and meat, animal food, industrial and other vegetables, as well as the base for the baking, sugar and oil industries in Serbia.	Assets package will be offered on sale, including parts of the agricultural land, facilities, and the animal fund, requiring the preservation of the business model.
Starting price	To be determined	

Belgrade Waterfront

