



FOREIGN INVESTMENT PROMOTION AGENCY
OF BOSNIA AND HERZEGOVINA



FAQ

FREQUENTLY ASKED QUESTIONS

FREQUENTLY ASKED QUESTIONS

Sarajevo, March 2009

FAQ Contents

FOREWORD	9
1. BOSNIA AND HERZEGOVINA AT A GLANCE	10
2. FIPA SUPPORT	11
o What is FIPA?	11
o What can FIPA do for you?	11
o What are FIPA activities?	11
3. INVESTING IN BiH	13
o Why would a company choose BiH as a location for investing?	13
Legal Framework	13
o What are the basic laws and regulations encouraging foreign investors to invest in BiH?	13
Status of Foreign Investors	14
o What is the status of foreign investors?	14
o What is the status of foreign citizens?.....	14
Incentives	14
o What incentives does BiH offer to foreign investors?	14
o What financial incentives does BiH offer to foreign investors?.....	15
o Are there any customs incentives?	15
o Has BiH signed Agreements on Protection of Investments and with which countries?	16
o Who will insure my investment in BiH?	16
4. BiH ECONOMY (INDICATORS)	17
Banking	17
o What is the current situation in the banking sector of BiH?.....	17
o Which international banks are currently present in the BiH market?...	17
o What are interest rates of commercial banks?	18
o What is the international credit rating of BiH?	18
o Which accounting and auditing standards must be met by business operators in BiH?.....	18
o Which international accounting and auditing companies exist in BiH?	18
Top Investors	19
o Who are the top foreign investors in BiH in 2008?	19
Statistics	20
o What is the amount of FDI recorded in the past few years?	20
o What is the recent GDP trend?	20

o What is the annual inflation rate in BiH?	21
o What is the industrial production growth rate?	21
o What is the exchange rate policy in BiH?	21
Stock Exchange	22
o How many stock exchanges operate on the capital market?	22
5. SETTING UP BUSINESS	23
Types of Companies	23
o What types of companies are permitted by the BiH law?	23
Steps for Establishing Company	23
o How long does it take to register a business?	23
o What are the costs of registering a business?	24
o Has the public notary service been established in BiH?	24
o Can a foreign investor have a branch office in BiH?	24
6. TAX REGIME	25
Corporate Income Tax	25
o What is the corporate income tax rate?.....	25
o Which items are included in the corporate income tax base?	25
Personal Income Tax	25
o What is the regulation of the personal income tax?	25
Property Tax	26
o What are property tax rates?	26
Value Added Tax	26
o What is the Value Added Tax rate?.....	26
Double Taxation Treaties	27
o With which countries has BiH signed Double Taxation Treaties?	27
Depreciation, Accelerated Depreciation	27
o Do taxpayers have the right to apply accelerated depreciation?.....	27
o Which methods are used to calculate the depreciation rates of fixed assets?	28
Excises	28
o What are excises?	28
Tax Incentives	29
o What are tax incentives in BiH?	29
o Are profits transferred abroad taxed in BiH?	29
Other Taxes	29
o What is the withholding tax regulation?	29
Social Security Contributions	31

7. OPPORTUNITIES FOR INVESTMENT	32
Privatization	32
o How is the privatization process regulated in BiH?	32
o How is the privatization process managed in BiH?	32
o Who can be a buyer in the privatization process?.....	32
o Which methods of privatization are used?	32
o What payment instruments are used in the privatization procedure? ...	33
o What is the process of restructuring?	33
o What results have been achieved in privatization so far?	33
Bankruptcy.....	33
Concessions	33
o What are concessions?	33
o What is the procedure of obtaining approval for a concession?	34
o What is the duration of a concession contract?.....	34
o Which rights do concessionaires enjoy?	34
o What are the concessionaires' obligations?	34
8. LAND/REAL ESTATE.....	35
o Can foreign investors acquire property in BiH?	35
o What is the procedure of buying land by a foreign investor?	35
o Where can I insure my property?	35
o Can I rent out my property in BiH?	35
o Who can help me buy land?.....	35
o What is the price of buying or leasing office space?	36
o What is the price of land?	36
o What is the price of leasing or buying workshop (production building)?.....	36
9. FOREIGN TRADE.....	37
Customs Rates	37
o How are imports customs regulated?	37
o Which products can be imported duty free?.....	37
o Are there any special import restrictions on equipment that is part of foreign investment?	38
Trade Structure.....	38
o Which goods dominate BiH exports and imports?	38
o Which countries are BiH's major foreign trade partners?	38
Free Zones	39
o What are Free Zones?	39
o Are there any benefits of doing business in Free Zones?	39
o Will free zones be closed when BiH enters into EU?	39
o What is the time period of land and facilities rentals to Free Zone users?	39

Free Trade Agreements	39
o Which countries have signed the Free Trade Agreement with BiH? ...	39
o Does BiH have preferences to export to other countries?	40
10. EMPLOYMENT	41
Employment Relations.....	41
o What is the total number of employees in BiH?	41
o How is the local labor force structured by activities?.....	41
o What is the unemployment rate in BiH?	42
o Which employment types are stipulated by the law?	42
o How can we employ a worker?	42
o How can we terminate employment?	42
o Is it possible to conclude a part time work contract?	43
o Can the employer hire trainees or volunteers?	43
Work and Residence Permits for Foreigners.....	43
o How can foreigners obtain residence permits?	43
o How can foreigners obtain work permits?	44
Collective Contracts.....	44
o What are the collective contracts and what do they cover?	44
o Is the employer obliged to conclude a collective contract?	44
Working Hours and Overtime Work.....	45
o What are full time working hours?	45
o Are overtime working hours limited?	45
Annual Leave, Public Holidays	45
o What is the minimum annual leave?	45
o How long can a maternity leave last in BiH?	45
Minimum Wages	45
o Is there a minimum wage?	45
o In which cases are employees entitled to increased salaries?.....	45
11. WORKFORCE AND EDUCATION	46
Educational System	46
o How is the educational system organized in BiH?	46
o What is the annual number of graduated students over the years?....	46
o What is the educational structure of unemployed population?.....	46
Number of Universities and Students	47
o How many educational institutions are there in BiH?	47
o How many students are there in BiH?	47
o Is BiH participating in the Bologna Process?	47
o Are there any foreign schools?.....	47
12. INFRASTRUCTURE	49
Road and Railway Network.....	49
o What is the total road network in BiH?	49
o What is the railway transportation potential?.....	49

Airports	49
o How many airports exist in BiH and what is the connectivity of Sarajevo Airport?.....	49
River Transport	50
o What are the possibilities for river transportation in BiH?.....	50
Fixed and Mobile Telephony	50
o What is the fixed telephony infrastructure?	50
o What is the number and coverage of mobile telephony operators?	50
o Is the fixed telecommunication network digitalized and how many operators are there?	51
o What is the penetration of the mobile telecommunication network? ...	51
Internet	51
o What is the Internet availability and infrastructure?.....	51
o How many internet users are there in BiH?.....	51
o What are the possibilities of internet access?	52
13. OPERATIONAL COSTS	53
o What is the price of electricity in BiH?	53
o What is the price of gas in BiH?	53
o What are the costs of telephone installation and use?.....	53
o What are the prices of water in BiH?.....	53
o What is the quality of water in BiH?.....	53

FOREWORD



Dear Investors,

Welcome to Bosnia and Herzegovina!

This brochure is the result of numerous questions that foreign investors, existing and potential, often direct towards FIPA and it aims to provide investors with an introduction to BiH and its investment possibilities, as well as with basic information on investment incentives, business regulations, taxes etc.

BiH is a country in an accelerated economic transition, open to business and foreign investment.

BiH lies in the very heart of South Eastern Europe, at the crossroads of Europe, the Middle East and Northern Africa. Locating your business in Bosnia and Herzegovina offers significant competitive advantages – often more attractive than in other countries of the region – including penetration into a wider market.

Bosnia and Herzegovina offers numerous advantages to foreign investors. I would particularly like to emphasize the fact that BiH has the lowest inflation in the region, the fastest real GDP growth in the region, stable currency pegged to euro, completely reformed banking sector with significant number of banks in foreign ownership, favorable legal framework for foreign investments offering significant incentives, and so on. The rapid growth of the number of foreign investors in BiH every year confirms the point as well.

Bosnia and Herzegovina is a great place to invest, not in the least because it is a great place to live! The country lifestyle is deeply rooted in its rich tradition, culture heritage and natural beauties, marries with the amenities of the west.

We are looking forward to seeing you in our country.

Invest in Bosnia and Herzegovina your new opportunity!

*Director of FIPA BiH
Haris Bašić*

1. BOSNIA AND HERZEGOVINA AT A GLANCE

Official name:	Bosnia and Herzegovina (locally Bosna i Hercegovina, most commonly abbreviated as BiH)
Capital city:	Sarajevo (population 400,000)
Other major cities:	Banja Luka, Bihać, Mostar, Tuzla, Zenica
Geographic location:	South Eastern Europe, borders with Croatia (932km), Serbia (312km) and Montenegro (215km).
Area:	51,209 km ²
Population:	3.4 million
Religions:	Muslim (44%), Orthodox Christian (32%), Roman Catholic (17%), others (7%)
Ethnic groups:	Bosniaks, Serbs, Croats and others
Languages:	Bosnian, Serbian, Croatian (all official)
Administrative organization:	Two entities (Federation of BiH and Republic of Srpska) and Brčko District of BiH
Government Structure:	BiH is a parliamentary democracy with a bicameral parliament (House of Representatives and House of Peoples), a three-member rotating presidency, a Council of Ministers, and Constitutional Court.
GDP:	12.5 billion EUR (2008)
GDP per capita:	3,648 EUR (2008)
Currency:	Konvertibilna Marka (BAM-official; KM-common use)
Exchange rate:	1 EUR = KM 1.95 (fixed exchange rate)
Landforms:	A very hilly country with the Dinaric Alps dominating the landscape. The highest point, Mt. Maglić, rises to 2,387 m. Thick forests cover almost 50% of the land. In the north, along the Sava River valley, a hilly, fertile plain stretches east to west. The country has 20 km of coastline in the southwest of the country, providing access to the Adriatic Sea.
Climate:	Winters can be very cold with a lot of snow, especially in the hills and mountains. Summers are generally warm and comfortable, occasionally hot. Cooler temperatures in higher elevations.
Latitude/longitude:	44° N, 18° E
Time zone:	CET (GMT + 1 hour)
Internet domain:	.ba
Int. telephone ode:	+387

2. FIPA SUPPORT

o What is FIPA?

Foreign Investment Promotion Agency in BiH is a state agency established by the Council of Ministers of BiH with the main objective of promoting BiH, creating a more conducive business environment, retaining the existing foreign investment, as well as FDI policy advocacy.

o What can FIPA do for you?

FIPA helps you seize business opportunities in BiH by:

- Servicing potential and existing investors, especially in administrative matters
- Legal advice for foreign investors
- Providing all information related to BiH business environment
- Investor after-care
- Policy advocacy
- Analysis and presentation of attractive sectors for foreign investments

o What are FIPA activities?

- Generating new investments by promoting BiH as an attractive location for foreign investment;
- Servicing potential and existing investors;
- Providing of all information related to BiH business environment to potential and existing investors, especially those about available investment project and companies in privatization process;
- Offering legal advice for foreign investors (FDI regulations, land ownership, taxation, employment, etc.);
- Corporate development support to foreign investors – investor’s after-care (general services in post-investment phase, e.g. support in project implementation, co-operation with domestic private sector, etc.);
- Improving the business environment by identifying the main legal barriers to FDI, creating recommendations for their removal and taking part in their implementation. To carry out this activity FIPA cooperates with the Council of Ministers, Entity governments, Brčko District, Cantons and Municipalities, as well as with all other relevant organizations in BiH (Foreign Investors Association, international organizations and institutions, foreign trade associations, privatization agencies, chambers of commerce, private business associations and private and public companies);
- Analysis and presentation of attractive sectors for foreign investments

such as: Wood processing and furniture production, food processing and tobacco, energy (production of electricity), metal processing, tourism, agriculture, organic food and pure water, construction, textile, auto-components, ICT sector, etc;

- Improving of cooperation with BiH Ministry of Foreign Affairs, diplomatic-consular networks and diaspora on FDI promotion abroad;
- Work on creating presentations and producing materials essential for FIPA activities abroad. FIPA website contains all relevant information about foreign direct investment in BiH;
- Publishing a monthly “FIPA Newsletter” (business and investment news);
- Creating and maintaining of investment projects and available locations data bases;
- Etc.

3. INVESTING IN BiH

o Why would a company choose BiH as a location for investing?

There are many reasons for investing in BiH, such as:

- Stable financial sector
- Favorable Trade and other Agreements
- Favorable Tax and Customs System
- Availability of skilled, educated and competitively priced labor force
- Abundance of premises and sites, industrial zones, free trade zones
- Foreign Investor Support Fund
- BiH can be a successful platform to export to a market of app. 600 million people without customs duties.

Legal Framework

o What are the basic laws and regulations encouraging foreign investors to invest in BiH?

The main laws and regulations include three basic laws encouraging foreign investors:

- Law on the Policy of Foreign Direct Investment of BiH
- Law on Foreign Investment of FBiH
- Law on Foreign Investment of RS

Other Laws and Regulations which encourage foreign investors to invest in BiH:

- Law on Value Added Tax of BiH
- Law on Corporate Income Tax of F BiH
- Law on Corporate Income Tax of RS
- Framework Law on Registration of Business Entities in BiH
- Law on Registration of Business Entities of FBiH
- Law on Registration of Business Entities of RS
- Customs Tariff of BiH
- Customs Policy Law of BiH
- Decision on Implemental Regulations of the Customs Policy Law of BiH
- Decision on Harmonizing and Establishing Customs Tariffs of BiH

Note: All of these laws or their excerpts are available on FIPA web site www.fipa.gov.ba (English version).

Status of Foreign Investors

o What is the status of foreign investors?

Regarding his investment the foreign investor enjoys equal status, rights and duties, as domestic legal and physical persons. A foreign investor enjoys full legal security and legal protection in respect of rights acquired by virtue of the investment. Rights of foreign investor acquired in the moment of registration of the legal documents cannot be deteriorated by subsequent alteration of laws and other regulations.

Company with foreign investment enjoys equal legal status and carries on its business under equal conditions and in an equal manner as do domestic companies.

o What is the status of foreign citizens?

Foreign citizens in BiH shall exercise the same rights and freedoms as citizens of BiH exercise in the country of the foreign citizen.

Incentives

o What incentives does BiH offer to foreign investors?

BiH offers many benefits for foreign investors, such as:

- The Law on the Policy of Foreign Direct Investments of Bosnia and Herzegovina (“Official Gazette of BiH”, no. 17/98 and 13/03) ensures national treatment of foreign investors, i.e., foreign investors have the same rights and obligations as residents of BiH;
- Foreign investors are entitled to open accounts in any commercial bank in domestic and/or any freely convertible currency on the territory of BiH;
- Foreign investors are entitled to freely employ foreign nationals, subject to the labor and immigration laws in BiH;
- Foreign investors are protected against nationalization, expropriation, requisition or measures having similar effects; such measures may take place only in the public interest in accordance with the applicable laws and regulations and against the payment of an appropriate compensation, i.e. compensation that is adequate, effective and prompt;
- Equipment being imported as part of share capital is exempt from paying customs duties (with the exception of passenger cars, slot and gambling machines);

- The rights and benefits of foreign investors granted and obligations imposed by the Law (mentioned above) cannot be terminated or overruled by subsequent laws and regulations. Should a subsequent law or regulation be more favorable to foreign investor, the investor will have the right to choose the regime by which the investment will be regulated.
- Foreign investors may own real estate in BiH. Foreign investors enjoy the same property rights in respect to real estate as BiH citizens and legal entities.
- Foreign investors are entitled to transfer abroad, freely and without delay, in convertible currency, proceeds resulting from their investment in BiH.
- Free trade zones in BiH are part of the customs territory of BiH and have status of legal entity. According to the Law on Free Trade Zones, free trade zone founders may be one or more domestic and foreign legal entities registered in BiH. The users of free zone do not pay VAT and import customs. Investment in the free zone, transfer of profit and transfer of investment are free of charge. The free zone establishment is considered economically justified if the submitted feasibility study and other evidence can prove that the value of goods exported from a free zone will exceed at least 50% of the total value of manufactured goods leaving the free zone within the period of 12 months.

o What financial incentives does BiH offer to foreign investors?

One of the incentives is the Foreign Investor Support Fund, provided by the Government of BiH. Resources of the Fund may be used in order to finance foreign investment projects in production, research and development sectors. The budget of the Fund per year is 2 million BAM (cca. 1 million EUR). For more information on how to apply for means of the Fund, please contact FIPA directly.

o Are there any customs incentives?

Equipment being imported as part of share capital is exempt from paying customs duties. This exemption does not refer to passenger vehicles, slot and gambling machines.

In order to enjoy this benefit, the foreign investor should submit a written request for exemption from paying import duties to the competent customs authority (according to the place of seat of the company) along with the following documents:

- contract or other relevant document about the investment on the basis of which the equipment is being imported,
- proof of registration of the investment at the competent authority,
- specification of equipment with tariff number, tariff mark (with quantity)

- indication), single and total value, certified by the investor,
- statement of the investor that the equipment is not older than 10 year age limit,
- certificate of the competent institution confirming that the imported equipment complies with the environmental and employment protection standards.

The Customs Office issues a decision within 15 days upon submission of the request.

o Has BiH signed Agreements on Protection of Investments and with which countries?

Bosnia and Herzegovina has ratified/signed 39 Agreements on Promotion and Protection of Investments with the following countries:

Albania	Austria	Belgium and Luxembourg	Belarus	China	Croatia
Czech Republic	Denmark	Egypt	Finland	France	Germany
Greece	Hungary	India	Iran	Italy	Jordan
Kuwait	Lithuania	Macedonia	Malaysia	Moldova	Netherlands
OPEC Fund	Pakistan	Portugal	Qatar	Romania	Serbia
Slovakia	Slovenia	Spain	Switzerland	Sweden	Turkey
Ukraine	United Kingdom	USA (OPIC)			

Initialled, but not signed with: Libya and United Arab Emirates.

o Who will insure my investment in BiH?

Foreign investors concerned about risks of transfer restrictions, expropriation, war and civil disturbances and denial of justice, can be insured against these risks with the European Union Investment Guarantee Trust Fund for Bosnia and Herzegovina, administered by the Multilateral Investment Guarantee Agency (MIGA, member of the World Bank Group).

BiH is eligible for assistance from the US Overseas Private Investment Corporation (OPIC), which also provides political risk insurance for investors.

4. BiH ECONOMY (INDICATORS)

Banking

o What is the current situation in the banking sector of BiH?

After the implementation of the new monetary policy by the Central Bank in 1997 and the market entry of foreign banks, the financial sector - in which the banking sector dominates - experienced a stabilization and consolidation process.

The consolidation process of the banking sector came mainly on the back of foreign direct investments through the acquisition of private - or already privatised - banks. In addition to the acquisition of existing banks, foreign strategic investors undertook sizeable Greenfield investments in the banking sector.

The banking sector in BiH operates in a stable macroeconomic environment, with very low inflation and fast growth of real GDP in recent years.

Privatization of the banking sector is almost completed. 90% is private capital, of which 77% is foreign private capital, while 13% is local private capital

There are 31 commercial banks operating in BiH, only two are state owned. A strong concentration of capital among several large banks is noticeable so a few banks holds a large amount of the total capital.

Out of the total number of commercial banks, 24 are included in the state deposit insurance scheme.

The market entry of foreign banks supported the reform process in the banking sector and helped deepen financial intermediation.

o How many international banks are currently present in the BiH market?

Many international banks have set up branch banks in BiH including:

- Bosna Bank International
- Hypo Alpe Adria Bank
- ProCredit Holding AG
- Raiffeisen Bank
- Turkish Ziraat Bank
- UniCredit Bank
- Volsbank, etc.

o What are interest rates of commercial banks?

The commercial banks in BiH freely determine their interest rates based on capital demand and supply. Interest rates have been declining slowly in past period, as a result of reforms in the banking sector, growing saving deposits and stronger competition in the banking sector due to the presence of well capitalized foreign banks.

Euribor has been increasing enormously on international financial market in 2008, what led the interest rates on loans in BiH to grow.

Year	Lending interest rates		Interes rates on deposits in BAM (KM)	
	Short-term	Long-term	Demand deposits	Time and saving deposits
2004	9.92	8.23	0.54	2.42
2005	9.03	7.69	0.45	3.41
2006	7.66	7.39	0.37	3.75
2007	7.03	7.13	0.33	3.65
2008	7.42	7.36	0.37	2.99

Source: Central Bank of BiH

o What is the international credit rating of BiH?

BiH has been given “B2” credit rating with the stable outlook by Moody’s Agency (May 17, 2006).

Standard & Poor’s Rating Services assigned ‘B+’ credit rating with stable outlook to Bosnia and Herzegovina. (December 22, 2008).

o Which accounting and auditing standards must be met by business operators in BiH?

Companies are liable for keeping financial books, preparing and submitting accounting statements according to the provisions of the Law on Accounting, the International Accounting Rules and International Accounting Standards.

o Which international accounting and auditing companies exist in BiH?

Major companies operating in BiH are Deloitte, KMPG, PriceWaterCoopers and others.

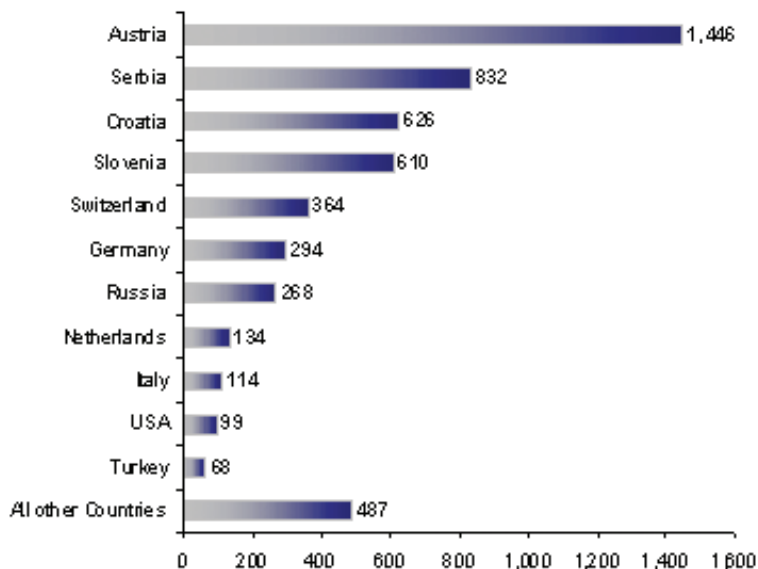
Top Investors

o Who are the top foreign investors in BiH in 2008?

Foreign company	Country	Sector
Alas International AG Asamer Group	Austria	Manufacturing
Brigo Invest GmbH	Austria	Manufacturing
Carmeuse	Belgium	Manufacturing
Pevec doo Bjelovar	Croatia	Trade
"Koncern Agram" Zagreb	Croatia	Services
Bestic	USA	Manufacturing
Mittal Steel Holdings AG	Switzerland	Manufacturing
Euromedic International, Amsterdam	The Netherlands	Service
PS Mercator Ljubljana	Slovenia	Trade
"Panefin" Maribor i "Sava" Kranj	Slovenia	Manufacturing
Merkur, Trgovina in storitve d.d. Naklo	Slovenia	Trade
RAM Invest	Slovenia	Tourism
Engrotuš d.o.o. Celje	Slovenia	Trade

Top investor countries in BiH (May 1994 – December 2008), mill €

□

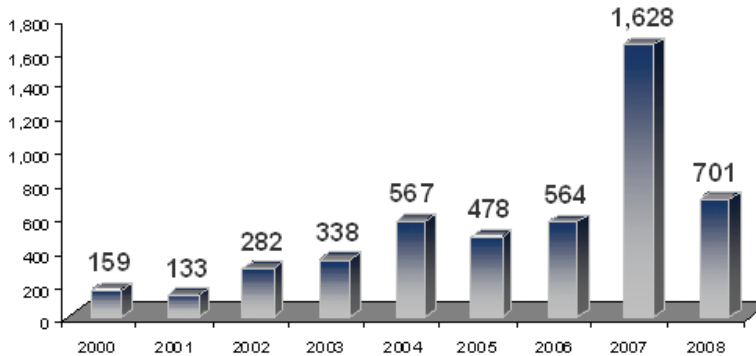


Source: Central Bank of BiH, FIPA

Statistics

o What is the amount of FDI recorded in the past few years?

Total FDI inflow, mill €



Source: Central Bank of BiH, FIPA

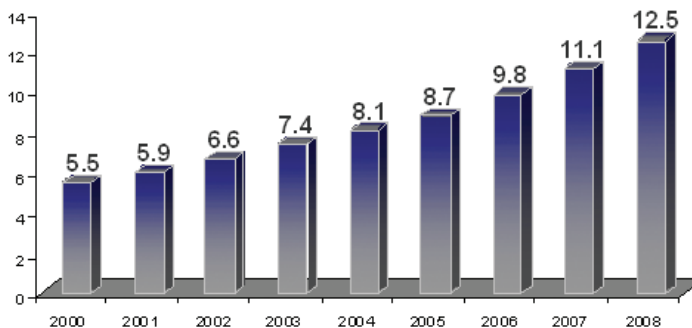
o What is the recent GDP trend?

Nominal GDP permanently grew from 4.9 billion € in 1999 to 12.5 billion € in 2008 (FIPA estimation for 2008).

The average real GDP growth rate for the last 9 years has been 5.5% per year. FIPA estimation is that real GDP growth rate reached 7.1% in 2008.

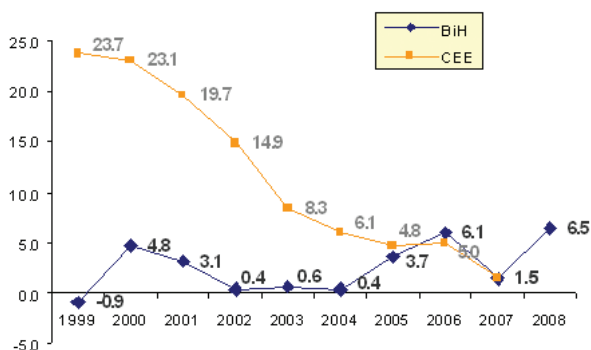
GDP per capita has doubled from 2001, exceeding the amount of 3,600 EUR (3,648).

Nominal GDP, billion €



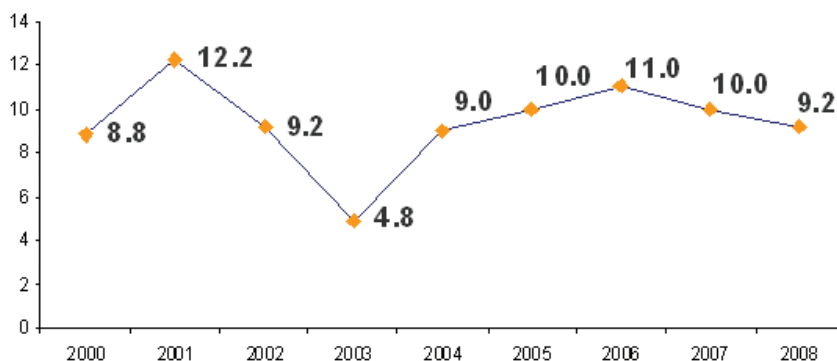
Source: CB BiH, Agency for statistics of BiH, FIPA

o What is the annual inflation rate in BiH?



Source: Central Bank of BiH, IMF, FIPA (2008)

o What is the industrial production growth rate?



Source: Agency of Statistics of BiH, FIPA

o What is the exchange rate policy in BiH?

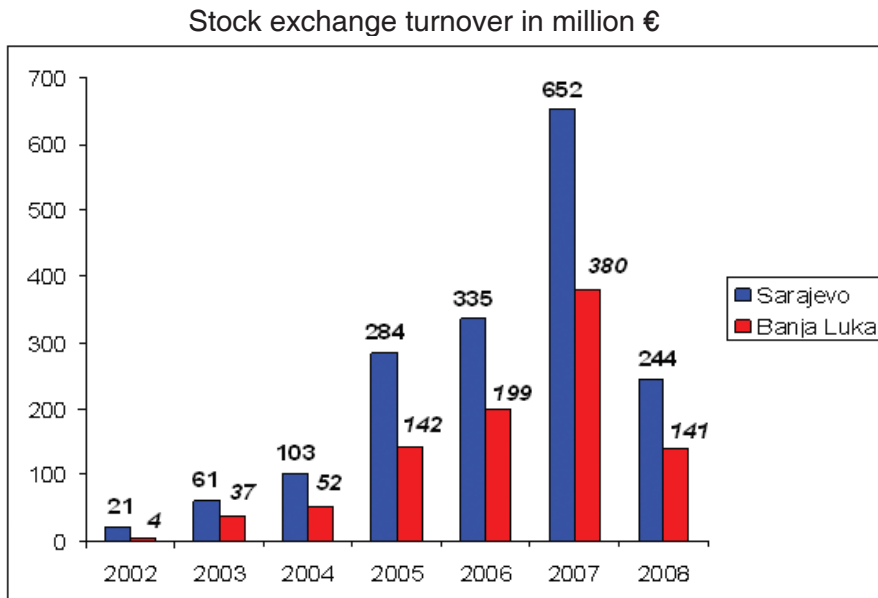
Central Bank of Bosnia and Herzegovina maintains monetary stability by issuing domestic currency according to the Currency Board arrangement (1 KM: 0.51129 EUR) with full coverage in freely convertible foreign exchange funds under fixed exchange rate 1 KM: 0.51129 EUR. Central Bank defines and controls the implementation of monetary policy of Bosnia and Herzegovina. Central Bank supports and maintains appropriate payment and settlement systems.

Stock Exchange

o How many stock exchanges operate on the capital market?

There are two stock exchanges in Bosnia and Herzegovina:

- Sarajevo Stock Exchange (SASE) www.sase.ba
- Banja Luka Stock Exchange (BLSE) www.blse.ba



Source: Sarajevo Stock Exchange, Banja Luka Stock Exchange

5. SETTING UP BUSINESS

Types of Companies

Setting up a business in BiH is regulated by:

- Company Law of the Federation of BiH
- Company Law of Republic of Srpska¹
- Law on the Takeover of Joint Stock Companies

o What types of companies are permitted by the BiH law?

Types of companies:

- Unlimited Joint Liability Company (d.n.o. / a.d.)
- Limited Liability Company (d.o.o.)
- Joint-Stock Company (d.n.o. / a.d.)
- Limited Partnership (k.d.)

Steps for Establishing Company

The main steps involved in establishing a business based on foreign investment in BiH are:

- 1) Establishment Contract (made by notary)
- 2) Payment of initial capital
- 3) Registration at the Ministry of Foreign Trade and Economic Relations of BiH
- 4) Registration at the competent court
- 5) Making a company stamp
- 6) Opening a bank account in a commercial bank
- 7) Registration of the company and staff at Pension and Disability Funds
- 8) Obtain permission for beginning of activity
- 9) Start business

o How long does it take to register a business?

The court registration procedure of establishing a business takes 5 days and the registration at the Ministry of Foreign Trade and Economic Relations of BiH takes 10 days, according to the law (due to technical difficulties the complete procedure in practice may take up to 30-45 days).

¹ The new Company Law of RS was adopted on December 31, 2008, and it will be in effect as of July 1, 2009.

o What are the costs of registering a business?

The costs are as follows:

Administrative costs: cca. 500 EUR

Lawyer costs: cca. 500 – 1,000 EUR

o Has the public notary service been established in BiH?

Public notary service has been established in BiH. Public notaries assist in concluding sales contracts, testaments and verification of documents. For a list of notaries, please contact FIPA directly.

o Can a foreign investor have a branch office in BiH?

A company may choose to set up a representative office in order to gain experience and gain a better perception of the size and potential of the BiH market.

It is important to remember that a representative office doesn't have the status of a legal entity – it is an extension of its parent company. It may only engage in non-profit making activities.

Accordingly, a representative office may engage in any of the following functions: market research, promotional and informative activities representing the company.

A representative office is restricted from signing contracts on behalf of the parent company.

6. TAX REGIME

Corporate Income Tax

o What is the corporate income tax rate?

Corporate income tax rate is 10% on the whole territory of Bosnia and Herzegovina.

o Which items are included in the corporate income tax base?

- In RS, for the purpose of computing, the tax base includes all revenue from whatever source derived whether in cash or in kind or whether related or unrelated to the legal person's economic activity except for revenues specified in Law on profit tax RS. In the case of revenue received in the form of property (other than cash) or services, the amount of revenue is equal to the market price of the property or services received.

- In FBiH the tax base is the taxable profit of a taxpayer that is determined in the tax balance. The taxable profit is determined by coordinating the profit of the taxpayer stated in the tax return, in a way determined by applicable law. Profit determined in the process of taxpayer liquidation is included in tax base and also the tax base includes capital gain determined in the tax balance.

Personal Income Tax

o What is the regulation of the personal income tax?

In FBiH, personal income tax is regulated at entity level. Brčko District has its own Law on Personal Income Tax that regulates this type of tax for the District.

In FBiH, personal income tax is 10% on net wage according to gross model. There is a deduction to the total amount of income for resident taxpayers for basic personal deduction as set out in the Law on Personal Income Tax, as well as other bases for basic personal deduction.

In RS personal income tax is 8% on net wage in accordance with gross model. Also, in Republic of Srpska there are deductions to the total amount of income for resident taxpayers for basic personal deduction as set out in the Law on Personal Income Tax, as well as other bases for basic personal deduction.

Personal income tax in Brčko District is 10% on net wage.

Property Tax

o What are property tax rates?

Property tax rates depend on the location of the property. In FBiH, the property tax rate is 5% (with the exception of Zeničko-dobojski Canton: 8%). In RS and Brčko District, property tax rate is 3%.

Payer of property transfer tax is most often the seller of the property (depending on the location of the property being sold). Only in Canton Sarajevo and Hercegovina-neretvanski Canton the buyer is the payer of property transfer tax.

The obligation to pay taxes arises in the moment of concluding the sale contract. The application for paying of tax is submitted within 15 days (in FBiH) or 10 days (in RS and BD) to the branch office of the Tax Administration with territorial jurisdiction.

Value Added Tax

o What is the Value Added Tax rate?

Value added tax (VAT) rate is flat rate of 17% in BiH.

Companies submit the application for VAT at the Indirect Taxation Authority of Bosnia and Herzegovina (in Headquarters in Banja Luka or in Regional Centers; Sarajevo, Tuzla, Mostar, Banja Luka).

Double Taxation Treaties

o With which countries has BiH signed Double Taxation Treaties?

Bosnia and Herzegovina has signed 32 Agreements on Avoidance of Double Taxation with the following countries:

Albania	Austria	Belgium	Croatia	Czech Republic	Cyprus
Denmark	Egypt	Finland	France	Germany	Greece
Hungary	Iran	Italy	Jordan	Kuwait	Moldova
Malesya	Netherlands	Norway	Pakistan	Poland	Romania
Serbia	Slovakia	Slovenia	Spain	Sweden	Turkey
United Arab Emirates	United Kingdom				

Initialed but not signed with: Algeria, Belarus, Ireland, Latvia, Macedonia, Malta, Qatar, Russia, Syria and Singapore.

Depreciation, Accelerated Depreciation

o Do taxpayers have the right to apply accelerated depreciation?

Yes, taxpayers have the right to apply accelerated depreciation.

Taxpayers may decide to use either the nomenclature (minimal) or their own depreciation rate that must be published in an official document.

In FBiH depreciation of fixed assets is allowed as expenditure in the tax balance up to the amount determined by proportional method by application of highest annual depreciation rates, which are prescribed by a rulebook.

The property that is being depreciated and has purchasing value less than 1.000 KM can be deducted in full in the year of purchase, under the condition that it has been placed in service.

Purchasing value of hardware and software can be deducted in full in the year in which the purchasing has been done.

In FBiH taxpayers are entitled to accelerated depreciation of fixed assets serving the purpose of:

- 1) Preventing the pollution of air, water, land and decreasing noise levels,
- 2) Educating and training of staff.

In RS for depreciable machinery and equipment a deduction shall be allowed for accelerated depreciation calculated in the following manner:

- (a) First year: 40%
- (b) Second year: 30%
- (c) Third Year: 30%

Depreciable assets having a purchase value less than 1,000 KM may be deducted in full in the year of purchase, provided the assets are placed in service.

Computer hardware and software purchase price may be deducted in full in the year of purchase provided the computer hardware and software are placed in service.

If the costs of repair or maintenance to depreciable assets exceed 5% of the adjusted basis of the asset at the beginning of the tax period, the repair cost shall be added to the adjusted basis of the asset for depreciation purposes.

The Rule Book prescribes the determination of depreciation deductions, as well as the guidance regarding the normal period of operation and entry values of depreciable assets and the treatment of depreciable assets that are temporarily or permanently removed from operation

o Which methods are used to calculate the depreciation rates of fixed assets?

Depreciation rates are calculated according to:

- Proportional
- Functional or
- Digressive method.

Excises

o What are excises?

An internal tax imposed on the production, sale, or consumption of a commodity or the use of a service within a country: e.g. excises on tobacco, liquor, coffee.

Tax Incentives

o What are tax incentives in BiH?

The Federation Law on the Corporate Income Tax enables the taxpayer, who in the year for which the corporate income tax is being determined, has achieved 30% of their total revenue by export to be exempted from the tax payment for that year.

Taxpayer who in the period of five consequent years invests into production in the value of minimum 20 million KM, on the territory of the Federation of Bosnia and Herzegovina, is being exempted from the payment of corporate income tax for the period of five years beginning from the first investment year, in which minimum 4 million KM must be invested.

If the taxpayer from the above paragraph, in the time period of five years, does not achieve the prescribed census for investment, he loses the right of tax exemption, and the unpaid corporate income tax is being determined in accordance with the provisions of the Law on the Corporate Income Tax augmented for penalty interest payable for untimely paid public revenues.

In the Federation of BiH, the taxpayer who employs more than 50% of disabled persons and persons with special needs longer than one year is being exempted from the payment of corporate income tax for the year in which more than 50% disabled persons and persons with special needs were employed.

o Are profits transferred abroad taxed in BiH?

Foreign investors are entitled to transfer abroad, freely and without delay, in freely convertible currency proceeds resulting from their investment in BiH.

Other Taxes

o What is the withholding tax regulation?

In BiH withholding tax is regulated by entity laws on corporate income tax (“Official Gazette of FBiH”, no. 97/07 and “Official Gazette of RS”, no. 91/06).

In FBiH, the taxpayer is obliged to calculate and pay withholding tax on gross amount of:

- Profit on dividends, interest, royalties and related intellectual rights
- Payment for the performance of market researches, tax consulting, and auditing services
- For entertainment and sporting activities
- Insurance premium for insurance or reinsurance from risk in the Federation
- Telecommunication services between FBiH and a foreign state; as well as all other services made in territory of FBiH.

The withholding tax is paid at the tax rate of 10%, and for dividends the rate is 5%.

In RS, withholding tax applies to the following revenue payments:

- Payment of interest or its functional equivalent under financial instruments and arrangements from a resident;
- Payment for entertainment or sporting activities carried out in RS regardless whether the revenue is received by the entertainer or sportsman or by another person;
- Payment for the performance of management, consulting, financial, technical or administrative services, if the revenue is from a resident or if the revenue is paid by or included in the books and records of a permanent establishment in RS if such payment is deducted for the purpose of determining tax base;
- Payment in the form of insurance premiums for the insuring or reinsuring of risks in Republic of Srpska;
- Payment for telecommunication services between Republic of Srpska and a foreign state;
- Payment of royalties;
- Payment of lease for movable property;
- Payment for the performance of other services in RS.

The tax to be withheld from revenue payments to a foreign legal person is 10% of the total revenue paid.

Social Security Contributions

In the FBiH there are contributions paid by the employer and those paid by the employee, on gross wage amount. Gross wage includes net wage earned by regular employment, multiplied by determined coefficient, plus contributions and taxes.

In Republic of Srpska as well as in the Federation of BiH, contributions are calculated on the basis of gross wage.

In Brčko District, pension insurance contributions are regulated by entity laws.

a) Employee's Share:

- FBiH: 17% for pension insurance, 12.5% for health insurance, 1.5% for unemployment insurance (in total: 31% on gross wage).
- RS: 17% for pension insurance, 11,5% for health insurance, 0,7% for unemployment insurance, 1,4% for child protection (in total: 30,6 % on gross wage).
- Brčko District: 17% for pension insurance, 12% for health insurance (total: 29% on gross wage).

b) Employer's Share:

- FBiH: 6% for pension insurance, 4% for health insurance, 0.50% for unemployment insurance (in total: 10.50% on gross wage).
- Brčko District: Brčko District: 6% for pension insurance (in total: 6% on gross wage for employers who apply FBiH Law).
- In RS no such contributions are paid.

7. OPPORTUNITIES FOR INVESTMENT

Privatization

o How is the privatization process regulated in BiH?

A Framework Law on Privatization of Enterprises and Banks in BiH recognized the right of the Entity to privatize enterprises and banks located in its territory, that are not privately owned, and to take the proceeds of privatization in accordance with regulations adopted by respective Entity parliament.

The above-mentioned laws are not applicable in case of natural resources, public goods, cultural and historical sites or monuments that are lent to enterprises for their use.

o How is the privatization process managed in BiH?

In the FBiH, privatization process is conducted by the Federation Privatization Agency and by cantonal Privatization Agencies, while in the Republic of Srpska it is the responsibility of the Investment and Development Bank of the Republic of Srpska.

o Who can be a buyer in the privatization process?

Domestic and foreign natural persons and legal entities may be buyers in privatization process.

o Which methods of privatization are used?

The privatization methods are as follows:

- sale of shares on the stock exchange,
- sale by means of a tender (the most common method for sale of company),
- acceptance of a public offer for takeover,
- direct selection of a buyer,
- sale to the employees of the company, and
- combination of the above methods.

o What payment instruments are used in the privatization procedure?

In the process of privatization the payment instrument is cash.

o What is the process of restructuring?

Companies prepare their privatization programs that include:

- Background information on company and its business operations;
- Proposal of privatization model;
- Proposal of method of payment;
- Opening balance sheet.

o What results have been achieved in privatization so far?

Privatization of many strategic companies is underway. Privatization of state monopolies: telecoms, energy: utilities – electricity, etc. has started. ‘Telekom Srbija’ has become the new owner of 65% of total capital in ‘Telekom Srpska AD Banja Luka’, the telecom company of RS.

Bankruptcy

The bankruptcy system has created an array of new opportunities for both foreign and local investors, offering under extremely convenient conditions an office and production space for launching new businesses, as well as abundant opportunities for restructuring and improving of existing businesses or production programs. Advantages of bankruptcy are:

- The process is predictable, transparent, court-approved, and definitive.
- Bankruptcy Law supersedes other competing provisions of law.
- The law works quickly, according to strictly established deadlines.
- It can rehabilitate a reorganized business, reviving or improving its production and ability to compete, creating work for its managers and employees, placing ongoing orders for suppliers of goods and services to the company, periodically purchasing or replacing equipment, and generally restoring the enterprise to the marketplace

Concessions

o What are concessions?

Concessions in Bosnia and Herzegovina are granted for exploiting natural resources or constructing infrastructure facilities and other public goods in general

use (such as the use of forests, highways, major roads and accompanying infrastructure facilities, railroads, water channels, ports and airports, waterways, exploring and/or use of energy and other mineral raw materials, crude oil and natural gas, use of construction land, use of agricultural land, hotels and other tourism facilities, etc).

o What is the procedure of obtaining approval for a concession?

Upon proposal from the Commission for Concessions, the Government shall grant a concession to the most favorable bidder having met and satisfied all the criteria set in public invitation and being of a higher rank compared to all other bidders.

The Commission shall, as promptly as possible, be notified of the selection of successful bidder.

The Commission shall receive a copy of Concession Contract as well as copies of all project documentation in its final form.

o What is the duration of a concession contract?

Contract may not be concluded for a term exceeding 30 years; however, if there are special circumstances that involve investments requiring a longer term, the contract period may be extended, but it may not exceed 50 years. The contract may be renewed for a term not exceeding the half of the original term.

The supervision, control and monitoring of the entirety of the activities of the concessionaire over the term of the contract of concession is done by the Commission for Concessions of BiH.

o Which rights do concessionaires enjoy?

The Concessionaire has the right to own and use the assets and property made available by the Conceding Party in accordance with the Concession Contract.

o What are the concessionaires' obligations?

The share capital of the Concessionaire shall be held by persons listed in tender documentation. Not more than 30% of voting rights can be transferred, directly or indirectly, without approval of the Commission. The Concessionaire may not perform any activity other than that described in Concession Contract.

The Concessionaire shall prepare standard services contracts regulating business relationship between the Concessionaire and users of services, subject to approval of the Commission.

8. LAND/REAL ESTATE

o Can foreign investors acquire property in BiH?

Foreign investors have the same property rights in respect to real estate as the citizens of Bosnia and Herzegovina.

o What is the procedure of buying land by a foreign investor?

After the signing of a sales contract and the certification of signatures of the contracting parties by the public notary, the land and new owner are registered in the Land Register.

Requests for land registry extracts, as well as requests for alterations in land register records, are submitted to the land register offices located in courts, specifically municipal courts in FBiH and basic courts in RS.

If some of the data necessary for submitting a request are unknown, e.g. plot number, land register folder, cadastre municipality name, these can easily be obtained in the land register office.

o Where can I insure my property?

Foreign investors can insure their properties at many insurance companies. For a list of leading insurance companies in BiH, please contact FIPA directly.

o Can I rent out my property in BiH?

A foreign investors can rent out their BiH property without any requirement to obtain a rental license from the authorities.

o Who can help me buy land?

Real estate agents exist in major cities and towns, operating in a transparent, competitive environment. For a list of reputable agents please contact FIPA directly.

o What is the price of buying or leasing office space?

Prices of buying/leasing office space are as follows:

Leasing office space:

5 EUR/m² – 50 EUR/m² per month

Buying office space:

Central position 1500 EUR/m² – 3000 EUR/m²

Peripheral position 700 EUR/m² – 2000 EUR/m²

o What is the price of land?

Price of agricultural land: 2 EUR/m² – 25 EUR/m²

Price of construction land: 25 EUR/m² – 700 EUR/m²

o What is the price of leasing or buying workshop (production building)?

Prices of leasing/buying workshop (production building) are:

Leasing production building: 2 EUR/m² – 10 EUR/m² per month

Buying production building: 50 EUR/m² – 1000 EUR/m²

9. FOREIGN TRADE

Customs Rates

o How are imports customs regulated?

Customs Policy Law of BiH (“Official Gazette of BiH”, no. 57/04) regulates import and export customs issues.

Import customs rates are harmonized with the EU Nomenclature. Depending on the type of products, customs rates will be reduced to 90%, 75% or 50% of the previous rate, while customs rates will be completely eliminated for some products. The reduction of customs rates is valid only for goods originating from the EU, not all the goods being imported from EU. Customs protection is still provided for agricultural products for which customs rates will mostly be paid as previously.

o Which products can be imported duty free?

Under the provisions of the Customs Policy Law, the following goods are exempt from custom duties: equipment being imported as a part of foreign investment, except for passenger cars, slot and gambling machines; equipment for military and police forces of the Entities financed entirely by donors; equipment for reconstruction projects in BiH that have been approved by the Council of Ministers and are fully financed by donors or by international community.

The equipment that makes part of a foreign investment cannot be lent, pledged as a guarantee, rented or given up without previous consent of the customs administration. If such equipment is lent, pledged as a guarantee, rented or given up, corresponding customs duty would have to be paid on it.

The following items are also exempt from import duties: fixed assets, industrial inventory and equipment imported on the basis of transfer of business activities from abroad to BiH, intermediate materials to be used for manufacturing of goods for export, advertising material, samples, catalogues, goods for charity and humanitarian agencies, etc.

Incentives and exemptions from payment of custom duties when putting the goods in free circulation are determined and granted by the Council of Ministers of BiH. All goods that may be exempt from payment of customs duties are stated in the Annex 4 to the on Customs Policy Law.

o Are there any special import restrictions on equipment that is part of foreign investment?

Equipment imported as foreign investment must not be older than 10 years. A certificate issued by the authorized body needs to be provided, confirming that the equipment meets necessary standards on environmental protection and protection at work.

Trade Structure

o Which goods dominate BiH exports and imports?

Top Exported Products in 2008 (classified by SITS section and division):

- Non-ferrous metals
- Manufactures of metals
- Iron and steel
- Furniture and parts thereof
- Cork and wood
- Electric current
- Footwear
- Metalliferous ores and metal scrap
- Wearing apparel

Top Imported Products in 2008 (classified by SITS section and division):

- Petroleum and petroleum product
- Road vehicles
- Iron and steel
- Manufactures of metals
- General industrial machinery and equipment
- Electrical machinery, apparatus and appliances
- Non-metallic mineral manufactures
- Machinery specialized for particular industries
- Cereals and cereal preparations

o Which countries are BiH's major foreign trade partners?

BiH's major foreign trade partners are:

Croatia, Germany, Serbia, Italy, Slovenia, Austria, Hungary, Turkey, USA, France, Switzerland, Czech Republic, Russian Federation, Montenegro and the Netherlands.

Free Zones

o What are Free Zones?

The free zones are part of the customs territory of BiH managed by the founder of the free zone.

o Are there any benefits of doing business in Free Zones?

The users of free zone do not pay VAT and import customs. Investment in the free zone, transfer of profit and transfer of investment are free of charge.

The imports of equipment that will be used for manufacturing within the free zone are exempt from paying customs duties and fees.

o Will free zones be closed when BiH enters into EU?

Free zones will not be closed when BiH enters into EU – legislation will be harmonized with EU standards.

o What is the time period of land and facilities rentals to Free Zone users?

The Contracting parties agree upon the time period of land and facilities rentals to free zones users.

Free Trade Agreements

o Which countries have signed the Free Trade Agreement with BiH?

Bosnia and Herzegovina signed the Central European Free Trade Agreement (CEFTA) with the following countries: Albania, Serbia, Moldova, Montenegro, Croatia, Macedonia, UNMIK/Kosovo.

BiH has also signed a Free Trade Agreement with Turkey.

o Does BiH have preferences to export to other countries?

BiH has preferential export regimes with: all EU countries, Australia, Canada, Japan, New Zealand, Norway, Russia, Switzerland, USA and Iran.

The Interim Agreement on Trade and Trade-related matters (IA) between EU and Bosnia and Herzegovina entered into force on 1 July 2008, and it will be in force until the ratification process of Stabilisation and Association Agreement (SAA), 2008, is finalised by the all the EU members states.

The IA effectively creates a free trade area, with progressive opening of the market of Bosnia and Herzegovina facilitating economic and social development.

According to the Interim Agreement, the preferential export regime with the European Union is in force, which provides that all goods of BiH origin that fulfill EU technical-technological standards and conditions, can be imported to all EU countries until year 2010, without any quantitative restrictions and without paying customs and other similar duties.

10. EMPLOYMENT

Employment Relations

o What is the total number of employees in BiH?

There are 706 088 employees (December 2008, source: Agency for Statistics of BiH).

BiH benefits from a rather well-educated population and a qualified labour force that responds to the requirements of the economic structure of the country.

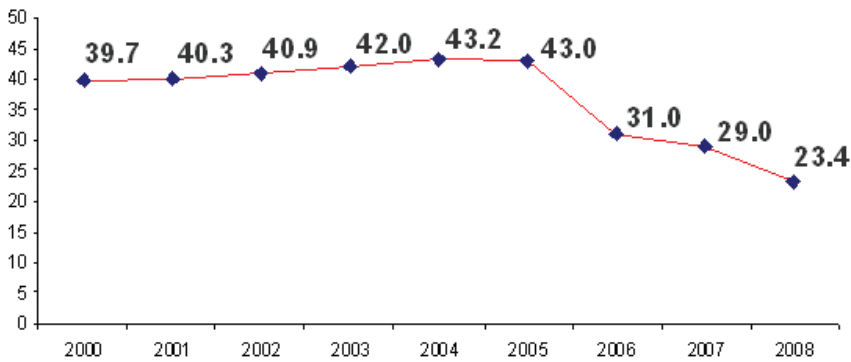
Creativity of the people has been approved many times by winning international awards for innovations and patents. Bosnia and Herzegovina is one of the most rewarded countries in this domain per capita.

o How is the local labor force structured by activities?

	2007	2008
Agriculture, hunting and forestry	17 327	18 959
Fishing	386	492
Mining and quarrying	19 792	19 980
Manufacturing	133 999	144 437
Electricity, gas and water supply	22 135	22 953
Construction	39 017	43 035
Wholesale and retail trade, repair of motor vehicles; motorcycles and personal and household good	117 731	134 213
Hotels and restaurants	33 248	32 408
Transport, storage and communication	44 376	44 948
Financial intermediation	12 123	14 648
Real estate, renting and business activities	23 403	26 619
Public administration and defense; compulsory social security	68 735	68 537
Education	53 178	55 514
Health and social work	43 862	45 101
Other community, social and personal service activities	36 382	29 287
TOTAL	668 313	706 088

Source: Agency for Statistics of BiH

o What is the unemployment rate in BiH?



Source: Agency for Statistics of BiH

The Labour Force Survey, which is regularly conducted from 2006 according to the international methodology, provides a real picture of labour market in BiH. Beside the official statistics, the World Bank statistics estimate that the real unemployment rate is around 16%.

o Which employment types are stipulated by the law?

Various forms of employment status are admissible within limits under the laws: permanent (no fixed duration), temporary, fixed duration, casual, seasonal, part-time and probationary.

o How can we employ a worker?

Employment is based on the employment contract signed for an indefinite or definite period. After the signing of the contract, the employer is obliged to register the employee at the Pension-Disability Fund, as well as the Health Insurance Fund.

o How can we terminate employment?

Employers in BiH are allowed to terminate individual employment for a variety of reasons, including poor performance, misconduct, and on economic, technical or organizational grounds.

Small companies with fewer than 15 employees are not required to consult on dismissals, nor are they required to have works councils. Larger employers have to consult with their works council or trade unions where five or more employees face dismissal. In the event of dismissal, severance equal to one-third of monthly salary for each year of service is payable.

o Is it possible to conclude a part time work contract?

Yes, the employment contract may be concluded for part-time work. The employee is entitled to social insurance and to all the rights arising from the employment contract in proportion to the time spent at work.

o Can the employer hire trainees or volunteers?

The employer may hire a trainee or volunteer, for the period determined as the training or volunteering duration by the law for a specific profession. Both contracts are concluded in written form.

Work and Residence Permits for Foreigners

o How can foreigners obtain residence permits?

Residence and movement of foreign nationals is regulated by the Law on Movement and Residence of Foreigners and Exile of BiH.

For the purpose of this Law, the residence of foreigners shall refer to:

- a) Visa residence,
- b) Non-visa residence,
- c) Temporary residence,
- d) Permanent residence.

A temporary residence permit may be issued for justified reasons such as: marriage or an extramarital community with a BiH citizen, family reunification, education, scientific/research, artistic, sports work and consultancy work, work of key personnel within a natural or legal entity, employment as specified in an issued work permit, private entrepreneurship, volunteer work or realization of projects significant for BiH and other or reasons in accordance with Law and international agreements where BiH is a party to the agreement.

A temporary residence permit may be issued for exceptional cases based on real-estate ownership where there is an effective connection of a foreigner to BiH. A temporary residence permit may be issued for a period of up to one year, for which the passport validity must be at least three months longer than the time for which the temporary residence was granted.

Extension of the temporary residence may be approved at the foreigner's request, but only on the same bases on which the foreigner was granted the temporary residence whose extension he/she has requested.

A permanent residence permit can be issued to a foreign national on the bases of temporary residence of at least 5 year of continuous residence in BiH.

o How can foreigners obtain work permits?

When a foreigner intends to reside in BiH for the purposes of paid employment, he/she must have a work permit issued by an authority in charge of foreigner employment affairs in accordance with the provisions of laws.

Work permit may be issued to a foreigner upon the request of legal or natural person offering employment.

Depending on the place of residence or the seat of employer, the work permit shall be issued by authority competent for matters of foreigner employment of the Federation of Bosnia and Herzegovina, Republika Srpska or Brčko District of Bosnia and Herzegovina.

Work permit shall be issued by the competent authority on the basis of established work permit quota (Work permit quota) or as permit outside the quota (Work permits outside the quota), in accordance with the Law on Movement and Residence of Foreigners and Exile of BiH, as well as in accordance with regulations pertaining to the issuance of work permits.

Work permit shall be issued for a specific post and/or for a specific type of job.

Work permit may not be issued to a period longer than one year.

Within the annual quota of work permits, the Council of Ministers shall determine occupations allowing for employment of foreigners, as well as the number of work permits for each occupation and establish the territorial division of work permits according to the needs.

Collective Contracts

o What are the collective contracts and what do they cover?

Collective contracts regulate the rights, obligations and responsibilities arising from employment, mutual relationship among the parties to the collective contract and other matters of importance to the employee and the employer. There is a General Collective Agreement of FBiH (Official Gazette of FBiH, no. 54/05) and General Collective Agreement of RS (Official Gazette of RS, no. 27/06 and 31/06).

There are also Special Collective Agreements concluded for a specific sector or a group of jobs between the trade union and the representative association of employers.

o Is the employer obliged to conclude a collective contract?

The General Collective Agreements are obligatory, while Special Collective Agreements are voluntary.

Working Hours and Overtime Work

o What are full time working hours?

Full time working hours are limited to 40 hours per week. The working week lasts 5 days (Monday-Friday).

o Are overtime working hours limited?

In case of force major (fire, earthquake, flood) or sudden increase in the volume of work, as well as in other similar cases of emergency need, an employee, at the request of the employer, is obliged to work longer hours than his/her full work hours (overtime work), up to 10 hours weekly. In case there is need for longer overtime working hours, the employee may give his/her consent to another 10 hours per week.

Annual Leave, Public Holidays

o What is the minimum annual leave?

The minimum annual leave is 18 working days, according to labor laws of BiH.

o How long can a maternity leave last in BiH?

During pregnancy, confinement and care of the baby, the woman is entitled to maternity leave in the duration of one year without interruption.

Minimum Wages

o Is there a minimum wage?

Minimum net wage is defined by Collective Agreement (minimum 55% of average net wage. Minimum net wage in FBiH is 175.4 EUR, and 160 EUR in RS.

o In which cases are employees entitled to increased salaries?

An employee is entitled to increased salary for intensified hardships of work, overtime work and night work, and for work on Sundays or holidays or any other day which is in the law determined to be a non-working day, in accordance with the collective agreement, rulebook or employment contract.

11. WORKFORCE AND EDUCATION

Educational System

o How is the educational system organized in BiH?

Primary education consists of nine compulsory years. High school (secondary) education consists of three to four years, split into (i) general education providing access to university; (ii) four-year technical education preparing individuals for the labour market and providing an opportunity for access to university; and (iii) three-year vocational education.

o What is the annual number of graduated students over the years?

Graduated students, Masters of Science, Specialists and Doctors of Science in 2007

	Total graduated students	Total masters of science and specialists	Total doctors of science
BiH	12 199	436	144

Source: Agency for Statistics of BiH (Data for Faculty of Economy of District Brčko are not included in this table)

o What is the educational structure of unemployed population?

Registered unemployment by qualification in BiH December 2008

TOTAL, DECEMBER 2008	483 251
University	12 114
Higher	7 012
Secondary	112 120
Highly skilled and skilled	173 120
Semi-skilled	16 420
Unskilled	162 465

Source: Agency for Statistics of BiH

Number of Universities and Students

o How many educational institutions are there in BiH?

A growing number of young people are entering university; participation in higher education is comparable with EU levels, and far above levels in other countries in the region.

	Number of institutions
Pre-school education (school year 2007/2008)	194
Primary education (school year 2006/2007)	1 949
Secondary education (school year 2006/2007)	304
Higher education (school year 2007/2008)	174

Source: Agency for Statistics of BiH

o How many students are there in BiH?

There were 104 280 students enrolled in 174 higher education institutions in BiH in 2007/2008, 160 497 students attended 304 secondary schools in 2006/2007.

o Is BiH participating in the Bologna Process?

Yes, BiH is signatory to the Bologna Declaration, thus a part of single European system of higher education.

o Are there any foreign schools?

Investors who would like to come with their family have a choice of international schools - from kindergartens to MBA studies. Some international universities also provide a possibility of various distance-learning programs.

Selected international schools:

School	Language	Contact
QSI International School of Sarajevo	English	www.qsi.org/bhz
The International School of Sarajevo	English and Bosnian	www.internationalschool.ba
Sarajevo College	English, Turkish and Bosnian	www.sarajevocollege.com
International University of Sarajevo	English	www.ius.edu.ba
The Sarajevo Graduate School of Business	English	www.sgsb.edu.ba
American University in BiH	English	www.aubih.edu.ba
The Sarajevo School of Science and Technology	English	www.ssst.edu.ba
French School of Sarajevo	French	www.mission-laique.asso.fr www.aefe.fr

12. INFRASTRUCTURE

Road and Railway Network

o What is the total road network in BiH?

The total length of the country's road network is approximately 22,600 km; the total length of the arterial highway network amounting to 3,788 km. The length of European roads (E-roads) amounts to a total of 995 km (E-59, E-65, E-73, E-661, E-761, and E-762).

The construction of the Sarajevo-Visoko motorway section was completed in 2006, as part of the pan-European transport Corridor Vc, the most significant transportation project in BiH that goes from the Port of Ploce, via Sarajevo and Brcko to Budapest, Hungary. More than 56% of the population of BiH lives in the zone where the construction of this Corridor is proposed, while 63% of the total GDP is generated there.

o What is the railway transportation potential?

The railway network is made of 1,031 km of railroad track, 94 km of which is double-track and 777 km electrified. There are two main railway routes: the north-south Samac-Sarajevo-Capljina (Ploce) railway route and Bosanski Novi/Novi Grad-Doboj-Tuzla-Zvornik route connecting the west to the east of the country. Bosanski Novi/Novi Grad-Bihac-Martin Brod, on the north corridor, links Central and Northern Croatia and Northwest BiH with the Port of Split on the Adriatic Coast. 14 km of Belgrade-Bar line goes through the eastern part of RS.

Airports

o How many airports exist in BiH and what is the connectivity of Sarajevo Airport?

BiH has 4 airports – Sarajevo, Mostar, Banja Luka and Tuzla. Annual passenger transport at Sarajevo Airport amounts to around 450.000 passengers, 30.000 passengers at Banja Luka Airport and 15.000 passengers at Mostar Airport.

Sarajevo Airport has daily connections with all major airports in Europe.

The distances between Sarajevo and major European cities are as follows:

Sarajevo – Belgrade 206 km
Sarajevo – Brussels 1310 km
Sarajevo – Budapest 407 km
Sarajevo – Frankfurt 1013 km
Sarajevo – Istanbul 930 km
Sarajevo – Ljubljana 389 km
Sarajevo – London 1620 km
Sarajevo – Munich 708 km
Sarajevo – Paris 1349 km
Sarajevo – Prague 755 km
Sarajevo – Rome 516 km
Sarajevo – Vienna 511 km
Sarajevo – Zurich 859 km
Sarajevo – Zagreb 288 km

River Transport

o What are the possibilities for river transportation in BiH?

The River Sava has 333 km of navigable water; as a tributary to the Danube, it is part of the European waterway network – VII Trans European Transport Corridor. Two Sava River ports are operational: Brcko and Bosanski Samac/Samac.

Fixed and Mobile Telephony

o What is the fixed telephony infrastructure?

The telephony infrastructure covers the whole territory of BiH. There are about 1.5 million pairs of which 1.1 million are connected. The network is of great quality and high reliability, because there is more than 110 year long tradition of it in BiH. Penetration of users was 27% in 2007.

o What is the number and coverage of mobile telephony operators?

There are 3 telecom operators for mobile GSM technology: BH Telecom (Sarajevo), Telecom Srpske (Banja Luka) and HT Mostar (Mostar). They cover more than 90% of the territory and the population, as well as 96% of main roads.

o Is the fixed telecommunication network digitalized and how many operators are there?

The fixed telecommunication network is more than 98% digitalized and uses copper pairs and DECT, as well as optics for large users, while the transfer is based on optics using PDH and SDH technology.

o What is the penetration of the mobile telecommunication network?

All 3 mobile operators operate on the whole territory of BiH. Beside GSM, they have also introduced GPRS and EDGE technology, which means that 2G network has been promoted first into 2.5G (GPRS) and then into 2.75G (EDGE). The quality of the mobile network is above the world average, according to the analysis of Ericsson in accordance with KPI parameters.

Total number of GSM users is 2.5 million, and the penetration is 64%.

Internet

o What is the Internet availability and infrastructure?

Internet as a service has been completely liberalized since 2002 and there are 60 Internet Service Providers (ISP) in addition to existing telecom operators, providing various services of Internet access using different technologies.

In addition to internet access, internet providers in Bosnia and Herzegovina offer additional services. As a result, 87% of companies offer web mail services, 69% web hosting, 63% game server, 60% FTP server and 47% of companies offer forum services.

As for the largest market stakeholders by number of subscribers, in addition to three internet service providers which are part of dominant telecommunications operators, three following companies stand out: "Blic.net", "Logosoft" and "Spinter.net".

o How many internet users are there in BiH?

In 2007, there were 1 055 000 Internet users, according to a survey done by Communication Regulatory Agency of BiH. The internet usage rate in 2007 in Bosnia and Herzegovina was 27.25%.

o What are the possibilities of internet access?

The whole territory of BiH has PSTN network and the possibility of using dial-up connection which is the most commonly used type of internet access over the years. Although 69% of total number of subscribers still uses dial-up connection (analogue and ISDN modem), it is apparent that in comparison with 2006, it declined by 4.5%.

At the same time, increase in number of users of so-called broadband access marked in 2007 was over 100%.

As that was the case earlier, the biggest rise in number of users in 2007 was achieved in case of ADSL connections and cable access to internet.

Speed of internet access using ADSL service in BiH ranges from 384/64 kb/s to 4096/384 kb/s.

ADSL internet package with access speed of 384/64 kb/s and 1GB of allowed traffic costs about 10 EUR per month.

Speed of internet access using cable internet connection ranges from 128 kb/s to 4096 kb/s.

Wireless internet access at the BiH market is being offered with connection speed ranging from 64 kb/s to 4096 kb/s, and in packages both with and without traffic limitations. The lowest price for wireless internet connection of 256/64 kb/s speed and a limit in data transfer of 1GB is 8.49 EUR.

(Source: The Communications Regulatory Agency, Annual Survey 2007.)

13. OPERATIONAL COSTS

o What is the price of electricity in BiH?

February 2009	Higher €/kWh	Lower €/kWh
	(without VAT)	(without VAT)
Industry	0.1088 - 0.1325	0.0544 - 0.0663
Households	0.6938 - 0.0800	0.0347 - 0.0400

o What is the price of gas in BiH?

The price of industrial gas (including VAT 17%) - 0.598 - 0.616 EUR/m³.

o What are the costs of telephone installation and use?

Telephone installation (without VAT):

30 EUR (BH Telecom)

46 EUR (Telecom Srpske and HT d.o.o. Mostar)

Fixed telephone (without VAT):

Local call: 0.009 - 0.018 EUR/min

National call: 0.010 - 0.059 EUR/min

International phone call: (depending on the zone) 0.255 - 0.925 EUR/min

Mobile telephone (without VAT):

0.10-0.12 EUR/min

o What are the prices of water in BiH?

Water charges for industrial use in average is 0.925 -1.600 EUR//m³, including VAT 17% (water charges are determined at local level and thus vary from one municipality to another).

o What is the quality of water in BiH?

BiH has an exceptionally high quality of drinking water. Water from the tap is safe to drink as well as most places in the mountains or fountains in towns or along the side of the road.

Invest in Bosnia and Herzegovina your new opportunity!



Foreign Investment Promotion Agency of Bosnia and Herzegovina (FIPA)

Phone: ++ 387 33 278 080

Fax: ++387 33 278 081

Address: Tešanjaska 24A, Avaz Twist Tower, 71000 Sarajevo

<http://www.fipa.gov.ba>