

# **FREQUENTLY ASKED QUESTIONS**

Sarajevo, 2011



# FAQ Contents

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# 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 <sup>2</sup>
Population:	3.84 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:	12.3 billion EUR (2009)
GDP per capita:	3,194 EUR (2009)
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
- Excellent geographical location
- Favorable Trade and other Agreements
- Favorable Tax and Customs System
- Availability of skilled, educated, competitively priced and multilingual labor force that is familiar with international business
- 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

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### 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](http://www.fipa.gov.ba) (English version).*

## Status of Foreign Investors

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### 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

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### 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. 17/98,13/03 and 48/10) 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 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 of BiH, free trade zone founders may be one or more domestic and foreign legal entities or natural persons. 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 36 Agreements on Promotion and Protection of Investments with the following countries:

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

**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).



## 4. BiH ECONOMY (INDICATORS)

### Banking

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#### 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.

In spite of World Financial crisis, BiH has a stable financial sector. The banking sector in BiH operates in a stable macroeconomic environment, with very low inflation.

Privatization of the banking sector is almost completed. 98 % is private capital, of which 83 % is foreign private capital.

There are 30 commercial banks operating in BH, 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.

#### 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
- Intesa Sanpaolo Bank
- NLB Bank
- ProCredit Holding
- Raiffeisen Bank
- Sparkasse Bank
- Turkish Ziraat Bank
- UniCredit Bank
- Volksbank

The list of banks is available on [www.cbbh.ba](http://www.cbbh.ba)  
(Central Bank of Bosnia and Herzegovina)

Out of the total number of commercial banks, 25 are included in the state deposit insurance program. (The list of member banks are presented on [www.aod.ba](http://www.aod.ba) - Deposit Insurance Agency of Bosnia and Herzegovina)

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

**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.

Credit interest rates did not show any signs of decrease in last two years. Bankers base their justification for that on less accessible funds and higher prices of funds sources at the foreign market.

Year	Interest rates on loans in BAM (KM)		Interes rates on deposits in BAM (KM)	
	Short-term	Long-term	Demand deposits	Time and saving deposits
2005	9.03	7.69	0.45	3.41
2006	7.66	7.39	0.37	3.75
2007	7.03	7.10	0.33	3.65
2008	7.42	7.16	0.37	2.99
2009	8.10	6.80	0.30	3.60
2010	7.84	8.25	0.17	3.38

Source: Central Bank of BiH

**o What is the international credit rating of BiH?**

Since May 17, 2006 BiH has received “B2” credit rating and in January 2010 Moody’s Investors Service confirmed BiH’s credit rating B2 with a stable outlook. Standard & Poor’s Rating Services reconfirmed ‘B+’ credit rating with stable outlook to Bosnia and Herzegovina. (December 2010)

**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, PricewaterhouseCoopers and others.

### o What is the exchange rate policy in BiH?

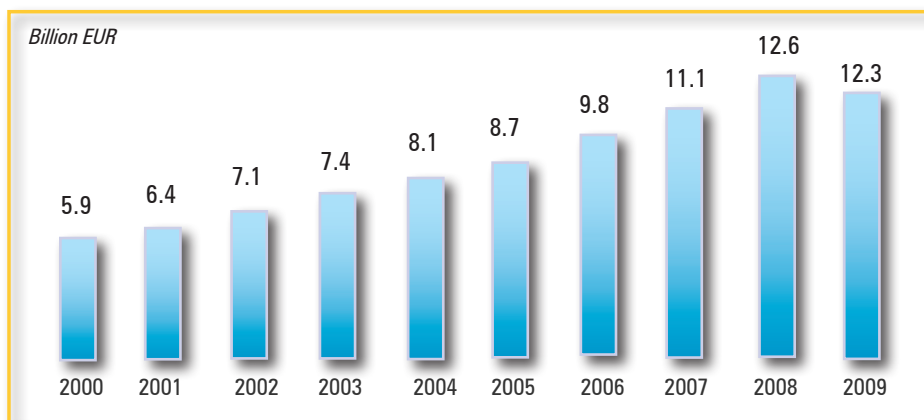
Central Bank of Bosnia and Herzegovina maintains monetary stability by issuing domestic currency according to the Currency Board arrangement (1 KM: 0.51129 EUR) with full coverage in freely convertible foreign exchange funds under fixed exchange rate 1 KM: 0.51129 EUR. Central Bank defines and controls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

## Statistics

### o What is the recent GDP trend?

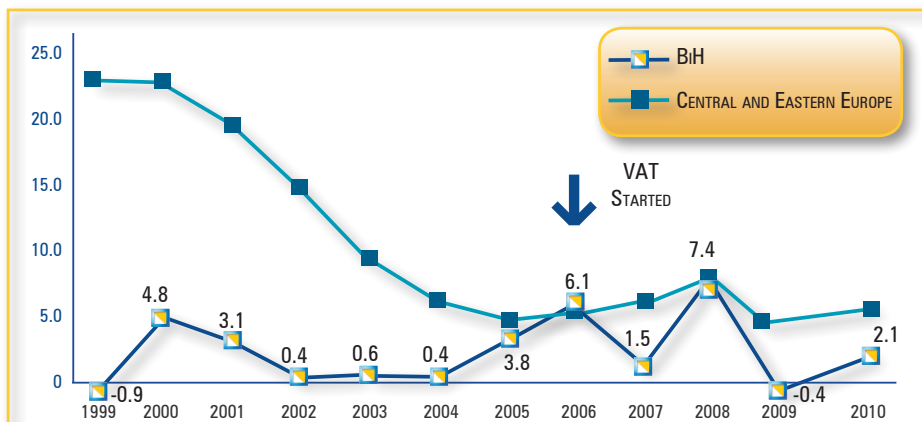
Gross Domestic Product (GDP) has been rising for years with average real growth rate of over 5 %. Negative effects of the global financial and economic crisis on BiH economy peaked in 2009.

The gross domestic product for BiH for 2009 had a nominal value of 12.3 billion EUR. The real decrease of GDP in relation with 2008 was 2.9%. A mild of 0.5% economic growth is estimated in 2010. GDP per capita has doubled from 2000, exceeding the amount of 3,194 EUR in 2009.



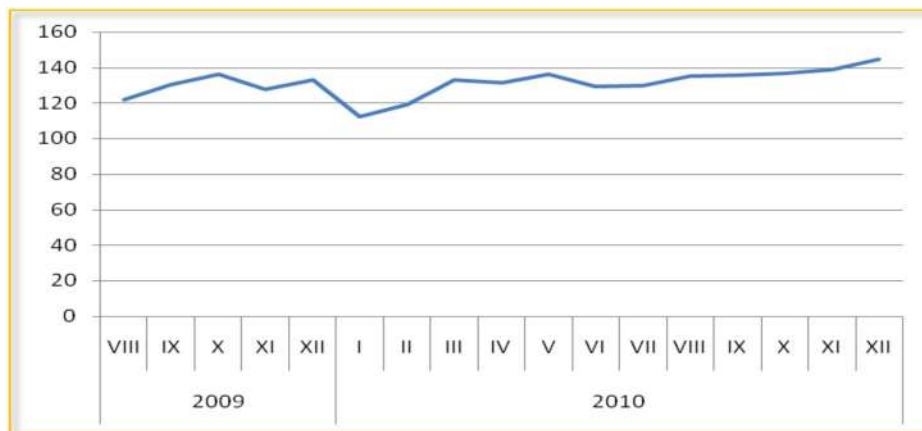
Source: Agency for Statistics of BiH

o **What is the annual inflation rate in BiH?**



Source: Agency for Statistics of BiH, International Monetary Fund (October 2010)

o **What is the industrial production growth rate?**



Source: Agency for Statistics of BiH

Although the industrial production growth rate fell in 2009, the average annual growth of industrial production in the period 2000 to 2009 was over 8 % Monthly statistic about Industrial production has been provided by Agency for Statistic of Bosnia and Herzegovina - [www.bhas.ba](http://www.bhas.ba)

## Stock Exchange

o **How many stock exchanges operate on the capital market?**

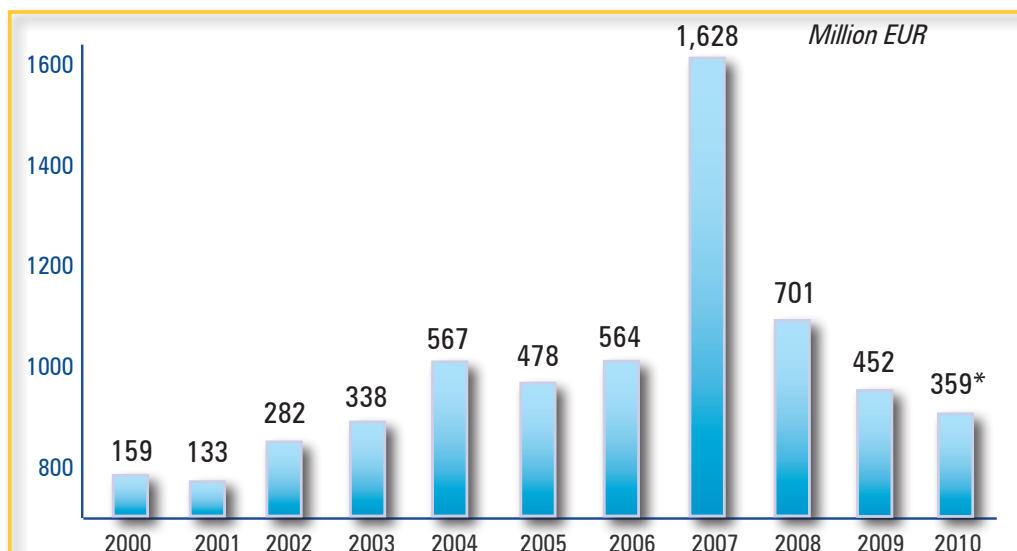
There are two stock exchanges in Bosnia and Herzegovina:

- Sarajevo Stock Exchange (SASE) [www.sase.ba](http://www.sase.ba)
- Banja Luka Stock Exchange (BLSE) [www.blse.ba](http://www.blse.ba)

## FDI Statistics

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

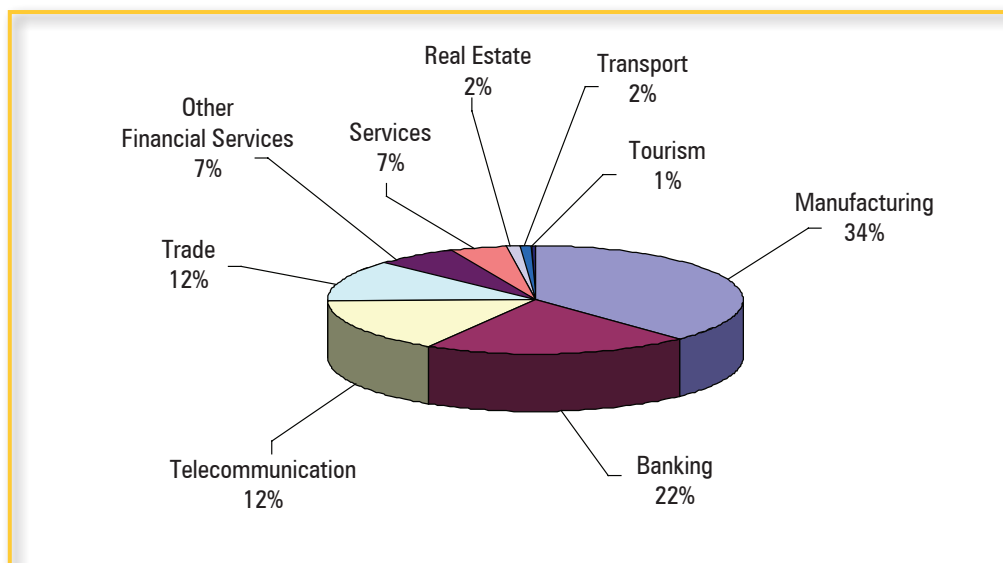
May 1994 - December 2010 - Total amount 6,152 million EUR



Source: Central Bank of BiH, Ministry of Foreign Trade and Economic Relations, \*FIPA estimation

### o FDI by sectors?

May 1994 - December 2010

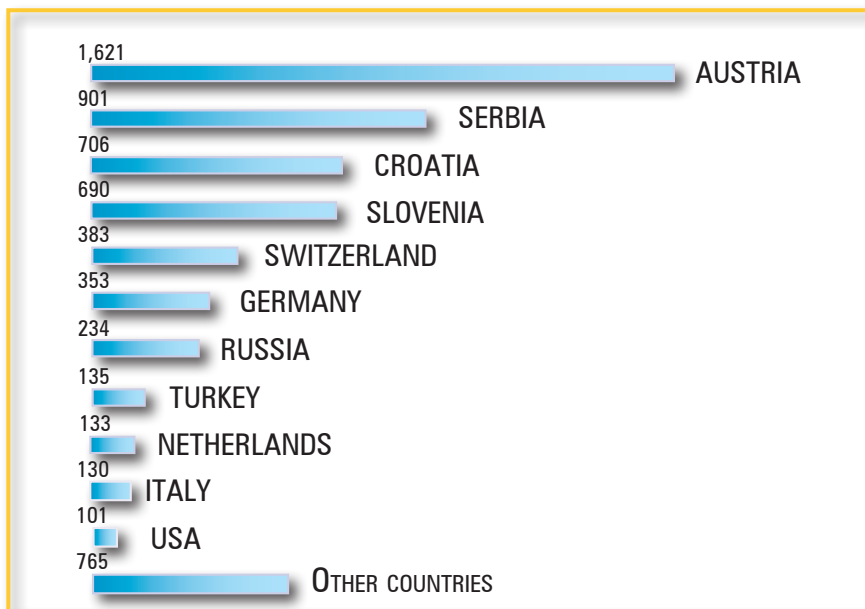


Source: Central Bank of BiH, Ministry of Foreign Trade and Economic Relations, FIPA

## Top Investors

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

**Top investor countries in BiH  
May 1994 – December 2010, million EUR**



Source: Central Bank of BiH, Ministry of Foreign Trade and Economic Relations, FIPA

### Top foreign investors in BiH in 2010

Foreign company	Country	Sector
Hypo Group	Austria	Banking and Fin.service
Al Shiddi Group	Saudi Arabia	Tourism and Trade
Consortium MOL INA	Hungary and Croatia	Trade
Soda Sanayii A.S.	Turkey	Manufacturing
OAD Naftegazovaja Innov.Kor.	Russia	Manufacturing and Trade
Securitas AB	Sweden	Service
Delta Holding and Aleksandrija	Serbia	Trade
Brodmerkur d.d. and Saponija d.d.	Croatia	Manufacturing
IMLEK (Danube Foods Group)	Serbia (United Kingdom)	Manufacturing
Agrana-Studen	Austria	Manufacturing
Prevent Group	Slovenia	Manufacturing
AB Ukio bankas and UAB - Ukio banko investment	Lithuania	Banking
FEAL Group	Croatia	Manufacturing

# 5. SETTING UP BUSINESS

## Types of Companies

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Setting up a business in BiH is regulated by:

- Company Law of the Federation of BiH
- Company Law of Republic of Srpska
- 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. / o.d.)
- Limited Liability Company (d.o.o.)
- Joint-Stock Company (d.d. / a.d.)
- Limited Partnership (k.d.)

## Steps for Establishing Company

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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 competent court
- 4) Making a company stamp
- 5) Opening a bank account in a commercial bank
- 6) Registration of the company and staff at the Tax Administration
- 7) Obtain permission for beginning of activity
- 8) Start business

### o How long does it take to register a business?

The court registration procedure of establishing a business takes 5 days according to the law (due to technical difficulties the complete procedure in practice may take up to 30-45 days).

**o What are the costs of registering a business?**

The costs are as follows:

Administrative costs: cca. 500 EUR

Lawyer and notary 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

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#### 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

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#### o What is the regulation of the personal income tax?

In BiH, 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 10 % 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

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### 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 where the property tax rate is 8%. In FBiH the tax base is the value of the property estimated by the commission appointed by the local tax administration office (according to the seat of the property).

In RS and Brčko District, property tax rate is 3%, and the tax base is the purchase price of the property except in cases where exist a big difference between purchase/contractual price and the real market price of the property.

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 Hercegovacko-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

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### 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 Agreements on avoidance of double taxation with the following countries:

Albania	Algeria	Belgium	China	Croatia	Czech Republic
Cyprus	Denmark	Egypt	Finland	France	Germany
Greece	Hungary	Iran	Italy	Jordan	Kuwait
Malaysia	Moldova	Montenegro	Netherlands	Norway	Pakistan
Poland	Romania	Serbia	Slovakia	Slovenia	Spain
Sri Lanka	Sweden	Turkey	United Arab Emirates	United Kingdom and Northern Ireland	

## 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

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### 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

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### 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

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### 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, 39/09 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

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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: 18% for pension insurance, 12.5% for health insurance, 1 % for unemployment insurance, 1.5 % for child protection (in total: 33 % on gross wage).
- Brcko District: 17% for pension insurance for employers who apply FBiH law and 18% for pension insurance for employers who apply RS law, 12% for health insurance and 1.5% for unemployment insurance (in total 30.5 or 31.5% 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: 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

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### 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**

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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**

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**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 legal entities 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 real estate always depend on a number of factors such as: location, condition and equipment, age, current market situation.

Prices of buying/leasing office space are ranging as follows:

Leasing office space:

5 EUR/m<sup>2</sup> – 50 EUR/m<sup>2</sup> per month

Buying office space:

Central position 1500 EUR/m<sup>2</sup> – 3000 EUR/m<sup>2</sup>

Peripheral position 500 EUR/m<sup>2</sup> – 2000 EUR/m<sup>2</sup>

**o What is the price of land?**

Price of agricultural land: 2 EUR/m<sup>2</sup> – 25 EUR/m<sup>2</sup>

Price of construction land: 25 EUR/m<sup>2</sup> – 700 EUR/m<sup>2</sup>

**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/m<sup>2</sup> – 10 EUR/m<sup>2</sup> per month

Buying production building: 50 EUR/m<sup>2</sup> – 1000 EUR/m<sup>2</sup>

## 9. FOREIGN TRADE

### Customs Rates

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#### o How are imports customs regulated?

Customs Policy Law of BiH (“Official Gazette of BiH”, no. 57/04,51/06,93/08 and 54/10) regulates import and export customs issues.

Import customs rates are harmonized with the EU Nomenclature. Depending on the type of products, customs rates are being 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**

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**o Which goods dominate BiH exports and imports?**

Top Exported Products in 2010 classified by SITC (Standard International Trade Classification) section and division:

- Manufactured goods classified chiefly by material (26%)
- Miscellaneous manufactured articles (21%)
- Mineral fuels and lubricants (16%)
- Crude materials, except fuels (12%)
- Machinery and transport equipment (12%)
- Food and Live animals (6%)
- Chemicals (5%)
- Animal and vegetable oils and fats (1%)
- Beverages and tobacco (1%)

Top Imported Products in 2010 classified by SITC (Standard International Trade Classification) section and division:

- Manufactured goods classified chiefly by material (20%)
- Mineral fuels and lubricants (19%)
- Machinery and transport equipment (19%)
- Food and Live animals (14%)
- Chemicals (12%)
- Miscellaneous manufactured articles (9%)
- Beverages and tobacco (3%)
- Crude materials, except fuels (3%)
- Animal and vegetable oils and fats (1%)

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

BiH's major foreign trade partners are:

Croatia, Germany, Serbia, Italy, Slovenia, Russian Federation, Austria, China, Hungary, USA, Turkey, France, Montenegro, Czech Republic and Poland.

## Free Zones

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### 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

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### 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), 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 without any quantitative restrictions and without paying customs or other similar duties.



# 10. EMPLOYMENT

## Employment Relations

### o What is the total number of employees in BiH?

There were 686,434 employees in November 2010. BiH benefits from a rather well-educated population and a qualified labor force that responds to the requirements of the economic structure of the country.

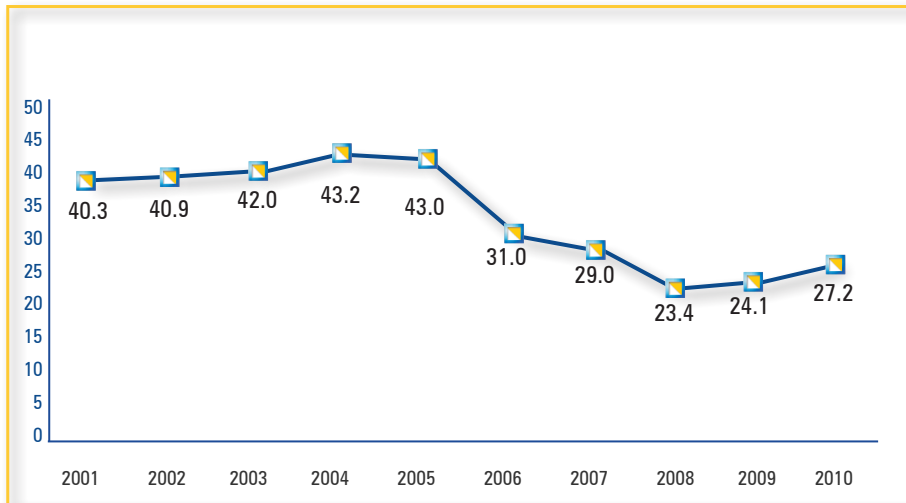
Creativity of the people has been approved many times by winning international awards for innovations and patents. Bosnia and Herzegovina is one of the most rewarded countries in this domain per capita.

### o How is the local labor force structured by activities?

	2008	2009	XI 2010
Agriculture, hunting and forestry	18 959	18 013	17 962
Fishing	492	481	481
Mining and quarrying	19 980	19 784	19 705
Manufacturing	144 437	137 113	133 143
Electricity, gas and water supply	22 953	22 859	23 406
Construction	43 035	41 334	38 345
Wholesale and retail trade, repair of motor vehicles; motorcycles and personal and household good	134 213	128 350	126 340
Hotels and restaurants	32 408	31 460	29 155
Transport, storage and communication	44 948	45 559	49 021
Financial intermediation	14 648	14 828	15 973
Real estate, renting and business activities	26 619	25 138	24 667
Public administration and defense; compulsory social security	68 537	70 114	71 866
Education	55 514	56 221	59 332
Health and social work	45 101	45 647	46 937
Other community, social and personal service activities	29 287	25 782	25 902
<b>TOTAL</b>	<b>706 088</b>	<b>686 495</b>	<b>686 434</b>

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.

**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**

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**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.

The costs are as follows:

- for issuance of temporary residence permit: 50 EUR;
- for issuance of permanent residence permit: 100 EUR.

### **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**

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### **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. 40/10).

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**

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**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**

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**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**

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**o Is there a minimum wage?**

Minimum net wage is defined by Collective Agreement (minimum 55% of average net wage). The average net wage was 408 EUR in 2010.

**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 educational structure of unemployed population?**

Registered unemployment by qualification in BiH, November 2010

<b>TOTAL, NOVEMBER 2010</b>	<b>519 096</b>
University	21 140
Higher	7 164
Secondary	127 216
Highly skilled and skilled	188 036
Semi-skilled	15 916
Unskilled	159 624

Source: Agency for Statistics of BiH

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

Graduates, Masters of Science, Specialists and Doctors of Science on High Schools Institutions in BiH, in 2009.

	Total graduated students	Total masters of science and specialists	Total doctors of science
BiH	16 981	752	157

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 2009/2010)	209
Primary education (school year 2009/2010)	1 912
Secondary education (school year 2009/2010)	310
Higher education (school year 2009/2010)	178

Source: Agency for Statistics of BiH

### o How many students are there in BiH?

At the beginning of the 2009/2010 school year on the territory of BiH were 105 137 students enrolled in 178 higher education institutions (within the 22 universities), and 146 919 students attended 310 secondary schools.

### 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	<a href="http://www.qsi.org/bhz">www.qsi.org/bhz</a>
The International School of Sarajevo	English and Bosnian	<a href="http://www.internationalschool.ba">www.internationalschool.ba</a>
Sarajevo College	English, Turkish and Bosnian	<a href="http://www.sarajevocollege.com">www.sarajevocollege.com</a>
International University of Sarajevo	English	<a href="http://www.ius.edu.ba">www.ius.edu.ba</a>
The Sarajevo Graduate School of Business	English	<a href="http://www.sgsb.edu.ba">www.sgsb.edu.ba</a>
American University in BiH	English	<a href="http://www.aubih.edu.ba">www.aubih.edu.ba</a>
The Sarajevo School of Science and Technology	English	<a href="http://www.ssst.edu.ba">www.ssst.edu.ba</a>
French School of Sarajevo	French	<a href="http://www.mission-laique.asso.fr">www.mission-laique.asso.fr</a> <a href="http://www.aefe.fr">www.aefe.fr</a>

All information about Higher Education and authorised institutions are available on

[www.cip.gov.ba](http://www.cip.gov.ba)

Centre for Information and Recognition of Qualifications in Higher Education and

[www.hea.gov.ba](http://www.hea.gov.ba)

Agency for Development of Higher Education and Quality Assurance



# 12. INFRASTRUCTURE

## Road and Railway Network

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### 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

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### 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

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### 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

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### o What is the fixed telephony infrastructure?

The telephony infrastructure covers the whole territory of BiH. There are about 1.4 million pairs of which 1.03 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.

### 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 98% of the territory and 99% of the population. The level of penetration of mobile telecommunication in BiH was 83.08% at the end of 2009.

**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.

In June, 2009, BiH has three (3) licenced Fixed Telephony operators and nine (9) licenced providers of Fixed Public Telephone Services.

**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 2.96 million.

## Internet

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**o What is the Internet availability and infrastructure?**

Internet as a service has been completely liberalized since 2002 and there are 77 Internet Service Providers (ISP) in addition to existing telecom operators, providing various services of Internet access using different technologies.

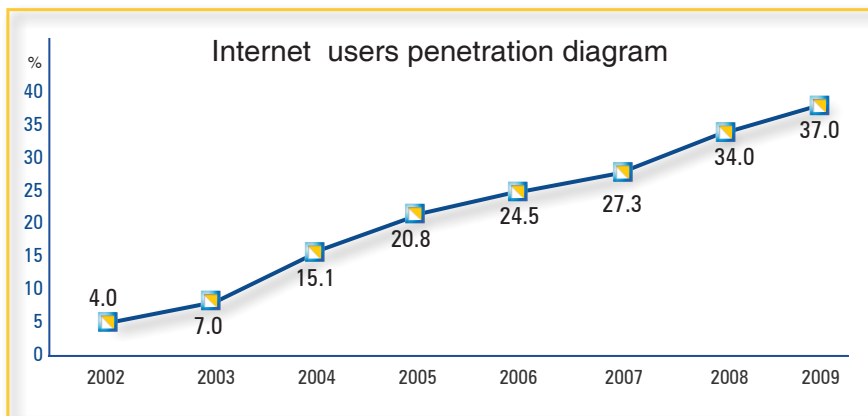
Internet connection in Bosnia and Herzegovina is possible via leased lines which are the most common ways of Internet connection between bussiness companies. Along with the service of Internet access, Internet providers in BiH have additional services. Thus 71% of companies provide services of web mail, 49% web hosting, 35% game server, 48% FTP server and 36% Forum services.

When it comes to the major market participants, measured by the number of subscribers, in line with three Internet service providers belonging to the dominant telecom operators, significant market share have: "Dasto semtel Ltd", "Cable television HS Ltd Sarajevo" and "Anex Ltd Banja Luka".

(Source: The Communications Regulatory Agency, Annual Survey 2010)

**o How many internet users are there in BiH?**

In 2009, there were 399,329 Internet subscribers in BH, while the estimates say that in the same year there were 1,421,540 Internet users. This shows that the Internet usage rate in BH for 2009 was 37%.



Source: The Communications Regulatory Agency, Annual Survey 2010

**o What are the possibilities of internet access?**

In 2009, statistics show that the first place was taken by the xDSL Internet access subscribers with the 43%, while the second place was dial-up access (through analog modem and ISDN) representing 26.8% of all Internet subscribers.

**Internet subscribers by the types of access for the period from 2005-2009**

INTERNET ACCESS	2005	2006	2007	2008	2009
Dial-up	162 789	197 909	189 059	147 703	107 216
Broadband	13 702	39 751	84 693	188 460	292 113
Total number of subscribers	176 491	237 660	273 752	336 136	399 329

Source: The Communications Regulatory Agency, Annual Survey 2010

Wireless Internet access is available at BiH market with an access speed between 64-4096 kb/s, in packages with and without flow restrictions. An average monthly subscription price is 15 BAM (VAT not included in the price ).

Access speed with ADSL service is in a range between 384-4096 kb/s. The packages are with limited amount of transferable data, but there are also those without limitations, so-called flat rate packages. The average price for monthly subscription in Bosnia and Herzegovina is 19 BAM.

Cable Internet service in Bosnia and Herzegovina is available with access speed in the range between 128 and 4096 kb/s. Limited transfer packages are offered, as well as so-called flat rate models. Average price for monthly subscription in Bosnia and Herzegovina is 17 BAM.

*Source: The Communications Regulatory Agency, Annual Survey 2010*

## 13. OPERATIONAL COSTS

We would like to emphasize that it is necessary to check all services expenses for a specific location and according to the specific requirements. Operational costs are shown only for approximate estimates. Prices shown are in the range according the price lists of the provider, defined in accordance with various technical specifics.

Monthly review of AVERAGE CONSUMER PRICES IN BiH is available on [www.bhas.ba](http://www.bhas.ba) (Agency for Statistics of BiH) - Montly publication

### o What is the price of electricity in BiH?

The price of electricity is defined with tariff and price of kW/h. Tariff rates are determined by Entities Regulatory Commission for Electricity, and information are available on:

[www.ferk.ba](http://www.ferk.ba) - Regulatory Commission for Electricity in Federation BiH

[www.reers.ba](http://www.reers.ba) - The Regulatory Commission for Energy of Republic of Srpska.

The price of electricity is determinate with tariff groups, season and higher/lower daily tariffs

BiH	Higher	Lower
December 2010	(including VAT 17%)	(including VAT 17%)
Average	0.087 EUR/kWh	0.041 EUR/kWh

Source: Agency for Statistics of BiH

### o What is the price of gas in BiH?

The purchase cost for natural gas is 0,33 EUR/Sm<sup>3</sup> (April 2010), while the distribution cost is unchanged and determined with early brought Decision for determining the distribution cost.

The price of industrial gas	Including: purchase, distribution and VAT 17%
Households	0.424 EUR/Sm <sup>3</sup>
Big buyers	0.527 EUR/Sm <sup>3</sup>
Small buyers	0.532 EUR/Sm <sup>3</sup>

## o What are the costs of telephone?

A variety of custom packages are available on the market within more operators. The approximate price ranges are presented, from the lowest to the highest tariff for one minute and depending on the zone, time call or custom package.

Fixed telephone call (including VAT):

Local call: 0.017 – 0.028 EUR/min

National call: 0.018 – 0.251 EUR/min

International phone call: 0.221 – 0.979 EUR/min (depending on the zone)

Average price of Monthly telephone subscription in December 2010 was 5.53 EUR (Agency for Statistics of BiH )

Price of mobile telephone call (including VAT 17%):

0.054 - 0.879 EUR/min (depending on the zone)

Average price in December 2010 was 0.11 EUR/min

(Agency for Statistics of BiH )

## o What are the prices of water in BiH?

Water charges are determined at local level and thus are different from one municipality to another.

Industry – 1.53 – 1.66 EUR/m<sup>3</sup> (including VAT)

Households – 0.36 – 0.62 EUR/m<sup>3</sup> (including VAT)

The water price consists of: water, sanitation, PVN (Special Water Compensation) for water consumption and PVN (Special Water Compensation) for water protection (depending of the level of pollution of wastewater).

Average price of Monthly Water supply in December 2010 was 0.41 EUR/m<sup>3</sup> (Agency for Statistics of BiH)

## 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.