

FREQUENTLY ASKED QUESTIONS

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In order to keep you fully informed you are kindly asked to contact FIPA staff before starting your FDI activities!

FDI AND B&H LEGISLATIVE FRAMEWORK

1. Are there any restrictions on FDI in B&H?

According to the Law on Foreign Investment in Bosnia and Herzegovina, foreign equity ownership of an enterprise engaged in the production and sale of arms, ammunition, explosives for military use and military equipment or in public information sector, must not exceed 49% of the total capital of the enterprise. In case of investment in mentioned sectors, foreign investor must receive prior approval from the competent body of the respective Entity of B&H.

2. Are there any restrictions on repatriation of profits?

There are no such restrictions. Foreign investors have the right to transfer abroad, freely and without delay, in currency of their choice, proceeds resulting from their investment in Bosnia and Herzegovina, including, but not limited to:

- Income from investments received in the form of profit, dividends, interests, and in other forms;
- Funds received by investors after partial or full withdrawal of their investments from Bosnia and Herzegovina, or upon withdrawal of invested property or property rights;

Compensations in case of nationalization, expropriation, requisition or other measures that have similar effects.

3. Can foreign legal entities and natural persons own real estate in B&H?

Foreign natural person or legal entity who performs business activities in Bosnia and Herzegovina can have the title to business buildings, business offices, apartments and residential buildings, or to the piece of land where the buildings have been or will be built.

4. Are there any restrictions on management of companies with foreign capital?

No. The founder selects the management by him/herself.

5. Are there any instruments for FDI insurance in Bosnia and Herzegovina?

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).

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

In addition, Bosnia and Herzegovina has signed Agreements on Promotion and Protection of Investments with following countries: Austria, China, Croatia, Czech Republic, Egypt, Finland, France, Germany, Greece, The Netherlands, Hungary, Iran, Italy, Kuwait, Macedonia, Malaysia, Moldova, Qatar, Pakistan, Portugal, Romania, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom, USA, Serbia and Montenegro and OPEC members.

6. What are the incentives and advantages for foreign investors?

Exemption from the payment of customs duties and customs fees on investment;

Right to open accounts in domestic or any other currency of their choice in any commercial bank in the territory of B&H;

Protection against nationalization, expropriation, requisition or other 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;

Right to freely employ foreign nationals, subject to the labour and immigration laws applicable in Bosnia and Herzegovina, i.e. on condition of obtaining the work permit for them.

7. Which types of companies are considered legal entities in B&H?

The Company Law of the Federation of B&H (Official Gazette of B&H Federation Nos.23/99; 45/00; 2/02, 29/03)) and the Law on Enterprises of Republika Srpska regulate founding, operation, and terminating of businesses in Bosnia and Herzegovina.

The Company Law of the Federation of B&H regulates the status of a legal person, which independently performs business activity in order to gain profit, and can be founded by domestic or foreign legal and natural persons. There are specific rules for each type of company:

- Unlimited Joint Liability Company is founded by a contract between minimum two persons. The contract determines the amount of founding capital.
- Limited Partnership can be established by minimum 1 limited partner and 1 general partner. The limited partner is liable with all his property. The contract defines the amount of the founding deposit and relations between partners.
- Joint Stock Company is liable for its obligations with all its property. There can be one or several founders of this type of company. The minimum amount of registered capital is KM 50,000.
- Limited Liability Company is founded by contract or by a decision on founding. The minimum amount of registered capital is KM 2,000.

In the Republika Srpska, the Law on Enterprises (Official Gazette of RS No. 24/98; 62/02; 38/03) regulates the status of enterprises. It prescribes that an enterprise is a legal entity conducting activities in order to make a profit. Under the Law, there are following types of enterprises:

- General partnership can be established by a contract between minimum two persons. The amount of founding deposit is equal for all the founders.
- Limited Partnership is founded by two or more persons for the purpose of running business as a joint firm, where at least one person is liable for the firm's obligations on unlimited solidarity basis. The risk of at least one person is limited to the amount of agreed capital share.
- Single person (decision) or several founders (contract) can establish a Joint Stock Company. If establishing is simultaneous, the minimum founding capital may not be less than KM 10,000. On the other hand, if a Joint Stock Company is founded successively, the registered founding capital may not be less than KM 20,000.
- Limited Liability Companies are also established by a contract or a decision. Such companies can have a maximum of 30 members. The registered capital of a limited liability company may not be less than KM 2,000.

8. Which steps are required for establishing a business in B&H?

The main steps involved in establishing a business based on foreign investments in B&H are:

1. Writing of Articles of Incorporation and collecting of required documentation (passport, if the founder is a natural person; original Articles of Incorporation /business registration, if the founder is a legal entity)

2. Registration of the company with the Ministry for Foreign Trade and Economic Relations
3. Registration in Court Register, with the competent court
4. Making a stamp of company
5. Opening of account with a commercial bank
6. Registration of the company and its staff with the Pension and Invalid Insurance Fund
7. Obtain a permission of the competent body, confirming that all conditions have been met for the beginning of activity.

9. How long does registration procedure take and how much does it cost?

Registration procedure with the competent court takes five days, plus ten for obtaining necessary approvals and opening bank account.

- Administrative fees – KM 600 approximately:
 - fee paid to the competent court, around KM 405
 - fee paid to the Ministry for Foreign Trade and Economic Relations – KM 55 (50+5)
 - administrative fee (certification of documents), around KM 50
 - stamp making cost, around KM 40
 - fee for the Decision confirming that all conditions have been met for the beginning of operation, around KM 150
- Lawyer's costs (if one wishes to hire a lawyer), ranging between KM 300 and 1,500.

10. Which accounting and auditing standards must be met by businesses operating in B&H?

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

The accounting statements must truly and accurately present the balance of assets, liabilities towards other entities and business results.

Legal entity submits its accounting statements semi-annually (semi-annual balance sheet) and annually (annual balance sheet).

Semi-annual balance sheet has to be presented by the end of July of the current year, while the annual balance sheet has to be submitted by the end of February of the following year - for the year that has expired.

In the process of bookkeeping and accounting statement rendering, the legal entity shall observe the Law, Rules and Standards.

The Standards have been adopted in accordance with international accounting standards and relevant EU guidelines.

Annual and semi-annual reports shall contain the following accounting statements:

- 1) Balance Sheet
- 2) Profit and Loss Account

Legal subjects are obliged to correctly maintain and store accounting documents, business books, accounting statements, and business reports. Standards define periods and methods of maintenance and storage of accounting documents, business books, accounting statements, and business reports.

Legal entity should observe the following general evaluation principles in the process of preparing an accounting statement:

- Principle of continuity;
- Principle of consistency;
- Principle of caution;
- Principle of causality of incomes and expenditures;
- Principle of individual evaluation of assets and liabilities based on sources;
- Principle of time-related balance, reflecting relations between the preceding and the current year.

11. What is Bulldozer Commission?

A group of B&H businessmen, together with international organizations representatives, initiated the establishing of the Bulldozer Commission in November 2002. The purpose was to build a working partnership between B&H politicians and businessmen, and to identify legislative drawbacks that impede further business development and creating of new jobs. Bulldozer Commission is based on dialogue between counterparts from public sector (authorities) and from private sector in Bosnia and Herzegovina. Bulldozer Commission functions the following way: businessmen identify drawbacks in current legislation that impede business development, and suggest adequate amendments to Bulldozer Commission.

Every proposal is discussed in depth by a qualified team of lawyers and economists, who then offer a legal solution and evaluate potential consequences for the economy. Their opinion is then submitted to the competent institution for their approval in urgent procedure.

The objective of Bulldozer Commission is to have 50 legislative reforms approved in 150 days.

Some of the reforms aimed at improving business environment include: elimination of barriers to investment in B&H through the reform of Company Law/Law on Enterprises in the FB&H and RS respectively, enabling foreign investment registration only at the level of B&H, liberalizing inter-Entity transport related regulations, encouraging recycling of materials and environmental protection in B&H, introducing of financial leasing activities in the FB&H and RS, adoption of the Law on Public Procurement at the level of B&H, etc.

From the very outset, FIPA, being a member of Bulldozer Commission, played an important role in its work, and initiated amendments to relevant legislation with the aim of improving business environment for foreign investors.

WORKFORCE

12. What is the labor availability in B&H?

Total number of the employed people in B&H at the end of first half of 2005 was 628 605, of which 387.558 in the Federation and 241 047 in the RS

Federation of B&H

Sektor	2002		2003		2004		VII-2005	
	Number	%	Number	%	Number	%	Number	%
Total number of employed people	394 132	57,55	387 381	55,96	388 310	54,38	387 558	53,15
Total number of unemployed people	290 715	42,45	304 830	44,04	325 738	45,68	341 650	46,85

Sektor	2002		2003		2004		VII-2005	
	Number	%	Number	%	Number	%	Number	%
Total number of employed people	394 132	100	387 381	100	388 310	100	387 558	100
Agriculture, hunting, forestry	10 616	2,69	10 134	2,62	10 265	2,64	10 075	2,60
Fishing	196	0,04	179	0,05	189	0,05	183	0,05
Mining	16 443	4,17	16 288	4,20	16 132	4,15	16 251	4,19
Manufacturing	95 592	24,25	90 397	23,33	88 641	22,82	83 949	21,66
Electricity, water, gas supply	14 973	3,79	14 558	3,76	14 299	3,68	14 899	3,84

Construction	24 764	6,28	24 503	6,32	23 616	6,08	22 962	5,92
Trade	50 323	12,76	51 230	13,22	51 163	13,17	53 296	13,75
Catering	14 306	3,63	14 425	3,72	14 840	3,74	14 938	3,85
	28 744	7,29	28 752	7,42	27 784	7,15	27 317	7,04
Financial intermediatio	7 309	1,85	7 553	1,95	7 703	1,98	8 056	2,07
Real estate,renting	9 280	2,35	9 362	2,41	8 667	2,23	9 864	2,54
Public administration, defence	51 989	13,19	49 429	12,76	48 542	12,50	47 149	12,16
Education	32 404	8,22	32 915	8,50	33 079	8,51	33 735	8,70
Health,social welfare	26 775	6,79	26 938	6,95	27 405	7,05	28 246	7,29

Qualifications	2002		2003		2004		VII-2005	
	Number	%	Number	%	Number	%	Number	%
Total number of unemployed persons	290 715	100	304 830	100	325 738	100	341 650	100
Unskilled –Total	106 988	36,80	106 062	34,79	109 802	33,70	114 019	33,37
Semi-skilled	9 786	3,36	11 322	3,71	11 795	3,62	12 540	3,67
Skilled and highly skilled	107 000	36,80	114 819	37,66	123 552	37,93	129 126	37,80
Secondary school education	60 138	20,68	65 252	21,40	71 333	21,89	75 465	22,09
College degree	3 488	1,19	3 692	1,21	4 267	1,30	4 685	1,37
University degree	3 315	1,14	3 683	1,20	4 989	1,53	5 815	1,7

At the end of July 2005, companies expressed the needs for 1.193 workers, so that means that one application which is offering a job, covers 286 workers who are seeking a job.

Source. Statistics Agency of the Federation of B&Hand : Federal employment Service

Republika Srpska

	2003		2004		III-2005	
	Number	%	Number	%	Number	%
Total number of employed people	238 190	100	236 899	62,46	241 047	61,45
Total number of unemployed people			142 462	37,55	151 202	38,55

Sectors	2002		2003		2004		III 2005	
	number	%	number	%	number	%	number	%
Total number of the employed	233.718	100	238 190	100	236 899	100	241 047	100
Agriculture, hunting, forestry			9 464	3,97	8 753	3,69	8 567	2,72
Fishing	279	0,11	317	0,13	283	0,11	276	0,11
Mining	3778	1,7	3695	1,55	3 448	1,45	2 994	1,24
Manufacturing	66.057	28,2	62 939	26,42	58 125	24,53	58 349	24,21
Electricity, water and gas supply	9470	4	9 448	3,96	9 423	3,97	9 608	3,98
Construction	13.135	5,6	12 372	5,19	12 020	5,07	12 017	4,98
Trade (Retail sale and whole sale)	34.281	14,6	37 911	15,91	41 548	17,53	42 707	17,71
Catering			13 595	5,70	13 731	5,79	12 711	5,27
Transport, communications	14.333	6,2	14.723	6,18	14 491	6,11	14 748	6,12
Financial intermediation			2 762	1,15	2 637	1,13	2 634	1,09
Real estate, renting			5 475	2,29	5 729	2,42	8 079	3,35
Public administration, defence	19.870	8,5	20 429	8,5	19 892	8,40	18 830	7,81
Education			15 410	6,46	16 052	6,77	16 744	6,94
Health, social welfare			14 367	6,03	14 463	6,11	15 214	6,31

Source: RS Statistics Agency

Qualifications	2004		III-2005	
	Number	%	Number	%
Total number of unemployed persons	142 462	100	151 202	100
Unskilled – Total	44 396	31,16	47 575	31,46
Semi-skilled	4 445	3,12	4 782	3,16
Skilled and highly skilled	55 936	39,26	59 343	39,24
Secondary school education	33 353	23,41	34 948	23,11
Upper secondary	2 362	1,65	2 485	1,64
University degree	1 970	1,38	2 069	1,37

Source: Employment Office of Republika Srpska

13. What are the average unemployment rate in B&H?

Above presented data show that the unemployment rate in first half of 2005 was 46,80% in Federation B&H and in Republika Srpska 38,54%.

14. What are the average wages in Bosnia and Herzegovina?

The average net wage in July 2005 in the FB&H came to 556,19 KM (284,37 EUR) and in Republika Srpska 471 KM (240,81 EUR)

The average gross wage in July 2005 in Federation B&H came to 817,93 KM (418.20 EUR) and in Republika Srpska 717 KM (366.59 EUR)

The average net wage in Bosnia and Herzegovina in the first quarter of 2004 was € 252,57 (Federation of B&H it is € 263,82, and in the RS € 207,07).

The average gross wage in B&H in the same period was € 374, with € 388,07 in the Federation of B&H and € 315 in the RS.

TAXATION

15. Which agency is responsible for tax collection in B&H?

Tax administrations (Entity, cantonal and municipal ones) are in charge of tax collection in B&H.

By the end of 2003, the B&H Indirect Taxation Authority was established that will collect future value added tax and coordinate fiscal policy issues in general. This body will also be responsible for collecting customs and excises in the entire territory of B&H. Single customs and tax administration will strengthen fiscal system and ensure full tax harmonization.

16. Which taxation categories are used in B&H?

The basic taxation categories are:

- Corporate income tax
- Personal income tax
- Sales tax on goods and services
- Wage tax
- Property tax
- Social security contributions paid by employers and employees
- Excises, a special type of sales tax paid on some commodities like: oil products, tobacco products, soft drinks, alcohol drinks, beer, wine and coffee.

Value added tax is expected to be implemented as of 1st January 2006, and it will replace sales tax on goods and services.

Value added tax is a comprehensive tax on consumption, assessed based on the value added to goods and services. This is a general tax that is applied to all commercial activities, including manufacturing and distribution of goods and providing of services. It is a consumer tax because it is not paid by the company, but by the end user. It is assessed as a percentage of the cost of goods or services. The tax amount is visible in all stages, from manufacturing to distribution chain. When paying tax liability, the tax payer will reduce the value added tax by the tax amount he/she already paid to other tax payers at purchase. This ensures neutrality of taxation, regardless of the number of transactions involved.

17. What is the corporate income tax in B&H?

- Federation B&H – 30%.
- Republika Srpska – 10%
- Brcko District – 10%

It is expected that these rates will be harmonized shortly.

18. Are there tax incentives for foreign investors?

In the Federation of B&H, in case where foreign investment exceeds 20% of company equity (including 100% investment), the company is exempt from profit tax for the first five years, proportionally to foreign stakes in the total capital of company.

There are no tax exemptions in Republika Srpska or in Brcko District.

Investment capital is not subject to taxation in Bosnia and Herzegovina.

19. Are profits transferred from abroad taxed in B&H?

Profits transferred from abroad are not taxed if they were previously subject to taxation abroad.

20. Which items are included in the corporate tax base?

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.

21. What is the depreciation rate range in Bosnia and Herzegovina?

Taxpayers may decide to use either the nomenclature (minimal) or their own depreciation rate that must be published in an official document. Depreciation rate for movable and immovable property ranges between 1 and 50 percent.

22. Which methods are used to assess consumption of stocks, materials, spare parts, inventory and tools?

Taxpayers can choose to assess their stocks according to the FIFO, LIFO or average price assessment method. Average price assessment method must be used in accounting statements prepared for tax authorities.

23. How are losses treated in accounting statements?

Losses must be indicated in accounting statements and can be offset against future gain, but not longer than for five years.

24. What are personal income tax rates in Bosnia and Herzegovina?

In the Federation of B&H and in the RS, personal income tax is payable on following types of income:

- wage
- earnings from farming
- income from property and property rights
- income from copyrights, patents and technical inventions
- capital gains
- income from other activities.

In the Federation of B&H, personal income tax is levied at cantonal level, while in the RS it is regulated at Entity level. Brcko District has its Law on Personal Income Tax that regulates this type of tax for the District.

Please contact FIPA to find out about current personal income tax categories and applicable rates.

Federation of B&H – In the Federation B&H wages are taxed 5% (tax base is gross wage) while other tax rates range from 10% to 15% (depending on the tax-base type, for example income from property and property rights, capital gains, etc.).

RS – In the Republika Srpska wage tax is 10% (tax base is net salary). Other tax rates for personal income tax are also 10% (for all types of the tax base).

25. Are foreigners treated as taxpayers in Bosnia and Herzegovina?

All foreigners with permanent residence in the Federation B&H and RS pay personal income tax on revenues earned during a calendar year in B&H territory. Equally, all foreigners who do not reside permanently in B&H but who earn income in the Federation B&H and RS are considered as taxpayers.

In Brcko District, foreigners are treated as taxpayers if they stay in the District territory during an uninterrupted period of 183 days at least.

26. Which taxes are levied at the municipal level?

FB&H – The municipalities within cantons collect the following taxes:

- Personal income tax
- Property tax on buildings, apartments, garages, recreation areas, boats longer than five meters, gambling machines
- Tax on property incomes and property rights
- Tax on farming

RS – The municipalities collect the following taxes:

- Sales tax on goods and services
- Personal income tax
- Property tax on buildings, apartments, garages, recreation areas.
- Tax on farming

27. Is value-added tax (VAT) used in Bosnia Herzegovina?

The Law on Value Added Tax is expected to enter into effect as of January 1st, 2006. The Law on Value Added Tax has been adopted, with the tax rate of 17%.

28. Which taxes and contributions are included in wages?

In Republika Srpska, contributions are calculated on the bases of net wage. Net wage implies the income earned by the employed 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 B&H there are contributions paid by the employer and those paid by the employee, on gross wage amount. Gross wage includes net salary earned by regular employment, plus contributions, taxes and participations.

In Brcko District, pension insurance contributions are regulated by Entity laws.

a) Contributions paid by the employer per one employee:

- FB&H: 17% for pension insurance, 13% for health insurance, 2% for unemployment insurance and 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 10% tax on net wage (in total: 52% on net wage).

- Brcko District: 17% on gross wage for pension insurance for employees from the FB&H, and 24 on net wage for employees from the RS; 12% on gross wage for health insurance and 10% tax on net wage (total: 29% on gross wage plus 10% on net wage for employees from the FB&H, and 34% on net wage plus 12% on gross wage for employees from the RS).

b) Contributions paid by the employee that are withheld from the wage and paid directly by the employer:

- FB&H: 7% for pension insurance, 4% for health insurance, 0,50% for unemployment insurance (in total: 11,50% on gross wage).
- Brcko District: 7% on gross wage for pension insurance.
- In Republika Srpska no such contributions are paid.

CUSTOMS

29. Which products can be imported duty free?

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

In case where the equipment that makes a part of foreign investment is put into free circulation, with the exception of passenger cars, slot and gambling machines, only 1% of customs value is paid for the purpose of customs registration. The equipment that makes part of a foreign investment cannot be lent, pledged as a guarantee, rented or given up without previous consent of the customs administration.

If such equipment is lent, pledged as a guarantee, rented or given up, corresponding customs duty would have to be paid on it. The following items are also exempt from import duties: fixed assets, industrial inventory and equipment imported on the basis of transfer of business activities from abroad to B&H, intermediate materials to be used for manufacturing of goods for export, advertising material, samples, catalogues, goods for charity and humanitarian agencies, etc. Incentives and exemptions from payment of custom duties when putting the goods in free circulation are determined and granted by the Council of Ministers of B&H. (All goods that may be exempt from customs duties are stated in the Annex 4 to the Law on Customs Policy).

30. What are import duties in Bosnia and Herzegovina?

Import customs rates payable in B&H according to the customs tariffs are: 0%, 5%, 10% and 15%.

31. Are there any special import restrictions on equipment that is a part of foreign investment?

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

32. Are there any import restrictions in effect in Bosnia and Herzegovina?

Special permits from competent ministries are required for import of some goods that can be hazardous for human health or the environment. For example, in case of materials used for reproduction or health care in animals and plants, special permit has to be issued by the respective Entity Ministry of Agriculture, Water Management and Forestry. The Council of Ministers set uniform criteria for issuance of such permits. In case of narcotics, medicines, blood and blood fractions and similar pharmaceuticals, an approval of the respective Entity Ministry of Health and a permit of the Ministry of Trade are required.

For other goods that are classified under individual import or export regimes based on "D" license (precious metals in colloid condition, explosive ordinance, armaments, etc), the approval is issued by the competent ministry, while the permit is granted by the Ministry for Foreign Trade and Economic Relations.

Import of used tires, cars older than 7 and heavy trucks and buses older than 10 years, is also restricted by law.

33. How many Free Trade Agreements has Bosnia and Herzegovina signed, so far?

Bosnia and Herzegovina has signed or ratified Free Trade Agreements with Albania, Croatia, Serbia and Montenegro, Macedonia, Turkey, Moldova, Romania and Bulgaria.

In 2005 the Free Trade Agreements are applied to the following countries:

- Import from Serbia and Montenegro, Croatia and Macedonia is customs free;
- Import customs fee from Turkey is 35%.
- Import customs fee from Moldova is 40%.
- Import customs fee from Albania is 40%, (there are different customs fee for agriculture products from 0% to 100%)

Also, according to new preferential regime with Europe Union all goods that fulfil EU technical / technological standards under condition that they are originally from B&H, can be imported to all 25 EU countries, until the end of 2005, without any quantitative restriction and without paying customs and other similar duties.

Exceptions are: beef meat and beef livestock, certain kind of fishes and their products and vines.

34. Is there a single customs system in B&H?

The Law on the Indirect Taxation Authority provides for full merging of the three existing customs administrations into one Indirect Taxation Authority. This Indirect Taxation Authority is responsible for administration and collection of all customs, excises and after full VAT implementation will be responsible for collection of VAT, i.e. of all indirect taxes.

35. Are there any special economic zones/districts in B&H?

There are free trade zones in B&H and they are part of customs territory of B&H. Free trade zone is managed by the founder.

Free zone has a status of legal entity and it acquires its legal and business capacity with the registration of the Act on Establishing Free Zone in the Court Register. The free zone founders may be one or more domestic and foreign legal entities registered in B&H. The Council of Ministers B&H shall, at the proposal of the Ministry for Foreign Trade and Economic Relations of B&H, give its consent for the free zone establishment, if the conditions for establishment are economically justified.

36. In which circumstances is the establishing of a free zone considered economically justified?

The free zone establishment is considered as economically justified if the submitted feasibility study and other accompanying evidence can prove that the value of goods exported from a free zone will exceed at least 50% of the total value of manufactured goods leaving the free zone within the period of 12 months.

37. What is the time period of land and facilities rentals to free zone users?

The users of free zone (domestic and foreign legal entities and natural persons) can rent land or facilities within the zone for an extended time period (maximum 30 years).

38. Do free zone users pay any duties?

Free zone users do not pay taxes and contributions, except taxes and contributions related to salaries and wages. Investments in the free zone, transfer of profit and transfer of the investment are free of charge.

Customs and other tariffs are not paid for imports into the free zone, and there are no special tariffs for import of agricultural products, food and other products or raw materials for production and consumption within the free zone. Imports of equipment into the free zone that will be used in production are exempt from custom duties. No export customs duties are paid on exports from the free zone.

39. How many free zones are there in B&H?

There are six free zones in B&H: Vogosca, Visoko, Mostar, Puračić-Lukavac, Banja Luka and Slobomir in Bijeljina.

40. Are there any import restrictions in effect in Brcko District?

Brcko District applies The Law on Custom Policy of B&H and there are no specific exceptions to the State law.

The Ministry for Foreign Trade and Economic Relations of B&H is in charge of issuing permits for exports and imports of goods classified under “D” permit regime, which also require approval by respective Entity ministries.

(In case of pharmaceutical products being imported by companies operating in Brcko District, the approval is to be granted by the Health Department of the District Government).

41. What is the role of the Investment Guarantee Agency – IGA?

IGA is a financially independent State level agency for export crediting. Its main task is to increase exports from Bosnia and Herzegovina and to provide first class financial services through low interest rate credits with extended repayment periods.

42. What are the eligibility criteria for IGA credits and whom are they intended for?

Since IGA is an export-crediting agency, the first key precondition for the applicant is that he is just AN EXPORTER, and that exporting is his only business activity. Credit is considered to be a low-risk credit if the exporter has 5 customers at least and if he is exporting to more than two foreign countries. High-risk credits are those approved to the exporter who has only one customer and is exporting to only one country. Usually, credits are not approved to this category of exporters.

CONCESSIONS

43. What are concessions?

Concession implies the right to perform business activities using natural resources or goods intended for general use, and the right to perform activities of general interest, as provided for by the B&H Law on Concessions.

The Council of Ministers of B&H passes decisions on the type, subject and scope of the concession to be granted, subject to subsequent approval by the Parliamentary Assembly of Bosnia and Herzegovina.

44. What can be the subject of concession?

Under the Law on Concessions, the following can be subject of concession:

1. Operation, or construction and operation of:
 - roads and associated infrastructures;
 - railways, navigable canals and ports;
 - airports,
2. Use of waterways and waters;
3. Construction of power plants;
4. Construction and/or exploitation of accumulated hydro-power potentials, except for electrical power transmission;
5. Exploration and/or exploitation of energy and other mineral raw materials;
6. Exploration and/or exploitation of crude oil and natural gas;
7. Use of construction land;
8. Use of forests and forest land;
9. Hunting and fishing;
10. Construction, use and management of pipeline transport of oil and gas and their storage in pipelines and terminals;
11. Games of chance;
12. Postal and telecommunication services, except for joint and international communications from Article III, point 1 (X) of the Constitution of B&H;
13. Passenger and freight railway transport;
14. Public passenger line transport;
15. Use of medicinal, thermal or mineral waters;
16. Exploration and/or exploitation of non-metal mineral raw materials, including all secondary mineral raw materials specified by special law;
17. Hydro-amelioration systems and systems for extraction of materials from waterways and waters areas;

18. Formation and/or usage of riverbeds and banks and lakes;
19. Utilization of agricultural soil;
20. Sites and buildings belonging to natural and built heritage;
21. Other activities and goods suitable for concessions.

The Law on Concessions establishes the Concession Commission of Bosnia and Herzegovina as an independent regulatory body set up to carry out its function in its capacity as the Commission for Concessions of Bosnia and Herzegovina or as the Joint Concessions Commission.

In executing its function, the Commission promotes the meeting of public needs and the economic development through involvement of private sector in financing, planning, construction, rehabilitation, maintenance and/or operation of infrastructure and accompanying facilities and services, and in exploitation of natural resources and facilities used for their exploitation, taking into account the protection of economic and social interests, environmental protection as well as the fair treatment of private sector.

45. What is the procedure of obtaining approval for a concession project?

The Conceding Party (B&H Ministry determined by the B&H Council of Ministers) prepares a feasibility study on a project to be approved for a Concession prior to public invitation of potential bidders. The feasibility study is then submitted to the Commission for its consideration and approval.

When rendering its decision, the Commission takes the following into consideration:

- a) project impact on provision of services to users,
- b) project impact on fees charged to users,
- c) whether the projects fits into the objectives stated in the Policy Paper
- d) whether the project is beneficial for Bosnia and Herzegovina.

The commission informs the competent body if the project is approved or not within a month following presentation of the feasibility study.

In case the Commission does not approve the project, it may suggest or recommend such changes that would make the project acceptable.

Upon approval of the project, the conceding party publishes a public invitation, inviting persons that have met necessary conditions. The invitation is sent to as many addresses as possible and if the Commission requests so, the international invitation may be published.

46. Which elements are included in public invitation?

Invitation to tender includes:

- a) project description,
- b) definition of economic and legal conditions and requirements relevant for the project,
- c) principles and methods of calculation of concession fee,
- d) amount of concession fee, and fees and charges to be paid in tendering procedure,
- e) description of assets and property made available under concession,
- f) criteria for evaluation of bids and awarding of concession, based on clear and transparent non-discriminatory principles,
- g) deadline for submitting of tenders,
- h) draft concession contract,
- i) tax incentives applicable on the project, if any,
- j) list of required permits, approvals and other authorizations,

With the Commission's approval, the conceding party may issue a request for fulfilment of conditions prior to the invitation to tender. The request for fulfilment of conditions is published and submitted to the entities that possess necessary expertise, business reputation or financial standing. The request for fulfilment of conditions includes the criteria applied in the selection procedure.

The Commission may request that the public invitation includes the obligation for bidders to prepare feasibility study that would contain an assessment of environment impact. Feasibility study is considered when the evaluation is made against criteria for concession award.

In case a bidder applies with a competent ministry for a concession for which no tender has been published, the ministry shall decide whether the concession would be in public interest.

47. What is possible duration of a concession contract?

Concession contract is concluded for a period that may not be longer than 30 years. In case of exceptional circumstances requiring investments over a longer period of time, contract may be extended up to 50 years at longest. Concession contract may be renewed for a period not exceeding one half of the original contract duration.

48. Which rights do concessionaires enjoy?

The concessionaire (a business entity established in compliance with the laws of Bosnia and Herzegovina, owned by domestic or foreign legal person, who is granted a concession and who executes concession contract in accordance with this law) has the right to possess and use the assets and property made available by the conceding party under the concession agreement.

49. What are concessionaires' obligations?

1. Concessionaire's share capital is owned by persons stated in tender documents. Not more than 15% of voting rights may be transferred directly or indirectly, unless the Commission has issued an approval to that effect.
2. Concessionaire may not perform any activity other than that stipulated by the concession contract.
3. Concessionaire prepares standard service contracts regulating business relationships between the concessionaire and service users, to be approved by the Commission.

BANKING

50. What is the role of the Central Bank of B&H?

CBBH started its operations in 1997. CBBH defines and controls the implementation of monetary policy in Bosnia and Herzegovina. CBBH maintains monetary stability under the Currency Board arrangement, which means that it issues domestic currency with full coverage in freely convertible foreign exchange at fixed exchange rate of 1 KM : 0,51129 EUR. CBBH defines and controls the implementation of monetary policy in Bosnia and Herzegovina. CBBH manages with foreign exchange reserves realized by issuing domestic currency. CBBH supports and maintains relevant payment and accounting systems. It also coordinates the activities of the Entity Banking Agencies that are responsible for licensing and supervision of banks.

51. What is the current situation in banking sector of Bosnia and Herzegovina?

Banking sector is undergoing consolidation process. The number of domestic banks is decreasing year after year while the competition is increasing with foreign banks entering the market. According to the most recent data (Central Bank of B&H, March 2005) private capital in banking sector makes 86%, of which 68% in foreign

ownership. By the end of March, there were 33 banks in Bosnia and Herzegovina (24 in the Federation and 9 in the RS). The introduction of a deposit insurance agency and the presence of well-established international banks have strengthened the public's confidence in the banking sector. Amendments to the Law on Deposit Insurance were adopted in February 2005, increasing the insurance coverage to KM 7,500.

52. What types of services are offered by banks in B&H?

The Entity laws have been harmonized (RS Banking Law – RS Official Gazette 44/03; BH Federation Banking Law – BH Federation Official Gazette 39/98, 32/00, 48/01, 4/02, 58/02, 13/03). Any decision on status change, mergers, holdings or splitting requires prior written approval by the respective Entity Banking Agency. The minimum equity and net capital to be maintained by the bank may not be less than 15 million KM. Same conditions apply to domestic and foreign investors. Under the applicable Banking Laws, banks may perform the following activities:

- Receive all sorts of monetary deposits and other monetary instruments;
- Give and take loans and financial leasing;
- Provide all forms of financial guarantees;
- Participate in, buy and sell financial and capital market instruments for their own or third person's interests
- Offer services involving payment operations and money transfers;
- Purchase and sell foreign currency;
- Issue and manage payment means (including credit cards, traveler and bank checks);
- Store and manage securities and other valuables;
- Offer services of financial management;
- Buy and sell securities and
- Perform other activities arising from the above ones.

53. Does Bosnia and Herzegovina have a valid international credit rating?

In April 2004, Moody's Investor Service assigned Bosnia and Herzegovina B3 credit rating with positive prospects. Positive prospects imply that the Agency expects that B&H rating will rise soon.

54. Is there a regulated financial market in B&H?

The opening and operation of stock exchanges in Bosnia and Herzegovina are regulated by the Law on Securities of the B&H Federation (B&H Federation Official Gazette, 38/98 and 36/99) and the Law on Securities of the RS (RS Official Gazette, 04/02).

Under the law, the stock exchange is a joint stock company and can be established by minimum five professional brokers upon approval of the Securities Commission. In the B&H Federation, the initial capital of a stock exchange should be KM 200.000 at least, while in the RS it is KM 500.000. So far, two stock exchanges have been established in B&H: Sarajevo Stock Exchange (with three market segments – stock exchange listing, funds listing and free market) and Banja Luka Stock Exchange (with three market segments – shares, bonds and investment funds shares). Securities issued by an entity that has a seat outside of B&H may be listed on a stock exchange if they meet listing requirements prescribed for local securities listing (requirements specified by law, Commission’s Regulations and Rules, as well as requirements determined by regulations applicable in the seat of the issuing entity).

55. What interest rates are applied in Bosnia and Herzegovina?

The commercial banks in Bosnia and Herzegovina freely determine their interest rates based on capital demand and supply. Interest rates have been declining slowly for some time now, both in nominal and real values, as a result of reforms in banking sector, growing saving deposits and stronger competition in the banking sector due to the presence of well capitalized foreign banks. The current interest rates are given in the table below:

	Lending interest rates		Demand deposit interest rates	Interest rates on time deposits and saving deposits
	Short-term	Long-term		
March 2004	10,53	9,64	0,54	2,42
March 2005	9,92	8,11	0,53	3,30

Source: Central Bank of B&H (2005)

INFRASTRUCTURE

56. What is the average price of electricity in Bosnia and Herzegovina?

Electricity costs are presented in the table below:

Electricity for industrial use	Federation BiH EUR/kW	Republika Srpska
Summer rates	0,08 higher and 0,04 lower	0,08 higher and 0,04 lower
Winter rates	0,1 higher and 0,06 lower	0,1 higher and 0,06 lower
Electricity for household use		
Summer rates	0,05 higher and 0,02 lower	0,04 higher and 0,02 lower
Winter rates	0,07 higher and 0,03 lower	0,06 higher and 0,03 lower

57. What are the costs of telephone installation and use?

Telephone installation & use	Federation BiH	Republika Srpska
Telephone installation charge (EUR)	110	75
Inland telephone transfer charges (EUR per 1 min)	Off peak: 0.002 - 0.06 Peak: 0.005 - 0.12	Off peak: 0.002 - 0.06 Peak: 0.004-0.12
International phone call from BiH (EUR per 1 min)	0,13 - 1,10	0,61 - 1,62

58. What is the price of heating gas in Bosnia and Herzegovina?

Heating gas prices are following:

GAS	EUR / m3
Households	0.226
Industry	0.325
Industry / huge consumers (taxes free)	0.3
Industry / public heating systems (taxes free)	0.21

59. What is the price of gasoline?

Gasoline prices are following:

Motor fuel	EUR per liter	EUR per liter
Gasoline A-95H unleaded	1	1
Diesel fuel	0.96	0.96

60. What is the price of water?

Prices of the water varie, depending on the region and the purpose for which water is used. Average prices are as follows:

WATER	EUR / m3
Households	0.57
Industry	1.35

61. What are the distances between Sarajevo and major European cities?

Distances between Sarajevo and major European cities and airline flights are given in the table below:

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

Sarajevo International Airport - Direct flights	
Belgrade	Daily
Budapest	Daily
Dusseldorf	Only on Saturday
Frankfurt	Only on Monday and Friday
Istanbul	Daily
Ljubljana	Daily
Milan	Daily
Munich	Daily
Prague	Monday, Wednesday, Friday, Saturday
Stuttgart	Only on Saturday
Vienna	Daily
Zagreb	Daily
Banja Luka International Airport	
Belgrade	Monday, Wednesday, Friday, Sunday

62. What is the cost of industrial land?

The cost of industrial land varies and depends on location, infrastructure availability, etc.

The cost of industrial land	7 - 50
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63. What are average rent prices of office premises and factory space?

Rent prices of office space vary largely and depend on location, infrastructure availability, etc, as it is presented in the table below:

Office rent (EUR per m ² / month)	3 - 20
Factory space rent - Euro per m ² / month	2,5 - 10

64. What is the current situation in transport sector in B&H?

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.

Internal transport services are provided mainly by road transporters on 22.000 km of roads, and by railways on 1000 km of railway network. Bosnia and Herzegovina has four international airports in Sarajevo, Banja Luka, Mostar and Tuzla, as well as adequate storage space for all sorts of goods.

In Bosnia and Herzegovina there are many successful forwarding and transport agencies, like Intersped, Eurotrans, Intereuropa, Jadroagent, Transjug, UPS, DHL, TNT, FedEx, Centrotrans, Polictrans, Zenicatrans, etc, which offer wide range of services including:

- Road transport
- Railway transport
- Air transport
- Consolidated transport
- Maritime transport
- Container transport
- Storage and distribution
- "Door to door" delivery and distribution from Europe and to Europe, as well

- as within Bosnia and Herzegovina
- Moving
- Packing, unpacking and positioning of objects
- Customs clearing
- Customs mediation
- Transit customs clearing
- Guarantees at border crossings
- Services at border crossing
- Import and export services
- Transport of hazardous materials
- Transport of extra-voluminous objects
- Services of goods insurance

65. What is the average cost of transport services?

A) Railway transport

Railway transport costs vary depending on quantity, type of goods and distance. Average costs are shown in the table below:

Distance 1 – 50 km - Euro per 1 t	5
Distance 100 km - Euro per t	6.5
Distance 100 km + X - Euro per t	6.5 + 0.5 for every additional 10 km

In case of larger quantities special discounts are approved.

B) Road transport

Road transport costs vary depending on quantity and distance and their range is shown in the table below:

Euro per 1 t / km	0.75 - 1
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In case of larger quantities special discounts are approved.

PRIVATISATION

66. How is the privatization process regulated in B&H?

A FRAMEWORK LAW on privatization of enterprises and banks in B&H was adopted in July 1998. The law recognized the right of the Entity to privatize enterprises and banks located in its territory, that are not privately owned, and to with regulations adopted by respective Entity parliament.

67. How is the privatization process regulated at the Entity level?

In the B&H Federation, privatization process is conducted by the B&H Federation Privatization Agency and by cantonal Privatization Agencies in accordance with the Law on Privatization of Enterprises, while in the Republika Srpska it is the responsibility of the RS Privatization Directorate.

State owned capital in the enterprises dealing with generation and distribution of electricity, railway traffic, telecommunications, water supply, mining, forestry, public media, games of chance, arms industry and military equipment, and in other enterprises of strategic importance, is privatized in accordance with this law, but under special Government privatization programs.

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

68. Who can be a buyer in privatization process?

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

69. What privatization methods are used in B&H?

In Republika Srpska, the following methods are used:

1. Voucher offering
2. Tender;
3. Auction;
4. Auction, where the initial price is gradually reduced until the first offer is made (special auction);
5. Direct sale;
6. Combination of the abovementioned methods.

Privatization method is defined by the Program, provided that at least 55% of the state owned capital in enterprises is privatized through vouchers.

The provision from previous paragraph does not apply to strategic companies, or to those companies where the state owned capital indicated in the opening balance sheet is less than KM 300.000.

The initial price of state owned capital has to be established in the opening balance sheet in accordance with this law.

In case of direct sale, the initial price is established by expert evaluation in accordance with the methodology prescribed by Government's acts.

In auction, the sale price is determined on the basis of the highest received offer.

Proportional distribution of shares among bidders is made based on number of vouchers registered for the tender.

In the B&H Federation, privatization methods include public offering of shares and tender sale.

If the enterprise is not sold by these methods, sale can be arranged through direct deal.

In case of public offering of shares, state owned capital in enterprises is being offered to citizens in form of shares and in exchange for their claims (vouchers) or cash. Within the B&H Federation Privatization Agency there is the Tender Sales Department. Local and foreign experts are employed with this Department, and their main task is to attract foreign buyers, i.e. investors.

70. What payment instruments are used in privatization procedure?

In the B&H Federation, payment instruments used in privatization procedure are:

1. vouchers based on natural persons' claims on the B&H Federation,
2. vouchers based on natural persons' claims on the B&H Federation as a compensation for property that is subject to restitution,
3. securities,
4. cash,
5. funds stated in military foreign exchange passbooks and on vouchers belonging to the members of the armed forces of B&H.

In the RS, payment instruments used in privatization procedure are:

1. vouchers given to citizens based on the Law on Privatization of the State Owned Capital;
2. vouchers given to war veterans, survivor families, families of missing soldiers and military war invalids;
3. coupons issued as compensation for claims based on frozen foreign exchange saving deposits, pursuant to Government's regulations;
4. cash.

71. How do companies prepare themselves for privatization?

Companies prepare their privatization programs that include:

- background information on company and its business operations;
- proposal of privatization model;
- proposal of method of payment;
- opening balance sheet.

72. What are the objectives of privatization?

The objectives of privatization are:

- to contribute to economic reforms and to enable transition to market economy
- institutions and mechanisms,
- to recover lost markets and to ensure inclusion in international markets of capital and goods,
- to introduce western standards and norms into business operations,
- to introduce new technologies and modern organization of capital management,
- to ensure the public revenue and alleviate the burden on the budget,
- to facilitate foreign capital inflow for economic recovery,
- to boost competition and eliminate monopoly in goods and services market.

73. What results have been achieved in privatization so far?

Results achieved until 12/31/2004 in Federation BiH:

- | | |
|--------------------------------------|--------------------|
| • Companies undergoing privatization | 1099 or 78,78 % |
| • Companies privatized totally | 1005 or 72,04 % |
| • Privatized State-owned Capital | 5,3 mld or 38,68 % |
| • Total Income - Vouchers | 8,9 mld - Cash |

In cooperation with the International Advisory Group for Privatization (IAGP), 28 contracts on large-scale privatization were signed for the period from 2001 – December 2004. Out of that, 10 companies were sold in 2004 (Enker Tesanj, Intersped Sarajevo, Granit Jablanica, Holiday Inn Sarajevo, Bira Bihac, Velmos Mostar, Metalno Zanica, Feroelektro Sarajevo, Milcos Sarajevo, BNT Travnik).

In the RS, since 1999 till June 2004, privatization process included:

- 140 enterprises worth less than KM 300.000
- 420 enterprises worth more than KM 300.000
- 43 strategic enterprises.

Total income from privatization: 191 mil.KM

Committed to invest: 77 mil KM

74. How is privatization conducted in Brcko District?

In Brcko District of B&H, privatization of state owned capital and property in enterprises is conducted in accordance with the Law on Enterprise Privatization in Brcko District of B&H. Before the Law was adopted, privatization process was instituted under the Order issued by the Brcko District Supervisor on September 19, 2001, establishing Privatization Office within Brcko District Government. Privatization process is run by the Brcko District Privatization Office.

75. Which privatization method is applied in Brcko District?

A special privatization model was designed for Brcko District and its implementation lagged behind privatization in the Entities. Brcko District is a relatively small territory. Local enterprises where majority capital is state owned make up the list of companies to be privatized.

This model implies the sale of 67% of enterprise capital to the majority owner, while the remaining 33% go to the so-called Markovic's shareholders and voucher holders. This model prefers offers involving large investments, more jobs, higher gross wages, realistic and acceptable business plans and, finally, better price. The best bidder is selected based on these criteria and evaluation methods.

Through privatization process, state ownership is being transformed in private ownership, and state owned company is being registered as a joint stock company. New joint stock companies have all standard qualities of such companies existing in developed countries and they are listed at securities markets where they can trade in all types of shares.

76. What are the results of privatization process in Brcko District?

Out of 31 enterprises on privatization list, 17 have been privatized so far in Brcko District. Nine international tenders were published involving 24 enterprises, and 85 bidders.

77. When was the public registration of shares completed in the FB&H, and when was the voucher offering completed in the RS?

Voucher offer in the RS was completed on March 15, 2001. In the B&H Federation three public invitations – public offerings of shares were published by September 2002, completing the cycle of mass privatization.

ADDENDUM – STATISTICS

MACROECONOMIC INDICATORS IN B&H

	2001	2002	2003	2004
GDP (million EUR)	5,604	5,957	6,291	6,637
GDP per capita (EUR)	1,472	1,553	1,642	1,732
Real GDP growth (%)	4.5	5.5	3.0	5.0
Industrial production growth rate	12.2 ¹ -12.9 ²	9.2 ¹ -2.5 ²	4.8 ¹ 5.7 ²	13.2 ¹ 9.7 ²
Unemployment rate (%)	40.3	40.9 *	42.0*	43.2*
Average net salary (EUR)	226	228	247	257
Annual inflation rate	1.7 ¹ 6.5 ²	-0.2 ¹ 1.7 ²	0.1 ¹ 1.8 ²	-0.3 ¹ 1.9 ²
Foreign debt stock at the end of period (million EUR)	2,261	2,194	2,054	2,036
Net foreign reserves (million EUR)	1,363.4	1,259.4	1,421.2	1,767.3
Import (million EUR)	3,390	4,037	4,277	4,818
Export (million EUR)	1,197	1,068	1,242	1,540

Source: Central Bank of B&H, Statistical Office of Bosnia and Herzegovina, Federal Office of Statistics, Institute for Statistics RS

Notes:

¹ Federation only

² RS only

*If we take into account informal sector real unemployment rate is around 20%

FOREIGN DIRECT INVESTMENT (FDI) IN B&H

Total FDI inflow (1994 – June 30, 2005)

Year	Total, million EUR
1994 - 1997	42.257.000
1998	60.045.000
1999	165.934.000
2000	158.553.000
2001	140.197.000
2002	308.988.000
2003	169.144.000
2004	618.339.000
I – VI 2005.	137.415.000
TOTAL	1.800.872.000

Source: Ministry of Foreign Trade and Economic Relations of B&H (2005)

FDI break-down by investor countries (1994 – June 30, 2005)

	million EUR
Croatia	277,5
Austria	252,4
Lithuania	252,4
Slovenia	185,7
Germany	129,2
Holland Antilles	119,3
Kuwait	101,0
Serbia and Montenegro	95,9
The Netherlands	50,7
Switzerland	49,5

Source: Ministry of Foreign Trade and Economic Relations of B&H (2005)

Sectors that received most FDI in B&H (1994 – June 30, 2005.)

Manufacturing	57,9 %
Banking	15,8 %
Trade	6,8 %
Services	4,4 %
Transport	4,2 %
Tourism	1,8 %
Others	9,1 %

Source: Ministry of Foreign Trade and Economic Relations of B&H (2005)

Top 10 foreign investors in B&H (1994 – June 30, 2005)

Foreign company	Country	Sector
LNM Holding N.V. / KCIC	Holland Antilles / Kuwait	Metal industry
Hypo Alpe Adria Bank	Austria	Banking
Zagrebačka banka/Unicredito/Transmadrid	Croatia/Spain/Italia	Banking
Merkator	Slovenia	Trade
Petrol	Slovenia	Trade
Coca-Cola	Holland	Food processing
Hrvatske telekomunikacije	Croatia	Telecommunication
Uždaraji Akcione Bendrove	Lithuania	Metal production
Heidelberg Zement	Germany	Construction materials
Dubai I.B., A.I.B. and Islamic Development Bank	UAE and Saudi Arabia	Banking

Source: Ministry of Foreign Trade and Economic Relations of B&H (2005)

FOREIGN TRADE OF B&H

Foreign trade structure (import/export) of Bosnia and Herzegovina

Major trade partners, in terms of import into B&H, in 2004: Croatia (18,4%), Germany (13,9%), Serbia and Montenegro (10,3%), Italia (9,3%), Slovenia (8,6%), Austria (5,0%), Hungary (4,6%)

Major trade partners, in terms of export from B&H, in 2004: Croatia (20,1%), Italia (16,3%), Serbia and Montenegro (15,0%), Germany (11,6%), Slovenia (8,5%), Austria (4,6%), Switzerland (4,0%)

Imports by commodities in B&H (2004):

Machinery and mechanical equipment	15.55%
Mineral based products	12.69%
Food	11.72%
Chemical products	9.42%
Basic metals	9.01%
Transport equipment	7.55%
Herbs and plants	5.29%
Textile and textile products	5.25%
Plastics and rubber	4.79%
Other	18.73%

Source: Central Bank B&H (2005)

Export by commodities in B&H (2004):

Basic metals	24.90%
Wood and wood products	15.23%
Mineral based products	11.79%
Chemical products	7.46%
Machinery and mechanical equipment	7.19%
Miscellaneous products	7.14%
Textile and textile products	5.80%
Shoes, hats	3.82%
Food	3.42%
Other	13.25%

Source: Central Bank B&H (2005)