



Razvojna agencija Vukovar d.o.o.



INVESTORS GUIDE

CITY OF VUKOVAR



Razvojna Agencija Vukovar

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Vukovar 2015.

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1. ABOUT VUKOVAR

1.1. GENERAL INFORMATION

Vukovar is situated in the northeastern part of the Republic of Croatia (45° 20' North latitude and 16° 40' East longitude) and it is the hub of the Vukovar-Syrmia County. It lies on the Vuka and Danube River estuary (the Port of Vukovar – at km 1335 of the Danube River) and has a borderline position on the Danube River facing Vojvodina in Serbia.

Because of its specific geographic position, characterized by an international waterway - the Danube River - Vukovar is an important intersection of arterial traffic routes. It has good traffic connections with neighboring Bosnia and Herzegovina, Hungary and Serbia.

Vukovar is 16 km from the city of Vinkovci, the largest railway intersection in Croatia. The D55 state road is a good connection through Vinkovci to the Županja interchange, which is 39 km, on the Zagreb-Lipovac A3 motorway. Osijek is 33 km away, connected with Vukovar via the D2 state road that connects it with the Vc corridor (A6 motorway). With the construction of Klisa Airport, located some 20 km west of Vukovar, this area has been put on the air traffic map.

The planned multifunctional Danube-Sava channel, which will connect these two rivers running through Vukovar and Bosanski Šamac, is a part of the future combined river/railway Transdanubia-Adriatic (Vukovar-Rijeka) traffic corridor. The starting point of the channel is in the area of the current Port of Vukovar. Through this channel, Vukovar will gain additional traffic and strategic importance in the transit of goods in this part of Europe. It is expected that Vukovar will become the main Croatian river harbor and the major international commodity, commercial and production zone.

All the above mentioned characteristics make Vukovar one of the most important hubs on the artery of main Croatian roads, especially in terms of the international transit of goods.

In the 2011 national census, Vukovar's population was 29,425.

1.2. ESSENTIAL DATA ON THE ECONOMY¹

Employment level (December 2014)	9.101
Unemployment level (December 2014)	2.619
Unemployment rate	22,3%
Number of companies	345
Number of operating craft and trade businesses (December 2014)	601
Average net salary in the private sector (2013)	3.407,95 kn

Principal business activities according to their share in total revenue:

Electricity and gas supply	32,1%
Trade	20,29%
Processing industry	19,32%
Agriculture/farming	16,04%

The structure of Vukovar's economy is characterized by a substantially higher share of the primary sector compared to the Croatian average (2,6%). The share of electricity and gas supply is the highest with 32,1%.

The share of the primary sector grew substantially from 9.6% in 2009 to 16,04% in 2013, while the share of the processing industry of 9.0% in 2009 grew to 19,32% in 2010. However, the drop from 9.0% in 2009 to 3,4% in 2013 was marked in the construction industry.

The continued trailing behind is noticeable in individual activities/industries within the structure of the Vukovar City economy, compared to the whole of Croatia: transport and storage activities, accommodation and food preparing/catering activities, information and communications.

The presented indicators show that electricity and gas supply, wholesale and retail trade, the processing industry and agriculture are the activities that bring revenue to the City of Vukovar. Together they earn more than 87% of the total earned entrepreneurial income (HRK 2,583.818.270.00).

The average net salary per employee in private sector in 2013 was HRK 3,407.95, which was 2.3% higher compared to 2010. At the same time, the average salary in private sector in Croatia in 2013 was HRK 4,415. The average salary in Vukovar was thereby 22,8 % lower than the national average.

¹ Source: HGK, HZZ (December 2014)

Table: Business entities according to activities and average paid net salary (2013.)

Code	Activity	Number of companies	Average paid net salary
A	AGRICULTURE/FARMING FORESTRY AND FISHING	10	5.095,10
C	PROCESSING INDUSTRY	51	2.491,26
D	POWER, GAS, STEAM SUPPLY AND A/C	11	5.172,75
E	WATER SUPPLY; DISPOSAL OF WASTE WATER, WASTE MANAGEMENT AND ENVIRONMENT RESTORATION ACTIVITIES	5	4.393,27
F	CONSTRUCTION INDUSTRY	49	3.018,76
G	WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOROTCYCLES	97	3.300,12
H	TRANSPORT AND STORAGE	18	4.099,26
I	ACCOMMODATION, FOOD PREPARATION AND SERVING/CATERING	19	2.310,42
J	INFORMATION AND COMMUNICATIONS	19	3.654,23
K	FINANCIAL AND INSURANCE ACTIVITIES	1	-
L	REAL ESTATE BUSINESS	5	2.397,92
M	PROFESSIONAL/SPECIALIST, SCIENTIFIC AND TECHNICAL ACTIVITIES	35	4.566,49
N	ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	10	3.453,84
P	EDUCATION	6	2.765,90
Q	HEALTH CARE AND WELFARE ACTIVITIES	7	3.309,79
S	OTHER SERVICE INDUSTRY ACTIVITIES	2	2.355,63
	Total/Average	345	3.407,95

During December 2014, the Croatian Employment Service records showed 2,619 unemployed persons on the territory of the city of Vukovar, which is a 1.5% increase compared to November but a fall of 16.9% compared to the same month of the previous year. Prevailing in the unemployment structure are women (53.8%), individuals aged 45 years or older (37.9%) and individuals with vocational high school qualifications (61%).

Table: Unemployment structure according to education qualifications (December 2014)

Education Qualification	City of Vukovar	%
Total	2.619	100 %
No school qualifications	30	1,15 %
Elementary	644	24,59 %
Three-year high school (vocational)	867	33,10 %
Four year high school (vocational)	730	27,87 %
Grammar/Gymnasium	71	2,71 %
College, professional/ vocational studies	164	6,26 %
Tertiary education, university	113	4,31 %

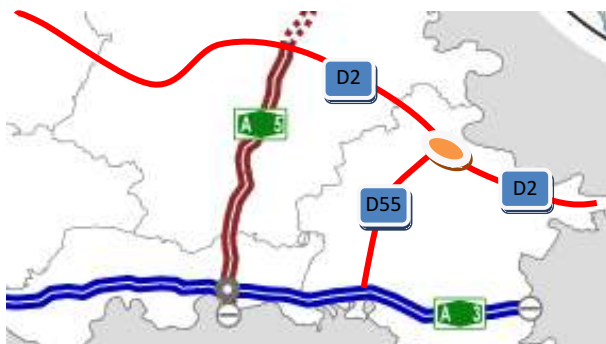
The base market is defined by the neighboring areas of Eastern Slavonia, Baranja and Western Sirmia in Croatia and Western Bačka and Eastern Sirmia regions in Serbia, as defined by the road traffic accessibility within one-hour. This area covers two counties in Croatia (Vukovar-Syrmia and Osijek-Baranja Counties) and four districts in Serbia (Srem, North, West and South Bačka) covering an area of 17,812 km² with a total population of 1,880,897. The base market is well connected via road and railway as well as via the Danube and Sava rivers.

The region has over 20,000 active entrepreneurs and around 400,000 registered vehicles.

1.3. GEOTRAFFIC (GEO-COMMUNICATION) POSITION²

The City of Vukovar is very well positioned in the Central and Southeast European region. Vukovar is situated approximately at the central point of the Danube waterway (Corridor VII) between Ulm in Germany and the Black Sea estuary. The City's position is very good for access to other markets within the CE and SEE regions because it lies on, or very near the following trans-European corridors:

- **Corridor VII** - Danube River (Port of Vukovar)
- International Airport -> 16 km away
- **Corridor X** - Rail -> 14 km away from the Vinkovci interconnection (largest regional rail interconnection)
- A3 Motorway -> 42 km away
- **Corridor Vc** - Rail and A5 Motorway -> 31 km away



Vukovar has a better position within the region compared to the other nearby hubs.

Table: Distances between regional hubs³:

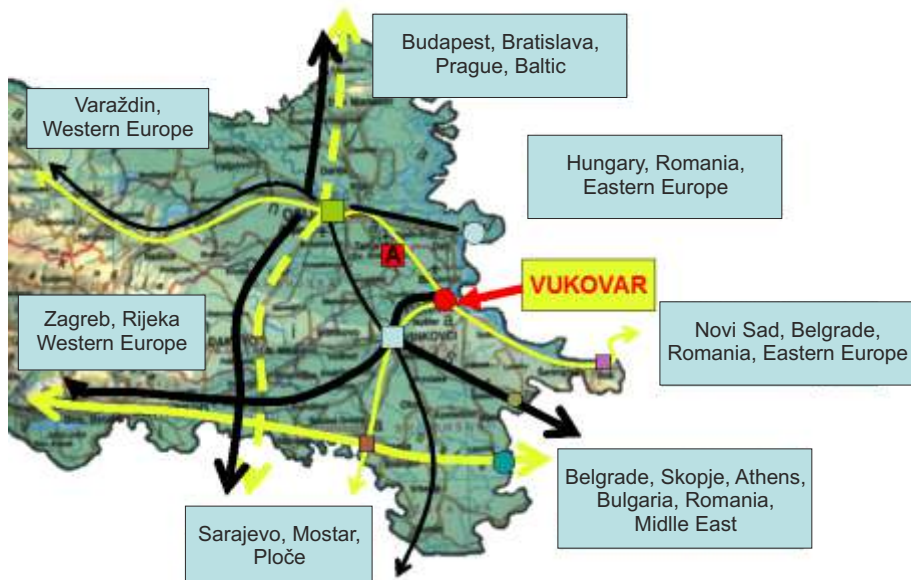
	Vukovar	Osijek	Vinkovci	Ilok	Županja
Vukovar	-	37	20	36	48
Osijek	37	-	50	72	107
Vinkovci	20	50	-	57	29
Ilok	36	72	57	-	84
Županja	48	107	29	84	-

	Vukovar	Osijek	Vinkovci	Županja
Beograd	143	248	174	157
Novi Sad	79	115	98	130
Sombor	68	75	80	111
Subotica	127	134	139	170

*All routes calculated on the viamichelin.co.uk web site using the Michelin recommended route option

² Source: GARBAR, Davor: The European shaping of the development process with options of its application to the City of Vukovar – specialist paper, call number: 338.2/GAR/e

Figure: Vukovar's position in relation to important traffic routes in the region



1.4. REGIONAL TRAFFIC DEVELOPMENT PLANS³

The position of Vukovar will become even better following the implementation of regional physical plans which include the following regional traffic infrastructure improvements:

- construction of a four-lane Vukovar ringroad as part of a multimodal rail/road/river interconnection/intersection
- construction of fast roads connecting Vukovar to corridors X and Vc and to the border crossings on these corridors
- construction of the Vukovar-Šamac channel, connecting the Danube and Sava river traffic routes
- reconstruction of the M601 Railroad connecting the Port of Vukovar with the Vinkovci railroad junction (ensuring a higher level of service)
- construction of a new local transport network (both rail and road)
- the detailed physical plan is available at the following link: <http://www.vusz.hr/info/prostorni-planovi>

³ Source: GARBAC, Davor: The European shaping of the development process with options of its application to the City of Vukovar – specialist paper, call number: 338.2/GAR/e

Figure: Local traffic infrastructure development plans

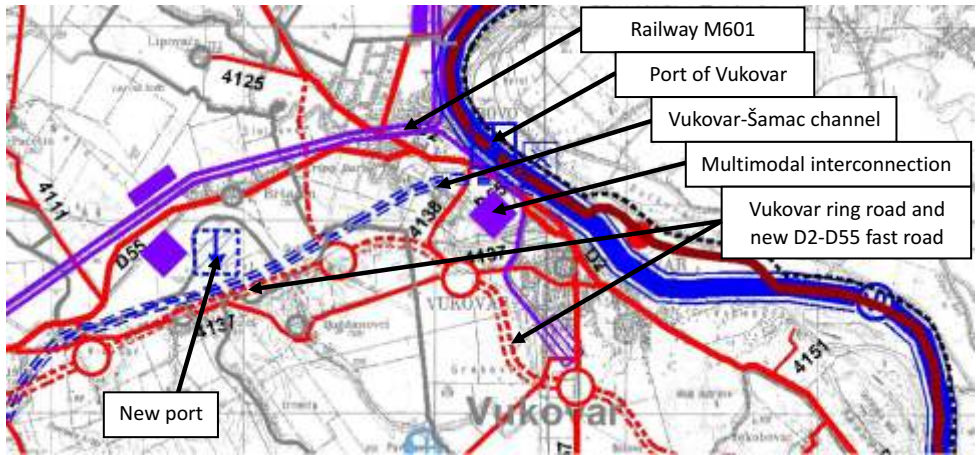
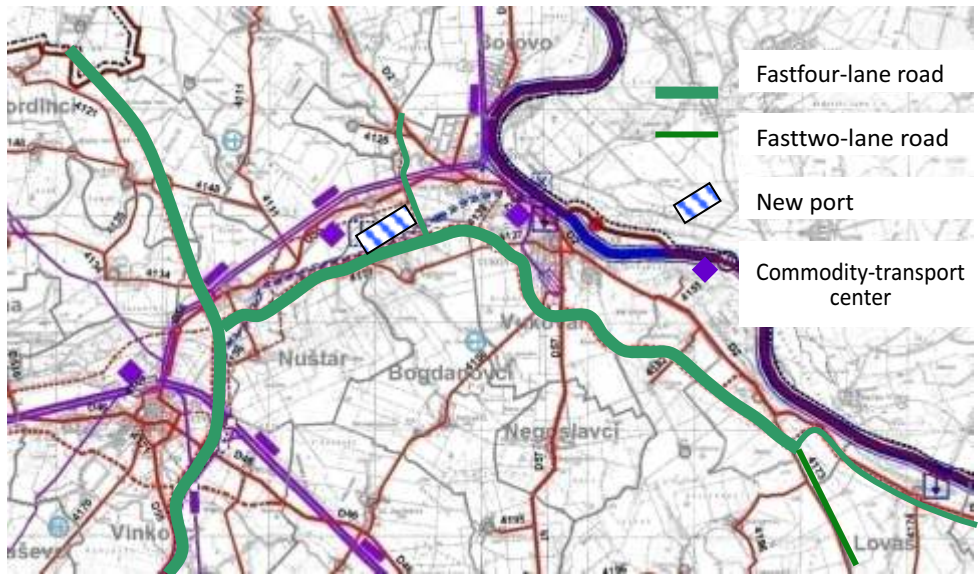
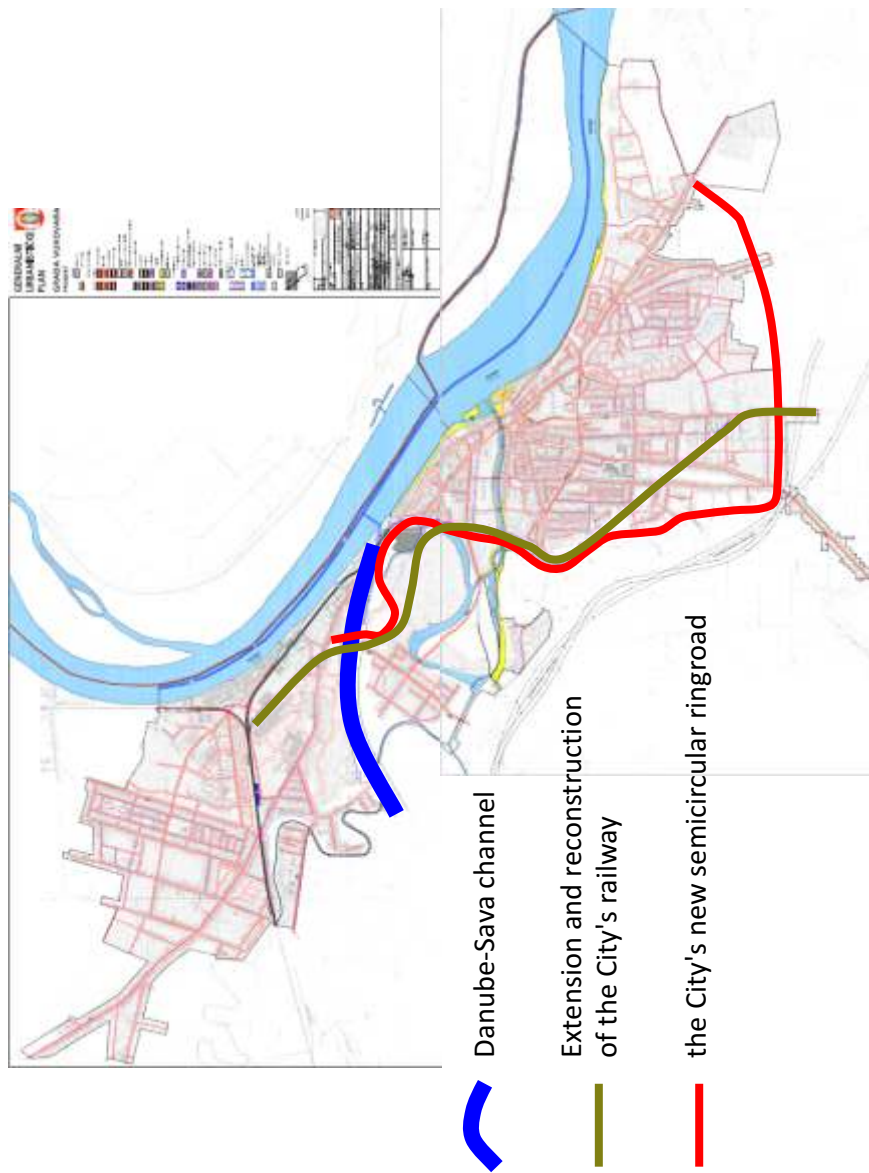


Figure: The physical development plan of the Vukovar-Syrmia County traffic network



Drawings according to the excerpts of the physical plan, Vukovar-Syrmia County Physical Plan Amendments, CD-ROM

Figure: Development plan for the Vukovar city traffic network



Drawing according to the excerpt of the Urban Master Plan of the City of Vukovar, joined sheets 3_1a and 3_1b – Traffic, www.vukovar.hr/gup.htm (1/9/2008)

1.5. STATUS OF INFRASTRUCTURE

The municipal infrastructure (utilities) in the city of Vukovar has been reconstructed after being destroyed in the war and it is in very good condition. A modern water supply and drainage system has been provided for the city. Intensified operations to construct a central waste water treatment plant are currently underway.

The traffic infrastructure has mostly been reconstructed and the local L213 railway is about to be reconstructed, which connects the city with the railway network and connects industrial zones with the harbor area and the main M601 railway leading to the Vinkovci interconnection (Corridor X)

2. PORT OF VUKOVAR⁴

2.1. ESSENTIAL INFORMATION

The Port of Vukovar is located on the right bank of the Danube River, at km 1,335. Because of the position and the available year-round docking service, it is one of the most important river ports in the Central and Southeast Europe. The biggest advantage of the Port of Vukovar is its position allowing year-round docking services during maximum and even minimum water levels.

The port area is located along the main city road, the D2 state road (connection to the Corridor Vc) and it is in the immediate vicinity of the D 55 state road junction (leading to Corridor X). The main railway of a higher service level connects the port with Corridor X via the Vinkovci interchange which is 20 km away.

The port is located in the immediate vicinity of the Vukovar Economic Zone, the Borovo agricultural-industrial complex and the zone of Priljevo. Other areas of industrial activity in the city of Vukovar are connected with the port through the local railway network.

The Port area is spread over 26 hectares, with reloading capacities at 1.2 million tons. The Port area has 4 cranes, with available railway and road infrastructure and open and enclosed storage areas. The port equipment allows the reloading of all types of cargo.

In the period between 2003 and 2006, the Port expanded its reloading activities by 300%. It is the only port on the territory of the former Yugoslavia that has achieved the reloading performance results of the pre-war period. However, the economic crisis has had a negative effect on the volume of reloading activities, reducing them by half. On the other hand, this has not affected Luka Vukovar's business results which have remained positive.

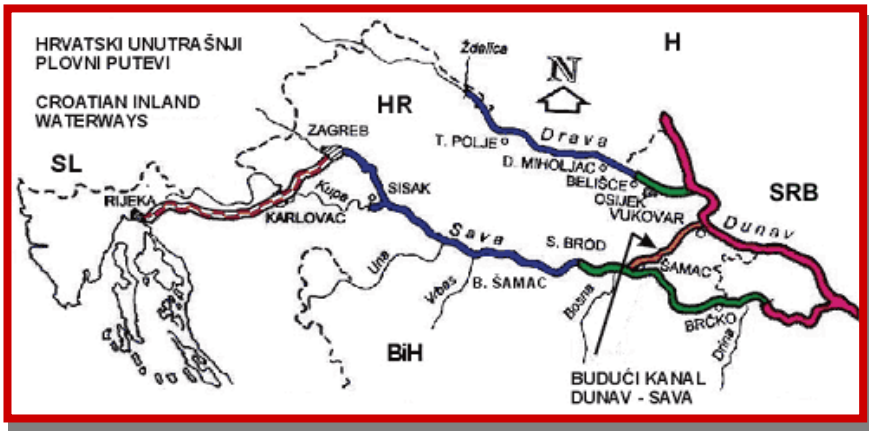
⁴ Source: www.luka-vukovar.hr (June 2012)

The 305,000t reloading per crane makes the Port of Vukovar one of the most efficient European ports.

The master plan has been developed for further expansion of the port in anticipation of the new "East" and "West" ports and reaching of the highest reloading capacities of 4.5 million tons per year. The master plan includes 2 investment phases:

- Phase 1 - Implementation of terminals and facilities in the existing Port and the New East Port
- Phase 2 – Implementation of terminals and facilities in the New West Port with the port area extension to the Borovo industrial zone
- Total investment value is approximately EUR 88 million

Figure: The position of Vukovar in the domestic waterway network in Croatia



Port facilities and capacities

- Locomotives DHC 400 and DHC 600 hp
- Grab for the bulk cargo from $V = 5\text{m}^3$ to 13m^3
- the reloading device (spreader) 20 "and 40" containers.
- capacity of 2.5 t, L = 3m, H = 2.7 m
- the vehicle handling device for: 1) load capacity 3.6 tons, L = 4m H = 3.4 m
- Tugboat-pusher „Priljevo" Power 480 hp
- 10,000 m² of open storage space
- 3,000 m² of enclosed warehouse space
- 1 x 20 t forklift
- 7 x forklifts capacity of 2 to 5 tons (Linde)
- 2 x ULT loader
- 1 x mobile harbor crane 63 t payload (Gottwald HMK 170)
- 2 x harbor portal crane 5/6 t capacity (Ganz)
- 1 x harbor portal crane 16/25 t capacity (Ganz)

3. ADVANTAGES OF INVESTMENT IN VUKOVAR⁵

LIST OF ESSENTIAL LAWS for investments in Vukovar town area:

- Act on Areas of Special State Concern (Official Gazette 86/08, 57/11, 51/13, 148/13)
- Act on Strategic Investment Projects of the Republic of Croatia (Official Gazette 133/13)
- Act on the Regional Development of the Republic of Croatia (Official Gazette 153/09)
- Act on Reconstruction and Development of the Town of Vukovar (Official Gazette 44/01, 90/05, 80/08, 38/09, 148/13)
- Act on Investment Promotion and Development of Investment Climate (Official Gazette 111/12, 28/13)
- Income Tax Act (Official Gazette 177/04, 73/08, 80/10, 114/11, 22/12, 144/12, 43/13, 120/13, 125/13, 148/13)
- Profit Tax Act (Official Gazette 177/04, 90/05, 57/06, 146/08, 80/10, 22/12, 148/13)

Entrepreneurial and market freedom are the fundamental bases for the economic structure of the Republic of Croatia. The Republic of Croatia will ensure that all entrepreneurs (both local and foreign) have an equal legal position on the market. Any foreign investor may move the profit and the invested capital freely to other countries. The Croatian tax system is comparable to other tax systems of EU member countries, and it is based on a combination of direct and indirect taxes.

3.1. ACT ON INVESTMENT PROMOTION AND DEVELOPMENT OF INVESTMENT CLIMATE⁶

The unemployment rate in Vukovar-Srijem County in 2013 was higher than 30%, and on that basis, it is possible to realise major incentives for investments in the town of Vukovar, as provided by this Act. For a detailed incentive calculation, please use the investment incentives calculator on the HAMAG INVEST website: www.hamaginvest.hr (available in English, German, Italian and Russian).

The incentive measures provided by this Act are the following:

1. Incentives for micro-entrepreneurs,
2. Tax incentives,
3. Customs incentives,
4. Incentives for eligible costs of new jobs created,
5. Incentives for eligible training costs related to investment projects,
6. Incentive measures for:
 - A. Development and innovation activities,
 - B. Business support activities and
 - C. High added value service activities,

⁵ Source: www.vura.hr; www.vgz.hr; www.ar-hrast.hr

⁶ Source: www.zakon.hr (October, 2014)

- 7. Incentive measures for capital expenditures of investment projects,
- 8. Incentive measures for labour-intensive investment projects.

1. Incentives for micro-enterprises

For micro-enterprise investments amounting to min. 50,000 EUR in HRK equivalent, incentive recipients' profit tax rate is 50% lower than the prescribed profit tax rate in the period up to five years from the year of commencement of the investment, provided that they create at least three new jobs related to the investment project, within one year after the start of investment.

Incentive applicants may be approved for a tax incentive even without creating new jobs provided that they carry out the modernization of a technological process of an existing production line or facility. Applicants have the obligation to, for as long as they take advantage of incentive measures, keep the same number of jobs that they had at the time of application, and not shorter than three years after starting to use the incentive measures referred to herein.

2. Tax incentives

INVESTMENT VALUE	PROFIT TAX RATE	MINIMUM NUMBER OF EMPLOYEES
< 1 mil. €	10%	5
1-3 mil. €	5%	10
>3 mil. €	0%	15

In the case of an investment amounting to **1 million EUR** in HRK equivalent, the recipient of incentive measures is eligible to **reduction of the profit tax rate by 50%** of the statutory profit tax within a period of up to 10 years from the year in which the investment was first made, provided the recipient provides for creation of at least 5 new jobs linked to the investment.

In the case of an investment amounting to **1 to 3 million EUR** in HRK equivalent, the recipient of incentive measures is eligible to **reduction of the profit tax rate by 75%** of the statutory profit tax within a period of up to 10 years from the year in which the investment was first made, provided the recipient provides for creation of at least 10 new jobs linked to the investment.

In the case of an investment exceeding **3 million EUR** in HRK equivalent, the recipient of incentive measures is eligible to **reduction of the profit tax rate by 100%** of the statutory profit tax within a period of up to 10 years from the year in which the investment was first made, provided the recipient provides for creation of at least 15 new jobs linked to the investment.

The minimum period for retention of the subject investment is **five years** for large enterprises or **three years** in case of small and medium enterprises; however, not shorter than the period of use of incentive measures provided by this Act.

3. Incentives for eligible costs of new jobs created related to investment projects

UNEMPLOYMENT RATE	NON-REFUNDABLE AID	MAXIMUM VALUE OF AID
above 20%	30% of gross salary over 24 months	up to 9000€

A recipient of incentive measures who provides for the creation of new jobs linked to an investment project in the counties where the registered unemployment rate according to the data of the Central Bureau of Statistics for the preceding year exceeds 20%, will be authorised a non-refundable aid in respect of the eligible costs of new job creation linked to an investment amounting **up to 30% of the eligible costs of new job creation** in a maximum amount **up to 9,000 EUR in HRK equivalent per job created**.

Eligible costs of new job creation linked to an investment are calculated as a gross salary over a two-year period.

4. Incentives for eligible training costs related to investment projects

A recipient of incentive measures will be granted a non-refundable aid for training of employees in respect of new job creation linked to an investment project.

The non-refundable aid for eligible costs of training linked to an investment will be allocated in line with the rules on state aid for training.

The aid for eligible costs of training linked to investment may be granted in the form of:

a. *Aid for general training*: general training is intended for acquiring general knowledge applicable to the present or future position of an employee employed with the incentive measures recipient who is a state aid recipient, which provides qualifications that are transferable to other enterprises or activities and thereby substantially improves the employability of the employee.

Training is considered general if:

- It is jointly organised by several independent enterprises, or if employees of different enterprises may avail themselves of the training;
- It is recognised, authorised and certified by state administration bodies or other authorized bodies or institutions of the Republic of Croatia;

b. *Aid for specific training*: specific training is intended for acquiring of theoretical and practical knowledge applicable to the employee's present or future position with the incentive measures recipient who is state aid recipient, which is non-transferable or only to a limited extent transferable to other enterprises or activities.

The eligible costs of training are:

- a. Costs of trainers,
- b. Travels expenses of trainers and trainees,
- c. Depreciation of tools and equipment, to the extent that they are used for the training project,
- d. Trainees' expenses up to the amount of the overall eligible costs referred to in items a. to c. of this Article.

Only the hours during which the trainees actually participate in the training, after deduction of any productive hours or their equivalent, will be taken into account.

The aid for eligible costs of training cannot exceed the maximum intensities as follows:

- a. For aid in case of specific training the aid intensity cannot exceed 25% in case of large enterprises, i.e. 35% for medium and 45% for small enterprises,
- b. For aid in case of general training the aid intensity cannot exceed 60% in case of large enterprises, i.e. 70% for medium and 80% for small enterprises,
- c. In cases where the aid comprises both forms of training; specific and general – which are not separable in terms of aid intensity calculation, i.e. in cases where the special or general feature of training is not determinable and separable, the calculation of maximum intensity for special training applies.
- d. The aid intensity, together with the investment aid, i.e. aid for creating of new jobs may not exceed 50% of the eligible investment costs.

5. Incentive measures for development and innovation activities, business support activities and high added value service activities

For investments in development and innovation activities, business support activities and high added value service activities, additional incentive measures will be granted for the following investment projects:

- A. **DEVELOPMENT AND INNOVATION ACTIVITIES** - conducive to enhancement and modernization of:
 - Products,
 - Production series,
 - Production processes, and
 - Production technologies,
- B. **BUSINESS SUPPORT SERVICES:**
 1. Customer/client relations centres:

All types of call-centres, multi-media contact centres and other types of customer/client contact centres focused on technical support and customers/client problem solving.
 2. Shared services centres:

Focused on outsourcing and pooling of business activities such as finances, accounting, marketing, product design, audio-visual activity, development of human resources and IT development.

3. Logistics and distribution centres:

Focused on the establishment and construction of high-technology logistics and distribution centres providing for intermodal transportation of goods, warehousing, goods packaging and handling with a view to significantly improving logistics and distribution activities within business process and delivery of goods.

4. ICT system and software development centres:

- Development and application of information systems
- Outsourcing of information system management
- Development of telecommunication-network operation centres
- Development and application of new software solutions

C. HIGH VALUE ADDED SERVICE ACTIVITIES

1. Activities of creative services:

Activities in the field of architecture, design, various forms of media communication, promotion, publishing, culture, creative industry and other activities in the field of arts.

2. Activities of tourist services:

Activities in the field of high added value tourist services, such as projects of accommodation facilities like four plus star hotels, apart-hotels and tourist settlements of the four plus stars category, tourist apartments within the tourist settlements, four plus stars camps, hotel-heritage, other types of accommodation facilities created by reconstruction of cultural-historic facilities, ancillary facilities, health tourism, congress tourism, nautical tourism, cultural tourism, amusement and/or recreation centres and parks, tourist-ecological projects.

3. Activities of management, counselling, educational services,

4. Activities of industrial engineering services.

For investments in development-innovation activities, the incentive measures recipient will be granted, apart from the incentive measures provided for by this Act, an increase in aid for the costs for creating of new jobs linked to an investment project amounting to 50% of the amounts provided for by Article 11 of this Act.

For investments in business support activities and high added value service activities, the incentive measures recipient will be granted, apart from the incentive measures provided for by this Act, the increase in aid for the costs for creating of new jobs linked to an investment project amounting to 25% of the amounts provided for by Article 11 of this Act.

For investments in development-innovation activities, the non-refundable aid will be granted for purchasing of equipment/machinery **amounting up to 20% of the actual eligible costs of purchasing equipment/machinery in maximum amount of 0.5 million EUR in HRK equivalent**, provided the purchased equipment/machinery presents high-tech equipment/machinery.

The overall amount of non-refundable grants, tax and other incentives to which the incentive measures recipient is entitled during the whole period of use of incentives will be determined in an absolute amount, taking into account the maximum allowed amount of total incentives as laid down in Article 6 item 8 of this Act.

6. Incentive measures for capital expenditures of an investment project

(1) Investment project eligible for incentive measures for capital expenditures of an investment project means an investment in fixed assets of the incentive measures recipient amounting to **at least 5 million EUR** in HRK equivalent, provided that **a minimum of 50 new jobs** linked to an investment project are created within the period of three years following the commencement of investment.

(3) The incentive measures recipient realizing an investment project referred to in paragraph 1 of this Article in counties where the registered unemployment rate according to the data of Central Bureau of Statistics for the preceding year exceeds 20% will, apart from the incentive measures provided for by this Act, be granted the investment incentives for capital expenditures:

- Costs of construction of the new plant, industrial facility or tourist service providing facility,
- Costs of purchasing new machines, i.e. production equipment.

In a total maximum amount up to 1 million EUR in HRK equivalent, provided that at least 40% of the total investment value is apportioned to the machinery or manufacturing equipment and at least 50% of the purchased machinery or manufacturing equipment constitutes high-tech equipment.

7. Incentive measures for labour-intensive investment projects

(1) Investment project for which incentive measures for labour intensive investment projects are granted means investment in fixed assets of the incentive measures recipient, which provides for creation of **at least 100 new jobs** linked to an investment project within the **three years** period following the investment commencement.

(2) The incentive measures recipient implementing the investment project referred to in paragraph 1 of this Article will be entitled to **increase in aid to cover costs of job creation** linked to an investment project, **amounting to 25%** of the amounts provided for by Article 11 of this Act.

(3) The incentive measures recipient implementing the investment project providing for creation of **at least 300 new jobs** linked to an investment project will be entitled to increase in aid to cover cost of creation of new jobs linked to an investment project **amounting to 50%** of the amount provided for by Article 11 of this Act.

(4) The incentive measures recipient implementing the investment project providing for creation of **at least 500 new jobs** linked to an investment project will be entitled to increase in aid to cover cost of creation of new jobs linked to an investment project **amounting to 100%** of the amount provided for by Article 11 of this Act.

3.2. ACT ON STRATEGIC INVESTMENT PROJECTS OF THE REPUBLIC OF CROATIA

The Act on Strategic Investment Projects of the Republic of Croatia (Official Gazette 133/13) regulates the criteria and application procedure of strategic investment projects, the process of assessment, selection, preparation and implementation of strategic projects, the disposal of real estate owned by the Republic of Croatia for the purpose of implementation of strategic projects, granting concessions related to the implementation of strategic projects and issuing administrative acts related to the implementation of strategic projects.

Strategic projects of the Republic of Croatia may be private investment projects, public investment projects or public-private investment projects in the field of the economy, energy, tourism, transport, infrastructure, electronic communication, postal services, environmental protection, public utilities, agriculture, forestry, water management, fishery, health care, culture, science, defence, judiciary, technology and education, which include the construction of buildings, and that under this Act will be proclaimed by the Government of the Republic of Croatia.

A strategic project will be considered the project which significantly contributes to the competitiveness of the Croatian economy and meets, among others, the following criteria:

- are realized in the assisted areas, or **in the units of local (regional) self-government of the 1st group or in the units of local self-government of the 1st and 2nd groups**, in accordance with the regulation governing the regional development of the Republic of Croatia, and total value of capital investment cost in the assisted area is **equal to or higher than 20,000,000.00 HRK**, and is related to:

1. Production and processing activities, or
2. Development and innovation activities, or
3. Business support activities, or
4. Activities of high added value services, or
5. Activities in energy sector, or
6. Infrastructure, or
7. Activities related to agriculture and fisheries.

3.3. ACT ON THE REGIONAL DEVELOPMENT OF THE REPUBLIC OF CROATIA

Pursuant to the Regional Development Act, the Town of Vukovar is in a local (regional) unit of the 1st group, whose development index is below 75% of the Republic of Croatia's average. As a local self-government unit, the Town of Vukovar, on the other hand, is in the 2nd group, with its development index between 50% and 75% of the Republic of Croatia's average (70.63%). The amount of EU project co-financing is determined by, among other criteria, the development index, i.e. a lower project co-financing percentage is determined for a lower development index. Based on the Regional Development Act, the Town of Vukovar also belongs to assisted areas that have the widest range of development aids available.

3.4. TAX RELIEF

PROFIT TAX

According to Article 28.a paragraph 1 of the Profit Tax Act (Official Gazette 148/13), taxpayers operating in the local self-government units classified into the 1st group in terms of development level according to a special regulation on the Republic of Croatia's regional development and in the territory of the Town of Vukovar as stipulated under a special regulation on the reconstruction and development of the Town of Vukovar, and which have more than five employees in a labour relation for a non-fixed period of time, with more than 50% of those employees having a place of residence and residing in the assisted areas of local self-government units, i.e. the Town of Vukovar, do not pay profit tax.

According to Article 28.a paragraph 2 of the Profit Tax Act (Official Gazette 148/13), taxpayers operating in the local self-government units classified into the 2st group in terms of development level according to a special regulation on the Republic of Croatia's regional development, and having more than five employees in a labour relation for a non-fixed period of time, with more than 50% of those employees having a place of residence and residing in the assisted areas of local self-government units, i.e. the Town of Vukovar, pay 50% of the prescribed tax rate.

The amount of profit tax relief for the stated periods is determined in line with the conditions and criteria stipulated by the Decision on the publication of rules on small-value aids.

It is also considered that a taxpayer referred to in item 1 of this Article has hired an employee for a non-fixed period of time if the employee has been in a labour relation with the taxpayer and had a place of residence and resided in the territory of the town of Vukovar for at least nine months during a taxation period.

Note: According to the statement of the Ministry of Finance, Tax Administration Regional Office Vukovar, dated 14 November 2014, Class: 410-01/14-01/26, REG. NUMBER: 513-07-16/14-02⁷, as of 1st January 2014, enterprises do not pay profit tax, i.e. profit tax rate is 0%. The

⁷ The original statement is available in the Development Agency Vukovar record office.

provided aid is calculated into the overall amount of received small-value aids, pursuant to the governing law.

INCOME TAX

Payers of income tax who carry out a self-employment activity in the territory of the town of Vukovar and employ more than two workers in a labour relation for a non-fixed period of time, with more than 50% of those workers having a place of residence and residing in the territories of special state concern for at least nine months will have their income tax reduced by 50%.

REFUND OF PAID CONTRIBUTIONS

An employer with a registered seat in Vukovar who has employees with a registered place of residence in Vukovar, is entitled, in accordance with a submitted written application, to the reimbursement of 50% of paid contributions for pension and health insurance.

3.5. LOCAL AID⁸

BUSINESS NAME TAX

Based on the Resolution of the City of Vukovar Taxes, the exemption from the payment of the business name tax shall apply to:

- a) new entrepreneurs that are also employers, for a maximum period of three years,
- b) existing entrepreneurs that have increased the number of employees, for a maximum period of three years.

The Decision on the tax payment exemption shall be made by the City Government upon the request of the entrepreneur.

MUNICIPAL (UTILITY) CONTRIBUTIONS

Legal entities and natural persons with building rights in the Priljevo Entrepreneurial Zone and Vukovar Economic Zone that will be engaged in production activities in the respective zones shall be exempt in full from the payment of utility/municipal contributions.

The City of Vukovar's Government, based on the proposal of the Head of the Department for Municipal Services and City Development, may provide full or partial exemption from the municipal contribution payment obligation to investors that build structures intended for culture, technological culture, sport, preschool education, health care services, welfare and production activities and structures needed for public institutions and companies owned by the City of Vukovar.

Upon the request of any payer of municipal contributions, the Department for Municipal

⁸ Source: www.vukovar.hr (June, 2012)

Services and City Development will allow for the municipal contribution to be paid in several installments depending on the accounted sum of the municipal contribution according to the following schedules:

A) Natural persons

- for municipal contributions ranging from HRK 10,000.00 to 50,000.00, with a maximum of 12 monthly installments, whereby the first installment must be 30% of the total obligation, with the balance in equal monthly installments with a single installment amounting to more than HRK 1,000.00.
- for municipal contributions that exceed HRK 50,000.00, with a maximum of 24 monthly installments, whereby the first installment must be 30% of the total obligation, with the balance in equal monthly installments, and a single installment amounting to more than HRK 1,000.00.

B) Legal entities

- for municipal contributions that exceed HRK 100,000.00, with a maximum of 24 monthly installments, provided that the first installment must be 30% of the total obligation, and the balance in equal monthly installments, with a single installment amounting to more than HRK 5,000.00.

MUNICIPAL FEE

All legal entities and natural persons that have building rights in the Priljevo Entrepreneurial Zone and Vukovar Economic Zone shall be exempt from the payment of municipal fees for any structure built in the respective zone, starting from the date of the Use Permit obtained for the structure, as follows:

- in the first year - 100%,
- in the second year - 50% and
- in the third year - 25%.

Companies and trade businesses that have built structures intended for production activities on the territory of the City of Vukovar shall be exempt from the payment of municipal fees for the built structure starting from the date of the Use Permit obtained for the structure, as follows:

- in the first year - 100%,
- in the second year - 50%,
- in the third year - 25%.

4. SUPPORT BY THE CITY OF VUKOVAR RECONSTRUCTION AND DEVELOPMENT FUND⁹

The City of Vukovar Reconstruction and Development Fund has implemented two support programs for entrepreneurial projects on the territory of the City of Vukovar;

- The City of Vukovar Co-financing Program for Economic Projects financed by entrepreneurs, from their own assets
- The City of Vukovar Co-financing Program for Economic Projects financed through loans granted to entrepreneurs

The City of Vukovar Co-financing Program for Economic Projects Financed by Entrepreneurs

The Co-financing Program beneficiaries may be existing entrepreneurs and start-up/entrepreneurs, legal entities and natural persons that finance City of Vukovar economic projects with their own funds:

- small, medium-size and large companies,
- co-operatives,
- institutions,
- trade businesses,
- natural persons - self-employed professionals.

The entrepreneurs that operate or intend to operate on the territory of the City of Vukovar and the entrepreneurs that intend to invest on the territory of the City of Vukovar regardless of their registered office, are entitled to the financial support/aid of the FUND, except entrepreneurs that are engaged in:

- steel production and traffic/transport activities (aid may be awarded for sea, air, river and railway traffic/transport, but for road traffic/transport only to entrepreneurs that are not engaged in passenger and goods road transport services)
- for the stimulation of exports.

Non-refundable aid shall be approved for the following projects:

- finished projects of investments in fixed assets; construction works and equipment
- long-term operating assets used for the overall successful performance of the project.
- businessplans or investment programs developed according to appropriate quality standards as the basis of applying for non-refundable aid.

Purpose of own funds invested:

- reconstruction of existing construction and infrastructure facilities, construction, extension or refurbishment of the same, if such investments enable improvement of operating processes of a business entity,

⁹ Source: www.fond-vukovar.hr (June, 2012)

- purchase of machinery, equipment, inventory and tools or their individual parts,
- purchase of transport means or vessels used for entrepreneurial purposes (except automobiles), for operating assets used for investments and for the improvement of business operations, which may not exceed 40% of a company's own investment,
- purchase of land or facilities that will be used for business activities, which may not exceed 40% of a company's own investment.

The FUND within the Entrepreneurial Projects Co-financing Program in the City of Vukovar may grant non-refundable funds to the amount of:

- 25% of a company's own investment for production and agricultural/farming projects,
- 15% of a company's own investment for continental tourism projects and other projects assessed by the Fund's Managing Board as a priority for the City of Vukovar.

The maximum amount of the non-refundable state aid that may be awarded by the Fund to an individual beneficiary may not exceed a total amount of HRK 750,000.00 (gross) in a three-year period. The amount of HRK 750,000.00 includes any other potentially granted “de minimus” state aid received in a three-year period or that will be received by an individual beneficiary based on the Fund's Program or received from other aid granting bodies, and the sum of such “de minimus” state aid may not exceed the maximum allowed amount of HRK 750,000.00.

The non-refundable funds will be used by the FUND:

- for partial reimbursement of paid construction work based on authentic documents; invoices, transfer account statements, payment orders,
- for partial reimbursement of paid invoices for purchased machinery, equipment, tools or their parts based on authentic documents; invoices, transfer account statements, payment orders,
- for partial reimbursement of paid invoices for purchased raw materials, materials, services and energy supplied as operating assets based on authentic documents; invoices, transfer account statements, payment orders.

City of Vukovar Co-financing Program for Economic Projects Financed through Entrepreneurship Loans

Existing entrepreneurs and start-up entrepreneurs (enterprises), legal entities and natural persons that have used their own funds to finance economic projects in the City of Vukovar may be the beneficiaries of the Co-financing Program:

- small, medium-size and large companies,
- co-operatives,
- institutions,
- trade businesses,
- natural persons as self-employed professionals.

Entrepreneurs that operate or intend to operate on the territory of the City of Vukovar are entitled to the FUNDS' funding, as well as entrepreneurs that intend to make investments on the

territory of the City of Vukovar regardless of the registered office, except for entrepreneurs that are engaged in:

- steel production activities and traffic/transport activities (aid may be granted for sea, air, river and railway traffic/transport, but for road traffic/transport only to entrepreneurs that do not perform passenger and goods road transport services)
- for the stimulation of exports.

Non-refundable aid shall be awarded to projects financed through loans:

- granted by loan-providing entities,
- or that will be granted by loan-providing entities after the FUND's non-refundable funds have been authorized/approved.

The FUND's funds are not awarded directly to the entrepreneur but rather through loan providing entities, i.e. through:

- commercial banks,
- other financial and state institutions involved in loan-providing program in the Republic of Croatia (competent ministries, HBOR (Croatian Reconstruction and Development Bank), the Development and Employment Fund, the Regional Development Fund etc.) that grant loans for entrepreneurial projects in the City of Vukovar.

Non-refundable aid may also be approved in addition to aid granted by financial and state institutions involved in providing loans and financial support programs for entrepreneurs.

PURPOSE OF LOANS

- for the reconstruction of existing construction facilities and infrastructure, the construction, extension or renovation of the same, if such investments enable the improvement of the operating processes of a business entity,
- purchase of machinery, equipment, inventory and tools or their individual parts, for the purchase of transport means or vessels used for entrepreneurial purposes
- (except private vehicles), for the refinancing of unfavorable loans,
- for operating assets used for investments and business improvements, which may not exceed 40% of the loan,
- for the purchase of land or of facilities if they will be used for business activities, which may not exceed 40% of the loan.

The FUND may grant non-refundable funds within the Co-financing Program for the City of Vukovar's entrepreneurial projects:

Projects with loans

- 25% of the loan principal for production projects,
- 20% of the loan principal for production service projects,
- 5% of the loan principal for other projects

Projects financed through companies' own funds

- 100% of the sum for development of a business plan/investment program, at a maximum of HRK 30,000.

The maximum amount of non-refundable state aid that may be awarded by the Fund to an individual beneficiary may not exceed a total amount of HRK 750,000.00 (gross) in a three-year period. The amount of HRK 750,000.00 includes any other potentially awarded "de minimus" state aid received in a period of three years or that will be received by an individual beneficiary based on the Fund's Program or received from other entities and as such the total sum of the "de minimus" state aid may not exceed the maximum allowed amount of HRK 750,000.00.

5. AREAS SUITABLE FOR INVESTMENT¹⁰

There are several locations on the territory of the City of Vukovar that have been planned for industrial production. These are:

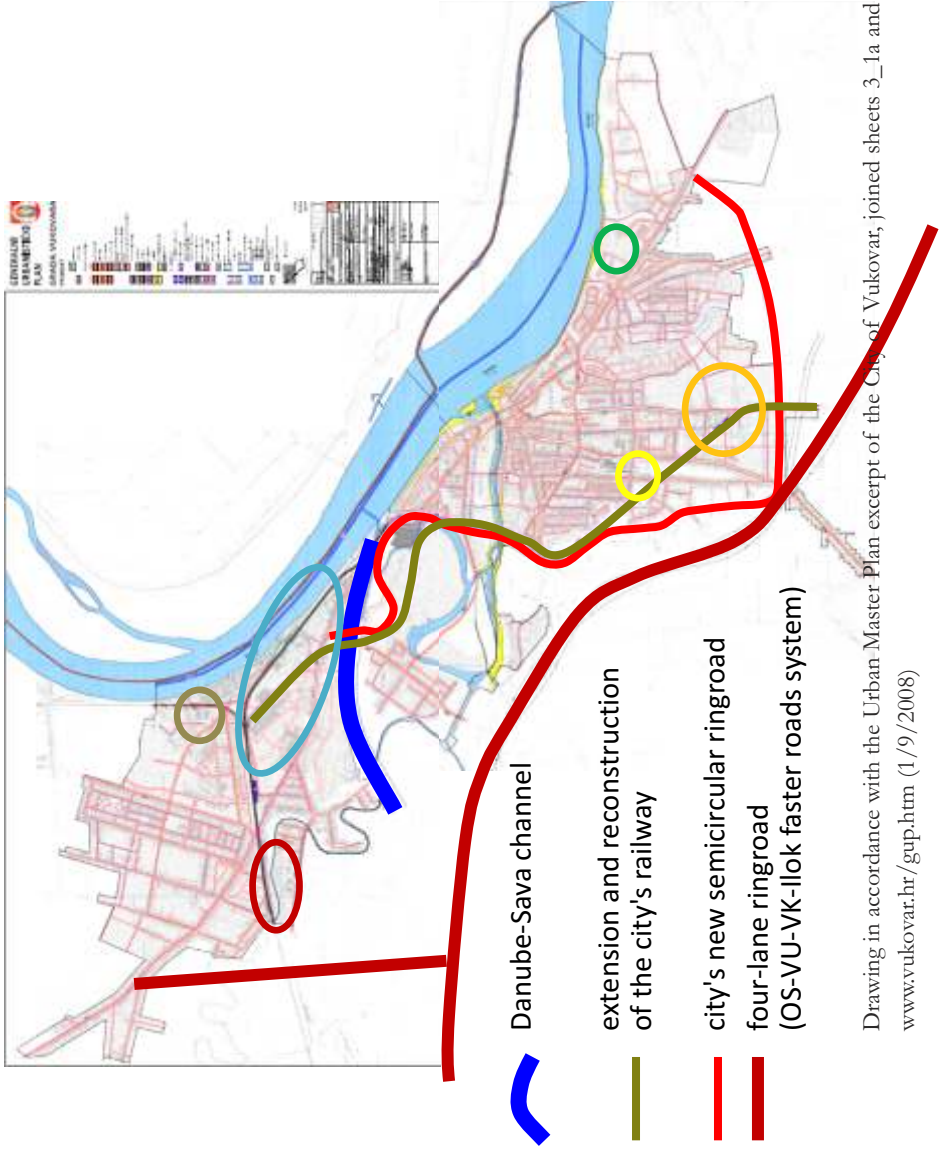
- Borovo naselje and Priljevo
 - • the area of the Borovo industrial complex
 - • the Vukovar Economic Zone
 - • the port area
(the port and adjoining plots reserved for the development of port activities)
 - • the area of the Priljevo Small Business Zone
 - • the area next to the Borovo road,
marked as an area intended for commercial purposes
 - • the industrial area along the D55 road to Vinkovci

- Sajmište
 - • the Podunavlje free zone area
 - • the previous brickyard area
 - • a number of areas marked in the Urban Master Plan for industrial and miscellaneous purposes

- Mitnica
 - • plot marked in the Urban Master Plan for commercial purposes

¹⁰ Source: GARBAC, Davor; The European Shaping of the Development Process with Options of Application to the City of Vukovar – specialist paper, call number 338.2/GAR/ c

Figure : The development of the city's planned traffic network and industrial areas



Drawing in accordance with the Urban Master Plan excerpt of the City of Vukovar; joined sheets 3_1a and 3_1b – Traffic, www.vukovar.hr/gup.htm (1/9/2008)

5.1. VUKOVAR ECONOMIC ZONE¹¹

The Vukovar Economic Zone (VGZ) is situated on the west side, outside the city of Vukovar, on the D2 state road (in the Osijek-Vukovar-Ilok direction). The zone, just like Vukovar, has an important geostrategic position, in the immediate vicinity of important traffic routes.

The continued improvement of the road and railway infrastructure will be achieved through the city's ringroad construction initiative, as part of the future faster roads network on the Osijek-Vukovar-Ilok and Vukovar-Vinkovci-Županja sections (a connection with the traffic corridor X). A ring road in any city, in the case of Vukovar planned as a capital project with a system of access roads, can considerably define and facilitate the conditions of business operations.

The largest railway intersection in Croatia is only 16 km away and the area is the intersection of railway and state roads to Vinkovci and Osijek.

Klisa Airport is situated half way between Vukovar and Osijek, and it is important to mention that Corridor Vc is in the immediate vicinity. International connections is also a huge advantage because of the proximity and good traffic connections with Bosnia and Herzegovina, Hungary and Serbia.

The biggest advantage of the Vukovar Economic Zone is the proximity of the Port of Vukovar. Vukovar Harbor is the only Croatian harbor on the Danube, and because of the Rhine - Main – Danube waterway, one of the most important waterways in Europe and of strategic importance for the city of Vukovar. The Port of Vukovar is the only Croatian port with such massive potential as a transport hub and it is important to point out the construction of the multifunctional Danube - Sava channel as a great advantage that will bring further development and construction to the port. The below indicated river transport prices and lower transport costs of commodities, compared to sea transport, may be very attractive to future users of the Zone.



Contact

Vukovar Economic Zone LLC
Gospodarska zona 10, 32000 Vukovar
Tel. 00385/32/456 -571
Fax.00385/32/456 -570
Web: www.vgz.hr
e-mail: vugospodarstvo@vukovar.hr

Source: <http://www.vgz.hr/openito/plan-gospodarske-zone>

¹¹ Source: www.vgz.hr (June, 2012)

Short Description	
County	Vukovar-Syrmia
Region	Eastern (Pannonian) Croatia
City/Municipality	City of Vukovar
Business Zone	Vukovar Economic Zone
Contact	Tel.: +385 (0)32 456 571 Fax: +385 (0)32 456 570 e-mail: vgz@vukovar.hr
Total area of the Zone (ha)	33,00 ha
Majority owner	Vukovarska gospodarska zona d.o.o. (Vukovar Economic Zone LLC)
Land surface area in ha	33,00 ha
Potential activities	Commercially viable facilities: industrial, trades, crafts, all types of commercial facilities, warehouse/storage areas, storage/wholesale premises/areas, business, administrative, office, commercial, catering and tourist facilities, municipal/utility services, recycling yards, municipal services as support to core business activities.
Allowed joining/separation of plots yes/no	Yes
Max gross development of the area	A maximum 50% of the building plot may be developed and 20% of the building plot must consist of green areas.
Max number of stories/ structures height (m)	Production/business facilities: basement, ground floor, four-story building, attic. Office buildings: two basements, ground floor, eight-story building, attic.
Access to the plot - description	Yes, connected with the D2 and D55 state roads.

Location	
Strategic position (description)	The Zone is situated on the Danube River bank along the state border with Serbia. It is only 16 km from the largest Croatian railway intersection, located in Vinkovci. The D55 state road through Vinkovci is a good connection with Vukovar with the Županja interchange 39 km away on the Zagreb-Lipovac motorway. Osijek and the corridor Vc are 33 km away and connected with it via the D2 state road. The Zone is located approximately 20 km from Klisa Airport.
Proximity of an urban center in km	City of Vukovar 1 km
Type of soil and its bearing capacity	The soil is of such bearing capacity that it is suitable for building construction.
Configuration of the terrain (description)	Based on the configuration of the terrain, one may say that the entrepreneurial zone is situated in a lowland area.
Water protection zone yes/no	No
Potential flood area	No
Climate	The Vukovar-Syrmia County has a moderate continental climate, with sunny, hot summers and cold winters, with snow. The average annual temperature is around 11°C with an average maximum of 29.9°C and an average minimum temperature of 12.2°C. The annual precipitation average is in a relatively narrow range: the lowest in the final eastern part - approximately 650mm, gradually ascending moving westwards - to 800mm. The highest precipitation rate is recorded in spring time and in the middle of summer, which is good for crops. The average relative humidity is 79%. Average temperatures over periods of several years in the warmest month of July were from 21.2°C in Gradište to 21.9°C in Županja.

Type of Transfer	
All possible forms of ownership/usage	Yes
Sale	Yes
Property purchase/transfer tax	In the Republic of Croatia, real property is taxed at a 5% tax rate of the real property's purchase and sale price. The tax amount is determined based on the price defined in the Purchase and Sale Agreement and the assessment made by the local Tax Authority. The property transfer tax is paid by the buyer.

Prices			
Measure 1	The buyer of the real property may enjoy options of relief and incentives granted by VGZ, the City of Vukovar and/or in compliance with the Law. The market value of land property is 25 euros.		
	<u>Land purchase at preferential prices</u>		
	Small investments and service	Manufacturing	5,00 EUR/m ²
		Service	8,00 EUR/m ²
		Incentive realisation criterion	Mandatory employment of 1 unemployed person per 1,000 m ² of land property.
	Medium-sized investments	Manufacturing	3,00 EUR/m ²
		Incentive realisation criterion	Investment higher than 3.0 million EUR and min. 25 newly employees.
	Large investments	Manufacturing	1,00 EUR/m ²
Incentive realisation criterion		Investment higher than 5.0 million EUR and min. 50 newly employees.	
<u>Establishing the right to build for manufacturing activities for a period of 30 years</u>			
Small investments	Monthly rate	1,00 HRK/m ² (0,13 EUR/m ²)	
	Required criterion	At least 1 new job on 1000 m ² of land.	

	Medium-sized investments	Monthly rate Required criterion	0,40 HRK/m ² (0,052 EUR/m ³) Investment higher than 3.0 million EUR and min. 25 newly employees.
	Large investments	Monthly rate Required criterion	0,20 HRK/m ² (0,026 EUR/m ³) Investment higher than 5.0 million EUR and min. 50 newly employees.
Measure 2	<ul style="list-style-type: none"> - exemption from the payment of municipal contributions for production activities - lower rate of the municipal contribution for other purposes - payment of the municipal contribution in installments for up to 5 years, for other activities, 		
Measure 3	<ul style="list-style-type: none"> - after the use permit is obtained, exemption from the payment of municipal fees: in the first year - 100%, in the second year - 50% and in the third year - 25%, 		
Measure 4	<ul style="list-style-type: none"> - exemption from the payment of the business name tax for a maximum period of three operating years on the territory of the Zone, 		
Measure 5	<ul style="list-style-type: none"> - relief enjoyed by entrepreneurs on the territory of the City of Vukovar based on the Law, as follows: partial exemption from the profit and income tax, customs relief -return of 50% of the paid contributions -economic projects co-financing up to 25% by the Reconstruction and Development Fund of the City of Vukovar. 		
Measure 6	<ul style="list-style-type: none"> - Favorable credit lines for the financing of projects in the Vukovar Economic Zone 		
Measure 7	<ul style="list-style-type: none"> - Logistic support of professional services of the City of Vukovar 		
Land market price/ agency information	Prices are in the range of 50 to 100 EUR/m ² depending on the location and available utilities/infrastructure.		
Valuation price of land HRK/m ² :/Tax price	5 % property transfer tax is paid for the purchase of land.		

Infrastructure	
Electricity	Yes, supply connection existing for each plot Supplier: HEP d.d., ODS Vinkovci, http://www.hep.hr/ods/dp/vinkovci/
Gas	Yes, supply line existing for each plot Supplier: Prvo plinarsko društvo d.o.o., info@ppd.hr
Water	Yes, connection provided to each plot Supplier: Vodovod grada Vukovara d.o.o., Tel: +385 32 424 706; Fax: +385 32 424 724
Drainage	Yes, connection provided to each plot Supplier: Vodovod grada Vukovara d.o.o., Tel: +385 32 424 706; Fax: +385 32 424 724
Waste collection	Yes Supplier: Komunalac d.o.o., Tel: 032 428 179 Fax: 032 428 180 E-mail: komunalac-vu@vk.t-com.hr
TC	Yes, connection provided to each plot

Building permit fees	
Municipal contribution EUR-HRK/m ³ :	Production enterprises are exempt from the payment of municipal contributions. Other enterprises pay 20 kn/m ³ - 2,72 €/m ³
Water fee EUR-HRK/m ³ :	Area under special state concern: Business structures, except production 15,75 kn/m ³ - 2,14 €/m ³ Production structures 1,85 kn/m ³ - 0,25 €/m ³ Open (non-enclosed) business str. 5,25 kn/m ³ - 0,71 €/m ³
Municipal fee:	Municipal fee payment exemption: after the obtained use permit in the first year -100%, second year - 50% and third year - 25%,
Transfer of title:	Municipal Court of Vukovar
Building permit obtaining procedures:	The Administrative Department for City Development, Management of City Assets, Municipal Utility Management and Environment Protection, City of Vukovar Under the assumption that the documentation is complete and duly prepared, approximately 60 days are required for the building permit to be obtained which is in accordance with deadlines defined in the Physical Planning Act.
User permit obtaining procedures:	The Administrative Department for City Development, Management of City Assets, Municipal Utility Management and Environment Protection, City of Vukovar Under the assumption that the documentation is complete and duly prepared, approximately 60 days are required for the use permit to be obtained which is in accordance with deadlines defined in the Physical Planning Act.
Company registration:	Commercial Court of Osijek, the period needed for incorporation and registration is approximately 7 days
Work permits for foreign nationals:	Issuance of a work permit for a foreigner – work permit application filed by the employer (legal entity or natural person) at the competent police authority/police station (PU/PP), based on the registered office

5.2. PRILJEVO ENTREPRENEURIAL ZONE¹²

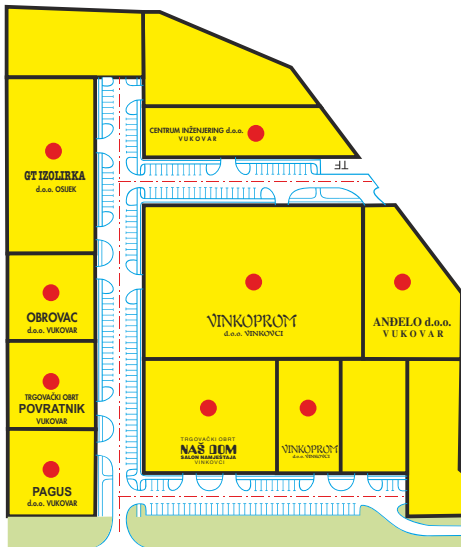


Figure: Priljevo Entrepreneurial Zone Plan

The Priljevo Zone is situated in the greater Vukovar city area, on the Osijek and Vinkovci road intersection. The D2 state road is on the northern side (Osijek-Vukovar-Ilok), and the old Vukariver bed is on the southern side which is also the future route of the Danube-Sava channel.

The total surface area of the zone is 40,931.00 m². The zone is divided into 14 plots of which 2 are available for investment.

Contact:

Grad Vukovar
Upravni odjel za gospodarstvo,
EU projekte i međunarodnu suradnju
Dr. F. Tuđmana 1, 32000 Vukovar
tel: 00385 (32) 456-571,
fax: 00385 (32) 456-570:
e-mail: vugospodarstvo@vukovar.hr



Figure: The Priljevo Entrepreneurial Zone Expansion Plan

The zone has been intended for the opening of environmentally friendly production facilities, showrooms, warehouse facilities and larger workshops. Development plans include expansion plans for this zone in a wider area between the D2 state road and the old Vukariver bed.

¹² Source: <http://www.vukovar.hr/gospodarstvo/gospodarstvo-u-vukovaru/poduzetnicke-zone/255-ncategorizirano/2790-poduzetnicka-zona-priljevo> (June, 2012)

5.3. PODUNAVLJE (TRANSDANUBIA) FREE ZONE¹³

The Zone has been founded by the Reconstruction and Development Fund of the City of Vukovar and Filir LLC, a company. The surface area of the Zone is 21,080 m², currently accommodating 34 companies with 327 employees.



Contact:

Podunavska slobodna zona d.o.o.

Vijeća Europe 25,

32000 Vukovar

tel/ fax: 00385 (32) 416-871,

e-mail: podunavska.free.zone.vukovar@vk.htnet.hr

www.podunavska-freezone.hr

¹³ Source: www.podunavska-freezone.hr (June, 2012)

6. ENTREPRENEURSHIP SUPPORT INSTITUTIONS

6.1. RAZVOJNA AGENCIJA VUKOVAR D.O.O.

/Vukovar Development Agency LLC/

Registered office: Kudeljarska 10
Temporary address : Dr. Franje Tuđmana 18
32000 Vukovar
Tel. 00385/32/441-004
Fax. 00385/32/441-014
Web: www.vura.hr
e-mail: vura@vura.hr

Razvojna agencija Vukovar d.o.o. - VURA (Vukovar Development Agency LLC) is a non-profit organization, owned and founded by the City of Vukovar to foster local development. It was founded in 2008 and it has been operating since mid-2009. VURA operates in many areas, among which the most significant are:

- support for the start-up and development of SMEs,
 - writing of business plans and investment studies,
 - start-up guidance, market research and business education,
 - applications for local and national grants,

- management of the Vukovar Guarantee Fund for small business loans in the amount of up to HRK 200.000 (EUR 27.400),
 - contracts with four banks (Hypo Alpe-Adria-Bank, RBA, Croatia banka and Zagrebačbanka)
 - The Fund has HRK 500,000.00 available and it has the authorization to use up to the multiplier of 5
 - The Fund approves up to 50% of the needed collateral coverage and especially supports new SMEs by approving up to 70% of collateral coverage
 - The Fund has been operating for 3 years and it has guaranteed 7 loans so far.
 - The total amount of issued guarantees will then reach HRK 900,000.00 with an average coverage of 62% of the approved business loans.

- Consulting services to potential investors:
 - providing local information and services (institutions, partnership possibilities, market status, available workforce, investment subsidies, grants and other benefits for investors, research of available plots corresponding to parameters defined by investors and other services),
 - the offered services do not include bookkeeping and accounting services, management of construction work including obtaining of permits (only information is provided), management of employees, buildings or equipment,

- Development, application and management of projects intended for co-financing through European funds

All services are provided in compliance with a **strict non-disclosure rule** which is an integral part of every contract.

VURA operates as a small but highly specialized and professional team. The team consists of four employees:

- an entrepreneurship specialist with an advanced master's degree,
- a PCM and development project specialist with an AMES degree,
- an engineer with a BSc degree,
- and an economist with a BSc degree.

VURA charges fees for its services, but they are significantly lower than the average market price because the company is financed by public sources and it has been established to foster local development.

6.2. CITY OF VUKOVAR RECONSTRUCTION AND DEVELOPMENT FUND¹⁴

J. J. Strossmayera b.b.
32000 Vukovar
Tel: +385/32/450 400
Fax: +385/32/450 401
e-mail: forgrv@fond-vukovar.hr
website: www.fond-vukovar.hr

The City of Vukovar Reconstruction and Development Fund has been founded by the Croatian Government based on the City of Vukovar Reconstruction and Development Act (OG 44/01). It started operating at the beginning of 2002.

The Fund reports to the Croatian Government and the Croatian Parliament.

The Fund's activities include the reconstruction and development of the City of Vukovar, in particular:

- operations relating to granting of loans and their investment in the reconstruction and development of the economy and the municipal infrastructure,
- professional/specialized information and consulting provided to investors, assistance in the development of business documentation and the assessment of investment projects,
- co-operation with other government bodies, local self-government and government units, companies engaged in reconstruction and development in the interest of reconstruction and development,
-

¹⁴ Source: www.fond-vukovar.hr (June, 2012)

6.3. CROATIAN EMPLOYMENT SERVICE, VUKOVAR OFFICE¹⁵

PODRUČNA SLUŽBA VUKOVAR

Vladimira Nazora 12,
32000 Vukovar
Tel: +385/32/44 13 44
Faks: +385/32/44 17 40
e-mail: vukovar@hzz.hr
website: www.hzz.hr

The Croatian Employment Service has been established based on the Act on Employment Agent Services and Unemployment Related Rights (Official Gazette No. 32/02, 86/02 114/03 & 159/03) as a public institution owned by the Republic of Croatia with the task to resolve employment and unemployment related issues in the broadest sense of these terms.

The Service's registered office is Zagreb, Radničkacesta 1, which is the address of the Croatian Employment Service's Central Office. The Service uses its extensive network of 22 branch offices and 94 units to operate across the entire territory of Croatia.

The essential activities of the Service have been defined in the Act on Employment Agent Services and Unemployment Related Rights (OG 32/02) and the Articles of Association of the Croatian Employment Service, and they are, as follows:

- agency services in employment/recruitment processes,
- professional orientation and guidance,
- material insurance during unemployment and
- awarding aid/grants towards employment.

¹⁵ Source: www.hzz.hr (June, 2012)

6.4. CROATIAN CHAMBER OF ECONOMY, VUKOVAR COUNTY CHAMBER¹⁶

Zmajeva 1,
32000 Vukovar
Tel: +385 32 441-155; 441-157
Fax: +385 32 441-463
e-mail: hgkvu@hgk.hr
web: www.hgk.hr

The Vukovar County Chamber services:

- Representing interests of the economy before economic policy makers through professional work groups and co-operation with local government and self government bodies, ministries and other institutions,
- Promoting the economy in the country and abroad through information, assistance and organization - appearance at fairs, participation in regional initiatives, promotional activities etc.
- Activities towards the improvement of companies operations through assistance in the introduction of quality management systems, connecting companies and finding potential partners, providing information on legislation etc.
- Business education through organization, co-ordination and assistance in the organization of seminars, professional conferences and lectures, professional workshops etc.
- Monitoring and analyses of economic trends based on analyses of essential financial results of entrepreneurs' operations, the analysis of exportation and importation and the analysis of such data, monitoring and analyzing intellectual capital on the territory of the County etc.
- Information/publishing activities (sector brochures, offprints etc.) and contributing to HGK web pages
- Public authorities:
 - Issuance of ATA carnet,
 - Issuance of certificates on the origin of goods,
 - Issuance of licenses for international transport of commodities and
 - Harmonization of carriers' passenger transport timetables.

¹⁶ Source: www.hgk.hr (June, 2012)

6.5. CROATIAN CHAMBER OF TRADES AND CRAFTS - VUKOVAR-SYRMIA COUNTY CHAMBER¹⁷

Duga ulica 31,
32100 VINKOVCI
Tel: 00385/32/333 303, 339 461
Fax: 00385/32/339 461
E-mail: ok.vinkovci@hok.hr


Udruženje obrtnika Vukovar
Dr. Franje Tuđmana 22
32000 Vukovar
Tel: 00385/32/441-995
Fax: 00385/32/450-391
Web: www.obrtnici-vukovar.hr
e-mail: uo.vukovar@hok.hr

The Chamber activities:

- Promotion of vocational training, with an emphasis on trade and craft educational requirements. Especially important is the co-operation with schools in the planning of student enrollment for in-demand vocations according to the uniform training model, trade and craft licensing to provide conditions for practical training in well equipped workshops, providing scholarships to trainees in vocations that are in short supply, professional qualification examinations, master's examinations and retraining, education at master's level – of professional teachers.
- Fairs and other forms of promotion:
 - organizing, promoting and assisting trades in the appearance at international and local trade and specialized fairs.
- In co-operation with the Chamber and the Ministry of Trade and Craft, bringing tradesmen closer to the EU, encouraging trades to introduce international certificates.
- The Chamber has established a separate International Co-operation Department based in Brussels.
- The activities of the Consulting Office:
 - the Consulting Office gives information and provides consulting in the area of legislation and regulations, for technical/technological development of trades and crafts, for their operating, funding and in the providing of loans, including international cooperation and exports.

¹⁷ Source: www.hok.hr (June, 2012)

7. MAP OF THE VUKOVAR



HZZO – Croatian Institute for Health Insurance
Andrije Hebranga 3,
Ph./Fax. 441-725
working hours: MON-FRI 8-16

Vukovar-Srijem County State Administration Office
Županijska 11,
working hours: MON-FRI 7-15
Ph: 492-000, Fax. 492-051
Department for Economy – Hilda Baumschabel,
Phone: 492-058, Fax: 492-093
e-mail: gospodarstvo.vu@udu-vu.hr or hildab@udu-vu.hr

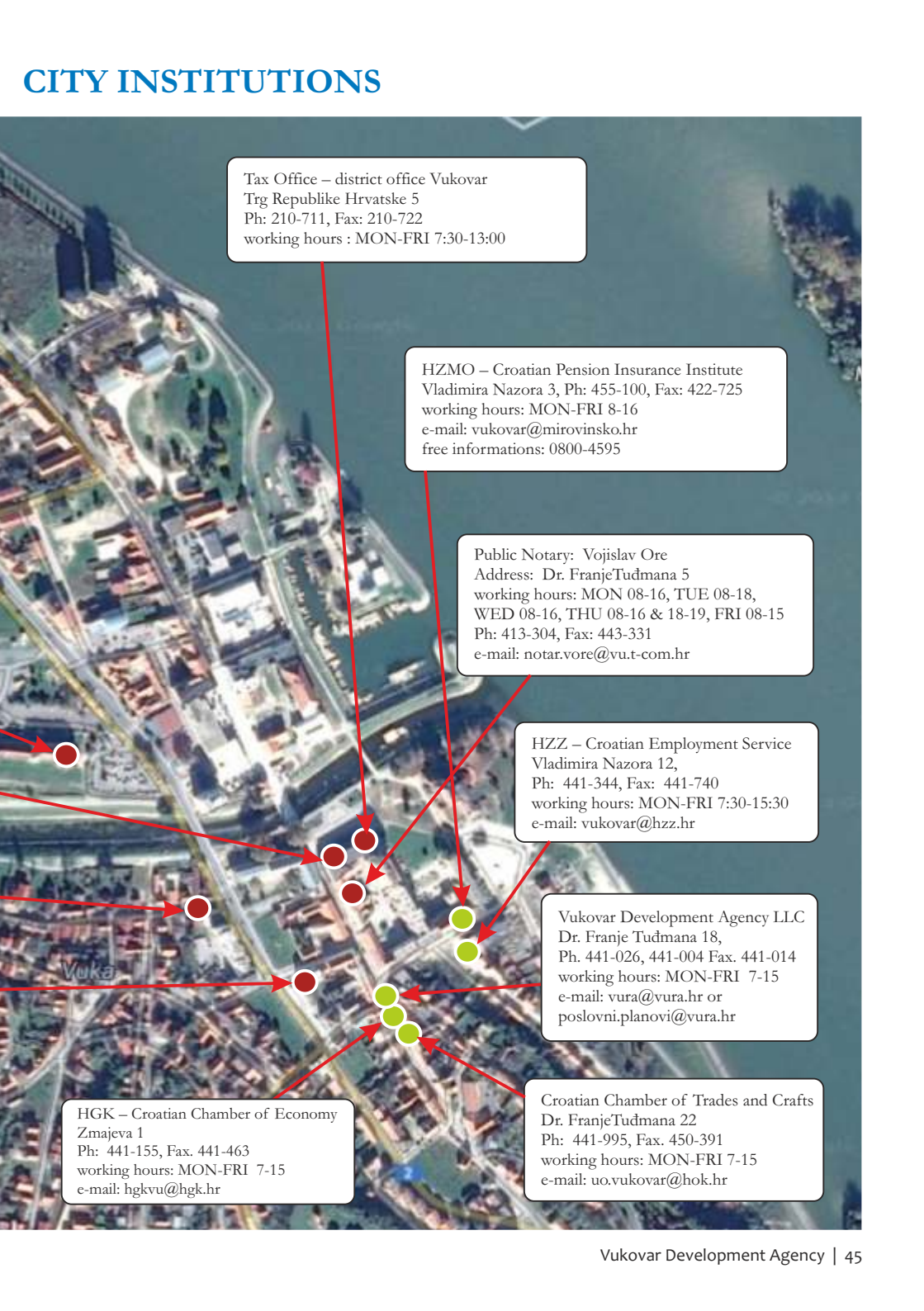
HITRO.hr
Olajnica 19, FINA-building, ground floor
Ph: 455-325, Ph#2: 455-303, Fax: 441-815
working hours: MON-FRI 8-15
e-mail: Hitro-Vukovar@hitro.hr

City of Vukovar, Department of Economy,
EU projects and International Cooperation
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SAT 8-12,
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e-mail: jb-boro.arambasic@vk.t-com.hr

Public Notary: Jelica Kovačić
Address: TrgkraljaTomislava
working hours: MON&FRI 8-15
TUE&THU 8-17 WED 8-16
Ph: 421-278, Fax: 032 421-278
e-mail: kovacic.jelica.javni.biljeznik@vu.t-com.hr

CITY INSTITUTIONS



Tax Office – district office Vukovar
Trg Republike Hrvatske 5
Ph: 210-711, Fax: 210-722
working hours : MON-FRI 7:30-13:00

HZMO – Croatian Pension Insurance Institute
Vladimira Nazora 3, Ph: 455-100, Fax: 422-725
working hours: MON-FRI 8-16
e-mail: vukovar@mirovinsko.hr
free informations: 0800-4595

Public Notary: Vojislav Ore
Address: Dr. Franje Tuđmana 5
working hours: MON 08-16, TUE 08-18,
WED 08-16, THU 08-16 & 18-19, FRI 08-15
Ph: 413-304, Fax: 443-331
e-mail: notar.vore@vu.t-com.hr

HZZ – Croatian Employment Service
Vladimira Nazora 12,
Ph: 441-344, Fax: 441-740
working hours: MON-FRI 7:30-15:30
e-mail: vukovar@hzz.hr

Vukovar Development Agency LLC
Dr. Franje Tuđmana 18,
Ph. 441-026, 441-004 Fax. 441-014
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e-mail: vura@vura.hr or
poslovni.planovi@vura.hr

HGK – Croatian Chamber of Economy
Zmajeva 1
Ph: 441-155, Fax. 441-463
working hours: MON-FRI 7-15
e-mail: hgkvu@hgk.hr

Croatian Chamber of Trades and Crafts
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Note:

The material is intended only to provide information; therefore, interested investors are kindly requested to contact the local self-government body and entrepreneurship support institutions for further information.



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