INVESTMENTS AND INVESTMENT INCENTIVES IN THE BALKAN STATES

Prof. Dr. MEHMET YÜCE
ULUDAG UNIVERSITY
FACULTY OF ECONOMICS AND ADMINISTRATIVE SCIENCES
DEPARTMENT OF PUBLIC FINANCE
Address: Göürükle Kampüsü 16059 Nilüfer/BURSA
Tel: 0224 294 10 91
mpyuce@yahoo.com

R.A. FULYA MERCİMİEK
ULUDAG UNIVERSITY
FACULTY OF ECONOMICS AND ADMINISTRATIVE SCIENCES
DEPARTMENT OF PUBLIC FINANCE
Tel: 0224 294 10 42
fulyamer@gmail.com

Abstract
Balkan region, located in the south eastern part of the European Continent, is composed of Albania, Bosnia and Herzegovina, Bulgaria, Montenegro, Kosovo, Macedonia, Greece with a portion of the Croatia, Romania, Serbia, Slovenia and Turkey. Southeast Europe are composed of Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Kosovo, Macedonia and Albania which known as the Western Balkans countries. That international investments are assessed on a regional and global scale in the Balkans, these investments gained importance after the 1990s with political, social and geographical variation. In the 2000s, after legal and administrative framework oriented reforms of investments which are continuations of global integration efforts, development of the investment opportunities in Balkans have been considered positively.

While the investment incentive structures and rates differ on the basis of the countries, they are of capital importance for investors. After the 2008 global economic crisis which has happened because of the economic shrinkage on global scale, despite the worries for political and economic unsteadiness in specific countries, development of investments in Balkans has not been affected in a negative way. In this study development of investment in Balkans is analysed with negative and positive factors, investment opportunities and incentives are examined on the basis of countries. The Balkans gain acceleration positively thanks to the reforms of investment opportunities on the national scope. As to the need of investment development oriented local and international coordinated programme and approach is an important issue that should be analysed.

Keywords: international investments, Balkans, investment opportunities, financial incentive.


1. Introduction and context of the study
Investment incentive of countries and their structure are directive elements of investments. The Balkan States that investment opportunities have great importance on an international and local scale (Macedonia, Slovenia, Bosnia Herzegovina, Montenegro, Serbia, Albania, Croatia, Romania, Bulgaria, Kosovo) have become investment centres having attention associated with national reforms after 2000s and international conventions in regard to investment opportunities. Investment incentive differs on the basis of countries and incentive opportunities should be seized on the basis of the country. In this study, characteristics of the investment opportunities in the Balkan States and investment opportunities are analysed within the context of the incentive structure in the Balkan States.
2. Assessment of Investment Opportunities and Characteristics in the Balkan States

While in Balkans about international investments, importance of regionalism is important on the scope of reaching the economic goals, this importance is emphasized with proximity, political, diplomatic and strategic values among the Balkan States. In Balkan geography that regional investment policies have an important qualification rather than globalization within international investments, on a scale of regional investment Russia, Greece and Turkey investments have primacy. Therefore in Balkan States, beside the global integration fact, regional integration could be described as a factor leading the increasing or decreasing of international investment (Bitzenis, 2004, p. 421). 1990s after the politic and economic instabilities having been happened in Balkans and emerging developments in world politic and splitting Former Yugoslavia, countries have emerged such as Serbia, Croatia, Slovenia, Bosnia Herzegovina, Macedonia, Kosovo, Montenegro; the number of independent countries and new economies have increased. Process of membership to EU, saturation of the middle europe in terms of foreign investments, investors’ tendency to east and increase of foreign direct investments played an effective role in development of economies in transition. According to investors and economists, while Latin American and Asian countries ranking first, Denmark, Spain, England, Ireland, Portugal, Greece ranking second had importance previously; Central and Eastern European states, Baltic states and Commonwealth of Independent States (CIS) has become inviting investment centres after fall of communism in 1989. Between 1990s-2000s, behind Central and Eastern European states, South eastern European states has gained importance for investors (Bitzenis, 2004, p. 1).

South eastern states consist of western Balkans, Slovenia, Croatia, Bosnia Herzegovina, Serbia, Montenegro, Kosovo, Macedonia and Albania (Uno, Sakuma, 2014, p. 11). Meantime, due to increasing number of countries in Balkans and splitting small economies, the need of drawing important foreign investment emerged; strategic and geopolitcal position of Balkans and existence of Turkish and Muslim communities in Balkans conducted international investments to region. Migration, religion, regionalism and bilateral investment agreements are the elements affecting international investments positively (1. Uluslararası Balkanlarda Tarih ve Kültür Kongresi, 2009; Uno, Sakuma, 2014, p. 11).

Although only Kosovo is subject to “lower middle income” country definition among Balkan states having advantages such as economical reforms and regional position; the other states are subject to “high” or “upper middle” income country definition (Uno, Sakuma, 2014, p. 11). Within the context of investments incentive the most reformist region outlook of Balkans especially in the middle of 2000s, reforms and laws within the frame of adaption to EU, residing of the states that have the lowest corporation taxes, exemptions from taxation, subvention and incentives being provided by government such as debureaucratizing, bilateral and multilateral free-trade agreements and privatizations could be counted as the elements that leads international investors to the region (Ekçioğlu, Sezen, Gümüş, 2014, s. 251). In Balkan geography; that states in the region are relatively underpopulated, that Balkan states are weak to form scale economy, that the stability in Balkan states is weaker than the other states in transitional stage, that potential mergers and transfers of companies are low, political and economical instability worries of investors, falling behind Poland, the Czech Republic, Slovakia about economically could be characterised as some weaknesses in matter of drawing investments to the Balkans (Çolak, 2002: Slaveski and Nedanovski, 2002, p. 87).

An obvious EU membership perspective providing by EU members is an important fact ensuring stability for the Balkan states. Structure of incentives, EU membership process of states are features about social and economic development. For example; research and development, education and employment oriented incentives emphasize in Slovenia and Croatia; selective incentives and low taxes in underdeveloped regions are emphasized in Serbia and Montenegro in the scope of economic incentives (Šimović, Žaja, 2010, p. 115). In Balkan states capital inflow shows itself mostly as foreign direct investment inflow because of ethnic and cultural reasons, privatization, political stability, market economy transition oriented structural reforms, natural resources wealth, market size of the state, cost of labour (Çolak, 2002, p. 1).
Table no. 1 Sectors in the Balkan States Mostly being Invested by Foreign Direct Investment (FDI)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ferrous Metallurgy</td>
<td>Bulgaria, Romania, Macedonia</td>
</tr>
<tr>
<td>Machines and Equipment</td>
<td>Bulgaria</td>
</tr>
<tr>
<td>Energy, Petrol and Water Resources</td>
<td>Romania, Bulgaria</td>
</tr>
<tr>
<td>Electronic</td>
<td>Bulagria</td>
</tr>
<tr>
<td>Structures</td>
<td>Romania, Albania</td>
</tr>
<tr>
<td>Transportation</td>
<td>Slovenia, Croatia, Albania, Macedonia</td>
</tr>
<tr>
<td>Cement</td>
<td>Macedonia, Bulgaria</td>
</tr>
<tr>
<td>Furniture</td>
<td>Macedonia</td>
</tr>
<tr>
<td>Textile &amp; Clothing</td>
<td>Romania, Bulgaria, Macedonia</td>
</tr>
<tr>
<td>Food, Beverage and Tobacco Products</td>
<td>Slovenia, Croatia, Macedonia</td>
</tr>
</tbody>
</table>


When annual gross product of the Balkan states between 2007 and 2012 is analysed, evolvements in the world after global economic crisis has affected partly or directly those countries. In 2007 increase of gross domestic product had tendency to decrease in 2008 in Montenegro, Croatia, Bosnia Herzegovine, Serbia, Macedonia, Bulgaria and Kosovo. In 2009 global economical downsizing and evolvements affected the Balkan states (World Bank, 2015).

Foreign direct investments showed linear increasing in 2000-2013 in western Balkan states consisting of Albania, Bosnia Herzegovina, Montenegro, Serbia, Macedonia, Croatia, Romania, Bulgaria. Romania, Bulgaria, Serbia, Croatia; come to the forefront for the amount of foreign direct investments. After 2008 global economic crisis in 2009 foreign direct investments did not decreased on the contrary they increased.

Table no. 2 Foreign Direct Investments in Balkans (2000-2013)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>247</td>
<td>327</td>
<td>360</td>
<td>483</td>
<td>837</td>
<td>1020</td>
<td>1392</td>
</tr>
<tr>
<td>Bosnia</td>
<td>1083</td>
<td>1202</td>
<td>1467</td>
<td>1561</td>
<td>2286</td>
<td>2302</td>
<td>3203</td>
</tr>
<tr>
<td>Herzegovina</td>
<td>0</td>
<td>21</td>
<td>32</td>
<td>36</td>
<td>47</td>
<td>54</td>
<td>69</td>
</tr>
<tr>
<td>Montenegro</td>
<td>540</td>
<td>916</td>
<td>1210</td>
<td>1632</td>
<td>2193</td>
<td>2087</td>
<td>2764</td>
</tr>
<tr>
<td>Serbia</td>
<td>796</td>
<td>896</td>
<td>6076</td>
<td>8599</td>
<td>12414</td>
<td>14548</td>
<td>27370</td>
</tr>
<tr>
<td>Montenegro</td>
<td>6</td>
<td>103</td>
<td>936</td>
<td>6651</td>
<td>7398</td>
<td>7396</td>
<td>8070</td>
</tr>
<tr>
<td>Albania</td>
<td>2693</td>
<td>2869</td>
<td>3258</td>
<td>3255</td>
<td>4399</td>
<td>4622</td>
<td>6104</td>
</tr>
<tr>
<td>Bosnia</td>
<td>5397</td>
<td>6103</td>
<td>6936</td>
<td>6651</td>
<td>7308</td>
<td>7396</td>
<td>8070</td>
</tr>
<tr>
<td>Herzegovina</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4231</td>
<td>4209</td>
<td>4707</td>
<td>5384</td>
</tr>
<tr>
<td>Montenegro</td>
<td>21</td>
<td>130</td>
<td>2314</td>
<td>24919</td>
<td>27684</td>
<td>29344</td>
<td>33095</td>
</tr>
<tr>
<td>Serbia</td>
<td>3747</td>
<td>4132</td>
<td>4525</td>
<td>4439</td>
<td>4781</td>
<td>4943</td>
<td>5534</td>
</tr>
<tr>
<td>Montenegro</td>
<td>45</td>
<td>142</td>
<td>3689</td>
<td>3562</td>
<td>3874</td>
<td>31755</td>
<td>32484</td>
</tr>
<tr>
<td>Romania</td>
<td>62962</td>
<td>67911</td>
<td>72008</td>
<td>70264</td>
<td>71344</td>
<td>78010</td>
<td>84596</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>37936</td>
<td>44059</td>
<td>49225</td>
<td>47231</td>
<td>47381</td>
<td>49240</td>
<td>52623</td>
</tr>
</tbody>
</table>

The importance of stability and development of investments in Balkans require international coordination. Western Balkans Investments Framework (WBIF) being established for this purpose provides financing and investments as the corporation of European Commission, international financial foundations, donator countries and Western Balkan governments for the Balkan states. The economic development of Balkans is supported within the scope of the establishment and especially it is aimed that infrastructure, energy efficiency, development of private sector, providing technical help for financial and strategic investments. Financial supports such as transportation and environment in Albania, environment in Bosnia Herzegovina, energy in Kosovo, transportation in Serbia are emphasized. As the resources of the establishments are (Annual Report Western Balkans Investment Framework, 2014):

a) Instruments for Pre-Accession Assistance (IPA): On the condition giving priority to finance of the projects in Western Balkans new Instruments for Pre-Accession Assistance (IPA II) was started in 2014, EU, via IPA II, will provide 11.7 million euro on the purpose of supporting the participation preparation of extension provinces and local and cross border cooperation for the period of 2014-2020. IPA II also brings a sectoral approach, incentive of result realisation, higher budget support and application of project prioritization. A sizeable investment that is invested main infrastructure corridors oriented approach is needed. Coordination with international financial corporations is strengthen (Komisyon Tarafindan Avrupa Parlamentosuna, Konseye, Ekonomik ve sosyal Komiteye ve Bölümler Komitesine Sunulan Bildirim Genişleme Stratejisi ve Başlıca Zorluklar: Türkiye’ye İlişkin Bölümü, 2014-2015).

b) Granted contribution from Council of Europe Development Bank (CEB), European Bank for Reconstruction and Development (EBRD) and European Investment Bank (EIB), Kreditanstalt für Wiederaufbau (Reconstruct on Credit Institute-KfW) and World Bank.

c) Dual granted contributions via European Western Balkans Joint Fund (EWBJF) (Austria, Canada, Czech Republic, Denmark, EU, Finland, Germany, Greece, Hungary, Turkey, Italy, Luxemburg, Holland, Norway, Poland, Slovakia, Slovenia, Spain, Sweden, England).

3. Investment Incentives in Macedonia

Increase of annual gross product of Macedonia has occurred in order of as %2.9, %2.8, %-0.4 ve %3.1 since 2010, 2011, 2012 ve 2013 when it is analysed in respect to macroeconomic indicators. Since 2014 Macedonian economy displays a good outlook thanks to the partial increase that has happened in real gross domestic product (%3.7). It is predicted that %4 to %5 growth is seen related to projection guesses in 2015 and 2016. It is guessed that Macedonia will achieve growth approximately as much as emerging economy countries in Europe and Asia (World Bank Data, Economy And Region Specific Forecasts And Data, 2015).

Macedonia has a great potential waiting for investors with regard to international investment and incentive opportunities. The most important part of the foreign investments in Macedonia is seen telecommunication, banking, insurance, petroleum industry, textile, food, tobacco, trade and service industry (KPMG, Investment in Macedonia, 2015; EBSO Uluslararası İlişkiler Şefliği, Makedonya Ülke Raporu, 2014). Total amount of Turkish investments in Macedonia is 1.2 billion dollars. Approximately 100 of those investments occurs as foreign direct capital investment framework in this country that more than 250 Turkish firms are active. Within the scope of bilateral trade relation between Turkey and Macedonia major export product are: citrus fruits, textile, white goods, furniture, metal products, pharma; import products are: iron&steel, synthetic woven fabric,brick, raw hide and scrap (TC. Dışişleri Bakanlığı, Türkiye-Makedonya İlişkileri, 2015, http://www.mfa.gov.tr/turkiye-makedonya-cumhuriyeti-siyasi-iliskileri-tr.mfa). Tariff rate that applied to Turkish origin industrial goods was deration (TC. Dışişleri Bakanlığı, 2015).

In Macedonia, opportunities for international investors could be described as (KPMG, Investment in Macedonia, 2015, pp. 18-65):

i. Within the context of protecting and strengthening international investment incentives the Macedonian Constitution stipulates that foreign persons, legal entities, individuals or civil partnerships enjoy equal rights with local persons except for international agreements. And Trading Company Law consists of legal acts that equalise foreign investors with local investors.

ii. In Macedonian free trade zone known as Technological Industrial Development Zone according to Technological Industrial Development Zone Law special tax advantages were evolved for entrepreneurs who invest those zones. According to the investor corporation’s performance tax holiday till ten years, VAT exemption with the purpose of developing trade in zone, discounting taxable income according to former year’s profit, paying salaries of labours who carrying out business activities for a period of 10 years from the month which first salary is paid are these incentives. Areas in free trade zone are presented with the opportunity of long term loan for a period of 50 years and very low price, and it is possible to extend this period 25 more years. Firms that invest in free trade zone not only do not have to pay for necessary infrastructure services (natural gas, water, sewage and electricity), but also are exempt from these infrastructure taxes. Beside investors are exempt from charges that have to paid for building permits in free trade zones.
iii. According to Corporation Income Tax Law; rate of corporation income tax is a flat tax and its rate is 10%.

iv. According to Transaction Exchange Law foreign investors are free to transfer their profits to their homeland on the condition that they meet engagements like being registered, fulfilling legal obligations such as tax, contribution.

v. In Macedonia it is possible legally to incorporate and join in existing incorporations.

vi. Incorporations which is registered in Macedonia are subject to Macedonian Law.

vii. According to goods and services groups standard VAT is 18%, discounted VAT is 5%. Also investors in free trade zone are exempt from custom duties for feedstock, machines and their parts and related products.

viii. Income tax is flat tax and at the rate of 10%.

ix. It is important for the investors that small scale 20 hydroelectric power plant and renovations of highway and side road operation will become real thanks to World Bank credit which is worth 70 million euros.

x. Geostrategic advantageous location and in the way of regional standards a quality infrastructure, relatively low-cost (monthly 435-500 €), labour being educated over standard, only an establishment for incorporation process (central registry) and thanks to the one-stop-shop system it is possible to establish a corporation in 4 hours.

4. Investment Incentives in Bulgaria

Bulgaria, between 2010-2013, had 0.7, 2, 0.5 and 1.1 annual gross product growth. According to Bulgarian National Bank data in 2010 Turkish investments worth 18 million euro. Turkey is at 12th place among the foreign investors in Bulgaria. Staple sectors are tourism, banking, textile and ready-made clothing, household appliances, auto spare parts, transportation, aluminium pvc, food, fuel distribution, wood working. Home textile, furniture, building materials, hotel and restaurant equipments, wrapping gives hope to Turkish investors to invest in Bulgaria (World Bank Data, 2015; BTSO, Bulgaristan Ülke Raporu, 2015, p. 1). For investments in Bulgaria, obligatory registration condition is not required except for sectors which requires specific licence and there are conveniences for joining in registered corporations in Bulgaria (Republic of Bulgaria, Invest Bulgaria Agency, Investment Incentives, http://www.investbg.govemment.bg/en/pages/11-investment-incentives-184.html).

Although the privatization programme in Bulgaria is hindered because of bureaucratic reasons, there is a huge potential on this area. Turkish corporations are interested in privatization of some sector such as paper mills, military industrial plant, machine manufacturing plant, hotels (MTO, Bulgaristan Cumbhuriyeti Ülke Raporu, pp. 24-26).

The incentives that present in Bulgaria are (KPMG, Eligibility for Investment Incentives, 2015; pp. 25-100; Bekcioğlu, Sezen, Gümüş, 2014, p. 260.):

i. For 5 years there is tax immunity for investments in regions having 50 percent unemployment rate on the condition that paying transformation to capital or social security contributions.

ii. R&D spendings which is spent jointly with research centres and universities are discounted from tax base.

iii. Depreciation rate is reset in 2 years for computer and software, in 2 years for new producing equipment.

iv. Equipment import being within investment projects over 5 million euro providing to open at least 50 business has exempt from VAT for 2 years.

v. 7% tax immunity is provided from dividend. (For EU citizens having at least 20 percent of corporation is 0). The highest step rate in income tax is 24 and is applied income over 300 euro.

vi. For the youth and people with disabilities who are employed via Employment Agency, giving back of minimum wage, pension contribution and health insurance contribution are provided as to one year.

vii. Capital transfer is freestanding.

viii. According to CITA rules being in force, corporation income tax rate is 10%. Corporation income tax incentives split in two as corporation income tax discount and withholding. Corporation tax income is for investors who employ people with disabilities and unemployed people, give scholarship to students on some condition.

ix. Agricultural producers have the right to get return of corporation tax which is paid in terms of profit which is gotten directly from producing unprocessed herbal and animal products till 60 as government assistance. Producing companies where is located in regions having over 25 percent of unemployment rate could gain the right to get return of corporation tax.

x. In Bulgaria, incentives presenting for investors are split to three categories by Bulgarian investment agency (Bekcioğlu, Sezen, Gümüş, 2014, p. 260.).
i. First investment category; information supply for investments which are 36 million euros and over and institutional support incentives,

ii. Second investment category; information for investments which are between 20-36 million euros and support for required permits, administrative services and institutional support,

iii. Third investment category; support for supplying information and required permits for investments which are between 5-20 million euros and providing the least time-spent possible for administrative services.

xi. Agricultural producers also are supported by State Agricultural Intervention Fund which is ministerial.

Bulgarian SME Development Agency supports the corporations employing at least 150 people and having at least 8 million lev discharged, that trade volume is at least 1 million lev. Also Agency participating in international cooperation programmes, in 2006, is placed as the operator of EU fund PHARE. The infrastructure projects that are supported by EU are open for Turkish corporations, too. Providing government assistance for building the infrastructure is placed in terms of incentives.

The investments must fulfill the conditions below in order to be promoted under the Investment Incentive Law by EIA (KPMG, Investment in Bulgaria, 2015, p. 29):

i. They must relate to the establishment of a new enterprise, extension of an existing enterprise, diversification of the output from an enterprise into new products, or a material change in the overall production process of an existing enterprise,

ii. They must be implemented in the following economic areas, according to the Statistical Classification of Economic Activities in the European Community (NACE Rev. 2), applicable in Bulgaria as Classification of Economic Activities (in Bulgarian “КИД 2008”),

iii. Industrial sector: manufacturing; or Service sector: high technology activities in computer technology, R&D, accounting, tax and audit services, education and human health care, as well as storage of goods and auxiliary transport services,

iv. The future aggregate income must arise from the products produced by the economic activities above, whose products are specified according to the Classification of Products by Economic Activities in the EC (CPA),

v. The period of project implementation, i.e. the period between the commencement and completion of the project, must not exceed three years,

vi. At least 40% of the eligible costs for the investment must be financed by the investor’s own or borrowed resources,

vii. The jobs created in relation to the investment must be maintained in the relevant region for at least five years in the case of large enterprises and three years in the case of small and medium-sized enterprises,

viii. The investment must be maintained in the relevant region for at least five years in the case of large enterprises and three years in the case of small and medium-sized enterprises, calculated from the date of completion of the investment project,

ix. Any long-term tangible and intangible assets acquired shall be new and purchased under market conditions from third parties independent from the investor.

The EIA envisages different incentive measures and privileges for local and foreign investors who undertake significant investments in certain economic activities within the territory of Bulgaria. In order to benefit from the resources under the state aid scheme, investors must apply for a special certificate for class A investment, class B investment or a priority project with the Bulgarian Investment Agency. The required minimum investment amounts for projects implemented in the industrial sector are:

i. For class A investments – BGN 10 million

ii. For class B investments – BGN 5 million

The required minimum investment amounts for projects implemented in the services sector are:

i. For class A investments – between BGN 2 – 3 million depending on the type of the services sector

ii. For class B investments – between BGN 1 – 1.5 million depending on the type of the services sector

The certificates for class A investment, class B investment and priority projects are issued by the Minister of Economy and entitle the investors to benefit from the following incentive measures financed by the State:

i. Right to purchase state or municipal real estate property or to acquire limited property rights over state or municipal real estate property,

ii. Financing of construction of technical infrastructure elements, such as roads, drainage networks and facilities, and others.
iii. Financing of professional training of persons, hired by class A and B investors in relation to certified investments,
iv. Issuance by local or governmental authorities of administrative documents for the realization of the investment project within periods shorter than the periods set out in the relevant legislative acts.
v. Individual administrative assistance and service from the Bulgarian Investment Agency,
vi. Financing in the form of partial refunding of statutory social security contributions,

5. Investment Incentives in Kosovo

Gross product growth of Kosovo in 2010-2013 in order of %4.4, %2.8, %3.4, %3. According to National Bank data while Turkey was at the first place in the profile of foreign direct investors in 2007-2013 with the amount of 24, 5, 35, 66, 73; Sweden, Albania, Germany and England follows Turkey. In this manner real estate property, construction, transportation and telecommunication, producing, financial services are the main investment sectors. The privatization process is being conducted by Privatization Agency of Kosovo (PAK). Agricultural sector and tradeing companies come to the forefront in privatization. Foreign direct investments are decreasing almost fifty percent since Kosovo has declared its independence in 2008. Kosovo is in the search for bribery, organized crime and judgement to get attention of foreign investments to develop the factors which disable the investments in government. (World Bank Data, 2015; KPMG, Investment Kosovo, 2014, p. 9).

Between 2001-2006 in Kosovo foreign investments are about 100 million Euro for a year, in 2008 366,5 million Euros. There are 3,523 foreign and combined owned company in Kosovo according to data in 2010. According to Kosovo National Bank report in 2008; Austria invested 51,3; Slovenia invested 44,3; Germany invested 44; England invested 36,6 million Euros in Kosovo and they are the foreign countries that invested most. But Turkey in the same year is at 6th place with 23,8 million Euros. In consideration of years the construction sector investments having in 2007 %1,2; in 2008 %3,7; in 2009 %12 and in third quarter of 2010 %17,6 part has been increased incredibly fast. The %25,5 percent of foreign direct investments is finance, %17,1 of it is producing, %14,9 of it is real estate and %12 of it is structures sector.

Number 3rd addition of CEFTA- Central European Free Trade Agreement customs tariff was reset mutually except for Croatia with subjected states for some products such as milk and cream, oil being produced from milk, cheese and curd. The other countries than CEFTA is applied % 10 customs tariff. It is relevant that addition to customs tariff %16 VAT and also for some products excise duty could be applied. There are successful Turkish investors in Kosovo in sectors such as airport, highway, electricity distribution, insurance, banking, health and food. Today’s value of Turkish investments reached 335,4 million € Addition to that total cost of projects that has been undertaken by our construction business sector is approximately 800 million €.

In 2013 according to ESK report the main import products of the country are (2013 / 1.000 €) mineral fuel, oil, boiler, machines and equipments, motor land vehicles, iron and steel, plastic and products made of plastic, electrical machine and devices, products made of iron and steel, tobacco, china products, beverage, alcoholic beverages and vinegar and the main countries are Germany, Macedonia, Serbia, Italy and Turkey. (EBSO,Kosova Ulke Raporu, 2014, p. 8).


i. In accordance with the Corporate Income Tax Law (No.03/L-16), if a taxpayer purchases new capital goods for the purpose of the taxpayer’s economic activity between 1 January 2010 and 31 December 2012, a special deduction of ten percent (10%) of the cost of acquisition of the asset shall be allowed in the year in which the asset has been first placed into service,
ii. Any applicable bilateral agreement on the avoidance of double taxation shall supersede the provisions,
iii. Based on the Law on Corporate Income Tax (No. 03/L- 162), tax and capital losses can be carried forward for up to seven successive tax periods,
iv. In order to promote local production, the new Kosovo customs and excise code No. 03/L- 109 applies a reduced rate of zero percent customs duty on the import and export of certain capital goods, raw materials, agricultural production inputs, and services. (FMI www.dogana-ks.org/tarik/).
6. Investment Incentives in Albania

Increase of annual gross product of Albania in 2010-2013 has occurred in order of as %3.7, %2.5, %1.6, %1.4. In Albania the investment opportunities has been placed in legal frame with the Law on Investment Incentive and Government Assistance. By Albanian parliament the Government Assistance Law dated 21.04.2005 and 9374th is applied for benefit to some companies and for corporation in the name of government producing and servicing sector, central and local administrative oriented preventions, except for agricultural and fishing sectors. There are contributions and subventions such as exemption, discount, tax credit, deferment, erasing penalty and interest of default, debt guarantee, lend-lease, discount on purchase of goods and services which is supplied, public property sale/rent under the market price. (World Bank Data, 2015; KPMG, Investment in Albania, 2014, pp. 15-20).

The main incentives in Albania are (TC. Tiran Büyükelçiliği Ticaret Müşavirliği, Arnavutluğ’un Genel Ekonomik Durumu ve Türkiye ile Ekonomik Ticari İlişkiler, Ekim 2013):

i. In accordance with Finance Minister’s order no. 3, dated 30.01.2006, machine and equipment importers are exempt from VAT at the rate of %100. Therefore the said machines and equipment must be used for economic activity which is the tax subject.

ii. Contract manufacturers are not responsible for VAT for the services they provide for employers, if they prove that these goods will be exported again.

iii. Renting the estates (building and land), which are owned by government, lower price than market and discounting on these rents in accordance with investment and employment level for producing activities.

iv. Privileged statue in tourism activities: Law for Development of Tourism Regions having been applied since 1993 predicts incentives for investments in tourism. These incentives are related to the ‘privileged statue’ that the investor gets from Tourism, Culture, Youth and Sport Ministry.

v. Limine “privileged statue”: construction, restoration, renovations, enlargement; hotel, motel and resorts.

vi. Unpaid “privileged statue”: tourism facilities, construction of unpaid buildings, enlargement, renovation. For example, restaurant, hot spring, store, sport equipment etc. Customs tax of ready-made clothing and textile was zeroed in September, 2011.

vii. It was decided that VAT of cement and steel was derationed by Council of Ministers, dated 10.10.2012. Within the said sentence, the government aims to encourage the investments in hydro energy sector by decreasing the cost of energy and electric equipment.

viii. Supports in Tourism Sector - customs taxes and excise taxes of the goods imported are exempted as long as only that investments and ‘privileged’ activities’ is going on.

ix. From finishing the investment development phase, for 5 fiscal years income tax is exempted, another 5 fiscal years it is paid only for %50 percent of income.

x. If the incomes are used for investments again in Albania, at the rate of %40 income tax discount could be benefited.

xi. Supports in Energy Sector - Financial support with the aim of producing electric energy incentive: The investors who establish a new power plant over 5 MW or make functional the existing plants could be benefited.

Other Support Preparations are:

i. The government is in the process of identification of government assistance in accordance with EU rules.
ii. It is expected that Economy, Trade and Energy Ministry declares the Government Assistance Law which consists of domestic assistance and enterprising.

iii. The government has different attempt with the aim of helping to develop especially exportation opportunity of small and medium sized domestic enterprises.

iv. The government also identifies the future policies of trading incubators, industrial parks and R&D centres.

v. Besides about privatization, Economy Ministry establish www.privatizime.al website for every economical value. It is declared that the Administrative Courts will be open in a short while.

In the scope of protection and incentive of foreign investments; in the scope of privatization and investment opportunities, the privatization of big sized enterprises is being evolved. Based on the plans in the period of 2014-2016 in the scope of privatization of strategic state companies, the rest of the public shares sale of petroleum national company Albpetrol, national fixed line operator Albtelecom, petroleum refinery ARMO is said. In addition to that the government is planning to privatize all its own assets (KPMG, Investment in Albania, 2014, p. 16).

7. Investment Incentives in Serbia

The main imported goods in Serbia are mineral fuels, mineral oils, boilers, machines, mechanic devices, personal staff, provision and equipment (except for fuel) given to vessels and aircrafts, electric and electrical devices, motor land vehicles, tractors, bicycles and other land vehicles; parts, accessories of these, plastic and plastic goods, pharma, iron and steel. In the scope of the potential exports from Turkey to Serbia, the main goods are; citrus (fresh/dried), sugared and chocolate goods, nuts, tomatoes (fresh/frozen), processed food products; in the scope of industrial products and services export; fabric, paper and its goods, cleaning agents, aluminium construction products, electronic-plastic-rubber process industry, automotive key and subsidiary industry, carpet, white appliances, ready-made clothing, heating, cooling and air conditioning, machine tools, textile and ready-made clothing subsidiary industry, electrical machines and conductors, iron & steel, cosmetic and personal care products, shoes, furniture products and services. (Bektaş, Sırbistan Ülke Raporu, 2011; EBSO, Sırbistan Ülke Raporu, 2013). A big investment wave between Turkey and Serbia is expected in conclusion of Customs-Free Import and Visa Exemption and Free-Trade Agreement. In 1/6/2009 That Free-Trade Agreement, signed in Istanbul, was gone through by the Council of Ministers the instance of the formal letter from the Ministry of Foreign Affairs, dated 7/4/2010 and numbered HUMŞ/781597, in accordance with 3rd article of the law no. 244, dated 31/5/1963. Turkey and Serbia capitulated each other zero-customs tax within unlimited nature or tariff quotas for selected agricultural goods having trade potential.

In the scope of New Government Incentives, a new investment package has been prepared for investors in producing sector and services sector, the investment incentives in Serbia are (Siepe, Investment and Export Promotion Agency, Investment Incentives, http://siepa.gov.rs/en/index-en/invest-in-serbia/investment-incentives/#NES): i. Companies are exempt from Corporate Profit Tax for a period of 10 years starting from the first year in which they report taxable profit if they invest an amount exceeding approximately €9 million in fixed assets, and employ at least 100 additional employees throughout the investment period.

ii. State Grants,

iii. Carrying Forward of Losses over a period up to 5 years,

iv. Corporate Profit Tax Holiday,

v. Avoiding Double Taxation,

vi. Exemption of Wage Tax and Social Security,

vii. National Employment Service (NES) Grant, Employment Subvention Programme, Apprentice Programme, Retrain Programme,

viii. Annual Income Tax Deductions,

ix. Value added tax exemptions in free zones,

x. Local Incentives,

xi. Annual Income Tax Deductions,

xii. Custom Tax Exemptions.

8. Investment Incentives in Montenegro

Montenegro is the first country coming to mind about tourism and one of the most developing country in this sector. With Free-Trade Agreement, signed in November 26th 2008, in Istanbul and went in effect in March 1st, 2010, the rates of customs tax in Montenegro for Turkey origin goods are zeroed. Montenegro is a untouched market and centre of attraction when state incentives for Turkish companies and bilateral agreements are thought. The main exported goods for Montenegro are; machines and devices, land vehicles, textile products and accessories. Total cost of investments is 22 million Euros for Montenegro by 5 Turkish company which is active in Montenegro. Istanbul Stock
Annals of the „Constantin Brâncuși” University of Târgu Jiu, Economy Series, Issue 2/2016


Investments incentives in Montenegro could be aligned as (Government of Montenegro Investment Promotion Agency, Investment Incentives, http://www.mipa.co.me/investment_incentives):

i. Tax credits could be reduced at the rate of %25 of investment cost of long-term assets. This reduction could not be over %30 of tax liability.

ii. New established companies in undeveloped regions (Northern Montenegro) are exempted from corporation income tax for 3 years.

iii. Carrying over losses under a period of 5 years.

iv. If capital investment profit is used for buying instruments in 12 months, the profit is not subjected to tax. The profit which is gained from sale of instruments hold in portfolio is exception from tax.

v. For imported raw material, there is not customs tax on the condition that the goods made of this raw material will export.

vi. Import of equity capital and equipment is exempted from customs tax for foreign investor but have to pay VAT.

vii. Exportation Exception.

9. Investment Incentives in Bosnia-Herzegovina

In Bosnia-Herzegovina, between 1994-2011, while the greatest foreign investors are aligned as Austria, Serbia, Croatia, Russia and Slovenia; Turkey is at the place of 9th in this 17 yeared-period. There are 2 Turkish University, 21 branches of Ziraat Bank, paper factory of Hayat Group and soda factory of Şişecam in this country. Besides %49 percent of Bosnia-Herzegovina Airlines is owned by Turkish Airlines. Austrian banks are controlling %80 of the sector in Bosnia. Also Turkey’s Ziraat Bank is controlling a very little rate of the sector. While lots of Austria and German companies have state support for their investments, Turkey could not give support for investments in this country. In Bosnia-Herzegovina, economy is in a quite bad situation. Corruption and bribery are obstacles for investments. The non-transparent bidding process is a deterrent factor for investments. In conclusion foreign investments have decreased in last few years. Foreign Direct Investments (FDI) happened as 380.000.000 $ with investments of Russia, Austria, Serbia, Slovenia and Germany in 2011 and in the first-six months period of 2012 it happened as only about 56.000.000 $ (2013 Investment Climate Statement: Bosnia And Herzegovina, 2013 Investment Climate Statement Bureau Of Economic and Business Affairs, p. 2, Balkanlara Hangi Ülke Ne Kadar Yatırım Yaptı, 2013, www.haberler.com).

Agriculture and food processing, automotive, banking and finance, construction, energy, forest and forest products, informatics and communication techniques, mine and metal processing, tourism, textile are the sectors which is been able to invest in Bosnia-Herzegovina. Free Trade Agreement, signed with Bosnia-Herzegovina, is an important means to increase trading with this country mutually. According to data of Bosnia-Herzegovina Foreign Trade and Economy Ministry, the important investments from Turkey are; Bosnia-Herzegovina Central Bank; Kastamonu Integrate, Sodasan, Ziraat Bank, Seha Industry, Investment, Foreign Trade, Elit Foreign Trade, ‘DURU’, - Nobel Foreign Trade, Tema Holding, Jinemized. (BTSO, Bosna Hersek Ülke Raporu, 2014, p.1).

10. Investment Incentives in Slovenia

Investment incentives in Slovenia are (Invest Slovenia, Incentives, http://www.investslovenia.org/business-environment/incentives/):

i. 40% of the amount invested in plant and equipment and/or intangible assets. A taxpayer may carry forward the unused portions of allowance over the next five tax years after the investment.

ii. 100% of the amount invested in R&D.

iii. Depreciation allowance for building and equipment is quite advantageous.

iv. A tax payer may carry forward the loss for a period.

v. There are financial incentives for trained labour in the scope of 2013 FDI cost share grant programme.

11. Investment Incentives in Croatia

Croatia Government made arrangements that predicts additional incentives and tax exemptions to attract foreign capital with Investment Incentive Law dated on December, 20th 2006 and the law no. of 138/06 published on official gazette on January, 1st 2007. Investments incentives in Croatia are (KPMG, Incentives in Croatia, 2013):

i. Depreciation for corporation income tax,

ii. Taxpayers can additionally reduce their taxable base by a percentage of expenses incurred on general education and special education of employees.
a. Large entrepreneurs can additionally reduce their taxable base by:
   - 50% of eligible expenses incurred for general education of employees, and
   - 25% of eligible expenses incurred for special education of employees.

b. Small and medium-sized entrepreneurs can additionally reduce their taxable base by:
   - 70% of eligible expenses incurred for general education of employees, and
   - 35% of eligible expenses incurred for special education of employees.

iii. Taxpayers can additionally decrease their taxable base by:

a. 150% of eligible expenses incurred for basic research, aiming at expansion of scientific and technical know-how not linked to commercial and industrial goals;

b. 125% of eligible expenses incurred for practical research, aiming at acquiring know-how that can be applied for development of new products, new production processes or services or significant improvements of existing ones; and

c. 100% of eligible expenses incurred for developmental research, intended to convert results of practical research into plans, drafts or models for new or improved products, production processes or services intended for internal use or sale.

iv. In order to apply for investment incentives under the Law on Investment Promotion and Improvement of the Investment Environment, an investment must relate to one of the following:
   - a. Manufacturing and processing activities;
   - b. Development and innovation activities;
   - c. Provision of services of high added value.

(KPMG, Incentives in Croatia, 2013).

12. Investment Incentives in Romania

In Romania investment incentives and state supports in the framework of tax law and other current regulations are (İsmail Erkan Sarısaçlı, Romanya Ülke Raporu, T.C. Başbakanlık Dış Ticaret Müsteşarlığı, 2011):

i. Flat tax exemption at the rate of 16%,

ii. Opportunity of using fast depreciation (being able to discount 50% for the first year)

iii. Opportunity of carrying forward the loss until 5 years,

iv. Tax exemption for land and construction for 5 years,

v. Tax exemption for industrial parks,

vi. Incentive for employing newly graduated staff.

13. Investment Incentives in Greece

Greece accepted the arrangements of World Trade Organization (WTO) in means of investment and incentives. It is said that there is equality on applying investment incentives for local and foreign investors. Investment incentives given to underdeveloped regions are more than the others. Detailed information for investments in Greece could be taken from Greece Investment Centre ELKE. In Greece incentives supplied to investors are designed according to regions and regions are described in the frame of agreement with EU. In this matter Greece divided in 6 regions. (A, B, C, D1, D2, D3) A is the most-developed and D3 is the least developed region. Incentives could differ from region to region in fields such as cash or leasing subvention, tax exemption, labour cost subvention. (Bekcioğlu, Sezen, Gümüş, 2014, p. 265).

14. Conclusion

The Balkan geography has qualities due to long-standing background and periodic processes. For the politic, social and economic development of the Balkans investments are an important factor. The Balkans is a region that investors and investments show interest due to the specialities in the means of regional and international. In the period of membership to EU different countries gaining a good speed with reformist conditions showed success on leading the investments. Despite structure of incentives leading investments and number of investment opportunities differ in the basis the country, each country has an important incentive factor. Although, with a systematic approach, finance and development of infrastructure of international investment oriented movements are conducted, a powerful regional coordination is an important need.
15. Bibliography

[16] Investment Climate Statement: Bosnia And Herzegovina, Investment Climate Statement Bureau Of Economic And Business Affairs, 2013;
[18] KPMG, Investment in Albania, 2014;
[19] KPMG, Investment Kosovo 2014;
[20] KPMG, Eligibility for Investment Incentives, 2015;
[21] KPMG, Investment in Macedonia, 2015;