

# INVESTOR GUIDE

## 2007



# FIPA MISSION

Foreign Investment Promotion Agency (FIPA) of Bosnia and Herzegovina (BiH) is a State Agency established with the mission to:

Attract and maximize the flow of foreign direct investment into Bosnia and Herzegovina, and encourage existing foreign investors to further expand and develop their businesses in BiH.

Facilitate the interaction between public and private sectors, and have an active role in policy advocacy in order to contribute to continually improving environment for business investment and economic development.

Promote a positive image of Bosnia and Herzegovina as a country that is attractive to foreign investors.

*„Bosnia and Herzegovina ... good workforce, good customers, good results. Is anything else important? ”*

Jean-Francois Le Roch,  
Director for Eastern Europe, Groupe Intermarche



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# FOREWORD



Let me begin by thanking you for showing interest to find out more about business and investment opportunities in Bosnia and Herzegovina (BiH).

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 has achieved astonishing progress in improving the business climate. BiH has become an ideal location to invest in, with numerous investment opportunities in various sectors. BiH's economy remains one of the fastest growing in Europe, offering the potential investors significant opportunities of penetration into a wider regional market and of running their business on the world scale, since BiH is the signatory of the Central European Free Trade Agreement (CEFTA), which provides free access to this consumer market with 40 million people. BiH also has free trade agreements with the European Union and Turkey, as well as preferential export regimes with USA, Japan, Canada, Switzerland, Australia, Norway, New Zealand and Russia. As a result, starting a business in Bosnia and Herzegovina means the opportunity of exporting to a market of over 1 billion people without paying any customs duties!

Bosnia and Herzegovina has achieved a political stability that guarantees security for your capital and your business; the fact that, since Dayton Peace Agreement was signed (November 1995), not a single serious incident threatening the country's peace and stability has occurred, proves it more than clearly. The main goal of Bosnia and Herzegovina is EU membership; BiH is a potential candidate country for EU accession. In this respect, it is worth mentioning that BiH expects to sign the Stabilization and Association Agreement to the EU very soon, which will establish formal contractual relations between the EU and BiH.

In 2007, the Council of Ministers of BiH plans to introduce new incentives that will encourage investors and contribute to the more favorable business environment. One of the incentives is the Foreign Investors Support Fund, which is planned to be established in this year. The improvement of business environment in BiH and creation of a favorable climate for foreign investments are the key features of economic development of BiH. Constant growth of FDI clearly indicates that foreign investors and businessmen have already identified many opportunities for doing business in BiH.

I believe this "Investor Guide" will help you to familiarize with the business environment and economic potentials of BiH. It will be useful in helping you to seize lucrative business opportunities. In this regard, you can expect full support from the Council of Ministers of BiH, through its Foreign Investment Promotion Agency (FIPA) that stands firmly at your disposal in the process of identification and taking advantage of investment opportunities. We welcome you with open arms and invite you to come and share the profit and excitement of doing business in BiH.

So let us help you make your business in Bosnia and Herzegovina a success story!

Chairman of BiH Council of Ministers

Dr. Nikola Špirić, m.p.



# A WORD BY FIPA DIRECTOR

I wish to thank you for taking the time to consider investing in Bosnia and Herzegovina (BiH). The reasons why such investment can benefit your company are outlined in this "Investor Guide". The BiH Foreign Investment Promotion Agency (FIPA) can assist you make that decision, and my team and I are at hand to support you during the process.

"Investor Guide" is a practical comprehensive guide, which provides general information on the country, complete and actual information on business and investment trends, attractive sectors and opportunities, legal framework and incentives. Its aim is to present all the opportunities and advantages of investing and running a business in BiH, making BiH one of the most attractive locations for investment in the region of South Eastern Europe.

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.

Investment opportunities are present in a whole range of sectors, from manufacturing to services, from infrastructure to tourism. The availability of natural resources, a long tradition of industry and a skilled workforce, and the ongoing revitalization of the economy has already attracted foreign investors in food processing, auto industry, wood processing, clothing and textiles, construction, metals and metal processing, energy, transport and communications, financial services, tourism, and many other industries and services.

Furthermore, the ongoing privatization process still offers numerous possibilities in strategic sectors such as telecommunications, energy production and distribution, and other public services and utilities. An efficient and liberal bankruptcy system provides an array of potential investment opportunities in BiH.

FIPA is a State Agency established with the mission to attract and maximize the flow of foreign direct investment into BiH, and encourage existing foreign investors to further expand and develop their businesses in BiH. It aims to facilitate the interaction between public and private sectors, and have an active role in policy advocacy in order to contribute to continually improving environment for business investment and economic development. FIPA promotes a positive image of BiH as a country that is attractive to foreign investors.

The Agency offers practical assistance in dealing with government institutions, by working directly with investors and, more structurally, by assisting the government in improving the legal framework for foreign investments.

Finally, I would like to point out that FIPA provides a wide range of free and confidential services for potential and existing foreign investors. To find out more about investment opportunities in BiH, to obtain more information on any of the topics covered in this brochure, or to learn more about our services and support, please contact us directly.

Now is the time to seize investment opportunities in Bosnia and Herzegovina!

Director of FIPA BiH

Haris Bašić





*„...you'll be amazed to find that BiH is one of the most culturally and naturally diverse lands in all of Europe. Come discover for yourself the true Bosnia and Herzegovina, the ancient lands that once divided east and west but who now unite them.”*

Tim Clancy,  
Director, Green Visions



# GENERAL INFORMATION

Bosnia and Herzegovina (BiH) is a country in the heart of South Eastern Europe, at the crossroads of eastern and western civilizations. Sarajevo is the capital of BiH and its administrative, financial, business, cultural and educational centre. Other major cities in BiH are Banja Luka, Mostar, Tuzla, Zenica, and Bihać.

BiH has always been a country where different religions exist with their specific characteristics. It is very hard to find a town in the country that doesn't have churches, mosques, and synagogues one by the other.

Bosnia and Herzegovina, and its capital Sarajevo, is fondly remembered in the sports world as the site of the 14<sup>th</sup> Olympic Winter Games held in 1984.

## GEOGRAPHY

Bosnia and Herzegovina is situated on the Balkan Peninsula. The country has a total area of 51,209 square kilometres. BiH is bordered by Croatia (932 km) to the north and west, and Serbia (312 km) and Montenegro (215 km) to the east, and the Adriatic Sea to the south.

It's a hilly country with the Dinaric Alps dominating the landscape. The highest point, mountain Maglić, rises to 2,387 m. The central belt of BiH has both Mountains and green, rolling hills covered with conifer forests and lined with countless freshwater streams and rivers. 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.

BiH is full of naturally fast-flowing mountain streams and powerful rivers such as Sava, Una, Vrbas, Bosna, Drina, and Neretva. There are also two flows in BiH, Adriatic Sea flow and Black Sea flow.

## CLIMATE

Mediterranean and continental influences meet and create a mosaic of climate types within a relatively small area, creating one of the most diverse eco-systems in Europe. Summer temperatures are very high comparing to the cold winters with a lot of snow especially in the hills and mountains with fantastic ski paths, such as Olympic beauties – Bjelašnica, Jahorina, Igman and Trebević.

## POPULATION

According to official data, BiH has 3.8 million inhabitants, of which 43.7% are Bosniacs, 31% Serbs, 17.3% Croats, and 7.6% other nationalities. The population is similarly split along religious lines: Bosniacs are Muslim, Serbs are Orthodox Christian, and Croats are Roman Catholic. The remainder of the population is made up of seventeen national minority groups.

## LANGUAGE

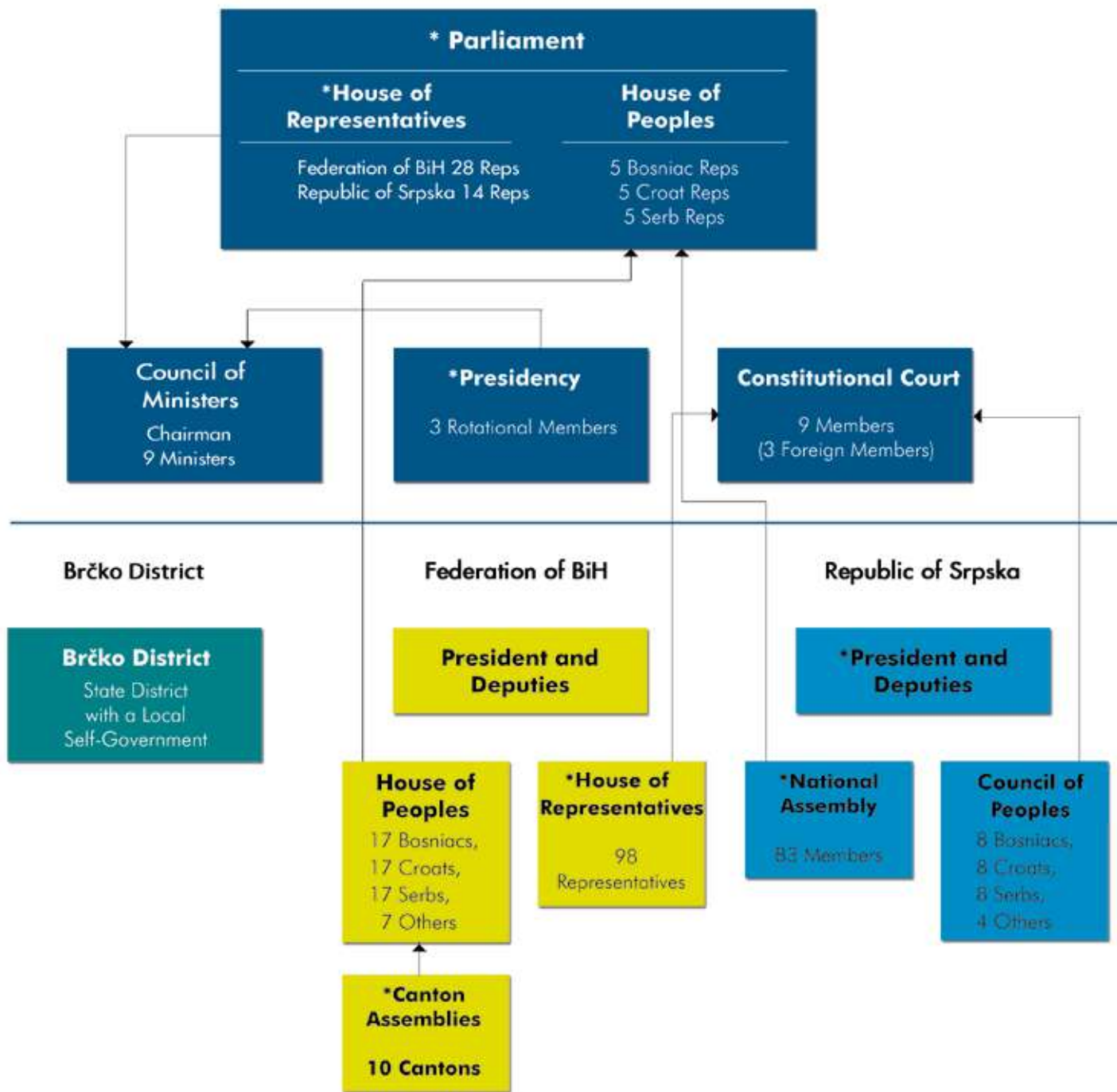
Three languages are in official use: Bosnian, Serbian, and Croatian (since all three languages are very similar, they are often referred to as the "local language"). It is also very common to find that a great number of people speak English, German, French, etc.



## POLITICAL SYSTEM

Bosnia and Herzegovina is a parliamentary democracy with a bicameral parliament (House of Representatives and House of Peoples), a three-member rotating presidency, Council of Ministers, and Constitutional Court.

BiH is comprised of two entities – Federation of BiH (FBiH) and Republic of Srpska (RS), as well as District Brčko.



**LEGEND:**

\*Directly elected, or appointed by

## LOGISTICS HUB OF EUROPE

The position of Bosnia and Herzegovina is significant for transport systems in Europe, and presents the shortest way to connect Central Europe and the Adriatic Sea. The total length of the country's road network is 22,600 kilometres, the length of the arterial highway network amounting to 3,788 kilometres.

The railways are parts of the integral European system; the railway network is made up of 1,031 kilometres of railroad track, of which 87 is double-track. Bigger industrial centres are well connected by the railway traffic. Railway reconstruction is a part of Corridor Vc, which is the most important transport project in BiH. Over 56% of BiH population is situated within the zone of the proposed Corridor, which generates approximately 63% of GDP.

From Sarajevo International Airport it is very easy to reach the main European centres. There are also three other airports in Banja Luka, Mostar, and Tuzla.

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

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



# ECONOMY



# ECONOMY

## EXPANDING ECONOMY

Bosnia and Herzegovina started accession negotiations with the European Union in November 2005 and wide ranging political, social and economic reforms have already been accomplished. BiH's accelerated economic reform process has greatly improved the business climate and the country has the fastest growing economy in South Eastern Europe.

BiH has signed the Central European Free Trade Agreement (CEFTA) with Albania, Serbia, Montenegro, Croatia, Macedonia, Moldova, and Kosovo, creating a free trade area in South Eastern Europe.

CEFTA is a modern trade agreement that harmonises trade rules across the region. Moreover, it is completely in line with the rules of the World Trade Organisation and with the parties' obligations towards the EU.

Implementation of CEFTA is expected to give a significant boost to intra-regional trade and very importantly to improve the region's attractiveness as a destination for foreign direct investment.

Also, BiH has signed a Free Trade Agreement with Turkey, a consumer market of 70 million people.

Companies operating in the country further benefit from the preferential trade regime with the European Union.

This agreement allows for all goods that fulfil EU standards to be exported to each of the 27 member states without quantitative restrictions, and free of customs or other duties.

Besides the EU, BiH has preferential export regimes with USA, Canada, Japan, Russia, Switzerland, Australia, Norway, and New Zealand.

*"Our view on Bosnia Herzegovina is that the investment climate has much improved over the last few years. The country has open access to European markets, which are very close to the country. It has very strong human capital and we see the privatization process picking up much speed. So, our message to investors is: the country is open for business and it has a very strong and dynamic economy."*

Dirk Reinnerman,  
World Bank Country Director for BiH

*"UNITIC is one of the most successful foreign investments in BiH. The Kuwait Consulting & Investment Co. is still interested in investing further in BiH. One of our priorities is to build the third tower within our complex. The KCIC Company, Kuwait, believes that there are many opportunities to invest in BiH. So, we encourage all investors around the world to come to invest in BiH. Come and join us!"*

Asem Al-Rawashdeh,  
UNITIC Marketing Director, Kuwait

*"Bosnia and Herzegovina has changed; because it has changed, I believe it is entitled to a fresh look from investors. I can say with confidence that Bosnia and Herzegovina justifies very detailed and extensive research. There are investment opportunities arising from the particular phase of transition in which this country finds itself.*

*Labour costs, rental costs and taxes remain extraordinarily competitive; infrastructure is improving noticeably month by month; and the governments, from the state down to the municipalities, are starting to think in terms of what incoming businesses need.*

*This is fertile ground for economic success. BiH is, indisputably, open for business."*

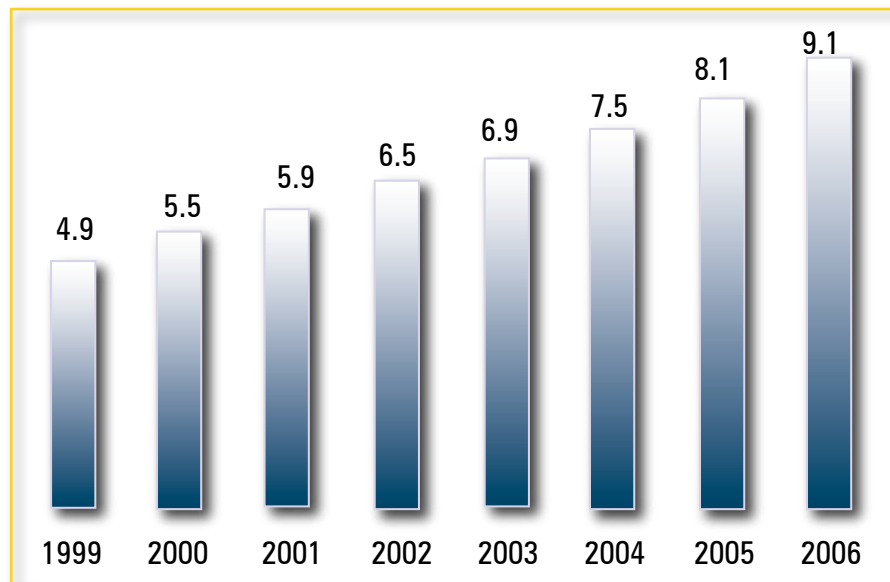
Paddy Ashdown,  
High Representative,  
Economist Conference, Sarajevo,  
September 22, 2003



## STABLE ECONOMIC PERFORMANCE

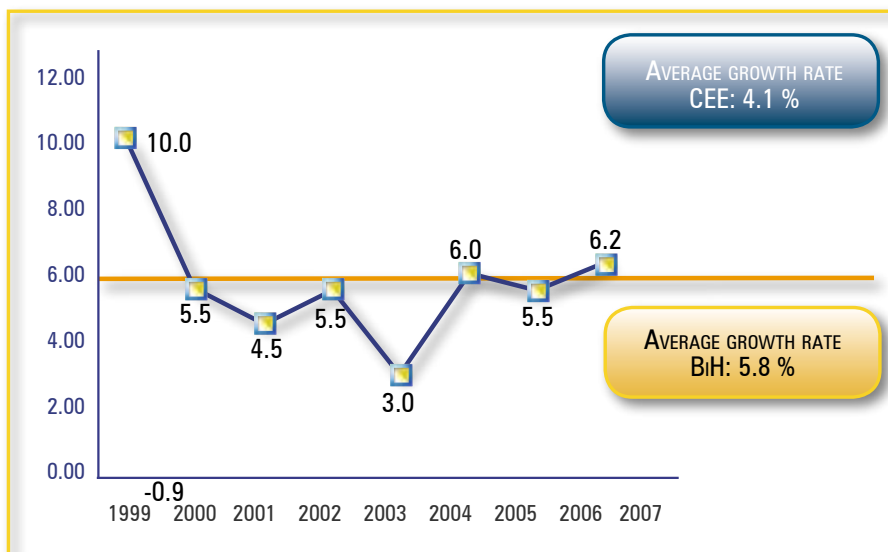
The economy has grown at a steady pace of 5% per year since 2000, a trend that is expected to be maintained in the future. This sustained annual increase of GDP, combined with rapidly rising production levels and export volumes, provides a clear indicator that the economy is in full expansion.

### NOMINAL GDP, BILLION €



Source: Central Bank of BiH

### REAL GDP GROWTH RATE, %

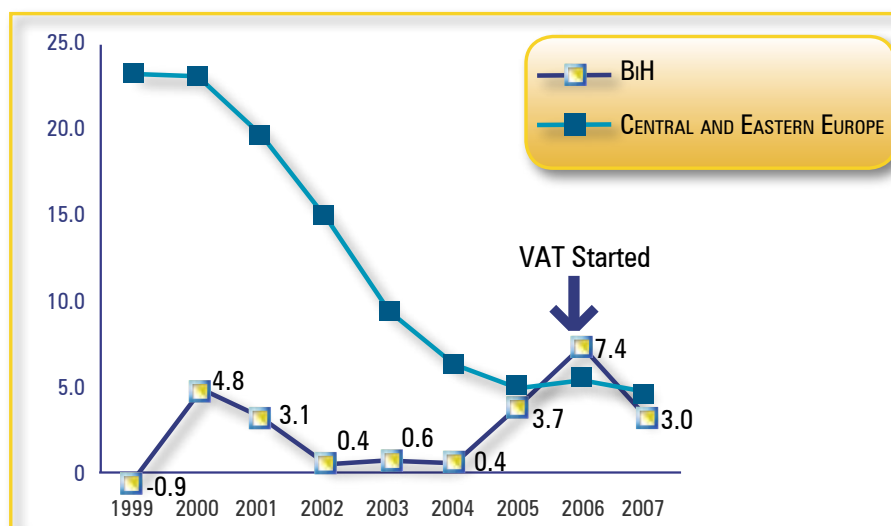


Source: Central Bank of BiH, IMF, September 2006



The macroeconomic environment in BiH is stable. The currency board system supervised by the Central Bank maintains the currency stable. The national currency, convertible mark (KM) is linked to EUR at fixed rate 1€=1.95583 KM. The stable currency has an impact on the stability of prices so the inflation is the lowest in the region. Even though the introduction of Value Added Tax (VAT) at the beginning of 2006 caused a rise of inflation, it is expected that in 2007 inflation will drop to the pre-VAT rate.

## ANNUAL INFLATION RATE, %



Source: Central Bank of BiH, IMF, September 2006, FIPA Estimation

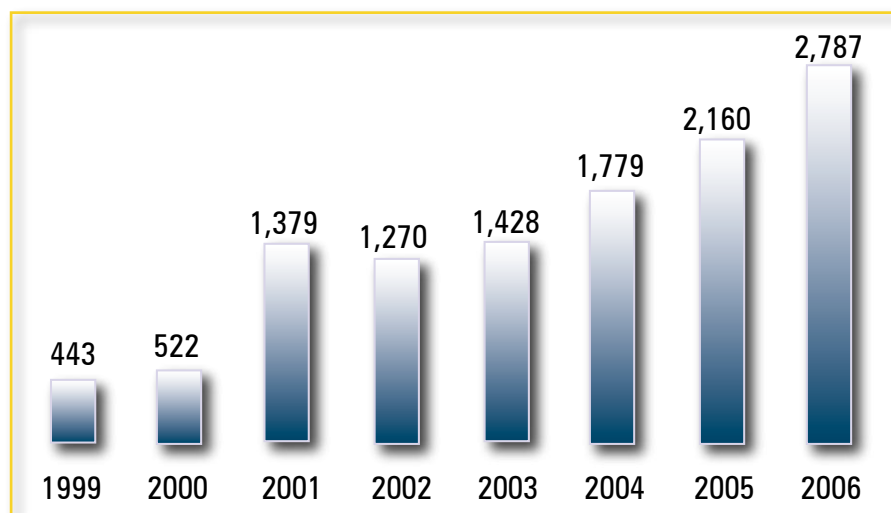
The banking sector has been consolidated through successful privatization, and 80% of bank capital of bank capital is now private property, mainly of foreign banks.

Banking operations have continued to grow strongly and total assets increased from 68.6% to 80% of GDP by the end of 2006. This growth was supported by a continued expansion of lending to the private sector from 38% to 46% of GDP by the end of 2006.

Foreign banks dominate the sector and their ownership increased further to 73% of total capital. Overall, the banking sector has continued to expand rapidly.

Currency reserves increase rapidly year by year. In 2006 currency reserves were 2,787 million EUR, which is 30% more than in 2005. This reflected a strong increase in monetary liabilities, in line with continued credit growth in BiH.

## CURRENCY RESERVES, MILLION €



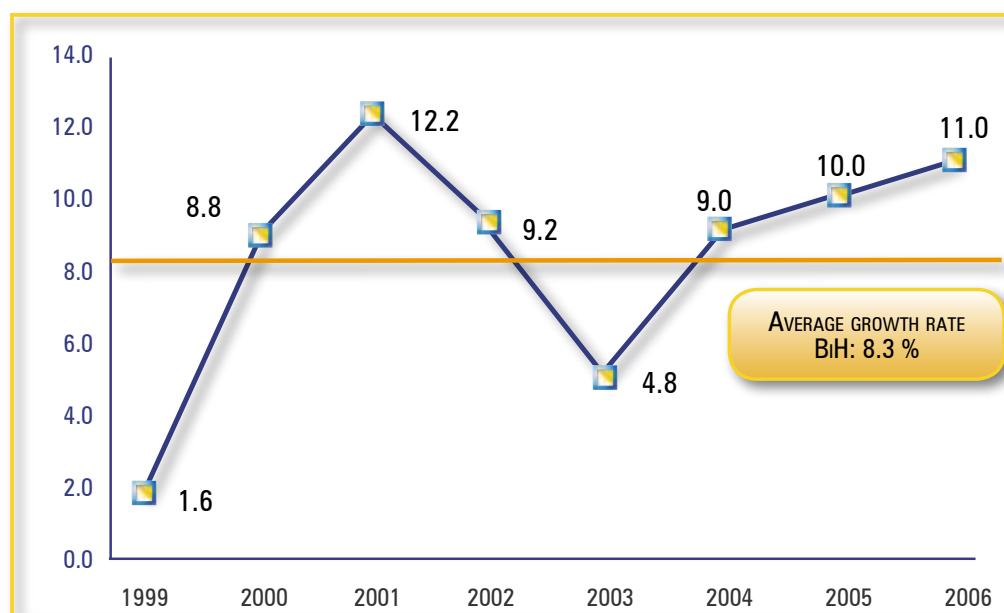
Source: Central Bank of BiH



The introduction of Value Added Tax<sup>1</sup> on 1 January 2006 replaced entity-level sales taxes. The new tax marks a significant step in state-building, creating a single economic space in BiH. It provides a reliable and substantial direct source of revenue to the state. It makes revenue collection fairer and more effective; it helps bring large sections of the grey economy into the regular economy; it reduces opportunities for corruption; and it increases resources that can be spent on public services.

Industrial output has rebounded in BiH, led by food processing, base metals, textiles, wood industry, non-ferrous metals and chemicals. These sectors are also the main drivers of export growth. Stronger industrial performance has been supported by the broadening of the manufacturing base. Average growth rate in BiH for the period 1999-2006 was 8.3%.

## INDUSTRIAL PRODUCTION GROWTH RATE, %



Source: FIPA Estimation

The privatisation process<sup>2</sup> of state-owned companies is well underway. More than 60% of small companies and more than 30% of the large ones are now privately owned or publicly traded. Bosnia and Herzegovina is accelerating the privatisation process for companies of strategic importance in order to increase economic growth and enhance the volume of foreign investment.



<sup>1</sup> For more information, see page 35

<sup>2</sup> For more information on the privatisation process, see page 38



## FOREIGN DIRECT INVESTMENT IN BOSNIA AND HERZEGOVINA

As a result of significant efforts to open its economy to more foreign investment, Bosnia and Herzegovina achieved a total FDI inflow of € 556 in 2006, which was by 32% more than in 2005. Major initiatives include a liberal Foreign Investment Policy Law, a new Value-Added Tax (VAT), and a harmonized trade and customs policy.

In 2006, the Council of Ministers of BiH adopted the "Investment Promotion Strategy", with the purpose of developing image building, investment generation and corporate development support programs for FIPA. The most used investment promotion techniques and policies include the establishment of an effective institutional and legislative framework as well as the use of communication and marketing techniques such as advertising, public relations and events.

In order to attract foreign direct investment, Council of Ministers BiH plans to introduce a new incentive by establishing a Foreign Investors Support Fund. FIPA was the initiator for the establishment of this Fund. The Fund will be operated by the Board of the Fund whose members will be appointed by the Council of Ministers BiH.

An amount of 2 million KM will be supplied by the Budget of Institutions of BiH. Means of this Fund will be available for certain foreign investment projects in the production sector, research and development sector, as well as other sectors, with the exception of trade and catering.

Sectoral distribution of FDI shows the dominance of production (40.9%), followed by banking sector (28.5%) and trade (9.2%).

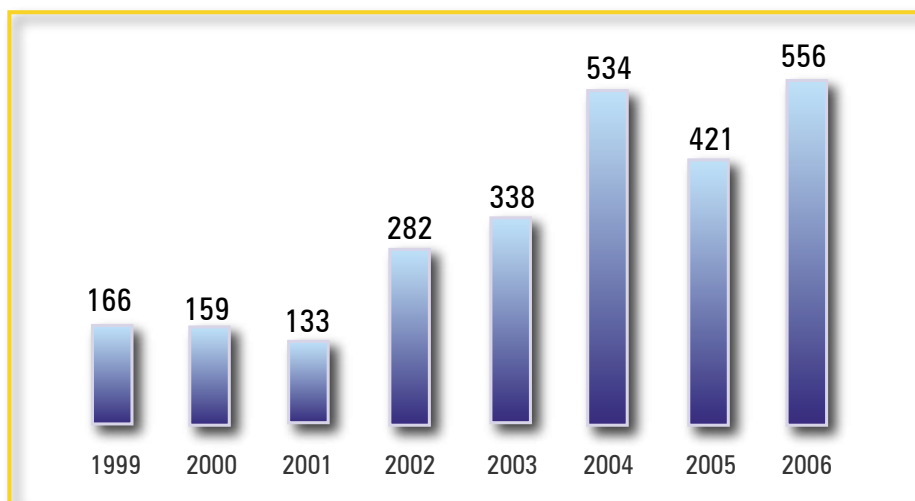
Through the process of privatization, 56 companies were privatized by foreign investors in the Federation of BiH and 17 companies in Republic of Srpska, including the largest investment in Telekom Srpske by Telecom Serbia in 2007, which amounted to 646 million EUR, with an investment commitment of 50 million EUR.

Furthermore, the ongoing privatization process still offers numerous possibilities in strategic sectors such as telecommunications (remaining not privatized companies), energy production and distribution (electricity, gas, oil refining), and other public services and utilities.

Investment opportunities are present in a whole range of sectors, from manufacturing to services, from infrastructure to tourism.

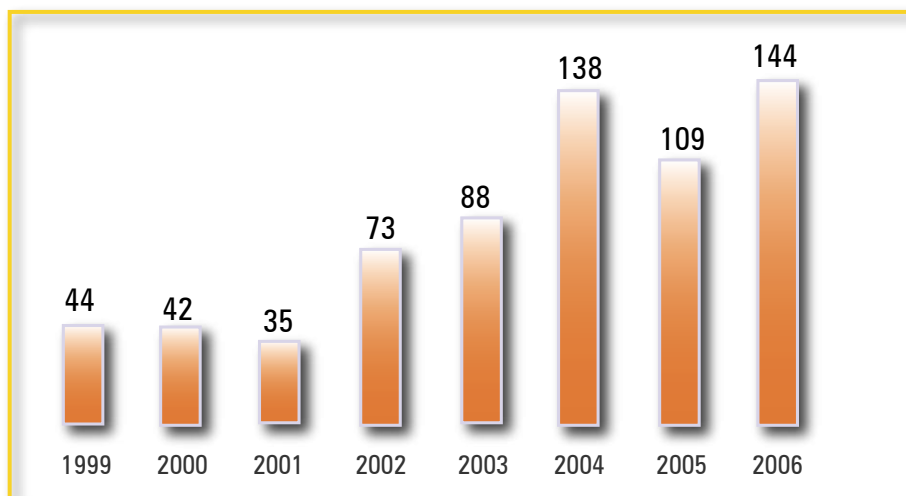


## TOTAL FDI INFLOW , MILLION €



Source: Central Bank of BiH, FIPA Estimation

## TOTAL FDI INFLOW, PER CAPITA €



Source: Central Bank of BiH, FIPA Estimation

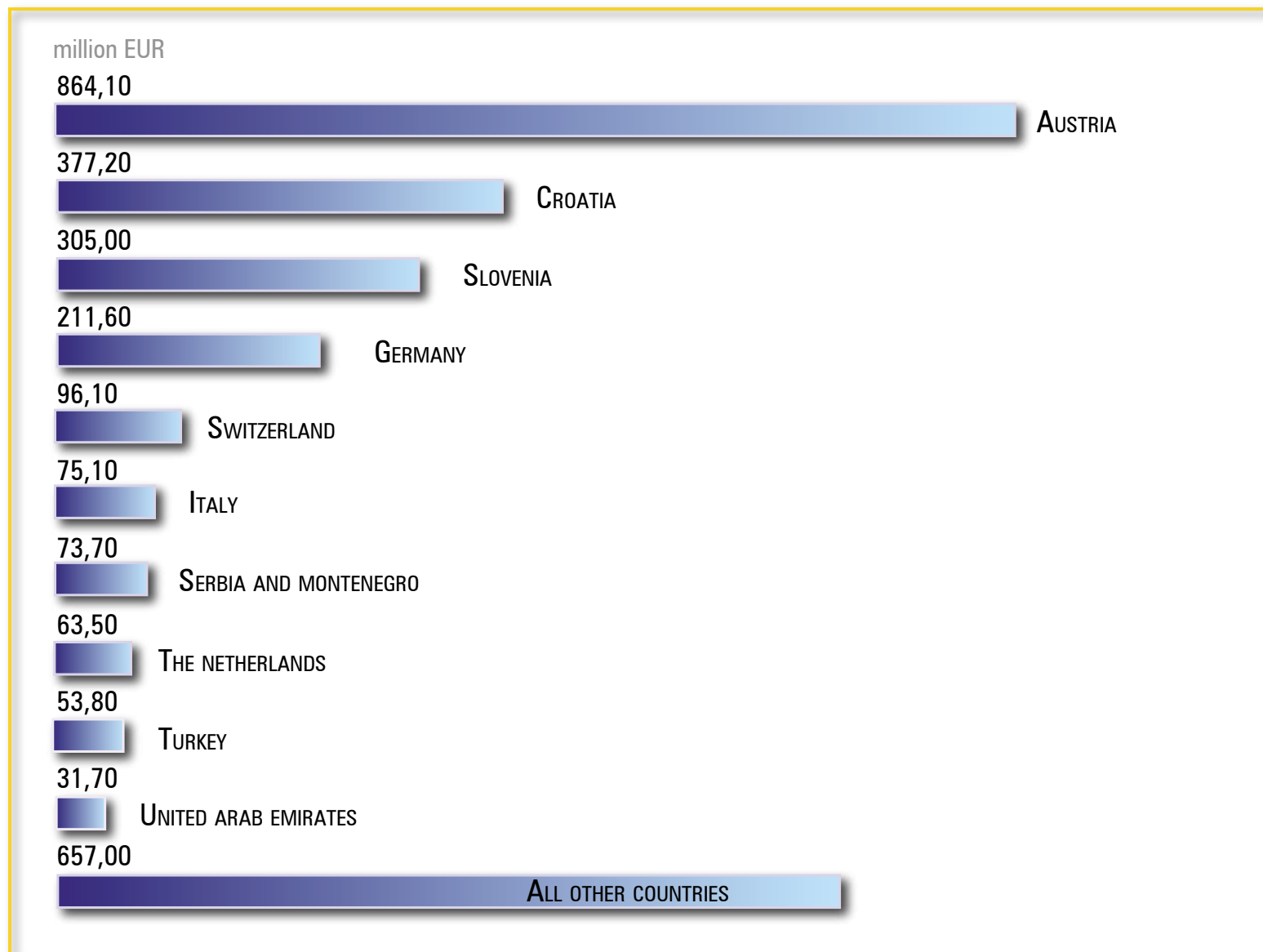
The largest foreign investors in 2006 were neighbouring countries: Croatia, Slovenia, Serbia and Montenegro, as well as developed European countries: Austria, Switzerland, Italy and Turkey.

The top foreign investors in BiH in 2006 were Hypo Alpe Adria Bank AG (Hypo Alpe Adria Bank AD Banjaluka), Nova Ljubljanska banka a.d. Ljubljana (NLB Razvojna banka a.d. Banjaluka), Galames d.o.o. Beograd (ODP Bimeks Brčko), Droga Kolinska Živilska industrija Ljubljana (Argeta d.o.o. Sarajevo), VIRO Tvornica Šećera dd Virovitica (Grudska pivovara d.o.o. Grude).



## TOP INVESTOR COUNTRIES IN BiH (1994 – 2006)

TOTAL AMOUNT 2.8 BILLION €



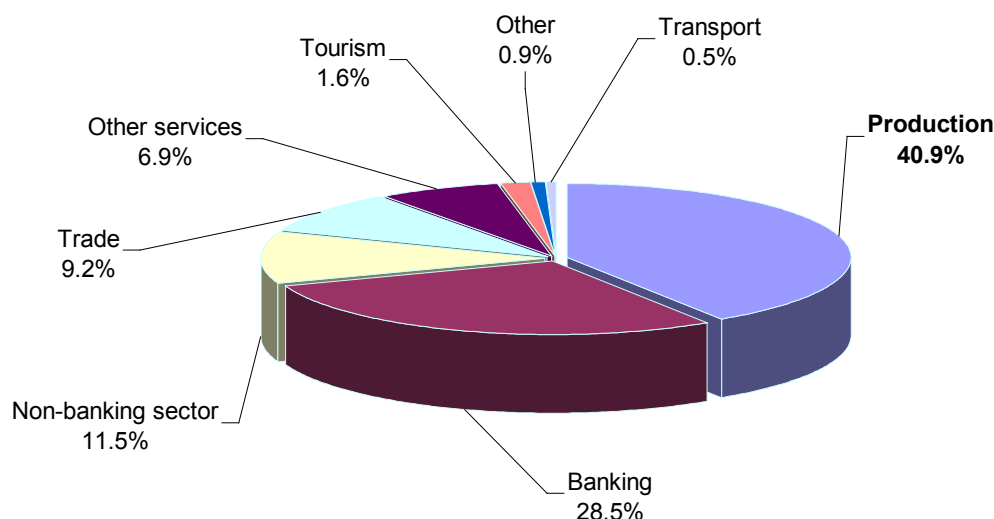
Source: Central Bank of BiH

Foreign direct investment in BiH originates in 85 countries - 35 European countries and 50 from the rest of the world. Companies from European countries have invested 82%, and non-European countries 18% of the overall foreign capital.



## FOREIGN DIRECT INVESTMENTS BY SECTOR

The manufacturing industry has the highest percentage of FDI (40.9%) followed by the banking sector (28.5%), with Austrian banks taking a dominant position in the local banking market.



## FDI NET INFLOW IN SEE COUNTRIES, 1999-2006 (IN MILLION US\$)

	1999	2000	2001	2002	2003	2004	2005	2006
MONTENEGRO	N/A	N/A	10	84	44	63	474	149
FYR OF MACEDONIA	32	175	441	78	96	156	97	300
ALBANIA	51	143	204	135	178	332	265	350
BIH	153	146	125	265	381	662	523	693
CROATIA	1.395	1.079	1.179	586	1.932	871	1.509	2.825
BULGARIA	802	998	803	876	2.070	2.777	2.298	3.000
SERBIA	112	25	165	475	1.360	966	1.481	3.500

## FDI PER CAPITA IN SEE COUNTRIES, 1999-2006 (IN US\$)

	1999	2000	2001	2002	2003	2004	2005	2006
MONTENEGRO	N/A	N/A	0,70	58,80	30,80	44,10	331,8	104,30
ALBANIA	15,94	44,69	63,75	42,19	55,63	103,75	82,81	109,38
FYR OF MACEDONIA	16,00	87,50	220,50	39,00	48,00	78,00	48,50	150,00
BIH	41,07	38,61	33,06	69,22	99,42	172,26	136,05	180,28
BULGARIA	107,16	129,61	104,29	113,77	268,84	360,65	298,44	389,61
SERBIA	13,49	3,01	19,88	57,23	163,86	116,39	178,43	421,69
CROATIA	317,05	245,23	267,95	133,18	439,09	197,95	342,95	642,05

SOURCE: EBRD 2006

## HUMAN RESOURCES

According to the Labour Force Survey conducted by the Agency for Statistics, the total number of working age population is 2,733,000. Out of that number, 1,177,000 is active population, 811,000 is employed and 366,000 is unemployed (people actively searching for a job).

The service sector generates the greatest number of jobs; 48% of the employed work in services. 21% of the total number of the employed goes to agriculture and 31% to non-agriculture business.

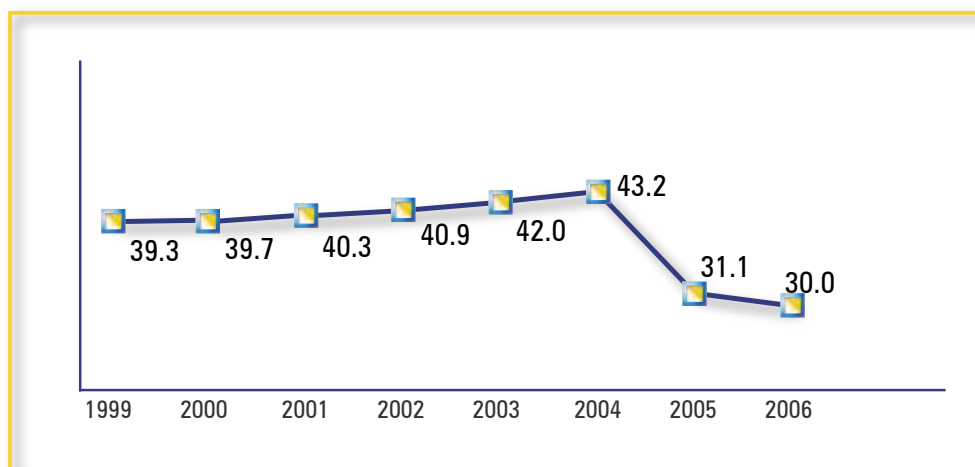
Around 71% of the employed are contract-employed, 22% are self-employed, and around 5% supporting members in enterprises.

As for professions, the percentage of the employed experts and scientists and technical staff is 10%. Simple professions participate with 15%, while non-industrial professions in production with 17%.

The majority of BiH population without employment are individuals with only primary or secondary education, while individuals with tertiary education contribute less than 3% in the overall number of unemployed in the country.

Unemployment rate in BiH is officially at about 30%, but according to World Bank estimations, the unemployment rate is actually much lower, taking into account the black market and grey economy.

### ANNUAL UNEMPLOYMENT RATE, %



Source: Agency for Statistics of BiH

### LABOUR FORCE

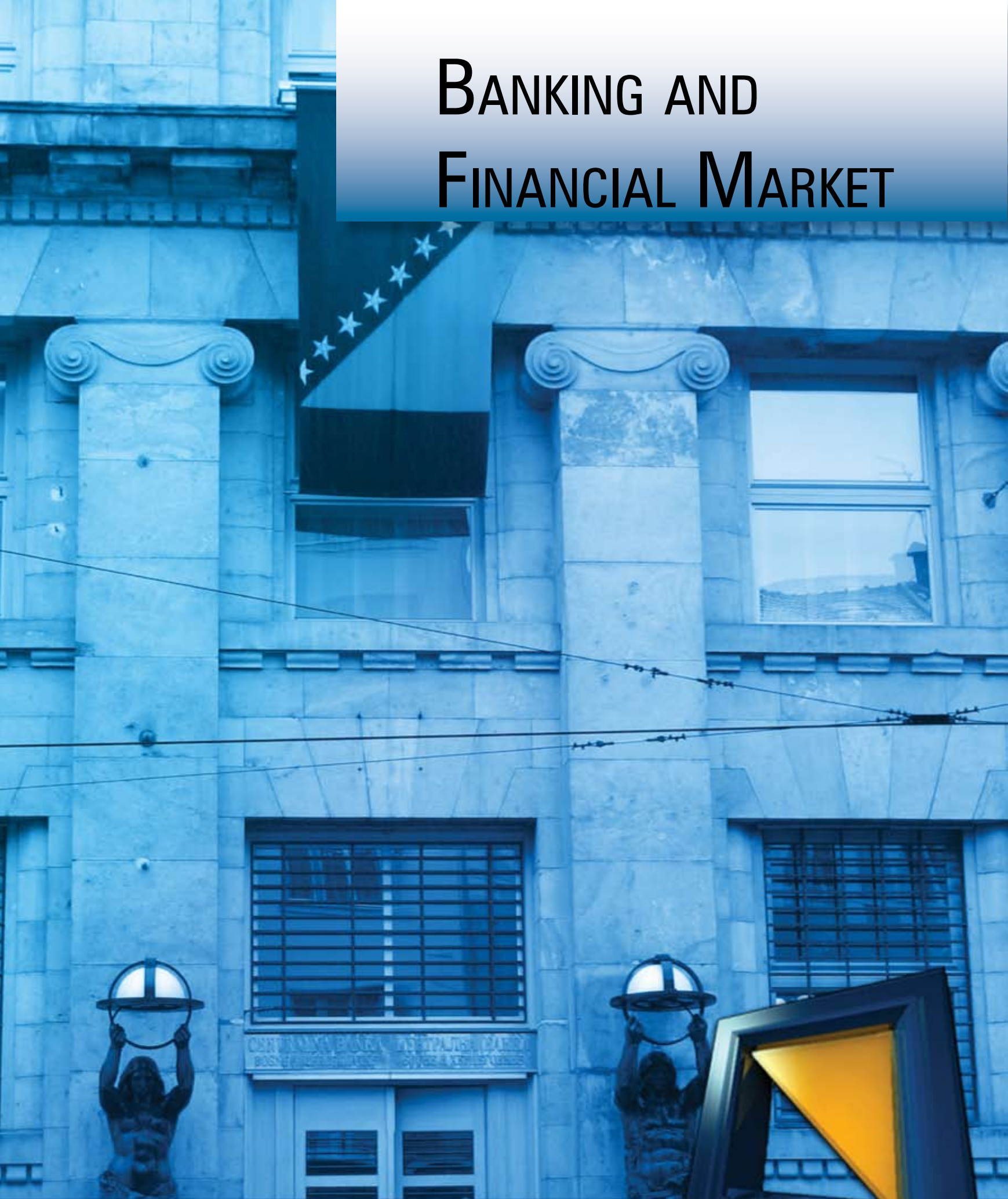
It is important to point out that investors will benefit most from the skilled and cost competitive employees they will find in BiH. Young people, often because of their international experience and outward look to the world, have the know-how, the drive, and the imagination to develop dynamic businesses.

The quality and abundance of human capital are probably the country's biggest assets.

In 2006, average net wage in BiH was 300 EUR.



# BANKING AND FINANCIAL MARKET



Foreign Investment Promotion Agency  
of Bosnia and Herzegovina

# BANKING AND FINANCIAL MARKET

## MONETARY SYSTEM OF BiH

The Central Bank of Bosnia and Herzegovina is the sole authority for issuing currency and for monetary policy throughout BiH. The Central Bank 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. It defines and controls the implementation of monetary policy of BiH. The Central Bank supports and maintains appropriate payment and settlement systems. It also co-ordinates the activities of the entity-level Banking Agencies which are in charge of bank licensing and supervision.

Convertible Mark or KM is the currency of Bosnia and Herzegovina. International symbol for KM is BAM. The monetary policy under the control of the Central Bank continues with the successful maintaining of a low inflation rate, which is of significant impact on the macro-economic stability of the country.

Bosnia and Herzegovina has a modern payment system structure. The reform of the payment system has been particularly successful. The Real Time Gross Settlements (RTGS) and Gyro Clearing systems are almost entirely compliant with the Core Principles for Systematically Important Payment Systems issued by the Bank for International Settlements (BIS).

The Central Bank holds the payment systems under its jurisdiction. Commercial banks carry out payment transactions, with the Central Bank serving as a settlement agent.



The Central Registry of Corporate Loans in Bosnia and Herzegovina, established within the Central Bank, started operating in April 2006.

HVB Bank

VOLKSBANK

Raiffeisen BANK

UniCredit Zagrebačka banka

HYPO ALPE-ADRIA-BANK

КОМЕРЦИЈАЛНА БАНКА АД

ProCredit Bank



## BANKING

*“The improvement in the economic policy of BiH will continue, thus creating a better business environment and attracting more foreign direct investments as well as resulting in a better sovereign credit rating of the country. Price stability and a stable exchange rate of domestic currency have created a sound basis for permanent and sustainable economic growth and development. Consistent monetary policy is very important for both local and foreign investors assuring them that their profit value will be protected. BiH has implemented crucial economic reforms that will help the country to meet the required criteria on the way to the European Union.”*

**Kemal Kozarić,**  
Governor of the Central Bank of BiH

*“... Our long common history, culture and customs in this beloved, beautiful country together with more than 20 years in this profession, all contributed and supported my efforts to develop modern banking system in Bosnia and Herzegovina...”*

**Mr. Ozgur Ozenis,**  
General Manager of  
The Turkish Ziraat Bank Bosnia

*“On the basis of my previous experience in Bosnia and Herzegovina, I could with optimism confirm that daring is an important factor of success. The one who dares to take a risk could lose, but the one who does not dare to take a risk has already lost”.*

**Dr Peter Setzer,**  
Director, Volksbank Sarajevo

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.

At the end of 2006, there were 32 banks in operation in Bosnia and Herzegovina. A strong concentration of capital among several large banks is noticeable so a few banks holds a large amount of the total capital.

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

The market entry of foreign banks, which currently hold more than 80 % of total banking capital, supported the reform process in the banking sector and helped deepen financial intermediation.

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

- » Volksbank,
- » Raiffeisen Bank,
- » Turkish Ziraat Bank,
- » HVB Central Profit Bank,
- » Bosna Bank International,
- » Hypo Alpe Adria Bank,
- » UniCredit Zagrebačka banka,
- » ProCredit Holding AG, etc.





## STOCK EXCHANGE

There are two separate stock exchanges in Bosnia and Herzegovina: Sarajevo Stock Exchange and Banja Luka Stock Exchange, which have been operating very successfully for 6 years.

### SARAJEVO STOCK EXCHANGE (SASE)

Sarajevo Stock Exchange has been working since September 2001, established by eight brokerage companies.

The market of the Sarajevo Stock Exchange is comprised of two segments:

- » The official market is the place where “blue-chips” are being traded. In order to be listed at this market segment, an issuer has to meet certain requirements.
- » The free market is a segment of the organised securities market, where those securities are traded, which have been successfully offered to the public or whose further public sale has been approved by the Securities Commission of FBiH and which had not been listed on the official market. Due to a quite simple admission procedure, most issuers are listed on this market.

Trading on the Sarajevo Stock Exchange is performed completely electronically via its electronic trading system (BTS). Only SASE members may conduct stock exchange transactions.

The Exchange market model for stock trading in the BTS is order driven. Orders, which can be used, can be classified by: Price constraints, Validity constraints, and Special terms of execution. Stop orders are not supported at SASE. Trading in securities through BTS is carried out in lots, one lot being one share.

Trading SASE takes place Monday to Friday, from 09:00 to 13:30. For more information, visit [www.sase.ba](http://www.sase.ba)

### BANJA LUKA STOCK EXCHANGE (BLSE)

Eight banks and one company trading in securities established the Banja Luka Stock Exchange (BLSE) in 2001.

Market of the Banja Luka Stock Exchange is divided into two parts:

- » The official market is a prestigious part of the stock exchange market where, besides general conditions, it is also required to fulfil specific conditions regarding the amount of equity, class diversification in public, business performance and objectivity of financial statements.
- » The free market lists securities that meet all general conditions for listing. Securities are listed on the free market segment if required by the issuer, a shareholder or by the law. Shares from privatization process and publicly offered shares are listed on the free market after registration with the Central Registry of Securities. With consideration of the level of development of the capital market of the RS, the biggest number of securities from privatization process is listed on the free market of the BLSE.

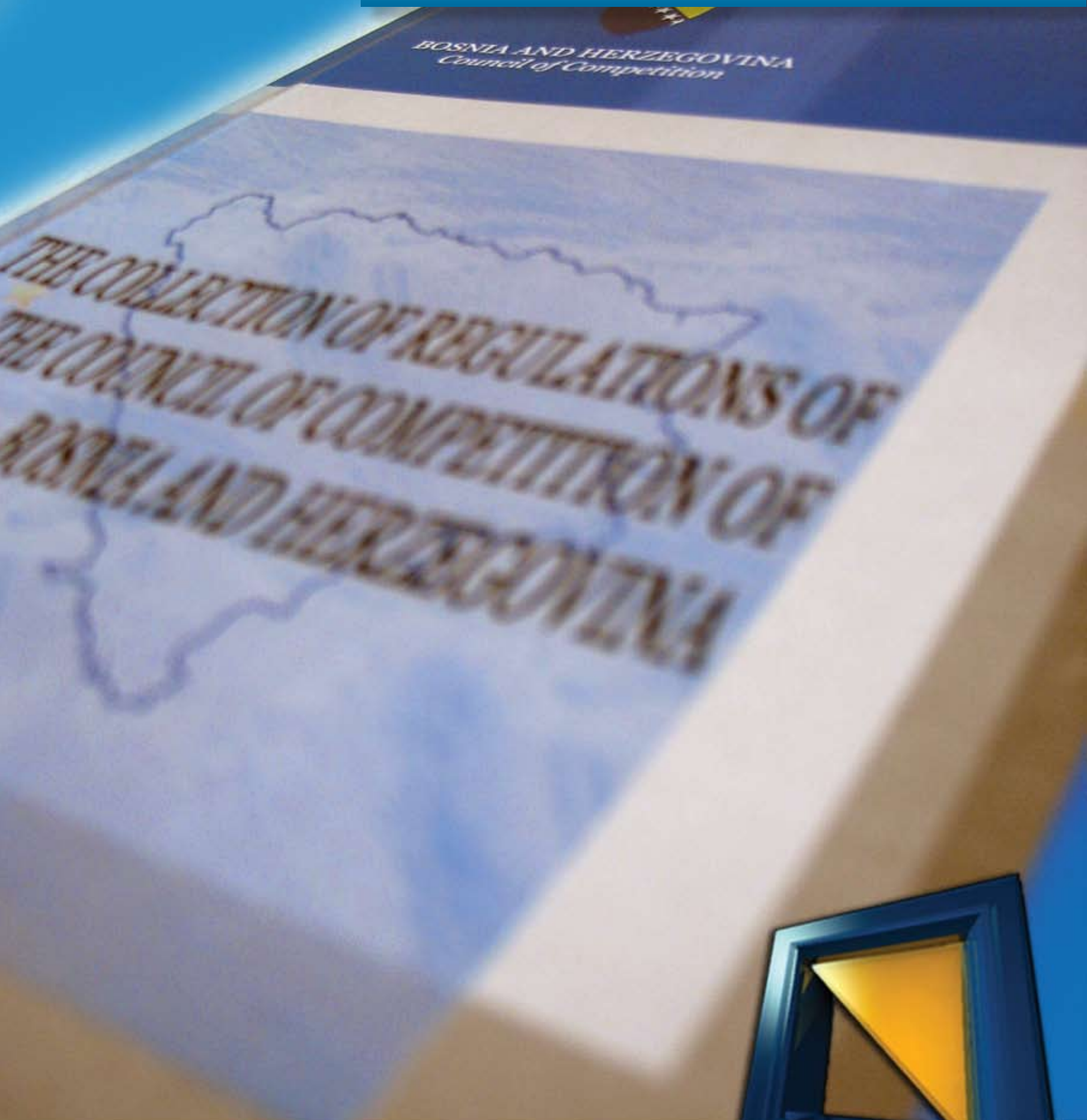
Only members of the Banja Luka Stock Exchange can trade securities via the Banja Luka Stock Exchange order-driven electronic trading system. The members can be companies trading in securities and banks located in the RS. Only Stock Exchange shareholders can be members of the Stock Exchange. Methods used on the Banja Luka Stock Exchange are continuous and single price auction with prevailing price.

According to the current trading schedule, trading sessions take place four times a week. For more information, visit [www.blberza.com](http://www.blberza.com)

Turnover in million €	2002	2003	2004	2005	2006	2007 (January - March)	TOTAL
Sarajevo Stock Exchange	21.31	60.79	102.84	283.95	334.75	243.95	1,047.59
Banja Luka Stock Exchange	3.57	37.08	51.54	142.19	198.62	114.57	547.57
<b>TOTAL</b>	<b>24.88</b>	<b>97.87</b>	<b>154.38</b>	<b>426.14</b>	<b>533.37</b>	<b>358.52</b>	<b>1,595.16</b>



# LEGAL FRAMEWORK



# LEGAL FRAMEWORK

Law on the Policy of Foreign Direct Investment of Bosnia and Herzegovina ensures national treatment of foreign investors, i.e. foreign investors have the same rights and obligations as residents of BiH.

## INCENTIVES AND ADVANTAGES FOR FOREIGN INVESTORS

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.

Foreign natural person or legal entity who performs business activities in BiH can have the title to business buildings, business offices, apartments and residential buildings, or to own real estate (piece of land where the buildings have been or will be built), which means foreign investors enjoy the same property rights in respect to real estate as BiH citizens and legal entities.

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 labour and immigration laws in BiH.

There are no restrictions on management of companies with foreign capital.

The rights and benefits of foreign investors granted and obligations imposed by the Law on the Policy of Foreign Direct Investment cannot be terminated or overruled by subsequent laws and regulations. Should a subsequent law or regulation be more favourable to foreign investors, the investor will have the right to choose the regime by which the investment will be regulated.

Foreign investors are entitled to transfer abroad, freely and without delay, in convertible currency, proceeds resulting from their investment in BiH. Investment capital is not subject to taxation in BiH (exemption from the payment of customs duties and customs fees on investment). Also, profits transferred from abroad are not taxed if they were previously subject to taxation abroad.

BiH is introducing new incentives for foreign investors by establishing a Fund for financial support to investors for new employees, Greenfield investments, amount of export etc.

One of the activities that are conducted in BiH is the establishment of commercial mediation system with the aim to improve the overall business environment. The companies will be able to contact the authorized mediators directly starting from May 2007 (more information on web site: [www.umbih.co.ba](http://www.umbih.co.ba)).



## TAX AND CUSTOMS INCENTIVES FOR FOREIGN INVESTORS

The Corporate Income Tax of FBiH enables the reduction of the tax for a period of 5 years equal to the percentage of foreign capital invested in the assets of the company, provided that the foreign capital is greater than 20% of total capital. This incentive includes companies with 100% foreign capital investment.

In FBiH, companies investing their taxable profits in their own production activities and apartment building are given a tax relief in the amount of 100% of the invested value or in the amount of 75% if they invest in other activities of their company.

Investment capital is exempt from paying import customs and customs duties (with the exception of passenger cars, slot and gambling machines).

## PREFERENTIAL EXPORT REGIME

According to the preferential export regime with the European Union, all goods of BiH origin that fulfil EU technical-technological standards and conditions, can be imported to all 27 EU countries until the end of 2010 without any quantitative restriction and without paying customs and other similar duties. BiH also has preferential regimes with USA, Australia, New Zealand, Switzerland, Norway, Russia, Japan and Canada.

## AGREEMENTS ON AVOIDANCE OF DOUBLE TAXATION

Bosnia and Herzegovina has signed Agreements on Avoidance of Double Taxation, which aim to eliminate the double taxation of income or gains arising in one territory and paid to residents of another territory, with the following countries:

BELGIUM	CROATIA	CZECH REPUBLIC	CHINA	CYPRUS	DENMARK	EGYPT
FINLAND	FRANCE	GERMANY	HUNGARY	ITALY	IRAN	MALAYSIA
MOLDOVA	NORWAY	PAKISTAN	PHILIPPINES	POLAND	ROMANIA	SERBIA AND MONTENEGRO
SLOVAKIA	SLOVENIA	SWEDEN	TURKEY	UNITED KINGDOM	UNITED ARAB EMIRATES	

Agreements on avoidance of double taxation, which means that companies only have to pay tax in their home country, accelerate the flow of investments into the signatory countries, encourage joint ventures, create more investment opportunities, expedite the transfer of technology and constitute a legal framework to bolster economic cooperation and enhance strategic economic partnership.



## AGREEMENTS ON PROMOTION AND PROTECTION OF INVESTMENTS

Bosnia and Herzegovina has ratified/signed 36 Agreements on Promotion and Protection of Investments with the following countries:

AUSTRIA	BELGIUM AND LUXEMBOURG	BELARUS	CROATIA	CZECH REPUBLIC	CHINA	DENMARK	EGYPT	
FRANCE	FINLAND	GREECE	GERMANY	HUNGARY	ITALY	IRAN	INDIA	
JORDAN	KUWAIT	MACEDONIA	MALAYSIA	MOLDOVA	NETHERLANDS	OPEC FUND	PAKISTAN	
PORTUGAL	QATAR	ROMANIA	SLOVENIA	SWITZERLAND	SPAIN	SWEDEN	TURKEY	
USA (OPIC)	UKRAINE	UNITED KINGDOM	SERBIA AND MONTENEGRO					

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.



# SETTING UP A BUSINESS IN BOSNIA AND HERZEGOVINA

Setting up a business in BiH<sup>3</sup> is regulated by:

- » Company Law of the Federation of BiH
- » Law on Enterprises of Republic of Srpska

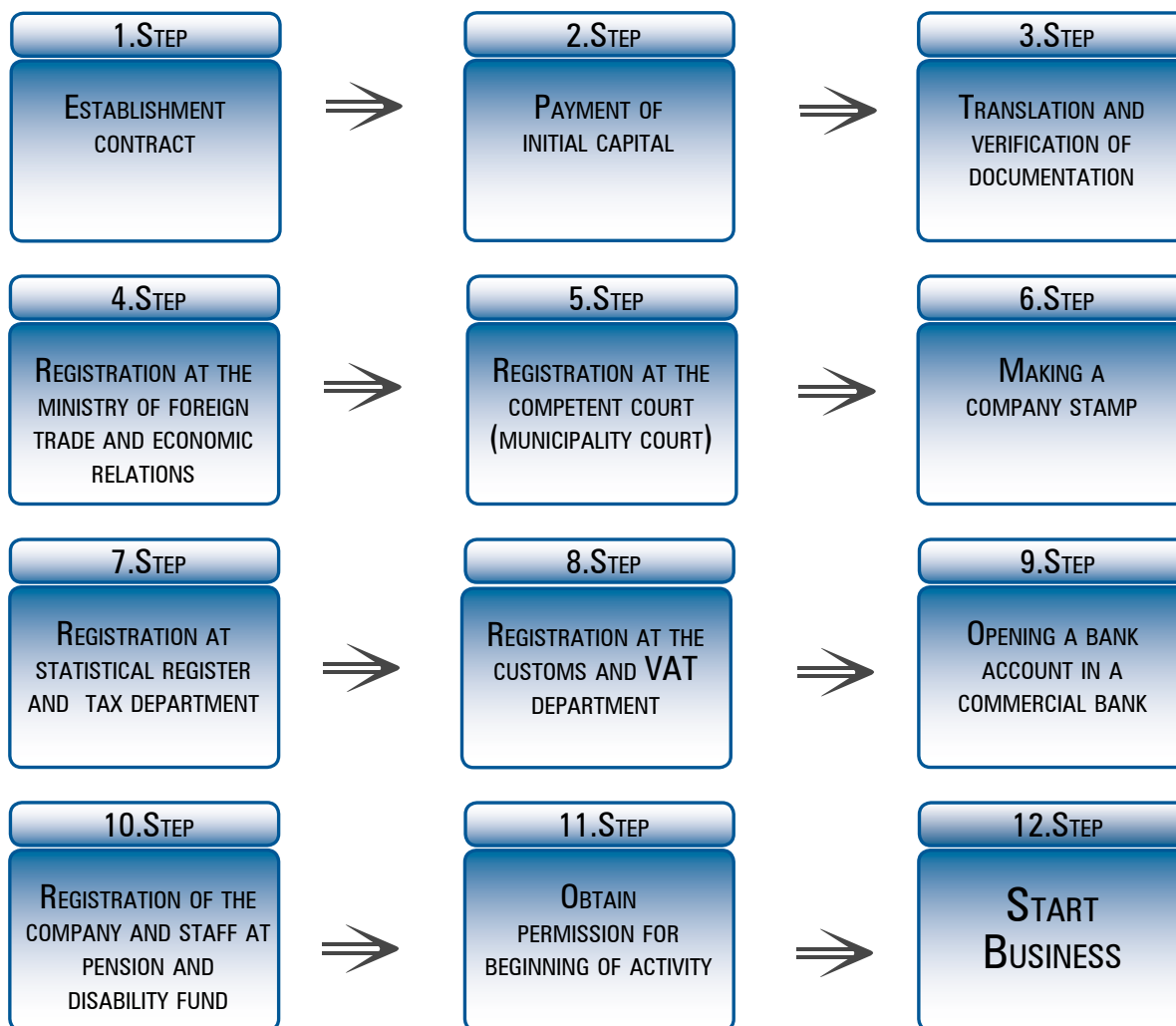
## TYPES OF COMPANIES IN BiH

TYPES OF COMPANIES	FEDERATION OF BOSNIA AND HERZEGOVINA	REPUBLIC OF SRPSKA
<b>UNLIMITED JOINT LIABILITY COMPANY (d.n.o.)</b>	Two or more partners, domestic or foreign, natural persons only; Founders are liable to use all their assets, including personal property; There are no requirements for minimum or maximum contributions.	Two or more partners, domestic or foreign; There are no requirements for minimum or maximum contributions.
<b>LIMITED LIABILITY COMPANY (d.o.o.)</b>	One or more members; Minimum initial capital is 2,000.00 BAM (cca. 1,000.00 EUR).	From one to thirty partners; the number is not limited in case the shareholders are company's employees; Minimum initial capital is 2,000.00 BAM (cca. 1,000.00 EUR).
<b>LIMITED PARTNERSHIP (k.d.)</b>	There must be at least 1 partner with full liability (including private property) and at least 1 partner with limited liability, the liability being limited by the value of the share agreed upon.	One person at least has unlimited liability for the company, along with another partner.
<b>JOINT-STOCK COMPANY (d.d.)</b>	One or more shareholders; Minimum initial capital is 50,000.00 BAM (cca. 25,000.00 EUR).	From 1 to 50 shareholders for companies incorporated simultaneously and 2 or more shareholders for companies incorporated successively; The minimum capital is 10,000.00 BAM (cca. 5,000.00 EUR) for companies incorporated simultaneously and 20,000.00 BAM (cca. 10,000.00 EUR) for companies incorporated successively.



<sup>3</sup> In BiH there are two equal administrative units, Federation of BiH – FBiH, and Republic of Srpska – RS.

## STEPS FOR ESTABLISHING A BUSINESS IN BIH



## DURATION AND COSTS OF ESTABLISHING A BUSINESS

The procedure of establishing a business takes 30-45 days.

The costs are as follows:

- » Administrative costs: cca. 300 EUR
- » Lawyer costs: cca. 150-750 EUR



# REGISTERING A COMPANY

Company Registration Procedure for Limited Liability Company<sup>4</sup> :

## PREPARATORY PROCEDURES<sup>5</sup> :

### 1. STEP: ESTABLISHMENT CONTRACT

Establishment contract (or Decision on Establishment if there is one founder) must contain:

- » Name and address of founder or the name and seat of the founders (for legal entities)
- » Name, seat and activity of the new company
- » Firm and seat of the company
- » Amount of initial capital
- » Founder's rights and obligations
- » Person authorized for representing the company

The foundation document is usually composed by lawyers.

### 2. STEP: PAYMENT OF INITIAL CAPITAL

Payment of initial capital at a bank (bank by choice of founder)

### 3. STEP: TRANSLATION AND VERIFICATION OF DOCUMENTATION

Translation of the documentation by the court interpreter and verification at the competent court. Verifying whether requirements regarding the seat, management, firm etc. have been met (verifying at the court whether the selected company name is already in use).

### 4. STEP: REGISTRATION AT THE MINISTRY OF FOREIGN TRADE AND ECONOMIC RELATIONS

The Ministry issues a Decision on registration (submit application, establishment contract, proof of payment of fee, a document confirming the status for an authorized representative, a document confirming the identity of foreign investor; notarized and translated copy of passport for individuals or translated and notarized court register statement from the country of registration confirming the legal status for legal entity).

### 5. STEP: REGISTRATION OF THE FIRM AT THE COMPETENT COURT

(Municipality courts, with territorial jurisdiction according to the seat of the firm)

Submit documentation:

- » Application for court registration (set of forms is available at the court)
- » Establishment contract
- » Decision of the Ministry of Foreign Trade and Economic Relations
- » Certification from the tax office that all tax obligations are paid
- » Statement of the manager confirming the acceptance of the position
- » Proof of payment of initial capital
- » Verified signatures of persons authorized for representing the company
- » Verified statements of founders
- » Proof that foreign company is registered in its home country if the founder is a legal entity or a verified photocopy of passport if the founder is a natural person
- » Proof of payment of court fees

<sup>4</sup> This is the most frequent form of company and the procedure is the same for the whole territory of BiH.

<sup>5</sup> Starting from May 2007, verification and processing of all documentation for registering companies will be done by authorized notaries.





## OTHER STEPS

### 6. STEP: COMPANY STAMP

Making a company stamp (submit the Decision on company registration). The minimum content of stamp is the name and seat of the company. The stamp is made by licensed firms. The amount of costs is between BAM 20 and 50 (cca. 10-25 EUR) depending on the content and size of the stamp.

### 7. STEP: REGISTRATION AT STATISTICAL REGISTER AND GETTING A STATISTICS AND IDENTIFICATION NUMBER - AT THE STATISTICS AGENCY AND TAX DEPARTMENT

The statistics number is a key number related to activity of the company.

Submit documentation:

- » Application form – available at the Statistics Office
- » Copy of decision on registration in the court register
- » Stamp of the company
- » Opening of a transfer (GIRO) account in a commercial bank

### 8. STEP: REGISTRATION AT THE CUSTOMS DEPARTMENT AND REGISTRATION AT THE VAT DEPARTMENT

(At the Indirect Taxation Authority)

Submit documentation:

- » Registration request
- » Verified copy of the Decision on registration in the court register
- » Certificate of the identification number
- » Certified document about deposited signatures from the bank
- » Proof of payment of the fee for the costs of registration
- » Proof of payment of the fee for the costs of administration

### 9. STEP: OPENING A BANK ACCOUNT IN A COMMERCIAL BANK

(Bank by choice of founder)

Following documents need to be submitted as notarized copies:

- » Decision on registration in the court register
- » Identification number
- » Certificate about the registration and customs number
- » Identification documents for the person who will be authorized for the bank account opening
- » Verified signatures of persons authorized for payment transactions

### 10. STEP: REGISTRATION OF THE COMPANY AND THE EMPLOYEES AT THE PENSION AND DISABILITY INSURANCE FUND

Following documents should be submitted:

- » Decision on registration of company in the court register
- » Certificate of the identification number
- » Registration form available at Pension and Disability Insurance Fund

### 11. STEP: OBTAIN PERMISSION FOR BEGINNING OF ACTIVITY AT THE INSPECTION DEPARTMENT

Following documents should be submitted:

- » Registration request
- » Decision on registration of company in the court register
- » Proof of payment of the fee for the costs of administration (in total 75 EUR)

### 12. STEP: START BUSINESS



## SETTING UP A REPRESENTATIVE OFFICE IN BOSNIA AND HERZEGOVINA <sup>6</sup>

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.<sup>7</sup>

A representative office is registered at the Ministry of Foreign Trade and Economic Relations, by submitting an application for the establishment of a representative office. The application letter contains the following:

- » name and seat of the head office
- » seat of the representative office
- » basic information on the person appointed as the representative to the representative office.

The following documents must be submitted along with the application letter:

- » Decision on establishing the representative office
- » Decision on appointing the representative to the representative office
- » Work programme of the representative office
- » Certified copy of the parent company's business registration certificate or other document of incorporation in accordance with the regulations of its home country
- » Proof of payment of fee in the amount of BAM 100 (50 EUR).

If the application is approved, an approval permit is issued to the representative office within 10 days after submission of the application.

Having obtained the approval permit, the representative office is required to inform the Ministry of Foreign Trade and Economic Relations within 60 days of the beginning of work of the representative office.

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<sup>6</sup> Regulated by the Decision on Establishment and Work of Foreign Representative Offices in BiH, issued by the Council of Ministers (Official Gazette of BiH, no. 15/03).

<sup>7</sup> An exception are the representative offices of foreign airlines which may engage in the sale of transport documents in accordance with interstate agreements and international conventions signed or acceded by BiH.



# TAXATION AND OTHER CHARGES IN BiH

Tax administrations (entity, cantonal and municipal levels) are in charge of collecting direct taxes in BiH.

The BiH Indirect Taxation Authority is responsible for enforcement of legal provisions and policy on indirect taxation. It is also responsible for the collection of all indirect taxes in BiH: Value Added Tax, customs duties and excise duties.

The basic taxation categories are:

» Corporate income tax	» Value Added Tax
» Personal income tax	» Excises
» Social security contributions	» Customs

## VALUE ADDED TAX (VAT)

Value added tax (VAT) was introduced on January 1, 2006, replacing sales tax on goods and services. It was introduced at a flat rate of 17%.

COMPARED WITH OTHER COUNTRIES IN THE REGION

COUNTRY	VAT RATE
Bosnia and Herzegovina	17 %
Serbia	18 %
Macedonia	19 %
Albania	20 %
Croatia	22 %

VAT is a comprehensive tax on consumption, assessed based on the value added to goods and services.

The Indirect Taxation Authority is in charge of calculation and collection of VAT.

## PERSONAL INCOME TAX RATES IN BiH<sup>8</sup>

In FBiH and in RS, personal income tax is payable on the following types of income:

- » Wages
- » Earnings from farming
- » Income from property and property rights
- » Income from copyrights, patents and technical inventions
- » Capital gains
- » Income from other activities.

In FBiH, wages are taxed 5,5% (tax base is net salary), while tax rates for other types of income range from 10% to 30% (depending on the tax-base type, e.g. income from property, copyrights, capital gains, etc.).

In RS, wage tax is from 0% to 15% (tax base is net salary and depends on the amount of wage). Tax rates for other types of income are the same.

## CORPORATE INCOME TAX RATE IN BiH

Federation of BiH (FBiH) – 30%  
 Republic of Srpska (RS) – 10%  
 Brčko District – 10%

Profits are calculated in accordance with applicable laws, by deducting (real) expenses from revenues. The tax base includes profit gained through revenues and capital gains, according to the accounting regulations. The expenditures must conform to the accounting standards.

## EXCISES

Excises are a special type of sales tax paid on some commodities like oil products, tobacco products, soft drinks, alcohol drinks, beer, wine, and coffee.

<sup>8</sup> In FBiH, personal income tax is levied at cantonal level, while in RS it is regulated at entity level. Brčko District has its Law on Personal Income Tax that regulates this type of tax for the District.



# SOCIAL SECURITY CONTRIBUTIONS

The average net wage in Bosnia and Herzegovina in 2006 was 300 Euro.

Social security contributions are calculated differently in the Republic of Srpska and in the Federation of BiH.

In Republic of Srpska, contributions are calculated on the basis of net wage. Net wage implies the income earned by the employee during regular working hours, plus some additional receipts like vacation allowance, paid sick leave, national holidays, paid leave, overtime and reduced working time, if it was not deliberate or envisaged as such.

In the Federation of BiH, there are contributions paid by the employer and those paid by the employee, on the basis of gross wage. Gross wage includes net salary earned by regular employment, plus contributions, taxes and participations.

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

## A) EMPLOYEE'S SHARE:

- » FBiH: 17% for pension insurance, 13% for health insurance, 2% for unemployment insurance, 5% tax on net wage, 0.50% tax on protection of natural disaster (in total: 32% on gross wage and 5.5% on net wage).
- » RS: 24% for pension insurance, 15% for health insurance, 1% for unemployment insurance, 2% for child protection and 0-15% tax on net wage (depending on the amount of wage: in total: 42–57% on net wage).
- » Brčko District: 17% on gross wage for pension insurance for employees from FBiH, and 24% on net wage for employees from RS; 12% on gross wage for health insurance and 10% -15% tax on net wage or 0% for minimum wages (in total: 29% on gross wage, plus 10% on net wage for employees from FBiH, and 34% on net wage, plus 12% on gross wage for employees from RS).

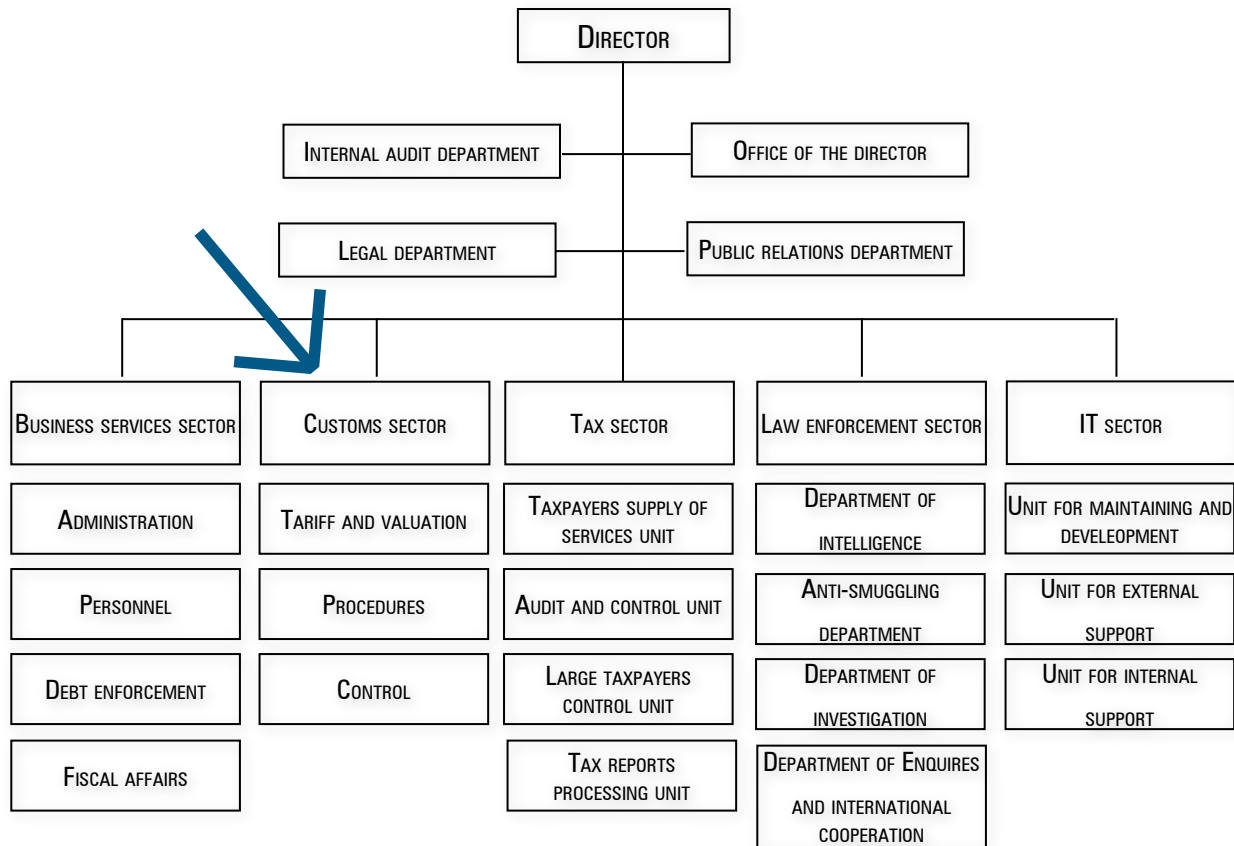
## B) EMPLOYER'S SHARE:

- » FBiH: 7% for pension insurance, 4% for health insurance, 0,50% for unemployment insurance (in total: 11,50% on gross wage).
- » Brčko District: 7% on gross wage for pension insurance.
- » In RS, no such contributions are paid.



## CUSTOMS <sup>9</sup>

Indirect Taxation Authority is responsible for the collection of all customs duties.



ORGANIZATIONAL STRUCTURE OF INDIRECT TAXATION AUTHORITY OF BiH

Import customs rates payable in BiH according to the customs tariffs are: 0%, 5%, 10% and 15%, while 1% of customs value is paid for the purpose of customs registration.

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 <sup>10</sup> :

- » 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,
- » equipment of specification 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.

<sup>9</sup> Regulated by the Customs Policy Law (Official Gazette of BiH, 57/04)

<sup>10</sup> The procedure is regulated by the Decision on exemption from paying import duties for equipment that represents share capital of a foreign investor (issued by Council of Ministers)



## PRIVATIZATION PROCESS

The privatization of state-owned companies offers investment opportunities for foreign investors. The privatization process is well underway and privatization in BiH is an overall process, which provides an array of possibilities to both local and foreign natural and legal entities to participate in the purchase of the state capital, including enterprises and apartments with existing tenancy rights.

The main principles of privatization are public participation and equal rights of participants. The means of payment in the course of privatization is cash.

## PRIVATIZATION METHODS

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.

A specific privatization programme may determine conditions which should be fulfilled by the buyers of the state-owned capital within a given deadline, such as: future company investments, programme of retaining the current number of employees and employing new workers, maintaining the existing business activity or adopting a new one, increasing the fixed capital, placing the shares of the privatized company on the official stock exchange market and so on.

## THE "STRATEGIC COMPANIES"

The "strategic companies" were selected for tender privatization, offering numerous privatization opportunities to remain throughout BiH.

Bosnia and Herzegovina is accelerating the privatization process for companies of strategic importance in order to increase economic growth and enhance the volume of foreign investment.

There is a wide choice of opportunities for potential foreign and local investors, because a number of these "strategic companies", which includes large enterprises, telecommunications and power utilities sectors, public utilities, mines, etc, have still not been privatized.

In FBiH, privatization is managed by the Privatization Agency and in RS by the Privatization Directorate.<sup>11</sup>

All information about non-privatized companies starting from the current activities in the privatization process of BiH, through the ongoing tenders for the sale of the state-owned capital, results of the sales conducted so far with a breakdown by method of sale and all other information is available on the web sites of privatization agencies:

FBiH: [www.apf.com.ba](http://www.apf.com.ba) and RS: [www.rsprivatizacija.com](http://www.rsprivatizacija.com).



<sup>11</sup> Directorate for Privatization of RS is in function until June 2007, after which the Investment Bank of RS will be the competent body in charge of privatization in RS.

# BANKRUPTCY OPPORTUNITIES

## NEW OPPORTUNITIES FOR BOTH FOREIGN AND LOCAL INVESTORS

The new 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.

Bankruptcy Laws (enacted in 2003) provide an efficient and speedy bankruptcy procedure, foreseeing two main types of proceeding:

- » Bankruptcy Liquidation
  - Auction
  - Direct sale
- » Bankruptcy Reorganization
  - Tender
  - Auction
  - Mixed tender
  - Direct negotiation

*“Many Bosnia-Herzegovina citizens tend to view bankruptcy as the end of a process. In reality it’s an opportunity for a fresh start.”*

John Seong, a USAID official.

The main participants in bankruptcy are the bankruptcy judge, bankruptcy trustee (named by bankruptcy judge), assembly of creditors and the board of creditors (not mandatory).

Announcements for companies in bankruptcy are mostly published on the bulletin board of the bankruptcy debtor, public papers, and bulletin board of the court and on some web sites such as: [www.pkrs.inecco.net](http://www.pkrs.inecco.net), [www.komora.bl.inecco.net](http://www.komora.bl.inecco.net), [www.komorabih.ba](http://www.komorabih.ba) or [www.fipa.gov.ba](http://www.fipa.gov.ba).

## ADVANTAGES OF BANKRUPTCY

- 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.



## SECURITIES <sup>12</sup>

Purchase and sale of securities is carried out via the stock exchange, only through authorized brokerage houses <sup>13</sup>. The information as to whether a certain security is traded on the stock exchange, as well as the data on its current market price is available at brokerage houses.

Before sale/purchase of a security, the buyer/purchaser should sign a contract with the brokerage house of his/her choice, regulating mutual rights and obligations, as well as fill out and sign a purchase/sale order. The contract is concluded only on the business premises of the brokerage house.

The owner of a security has an account with the Register, which issues a certificate-statement to the owner of the account. Employees of the brokerage house are not authorized to request to be presented the certificate-statement, because only the security holder and authorized employee of the Registries have the right to inspect the balance on the account.

## ISSUANCE OF SECURITIES

An issuance of the securities is conducted through a public offering or a private placement. A public offering of securities is a sale based on a public invitation to subscribe for securities. A private placement is a sale of securities to certain purchaser or a group of not more than 40 purchasers.

In FBiH, the following securities in the form of electronic record can be issued:

- » Shares (ordinary, preferred and shares for employees)
- » Bonds
- » Certificates (for a period of time over one year)
- » Other securities of the long-term character, contract of investment based on which assets may be obtained from a third party, other transferable investment deeds, other rights defined as securities by the regulations of Securities Commission of FBiH

The issuer may be a company, bank, funds management company, investment fund, mutual fund, pension fund, or insurance company which are organized as a joint stock company or a limited liability company.

Ownership of a security is acquired on the day of closing a legal transaction through which the ownership of the security is transferred.

In RS, the following securities can be issued:

- » Shares
- » Bonds
- » Warrants
- » Treasury bills
- » Commercial papers
- » Certificates of deposits
- » Other securities issued in series determined by the Securities Commission of RS

The issuer of securities may be RS, city, municipality, investment fund and any other legal entity established as a joint stock company or a company with limited liability. The legal basis for acquisition and transfer of rights from securities shall be a legal transaction whose purpose is acquisition and transfer of ownership, a judicial decision or a decision of other competent authority.

Rights and obligations from securities shall be acquired, transferred and limited by their entry on owner's account in the Registry.

<sup>12</sup> Securities in FBiH are regulated by The Law on Securities, Law on Securities Commission, and Law on Register of Securities. Securities in RS are regulated by The Securities Market Law.

<sup>13</sup> The lists of brokerage houses are available on the web sites of Securities Commissions of FBiH and RS: [www.komvp.gov.ba](http://www.komvp.gov.ba) and [www.khov-rs.org](http://www.khov-rs.org). There are two stock exchanges in BiH (Sarajevo Stock Exchange d.d. and Banja Luka Stock Exchange d.d.). For more information, see page 25.





# TAKING OVER OF JOINT STOCK COMPANIES <sup>14</sup>

## THE OBLIGATION TO PUBLISH A TAKEOVER BID

The person that acquires the issuer's shares which, together with the shares that he/she already possesses, exceed a threshold of 25% (30% in FBiH) of the total number of votes accorded by the issuer's shares carrying voting rights, shall notify the issuer, the Securities Commission and the public of such acquisition without any delay and publish a takeover bid.

The person that, based on a takeover bid, has acquired less than 75% (2/3 in FBiH) of shares carrying voting rights shall publish a takeover bid in the case of further acquisition of shares of the same issuer.

The issuer shall be obliged to inform the Securities Commission on acceptance and the content of the takeover bid within three days from the day of the publishing of the takeover bid.

In RS, the bidder shall publish a takeover bid and any amendments in the Official Gazette of the Republic of Srpska, in a daily newspaper which is regularly sold in the entire territory of RS. In FBiH the bidder shall publish a takeover bid and any amendments in at least one daily newspaper which is regularly sold in the entire territory of FBiH.

If requested so by a shareholder, the issuer shall provide all the available information on the takeover bid. The same shall apply to all amendments.

## EXEMPTIONS FROM THE OBLIGATION TO PUBLISH A TAKEOVER BID

The offer shall not be obliged to publish a takeover bid if:

- » he/she acquires the issuer's shares by inheritance;
- » he/she acquires the issuer's shares by division of marital acquisition;
- » he/she acquires the issuer's shares by increasing the initial capital through investments in issued shares by a private offering, and the issuer's general assembly, prior to the registration of shares, agrees that the offer may acquire more than 25% in RS (30 % in FBiH) of the total number of shares carrying voting rights without the obligation to publish a takeover bid;
- » in some other cases.

## A TAKEOVER REPORT

After the expiration of the takeover bid period and after the expiration of the payment term, the bidder shall publish a takeover report and submit it to the Securities Commission, the issuer and every stock exchange and regulated public market where issuer's shares are traded.

<sup>14</sup> Regulated by Law on the Takeover of Joint Stock Companies  
(Official Gazette of F BiH 07/06 and Official Gazette of RS 64-II/02)



# COMPETITION IN BiH

The Competition Council <sup>15</sup> is an independent body with exclusive competence to decide on the presence of prohibited competition activities in the market of Bosnia and Herzegovina.

## LEGISLATION

Competition policy in Bosnia and Herzegovina is regulated by the Competition Law.

Compatibility of Competition Law with the European Union legislation in the field of the market ensures the effective and transparent application of the Law, simplicity of procedures, reduced duration of the proceedings and in general, reduced level of the state intervention in this field.

## OBSTRUCTION OF COMPETITION

Pursuant to the Competition Law, the proceedings may be initiated at the party's request/claim or ex-officio when the Competition Council finds that the practice concerned is likely to cause considerable obstruction, restriction or distortion of competition.

When the proceeding is completed (duration of the proceedings depends on the case concerned), the Competition Council issues a final decision on which the injured party to the proceedings may file an appeal before the Court of Bosnia and Herzegovina.

## CONCENTRATION

Concentration is defined as:

- » joining or merger of two or more previously independent companies or parts of companies;
- » acquisition of control or prevailing influence of one or more companies over another company, or over more companies or a part of another company, or the parts of another company;
- » the creation of a long-term joint venture, by two or more independent companies.

The companies are obliged to notify the Competition Council of the intended concentration if:

- a) the total income of all companies - parties to the concentration, realized by the sale of goods and/or services in the global market amounts to BAM 100 million (cca. 50 million EUR), according to the balance sheet of the financial year preceding the concentration, and when at least one company, a party to the concentration, is registered in the territory of BiH (it acts in the domestic market of goods and/or services); or
- b) the total income of each of at least 2 parties to the concentration, realized by the sale of goods and/or services in the market of BiH amounts to at least BAM 5 million (cca. 2, 5 million EUR), according to the balance sheet for the financial year preceding the concentration, or if their common share in the relevant market exceeds 40%.

All concentrations of companies that significantly impede effective market competition and particularly, that create a new or strengthen an existing dominant position, are prohibited. Fines for participating in the prohibited concentration of companies are determined at a large amount.



# FREE TRADE ZONES IN BOSNIA AND HERZEGOVINA

Free trade zones <sup>16</sup> are part of the customs territory of BiH managed by the founder of the free zone.

Each free zone has the status of legal entity and it acquires legal capacity and the capacity to exercise rights upon registration at the court register.

## ESTABLISHMENT OF A FREE ZONE

Free zone founders may be one or more domestic or foreign legal entities registered in BiH. The Council of Ministers of BiH, following a proposal of the Ministry of Foreign Trade and Economic Relations, gives its consent for the establishment of the free zone, if the conditions for establishment are economically justified, i.e. if, on the basis of the submitted feasibility study on justification of the establishment of the free zone and other evidence, it can be assessed 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 a period of 12 months.

## THE BENEFITS OF INVESTING IN FREE ZONES

- » Imports and exports of goods and services into and out of a zone are unlimited.
- » The users of free zones do not pay taxes, with the exception of those related to wages (wage tax and wage contributions).
- » Investors are free to invest capital in the free zone, transfer their profit and retransfer capital.
- » Customs and tariffs are not paid on imports into the free zone.
- » The import of equipment that will be used for production within the free zone is exempt from paying customs duties and fees.

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<sup>16</sup> Regulated by the Free Zones Law of BiH (Official Gazette of BiH 03/02).



## CURRENT FREE TRADE ZONES IN BIH

### 1. FREE ZONE "SLOBOMIR" - Total Area: 10 acres (hectares)

**ADDRESS:**

Slobomir, Bijeljina 76300  
Bosnia and Herzegovina  
Tel: +387 55 231 146  
Fax: + 387 55 231 144  
E-Mail: office@slobomir.com  
Web: www.slobomir.com

**POSITION:**

» Connection to the regional road Bijeljina – "Pavlović Bridge" (connects BiH with Serbia)

### 2. FREE ZONE "HERCEGOVINA-MOSTAR" - Total Area: 435,633 m<sup>2</sup>

**ADDRESS:**

Rodoč bb  
88000 Mostar  
Bosnia and Herzegovina  
Tel: +387 36 350 210  
Fax: + 387 36 350 221  
E-Mail:  
sz.hercegovina@tel.net.ba

**POSITION:**

» Connection to the main railway: Budapest–Sarajevo–Banja Luka–Zagreb/Belgrade  
» Connection to the main road (Corridor Vc): Budapest- Osijek- Sarajevo-Mostar- Ploče  
» Existence of the Mostar Airport  
» 60 km far from the Port Ploče (Adriatic Sea)

### 3. FREE ZONE "VISOKO" - Total Area: 200,000 m<sup>2</sup>

**ADDRESS:**

Kakanjska 4  
71 300 Visoko  
Bosnia and Herzegovina  
Tel: +387 32 738 010  
Fax: + 387 32 738 010

**POSITION:**

» Road connection: Orašje-Doboj-Zenica-Sarajevo (Vc corridor Budapest-Sarajevo-Ploče)  
» Rail connection: Zagreb, Beograd -Vinkovci-Sarajevo-Ploče  
» 30 km far from the Sarajevo Airport

### 4. FREE ZONE "VOGOŠĆA" - Total Area: 85,000 m<sup>2</sup>

**ADDRESS:**

Igmanska 36  
71320 Vogošća  
Bosnia and Herzegovina  
Tel: ++387 33 434 534  
Fax: ++387 33 433 509  
E-Mail: skoda-bh@bih.net.ba  
Web: internet.ba/szona\_vogo-  
sca/

**POSITION:**

» Direct Connection to the main railway: Ploče – Sarajevo – Banja Luka – Zagreb/Belgrade  
» Connection to the main road (Corridor Vc): Budapest- Osijek- Sarajevo-Mostar- Ploče  
» 10 km far from the Sarajevo Airport  
» Connection to the Trans-European gas supply

# CONCESSIONS IN BiH

Concessions <sup>17</sup> 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).

## CONCESSION CONTRACT

Concessions are granted under equal terms to both domestic and foreign legal entities by announcing a public invitation or by unsolicited proposal (submitted to the competent Ministry), after which a Concession Contract is concluded between the conceding Party and the concessionaire. The Concession Contract, after the implementation of the legally prescribed procedure and with the consent of the Commission for Concessions of BiH <sup>18</sup>, is signed by the competent minister.

## CONTRACT PERIOD

The Concession 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.

## RIGHTS OF THE CONCESSIONAIRE

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.

<sup>17</sup> Concessions are regulated by the Law on Concessions.

<sup>18</sup> The Commission for Concessions of BiH is an independent regulatory legal entity set up by the Law on Concessions.



# INTELLECTUAL PROPERTY IN BOSNIA AND HERZEGOVINA

In Bosnia and Herzegovina, intellectual property legislation, harmonised with the TRIPS Agreement <sup>19</sup>, ensures effective protection of intellectual property rights in BiH.

The relevant institution responsible for intellectual property protection and enforcement in BiH is the Institute for Intellectual Property of BiH, an independent state institution <sup>20</sup>.

Bosnia and Herzegovina is a member of the World Intellectual Property Organization (WIPO).

BiH is also a member of the European Patent Organization through the Agreement on Cooperation and Extension, as an extension state (extended European patent applications and patents enjoy the same protection in BiH as the patents granted by the EPO for the currently 30 member states of the EPO).

## EQUAL STATUS OF FOREIGN NATURAL AND LEGAL PERSONS

Foreign natural and legal persons enjoy, in respect of the protection of industrial property rights in Bosnia and Herzegovina, the same rights as domestic legal or natural persons, or other domestic nationals, if this results from international contracts and conventions acceded by BiH or from the application of the principle of reciprocity.

The unpublished authors' works of foreign citizens to be published for the first time in BiH or within 30 days from the day they have been published in any other state enjoy the same protection as the copyright works of citizens of BiH.

The authors' works of foreign citizens, which have not been for the first time or simultaneously published in BiH, enjoy the protection within the framework of the obligations, which BiH has assumed under international treaties or on the basis of de facto reciprocity.

LEGISLATION	INTERNATIONAL CONVENTIONS IN THE AREA OF INTELLECTUAL PROPERTY SIGNED BY BIH
<ul style="list-style-type: none"><li>» Industrial Property Law of BiH</li><li>» Law on Copyright and Related Rights in BiH</li><li>» Regulation on Trademark</li><li>» Regulation on Patent protection</li><li>» Regulation on Industrial Design</li><li>» Regulation on Geographical Indication</li><li>» Law on administrative fees</li><li>» Decision on special procedural charges</li><li>» Regulation of competence criteria for performing the collective Copyright and related Rights administration</li></ul>	<ul style="list-style-type: none"><li>» Paris Convention for the protection of industrial property</li><li>» Madrid Agreement concerning the international registration of marks</li><li>» Nice Agreement concerning the international classification of goods and services for the purposes of the registration of marks</li><li>» Locarno Agreement establishing an international classification for industrial designs</li><li>» Bern Convention for the protection of literary and artistic works</li><li>» Patent Cooperation Treaty (PCT)</li><li>» Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite</li><li>» World Convention on Copyright</li><li>» Convention Establishing the World Intellectual Property Organization - WIPO Convention</li></ul>

<sup>19</sup> WTO Agreement on Trade Related Aspects of Intellectual Property Rights

<sup>20</sup> [www.basmp.gov.org](http://www.basmp.gov.org)



# ENTRY TO BIH, RESIDENCE AND WORK PERMITS

## VISA REQUIREMENTS

To enter BiH foreign citizens are required to possess a valid passport and visa. The citizens of the following countries are excluded from this requirement and they do not need the entry visa:

Andorra	Denmark	Japan	Malta	San Marino	Switzerland
Australia	Finland	France	Kuwait	Monaco	Serbia
Netherlands	Austria	Germany	Lichtenstein	New Zealand	Montenegro
Russian Federation	Belgium	Great Britain	Luxemburg	Norway	Slovenia
Turkey	Brunei	Greece	Macedonia	Portugal	Spain
USA	Canada	Ireland	Malaysia	Qatar	Sweden
Vatican	Croatia	Italy			

If they are bearers of diplomatic passports: Poland, Ukraine, South Korea, and Singapore.

If they are bearers of diplomatic and official passports: Iran, China, Pakistan, Romania, Bahrain, Egypt, Jordan, Oman, Saudi Arabia, Tunis and United Arab Emirates.

If they are bearers of business passports: China.

Citizens of all other countries need an entry visa for entering the country.

An entry visa for BiH can be obtained abroad, in diplomatic/consular departments of BiH. A certified border office can also issue a visa if there are legitimate reasons for such an action.

When applying for a private visit to the country, one should, alongside the visa application form, enclose a letter of guarantee, or an invitation to visit from a citizen of BiH, certified by the authorized body.

When applying for a tourist visit, one should, alongside the visa application form, enclose a voucher from the relevant tourist agency.

When applying for a business visit, one should, alongside the visa application form, enclose an invitation from one's partner in BiH certified by the authorised Chamber of Commerce.

## RESIDENCE PERMITS

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

A temporary residence permit is issued by the authorized Ministry of Interior Affairs for a period of up to one year and can be extended. If the residence permit is issued on the basis of employment agreement, its validity is directly linked to the work permit. Since the first residence permit can be issued for one year only, foreign employee needs to extend both his work and residence permits, once that period expires.

If a foreign national intends to reside in BiH with his/her spouse and/or children, this must be mentioned in the application for the first residence permit.

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

## WORK PERMITS

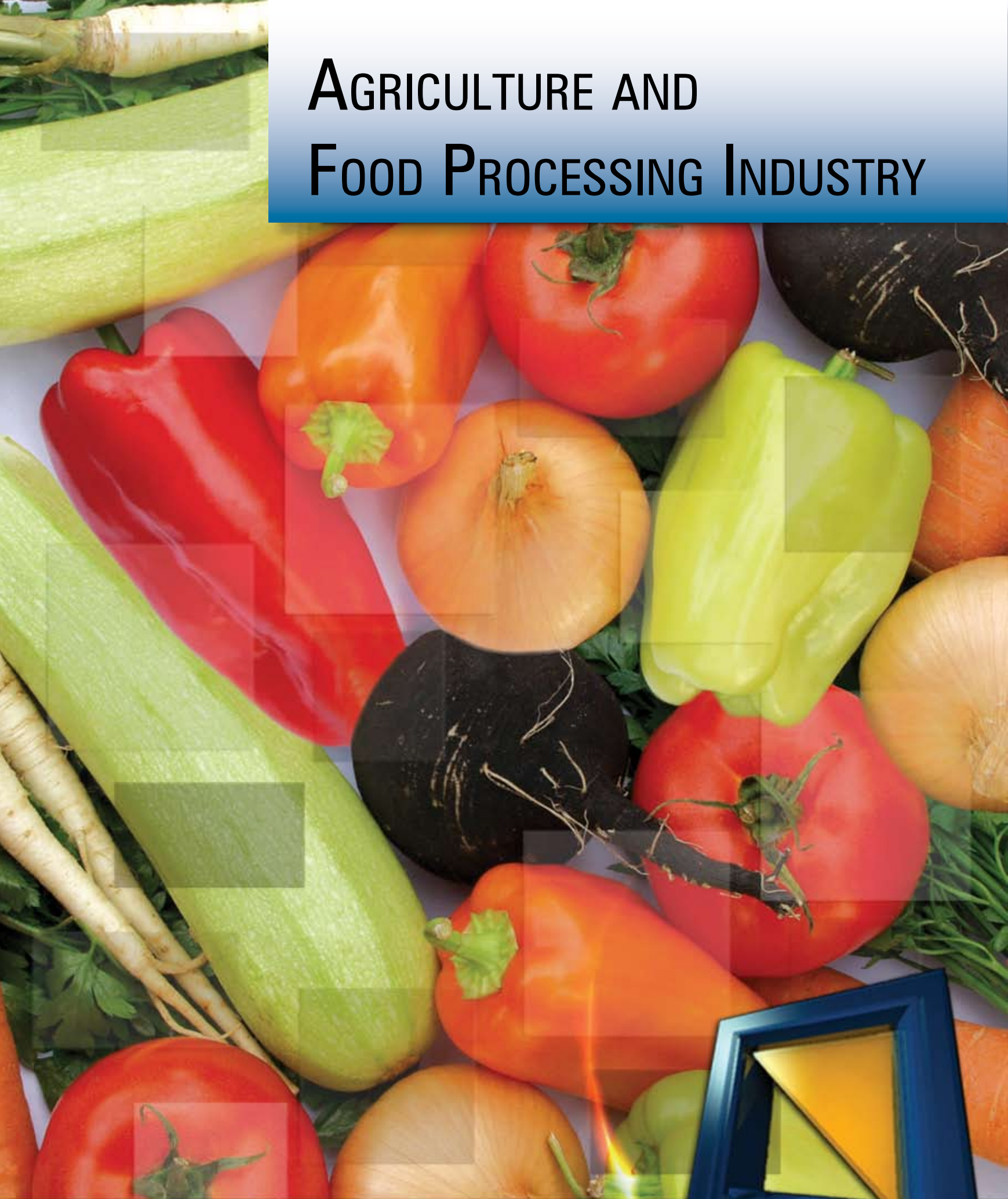
Foreign investors are entitled to employ foreign nationals. Work permits are issued on the basis of a residence permit. Work permits are issued by the authorised Employment Offices for the maximum period of up to one year and can be extended.

The employer should apply for work permits for their foreign employees. Work permits are issued for the person for a specified position and with a specified employer for a specified period of time. The employment of a foreign national will be permitted if he is qualified for the position and if no unemployed citizen of BiH can be found to fill the vacancy. With the termination of employment, the corresponding work permit is invalidated.

The permit evaluation process is completed 7 days upon the submission of required documents.



# AGRICULTURE AND FOOD PROCESSING INDUSTRY



Foreign Investment Promotion Agency  
of Bosnia and Herzegovina



# AGRICULTURE AND FOOD PROCESSING INDUSTRY

Bosnia and Herzegovina has enormous potential in agriculture and food processing sector due to a number of favourable conditions such as:

- » Over 1.5 million hectares of agricultural land;
- » Excellent climatic conditions as well as fertile soil and high quality water;
- » Majority of the land is free from chemical fertilisers and the routine use of pesticides.

Furthermore, BiH has an extensive tradition in this sector, as well as experienced and skilled workforce.

All these conditions provide a superb environment for the production of a wide variety of fruit and vegetables, with the possibility to harvest crops and fruits up to three times a year.

Fruit and vegetable products have enormous market potentials that have been identified by USAID Business Consulting Report. It is estimated that there are over 14 million trees producing plums, pears, apples and other fruits, which are used either for export or for fruit-juice production and its packaging. Given the potential of organic produce and pure water supplies, it is easy to understand why international food and drink distributors are constantly investing in this sector.

## FRUIT AND GRAPE PRODUCTION IN BiH IN 2006

PRODUCT	TREES OF BEARING NUMBER	PRODUCTION	
		TOTAL, TONS	KG PER TREE
CHERRIES	684 858	8 852	12.9
SOUR CHERRIES	519 760	4 348	8.4
APRICOTS	77 386	837	10.8
APPLES	3 711 468	58 109	15.7
PEAR	1 658 610	23 043	13.9
PLUMS	10 803 955	123 234	11.4
PEACH	486 121	7 239	14.9
QUINCES	109 488	1 053	9.6
WALNUTS	495 280	5 088	10.3
ALMONDS	12 683	57	4.5
MANDARINS	1 200	5	4.1
LEMON	3 112	13	4.2
FIG	39 880	450	11.3
OLIVES	3 505	41	11.6
	HARVESTED AREA		
STRAWBERRIES	1 310	8 409	6.4
RASPBERRIES	916	6 452	7.0
	PRODUCTIVE VINES		
GRAPES	10 792 000	21 498	2.0



Medicinal herbs used in pharmaceutical and cosmetic industries are known for their high quality. Big plantations of lavender and other aromatic herbs are located in the south of BiH. Conditions for growing tobacco and wine are also traditionally very favourable.

Fish farming is also well developed, especially trout and carp, since the water from BiH's streams is exceptionally clean and unpolluted.

## FAVOURABLE CLIMATE

South of the country has slight Sub-Mediterranean climate, characterised by long, warm summers and short, mild winters. More than 200 sunny days and in average 1400 l/m<sup>2</sup> of precipitation per year enable almost all sorts of agricultural production. Enough water, available agricultural surfaces and large number of sunny days make the south of BiH an ideal place for development of vineyards, fruit and vegetable. There are excellent conditions for glasshouse production.

Central part of BiH has mountain-continental climate. Great mountain grasslands that are full of water enable the intensive-extensive cattle production. These are ideal conditions for production of potatoes and cabbage, as well as for organic production.

North of the country has typical continental climate. Because of the climate and topography, there are ideal conditions for production of cereals, vegetable, and cattle breeding.

## ORGANIC FOOD

Bosnia and Herzegovina has large areas of ecological, unpolluted and cultivable land, clean water springs and clean air that represent optimal conditions for intensive organic production. Additional advantages are the relatively low labour costs and the rare use of mineral fertilisers and plant-protection chemicals in BiH over the last ten years.

The proximity of the largest world markets and constant growth of needs for so called "light", "healthy", "functional" and organic food, caused by body and health awareness, makes this field of economy extremely interesting for investment. At the same time, the permanent decrease of areas for growing organic food in Europe makes BiH a leading potential producer in Europe.

BiH is a member of IFOAM – International Federation of Organic Agriculture Movements.

"Organska kontrola" ("OK") has developed a certification programme and OK standards for organic production and processing in accordance with demands of IFOAM basic standards, as well as with EEC legislation for organic production and close cooperation with KRAV Certification Institution from Sweden.

## MARKET OPPORTUNITIES

It is important for BiH to win back market share on the domestic market. The strengths of the food sector on the local market are:

- » Domestic demands are still higher than local production;
- » Proximity to local markets (important for fresh products, perishable products with low to mid-durability and for products with high storage and transport costs);
- » Knowledge of local consumer behaviour;
- » Many years of experience in various sub-sectors;
- » Availability of sufficient pasture and meadows for cattle farming;
- » Price advantages with some fruit and vegetable products.



Product	Domestic demand	Domestic supply	Availability of raw material	Main competitors
<b>PASTRIES</b>	Consumption of about 393,000 tons of wheat flour, of which approx. 45% is processed in bakeries (approx. 177,000 t); increasing demand for frozen products possible if income increases	Bread, pastries, frozen pastries, increasing product range	Import demand, wheat production covers only about 63% of demand, but sufficient capacities in the mills	» Croatia » Serbia
<b>MEAT AND MEAT PRODUCTS</b>	Consumption of about 90,000 tons slaughter weight; increasing demand for poultry, decreasing demand for expensive beef and lamb; fish demand may increase if income increases	Except for sausage production, so too little further processing (e.g. bone-free finished products)	Could be increased (sufficient pastures for cattle production, short term investments in poultry possible), at present huge imports of live stock and frozen meat	» Slovenia » Croatia » Germany » The Netherlands » Austria
<b>MILK AND MILK PRODUCTS</b>	300-400 million litre consumption; demand for products with long durability and diversified processed products, e.g. sour cream, 0.5 litre milk; increasing demand for fresh milk in the long run (once the cooling logistics are better)	UHT and pasteurised milk, fresh cheese, yoghurt; too little product development, insufficient cooling logistics	Could be increased, at present insufficient production, high production and collection costs, insufficient quality control, and huge import levels	» Croatia » Slovenia » Germany » Hungary
<b>FRUIT AND VEGETABLE PRODUCTS</b>	At present demand for cheap fresh and processed fruits and vegetables. Increasing demand for juices (in future more multi-vitamin and 100% fruit juices); increasing demand from the gastronomy sector (e.g. 0,2 litre bottles), increasing demand for snack products (e.g. potato chips)	Increasing efforts in quality management and packaging; local products are mostly cheaper than imported ones	At present insufficient raw material, contract production has gradually developed, production of vegetables increasing, but few long term investments in fruit production	» Slovenia (fruit juices) » Hungary » Italy » Croatia » Macedonia (processed products)

The Multilateral Investment Guarantee Agency (MIGA), member of the World Bank Group, financially supported making and printing of brochure "Agriculture and Food Processing Industry" in cooperation with FIPA.



# AUTOMOTIVE INDUSTRY



Foreign Investment Promotion Agency  
of Bosnia and Herzegovina

# AUTOMOTIVE INDUSTRY

Automotive industry in Bosnia and Herzegovina is one of the most attractive sectors in the country with a progressive growth in the last few years. It has enormous potential and competitively priced workforce. Given BiH's rich and extensive tradition in the automotive industry, especially in the production of auto components, BiH companies are renowned as suppliers of quality components.

For decades, major brands have relied on the skilled workforce of BiH to assemble cars for Western markets. Automotive industry in BiH has a long tradition that goes back to 1950s. First steps in this industry branch were made in automotive industry that followed production of different parts and components for passenger cars and heavy weight vehicles. At the beginning of the 1970s, Volkswagen and UNIS-Holding merged into a concern, and the production of the first vehicles in BiH began.

At the same time, Famos Holding, one of the most important companies involved in the development of automotive industry in BiH, started the production of the first diesel engines licensed under Mercedes Benz as well as gears licensed under German ZF.

Volkswagen Group has recognised this tradition and BiH is well underway to become the Group's supply-base in South Eastern Europe, a market of 120 million consumers.

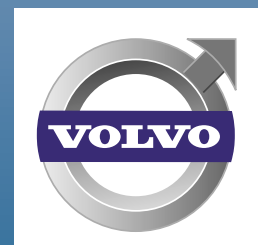
The revival of BiH's automotive component industry is being led by a group of businesses that are suppliers of Volkswagen's worldwide marketing and production organization. ASA Auto started the distribution of Volkswagen vehicles throughout BiH in 1996. The plant, located conveniently near Sarajevo, assembles Škoda and VW vehicles for the VW Group.



**ASA** *Prevent*  
G R O U P



**BEKTO**  
International



*“The ASA PREVENT GROUP is the major private group in the region, operating in the car industry of BiH. In 2006, 19 firms were divided into 3 divisions: a car division, production division and financial division.*

*The Free Trade Agreements concluded by Bosnia and Herzegovina had a significant impact on the increase of our production capacities. This is particularly true when it comes to the agreement with the European Union, since our entire production was exported to the EU market, i.e. for the well-known car manufacturers such as Volkswagen, Peugeot and Renault.*

Nihad Imamović,  
Team Leader  
of the BiH Automobile Industry

Prevent Sarajevo manufactures seat covers at two facilities in Zenica and Visoko. The production is primarily aimed at the French and German markets. Braking elements intended for export are manufactured for Volkswagen and Audi at Jelah.

German MannHummel, world leader in production of filters, successfully privatized the company Unico Filter. Another successful privatization was Fad Jelah which became part of ASA Prevent Group and is producing parts for Volkswagen group.

Privatization of companies in the automotive industry has been very successful.

When Slovenian CIMOS invested in Gradačac TMD, one of the biggest business concerns in the region entered into BiH. Other examples of investments are opening of a new production plant in Srebrenica, privatization of one of the biggest forges in Balkan BNT Travnik, as well as construction of a gray mould foundry for the needs of automotive industry in Zenica.

Significant amount of foreign capital has been invested in Jajce Alloy Wheels, Bekto International, and Čajavec factory of signaling devices.

Good examples of privatized companies in this sector also are: Pobjeda Tešanj, Tesla and TMD Group from Brčko, UNIS Tok from Kalesija. The company Saraj-Komerc from Gornji Vakuf-Uskoplje is a company that succeeded with its own knowledge, means and efforts and became a supplier to large firms such as MannHammel and Bosch.

Company Fe-Al Mostar, a joint venture of two very successful companies, Feal and Aluminij, is planning to expand more in the future in this industry. It has great potential in this field, because there is great demand for aluminum parts today.



It is important to mention that Automotive Cluster in BiH consists of 23 successful companies from BiH, as well as some governmental institutions such as Foreign Investment Promotion Agency (FIPA).

In September 2005, Foreign Investment Promotion Agency (FIPA) issued a study about Survey on Auto Components Sector in Bosnia and Herzegovina that was financed and commissioned by Japan International Cooperation Agency (JICA).

More details about automotive industry in BiH are available in the mentioned brochure.

A study by MIGA conducted in 2006 confirmed that BiH has numerous strengths in the automotive components industry, notably the availability of skilled labour in engineering and other technical areas, and well developed in-house R&D activities that make it competitive with some of Central Europe's highest performers. With ongoing efforts focused on upgrading capacity and quality enhancement, companies in the Automotive Cluster are looking for investment partners to expand production into wider international markets.



# CONSTRUCTION INDUSTRY



Foreign Investment Promotion Agency  
of Bosnia and Herzegovina



# CONSTRUCTION INDUSTRY

Bosnia and Herzegovina has always been a major player in the construction sector. BiH companies have acquired a solid reputation in all aspects of construction projects, ranging from design to structural engineering, building construction, civil engineering and the production of high-quality building materials.

The building and civil engineer sector gained experience in a wide range of projects. This sector was involved in international projects and has built a reputation for quality and reliability. Construction companies supply key markets in Middle East, North Africa, and Russia.

After the period of reconstruction, in the last few years, the need for infrastructure projects and building construction has arisen.

There are significant clusters of businesses in all of the major centres of population and commerce: Sarajevo, Banja Luka, Bihać, Doboj, Mostar, Tuzla, and Zenica. These are comprised of design and technical consultancies, building and civil engineering companies and building material manufacturers/suppliers.

## CORRIDOR Vc HIGHWAY

It is expected that the sector – and thus opportunities for investment – will grow even further with the construction of the Corridor Vc Highway that will connect Budapest with the Adriatic Sea, crossing BiH from the north to the southeast, a distance of some 328 kilometres. Feasibility study for Corridor Vc has been completed.

The highway, a major component of the EU's Trans European Network, is one of the government's highest priorities and will have a huge impact on the economic development of BiH. The European Commission and the international finance institutions offered full support to BiH in the realization of the Vc Highway construction project, stating that it is important not only for BiH but also for the European Union.

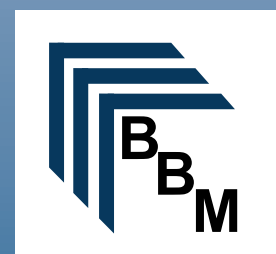


**HEIDELBERGER  
ZEMENT**

HEIDELBERGCEMENT Group

**ROFIX**

**KNAUF**



## DESIGN AND TECHNICAL SERVICES

Universities and technical studies have a long tradition and BiH engineers have extensive experience in the country and abroad. Design and Structural Engineering are observing up-to-date knowledge about methodologies and materials. Graduated architect and civil engineers are qualified and ready to be engaged in international projects.

Main steps for design and planning permissions are:

- » Environmental assessment for Environmental License
- » Preliminary design for Physical Planning License
- » Main design with all necessary plans for Construction Permit

Recommendation for foreign investors is to engage a local company with professional qualifications for design and technical services and adapt the design in accordance with the local regulations for obtaining the Construction Permit.

## BUILDING AND CIVIL ENGINEERING

The potential for growth in BiH construction market is very high.

Construction of larger objects has already begun. Bright examples of those investments are: business centers, housing and accommodations, centers for sport and recreation, industrial facilities and infrastructure projects.

All large companies have mostly been privatized or in the process of privatization, and trying to rebuild the capacity. There is need for more substantial investment and up-to-date equipment. BiH companies can be respectable partners in joint ventures with foreign companies.

The construction of Vc Corridor is well suited to the civil engineering sector of the BiH construction industry, which has a world-wide reputation for high-quality bridge building and tunnelling.

More opportunities for growth in the BiH building industry are to be found in the civil engineering sector, where there are a number of schemes in addition to Corridor Vc that are under discussion for major road, rail and energy production developments. These are large-scale construction projects requiring the creation of consortiums to carry out the range of tasks involved.



## BUILDING MATERIALS

BiH has abundant natural resources such as forestry, stone, gravel (aggregates), sand, clay and metal ores. Most building materials are readily available in BiH. High-value stone can be sold in neighbouring markets and in the EU. Products such as pre-stress reinforced concrete beams are also potential exports from an industry that is experienced in delivering such items to the international construction industry.

Natural resources and high quality workers are advantages for investing in building materials industry. Currently BiH is importing some building material and accessories. The few that are not made in the country require only modest levels of investment to develop. This sector of the industry also offers considerable scope for export development.

However, no glass is produced in BiH, which leaves a large gap that is currently fulfilled through importing. Glass production requires materials that exist in the country, thus the gap could be closed, creating an opportunity for more local employment and wealth generation. A study on the potential to develop glass manufacturing was carried out in Tuzla, provided that suitable investment can be found.

Ultimately, BiH-based industrialized building businesses that manufacture complete homes from modern multi-layered materials that meet the increasing energy efficient needs of the EU will be able to establish themselves as major exporters. To do so effectively, they require partnerships with companies that are operating in the EU and in the Middle East.

Investing in producing building materials is an opportunity for foreign investors. Natural resources and market requirements are recommended.

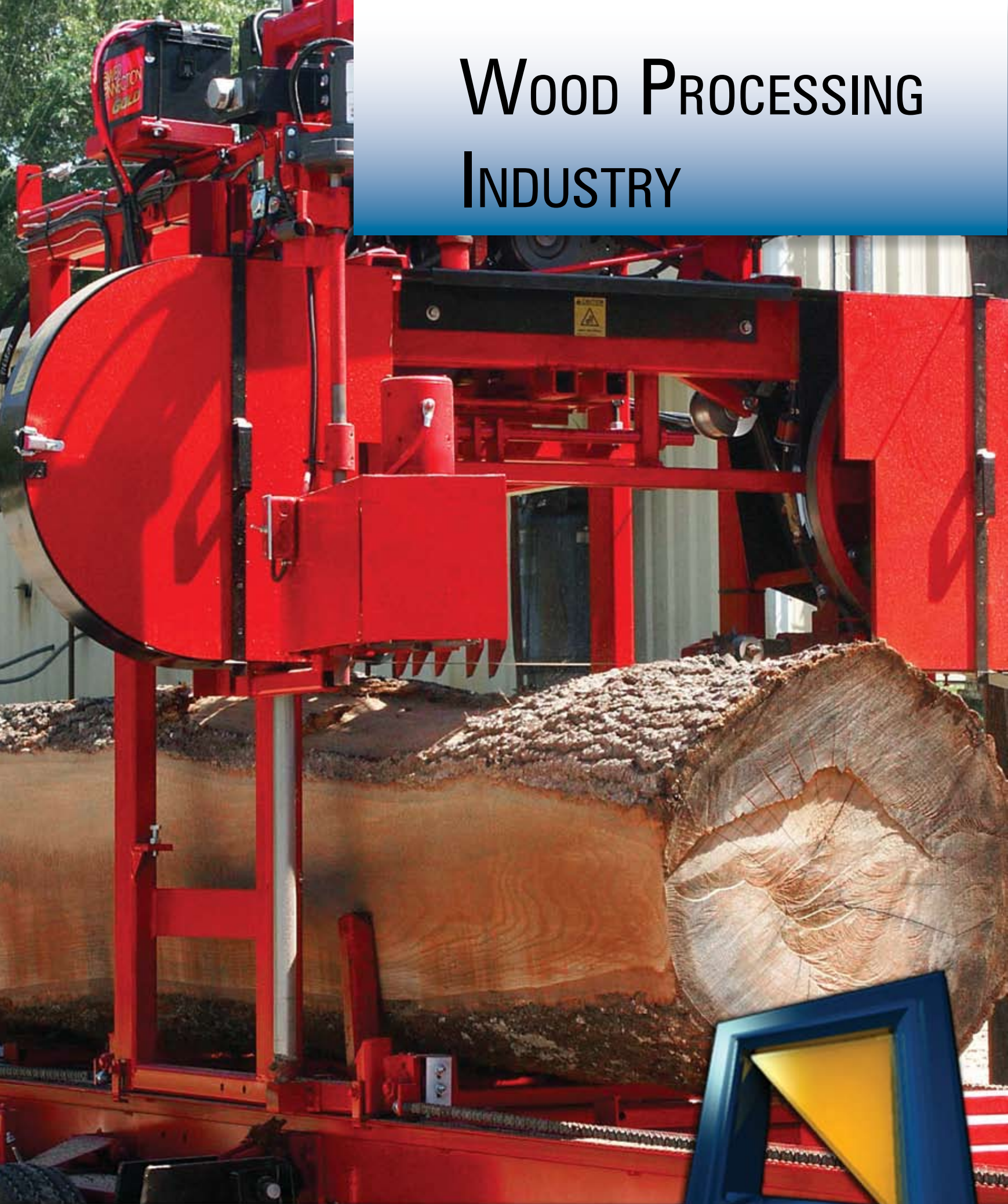
Successful foreign investment already achieved in the cement producers (Cement factory Kakanj-Heidelberg Cement and Cement factory Lukavac-ALAS International) is aimed at developing export sales in neighbouring markets. Metal steel production in Zenica is part of the international company Arcelor Mittal and supplies the construction industry with reinforce. NEXE Group consists of 24 organizations, of which 4 are from BiH.

*“The HeidelbergCement Group invested more than € 60 mill in modern technology in BiH, with intention of investing additional € 50 mill, which shows immense confidence in BiH economy and its aim to achieve sustainable growth. Our goal is to continue to grow, trying to expand the market. We want to keep our leading position on the market, expecting that building of the Corridor Vc should contribute to our joint efforts.”*

**Branimir Muidza,**  
Heidelberg Cement Country Manager for BiH



# WOOD PROCESSING INDUSTRY



Foreign Investment Promotion Agency  
of Bosnia and Herzegovina

# WOOD PROCESSING INDUSTRY

Bosnia and Herzegovina has a long tradition in forestry and wood processing, going back to the second half of the 19th century. The abundance of both hard and softwood as well as the low cost, skilled workforce combined with manufacturing facilities that have capacities for various wood products, furniture and timber production that exceed domestic demand, make this sector export-oriented. Currently, the largest markets for these producers are Germany, Croatia, Serbia, Italy, and the UK, but the potential to export to other countries is enormous.

## FORESTS AND FOREST LAND

Around 53% of BiH territory or around 2.7 million hectares is covered by forests and forest land.

Species composition in BiH forests is dominated by deciduous trees by a ratio greater than 2:1, and within this group beech is by far the most populous species. Beech and oak alone account for almost 50 percent of the forest species composition in the country. „Bosnian beech” is particularly famous worldwide, due to its high tree-ring density, presenting together with, oak, ash, pine and fir, as well as more specialized woods such as walnut, apple and cherry, a comparative advantage for development of the high quality solid wood furniture production.

Average annual volume growth of all forests is around 10.5 million m<sup>3</sup> of the cut wood.

The forests (80.7% state owned) have the sustainable potential to provide nearly 7 million m<sup>3</sup> round-wood per year.

Present level of harvested materials from state own land is around 4 million m<sup>3</sup>, being well within the annual allowable cut figures, what provides a solid base, and an array of opportunities for further sustainable growth of the wood sector, and development of the value added activities, particularly of those export oriented.

Finvest Corp.-Čabar

My Home

Eco invest

Kastamonu Entegre

Atco Atlas Corp.

Euro-Timber

Dempson Packaging

Schieder Gruppe

Cora Domenico & Pigli SPA

Krivaja Zavidovići

Konjuh Živinice

FIS Vitez



## WOOD PROCESSING SECTOR

The wood processing sector is characterized by a large gap between its current performances and its real potential.

Due to the influence of the transition and privatization processes, some very large, sophisticated, fully-integrated companies were disintegrated or even collapsed. Within this period, their technologies and equipment became obsolete; as a result, many factories for final wood processing are still not working in their full capacity.

Despite this, the sector still plays an important, and measurable, role in the domestic and export economies. Within past ten years, a large number of privately-owned firms were established in the wood processing industry, and it is estimated that there are approximately 1500 now operating, which adapted the new market demands, investing in new equipment, and increasing the quality of products. Some companies have been able to discover their niche markets, such as specializing in hand-carved traditional furniture and some modern furniture. Technical skills exist thanks to a long tradition in the sector, but additional investment in continuing education / modernization is needed (e.g. design, hand-carving, etc).

Sales and exports of the BiH wood sector have tripled over the past five years. Some 60% of wood sector production is exported, where the finished furniture is becoming more and more important export product. It is worth mentioning that comparing to 2005, in 2006 export of BiH furniture increased by 28.6%.

In 2006, wood industry exports accounted for € 350 million (20% of total exports). Furniture alone accounted for almost a third of the value of the wood products marketed abroad.

## FURNITURE INDUSTRY



BiH has a strong furniture industry with companies using softwood and hardwood, as well as wood based panels as raw material. BiH has an important sector of sub-suppliers to the furniture industry, producing a broad range of semi-manufactured goods.

Since the late 90s the sector was characterized by the establishment of a large number of privately owned firms, and it is estimated that there are some 1500 companies now operating in the sector. Some of these are: Konjuh d.o.o. Živinice, Dalas d.o.o. Sarajevo, Ukus d.d. Tešanj, Divan d.o.o. Vitez, Krivaja d.o.o. Zavidovići, Pro-M d.o.o. Živinice, Rukotvorine d.d. Konjic, Sabix d.o.o. Hadžići, Kalea d.o.o. Sarajevo, Jadrina d.o.o. Sarajevo, Duka d.o.o. Tuzla, Primus d.o.o. Maglaj, Fis d.o.o. Vitez, Standard d.d. Sarajevo, Natron Hayat d.o.o. Maglaj, etc.

At the moment there is only plywood and associated veneer production in BiH. There is one MDF (Medium Density Fiberboard) mill, Mediapan (Busovača), but due to its obsolete technology and subsequently poor cost competitiveness the facility is not in operation. Consequently, the local furniture industry is obliged to import particleboard and MDF.



## INTERNATIONAL ASSISTANCE

A number of international organizations, such as World Bank, EBRD, USAID, etc. provided technical assistance and support related to the forestry and wood processing sector development, in order to improve forest organization and management, increase revenues from state-owned forest lands, enhance biodiversity, as well as to improve overall global competitiveness of wood processing industry. All these resulted with numerous institutional reforms, and improvement of the overall business environment, including:

- » Development of a GIS-based Forest Management Information System, and the implementation of a country-wide forest inventory, accompanied with measures for protection of the biodiversity and forest conservation
- » Certification in compliance with international quality and product standards

Being aware of the importance of the sustainable forest management, environmental management, proper certification and marking of the companies and wood products, numerous BiH wood sector companies undertook activities focused to the certification in the fields of:

- » **CERTIFICATION OF FOREST MANAGEMENT PRACTICES AND CHAIN-OF-CUSTODY FOR FOREST PRODUCTS**

Willing to answer to the increased demand for FSC labeled timber products, as well to enable a better forest management by means of independent and plausible certification of the forests, three forest management units in BiH have already been successfully certified according to FSC (Forestry Stewardship Council) generic standards, while the other units are currently in the process of certification.

- » **CERTIFICATION OF WOOD PROCESSING COMPANIES**

A number of BiH wood processing companies, particularly export-oriented ones, have begun the process of certification or have obtained certificates, following EU directives and standards related to wood products, including:

- » Quality Management System (QMS) according to ISO 9001 requirements
- » Environmental management ISO14001:1996/2004
- » CE marking, etc.

## FORMATION OF WOOD SECTOR CLUSTERS

Cluster Competitiveness Activity project has been implemented under the sponsorship of the U.S. Agency for International Development (USAID), with the main goal to support the development of the wood sector and implement plans to innovate, add value, and realize BiH's abundant resources and potentials, as a world-class leader in wood products. This project mobilized and gathered together over 200 stakeholders and 140 forestry and wood sector companies, in three regions of Bosnia and Herzegovina.



## OPPORTUNITIES FOR FOREIGN INVESTORS

Taking into consideration the abundance of hard and softwood at low cost, skilled workforce, a large gap between its current performances and a real potential of the wood processing sector, as well as the fact that many factories for final wood processing are still not working in their full capacity, foreign investors have an array of opportunities to benefit from these conveniences.

Targeted investments have the potential to bridge the mentioned gap and improve the substantial value-added outcome, starting new companies or modernizing existing ones, with some capital investments or introduction of the new technologies and equipment.

There is still a large number of previously developed and strong state owned companies, which have to be privatized, offering new owners a chance to buy these companies to introduce and start new production programs, introducing new management, technologies, etc.

Various types of joint venture or privatization of these state owned companies, as well as bankruptcy proceedings, provide an array of the additional opportunities for investment in BiH wood sector.

In addition to the above-mentioned advantages, other reasons and preconditions for successful investments in BiH wood sector are the following:

- » Legal frame and enabling investment climate that makes investment in this sector a proposition with competitive returns
- » Emerging entrepreneurial class
- » Long tradition of manufacturing and forestry
- » High quality raw material - relative ease of access
- » Development of business of non-wood benefits of the forests (e.g. hunting, tourism, etc)
- » High level education / professional forestry and wood processing experts at all levels
- » Substantial and skilled labour force at reasonable cost (15% of EU / North America average wages)
- » Attractive and competitive costs (labour and raw materials)
- » Known, recognized and established wood product reputation
- » Development of international relations and co-operation
- » Geographical location that is highly favourable to regional markets
- » Growing international demand for final and semifinal (especially hard-wood) products





EXAMPLES OF FOREIGN INVESTMENTS THAT HAVE TAKEN PLACE IN RECENT YEARS AND CONFIRM THESE IMPRESSIONS ARE:

COMPANY	INVESTOR / PARTNER	COUNTRY	PRODUCTION
Impregnacija-Holz	PAHolz	Austria	Solid wood glued panels, impregnated PTT poles, railway sleepers, beach wood components.
Lipa-Drvo	Cora Domenico & Figli	Italy	Non-edged, square edged, fresh, air dried and kiln dried, white and steamed lumber
Natron-Hayat	Kastamonu Entegre Agac Sanayi ve Ticaret	Turkey	Containerboard and sack paper
SHP CELEX	SHP Group	Slovakia	Paper sanitary products
Standard dd	Schieder Group	Germany	Furniture manufacturing (specialized in chairs, tables and solid wood cabinets)
Nord Ent (Tešanj)	Pilat & Pilat	Netherlands	Furniture manufacturing joint-venture
Abonos	Italsvenska S.P.A. (Crabo Group)	Italy	Solid wood chairs
Xylon Corporation	Plena Holding	Luxembourg	Solid wood flooring

These impressions have been confirmed and supported by Sector Study on Sustainable Forestry and Forest Industry Business in BiH. Results of the Study identified an array of attractive opportunities for foreign and domestic investors in forestry and wood sector, including particularly as follows:

#### Wood-based panel production

Despite developed furniture industry, there is no wood-based panel production in the country at the moment; all companies are totally dependent on imported particleboard and MDF. Thus, there is a clear opportunity for both domestic and export supply of these materials, and construction of the new production capacities of:

##### » Particle Board Mill

The wood source can be sawmill chips, sawdust, plywood waste or roundwood (can use all kinds of fresh wood as raw material).

One state of the art particle board mill with annual production of 450,000 m<sup>3</sup>.

##### » Medium Density Fiberboard – MDF Mill

The wood source can be sawmill chips, sawdust, plywood waste or roundwood (can use all kinds of fresh wood as raw material).

One state of the art MDF mill with annual production of 250,000 m<sup>3</sup>.



#### Veneer (Plywood)

One or two veneer mills with an annual output of 10,000 m<sup>3</sup> appear likely.



### Parquet Production

The availability of hardwood and processing tradition points to the possibility of parquet manufacturing. Several new or improved mills appear likely.

### Edged Glued Panels (EGP)

Availability of good hardwood sawn-wood, particularly beech sawn-wood. A majority of final products could be targeted to furniture industry in Western Europe.

### Solid Wood Based Furniture

Furniture industry has large potential for expansion in BiH. Low labour costs and the availability of skilled labour in BiH support this option.

This sector includes a wide range of different products, where a quality processing of the valuable resources opens cooperation and investment opportunities in a wide range of final and semi-final products.

### Joinery (Prefabricated houses)

Joinery industry is a highly potential expansion possibility in BiH. Low labour costs support this option.

### Biomass – Pellets

Use of residual wood for the purpose of energy production was seen as an interesting option for wood processors as well as for energy producers in areas of wood processing industries. In respect to foreign direct investment two main options were screened:

- » Combined Heat and Power (CHP) Production from Biomass
- » Pellets/Briquettes from Biomass

### NTFPs (non-timber forest products)

95% of BiH collected forestry products and herbs are sold (exported) in dry (maximum moisture level 9 to 15%) in EU countries.



## ENVIRONMENTAL SITUATION

The environmental situation in the country can be described as satisfactory, with low environmental threats. Intending to protect the rich biodiversity of the country, the legal and institutional framework in environmental management is developing with focus to be completely harmonized with standards and systems similar to those in the EU countries.

### SECTOR STUDY: IDENTIFYING INVESTMENT PROJECTS FOR SUSTAINABLE FORESTRY AND FOREST INDUSTRY BUSINESS IN BIH

Recognizing forestry and the wood sector as particularly attractive, the EBRD initiated in 2006 a study to provide a detailed analysis of investment opportunities in this sector. This study, which is available at FIPA's website, identified an array of attractive opportunities for foreign and domestic investors in the wood processing sector.



# MINING AND METAL PROCESSING



Foreign Investment Promotion Agency  
of Bosnia and Herzegovina

# MINING AND METAL PROCESSING

Exploration, exploitation and processing of natural mineral resources, such as silver, iron, arsenic, bauxite, barite, magnesite, pyrophyllite, and gypsum, have a long tradition in Bosnia and Herzegovina. Additionally, BiH is the largest producer and exporter of zeolite in Europe. The country also has large deposits of coal and limestone, both essential for the metal production industry.

## METALS

Main mining resources are: iron, manganese, cobalt, nickel, chromium, lead, zinc, antimony and bauxite.

BiH has an estimated 653 million tons of iron ore deposits concentrated around Ljubija (northern part of BiH), Vareš (central part of BiH) and Jablanica (southern part of BiH).

Reserves of zinc and lead estimated at 56 million tons are located in the central BiH around Olovo and Vareš, and Srebrenica in the eastern part of BiH.

Large reserves of bauxite estimated at 120 million tons (more than 30 million tons of accessible reserves) are scattered throughout BiH.

Bauxite deposits include Čitluk, Mostar, Posušje, Stolac, Tomislavgrad, and Žitomislići in the southern part of the country, and Bosanska Krupa and Jajce in the northwest, in Vlasenica and Zvornik in the eastern part of the region and in the Banja Luka area. Bauxite mines in Vlasenica, Mostar and Jajce have facilities for annual production with capacity of 2.5 million tons.

The most important facilities for aluminium and aluminium oxide are situated near bauxite mining operation at Mostar – Aluminij d.d. Mostar and Zvornik – Alumina Refinery Birač, which produce zeolite.

The reserves of magnesite near Kladanj (central part of the BiH) are put at 1.7 million tons (with 20% magnesite content). Reserves of manganese estimated at 2.3 million tons are located in area of Bužim (north-western part of BiH). Chromium reserves are estimated at 200 thousand tons.

The logo for MITTAL, featuring the word "MITTAL" in a bold, blue, sans-serif font on a light blue rectangular background.The logo for Birač, featuring a stylized red and white graphic element resembling a bird or a flame, followed by the word "Birač" in a bold, red, sans-serif font.The logo for eft, featuring a stylized blue graphic element resembling a fan or a series of lines, followed by the word "eft" in a bold, blue, sans-serif font.The logo for alpos, featuring the word "alpos" in a bold, blue, sans-serif font.The logo for LIVAR, featuring the word "LIVAR" in a bold, grey, sans-serif font, with a red triangle pointing upwards between the 'V' and 'A'.The logo for A, featuring a stylized, grey, geometric shape that resembles the letter 'A' with a horizontal bar at the bottom.

## INDUSTRIAL MINERALS

BiH is also rich with non-metal deposits: salt (Tuzla), barite, asbestos (Petrovo, northern part of BiH), kaolin (located in several places in the area of Bratunac and Srebrenica, eastern part of BiH), gypsum, limestone (Vijenac, central part of BiH) and clay (there are deposits in Brčko, Bratunac, Odžak, Šekovići and Srebrenik). The Sisecam Soda Lukavac Company has the largest processing capacity, using salt mined in the area around Tuzla.

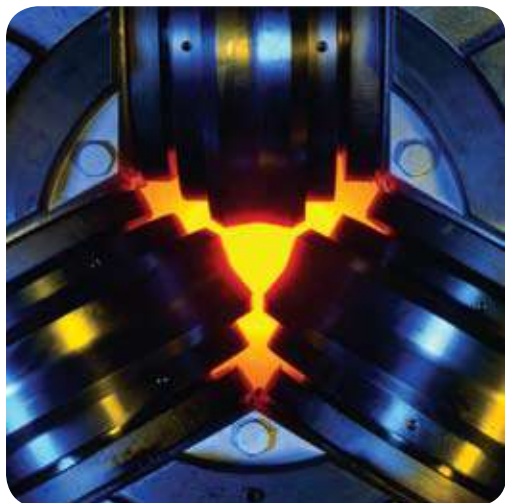
## MINERAL FUELS

BiH has large deposits of brown coal and lignite. Central Bosnia coalmines (Kakanj, Zenica, and Breza) and the Tuzla coalmines (Kreka, Banovići and Đurđevik) supply the Kakanj and the Tuzla power plants with more than 80% of their total coal production. The lignite surface mine at Gacko and the brown coal surface mine at Ugljevik were fully integrated with the respective Gacko and Ugljevik power plants. There are also two active coalmines Stanari, near Banja Luka and Miljevina (eastern part of BiH).

Coal reserves for the entire country are estimated at 5.6 billion tons, of which 40% is brown coal and 60% is lignite.

Nearly half of BiH's electricity is provided by coal thermal power plants, which receive coal supply from adjacent coalmines.

## METAL PROCESSING INDUSTRY



The metal processing industry is of great importance for the BiH economy. BiH has an important aluminium and steel processing industry. The major companies in this sector are Mittal Steel Zenica, Aluminij Mostar, Birač Zvornik and Jelšingrad Banja Luka. With the exception of Aluminij Mostar, all of these companies are now in foreign ownership and have been subject to major restructuring that has transformed them into more productive and export-oriented enterprises.

There are more than 130 companies in the metal processing industry in BiH, 80% of which are small enterprises, 15% medium sized and 5% large enterprises. The metal processing industry has become strongly export-oriented; share of exports from the metal processing industry in total exports is substantial, reaching 22%, while imports take a share of about 6% only.

In a country like BiH, a strong concentration in certain important sub-sectors, single big companies such as Mittal Steel Zenica and Aluminij d.d. in Mostar have a strong impact on the development of the sector as a whole.



In 2004, LNM Holding bought 51% stake of Zenica Steelworks, one of the largest steel manufacturers in the world. LNM committed to invest around US \$ 450 million in the region over a three-year period, in order to bring output at the steelworks, now called Mittal Steel Zenica, up to 2.2 million tones, while keeping most of the current workforce. The significant inward investment by Mittal Steel Zenica had the effect of spurring a surge in investment in related companies and industries.

In mid-2005 the RS government agreed to the sale of a 65% stake in the Jelšingrad steel foundry in Banja Luka to Livar of Slovenia; the new owner pledged a further BAM 10.35 mill (US \$ 6.5 mill) in investment over the next three years.

Aluminij Mostar, one of the country's two processing plants, has staged a strong recovery, and now represents the leading exporter from BiH. Most of its output is exported to Switzerland and Croatia.

Output at Birač Alumina, in Zvornik, which restarted production only in 2003, has grown strongly, spurring growth in the nearby Boksit Milići mine, one of its main suppliers of bauxite.

The overwhelming majority of FDI projects in the metal-processing industry came through the privatization process. Exceptions were green-field investments in the companies Bekto International in 1996 and Fe-Al Mostar in 2005.

*"In the year 2001 The Lithuania Investment Group UKIO Banko Investment Group from Kalnas, acquired around 64% of the overall share capital at Alumina Factory Birač AD Zvornik. At that time, the factory was out of operation and it became operational in 2003. At the beginning, we were working with around 25% of production capacities. Later on, we increased that ratio to 100%. During the whole of this 5-year period whilst we were operating, we invested rather substantial amounts. Right now, we are producing high quality products, 90% of which we are exporting. This is thanks to the rather intensive investment process on the part of our owner and to very good quality work on the part of our employees and our specialists, and, of course, to the constructive support of the Government and FIPA (Foreign Investment Promotion Agency of BiH)."*

Ms. Alnija Brusokiene,  
Director,  
Hydrated Alumina factory "Birač" AD Zvornik

## STUDY OF THE METAL PROCESSING INDUSTRY IN BOSNIA AND HERZEGOVINA

An independent study of the metal processing industry in BiH conducted in 2006 by the Vienna Institute for International Economic Studies (wiiw) confirmed the positive outlook for the sector, with many companies planning significant increases in output and employment. Furthermore, two of the industry's heavy weights – Mittal Steel and Aluminij – are behind plans to develop a regional cross-border metal-processing cluster. These developments are expected to have important spillover effects that imply interesting prospects ahead both in metal processing and in related sectors and activities.



# ENERGY SECTOR

Foreign Investment Promotion Agency  
of Bosnia and Herzegovina





# ENERGY SECTOR

Bosnia and Herzegovina is currently exporting energy with the potential for producing more and becoming the main exporter in the region.

BiH is exploiting its naturally fast-flowing mountain streams and powerful rivers through the encouragement of hydroelectric power production, and owns significant reserves of coal and lignite. Progressive requirement for energy will have influence on the energy sector of BiH.

One of the key objectives of the Energy Strategy is to identify the optimal mix of energy sources for the BiH economy in the periods to 2010, 2020, and 2030. In BiH, coal (including electricity generated from coal) currently accounts for about 55% of the primary energy supply, oil and oil products 22%, hydro electricity 11%, gas 6% and fuel wood/biomass 6%, according to the IEA statistics.

These percentages will change significantly over the next few years. We expect the shares of oil and gas to increase, and those of coal and fuel wood to decline, because of factors such as rising incomes, increased mobility and demand for transport, substitution of fuels and environmental policies.

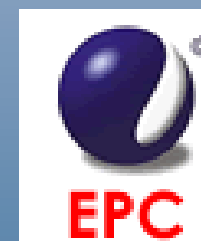
## NON-RENEWABLE ENERGY SOURCES

### COAL AND THERMAL GENERATION

All thermal generation in BiH is fueled by either brown coal or lignite. Reserves of various quantities and calorific values are available in four basins. Thermal power plants have been built in the direct or close proximity to those areas in Gacko, Ugljevik, Tuzla and Kakanj. Coalmines and power plants have developed a mutually dependent relationship.

Thermal generations need repairing and investment, and with adapting present capacities they will expand their production. CEZ Group recognized common interests and already made an agreement with TG Gacko.

All other thermal generations are looking for strategic partners which can be a business opportunity for foreign electricity companies on our market.



**PETROL**



## OIL

*“Electricity is also very important in strategic directions of the Petrol company, besides its oil, gas and ecological activities. In Slovenia, we want to be present in the sector of electricity production and distribution, and we also look for possibilities of electricity production outside the country. We are actively operating in Bosnia and Herzegovina, where we want to obtain concession for the construction of thermal and hydro power plants, and we are also operating in other perspective areas.”*

Marko Krizanovski, President Of Management  
Of Slovenian Company Petrol

The oil industry accounts for approximately 22% of primary energy consumption in BiH, according to the IEA statistics. That is the second highest share after coal (55%).

There are two existing oil refineries in the country at Bosanski Brod and Modriča, and they have just finished the privatization process, according to the agreement with Russian Company Zarubezhnet.

Bosanski Brod refines a wide range of products from imported crude oil. The theoretical capacity is 4,320,000 tons per year from two production lines of 3.0 mt and 1.32 mt.

That is equivalent to approximately 90,000 barrels per day (bpd).

## GAS

The gas sector accounts for approximately 6% of primary energy consumption in BiH, according to the IEA statistics.

Various projections or forecasts of future gas consumption have been made. A high case scenario envisages 3000 mcm (3 billion cm) metres in 2020, compared with just 400 million cm (0.4 billion cm) what is approximately the current consumption.

The need to diversify the supply of gas in BiH is well recognized and there are various proposals for new gas pipelines in South Eastern Europe. The possible implications of those for BiH need to be analysed.

The development of the gas sector in BiH is unquestionable in terms of strategy, but the issue remains about the pace of the gas sector development and whether the sector would be developed in a planned manner, in conformity with the national interests and strategic goals.

## RENEWABLE ENERGY SOURCES

According to international classification, Renewable Energy Sources (RES) include hydro, solar, geothermal, wind and biomass.

## HYDRO POWER PLANTS

In BiH, the current priority is rehabilitating the existing power generation facilities and large hydro power plants (as thermal generations).

The hydro generation operates as cascades on three different rivers and their tributaries: Neretva/Rama, Trebišnjica, and Vrbas/Pliva.

There is one individually operated power plant on Drina River and one pumped storage power plant operating off Trebišnjica River and used for regulation of the entire BiH power system.



Development of small hydro power plants (HPPs) is most promising at the moment. The recent report of EBRD reports on theoretical hydro-potential of 99,256 GWh/a and technical potential of 23,395 GWh/a, of which 2,599 GWh/a is in small HPPs.

Both entities have prepared Action Plans that outline how and when the electric sector will be restructured.

- » Action Plan of FBiH for the Restructuring and Privatization of the Electricity Sector in BiH,
- » Action Plan of RS for the Restructuring and Privatization of the Electricity Sector in BiH.

## OTHER RESOURCES

Development of renewable energy sources is a unique world goal, and in the next period, it is expected that BiH will have progress on development of small hydro and wind power plants according to the potential.

In the area of wind, a preliminary study of GTZ (Germany) estimated an economic wind potential at as high as approximately 600 MW. The first systematic wind measurement project was in the Mostar region. By date of production of EBRD report, 3 locations have been identified as positive and investors have already indicated their interest. There are a few more locations interesting for further measurements. Wind potential of BiH has a 30% higher utility coefficient than the EU average.

Solar irradiation figures demonstrate a favourable range from 1,240 kWh/m<sup>2</sup>/a in north of BiH to 1,600 kWh/m<sup>2</sup>/a in the south. While PV is too expensive for massive utilization except in specific circumstances, applications using solar for thermal applications (e.g. solar collectors for hot water) may be competitive with traditional sources.

Regarding geothermal energy, studies report the potential of BiH is identified for heat production (Bosanski Šamac, Kakanj and Sarajevo).

Biomass traditionally includes fuel wood, wood waste (for heat and/or electricity) and landfill gas. Regarding landfill gas utilization, there is a pilot project in Sarajevo (350 kW of electric capacity).

## IN GENERAL

The State Energy Policy, Laws and Regulations and Strategy issues are under the jurisdiction of Energy Department of Ministry of Foreign Trade and Economic Relations in BiH (MoFTER).

MoFTER Energy Department works very closely with the two entity ministries and the industry to develop Strategies of Energy Sectors.

The production and transmission of energy is under jurisdiction of ministries at entity level:

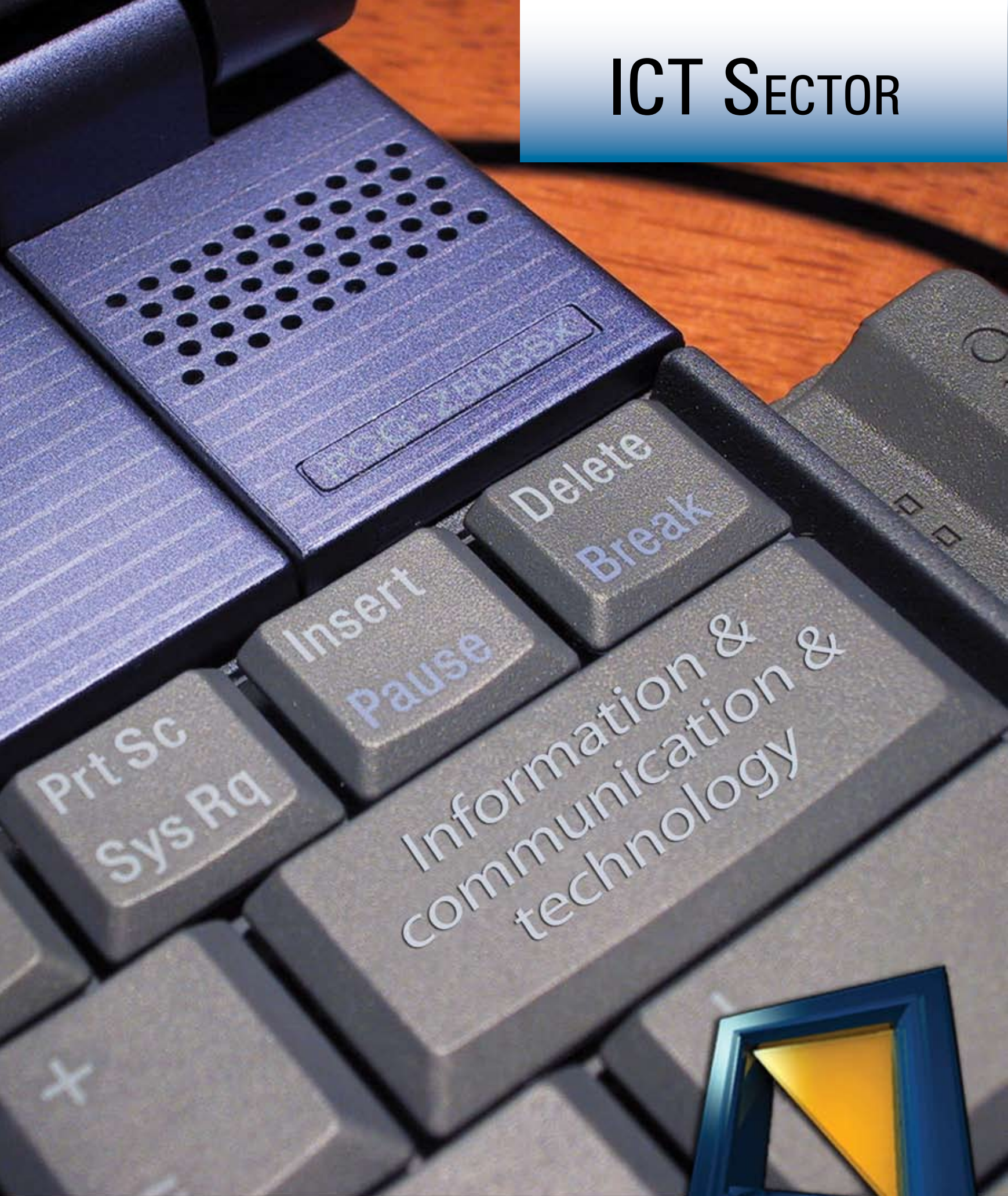
- » Ministry of Energy, Mining and Industry FBiH
- » Ministry of Economy, Energy and Development RS

The expansion of productivity at existing capacities and development of new ones will be the additional opportunity for foreign companies.

With the support of strategic partners and additional investments the energy production will increase.



# ICT SECTOR



Foreign Investment Promotion Agency  
of Bosnia and Herzegovina

# ICT SECTOR

## INFORMATION AND COMMUNICATIONS TECHNOLOGIES

Local and international reports on competitiveness have for years shown the importance of information and telecommunications technologies (ICT) and their impact on the competitiveness of the nation. These reports show that global economy is taking a new gear as a result of a faster development and penetration of ICT which generate almost an instant influx of information and capital.

Bosnia and Herzegovina presents a very convenient destination for easy access to the South Eastern European market of over 60 million consumers, as well as to the market of Turkey with additional 70 million consumers.

## ICT INDUSTRY IN BiH

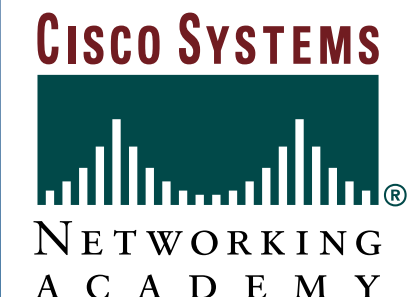
The Council of Ministers of BiH has adopted three extremely important documents: Policy, Strategy and Action Plan for development of information society in BiH.

Association for information society in BiH – BAIT was established in December 2003, becoming a representative and guardian of ICT industry business interest in BiH.

A series of analysis has been carried out by BAIT, in the past few years, which have either directly or indirectly shed light on the status of ICT industry in BiH.

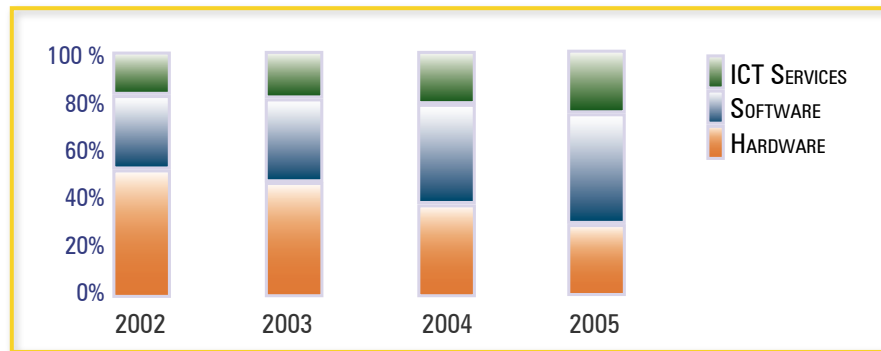
All the reports have shown an extraordinary and positive trend of growth and development of ICT industry in BiH, starting from the number of new companies registered in this sector every year, the increase in the turnover and the increase in the number of employees in already established companies in this sector. On the other side, the analysis and reports have shown an increase in the usage of ICT in all aspects of life and business and that ICT infrastructure is getting better every day. That is especially the case with the communication infrastructure in urban settings where there is a growing capability of usage of broadband Internet access.

Better awareness that ICT solutions do not only include hardware, operating system and text editor, show that clients have started recognizing true values of ICT. That fact is a reason why ICT companies are growing and are also starting to turn their attention towards the development of their own software solutions.



The next chart shows percentage share of the ICT companies' activities in their revenue. The data analysis shows that a trend of software sale and IT service providing share are in a mild increase from year to year in relation to the hardware sale.

## SHARE IN THE REVENUE OF ICT FIRMS



The revenues of large ICT companies are growing. From such positive trend of growth of ICT industry revenue we can see that the total value of ICT market in BiH has been growing every year.

An ICT firm in BiH in average has some 20 employees (excluding telecommunication) which is a 40% increase in relation to the last year's average of 12 employees. Out of all ICT firms surveyed, the company with the biggest number of employees had 82 full-time employees. Out of a total number of employees, 29% of employees work on the software development while 33% of employees work on the hardware maintenance. This indicator shows a trend of moving of the focus of ICT firms towards the software development.

## OPPORTUNITIES

BiH possesses a growing workforce skilled in various aspects of ICT design, management, and applications. Most are educated in a wide array of foreign languages. CISCO Systems, the multinational Internet infrastructure company, has established a series of training academies in BiH, with hundreds of students graduating each year with skill certificates recognized internationally. The University of Sarajevo (MIT) and the University of Tuzla (UCDED) both have specialized "e-learning" schools, teaching and utilizing modern multimedia and programming skills. Additionally, several of BiH's colleges have established online training courses in partnership with U.S. and European universities.

Human resources and entire ICT solutions are often outsourced to these young entrepreneurs. The ICT sector market has grown to the extent that if these young companies are to achieve long-term self-sustainability, domestic and FDI capital is required to expand these entrepreneurial efforts into viable companies and investment vehicles providing long-term value to the markets.



## TELECOMMUNICATION

Technologically, communications in BiH do not overly lag behind their European and global counterparts. The level of digitalisation in the transmission systems is practically 100%, while commutation systems are digitalised at 70%. The mobile phone networks are built entirely using digital technology, with the help of Generation (G) 2 systems, 2.5G are gradually being introduced and 3G and 4G systems are in the planning phase. The framework of the transportation network is made up of optical cables that act as transmission media, contributing towards a higher quality of information transmissions.

Reforms in the telecommunications and liberalization of the sector are ongoing.

The Communications Regulation Agency (CRA) is an independent governmental institution, which has in its jurisdiction the telecommunications and broadcasting systems across BiH. CRA is responsible for the control of three main areas: telecommunications, broadcasting and frequency allocation. The Agency promotes the development of an information society and instigates introduction of new technologies and new client services, issues telecommunications and broadcasting licenses; protects customers' and operators' interest and stimulates development of media freedoms, thus contributing to the creation of an open society.

*"When we came here 10 years ago, we were one of the first foreign companies. In the meantime, I am able to say that we achieved all our goals and fulfilled all our plans.*

*I am very happy that we have been successful during these years and it could certainly be a good sign for other foreign companies."*

**Mr. Ranko Atijas,  
General Manager  
of SIEMENS in BiH**

## WHY INVEST IN ICT IN BOSNIA AND HERZEGOVINA

Bosnia and Herzegovina's ICT sector is specific and prospective, offering potential investors who possess the levels of knowledge, sophistication, know-how and new business ideas, an array of opportunities to create a business environment entirely in compliance with their wishes, as well as to penetrate both the consumer market of BiH and the markets of neighbouring countries in the region. This statement is based on the following facts:

- » ICT is an emerging sector in BiH
- » The continued availability of high-quality engineering and science graduates at BiH colleges and abroad
- » A competitive cost environment
- » BiH must be EU compatible / compliant in ICT by 2010
- » Privatization opportunities of strategic ICT companies still exist.

The privatization process of Telecom RS has just been completed, and privatization of BiH Telecom, the largest GSM operator, is ongoing.

ICT Sector Profile of BiH made by FIPA in 2005 is accessible on FIPA web site.



# TEXTILES, CLOTHING, AND FOOTWEAR



Foreign Investment Promotion Agency  
of Bosnia and Herzegovina



# TEXTILES, CLOTHING, AND FOOTWEAR

Bosnia and Herzegovina has a long tradition and a good international reputation in textiles, clothing and footwear industry. BiH has achieved progress in modernizing its production units and introducing new technologies aimed at becoming part of the global market. BiH has a number of experienced and skilled workforce with both academic and practical experience.

The proximity of BiH to both Western and Eastern European markets is a major asset. BiH has the potential to attract companies wishing to relocate closer to their main markets, able to provide a short product delivery cycle to European retailers. The clothing and footwear sector is strategically more important to the BiH economy because of its potential to employ more people and to provide a long-term supply base to European markets.

Thanks to the preferential regime introduced by the EU for the goods from BiH, BiH's clothing and footwear manufacturers can freely trade with EU-based companies. There is no quota restriction on clothing made in BiH, nor is there any quota on the materials used in production, as long as it is domestically produced. Import duties have been waved on all but a small range of knitted clothing items coming from BiH into the EU market.



"Borac", textile production  
(privatized in 2003)

Two excellent examples of the mentioned skills and achievement are "Borac" – fashion clothing factory and "Olip" – fashion footwear factory, both from Travnik.

The company "Borac" works in co-operation with overseas partners and produces men's suits under the license of Hugo Boss, the international clothing brand.

The factory "Olip", with 1100 employees, produces in average 1 million pairs of men's and women's fashion footwear per year for famous foreign buyers and makes 8 million € income. An amount of 7.8 million € has been invested in modern technology, high products quality and export oriented strategy.

New partnerships are bringing in new equipment and management know-how, as well as money, to those companies that have already been privatized.

Olip Group

Omnia Nuova SPA

Dijamant S.R.L.

Somaplaf S.R.L.

Intest S.P.A.

Alpina

Borac konfekcija Travnik

KTK Visoko

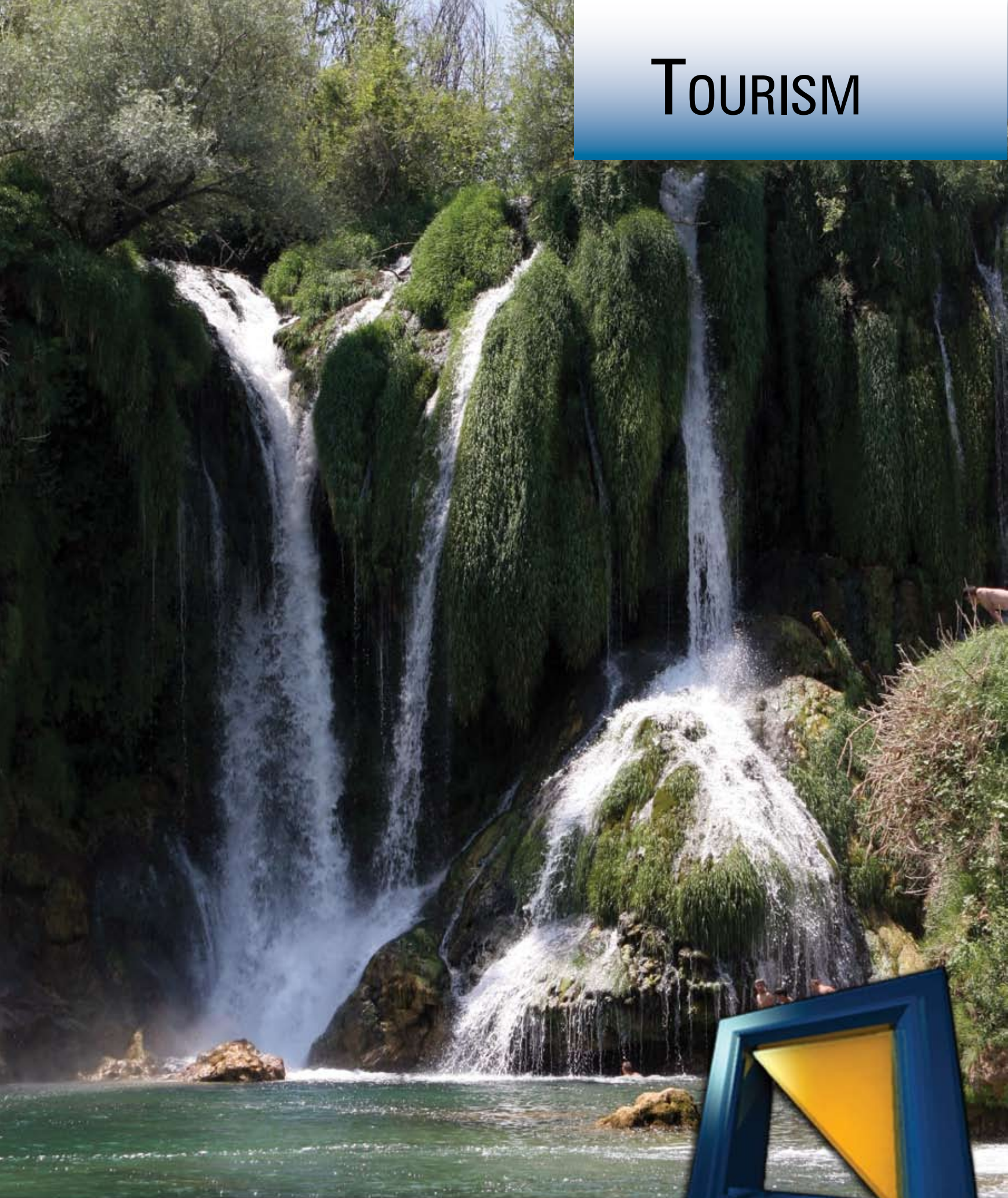
Tvornica čarapa Ključ

Svila Ćelinac

Tvornica rublja Alma Ras



# TOURISM



Foreign Investment Promotion Agency  
of Bosnia and Herzegovina

# TOURISM

In Bosnia and Herzegovina different cultures, religions, traditions and architectures co-exist, making the country exceptionally beautiful. The tourism sector in BiH provides a wide range of natural, cultural, and religious attractions, and has the potential to bring even a greater number of visitors to BiH and to contribute to the local economy.

Bosnia and Herzegovina's diverse geography and climate offer the potential for varied tourist activities such as skiing, health spas, hunting, and lakeside tourism. There are also a number of seaside resorts along BiH's 20 km stretch of the Adriatic coast, the largest of which is the town of Neum.

Well-known characteristics of the inhabitants of BiH are their warm hospitality and modesty, always accepting guests with their open hearts, which is very significant for the promotion and development of this touristic brand.

## INVESTMENT OPPORTUNITIES

Tourism is a booming sector and investment opportunities abound: hotels, spas, restaurants, recreational, natural, historical, and cultural attractions. Tourism in BiH offers a favourable tourist business investment environment with an increasingly active tourism promotional system.

BiH disposes of 20,356 registered beds in the hotels, motels, boardinghouses and private lodging. The biggest number of lodging capacity is located in small family hotels, motels etc. These capacities are not enough for the BiH tourism offer. BiH needs more investments in the tourism sector. One of the most successful investments in this sector was investment in hotel Holiday Inn in Sarajevo.

According to an estimation of the World Tourism Organization, BiH will have the third highest tourism growth rate in the world between 1995 and 2020.

With its rich and uniquely complex historical, cultural, culinary and religious heritage, BiH is not only a very interesting destination but also a lucrative place to invest.

Holiday Inn

Astra Hotel

Terme Čatež

Radon Plaza

Hotel Bosnia

Hotel Pahuljica

Hotel Maršal

Hotel Saraj

Hotel Zenit-Bro

Hotel Monument

Hotel Termag

Hotel Adria Ski



Bosnia and Herzegovina offers numerous opportunities to foreign investors. One of the BiH's largest investment projects is the Master Plan "Jahorina 2006-2016" drafted by Hypo Alpe Adria Consulting. According to this master plan, the ski area can be brought up to a high European standard by 2016. The master plan calls for a wide variety of investments, some private, some public and some through public-private partnership. The master plan's implementation will depend heavily on the privatization process.

EBRD in cooperation with the French government initiated the project "BiH Property and Tourism Study", engaging a consultant, which will undertake a study and analysis, in order to attract possible foreign investments in this industry. The ultimate goal is to promote and trigger viable investments in this sector.

BiH has world-class ski slopes at Mt. Bjelašnica and Igman where the 1984 Winter Olympic Games were hosted. In order to improve the further development of Igman and Bjelašnica mountains, the "Business Plan for Igman and Bjelašnica Area" was conducted by the consultant company Becom and Orgalis. This document sets out clearly how this attractive area offers enormous potential for investment.

Opportunities for investment in sector tourism are possible through the process of privatization of three hotels in Neum (HTP «Sunčana obala» Neum, "Zenit-bro" d.o.o. Neum, HUTP "Salus Hotel Stella" d.o.o. Neum).

## TOURISM ATTRACTIONS



There are many fascinating destinations throughout BiH for every type of tourism. Here, the most interesting and attractive sites are a wonderful mix of this tiny country's cultural and natural heritage. BiH has tremendous potential for specialized branches of tourism since it has a lot of unexplored and unexploited destinations where tourists can hike, mountain bike, raft, water ski, kayak, and pursue extreme sports (alpine climbing, scuba diving, paragliding) and eco-tourism.

### Mountain tourism

With high quality and consistent snowfall from December to March, the mountains of BiH offer ideal climate conditions for great winter sports. Olympic style skiing on Sarajevo's Mt. Bjelašnica and Jahorina are back in full swing. Vlačić Mountain near the ancient town of Travnik is the best established ski center in central Bosnia. Kupres and Blidinje Nature Park are situated in the vast wilderness area to the far west of the country.

### Eco tourism

Branch of tourism that shows best the true potential of BiH for development. Wild water rafting, kayaking, canoeing, swimming, fishing and underwater activities are all developing on the Una, Tara, Neretva and Drina rivers. The national parks and nature reserves of Kozara, Sutjeska with its virgin forests, Una, Hutovo Blato, Bardača and Blidinje are simply breathtaking.



## Religious tourism

With Christian Catholic and Orthodox, Islamic, and Judaic influences, BiH rightly lays claim to being a country “that connects East and West”. Međugorje is the best-known religious site in BiH. More than a million tourists visit Međugorje each year and, as hardly a week goes by without another positive article in the media, it is easy to understand why international tourist numbers are growing at double-digit rates.

## Spa and resort tourism

BiH owns plenty of natural, thermal and thermal-mineral springs. Among them are very rare mineral springs that are famous among experts worldwide (Crni Guber, Srebrenica, Kulaši, Gračanica). The thermal sulphurous waters of Ilidža near Sarajevo, Fojnica thermal radioactive waters produce, and curative thermal waters of Banja Vrućica (spa) developed as major wellness resorts.

## Cultural tourism

Many cultural events happen throughout the country, with some major ones being the Sarajevo Film Festival, International Theatre Festival MESS, Sarajevo Winter and Jazz Fest Sarajevo. The Sarajevo Film Festival also provides a venue where new films of young directors in the region of Central and Eastern Europe can be seen.



*„Bosnia and Herzegovina offers a palette of outdoor experiences that are second to none – and this in a cultural milieu that is distinctive and yet little known. So, when I talk to you about alpine tourism, adventure tourism and cultural tourism – the three gems in the crown of BiH’s nascent hospitality industry – I am speaking as a satisfied consumer as well as an ambassador”.*

Larry Butler,  
Principal Deputy High Representative



*“I would like to say how an inventive and wonderful BiH tourism logo you have. It really catches one man’s eye!”*

Daniel Kiriakov,  
Editor-in-Chief,  
The Region, the Southeast  
Europe Business Magazine



# TRANSPORTATION



Foreign Investment Promotion Agency  
of Bosnia and Herzegovina

# TRANSPORTATION

## ROADS AND RAILWAY INFRASTRUCTURE AND TRANSPORT

Bosnia and Herzegovina lies in the very heart of South Eastern Europe, at the crossroads of Europe, the Middle East and Northern Africa. Geographical and transportation position of BiH plays an important role in the transport systems in Europe as a shortcut connecting Central Europe and the Adriatic. Given the importance of transportation infrastructure for development of an economy and society as a whole, conditions have already been created on the basis of previously conducted studies for the construction of new roads and the reconstruction of bottlenecks on the existing ones.

The total length of the country's road network is approximately 22,600 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). Previous year's damages on the roads have been repaired thanks to donations so that around 2,200 km of roads and 58 bridges have been rehabilitated.

In 2006, the construction of the Sarajevo-Visoko motorway section was completed, as part of the pan-European transport Corridor Vc, the most significant transportation project in BiH that goes from the Port of Ploče, via Sarajevo and Brčko 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.

Feasibility study for Corridor Vc has been completed. The European Commission and the international finance institutions have offered full support to BiH in the realization of the Vc Highway construction project, stating that it is important not only for BiH but also for the European Union. The tender for construction of Corridor Vc is expected.

The BiH railway network is made up 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 Šamac-Sarajevo-Čapljina (Ploče) railway route and Bosanski Novi/Novi Grad-Doboj-Tuzla-Zvornik route connecting the west to the east of the country. Bosanski Novi/Novi Grad-Bihać-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.

Same as roads, railways are part of an integral European system. International agencies have begun the modernization of the railway network of BiH. Major railway development projects are planned for BiH. Some of the funding for the railway recovery project will come from the European Bank for Reconstruction and Development (EBRD) in the form of a € 21 million loan. The total project budget is set at € 56.4 million.

The infrastructural projects cannot however be realised without international aid or concessions, nor without domestic financial sources.

# Salinea



ZRAČNA LUKA ZAGREB  
Zagreb Airport 



**FedEx**®  
Express



**DHL**  
EXPRESS



## AIR TRANSPORT AND AIRPORTS

BiH has four airports - Sarajevo, Mostar, Banja Luka and Tuzla - all registered for international transporting services. Annual passenger transport at Sarajevo Airport amounts to approximately 450.000 passengers, 30.000 passengers at Banja Luka Airport and 15.000 passengers at Mostar Airport.

BiH Directorate of Civil Aviation – BHDCA, being the single aviation regulator in BiH responsible for safety, security, efficiency and environment will enable BiH to become an active member of the European Common Aviation Area.

BHDCA is established within the BiH Ministry of Communication and Transport, and its organization and management, powers and responsibilities are regulated by BiH Civil Aviation Law.

BHDCA represents BiH in governmental and non-governmental international civil aviation organisations and bodies as a full member of:

- ICAO (International Civil Aviation Organization) since January 16, 1993
- ECAC (European Civil Aviation Conference) since September 27, 2001
- EUROCONTROL (European Organisation for the Safety of Air Navigation) since March 1st, 2004
- CEATS (Central European Air Traffic Services) since July 7, 2004
- JAA (Joint Aviation Authorities) since December 6, 2005 as candidate member



Sarajevo International Airport was declared the best European airport in the category up to 1,000,000 passengers on the 15th ACI-EUROPE, Airports Council International.

All the four airports are being adapted to comply with ICAO standards, developing of both passenger and freight transport. Same applies to the flight control system.

Airlines operating in BiH are Adria Airways, Air Bosna, Austrian Airlines, Air France, Lufthansa, Croatia Airlines, Malev, Alitalia, Turkish Airlines, British Airways, JAT, and Scandinavian Airlines.





## WATER TRANSPORT

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: Brčko and Bosanski Šamac/Šamac.

BiH is a member of the Project "Sava River Basin: Sustainable Use, Management and Protection of Resources" – SARIB is being realized by a consortium composed of 11 scientific institutions from the European Union and Western Balkan countries, including also Hydro-Engineering Institute Sarajevo from BiH and Faculty for Agriculture of Banja Luka University.

According to the watersheds area, BiH is member of different Associations such as Danube Basin, Mediterranean, Adriatic-Ionian Sea Area, etc.

Bosnia and Herzegovina has 20 km of seaboard, Neum Municipality. There are no sea ports in the country, the Adriatic Sea port Ploče in Croatia is used for that purpose.

## TRANSPORT SECTOR

Transport sector development in Bosnia and Herzegovina is at a satisfactory level and offers all types of services regarding transport and forwarding of all types of goods.

International carriers of post and merchandise are also present in BiH, such as UPS, DHL, TNT and FedEx.

A number of large international freight-forwarding companies are present in BiH alongside domestic firms, and that can offer a complete transport service. They have modern trucks and containers, as well as containers for the transport of particular items.

Road and railway container transport that could be carried out from all the major industrial centres in BiH to the Port of Ploče, through direct container transport of merchandise by road and railway via Brčko to all parts of Western, Central and Eastern Europe is more cost-effective.

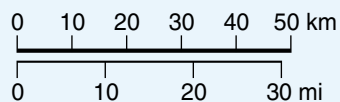
Improvements in the sector has been and will continue to be with upgrading BiH roads and railways.



# BOSNIA AND HERZEGOVINA



- ⬤ National capital
- Town, village
- ✈ Airport
- International boundary
- ⋯ Inter-entity boundary line
- - - Republic boundary
- - - Autonomous province boundary
- Main road
- Secondary road
- +— Railroad



# FIPA SERVICES AND SUPPORT

Bosnia and Herzegovina has mandated the Foreign Investment Promotion Agency to facilitate and support foreign direct investment. The Agency offers practical assistance in dealing with government institutions, by working directly with investors and, more structurally, by assisting the government in improving the legal framework for foreign investments.

FIPA provides data, information, analysis and advice on the business and investment environment, including:

- the legal framework for foreign direct investment
- investment incentives
- economic and business trends

FIPA identifies and presents available investment opportunities:

- investment projects in the development-phase or ready for implementation
- companies in the process of privatisation
- local companies seeking foreign partners

FIPA assists both potential investors and those that have already invested in the country through:

- effective networking with both the public and private sector
- linking with governmental and non-governmental institutions to facilitate investment and business development
- cooperation with local, regional and international organisations to promote and enhance the investment environment

**TO FIND OUT MORE ABOUT FIPA'S SERVICES, WHICH ARE ALL FREE OF CHARGE,  
CONTACT US DIRECTLY.**

**NOW IS THE TIME TO SEIZE INVESTMENT OPPORTUNITIES IN BOSNIA AND  
HERZEGOVINA!**

*„I must say I am extremely impressed with the quality, efficiency and speed of FIPA's service. It is a shining example to other government departments in the region.”*

**Claudio Cassuto, Director,  
London, European Finance Convention Foundation**



# ADDENDUM

GOVERNMENT INSTITUTIONS	ADDRESS	PHONE & FAX	WEBSITE & E-MAIL
Presidency	Titova 16 71000 Sarajevo	Phone: + 387 33 473 036 Fax: + 387 33 444 420	<a href="http://www.predsjednistvobih.ba">www.predsjednistvobih.ba</a>
Parliament	Trg Bosne i Hercegovine 1 71000 Sarajevo	Phone: +387 33 284 441 Phone/Fax: +387 33 284 447	<a href="http://www.parlament.ba">www.parlament.ba</a> <a href="mailto:press@parlament.ba">press@parlament.ba</a>
Council of Ministers	Trg Bosne i Hercegovine 1 71000 Sarajevo	Phone: +387 33 211 581 Phone/Fax: +387 33 205 347	<a href="http://www.vijeceministara.gov.ba">www.vijeceministara.gov.ba</a> <a href="mailto:cmpr@smartnet.ba">cmpr@smartnet.ba</a>
Ministry of Foreign Affairs	Musala 2 71000 Sarajevo	Phone: +387 33 281 100	<a href="http://www.mvp.gov.ba">www.mvp.gov.ba</a> <a href="mailto:info@mvp.gov.ba">info@mvp.gov.ba</a>
Ministry of Foreign Trade and Economic Relations	Musala 9 71000 Sarajevo	Phone: +387 33 663 863 Fax: +387 33 220 093	<a href="http://www.mvteo.gov.ba">www.mvteo.gov.ba</a>
Ministry of Justice	Trg Bosne i Hercegovine 1 71000 Sarajevo	Phone: +387 33 213 152 Fax: +387 33 213 155	<a href="http://www.mpr.gov.ba">www.mpr.gov.ba</a>
Ministry of Civil Affairs	Trg Bosne i Hercegovine 1 71000 Sarajevo	Phone: +387 33 221 073 Fax: +387 33 221 074	<a href="http://www.mcp.gov.ba">www.mcp.gov.ba</a>
Ministry of Communication and Transport	Trg Bosne i Hercegovine 1 71000 Sarajevo	Phone: +387 33 284 750 Fax: +387 33 284 751	<a href="http://www.mkt.gov.ba">www.mkt.gov.ba</a>
Ministry of Finance and Treasury	Trg Bosne i Hercegovine 1 71000 Sarajevo	Phone: +387 33 205 345 Fax: +387 33 471 822	<a href="http://www.trezorbih.gov.ba">www.trezorbih.gov.ba</a> <a href="mailto:trezorbih@trezorbih.gov.ba">trezorbih@trezorbih.gov.ba</a>
Ministry for Human Rights and Refugees	Trg Bosne i Hercegovine 1 71000 Sarajevo	Phone: +387 33 221 501 Fax: +387 33 206 140	<a href="http://www.mhrr.gov.ba">www.mhrr.gov.ba</a> <a href="mailto:kabmin@mhrr.gov.ba">kabmin@mhrr.gov.ba</a>
Ministry of Security	Trg Bosne i Hercegovine 1 71000 Sarajevo	Phone: +387 33 213 623 Fax: +387 33 213 628	
Central Bank of Bosnia and Herzegovina	Maršala Tita 25 71000 Sarajevo	Phone: +387 33 278 100 Fax: +387 33 278 299	<a href="http://www.cbbh.ba">www.cbbh.ba</a> <a href="mailto:contact@cbbh.ba">contact@cbbh.ba</a>
Indirect Taxation Authority	Ulica Bana Lazarevića bb 78000 Banja Luka	Phone: +387 51 335 100 Fax: +387 51 335 101	<a href="http://www.uino.gov.ba">www.uino.gov.ba</a> <a href="mailto:info@uino.gov.ba">info@uino.gov.ba</a>
Council of Competition	Radićeva 8 71000 Sarajevo	Phone: +387 33 251 406 Fax: +387 33 251 408	<a href="http://www.bihkonk.gov.ba">www.bihkonk.gov.ba</a> <a href="mailto:kontakt@bihkonk.gov.ba">kontakt@bihkonk.gov.ba</a>
Other Government Institutions Listed on ADS Website	Trg Bosne i Hercegovine 1 71000 Sarajevo	Phone: +387 33 233 498 Fax: +387 33 268 312	<a href="http://www.adresar.ads.gov.ba">www.adresar.ads.gov.ba</a> <a href="mailto:kontakt@ads.gov.ba">kontakt@ads.gov.ba</a>



GOVERNMENT AGENCIES	ADDRESS	PHONE & FAX	WEBSITE & E-MAIL
Investment Guarantee Agency	Fra Andela Zvizdovića 1 71000 Sarajevo	Phone: +387 33 252 340 Fax: +387 33 252 352	www.igabih.com iga@igabih.com
Foreign Investment Promotion Agency	Branilaca Sarajeva 21/III 71000 Sarajevo	Phone: + 387 33 278 080 Fax: + 387 33 278 081	www.fipa.gov.ba fipa@fipa.gov.ba
Agency for Statistics of Bosnia and Herzegovina	Zelenih Beretki 26 71000 Sarajevo	Phone: +387 33 220 626 Fax: +387 33 220 622	www.bhas.ba bhas@bhas.ba
Public Procurement Agency	Radićeva 8/V 71000 Sarajevo	Phone: +387 33 251 590 Fax: +387 33 251 595	www.javnenabavke.ba kontakt@javnenabavke.ba
Deposit Insurance Agency	Vase Pelagića 11a 51000 Banja Luka	Phone: +387 51 223 440 Fax: +387 51 223 452	www.aod.ba aod@bih.net.ba
Employment Agency of BiH	Đoke Mazalića 3 71000 Sarajevo	Phone: +387 33 208 252 Fax: +387 33 209 475	www.agenzrbh.gov.ba agenzrbh@bih.net.ba
Agency for Privatization in FBiH	Alipašina 41 71000 Sarajevo	Phone: +387 33 212 884 Fax: +387 33 212 883	www.apf.com.ba apftbiro@bih.net.ba
Directorate for Privatization in RS	Mladena Stojanovića 7 51000 Banja Luka	Phone: +387 51 308 311 Fax: +387 51 311 245	www.rsprivatizacija.com slavica.skoro@rsprivatizacija.com
Banking Agency of FBiH	Koševo 3 71000 Sarajevo	Phone: +387 33 721 400 Fax: + 387 33 668 811	www.fba.ba agencija@fba.ba
Banking Agency of RS	Vase Pelagića 11a 51000 Banja Luka	Phone: +387 51 218 111 Fax: +387 51 216 665	www.abrs.ba office@abrs.ba
State Electricity Regulatory Commission of BiH	Miška Jovanovića 4/II 75000 Tuzla	Phone: + 387 35 302 070 Fax.: + 387 35 302 077	www.derk.ba info@derk.ba
Communications Regulatory Agency of BiH	Mehmeda Spahe 1 71000 Sarajevo	Phone: +387 33 250 600 Fax: +387 33 713 080	www.rak.ba info@rak.ba
Directorate of European Integration	Trg Bosne i Hercegovine 1 71000 Sarajevo	Phone: +387 33 264 330 Fax: +387 33 220 157	www.dei.gov.ba press@dei.gov.ba



CHAMBERS OF COMMERCE AND BUSINESS ASSOCIATIONS	ADDRESS	PHONE & FAX	WEBSITE & E-MAIL
Foreign Trade Chamber of BiH	Branislava Đurđeva 10 71000 Sarajevo	Phone: + 387 33 663 370 Fax: + 387 33 214 292	www.komorabih.ba cis@komorabih.ba
Chamber of Commerce of FBiH	Branislava Đurđeva 10 71000 Sarajevo	Phone: +387 33 217 782 Fax: +387 33 217 783	www.kfbih.com info@kfbih.com
Chamber of Commerce of RS	Đure Daničića 1/II 78000 Banja Luka	Phone: +387 51 215 744 Fax: +387 51 215 565	www.komorars.ba info@komorars.ba
Northwest Economic Region (ARDA)	Ulica Krfska 74 78000 Banja Luka	Phone: +387 51 433 720 Fax: +387 51 433 721	www.ardanw.org office@ardanw.org
Northeast Economic Region (NERDA)	M. i Ž. Crnogorčevića 5 75000 Tuzla	Phone: +387 35 274 385 Fax: +387 35 251 150	www.nerda.ba nerda@nerda.ba
Herzegovina Economic Region (REDAH)	Bulevar narodne revolucije 17 88000 Mostar	Phone/Fax: +387 36 557 210 Phone/Fax: +387 36 557 212	www.redah.ba redah@redah.ba
Central BiH Economic Region (REZ)	Štrosmajerova 11 72000 Zenica	Phone: +387 32 462 161 Fax: +387 32 441 230	www.rez.ba info@rez.ba
Sarajevo Economic Region (SERDA)	Hamdije Čemerlića 2/11 71000 Sarajevo	Phone: + 387 33 652 935 Fax: + 387 33 663 923	www.serda.ba serda@serda.ba
Tourism Association of FBiH	Branilaca Sarajeva 21/II 71000 Sarajevo	Phone: +387 33 252 924 Fax: +387 33 252 901	www.bhtourism.ba media@tourism.ba
Tourism Association of Sarajevo Canton	Branilaca Sarajeva 22/IV 71000 Sarajevo	Phone: +387 33 250 200 Phone: +387 33 250 202	www.sarajevo-tourism.com tour.off@bih.net.ba
Association of Employers in FBiH	Branilaca Sarajeva 14 71000 Sarajevo	Phone: +387 33 264 830 Fax: +387 33 264 831	www.upfbih.org upfbih@upfbih.org
Employers Confederation of RS	Mladena Stojanovića 111 51000 Banja Luka	Phone/Fax: +387 51 332 616	www.poslodavci.rs.ba ecrs@blic.net



LEGAL REPRESENTATIVES	ADDRESS	PHONE & FAX	CONTACTS	LEGAL AREA	FOREIGN LANGUAGES
Bar Association of FBiH	Obala Kulina Bana 6 71000 Sarajevo	Phone: +387 33 261 090 Fax: +387 33 209 976	www.advokombih.ba		
Bar Association of RS	Kninska 7 78000 Banja Luka	Phone: +387 51 215 992	www.advokatska.com info@advokatska.com		
Filipović Amela	Obala Kulina Bana 6/II 71000 Sarajevo	Phone: +387 33 210 839 Mobile: +387 61 202 299	amelafilip@hotmail.com	Trade Law	English and French
Kovačević Emir	Plato Skenderija E 43 71000 Sarajevo	Phone: +387 33 216 560 Fax : +387 33 552 350	emirko@hotmail.com	Trade Law	English, Arabic and Persian
Karabdić Kerim	Hadži Idrizova 20 71000 Sarajevo	Phone: +387 33 531 500 Mob: +387 61 177 527	www.karabdic.ba karabdic@bih.net.ba	Trade Law	English and German
Pašalić Rizah	Ferhadija 13 71000 Sarajevo	Phone: +387 33 213 846 Fax: +387 33 204 390	www.pasalic.ba rizah@pasalic.ba	Intellectual property protection	English, French and German
Marić Branko	Mehmeda Spahe 24 71000 Sarajevo	Phone: +387 33 716 030 Fax: +387 33 716 036	maric.b@bih.net.ba	Trade Law	English, French and German
Marković Marija	Kralja Petra I Karađorđevića 103 78000 Banja Luka	Phone: +387 51 224 380	advmarkovic@blic.net	Administration Law and Trade Law	English
Čizmović Jovan	Nikole Tesle 13 78000 Banja Luka	Phone: +387 51 213 200 Phone: +387 51 231 201	cizmovic@inecco.net	Trade Law, Financial Law and Civil Law	Russian and English
Prerad Miroslav	Milana Tepića 4 78000 Banja Luka	Phone: +387 51 215 422		Trade Law, Financial Law and Civil Law	German
Prerad Dragomir	Milana Tepića 4 78000 Banja Luka	Phone: +387 51 215 422		Trade Law, Financial Law and Civil Law	German
Ćupina Faruk	Podharem 19/I 88000 Mostar	Phone: +387 36 551 831 Mob: +387 61 130 304	advcupina@cob.net.ba	Trade Law and Civil Law	German and Russian
Crnogorac Vlatko	Biskupa Buconjića 32H 88000 Mostar	Phone: +387 36 331 048		Trade Law and International Law	English
Ferizović-Kunosić Amila	Solni Trg 75000 Tuzla	Phone: +387 35 252 077 Mob: +387 61 151 178		Trade Law and International Law	English



BUSINESS and FINANCIAL SERVICES	ADDRESS	PHONE & FAX	WEBSITE & E-MAIL
Sarajevo Stock Exchange (SASE)	Fra Anđela Zvizdovića 1A/X 71000 Sarajevo	Phone: +387 33 251 460 Fax: +387 33 251 478	www.sase.ba contact@sase.ba
Banja Luka Stock Exchange (BLSE)	Petra Kočića bb 78000 Banja Luka	Phone: +387 51 326 041 Fax: +387 51 326 056	www.blberza.com blberza@blic.net
LRC Credit Bureau	Skenderija 52 71000 Sarajevo	Phone: +387 33 554 255 Fax: +387 33 266 133	www.lrcbh.com lrc@lrcbh.com
PricewaterhouseCoopers	Fra Anđela Zvizdovića 1B/13 71000 Sarajevo	Phone: +387 33 295 234 Fax: +387 33 295 235	www.pwc.com
Deloitte Ltd. Sarajevo & Deloitte Advisory Services Ltd. Sarajevo	Jadranska bb/III 71000 Sarajevo	Phone: +387 33 213 146 Fax: +387 33 213 147	www.deloitte.com
Revsar d.o.o.	Dolina 2/II 71000 Sarajevo	Phone: +387 33 251 700 Fax: +387 33 251 701	www.revsar.info info@revsar.info
Revicon - Sarajevo	Envera Šehovića 14 71000 Sarajevo	Phone/Fax: +387 33 720 580 Phone/Fax: +387 33 720 581	www.revicon.info info@revicon.info
Registry of Securities FBiH	Maršala Tita 62/II 71000 Sarajevo	Phone: +387 33 279 150 Fax: +387 33 279 151	www.rvp.ba info@rvp.ba
Central Registry of Securities RS	Bana Milosavljevića 6 78000 Banja Luka	Phone: +387 51 223 710 Fax: +387 51 223 718	www.crhovrs.org info@crhovrs.org
Securities commission of FBiH	Čemaluša 9/II 71000 Sarajevo	Phone: +387 33 203 862 Fax: +387 33 211 655	www.komvp.gov.ba
Republic of Srpska Securities Commission	Vuka Karadžića 6 78000 Banja Luka	Phone: +387 51 218 361 Fax: +387 51 218 362	www.khov-rs.org kontakt@khov-rs.org
Tax Administration of FBiH	Husrefa Redžića 4 71000 Sarajevo	Phone: +387 33 222 711	www.pufbih.ba info@pufbih.ba
Tax Administration of RS	Mladena Stojanovića 51 78000 Banja Luka	Phone: +387 51 332 300 Fax: +387 51 300 199	www.poreskaupravar.org kontakt@poreskaupravar.org











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