

INTERVIEW

MICHAEL KEFALOPOULOS, GENERAL DIRECTOR OF MELLON D.O.O.

ADVANTAGES IN CRISIS

“Serbia was late developing its economy compared to its neighbours, but this is an advantage today since the country has potential for the future.”



By Ana **STOJANOVIĆ**

According to Michael Kefalopoulos, General Director of Mellon this period presents many opportunities for those with ready funds to invest and he believe we will soon see a recovery in the country's foreign direct investments.

■ **How much do you think the economic crisis has affected the volume of FDI in Serbia?**

□ In times of financial crisis, with such a global impact as the one we've been experiencing over the past year, it is only logical that investments will be held back to a considerable extent. Although Serbia has been one of the countries least affected, one cannot overlook the fact that foreign investors may be experiencing liquidity issues in both their own countries

and other countries where they operate, forcing them to reprioritise or postpone investment plans. This is evident in the figures published by the Ministry of Trade, according to which Serbia attracted \$2.7 billion of foreign direct investment and privatisation revenue in 2008, while estimates for 2009 linger around the \$1 billion mark. Nevertheless, this period also presents many opportunities for those with ready funds to invest and so I believe we will soon see a recovery in the country's foreign direct investments, provided Serbia manages to maintain its economic stability and provide a facilitating framework to foreign investors.

■ **What were the biggest obstacles Mellon encountered when it first came to Serbia and what problems are you dealing with today?**

□ The launch of Mellon in Serbia came soon after the radical changes of the country's political regime that was limiting economic reform during the 1990s. The country has made great progress since then: transforming the business environment, liberalising prices and foreign trade, undertaking wide-ranging privatisation aimed at making the private sector dominant within the economy, pushing through comprehensive fiscal reforms, pursuing a tight monetary policy and reforming the banking and financial

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system. This rapidly evolving environment enabled Mellon to successfully establish and grow its business, inaugurating Mellon Transaction Technologies (MTT), a company that offers advanced front-end and back-end transaction solutions and services to organisations with strong consumer business, as well as Mellon Transaction Solutions (MTS), a leading provider of world-class, integrated card issuing and acquiring processing services. Most of the issues we are facing today are a direct result of the global financial crisis, which makes us cautious even though it has not yet had an impact on our bottom line. What we have seen with respect to our target market – the banking sector, is a shift in our customers' priorities from accelerated credit expansion to increased focus on asset quality, which directly affects their spending. This was especially evident in MTT's mix of product and services that was requested most by our customers. For example, our customers are increasingly procuring our debt management and collections call centre services, as opposed to the telemarketing

services that were quite popular in 2008.

■ As an FIC member, do you think the Serbian government is responsive enough to the recommendations of investors; what needs to be done to improve the investment climate in Serbia?

□ The Serbian government took a number of measures in late 2008 to address the impact of the global economic crisis, among which were reducing public administration expenses, decreasing the cost of financing, increasing government investments and securing funds from international financing organisations. In my opinion, such measures may be effective in the short-term, but more structural and long-term planning is needed to truly advance the investment climate in Serbia. Such planning should address issues like the country's overall economic policy, public spending, fiscal policy, competition and monopoly policy, public procurement, etc.

■ Will implementation of the Regulatory

Guillotine improve the investment climate in Serbia?

□ The regulatory guillotine is a measure taken by several Balkan countries that was announced by the Serbian government in late 2008, as part of a series of incentives intended to boost economic activity. In my opinion, although the regulatory guillotine is an effective measure in principle, in such a climate a would-be investor will assess a number of other factors before carrying out an investment – with macroeconomic and political stability at the top of the list.

■ What questions do interested investors usually ask when it comes to investing in Serbia and how competitive is Serbia in FDI terms when compared to other countries in the region?




□ Serbia was late developing its economy compared to its neighbours, but this is an advantage today since the country has potential for the future. Another advantage is the loca-

POLITICAL STABILITY

In terms of political stability, the political climate in the country improved considerably following last year's turbulent elections, yet there is still much to be done to enact the government's new legislation and initiatives. Macroeconomic stability is a much tougher bet to win, as foreign investors are likely to be discouraged by decreasing foreign capital inflow (being experienced as a result of the crisis) and an increasing deficit in the balance of payments.

tion of Serbia connecting north and south, as well as the high level of highly skilled personnel. Of course, it is also important to mention the low level of tax on profits and new laws regulating foreign investments in a very effective way. After all, I would say that Serbia's a great place to invest! ■

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