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REFORM OF PUBLIC ENTERPRISES IN BELGRADE AS THE PLATFORM FOR INVESTMENT ACTIVISM

Reforma javnih preduzeća u Beogradu kao podloga
investicionog aktivizma

Abstract

Continued comprehensive reform of the public system has positioned Belgrade, within a short timeframe of two years, as an attractive investment destination in the region and beyond. Public enterprises have been transformed into stable commercial entities, which perform their activities efficiently, becoming increasingly attractive holders of investment activity, both through self-financed projects and the model of public-private partnership. From the phase when it had experienced aggregate loss of approximately RSD 2 billion in 2013, the public sector of the City entered the phase in which it generated the profit of RSD 2 billion in 2015.

Out of the total of 31 enterprises founded by the City of Belgrade, 29 of them had positive business results in 2015. This fact has led to the increased investment potential of the enterprises, primarily through the attraction of foreign capital and establishing of certain types of public-private partnerships. During 2015, there were a great number of proposals initiated directly by private partners. There was a successful public-private partnership in the field of public transportation, and the procedure for management of the biggest landfill in South East Europe, Vinča landfill, was initiated.

Keywords: *reform of public enterprises, investments, public-private partnership*

Sažetak

Nastavak sveobuhvatne reforme javnog sistema je u kratkom periodu od oko 2 godine doprineo pozicioniranju Beograda kao privlačne investicione destinacije u regionu, a i šire. Javna preduzeća transformisana su u stabilne privredne subjekte, koji efikasno obavljaju delatnost za koju su osnovana i postaju sve atraktivniji nosioci investicione aktivnosti, kako kroz projekte koje sama finansiraju, tako i kroz model javno-privatnog partnerstva. Javni sektor Grada je iz faze generisanja sumarnog minusa od skoro 2 milijarde u 2013. godini ušao u fazu generisanja dobiti od preko 2 milijarde dinara u 2015. godini.

Od ukupno 31 preduzeća u kojima je Grad Beograd osnivač, u njih 29 ostvaren je pozitivan poslovni rezultat u 2015. godini. Ova činjenica otvara sve veći investicioni potencijal preduzeća, pre svega u pogledu privlačenja privatnog kapitala i ulaska u određeni vid javno-privatnog partnerstva. Veliki broj samoinicijativnih predloga od strane privatnih partnera podnet je tokom 2015. godine. Uspešno je realizovano javno-privatno partnerstvo u oblasti javnog prevoza, a započet je postupak za uređenje najveće deponije u jugoistočnoj Evropi, deponije „Vinča“.

Ključne reči: *reforma javnih preduzeća, investicije, javno-privatno partnerstvo*

Introduction

Quality of services provided by the utility system has direct effect on the quality of everyday life: heating, maintenance, water supply, drainage of sewage and waste waters, landscaping, and public transportation. Utility system of every big city essentially determines the quality of life in that city. Thus, the companies which perform these activities are extremely significant. In Belgrade, they are owned by the City. Considering their significance and ownership structure, the efficiency of their activities presents the significant parameter.

There is a firm belief that the public sector is generally inefficient, that it only generates losses, and the entities owned by it cannot perform their main functions with positive financial effects.

This paper provides the overview of the significant improvement in restructuring of the public sector of the City, accomplished in the previous two years, where, through establishing of clear mechanisms for control of public enterprises, and introduction of corporate governance, public enterprises have been transformed into stable commercial entities. At the same time, they have become a significant investment potential of the City.

The first segment of the paper contains an overview of undertaken systematic and operational measures in the field of restructuring. The second part of the paper offers the overview of the financial effects of restructuring of the public sector of the City as a whole. The third part is an overview of investment potentials provided by the public sector of the City of Belgrade.

Measures in the reform of public enterprises

Reform of public enterprises is based on establishing of the clear principle that the City of Belgrade, as the founder of public enterprises, needs to perform its basic function, i.e. to control these enterprises.

The primary goal of public enterprises and public utilities is to provide quality services in the field they were established for, where the principle of effective operations must always be present as corrective mechanism in order

to avoid unnecessary costs under the pretence that public function is performed.

The reform of public enterprises was undertaken through institutional, financial and organizational restructuring.

Institutional restructuring

The key organizational units have been identified within the city administration which continuously monitor and control public enterprises: Pricing Administration and relevant secretariats. Relevant secretariats have a dominant role in monitoring and supervision of the scope and quality of implementation of adopted business programs, while the Pricing Administration monitors the financial segment, payment of incomes and number of employees. The data showing the performance of enterprises are collected weekly (general data, financial data, as well as open issues – current problems in operations of enterprises).

The introduction of these measures has marked the adoption of a proactive approach to city administration and demonstrated the example of public administration management. Furthermore, the system of continuous control and monitoring was established, and at the same time the support given by the founder to public enterprises.

Order for preparation of draft business program in 2015 was sent by the founder on September 1. The first drafts of the business program were delivered to the City Assembly on October 15. The first round of control of those delivered programs was undertaken by relevant secretariats and the Pricing Administration. Based on the initial suggestions and comments, the enterprises delivered revised draft programs to the Committee consisting of the Assistant to the Mayor, secretary of the relevant secretariat, and project manager from the Pricing Administration, representative of internal audit and representative of budget inspection. Each segment in the business program was controlled, both balance items and each individual item in the public procurement plan. Such verified business program was sent to the City Assembly for adoption. This is how the system of preventive control was introduced.

The services of Internal Audit or Budget Inspection were divided and were given the position of independent institutions. Unlike other sectors of city administration,

which experienced decrease in the number of employees, there was hiring of new staff in these institutions during the previous year, with the goal of strengthening their capacities in order to be able to perform the functions assigned to them.

Organizational restructuring

In the last two years, the City of Belgrade has decreased the number of employees in the public enterprises by 3,200 as follows: 1,800 permanent employees and 1,500 employees with the contract for temporary – occasional works and based on other contractual relations. This cut was made on two bases: certain number of people retired, while certain number of enterprises implemented the social programs. Organizational restructuring is not characterized only by the decrease of the number of employees, but also by the change of internal organization and systematization in each enterprise.

The City of Belgrade started the initiative for adoption of the new Rules on organization and systematization of jobs on the level of all PEs and PUCs. The instructions were issued that new organizational structures and systematizations of work positions should be rational and in compliance with the new Labour Law. Through uniform naming of possible organizational units (Sector – the biggest organizational unit, Line or Service, and, in the end, Department – the lowest organizational unit) and defining the minimum number of employees which can constitute the smallest organizational unit (recommendations is a minimum of 5 employees), and the framework for deepening of organizational structures in PEs and PUCs is narrowed down.

Furthermore, in cooperation with the management of enterprises, the analysis of sectoral dispersion of organization scheme was performed, and based on it the recommendations were given for merging or closing of certain sectors. This led to horizontal rationalization without disturbance of operational functioning of work. Total of 695 organizational units were closed, and out of it 117 sectors, 76 lines, 199 services, 283 departments.

The consequence of above described circumstances is a decrease of the number of managerial staff, i.e. their distribution to operational level, which contributes to

increased number of available employees, and on the other hand the saving through decreased incomes. This also led to the termination of positions of advisors, coordinators and assistant directors in all PEs and PUCs, as well as the introduction of Financial Management and Control (FMC) in all PEs and PUCs. There was a decrease of the total of 1,061 managerial positions.

Financial restructuring

Financial restructuring of public enterprises was primarily based on rationalization of costs. The analyses of balance sheet items showed that, in 2013, the costs not directly related to the core activities were unjustifiably high. In addition, many costs were “overblown” through implementation of public procurements that were not rational and optimal. For the purpose of such rationalization, the following measures were taken:

- Legal services were cancelled, which, on annual level, made for the saving of RSD 33 million. Namely, in 2013, public enterprises paid the legal offices the amount of RSD 33 million for legal services provided, and, at the same time, all these enterprises had their own departments for legal affairs in their organizational structures, while the City of Belgrade even has its own Public Prosecutor’s Office.
- Vehicles identified as surplus were sold – 263 vehicles. Projected savings only for the cost of fuel, insurance, registration and spare parts are approximately RSD 108 million annually.
- PR and consulting services not directly related to the core activities were cancelled.
- Decision to establish a Service for Centralized Public Procurement and Procurement Control has initiated a process of public procurement centralization for certain number of goods and services (goods: stationery, hygiene equipment and supplies, paper products, provisions, vehicles, energy, computers and computer equipment, furniture, and services: cleaning of facilities, physical and technical security, maintenance and repair of computers and computer equipment, printing services, disinfection and pest control services), which accounted for the savings of over EUR 2 million in 2015.

- Besides the monitoring of formal implementation of public procurement procedures and implementation of centralized public procurement at the Public Procurement Agency, the City has also introduced a special Department of the Budget Inspection to work on the analysis of vital needs for public procurement. None of the enterprises can start a public procurement procedure before informing this department and providing a clear justification for that. Special attention is paid to the need for consolidation of public procurements for the purpose of initiation of an open procedure and elimination of small value procurements and procurements through purchase orders, where there is a significantly higher possibility for potential misuse.

Establishing of social dialogue

The City of Belgrade signed a special collective agreement on the city level with the representative unions, as well as individual collective agreements on the level of each enterprise. For the first time, all public enterprises and public utility companies founded by the City of Belgrade have signed individual collective agreements. This is the right example of establishing of a social dialogue, and of agreeing on the minimum common values needed, especially in the times of implementation of reform processes. New collective agreement protects the employees' rights, working

conditions, as well as union organizing, while at the same time it recognizes the City's difficult economic situation.

The City of Belgrade established the Social and Economic Council (SEC), where, together with the employers' and unions' representatives, it analyzes and gives recommendations to the executive bodies of both the City and the Republic about any relevant questions and areas.

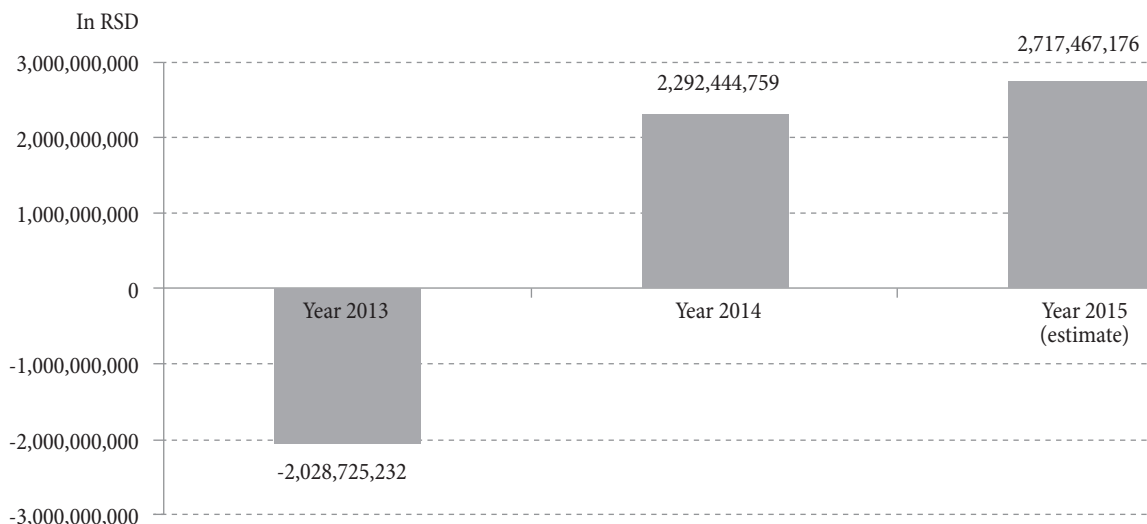
Results achieved in restructuring of public enterprises

Net profit and number of employees

In 2015, the system of public enterprises, public utility companies and LLCs had positive business results and made a total net profit of RSD 2,717,467,176, which is, compared to the previous year, an increase of 18.5%, and compared to 2013, an increase of RSD 4,746,192,408 (see Figure 1). There are obvious further effects of the business-financial consolidation of the complete public sector which began at the end of 2013.

Total negative result for the period as stated in the financial reports of the enterprises equals RSD 741 million and is the result of transfer of the founder's share in the share capital of JSC "Veletznica" (Wholesale Market) to the City of Belgrade free of charge. Value of the transferred founder's share of JSC "Veletznica" was RSD 900 million

Figure 1: Profit of PE, PUC and LLC founded by the City of Belgrade



Source: Balance sheet data for public enterprises

Note: In 2015, PUC "Gradske pijace" (Belgrade City Markets) made a business profit of RSD148 million (about 3 times more than in 2014).

for 40% of the founder's share, so with this transfer, the City of Belgrade acquired 100% ownership of JSC "Veletznica".

In the total public sector results for 2015, two enterprises made an estimated net profit of over RSD 500 million, and those two were PUC "Beogradske elektrane" (Belgrade Power Stations) with approximately RSD 2,500,000,000 and PUC "Parking servis" (Parking Service) with approximately RSD 736,619,000.

The biggest positive improvement as compared to 2013 (see Figure 2) was made by PUC "Parking servis" and PUC "Beograd-put" (Belgrade Roads). Parking Service increased its profit for RSD 686 million, that is, over 14 times, while Belgrade Roads achieved increase of over one billion RSD. It should be noted that the change in business results of all these public enterprises was not due to the change of prices, since none of the enterprises increased prices of their services for more than 5% adjusted for inflation. With certain number of enterprises, prices of some of the services were even reduced.

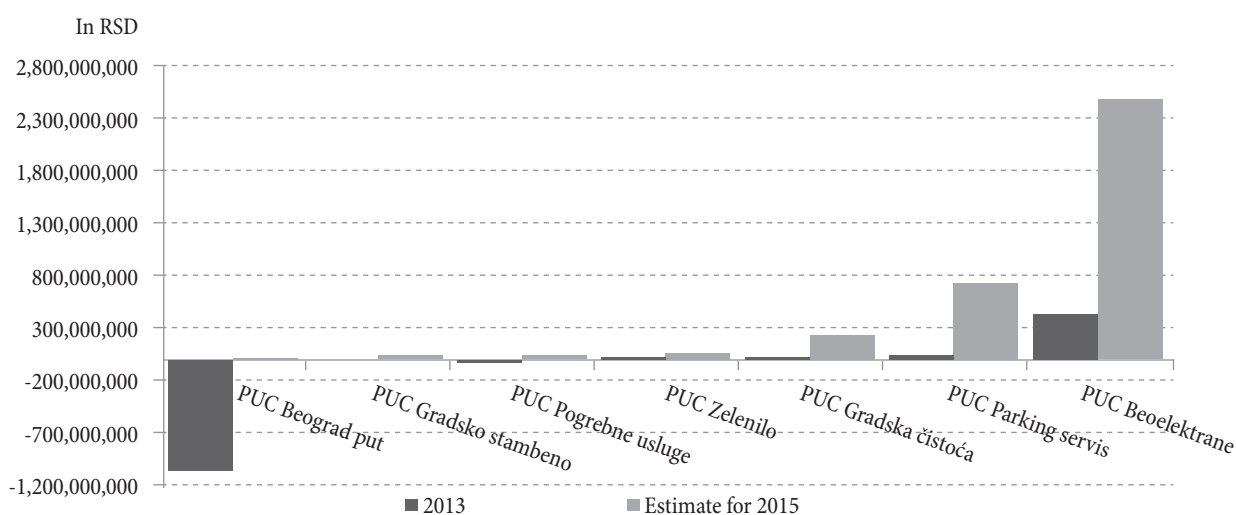
The only two enterprises which had business losses in 2015 were PE "Sava Centar" and "GSP Beograd" (City Transportation Company). The problem with these two enterprises is of systemic nature. Restructuring measures implemented in 29 enterprises which were successfully restructured, were also implemented in these two enterprises, but the nature of the problem was different. The problem with GSP is with its profit, because, more than any other enterprise, it is affected by the social policies

(pensioners, university students, high-school students, socially-deprived persons, persons with disabilities). A big problem is also the "ticket purchase boycott". On the other hand, 75% of the total costs are labour and fuel costs. These components cannot be drastically reduced since any such reduction would mean deterioration of the quality of service (less buses, less drivers, and therefore more crowded transportation system). The first step in solving of this problem has already been made. New tariff system has been introduced and increase in ticket payment collection and income is to be expected in 2016. As an illustration, in 1994, the number of monthly public transportation tickets sold was 637 thousand; in 2004, it was 355 thousand; while in 2015, the average sale of monthly tickets was 104 thousand.

As for the "Sava Centar", the cause of the problem is high cost of energy, since this facility was not built in line with energy-efficiency principles, as well as inefficient management in previous years when the level of congress activities was lower. In order for this enterprise to secure the organization of any significant congress, preparations must start several years in advance. A solution for restructuring of this enterprise is searching for a partner and creation of some sort of a "joint venture".

The plan is to complete the reform of public enterprises in 2016, where all 31 legal entities founded by the City of Belgrade would achieve positive business results.

Figure 2: Comparative review of profits in 2013 and estimated profits in 2015 – 7 enterprises with the best trends



Source: Balance sheet data for public enterprises

During 2015, as a part of the overall reorganization and rationalization, the measures were taken to reduce the surplus administration, and therefore, the number of permanent employees was reduced by 1,791, which is a reduction of approximately 9.3% compared to 2013. In addition, there was a rationalization in the segment of employees engaged in temporary or short-term activities, as well as employees with other types of contracts, where the numbers were reduced by 1,500.

This way, the City of Belgrade has prepared for the introduction of the Law on Maximum Number of Employees, because it has implemented necessary reform processes without waiting for the adoption of this Law. In 2015, the City of Belgrade did not have the number of employees above the number defined by the aforementioned Law (see Figure 3).

The total business results of the City of Belgrade's public system, also including the institutions are presented in Table 1. It shows the change in net profit between 2013 and 2015, as well as the number of permanent employees at the end of those years.

Investment potential of public enterprises

The reform of public enterprises conducted in the past two years has resulted in public enterprises becoming more stable economic entities. By eliminating unnecessary costs and introducing corporate governance, a great investment potential has been created in two directions: investing

in projects from enterprises' own profits and attracting investments through public-private partnerships.

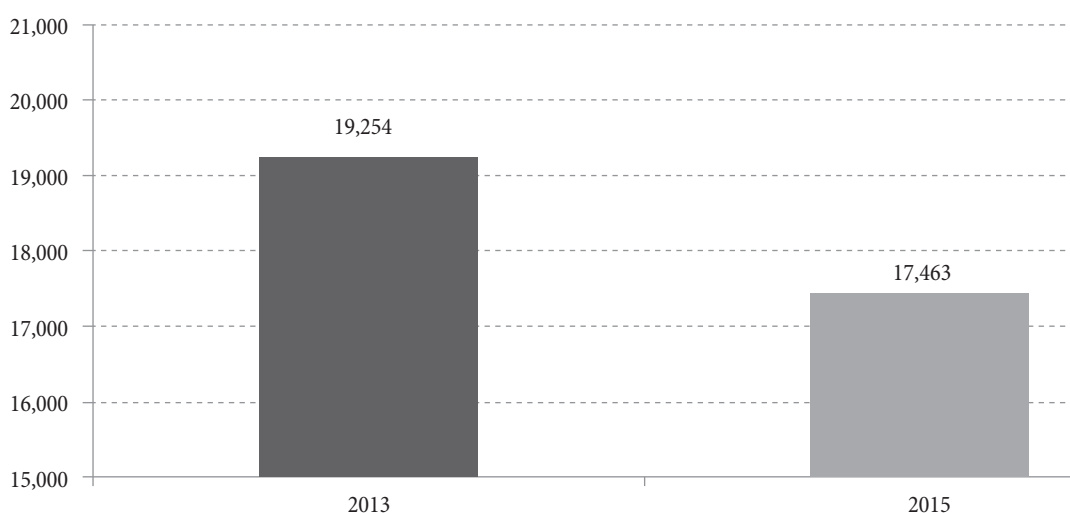
Development projects that shall be financed from the own funds of PE and PUC, the City budget and certain forms of external financing

Development projects that shall be financed by own resources of public enterprises have been identified in the programmes of operations of all public enterprises for 2016. Projects include the overall improvement of life of citizens, city beautification, advancement of the overall content, sports and recreational and tourist offer of Belgrade.

Some of the projects are as follows:

- *Reconstruction of Obilicev venac garage and construction of a garage at Students' Square.* With the aim of improving the parking facilities in downtown, it is necessary to upgrade existing capacities, but also build new underground garages in order to reduce traffic congestion, reduce emissions of harmful gases and address the concerns of tenants.
- *Reconstruction of markets.* Operational plan for 2016 envisages the reconstruction phase for all markets in the City of Belgrade. With a view to some markets, settling the property legal situation is on the agenda, however, there are markets where design and construction are under way.
- *Infrastructure landscaping around Ada Ciganlija* is one of the priorities and includes arranging transport

Figure 3: Number of permanent employees in PE, PUC and LLC founded by the City of Belgrade



Source: Official records of public enterprises

Table 1: General overview of the effects of restructuring of the public sector in the City of Belgrade

EN	Name of enterprise	Net profit				Number of employees according to personnel records		
		2013	EUR	Assessment for 2015	EUR	2013	2015	Difference
1	PUC "Beogradske elektrane" (Belgrade Power Stations)	439,763,000	3,835,964	2,500,000,000	20,554,799	2,206	1,936	270
2	PUC "Parking Servis" (Parking Service)	49,585,000	432,520	736,619,000	6,056,422	653	620	33
3	PE "Gradska cistoca" (City Waste Disposal)	33,371,000	291,089	249,625,000	2,052,397	1,826	1,618	208
4	PUC "Infostan" (Combined Utilities Billing Company)	43,311,841	377,800	295,579,000	2,430,227	162	153	9
5	Veletržnica JSC	65,533,000	571,631	58,202,000	478,532	42	38	4
6	PUC "Gradsko stambeno" (City Housing Services)	5,773,000	50,357	49,534,000	407,265	220	207	13
7	PUC "Javno osvetljenje" (Public Lighting)	4,515,000	39,383	31,769,000	261,202	171	154	17
8	PUC "Pogrebne usluge" (Funeral Services)	1,462,000	12,753	51,571,000	424,013	457	404	53
9	PE "Ada Ciganlija"	-3,998,000	-34,874	676,000	5,558	33	55	-22
10	Elektroizgradnja Ltd.	7,123,000	62,132	22,719,000	186,794	172	155	17
11	PUC "Beogradski vodovod i kanalizacija" (Belgrade Waterworks and Sewerage)	5,873,000	51,229	15,470,000	127,193	2,470	2,228	242
12	PE "Beogradska tvrđava" (Belgrade Fortress)	895,000	7,807	9,928,000	81,627	17	14	3
13	PE "Beogradvode"	-129,358,000	-1,128,364	39,203,000	322,324	172	159	13
14	PE "Direkcija za gradjevinsko zemljište i izgradnju Beograda" (Belgrade Land Development Public Agency)	0	0	0	0	286	268	18
15	PE "Urbanisticki zavod" (Urban Planning Institute)	-87,125,000	-759,974	7,785,000	64,008	144	137	7
16	PUC "Beograd-put"	-1,046,582,000	-9,129,124	23,272,000	191,341	1,291	1,104	187
17	PUC "Zelenilo Beograd" (Belgrade City Parks)	37,144,000	324,000	69,978,176	575,355	1,181	1,104	77
18	PUC "Gradske pijace" (City Markets)	1,297,000	11,313	148,062,000	1,217,354	206	178	28
19	Beo Zoo Vrt (Belgrade Zoo)	8,991,000	78,427	10,684,000	87,843	46	39	7
20	Kombank Arena	11,501,604	100,326	491,000	4,037	36	39	-3
21	PE "Hipodrom Beograd" (Belgrade Hippodrome)	168,000	1,465	122,000	1,003	15	12	3
Overall PEs and LTDs (with net profit)		-550,756,555	-4,804,139	4,321,289,176	35,529,292	11,806	10,622	1,184
22	GSP "Beograd" (City Transportation Company)	-1,393,683,000	-12,156,817	-1,451,724,000	-11,935,958	5,740	5,278	462
23	PE "Sava Centar"	-84,284,000	-735,192	-152,098,000	-1,250,538	130	120	10
Total PEs (with negative results)		-1,477,967,000	-12,892,009	-1,603,822,000	-13,186,495	5,870	5,398	472
Overall PEs and LTDs		-2,028,723,555	-17,696,148	2,717,467,176	22,342,796	17,676	16,020	1,656
24	SRC Tasmajdan	-34,190,000	-298,232	10,450,000	85,919	124	89	35
25	SRC Pionirski grad	-199,000	-1,736	192,000	1,579	13	10	3
26	City Centre for Physical Culture - DIF	-13,819,000	-120,540	-3,837,000	-31,548	48	38	10
Overall sports centres		-48,208,000	-420,509	6,805,000	55,950	185	137	48
Total PEs and LTDs and sports centres		-2,076,931,555	-18,116,657	2,724,272,176	22,398,746	17,861	16,157	1,704
27	Apoteka Beograd (Belgrade Pharmacy)	1,706,096,000	14,881,933	806,000,000	6,626,867	1,030	971	59
28	VI "Veterina Beograd"	123,183,000	1,074,501	247,000	2,031	202	184	18
29	Tourist Organization of Belgrade	-327,000	-2,852	269,000	2,212	35	35	0
30	Institute for Biocides and Environmental Medicine	0	0	0	0	49	59	-10
31	City Institute of Expertise	188,000	1,640	2,084,000	17,134	77	57	20
Overall establishments and institutions		1,829,140,000	15,955,221	808,600,000	6,648,244	1,393	1,306	87
O V E R A L L :		-247,791,555	-2,161,436	3,532,872,176	29,046,991	19,254	17,463	1,791

Source: Official records of public enterprises

infrastructure, construction of waterworks and sewage, partial expansion of roads, construction of garages and new access roads. This excursion place that has up to 300,000 visitors on the hottest days shall provide better services and greatly facilitate internal communication in the field of tourism capacities.

The fact that about 30% of the city's population is still not connected to the sewage system makes solving this problem a priority. The City of Belgrade has made a clear Strategy for building needed water and sewage infrastructure in the next 10 years, i.e. by 2025. Belgrade's system is divided into several subsystems, and only the central one, which covers about 85% of the territory of the city, has a sufficiently developed and distributed faecal and rain sewage network. The investment in primary and secondary facilities, including the missing section of the main sewer collector "Interceptor", amounts to about EUR 575 million. The adopted strategy defines projects by the year in which they shall be implemented, as well as the exact sources of funding. PUC "Waterworks and Sewerage" and Belgrade Land Development Public Agency operational plans for 2016 incorporate the first year of the strategy.

Development projects that are financed through the model of public-private partnerships

As stable economic entities that operate positively, public enterprises in Belgrade have become very attractive for financing specific projects through the model of public-private partnerships. Some potential projects include:

- *Remediation and rehabilitation of the city landfill in Vinca and construction of plants for the production of electricity and heat from waste* – One of the most pressing environmental problems of the city is the inadequate storage of all types of waste on the territory of Belgrade. In order to convert a decade-long problem into a lucrative opportunity, a pre-qualification tender was successfully implemented in 2015; namely, 5 qualified potential partners have qualified for the next phase, i.e. the competitive dialogue. The final partner shall be selected during 2016, when the execution of the project is expected to commence. The project shall include the closure

and rehabilitation of the existing landfill, the construction of facilities for treatment and disposal of waste, construction of cogeneration plants for the production of electricity and thermal energy and so-forth. The investment amounts to approximately EUR 250 million, and given the complexity of the project, construction shall last several years.

- *Construction of a water and heat pipeline between "TENT" and TO "Novi Beograd"* – The project includes the construction of approximately 30 km of hot water pipelines for the supply of residual hot water from the thermal power station in Obrenovac to the district heating system in Belgrade, which would be used as a renewable source to provide between 600 and 800 MW of thermal energy. According to preliminary calculations, the city's needs for natural gas would in this way be reduced by about 40%. Construction requires about EUR 190 million, while many foreign companies have already expressed interest in participating in its realization.
- *Construction of a waste water treatment plant* – At this moment, Belgrade releases all waste water, effluent and rain water into its rivers and thereby is creating a general environmental hazard and also directly threatening fresh water reserves located along the river. The project includes the phased construction of four waste water treatment plants, spread across the city to ensure that all waste water is sent via a dispersed collector system for treatment. In addition to the main plant in Veliko selo, worth about EUR 177 million, there are plans to construct another 3 smaller plants, in Krnjaca, Batajnica and Ostruznica, valued at EUR 15, 17 and 8 million, respectively. Besides solving the core problem for the city, the project also positions Belgrade on the map of ecologically clean cities that provide hundred percent waste water treatments. Projects are defined according to the aforementioned development strategy of the water supply and sewerage system up to 2025.
- *Construction of underground garages* – Resolving long-term problems caused by the lack of parking spaces due to inadequate planning in recent decades creates an attractive business opportunity for

experienced companies in the field of infrastructure construction. The public garage network plan envisages 16 underground garages in the wider area of the city; the first 5 garages shall be offered for construction and management to potential partners as soon as 2016. The investment amounts to approximately EUR 40 million and shall be implemented in cooperation with the EBRD.

- *Renovation and upgrading of the public lighting system in suburban municipalities* – The public lighting system, especially in the peripheral areas of the city, requires significant investments for replacing existing mercury lamps and installation of new lighting in dark areas of the city. For now, 6 projects have been prepared for 6 municipalities; the investment amounts to approximately EUR 80 million. Amendments to the legislation are under way in order to ensure conditions for the realization of these projects according to the “ESCO” model, i.e. financing through savings achieved on energy bills.

Development infrastructure projects of the City of Belgrade

Stability of public enterprises and reforms implemented at the level of the city budget are the basis for investment activities related to large city infrastructure projects, which are largely financed through the Belgrade Land Development Public Agency. Some of them are as follows:

1) Drawing Belgrade closer to the river and development of rail infrastructure:

- *The completion of Belgrade’s railway junction* – The project represents the completion of Belgrade’s railway junction, which was initiated in the seventies of the last century. With the objective of relieving the central part of the city for real estate development, it is necessary to relocate the existing main railway station. So far about EUR 1.3 billion has been invested and it is still necessary to complete the main station building and construct subsidiary and loading stations dispersed around the perimeter of the city. An investment of EUR 26 million involving the construction of all the new main station’s platforms that ensures smooth train traffic on the principle of a circulating station

and transport for 8 million passengers per year was completed in January 2016. The station was designed as a future hub for 50 million passengers annually.

- *Train station “New Belgrade”* – With the relocation of infrastructure from the centre, it is necessary to restore the existing “New Belgrade” station and adapt it to the needs of the central business core in that part of town. The significance of this station derives from its position, as well as from the upcoming relocation of the main bus station to the same locality, which creates a synergy of two modes of transport and unifies the largest transportation centre in the capital. The station is also circulating and shall be located within a large new office complex “Blok 42-43”.
- *“Belgrade Waterfront”* – In cooperation with partners from the United Arab Emirates, the City has launched the long-awaited project of drawing the centre closer to the shores of the river. About 90 hectares of land in the primary urban zone is being opened with the relocation of the aforementioned stations. In September 2015, parallel to this process, began the construction of the first residential building area covering an area of 68,000 m². More than EUR 3 billion shall be invested in these construction works, as follows: 5,700 apartments, 600 hotel rooms, 120,000 m² of office space and a 170 m tower.
An entirely new transport network, with several boulevards, integrated public transport, railroad, as well as new parks, squares, museums, and so forth, have been designed along these buildings. The project “Belgrade Waterfront” has returned the city to the global map of real estate investments, and so far a significant interest has been shown for participation in the project and for purchase.
- *2) Construction and improvement of road infrastructure:*
- *Outer Highway Tangent (SMT)* – The project involves the construction of several new sections, as well as the adaptation of existing ones in order to close the traffic ring around the city and achieve better communication between citizens and businessmen. A section of the SMT covering 21 km, including a new bridge over the Danube River (Zemun-Borca), connects the municipalities of Zemun and Palilula

and over half a million people since late 2015, as well as several planned economic zones with newly formed free zones. The total value of the work already completed on the northern section is approximately EUR 200 million. The extreme significance of the project is the relocation of freight and transit traffic from the city centre and the opening of the most attractive parts of Belgrade for renovation and construction.

- *Inner Ring Road (UMT)* – One of the largest investments in improving the city's traffic infrastructure is the construction of the Semi Ring Road, which directs traffic around the centre. Until now, parts of the project have been completed, including the Ada Bridge. The rest of the Semi Ring Road requires the construction of several tunnels in highly populated areas of the city, more bridges and interchanges. The next section in plan is "Topcider" tunnel – an investment worth about EUR 50 million – which shall be realized according to a similar arrangement as the aforementioned segments of the SMT.
- *Reconstruction of the city's major roads* – Upon completion of the reconstruction of Vojvode Stepe Street, the complete reconstruction of one of the major arteries and main entrances to the city from the northeast of the country, Ruzveltova Street, shall be prepared. The project involves the complete reconstruction of road and tram infrastructure by 2017; the planned investment is around EUR 12.5 million.

Another important project that shall be implemented in 2016 is the reconstruction of one of the largest transport hubs in the city, Slavija Square towards the Boulevard of Liberation (Bulevar oslobodjenja). The investment worth about EUR 35 million involves solving intersections that include vehicle, trolley, tram and bus traffic. A large fountain shall be built in order to embellish the central part of the square.

- *A new main bus terminal* – The new main bus station relocates intercity and international bus traffic from the city centre to a location that is well connected infrastructure-wise with all parts of the city. As part of the relocation process, a smaller station located

at Autokomanda has been envisaged. The winning design foresees the construction of about 82,000 m² of business-commercial space under the auspices of the station complex. Planning documentation that shall present, among others, the amount of investments is currently being drafted. The station itself provides a developed business model to any attractive future investor, especially taking into account the importance of bus transportation in the Serbian and Balkan market.

Concluding remarks

The past two years in the City of Belgrade marked the process of business and financial consolidation at both the city budget level, as well as at the level of public enterprises and public utility companies. Work on the preparation and activation of a large number of development projects was conducted simultaneously.

In early 2014, the financial situation at the level of the city budget and public utility companies was as follows:

- Total liabilities at the city level amounted to EUR 1,118,716,459,
- Due and outstanding liabilities in the amount of RSD 14 billion,
- Government deficit of 20.25%,
- Bloated and inefficient public sector,
- The absence of basic control and monitoring mechanisms of the founder – the City – in relation to public enterprises it has established.

The main problem of the previous period was that the City did not conduct the basic role of founder, which is control and monitoring of the work of public enterprises. In order to solve the aforementioned, the City established, as the first and basic measure, control and monitoring of the work of the public sector and insisted on the respect for the principle of efficient operations in the management of public companies. In just two years, this approach advanced the overall performance of the public sector. The public sector, which generated aggregate loss of nearly RSD 2 billion in 2013, generated a profit of more than RSD 2 billion in 2015. Of a total of 31 enterprises founded by the

City of Belgrade, 29 of them achieved positive business results in 2015.

With the reform of the public sector, public enterprises have become stable businesses that operate effectively. The performance of their activities maintains communal function in the city, but also simultaneously achieves a positive business result. Therefore, public enterprises are becoming the basis for a strong investment potential in two directions:

- Through projects financed by public enterprises from their own funds, the City budget and the Land Development Public Agency;
- Through projects financed according to public-private partnership, given that the city and its public enterprises are now attractive partners for private capital.

In order to seriously prepare for attracting investors, Belgrade has prepared a “Guide for Investors”, which compiles in one place all the resources at its disposal, with a clear specification of projects that already exist. The guide identifies three key pillars to attract investors: the process of public-private partnerships, greenfield investments and privatization. The total value of all projects that have been developed or are in the development phase is over EUR 10 billion.

The biggest project that has been initiated in the previous period is “Belgrade Waterfront”, which has started to fulfil the idea of drawing the city closer to the river. Settling the property and legal status, spatial planning and expropriation are just some of the activities that preceded the start of construction. Furthermore, the first contract on public-private partnership was signed in 2015 in the field of public transport, while a procedure was initiated and pre-qualification tender completed for the project of arranging “Vinca” landfill worth over EUR 250 million.

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is the Mayor of Belgrade, the city of almost two million citizens, where he has initiated a comprehensive financial consolidation programme and creation of more favourable business environment for investors. He obtained his Bachelor's and Master's degrees from the University of Belgrade, Faculty of Economics, and completed his MBA studies at Washington University in St. Louis, Department of Finances. In 2013, he defended his PhD thesis at the Faculty of Organisational Sciences of the University of Belgrade. Prior to his appointment as the Mayor, he served as Special Adviser for economic and financial affairs to the Prime Minister of the Republic of Serbia, Mr Aleksandar Vučić. Before that he was financial advisor and consultant in private practice, where he specialised himself in transactions in the field of company purchase and sale, financial consulting, financial restructuring and business consolidation in private and public enterprises. In 2001, he was appointed the Assistant Minister for Privatisation. Later he worked as the director of the Tender Privatisation Centre at the Privatisation Agency of the Republic of Serbia. Before that he had worked at the Deloitte Central Europe and Credit Suisse First Boston at Mergers & Acquisitions Group in New York. He served on the boards of directors of several organizations including FIAT Automobiles Serbia, Commercial Bank, and Clinical Centre of Serbia. In addition to his position of the Mayor of the City of Belgrade, Mr. Mali also serves as the President of the Air Serbia Supervisory Board. He is a holder of the title of Chartered Financial Analyst (CFA).



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