



NPC
Network of Parliamentary Committees
on Economy Finance and European
Integration of Western Balkans



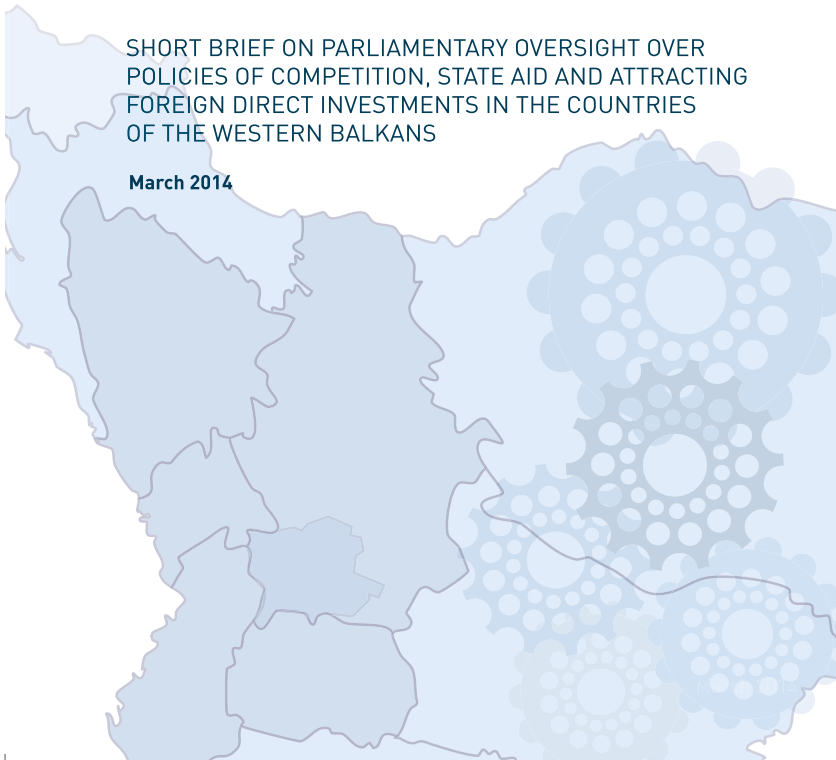
WESTMINSTER
FOUNDATION FOR
DEMOCRACY

REGIONAL CONFERENCE ON PARLIAMENTARY OVERSIGHT

OVER POLICIES OF COMPETITION, STATE AID AND ATTRACTING FOREIGN DIRECT INVESTMENTS

SHORT BRIEF ON PARLIAMENTARY OVERSIGHT OVER
POLICIES OF COMPETITION, STATE AID AND ATTRACTING
FOREIGN DIRECT INVESTMENTS IN THE COUNTRIES
OF THE WESTERN BALKANS

March 2014



COMPETITION POLICY

The competition policy pursued by the European Commission (EC) has a direct impact on the daily life of the European Union (EU) citizens. The overarching objective of this policy is to preserve and develop a state of effective competition in the common market by impacting on the structure of the markets and the conduct of market players. The requirement for companies to compete with each other fosters innovation, reduces production costs, increases economic efficiency and, consequently, enhances the competitiveness of the European economy. Stimulated by competition, companies offer products and services that are competitive in terms of price and quality. Furthermore, greater competition allows the consumer to choose from a wider range of products and services at lower prices.

The competition policy *acquis* covers both anti-trust and State aid control policies. It includes rules and procedures to fight anti-competitive behaviour by companies (restrictive agreements between undertakings and abuse of dominant position), to scrutinise mergers between undertakings, and to prevent governments from granting State aid which distorts competition in the internal market. Generally, the competition rules are directly applicable in the whole of the EU and the Member States.

Two pillars of EC competition policy

1


Rules relating to undertakings:

- anticompetitive agreements
- abusive practices
- mergers and acquisition control

2

Rules relating to Member States:

- state monopolies of commercial character
- special and exclusive rights
- state aid control



The acquis under the Competition Policy chapter is to a large extent linked to obligations under the SAA. The Interim Agreement, and subsequently the SAA, include provisions comparable to the EU acquis on competition, covering anti-competitive agreements, abuses of dominant market positions and State aid.

Overview of the competent authority for anti-trust and state aid control in the Western Balkan Countries

Country	Competent Competition Authority	Competent State Aid Authority
Albania	Competition Authority	State Aid Commission
Bosnia and Herzegovina	Competition Council	State Aid Council
Kosovo*	Competition Authority	State Aid Commission
Macedonia	Commission for Protection of Competition	Commission for Protection of Competition
Montenegro	Agency for Protection of Competition	State Aid Control Commission
Serbia	Commission for Protection of Competition	Commission for State Aid Control

Countries of Western Balkans: Overview

ALBANIA

Status: limited progress has been made in the area of competition.

Role of the Parliament: Competent authority for protection of competition is the Competition Authority of Albania. The members of the Commission are appointed by majority of the votes, in the presence of more than half of all the Members of the Parliament of Albania, for a period of five years. The Parliament appoints the Chairman of the Commission. The Assembly approves the annual budget for financing the Authority, and this budget constitutes a separate article in State Budget. The Competition Authority is obliged to submit an annual report to the Parliament within the first three months of the consequent year. This is a useful tool for parliamentary oversight over the competition policy.

BOSNIA AND HERZEGOVINA

Status: some progress was made in the area of competition.

Role of the Parliament: Competent authority for protection of competition is the Competition Council (CC) established at the state level (BiH level). The Competition Council is obliged to submit an annual report to the BiH Council of Ministers. According to the institutional set-up of the competent authority for protection of competition of BiH, the members of the Competition Council are appointed by the executive branch of the government and the CC submits an annual report to the BiH Council of Ministers. Therefore there is lack of instruments for parliamentary oversight over the competition policy.

KOSOVO*

Status: the implementation of the competition policy is at an early stage.

Role of the Parliament: Competent authority for protection of competition is the Kosovo* Competition Authority. The Statute of the Authority is approved by the Assembly. The CPC is obliged to submit an annual report for the work of the Authority to the Assembly at latest till 31st of March of the coming year. This is a useful tool for parliamentary oversight over the competition policy.

MACEDONIA

Status: the preparation in the area of competition policy are advanced.

Role of the Parliament: Competent authority for protection of competition is the Commission for Protection of Competition (CPC). The CPC is responsible for its work before the Assembly and at latest till 31st of March CPC submits an annual report for its work. This is one of the ways to monitor the activities of the CPC for both competition and state aid and it is a useful tool for parliamentary oversight over these policies. The CPC Members are appointed on the proposal of the Parliamentary Committee for election and nomination by the Assembly of Macedonia.

*This designation is without prejudice to position on status, and is in line with UNSCR 1244 and ICJ Advisory opinion on the Kosovo declaration of independence

MONTENEGRO

Status: the preparation in the area of competition policy are moderately advanced.

Role of the Parliament: Competent authority for protection of competition is the Agency for Protection of Competition (APC). The Agency is obliged to publish its activity report for the preceding year and the annual financial statement including the auditor's report on its website. The Agency is accountable for its operation to the Government of Montenegro and is managed by a Director appointed by the Government. According to the institutional set –up of the competent authority for protection of competition of Montenegro, the Director of the Agency for Protection of Competition is appointed by the executive branch of the government. Also the APC is accountable for its operations to the Government. Therefore there is lack of instruments for parliamentary oversight over the competition policy.

SERBIA

Status: the preparation in the area of competition policy are moderately advanced.

Role of the Parliament: Competent authority for protection of competition is the Commission for Protection of Competition (CPC). The CPC is accountable for its work to the National Assembly, to which it submits Annual Report on its activities by the end of February of the current year for the preceding year. This is a useful tool for parliamentary oversight over the competition policy.

STATE AID

Pursuant to the Treaty on the functioning of the EU, State aid is, in principle, incompatible with the common market. The EC has the task to control State aid. The state aid measure fulfils the following criteria:

(a) Transfer of State resources: State aid rules cover only measures involving a transfer of State resources (including national, regional or local authorities, public banks and foundations, etc.);

(b) Economic advantage: The aid should constitute an economic advantage that the undertaking would not have received in the normal course of business.;

(c) Selectivity: State aid must be selective and thus affect the balance between certain firms and their competitors and

(d) Effect on competition and trade: The aid must have a potential effect on competition and trade between MS's. It is sufficient if it can be shown that the beneficiary is involved in an economic activity and that he operates in a market in which there is trade between MS's.

The aid measures that satisfy all the criteria outlined above are, in principle, incompatible with the common market. However, the principle of incompatibility does not amount to a full-scale prohibition. In a number of cases in State aid could be considered acceptable (the so called "exemptions").

The state aid acquis is closely linked to the obligations under the Stabilisation and Association Agreement (SAA). The Interim Agreement, and subsequently the SAA, include provisions comparable to the EU state aid. The Agreement calls for operationally independent authorities to supervise application of the state aid rules in the Western Balkan Countries.

Countries of Western Balkans: Overview

ALBANIA

Status: Overall, preparations for state aid are at an early stage.

Role of the Parliament: Competent authority for monitoring and control of state aid is the State Aid Commission (SAC). The SAC is responsible for preparation of the Annual Report on State Aid and submitting it to the Council of Ministers. According to the institutional set-up of the competent authority for state aid control of Albania, the members of the State Aid Commission are appointed by the executive branch of the government. Also the SAC submits the Annual Report on State Aid to the Council of Ministers. Therefore there is lack of instruments for parliamentary oversight over the state aid.

BOSNIA AND HERZEGOVINA

Status: preparations in the area of state aid remain at an early stage

Role of the Parliament: Competent authority for monitoring and control of state aid is the State Aid Council (SAC). The SAC is responsible for preparation of the Annual Report on State Aid. By June 30th each year, the SAC submits to the BiH Council of Ministers the Annual Report on State Aid for the previous year. According to the institutional set-up of the competent authority for state aid monitoring and control of Bosnia and Herzegovina, the members of the State Aid Council are appointed by the executive branch of the government. Also the SAC submits the Annual Report on State Aid to the BiH Council of Ministers. Therefore there is lack of instruments for parliamentary oversight over the state aid.

KOSOVO*

Status: alignment of the state aid policy is at a very early stage and there is no track record of implementation.

Role of the Parliament: Competent authority for monitoring and control of state aid is the State Aid Commission (SAC). The SAC is appointed by the Government of Kosovo* based on the proposal of the Minister of Finance. The SAC is supported by the State Aid Office (SAO). The office reports for its work to the Kosovo Competition Commission. The annual report on the supervision of implementation of state aids is attached to the annual report of Kosovo Competition Commission. The Kosovo* Competition Commission is obliged to submit an annual report for the work of the Authority to the Assembly at latest till 31st of March of the coming year. This is a useful tool for parliamentary oversight over the state aid.

MACEDONIA

Status: in the area of state aid, the country is on track with the preparation for alignment

Role of the Parliament: Competent authority for monitoring and control of state aid is the Commission for Protection of Competition (CPC). The CPC is responsible for its work before the Assembly and at latest till 31st of March CPC submits an annual report for its work. This is one of the ways to monitor the activities of the CPC for both competition and state aid and it is a useful tool for parliamentary oversight over these policies.

This designation is without prejudice to position on status, and is in line with UNSCR 1244 and ICJ Advisory opinion on the Kosovo declaration of independence

MONTENEGRO

Status: preparation in the area of state aid are moderately advanced.

Role of the Parliament: Competent authority for monitoring and control of state aid is the State Aid Control Commission (SACC). The SACC submits an Annual Report on the granted state aid until 30th of June of the current year for the previous year to the Government and to the Parliament of Montenegro. This is a useful tool for parliamentary oversight over the state aid.

SERBIA

Status: overall, alignment in the area of state aid are moderately advanced.

Role of the Parliament: Competent authority for monitoring and control of state aid is the Commission for State Aid Control (CSAC). The CSAC is set up by the Government and its composed of five members. The CSAC submits to the Government an annual report on state aid granted in the Republic of Serbia. According to the institutional set-up of the competent authority for state aid monitoring and control of Serbia, the members of the Commission for State Aid Control are appointed by the executive branch of the government. Also the CSAC submits to the Government an annual report on state aid granted in the Republic of Serbia. Therefore there is lack of instruments for parliamentary oversight over the state aid.



FOREIGN DIRECT INVESTMENT

According to the EU's EC, Foreign direct investment (FDI) is defined as a cross-border investment made by a direct investor with the intent of obtaining a lasting interest in an enterprise resident in another country (direct investment enterprise). An international investment is classed as FDI when an investor owns 10% or more of ordinary shares or voting rights in an incorporated or unincorporated enterprise abroad respectively.

The Organization of Economic Cooperation and Development (OECD) defines the FDI as cross-border investment by a resident entity in one economy with the objective of obtaining a lasting interest in an enterprise resident in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the direct investor on the management of the enterprise. Ownership of at least 10% of the voting power, representing the influence by the investor, is the basic criterion used.

The World Bank similarly defines foreign direct investment as the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. (It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments.)

STATE AID

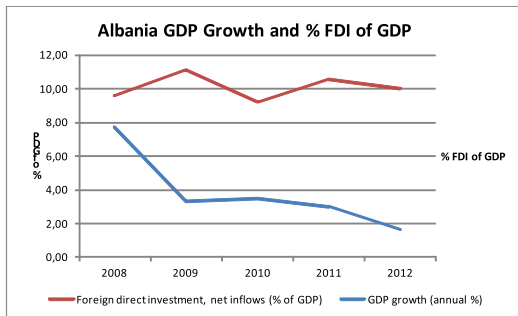
According to the EU's EC State aid is defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities. To be State Aid, a measure needs to have these features: there has been an intervention by the State or through State resources which can take a variety of forms (e.g. grants, interest and tax reliefs, guarantees, government holdings of all or part of a company, or providing goods and services on preferential terms, etc.); the intervention gives the recipient an advantage on a selective basis, for example to specific companies or industry sectors, or to companies located in specific regions; competition has been or may be distorted; the intervention is likely to affect trade between Member States. Therefore, subsidies granted to individuals or general measures open to all enterprises are not covered by this prohibition and do not constitute State aid (examples include general taxation measures or employment legislation).

Countries of Western Balkans: Overview

ALBANIA

Albania	2008	2009	2010
Population (Total)	3.156.608	3.151.185	3.150.143
GDP (current US\$)	12.968.652.891	12.118.580.597	11.858.166.295
GDP growth (annual %)	7,70	3,30	3,50
Foreign direct investment, net inflows (% of GDP)	9,57	11,08	9,19
Foreign direct investment, net inflows (BoP, current US\$)	1.240.972.849	1.343.091.150	1.089.416.366
Albania	2011	2012	
Population (Total)	3.153.883	3.162.083	
GDP (current US\$)	12.959.563.902	12.648.095.824	
GDP growth (annual %)	3,00	1,60	
Foreign direct investment, net inflows (% of GDP)	10,56	10,00	
Foreign direct investment, net inflows (BoP, current US\$)	1.368.298.748	1.265.256.715	

Source: <http://data.worldbank.org>.



Source: <http://data.worldbank.org>.

Albania does not provide specific incentive for foreign investors, but rather with the latest changes on the law for foreign investors treats the domestic and foreign investors equally. Specific incentivizing measures:

- Corporate income tax at 10 %
- Personal Income Tax, progressive up to 10%
- VAT at 20% (except for medical care and medicines at 10%)
- Incentive for new capital investments by allowing VAT tax deferral up to 12 months (or more if the investments is longer, under specific rules set by the Ministry of Finance)
- Law on foreign investors provides the following incentives:
 - Equal treatment of the foreign investors with the domestic investors
 - Protection of foreign investments from direct or indirect expropriation or nationalization measures, except for special cases defined by law in the interest of public use
 - Right of foreign investors to expatriate all funds and contributions
 - Judicial protection of foreign investors with respect to the legal rights related to their investments.
 - Positive discrimination to foreign investors, the Government through a Decision of the Council of Ministers, provides for



the substitution of the foreign investor in a civil dispute with third private parties

- Foreign investment enterprises are allowed to own land

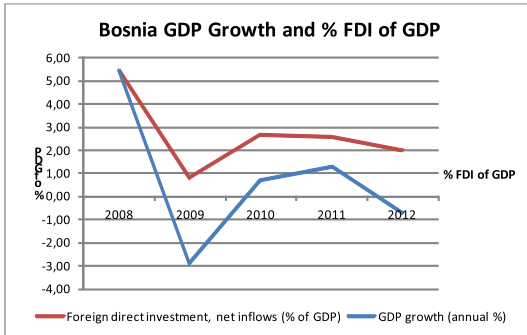
- Customs duties exemption - for returning emigrants (persons that have lived in another country for a period of not less than 12 months continuously and are coming back to Albania).
- The Competitiveness Fund (AIDA) – SME funds based on a reimbursement of export promotion activities costs, 50% of the costs, up to 1 million LEK;
- The Innovation Fund (AIDA) – SME funds for experts to audit their needs for innovation and technology, based on a reimbursement of funds for up to 400 thousand LEK

The Competition and State Aid Control Authority provide reports to the Parliament on an annual basis, in line with the EU acquies.

BOSNIA AND HERZEGOVINA

Bosnia and Herzegovina	2008	2009	2010
Population (Total)	3.861.201	3.853.446	3.845.929
GDP (current US\$)	18.543.289.395	17.082.889.410	16.775.469.778
GDP growth (annual %)	5,42	-2,91	0,70
Foreign direct investment, net inflows (% of GDP)	5,42	0,81	2,65
Foreign direct investment, net inflows (BoP, current US\$)	1.004.852.660	138.511.020	443.840.207
Bosnia and Herzegovina	2011	2012	
Population (Total)	3.839.322	3.833.916	
GDP (current US\$)	18.252.421.795	17.465.958.606	
GDP growth (annual %)	1,30	-0,70	
Foreign direct investment, net inflows (% of GDP)	2,57	2,00	
Foreign direct investment, net inflows (BoP, current US\$)	468.733.719	349.607.723	

Source: <http://data.worldbank.org>.



Source: <http://data.worldbank.org>.

The measures and policies for attracting and supporting foreign investors in B&H are the following:

- Equal treatment of domestic and foreign investors
- Foreign investors are entitled to transfer abroad the proceeds from the investment in B&H
- Foreign investors may own real estate in B&H
- Foreign Investors Support Fund is established in 2007 by a Council of Ministers provides a financial incentive for investors (due to budget restrictions there are no funds distributed)
- Customs benefits for equipment of the foreign investor being imported as part of share capital is exempt from paying customs duties (except passenger vehicles, slot and gambling machines)
- Free trade zones provide VAT exemption on imported goods in free zones and no import duty for equipment for production in the free zone

The Competition Council of Bosnia and Herzegovina is an independent body with sole authority to conduct the competition law

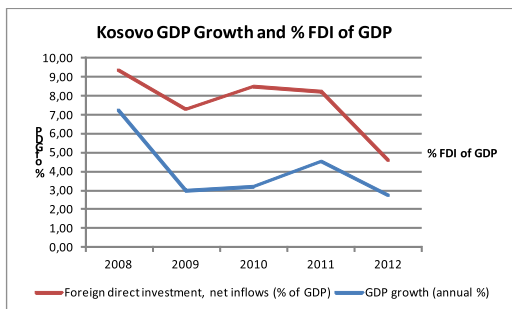
and decides on a case basis. The Competition Councils reports on an annual basis to the Council of Ministers of B&H. The State Aid Council is recently established and not yet operational. The Parliament ratifies the Law for state Aid and the establishment of the council.

Kosovo*

Kosovo*	2008	2009	2010
Population (Total)	1.747.383	1.761.474	1.775.680
GDP (current US\$)	5.771.473.142	5.634.824.257	5.750.799.437
GDP growth (annual %)	7,20	3,00	3,20
Foreign direct investment, net inflows (% of GDP)	9,30	7,24	8,46
Foreign direct investment, net inflows (BoP, current US\$)	536.790.832	408.068.783	486.596.952

Kosovo*	2011	2012
Population (Total)	1.790.957	1.806.366
GDP (current US\$)	6.636.703.418	6.445.201.981
GDP growth (annual %)	4,50	2,70
Foreign direct investment, net inflows (% of GDP)	8,23	4,55
Foreign direct investment, net inflows (BoP, current US\$)	546.217.229	293.195.750

Source: <http://data.worldbank.org>.




Source: <http://data.worldbank.org>.

The Competition Protection Law implementation and its monitoring are conducted by the Kosovo* Competition Commission/ Authority. There is still no State Aid control Law in force in Kosovo. At the same time, there is no unified subsidies program on a national basis yet. The measures for investments are equally applicable to the foreign as are for the domestic investors:

- Corporate Income Tax - taxpayers with revenue below EUR 50,000 may choose to be taxed either on an actual income basis with 10% or on a presumptive tax basis.
- Taxpayers with revenue below EUR 50,000 have to pay: 3 percent of each quarterly gross income from trade, transportation, agricultural or similar businesses but not less than EUR 37.50 per quarter; 5 percent of the company's annual revenue deriving from the provision of services, vocational, entertainment and similar activities but not less than EUR 37,50 per quarter;

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10 percent of net rental income for the quarter, reduced by any amount withheld during that quarter

- Losses can be carried forward for 7 years
- Foreign tax credit income taxes paid abroad by residents, are credited up to the maximum amount of tax payable in Kosovo
- Personal income tax rate depends on the annual value which is progressive and withheld by employers (from 0 to 10%)
- Certain goods are exempt from customs duties
- Possible local level incentives in the local economic zone - special economic zones which are not free economic zones

The Kosovo Competition Agency is composed from five members, president of commission and four commissioners which are appointed from Parliament of Republic of Kosovo*. The agency reports in front of the Parliament on the activities through report preparation on annual basis.

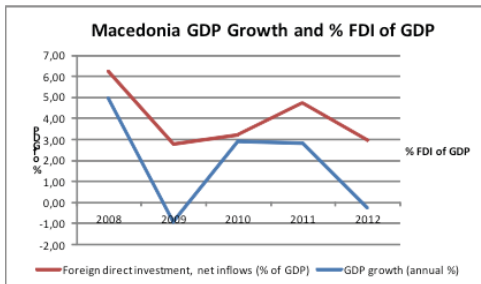
MACEDONIA

Macedonia	2008	2009	2010
Population (Total)	2.098.769	2.100.558	2.102.216
GDP (current US\$)	9.834.038.367	9.313.573.965	9.338.665.631
GDP growth (annual %)	4,95	-0,92	2,89
Foreign direct investment, net inflows (% of GDP)	6,22	2,79	3,22
Foreign direct investment, net inflows (BoP, current US\$)	611.688.379	259.530.322	300.734.841
Macedonia	2011	2012	
Population (Total)	2.103.890	2.105.575	
GDP (current US\$)	10.439.099.881	9.612.518.136	
GDP growth (annual %)	2,84	-0,27	
Foreign direct investment, net inflows (% of GDP)	4,74	2,94	
Foreign direct investment, net inflows (BoP, current US\$)	495.096.925	282.676.632	

Source: <http://data.worldbank.org>.

The Competition Protection Law and State Aid Control Law implementation, monitoring and control of state-aid in the Republic of Macedonia are conducted by the Commission for Protection of Competition. The main policies and measures for attracting FDI in Macedonia are:

- Flat tax rate of 10%



Source: <http://data.worldbank.org>.

- Tax relief - no profit tax on reinvested net earnings before taxation
- Investments in TIDZ offer State Aid scheme as regional state aid:
 - Personal and corporate income tax exemption for the first 10 years;
 - Exemption from value added tax and customs duties payment for goods, raw materials, equipment and machines up to 500 thousand EUR granted as incentive towards building costs depending on the value of the investment and the number of employees
 - Land lease of 99 years;
 - Cost free connection to natural gas, water, electricity;
 - Exemption from payment of utility taxes to the local municipality, and fees for land building permits and green customs channel for goods

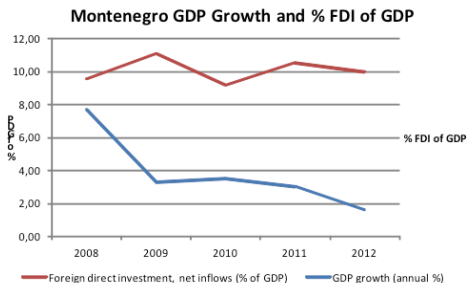
The Competition Protection Commission is an independent state body with a status of a legal entity, independent in its work and decision making process. The Commission consists of President and four members appointed and dismissed for a five-year

period by the Parliament of the Republic of Macedonia, with the right to reappointment. The Competition Protection Commission is obliged to prepare and submit an annual report covering detailed information on the activities under Law for competition protection and Law on state aid control to the Parliament. In the case of receiving a State Aid, in the name of the GoM, the Agency for foreign investments and Export Promotion of the Republic of Macedonia signs the agreement with the investor.

MONTENEGRO

Montenegro	2008	2009	2010
Population (Total)	618.649	619.408	620.078
GDP (current US\$)	4.519.731.947	4.157.852.772	4.114.780.574
GDP growth (annual %)	6,90	-5,70	2,50
Foreign direct investment, net inflows (% of GDP)	21,57	37,26	18,43
Foreign direct investment, net inflows (BoP, current US\$)	975.105.642	1.549.312.935	758.407.500
Montenegro	2011	2012	
Population (Total)	620.644	621.081	
GDP (current US\$)	4.501.811.520	4.373.170.812	
GDP growth (annual %)	3,23	-0,55	
Foreign direct investment, net inflows (% of GDP)	12,36	14,14	
Foreign direct investment, net inflows (BoP, current US\$)	556.257.883	618.367.296	

Source: <http://data.worldbank.org>.



Source: <http://data.worldbank.org>.

The policy measures for attracting the foreign investments in Montenegro are envisaged in the Strategy for attracting foreign investment of the MIPA, approved by the Government of Montenegro. The competition protection law implementation and its monitoring are conducted by the Agency for Protection of Competition. The specific measures for investors are:

- 100% Profit tax relief and personal income tax relief - for newly established companies (or business units) in economically underdeveloped municipalities for production activities. The tax reliefs are not applicable for primary agriculture production, transport and ship building, fishery and steel.
- Subsidizing of categories of unemployed – perceptual exemption of personal insurance and benefits for defined categories of unemployed as of certain age, long term unemployed, business zones, etc.
- Local tax reliefs on a municipal basis such as reduction of: communal and other tax, subsidized rent/price for business zones, property tax, PPP arrangements, infrastructural projects, etc.
- Free Zone Port of Bar incentives:
 - use of land and facilities with long-term lease as per fixed



conditions;

- customs, customs duties and VAT exempt for goods entering the Zone;
- goods can be temporarily taken out of the Zone;
- goods from the Zone pay customs and customs duties only for the foreign component in the goods;
- profit tax exemption;
- Free profit transfer and deposits.

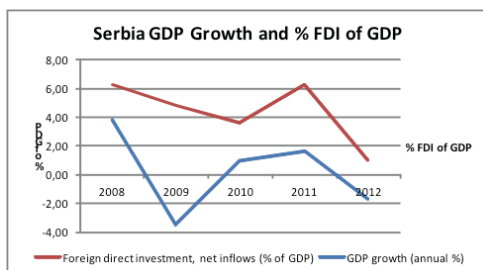
Besides the foreign investment subsidizing measures the State Aid measures are generally thought the following forms: (1) Horizontal aid – aimed at the restructuring and improvement of existing companies (2) Vertical aid – regional development support through Investment-development fund (SME support, infrastructure for municipalities, etc.) and Agency for employment (benefit relief for unemployed).

According to the Foreign Investment Law the incitement and promotion of foreign investments that contribute to the economic development of Montenegro is conducted on the basis of the Strategy for the Promotion of Foreign Investments adopted by the Government of Montenegro while the promotion is done by the Montenegrin Agency for the Promotion of Foreign Investments. The Agency for Protection of Competition of Montenegro and the Commission for State Aid control is responsible in front of the Government and is obliged to submit their annual report of work to the Government and the Parliament of MonteNegro.

Serbia

Serbia	2008	2009	2010
Population (Total)	618.649	619.408	620.078
GDP (current US\$)	4.519.731.947	4.157.852.772	4.114.780.574
GDP growth (annual %)	6,90	-5,70	2,50
Foreign direct investment, net inflows (% of GDP)	21,57	37,26	18,43
Foreign direct investment, net inflows (BoP, current US\$)	975.105.642	1.549.312.935	758.407.500
Serbia	2011	2012	
Population (Total)	620.644	621.081	
GDP (current US\$)	4.501.811.520	4.373.170.812	
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Foreign direct investment, net inflows (% of GDP)	12,36	14,14	
Foreign direct investment, net inflows (BoP, current US\$)	556.257.883	618.367.296	

Source: <http://data.worldbank.org>.



Source: <http://data.worldbank.org>.

The Competition Protection Law implementation and the monitoring is conducted by the Commission for Protection of Competition and State Aid Law implementation and the control of state-aid in Serbia is conducted by the Commission for State Aid control within the Ministry of Finance of R. Serbia comprised of representatives of the Ministries of finance, economy, infrastructure, environmental protection and Commission for Protection of the Competition.

Specific investment support measures in Serbia are:

- State Grants for Greenfield and Brownfield investments - (valid for all sectors except primary agriculture, the hospitality industry, retail, and the production of synthetic fibers and coal) in the form of non-refundable state funds between 4 and 10 thousand EUR per new job created within three years of the day of signing the contract on awarding funds.
- State Grants for large investors
 - investments over €200 million, and 1.000 new jobs within 10 years, up to 17% of the investment's total value;
 - investments over €100 million and minimum of 300 new jobs within a time period less than 10 years, up to 17% of the



investment value

- investments of between €50 and €100 million a minimum of 300 new jobs within a time period less than 10 years up to 20% of the investment
- Medium-sized investments of over €30 million and at least 150 new jobs within 10 years up to 17% of the total investment.
- Financial investments depending on the sector, territorial development level, investment size and minimum full time jobs created ranging from 4 to 20 thousand EUR per new job created.
- The National Employment Service Grants - for employment, apprentice and re-training, funds available per employee/apprentice.
- Corporate Profit Tax Holiday –an exemption for a period of 10 years for large companies, if investments in fixed assets are over €9 million and employ at least 100 additional employees throughout the investment period and for investments in underdeveloped regions exempt from corporate profit tax for 5 years under certain conditions.
- Corporate Profit Tax Credits - tax payable reduced by 20% (or 40% for small enterprises) of the amount invested in fixed assets for the tax period however not exceeding 33% (or 70% for small enterprises) of the total tax liability for a single year. If not used up it can be carried forward for up to 10 years.
- Carrying Forward of Losses – up to five years.
- Salary Tax and Social Insurance Charges Exemptions – for 3 or 2 years depending on certain categories of workers.
- Annual Income Tax Deductions for non-Serbian citizens, where rate depends on the income compared to the average salary in Serbia, a taxation starts if it is three times the average Serbia salary by 10% and the percentage increase as the



amount increases

- Free economic zone benefits:

- Value Added Tax Exemptions for income generated through commercial activities within the current six Free Zones: Subotica, Novi Sad, Zrenjanin, Sabac, Kragujevac, and Pirot.
- Customs-Free Imports of: raw material and semi-finished goods for export production in the free economic zones or authorized by the customs for outward processing production and of imported equipment and machinery which is part of the foreign investor's capital of a company in Serbia.
- Additional Local Incentives size depending on the location: construction land lease fee exemptions or deductions, payments in installments, with the prior consent of the Serbian Government; construction land development fee relief; etc.

Commission for Protection of Competition is an independent state organization which is responsible in front of the Parliament, and is obliged to prepare and submit an annual report covering detailed information on the activities under Law for Competition protection to the Parliament. The incentivizing Laws are voted on by the Parliament while the exact amounts of support are brought through the adopting various rulebooks and other regulations.

Practical guidelines for improving parliamentary oversight

A. Competition policy and state aid in the countries of Western Balkans

In line with the conducted assessment on the current state-of-play on the level of legislative alignment and the institutional set up major challenges remain for the parliamentary oversight over the competition policy and state aid in the countries of Western Balkans.

- One of the major challenges for achieving alignment for the competition policy chapter is the necessity to develop and strengthen the enforcement capacity of the competent bodies for protection of competition and for monitoring and control of state aid;
- The full alignment in this chapter requires a fundamental change in business culture;
- Concerning state aid policy it is important to realise that state aid does not come for free. Nor it is a solution that can instantly solve problems. The tax payers in the end have to finance state aid and there are opportunity costs to it. Giving aid to undertakings means taking funding away from other policy areas. State resources are limited and they are needed for many essential purposes, such as the educational system, the health system, national security, social protection and others. It is therefore necessary for the countries to make their choices transparently and to prioritise action;
- There is a need to strengthen the instruments for parliamentary oversight over competition policy and state aid.



Suggested improvements:

- The obligation for submission of an annual report by the competent authority to the Assembly represents a useful tool for parliamentary oversight over the competition policy and the state aid policy. Therefore in the countries where there is no such instrument established it would be useful to establish it.
- The role of the Parliament in state aid control should be strengthened by capacity building activities for the MP's as well as for the parliamentary staff and
- One of the instruments for parliamentary oversight of the state aid policy is the discussions and monitoring through the Parliamentary committees on budget and finance. Therefore the awareness should be raised among MP's and parliamentary staff on the elements of state aid and state aid rules.

B. FDI and state aid in the countries of Western Balkans

Given the information in this toolkit and the conducted assessment we can propose the following practical guidelines to improve parliamentary scrutiny over policies of state aid, competitiveness and attracting foreign direct investments in the countries of Western Balkans:

- The discussion on FDI and national competition in the global world is still considered a topic that should be addressed by the executive power only.
- Parliaments of Western Balkan are focusing more on annual reports from institutions in an ex-post fashion and are limited in monitoring the process of state aid and attracting




FDI.

- The reports are focusing more on input and output measures without looking for information from the executive power related to outcome and performance of the state aid and policies to attract FDI.
- There is de-facto no proper cost-benefit analyses so that one can understand better why each policies and measures for state aid and attracting FDI are proposed by the executive power.
- There is neither debate nor proper “next generation” policies proposed by the executive power on how to integrate the FDI with national economies and how to include domestic companies in the supply chain.

Suggested improvements:

- Parliaments should be involved early in the process of designing the state aid and attracting FDI by the executive power. Parliament is the right place to discuss all the aspects of state aid and attracting FDI before actually conducted by the executive power.
- Within the annual reports of the proper institutions related to state aid and attracting FDI there should be reported also analyses of efficiency and effectiveness of FDI
- Parliaments should ask executive power to prepare proper ex-ante cost-benefit analysis of each state aid and FDI policies proposed.

Attracting FDI and state aid policies is very specific part of the public finances that deserves efficient and effective control by the parliaments otherwise it will end up in ministries giving discretionary concessions to FDI the way they seem appropriate



instead of conducting socio-economic policy for better performance of the national economy.

NOTES



