



# Doing Business in Bosnia and Herzegovina (BiH): A Country Commercial Guide for U.S. Companies: 2012 Edition

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# Chapter 1: Doing Business in BiH

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## Market Overview

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- Bosnia and Herzegovina (BiH) is a transitional economy which is pursuing membership in the European Union and the World Trade Organization.
- Per capita GDP in 2011 was approximately USD 4,228, with a total nominal GDP of approximately USD 16.6 billion. According to the BiH Central Bank, GDP grew by 1.6 percent in 2011, after a 0.7 percent increase in 2010 and a -3.0 percent decrease in 2009.
- While the official unemployment rate is approximately 43 percent, unofficial estimates of unemployment, that take into account the large gray economy, are approximately 27 percent. Unemployment is partly a legacy of the economic transition and war, but is also related to a generous benefit regime, not least for war veterans, as well as stringent labor regulations which create an inflexible labor market. BiH's grey economy is relatively large – estimates range from 20 to 40 percent of GDP.
- As of December, 2011, the average monthly net salary is \*USD 513. This number has remained virtually unchanged from 2010.
- BiH operates a currency board arrangement by which the Bosnian Convertible Mark (KM) is pegged to the euro (One Euro = KM 1.958). As a result, the convertible mark is one of the most stable currencies in Southeast Europe. Due to a strict currency board regime, inflation has remained relatively low.
- The banking sector has been fully reformed with a significant inflow of foreign banks – mainly Austrian and Italian – providing businesses with access to capital and to full range of banking services. Currently foreign banks own 95 percent of the sector.
- According to BiH Central Bank data, the total value of foreign investments in BiH during 2011 totaled KM 618 million (USD 394 million), which was almost 50 percent more than the amount during the same time period the previous year. Most investments during the first nine months of 2011 came from Russia (USD 211 million), Serbia (USD 159 million)\* and Austria (USD 105 million). Sectors that attracted the most investment were real estate, wholesale and retail trade, as well as financial services.

Over the past 15 years, Austria has been the largest investor (20 percent), followed by Serbia (18 percent), Croatia (14 percent), Slovenia (11 percent), Russia (nine percent), and Germany (six percent). The manufacturing sector had the highest percentage of FDI, followed by the banking and trade sectors.

- There are more than 40 U.S. and U.S.-affiliated companies that have established a full-time presence in the market.
- BiH has a large foreign trade deficit with imports nearly two times greater than exports. Total imports in 2011 totaled USD 10.1 billion while total exports totaled USD 5.4 billion. In 2011, imports from the U.S. totaled USD 446 million, while exports to the U.S. totaled USD 13.5 million.
- Population: While BiH has not held a census since 1992, approximately 3.8 million people are estimated to live in the country. A new census is expected in April, 2013 pending an internal political agreement.

\*(Currency exchange rate: USD 1= KM 1.57 on 6/27/12)

## Market Challenges

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- BiH is divided into two entities with significant autonomy – the Federation of BiH (Federation) and the Republika Srpska (RS). A smaller third jurisdiction – the Brcko District (BD) – is administered separately. The Federation is further divided into ten cantons, which also have significant autonomy.
- The country's political environment and complex government structure create significant obstacles to economic development. The government has made few improvements to the business environment. According to the World Bank, BiH holds the lowest rank in the region in terms of ease of doing business, which in turn prevents robust foreign investment.
- The country's multi-tiered structure of government creates a confusing array of regulations, fees, tax systems and standards requirements that lack harmonization.
- The World Bank estimates that completing registration for a new business requires an average of 12 procedures taking a total of 40 days. (Source: 2012 World Bank "Doing Business" report). However, this is an improvement over last year when 54 days were required.
- The myriad state, entity, and municipal administrations produce a heavily bureaucratic system that lacks transparency and creates opportunities for corruption. In particular, government and public procurement tenders are not always transparent.
- The legal/judicial system provides no means for quick resolution of commercial disputes as courts often do not adhere to existing deadlines in the RS,

Federation, and Brcko District for resolution of court cases and mediation of commercial disputes is infrequently used.

## Market Opportunities

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- BiH offers opportunities to well-prepared and persistent exporters and investors. The country is open to foreign investment and offers a liberal trade regime.
- Although BiH is a small market, it offers good opportunities in the sectors noted below:
  - Energy Generation and Transmission Equipment – planned construction and upgrade of hydro plants, thermal power plants and electrical power distribution projects. BiH is one of two energy exporters in the region.
  - Telecommunications – expansion of existing networks including mobile, fixed line and broadband. Privatization may be a possibility in the future.
  - Transport Infrastructure – the Corridor 5c highway construction project and upgrade of the existing local road and railroad infrastructure.
  - Construction Equipment – due to the increase in commercial construction needs from the activities listed above.
  - Medical Equipment - there are significant opportunities for U.S. manufacturers of sophisticated diagnostic equipment.

Note: Many projects stem from the involvement and support of development banks, the World Bank, the European Union and other international donors. Although regarded as a transition economy, BiH nevertheless sees the goal of EU membership as a catalyst for further economic growth and development. Still-to-come privatization of state-owned enterprises will offer significant opportunities.

## Market Entry Strategy

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- It is essential to visit the country first to develop contacts in your search for the opportunities and to learn about BiH's multi-layered bureaucratic structure.
- New entrants to the market will most likely be displacing/supplanting nearby suppliers, such as from Croatia and Slovenia, as well as dominant EU member country exporters.
- For a new-to-market company, the identification of a local partner is key. Make your selection based on a potential partner's knowledge of the local market – your focus should be on supporting a partner with the proper training and sales materials.
- Sales agents, representatives and distributors all have important roles to play in this market. Regardless of which channel is selected, sales support and after-sales service are critical. Financing is a key consideration for Bosnian companies making the decision to take on a new U.S. product line.

- Readers interested in more information about market opportunities in BiH are urged to contact the U.S. Embassy Sarajevo. The Economic and Commercial Service Office at the U.S. Embassy assists U.S. companies in exporting to BiH by identifying local opportunities for the sale of U.S. products or services, providing counseling on the market, and meeting the advocacy needs of U.S. firms.

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## Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/2868.htm>

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### Using an Agent or Distributor

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Finding a good agent and/or distributor is the most effective means of market entry in BiH. Reliable and capable partners can be found, but it may take some time and effort to locate them. Nevertheless, it is recommended that a confirmed letter-of-credit be used when conducting business with a new local partner.

Local partners can be located through the Foreign Trade Chamber of BiH (<http://www.komorabih.ba>), which maintains a business registry and features an electronic goods and services exchange.

It is strongly recommended that the creditworthiness and local reputation of your future partner be verified before signing legal documents and/or conducting any business transactions. The U.S. Embassy offers a number of services that can assist firms in this due diligence.

LRC Engineering is a credit bureau that provides a number of services aimed at assessing creditworthiness of both legal entities and individuals including monitoring, credit reporting, and Industry Sector Performance Standards. LRC partners with commercial banks, micro-credit institutions, insurance companies, pension funds of entities, public utilities companies, legal entities, cantonal governments and courts in the Federation of BiH, and Federation of BiH Statistics Agency in order to provide relevant credit reports. For additional information and/or to order a service, contact:

LRC Engineering & Credit Bureau (<http://www.lrcbh.com/>)  
Sarajevo Office  
Phone: +387-33-266-130      Fax: +387-33-266-133  
Email: [lrc@lrcbh.com](mailto:lrc@lrcbh.com)  
Dervisa Numica 6

71000 Sarajevo

Banja Luka Office

Phone: +387-51-322-730 Fax: +387-51-322-733

E-mail: [lrcbl@lrcbh.com](mailto:lrcbl@lrcbh.com)

Frane Supila 14

78000 Banja Luka

The U.S. Embassy Sarajevo can assist in locating potential partners and assessing their creditworthiness. Through a partnership with the U.S. Foreign Commercial Service, the Embassy provides the International Partner Search (IPS) and the International Company Profile (ICP) services to U.S. companies who wish to locate partners in BiH and check their creditworthiness.

The IPS provides a report on up to five qualified BiH agents, distributors, manufacturers, representatives, joint venture partners, licensees, franchises, or strategic partners who have examined a U.S. company's materials and expressed an interest in the company's products, services, or licenses, or expressed an interest in otherwise partnering with the company.

The ICP provides a thorough background check of potential clients and representatives. Reports include up-to-date information such as: bank and trade references, principals, key officers and managers, product lines, number of employees, financial data, sales volume, reputation and market outlook. Please contact the U.S. Embassy's Economic Section for more information on the International Company Profile (ICP) service.

## **Establishing an Office**

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Establishing a business in BiH can be an extremely burdensome and time-consuming process for investors. The World Bank estimates that there are an average of 12 procedures, taking a total of 40 days, to complete registration of a new business (source: 2012 World Bank "Doing Business" report). Registration can sometimes be expedited if a local lawyer is retained to follow up at each step of the process. Businesses must register in each entity in which they wish to conduct operations. However, investors in the Federation may register their business as a branch in the RS. Businesses registered in the RS, however, are prohibited from establishing branch offices in the Federation. Other administrative procedures are more time-consuming. For example, obtaining a construction permit can take as long as one year. In its latest annual report "Doing Business" report, the World Bank ranked BiH 163 out of 183 economies in terms of processing construction permits.

The myriad state, entity and municipal administrations create a heavily bureaucratic system that lacks transparency. All three sub-national levels of government (entity, cantonal, municipal) establish laws and regulations affecting businesses, creating redundant and inconsistent procedures that encourage corruption. It is often extremely difficult to learn of all of the laws or rules that might apply to certain business activities, given overlapping jurisdictions and the lack of a central information source. It is therefore critical that foreign investors obtain local assistance and advice.

The most common foreign business presence found in BiH is the representative office. The State Law on Foreign Trade Policy governs the establishment of a representative office. A representative office is not considered to be a legal entity, and its activities are limited to market



research, contract or investment preparations, technical cooperation, and similar business facilitation activities.

To open a representative office, a company must register at the Registry of Representative Offices, maintained by both the State Ministry of Foreign Trade and Economic Affairs, and the corresponding entity Ministry of Trade. Registration procedures and establishment are regulated by the Decree on Conditions for Establishment and Operation of Foreign Representative Offices (1995). Applications must contain the following information:

- 1) A document indicating the decision of the founding or parent company to establish a representative office. This document must contain the following information:
  - Name and address of the founder;
  - Name and address of the office (in BiH);
  - Name and address of the branch office (if such exists);
  - Scope of activities of the office;
  - Terms of reference of the office;
  - Names of persons managing the office;
- 2) A certified document proving registration of the parent company in the home country;
- 3) A certified statement of liability for all liabilities that stem from activities of the office;
- 4) Appointment of the person in charge of the office (in BiH);
- 5) Information concerning the number of employees at the office, including a list of foreign employees.

All documents must be originals and an authorized court translator must translate the documents into the local language. If the documentation is complete and correct, the registration procedure should be completed within 30 days. The Ministry will appoint the office by a decree that will be published in the Official Gazette. After receiving the decree, the office must notify the Ministry within 90 days of the beginning of operation. If the office fails to do so, the appointment will be cancelled.

More information on the registration process can be obtained from:

Ministry of Foreign Trade & Economic Relations of BiH  
Musala 9  
71000 Sarajevo  
Bosnia and Herzegovina  
Tel: +387-33-220-093  
Fax: +387-33-445-911  
website: <http://www.mvteo.gov.ba>

or

Bosnia and Herzegovina Foreign Investment Promotion Agency (FIPA)  
TEŠANJSKA 24A  
71000 Sarajevo  
Bosnia and Herzegovina

Phone: ++ 387 33 278 080  
Fax: ++ 387 33 278 081  
E-mail: [fipa@fipa.gov.ba](mailto:fipa@fipa.gov.ba)  
Web: [www.fipa.gov.ba](http://www.fipa.gov.ba)

A representative office is allowed to have both foreign and local currency accounts with local banks. Office equipment can be imported free of customs duties, based on a temporary permit with the possibility for extensions. Office vehicles may be imported but only for expatriates. Expatriates are required to obtain residence and work permits, and to pay local income taxes.

### **FDI insurance instruments in BiH**

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

The U.S. Overseas Private Investment Corporation (OPIC) also provides political risk insurance for investors.

### **Franchising**

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Franchising has yet to make a significant mark on the economy of BiH, though signs of progress can be found. The first McDonald's franchise arrived in BiH last year, opening one restaurant in downtown Sarajevo, followed by a drive-through restaurant in December, 2011. RE/MAX, the real-estate franchise, opened its first office in Bosnia and Herzegovina in Sarajevo in August, 2011, and its second in Banja Luka in December. Car rental companies (Hertz, National, Budget, Alamo) also have developed local franchising operations. BiH has no specific franchise laws. As the business environment improves, it is possible that franchising could become a more significant way of marketing goods and services.

### **Direct Marketing**

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Direct-response selling remains popular in BiH. With the steady growth in credit card usage, there are attempts to market consumer goods through catalog sales, direct response advertising (TV, radio, and print media), and e-commerce. Marketing is usually carried out via formal or informal multi-level marketing groups or direct sale chains. Often informal gatherings are used to promote the products and encourage sales.

### **Joint Ventures/Licensing**

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Joint ventures are rare in BiH. The Law on the Policy of Foreign Direct Investment and the Law on Companies regulate the establishment of joint ventures, investment in companies with mixed ownership, as well as other types of foreign or domestic investment. Establishing a joint venture requires a local lawyer and registration with the local court. One well-known joint venture in BiH is the UNITIC towers office complex in central Sarajevo, which is a joint venture between the local company UNIS and the Kuwait Investment Fund.

Licensing is a good way to tap into local markets, but requires financially strong partners with good management skills. The best known licensing operation is Coca-Cola's regional bottling partner, the Hellenic Bottling Company. Pepsi Cola has one bottling partner in Sarajevo.

Teleoptic, a firm located in Sarajevo, has acquired a license from the German company Sinalco to bottle its soft drinks.

The Law on Obligations (“Commercial Code”) addresses contract law. The licensing contract covers intellectual property rights issues (trademark, model, patent or copyright), payments/royalties, the term of the contract, restrictions on using trademarks, among other topics. A local lawyer should be consulted to ensure that provisions of the contract do not contravene BiH law.

## **Selling to the Government**

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Government consumption in BiH is significant, estimated at more than 50 percent of GDP. The scope of government procurements is wide, as it includes many government-owned enterprises such as public utilities and service providers, (telecommunications operators, electricity and gas utilities, transportation service providers, water supply, among others).

In order to promote efficiency and effectiveness in public procurement procedures and reduce the potential for fraud, corruption, and misappropriation of public funds, the European Union launched a public procurement reform project including the Public Procurement Law for BiH. This law streamlined and defined criteria for public procurement procedures. Manipulation of tendering procedures in a number of tenders is a major source of complaints by U.S. companies. The creation of Public Procurement Agency and Procurement Review Body in 2007, however, provided a more consistent application of the Law and introduced a greater degree of fairness and transparency to the public procurement process.

Information pertaining to public procurement legislation, including procurement notices can be found at <http://www.javnenabavke.ba/>.

U.S. companies interested in selling to the government are advised to contact U.S. Embassy Sarajevo in order to seek additional information about specific procurement opportunities. The Embassy assists U.S. companies exporting to BiH by identifying local opportunities for the sale of U.S. products or services, providing counseling on the market, and meeting the advocacy needs of U.S. firms. In addition, U.S. companies can obtain advocacy support through the Advocacy Center in Washington, D.C. (<http://www.export.gov/advocacy/>).

## **Distribution and Sales Channels**

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There are three primary types of distribution channels in BiH:

- i) For consumer goods - producer to wholesaler to retailer to consumer;
- ii) For industrial goods - producer to industrial user, and producer to distributor to industrial user;
- iii) For services - service provider to consumer or industrial user.

As a result of different legal frameworks in the entities, there are two distribution areas in BiH: one in the Federation and one in Republika Srpska. Although some effort has been made to harmonize the entities’ legal systems, there are still significant differences. Consequently, many manufacturers have developed multiple distribution channels and contracts with multiple distributors to cover both the Federation and Republika Srpska. As BiH moves to harmonize

country-wide legislation with EU requirements, legislation in the entities should become more streamlined.

**Wholesaling:** Wholesalers offer the best channels for providing transportation, product storage, market information, financing, and risk management. Most wholesalers are independent, full-service merchant wholesalers, importing and distributing goods. There is a significant degree of specialization in the wholesale sector by industry. Foreign companies control their distribution channels in BiH in a variety of ways. Some manufacturers have opened representative offices in order to control distribution channels and supervise/manage marketing efforts. P&G, Wrigley's, Microsoft and Oracle are good examples. Wrigley's relies on three distributors and a number of wholesalers to service the market. The company's sales offices, located across the country, coordinate marketing efforts. Oracle and Microsoft cover the market directly and through a network of business partners, usually smaller IT companies, while P&G has a single distributor that covers the entire country.

Coca-Cola's local operation is an example of a successful manufacturer-owned vertical marketing system. Coca-Cola began operations in BiH in 1996, with an emphasis on distribution. Pepsi is a more recent market entrant, with local production and distribution performed by the Sarajevo Brewery.

**Retailing:** The most significant development in the retail market is the appearance of large retailers, many of them foreign-owned, such as Mercator (a Slovenian supermarket chain,) Konzum (Croatian supermarket chain), Interex (a French chain), Velpro, as well as locally-owned companies MIMS group, Tropic Centar, and Robot Komerc. The introduction of the shopping mall concept has also changed consumers' habits and enabled larger retailers to shift the effort of financing onto manufacturers and distributors, especially in the consumer goods sector. Some distributors are now trying to enter the retail market but are hampered by the high cost of real estate development.

## **Selling Factors/Techniques**

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Due to the difficulties many smaller and younger firms face in gaining access to credit, the ability to provide financing is an important factor in selling both industrial and consumer goods. Most buyers prefer to pay in monthly installments, even for low-priced goods.

Other factors critical to success are close and frequent contact with buyers, motivated and trained intermediaries, and aggressive market promotion. Selling to state-owned companies and other state entities still depends on cultivating relationships.

It is important to provide product literature and manuals in local languages, as well as to use locally available service and maintenance. Knowing the weaknesses of certain competitors in a specific market, particularly well-established European competitors, can become a competitive advantage for U.S. companies.

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E-commerce is not well developed. The citizens and businesspeople of BiH generally do not have the habit of shopping or doing business on the Internet. In addition, Internet penetration is low, at 42.4 percent (source: Internet World Stats - 2011), along with low PC penetration.

The financial sector leads the way with many commercial banks offering e-banking to their clients. Global Payments Europe (<http://www.globalpaymentsinc.com>) and Electronic Banking Bureau Sarajevo (<http://www.ebb.ba/>), a member of the Slovenian Halcom Informatika Group, are the main providers of e-banking solutions and services in BiH.

In the ICT sector, companies such as IT Computers and ComTrade engage in e-commerce in order to service the market.

Many companies maintain websites, but ordering online through use of a credit card is very rare. Despite these positive examples, it will take some time before e-commerce gains significant ground in BiH.

## Trade Promotion and Advertising

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### Trade Promotion

Trade shows are the best trade promotion vehicle in BiH. Local and regional firms rely on trade fairs to establish business connections, gain market visibility, and learn about new products. Trade shows are held throughout the country. The most important specialized and general shows take place in Sarajevo (<http://www.skenderija.ba>), Banja Luka (<http://www.banjalukafair.com/>), Zenica (<http://www.zeps.com/>), Tuzla, Mostar ([www.mostarski-sajam.com](http://www.mostarski-sajam.com)) and Gradacac ([www.gradacackisajam.com.ba](http://www.gradacackisajam.com.ba)).

### Advertising

Electronic media (television, cable TV, and radio), outdoor advertising, and print media are the leading advertising mediums.

The broadcasting scene is vibrant, with six public TV broadcasters, 45 private TV stations, and 144 radio stations. The full list of TV and radio broadcasters is available on the Communications Regulatory Agency of BiH's website (<http://www.rak.ba/en/broadcast/reg/?cid=1863>).

Among the most popular TV stations are NTV Hayat (<http://www.ntvhayat.com>), TV Pink (<http://www.rtvpink.com/>), OBN (<http://www.obn.ba/>), BNTV (<http://www.rtvbn.com/>), ATV (<http://www.atvbl.com/>), TV1 (<http://www.tv1.ba>) and the three stations (BHT, FTV, and RTRS) representing the state-level and entity-level broadcasters of the Public Broadcasting Service of BiH (<http://www.pbsbih.ba/>).

Mareco Index Bosnia (<http://www.mib.ba/>), a member of Gallup International, is the leading public opinion, media and market research company in BiH, and conducts comprehensive ad hoc market, consumer, media, and public opinion research on a national basis.

The best way to pursue advertising services is to contact one of the many advertising agencies in BiH. Media Group and Media Pool are two key advertising groups. Media Group includes BBDO and McCann Erickson, while Media Pool consists of SV-RSA, Fabrika, J.W. Thompson, Communis and M.I.T.A. Group/Saatchi & Saatchi. There are also several smaller, locally-owned firms, such as Via Media.

## Pricing

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The most significant development in pricing is the introduction of a national value-added tax (VAT) on January 1, 2006. The 17 percent VAT rate replaced previously unharmonized entity-level sales taxes.

The price level of goods and services in Bosnia and Herzegovina is relatively low due to the low cost of labor. The market generally determines prices although prices of certain commodities, such as gasoline, can be vulnerable to local price-fixing.

## Sales Service/Customer Support

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Sales service and customer support are relatively undeveloped as marketing tools. As foreign companies come to the market, they, and their distributors are offering new standards of customer service. These higher standards of sales service and customer support are slowly being adopted by local firms. When selling capital goods, sales services and customer support are essential, particularly in terms of maintenance and training. A well-trained local distributor can provide a competitive edge in this area.

## Protecting Your Intellectual Property

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Protecting intellectual property in BiH is a challenge though enforcement is improving. The Market Inspectorates of the Federation, the RS and the Brcko District began including IPR inspections in their routine work. These inspections have met with widespread success and resulted in significant sales increases for software firms while enhancing rule of law. In the event of an Intellectual Property Right infringement, U.S. companies are advised to hire a local attorney who can then pursue the matter in local court, although resolution may be protracted. For additional information, see Chapter 6, Investment Climate Statement.

## Due Diligence

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The complex and rapidly changing legal environment in BiH dictates the need for a local attorney. The legal framework is sometimes contradictory or overlapping, creating confusion and uncertainty. Bosnian attorneys' experience base is still limited with respect to legal questions and the issues that arise in a market-oriented economy. However, local lawyers are quickly gaining experience in working with international organizations and companies that are operating in BiH. Companies' in-house legal counsel should be prepared to oversee their in-country counsel, with explicit explanations and directions regarding objectives.

## Local Professional Services

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The U.S. Embassy Sarajevo can assist you in locating requested professional services, as available. The Economic and Commercial Section can be reached at +387 (33) 704-000

## Web Resources

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Ministry of Foreign Trade & Economic Relations of BiH  
Web Site: <http://www.mvteo.gov.ba>

Foreign Investment Promotion Agency of BiH

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

Public Procurement Agency of BiH  
<http://www.javnenabavke.ba/>

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## Chapter 4: Leading Sectors for U.S. Export and Investment

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### Energy and Coal Mines: Electric Power Systems (ELP), Mining Equipment

#### Overview

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Electric power generation and coal extraction are key sectors of economic activity in BiH. Electric power is generated in both thermal and hydro power plants, and the country is a net exporter of electrical energy. The generating capacity is about 14,000 GWh. In 2011 BiH consumed 12,265 GWh, a 21 percent increase from 2010, and exported 3,735 GWh of electricity, a 4.3 percent decrease from 2010 (BiH is one of two energy exporters in the region). In 2011, 16,000 GWh of electricity was generated by the following methods:

- Thermal power plants: 7,868 (4.4 percent decrease from 2010)
- Hydro power plants: 7,946 GWh (a 29.5 percent increase from 2010)
- Small hydro and industrial power plants 253 GWh (a 20.4 percent increase over 2010 GWh).

Bosnia and Herzegovina has a real comparative advantage in electricity, particularly because of its natural hydropower resources. With investment in new hydropower generation, the country could double its current hydropower production levels.

After the 1992-1995 war, the once-unified power system in BiH was divided into three vertically-integrated companies split along geographic/ethnic lines. There are three state-owned electric power generation and distribution companies: Elektroprivreda BiH (EP-BiH), Elektroprivreda Republika Srpske (EP-RS), and Elektroprivreda Hrvatske Zajednice Herceg-Bosnia (EP-HZHB). Early international assistance focused on reconstruction of the physical infrastructure that was destroyed in the war. As part of this effort, the international community spent hundreds of millions of dollars from 1996-2001 on the reconstruction of facilities and networks. International financing for physical improvements continues, particularly through the World Bank, and the U.S. Government has focused on institutional strengthening and restructuring of the electricity market since 2001.

BiH also does not have a unified market for energy. EP-RS covers only the territory of the RS and is not required to meet domestic demand in the Federation. Within the Federation, the two other power generation and distribution companies also cover distinct territories, with EP-HZHB principally covering Herzegovina (a predominantly Croat region) EP-HZHB covering the rest of



the Federation. Neither EP-HZHB nor EP-BiH are required to meet domestic demand in the RS or in each others' market territory.

The international community has devoted extensive attention and developmental resources to the energy sector because of its high potential to contribute to BiH's economic development. If BiH can maintain its status as an energy exporter, it can become a key supplier in the new regional energy market. However, BiH is less likely to attract the investment necessary to expand capacity in the sector if it does not follow through on needed reforms to make the power sector more efficient, transparent, independently regulated, and free from corruption. However, because of structural problems, the governments of both of the principal territorial entities, the Federation of Bosnia and Herzegovina and the Republika Srpska, have failed to realize any significant element of their energy investment plans.

The country also has significant reserves of brown coal and lignite. Reserves of iron ore deposits are estimated to be 653 million metric tons, zinc and lead 56 million metric tons while bauxite deposits are estimated to be around 120 million metric tons. There are two aluminum and aluminum oxide processing plants situated near bauxite mining operations. Annual coal production is about 8.8 million metric tons in open pits and casts.

BiH additionally has significant renewable energy potential, particularly in hydropower and wind power capacity. Hydropower already provides around 50 percent of the country's total electricity production and there is room for additional growth. According to a study conducted by the German government, BiH could generate up to 2000 MW of wind energy per year, primarily in the areas of Livno, Tomislavgrad, Mostar and Trebinje. Although this nascent industry still faces a number of regulatory and financial challenges, local governments in the Federation of BiH have been active in promoting wind power and have granted concessions for the construction of four wind farms in the region.

### **Best products and services**

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- Desulphurization equipment/technology;
- Emission control equipment and systems;
- Generation equipment for hydro and thermal power plants (gas, coal);
- Equipment for wind farms;
- Heavy mining equipment.

### **Opportunities**

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In the Federation, political disagreements have thwarted attempts in recent years to initiate large power generation projects. In 2007, the Federation Ministry of Energy, Mining, and Industry selected four "strategic partners" – international investors with significant expertise in the field – for the construction of seven hydro-power plants and four coal-fired power plants, with a combined installed capacity of 2,000 megawatts and estimated value around USD 2.5 billion. However, in December 2008, the ministry announced that the plan had been put on hold, over allegations of a non-transparent process in selecting international partners. As of 2011, the Federation Government has again announced interest in a massive energy investment scheme, with assurances of a fully transparent selection process. However, those plans are now on hold.

In 2010, the Federation Government consolidated seven coal mines under the new ownership of Elektroprivreda BiH. The government hopes that this will pave the way for significant investments in the rehabilitation of those seven mines over the next three years. Elektroprivreda BiH has committed to investing KM 780 million (USD 497 million\*) in rehabilitation of the mines, primarily through heavy mining equipment procurement and upgrade that should increase the coal mines efficiencies. As of this report's publication, the equipment has not been purchased.

There are also opportunities in construction of small hydro power plants and wind powered plants, but due to lack of harmonization and adequate concession legislation between the canton and Federation-level governments, those opportunities will be somewhat limited in the near term.

In 2011, the Government of Republika Srpska announced that it would soon begin selecting strategic partners for construction of 24 new hydro and thermal power plants. This could create significant opportunities for sale of power generation equipment as well as possible opportunities for power plant management contracts. Republika Srpska power utility EPRS announced that it expects to launch the construction of a planned hydro power complex on the Drina River worth more than USD 1 billion.

In the long run, the World Bank estimates that BiH's energy sector would require more than USD 6 billion in investment for modernization, life extension, and new generation facilities for the power generation and coal mines sectors.

U.S. companies interested in learning more about current market opportunities in this sector should contact the U.S. Commercial Service office at the U.S. Embassy Sarajevo.

\*(Currency exchange rate: USD 1= KM 1.57 on 6/27/12)

## Resources

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Elektroprivreda BiH

Web Site: <http://www.elektroprivreda.ba>

Elektroprivreda Hrvatske Zajednice Herceg-Bosna

Web Site: <http://www.ephzhb.ba/>

Elektroprivreda Republika Srpske

Web Site: <http://www.elektroprivreda-rs.com/>

European Bank for Reconstruction and Development

Web site: <http://www.ebrd.com>

World Bank

Web site: <http://www.worldbank.ba>

Regulatory Commission for Electricity in the Federation BiH

Web site: <http://www.ferk.ba/>

Regulatory Commission for Energy of the Republika Srpska

Web site: <http://www.reers.ba/>

The State Electricity Regulatory Commission  
Web site: <http://www.derk.ba/>

## Telecommunications (TEL, TES)

### Overview

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As of January 1, 2006, BiH liberalized a limited portion of its telecommunications sector for fixed telephony and international calling services. This has led to the emergence of nine private fixed telephony service providers. The Communications Regulatory Agency (CRA) of BiH is currently working to resolve the issues of interconnection and tariff rebalancing as the necessary preconditions for full market liberalization. Information about the sector's regulatory framework and latest activities can be found at <http://www.cra.ba/>.

Bosnia's telecommunications sector, like electric power production and other infrastructure, was divided along ethnic lines following the 1992-1995 war. In the Federation, service is split between the Sarajevo-based BH Telecom in Bosniak-majority areas and Mostar-based HT Mostar in Croat-majority areas, while Banja Luka-based Telekom Srpske's fixed lines cover the entire territory of Republika Srpska.

Telekom Srpske was privatized in December 2006 via a sale to Telekom Srbija, the dominant fixed-line and mobile telephone provider of Serbia, whose government owns a controlling interest in the parent company. The Federation government owns controlling shares in the other two main phone companies, BH Telecom and HT Mostar, and there is little indication that any privatization is planned. The CRA awarded the three operators 3G licenses in April 2009, with the obligation that they provide coverage for at least 70 percent of the population within three years. The mobile phone market currently is estimated to have 65 to 70 percent market penetration. Telephone Srpske's mobile phone subsidiary m:tel has been expanding steadily both in the Republika Srpska and in the Federation, and BH Telecom's subsidiary BH Mobile and HT Mostar's Eronet still have dominant positions in their traditional market areas.

Since the beginning of the liberalization process in 2007, the CRA has awarded nine licenses to private fixed telephony providers, 66 licenses to private Internet Service Providers (ISPs) and 75 licenses to private network operators, mainly cable television operators. A notable development is the appearance of broadband Internet service deployed via cable television. The CRA anticipates that many of the ISPs will venture into Voice over Internet Protocol (VoIP) business now that international voice service has been liberalized. One VoIP provider, U.S. company AirABA, is already active on the BiH market. In years to come, more providers will be able to offer a "triple package" of phone, internet and cable service.

The complete list of all licensed service providers and network operators can be found at <http://www.cra.ba>.

According to Business Monitor International's (BMI) Bosnia-Herzegovina Telecommunications Report, the Bosnian mobile market grew by 0.9 percent quarter-on-quarter during 2011 to 3.412 million subscribers. This is considerably slower than the two previous quarters when growth

exceeded two percent quarter-on-quarter. BMI believes the slowdown reflects increasing saturation of the mobile market, with the penetration rate pushing towards 100 percent and the continuous discounting of inactive SIMs by the country's mobile operators. The report expects annual growth to remain above four percent for most of the forecast period, with mobile penetration reaching 95 percent in 2011 and 113 percent in 2015. Meanwhile, BMI believes higher value services, especially mobile data and postpaid subscriptions, will be major growth drivers as operators attempt to capitalize on the improved outlook for economic growth.

## **Best products and services**

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For the time being, the aforementioned operators remain the best opportunity for marketing goods and services. Their near monopoly position in mobile telephony services will continue to generate sufficient revenues to finance expansion and modernize their networks.

The companies face the challenge of migrating from technologies traditionally supplied by Ericsson and Siemens to Internet-based technologies. All three incumbent operators have in their development plans the acquisition and deployment of the following technologies/services: IP/MPLS, VoIP, 3G, GPRS, EDGE, UMTS, broadband access networks – xDSL, Ethernet WAN, Ethernet Metropolitan Area Networks, Wi-Fi, W-LAN, among others.

With the help of the U.S. Trade and Development Agency, BH Telecom finalized a Wi-Fi deployment feasibility study and started a self-funded Wi-Fi pilot project. Simultaneously, BH Telecom and the U.S. Trade and Development Agency worked on the Metropolitan Broadband Network pilot project which tested deployment of a broadband network throughout metropolitan areas in BiH. The finalization of the Wi-Fi project and the Metropolitan Broadband Network pilot projects allowed BH Telecom to move forward with the implementation of both projects in 2008.

As mentioned above, BiH has 66 ISPs and 75 network operators, mainly cable television businesses. The last few years have seen a steady growth of Internet penetration which, according to BMI, exceeded 51 percent by the end of 2011. The report expects internet and broadband penetration rates in Bosnia to reach 68 percent and 17 percent respectively by 2015. The appearance of cable television networks allowed the ISPs to forge partnerships with cable TV operators and offer high-speed Internet via cable television. Subsequently cable television operators realized the value of their access networks and ventured into the ISP business.

The rapidly growing cable television sector also provides opportunities for investment. The liberalization of VoIP could signal the next big development in BiH and may present a significant business opportunity. The ISPs and cable television operators are expected to play a significant role in providing the VoIP service in the future.

In accordance with EU standards, all television stations in BiH must begin digital broadcasting by 2015, providing an opportunity for U.S. sale of digital broadcast and ancillary equipment. In December 2011, Ministry of Transport and Communications BiH issued a tender for the implementation of a first phase of television signal digitization. The tender relates to the procurement of digital microwave links for Public Broadcasting Services. Five informative-technical centers throughout the country will be linked to public broadcasting services' digital connections and transmitters to cover areas of the cities of Sarajevo, Banja Luka, and Mostar with digital signals. The digitization will include three public broadcasters, which will cost about EUR 25 million (USD 38 million) after all phases of the project are complete.

## Opportunities

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The incumbent operators are required by law to conduct open public tendering procedures for the purchase of goods and services. Procurement notices can be found on the companies' websites (<http://www.bhtelecom.ba/>, <http://www.mtel.ba/>, <http://www.eronet.ba/>). The best way to tap into these opportunities is via some form of local presence, either direct or through agents and distributors.

U.S. companies interested in learning more about current market opportunities in this sector should contact the U.S. Commercial Service office at the U.S. Embassy in Sarajevo.

## Resources

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Communications Regulatory Agency of BiH

E-mail: [info@rak.ba](mailto:info@rak.ba)

Web Site: <http://www.rak.ba/>, <http://www.cra.ba/>

BH Telecom dd

Web Site: <http://www.bhtelecom.ba/>

Hrvatske Telekomunikacije d.o.o. Mostar/HT Eronet

Web site: <http://www.eronet.ba/>

Telekom Srpske dd/(m:Tel)

Web Site: <http://www.mtel.ba/>

## Transport Infrastructure and Construction Equipment

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### Road Sector

BiH's road infrastructure is fairly poor and underdeveloped. At the time of this report's publication, BiH has only 45 km of usable motorway. Trunk roads and regional roads, with a total length of 8,501 km, represent the country's core road network. The Corridor 5c project, a major road construction project that has made little progress since it was first designed, is a part of the Trans-European ground corridors network. Its final design will connect the central part of the Adriatic Sea coast and Budapest, Hungary. The proposed project will run 336 kilometers in BiH from north to south. The Bosnian Government has taken out multiple loans from lenders, primarily EBRD and EIB, to fund the construction of the Corridor 5c.

Corridor 5c's central objectives are BiH's inclusion into Europe's main traffic flows, as well as easier access to the European marketplace. Experts predict that the motorway will be the prime mover of economic activities in BiH and should enable connectivity to its neighboring countries and regions.

Historically, advancement in this sector has been impeded by issues concerning inter-entity coordination, the absence of a coherent strategic vision, political obstructionism, and perhaps most prominently, a lack of funding. Though progress is discouragingly slow, construction has resumed and additional funding sources and contractors are being pursued. Thus far, only 45 km within BiH have been completed and are now operational.

## **Opportunities**

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The best opportunity may lie in the two most difficult segments of the project – the 60 kilometer stretch from Dobož to Zenica (north of Sarajevo) and the 125 kilometer stretch from Tarcin to Bijaca (the southern end point). The estimated cost of construction for those two segments is approximately EUR 2 billion.

Procurement of construction equipment, such as asphalt patchers, bulldozers, backhoes, cranes, excavators, and mowing equipment as well as other road construction equipment, present significant opportunities as the construction of Corridor 5c continues.

U.S. companies interested in learning more about current market opportunities in this sector should contact the U.S. Commercial Service office at the U.S. Embassy in Sarajevo.

## **Rail Transport Sector:**

A modernized railway system is needed in order to alleviate the traffic burden on BiH's inadequate roads. The total length of operational railway tracks in BiH is 1031 km. Major users of the railway transport system are large industrial plants (such as the chemical plant in Tuzla and Mittal Steel plants in Zenica and Prijedor), Coal mines (Zenica, Tuzla, and Prijedor), the Aluminij aluminum plant in Mostar, and oil distributing companies (INA, Energopetrol, and OMV). Passenger railway traffic is very limited due to lack of modern and comfortable coach cars.

Rail transport in Bosnia and Herzegovina is operated by two companies – Željeznice Federacije Bosne i Hercegovine, which operates in the Federation and Željeznice Republike Srpske, which operates in the RS. In effect, the railway system is divided in two and mostly underutilized; the entity companies manage the infrastructure and provide transport operations for both freight and passenger service within their borders. Priorities for the railway sector in both entities are reconstruction and modernization of infrastructure, purchase of new locomotives and coach cars. While there is cooperation at upper levels, inter-entity politics plays a large role in rail transport.

The Federation Railways recently bought new Spanish "Talga XXI" passenger trains (EUR 70 million value) which should be operational beginning this year after railway track upgrades are completed. The RS Railways also purchased several new Spanish "Talga" trains and has announced that the company is planning to significantly upgrade the existing railway infrastructure in the near term.

## **Opportunities**

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For the time being, reconstruction and modernization of rail infrastructure, such as signalization equipment and rail track upgrades, will remain the focus of both railway companies. Also,

procurement of freight wagons presents significant opportunity in the near term as almost 70 percent of cargo is transported via railway.

U.S. companies interested in learning more about current market opportunities in this sector should contact the U.S. Commercial Service office at the U.S. Embassy in Sarajevo.

## Resources

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Bosnia and Herzegovina Ministry of Transport and Communication

Web site: <http://www.mkt.gov.ba/>

Road Directorate of Federation of Bosnia and Herzegovina

Web site: <http://www.jpdcfbh.ba/en/>

Railways of Federation of Bosnia and Herzegovina

Web site: <http://www.zfbh.ba/zfbhenx/>

Railways of Republika Srpska

Web site: <http://zrs-rs.com/>

## Medical Equipment

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The majority of medical equipment suppliers in Bosnia and Herzegovina are EU-based manufacturers (primarily Germany and Italy). However, in recent years, U.S. manufacturers such as GE Medical and Medtronic have made significant headway in supplying U.S. technology in hospitals throughout the country, specifically diagnostic-imaging equipment in the clinical centers in Sarajevo, Tuzla, Banja Luka, and Mostar.

The Entity and Cantonal Institutes of Health Insurance administer healthcare systems which are funded through compulsory payroll contributions from both employers and employees. BiH's health care system is predominantly publicly-funded; however, there is an increasing degree of private practices and Private Public Partnerships.

U.S.-manufactured medical equipment enjoys an excellent reputation in BiH for state-of-the-art technology, quality, and reliability. However, technical assistance concerns (both real and perceived) are seen as potential obstacles to growth of U.S. imports. The medical equipment market is very price-sensitive.

## Opportunities

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The best sales prospects for U.S. medical equipment are expected to include: cardiovascular diagnostic equipment, non-invasive surgical devices, anesthesia and intensive care equipment, diagnostic imaging (CTs, MRIs), radiation therapy equipment, ultrasound equipment, urology equipment, laboratory and testing equipment, and tissue and blood bank related equipment. There are also good prospects for products such as ultra-violet/infra-red equipment used in

medical, surgical, dental, as well as apparatuses based on the use of X-rays of alpha, beta or gamma radiation treatments.

Good opportunities also exist for U.S. manufacturers of sophisticated diagnostic equipment such as electrocardiographs, endoscopes, scanners, imaging equipment, pace makers, digitalized x-ray equipment, nuclear medicine instruments, and clinical laboratory equipment. Diagnostic imaging equipment, especially ultrasonic diagnostic equipment, and dialysis equipment are in great demand.

## Resources

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Federation Ministry of Health

Web site: [www.fmoh.gov.ba](http://www.fmoh.gov.ba)

Republika Srpska Ministry of Health

Web site: [www.vladars.net](http://www.vladars.net)

Bosnia and Herzegovina Agency for Medicines and Medical Devices

Web site: <http://www.almbih.gov.ba/>



## Chapter 5: Trade Regulations and Standards

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### Import Tariffs

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#### A. Customs Regulations, Tariff Rates and Import Taxes

##### 1. Registration requirements for importing

Any domestic and foreign entities (physical and legal) registered for foreign trade activities may conduct such activities.

##### 2. National Tariffs

Import tariffs were eliminated for 11,000 products that BiH imports from the EU in 2009. The Customs Tariff Nomenclature is based on the Harmonized Commodity Description and Coding System (HS). BiH nomenclature of goods is fully harmonized with the combined EU nomenclature.

Customs duties on all commodities imported into the customs territory of BiH are paid *ad valorem* at rates of 0, 5, 10 and 15 percent. These rates apply to commodities originating from countries that have concluded an agreement with a Most Favored Nation clause with BiH, or from those countries that apply the same clause on the commodities originating from BiH. Upon BiH accession to the World Trade Organization, most-favored nation (MFN) treatment will be granted to all WTO members.

In addition to ad valorem custom duty rates, an additional duty is paid on imports of certain agricultural products in a per-unit amount. This additional duty is charged on 852 of the total number of tariff headings (10,823), and the amounts range from KM 0.08 KM/per unit to KM 6.00 /per unit. (Currency note: USD 1= KM 1.57 on 06/27/2012)

Preferential tariff measures, pursuant to Article Three, Paragraph (c) of the Customs Tariff Law, may apply to goods from certain countries or groups of countries which have concluded an agreement on preferential treatment with BiH.

Trade with Albania, Croatia, Macedonia, Moldova, Romania, Serbia, Montenegro, and Kosovo is governed by the Central European Free Trade Agreement (CEFTA), concluded in 2007. A separate bilateral free trade agreement is in force with Turkey.

### 3. Tariff Quotas, Tariff Exemptions

*Tariff quotas* - Articles Three and Seven of the BiH Customs Tariff Law permit the introduction of tariff quotas as a special measure for certain tariff headings. Consequently, the BiH Council of Ministers may approve imports of goods exempt from customs duties or at tariff rates lower than the duty set by the BiH Customs Tariff. The application of this measure is restricted to limits, and ceases when the stipulated limit or value of the quota is reached.

*Tariff exemptions and relief* - Irrespective of tariff rates set by the Customs Tariff Law, some goods are exempt from customs duties under specific conditions. The following goods are exempt from customs duties:

- Equipment representing the investment of a foreign person, except passenger vehicles and entertainment and gaming machines;
- Goods for military and police forces in the entities that are fully donor financed;
- Goods for reconstruction projects in BiH.

### 4. Other Duties and Charges

Irrespective of the customs duty, which is paid on all commodities imported into the customs territory of BiH at the rates stipulated in the Customs tariff, the Law on Customs Policy, and the Law on Foreign Trade Policy, there are other regulations prescribing or allowing imposition of other taxes and charges.

*Customs Record Keeping* - Article 13 Paragraph (b) of the Law on Customs Policy prescribes a charge of one percent of the customs value on imported goods for customs record keeping.

While BiH plans to maintain the charge, it will be restricted to the cost of services rendered and it will be brought into conformity with Article VIII of the 1994 GATT when BiH accedes to WTO, in line with an agreed transitional period.

*Seasonal Duty* - Article 19 Paragraph 7 of the Law on Customs Policy allows for imposition of a seasonal duty. Accordingly, in addition to the tariff rates in force, the BiH Council of Ministers, after consulting the entities, may introduce a seasonal duty on non-processed agricultural products for a set period of time. The seasonal duty has never been applied.

*Antidumping and Countervailing Duties* - Goods imported into BiH at prices below their normal value or subsidized in some way may be subject to antidumping and countervailing duties, in accordance with BiH law.

*Fees for Inspection of Goods* - Article 7, Paragraph 3 of the Law on Foreign Trade Policy requires sanitary, veterinary, phyto-sanitary, and ecological inspections of certain imported goods. Fees for these inspections are set by the Law on Administrative Fees and are approximately equal to the value of the service performed, in line with Article VIII of GATT.

### 5. Application of Internal Taxes on Imports

*Value Added Tax* – As of January 1, 2006, BiH introduced a value added tax at a flat rate of 17 percent that is levied on all imported and domestic goods.

*Excise tax* - The excise tax is paid only on certain goods at the moment of their release for free circulation. The excise tax is applied identically to domestic and imported goods. The goods for which an excise tax is levied are: oil derivatives, tobacco, beverages, alcoholic drinks, and coffee.

## 6. Rules of Origin

Rules of origin are set out in Articles 20 - 23 of the Law on Customs Policy. This Law distinguishes between non-preferential and preferential origins. BiH has not concluded an agreement on preferential origins with the U.S.

*Non-Preferential Origin* - The Law stipulates that goods originating from a country are those wholly obtained or produced in that country. Goods whose production involved more than one country shall be deemed to originate in the country where they underwent their last substantial processing or finishing

*Preferential Origin of Goods* - Article 23 of the Law on Customs Policy prescribes the rules to be applied for preferential trade, i.e. the conditions goods need to fulfill in order to benefit from the preferential measures referred to in Article 19, Paragraph 4 (c) and (d) of the Law.

## B. Customs Valuation

Articles 24 to 32 of the Law on Customs Policy establish procedures for the determination of the customs value of goods.

Pursuant to Article 25 of the Law on Customs Policy, the customs value of imported goods is the transaction value, i.e. the price actually paid or payable for the goods when sold for exports to the customs territory of BiH.

BiH's system of customs valuation in the Law on Customs Policy is fully compatible with WTO rules.

## **Import Requirements and Documentation**

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All goods imported into the customs territory of BiH are subject to customs procedures contained in the Law on Customs policy, which applies uniformly throughout the customs territory of BiH.

Imports must be accompanied by a customs declaration, completed in one of the three official languages of BiH (Bosnian, Serbian or Croatian), and submitted by the person named on the waybill or an authorized representative. The declaration must be accompanied by any relevant documents (invoice, shipping documents, and quality control certificates). The customs office may inspect the goods and take samples to determine that the goods correspond to the information on the customs declaration.

Once the customs office determines the amount of customs duty, the importer is required to obtain a guarantee covering the customs duty with the Customs Authority in the form of a cash

deposit or a bank guarantee. The goods cannot be placed in circulation until customs duties have been paid or the payment has been guaranteed.

*Bill of Lading:* May be direct or to order. Mail and parcel shipments require postal documentation in place of bills of lading. Packages containing merchandise for which the senders are to receive payment must enclose the original invoice in the package (marked "Original Invoice") and the wrapper of the package must be marked to indicate that the original invoice is enclosed. Senders are recommended to post a signed copy of the invoice giving notice to the addressees that the packages are en route. Air cargo shipments require airway bills with the number of copies issued based on requirements of the importer and the airline.

*Certificate of Origin:* Certificates of origin should be issued in a minimum of two copies (the certifying organization will require an additional notarized file copy) made out by a reliable authority or agency duly authorized for that purpose by the country of issue. Certificates of origin are not required for imports for long-term production ventures with foreign partners, for the purchase of capital goods for investment projects abroad and for the return of goods to BiH, or for imports without payment of equivalent value.

*Commercial Invoice:* There is no prescribed format. Invoices should be issued in a minimum of two copies; additional copies may be requested. They must contain the usual particulars, including a full description of goods, marks and numbers, gross and net weights, number of packages, country of origin, plus any information that must be furnished to conform to contract.

*Insurance Certificate:* Normal commercial practices. Follow the importer's and/or the insurance company's instructions/advice.

*Packing List:* Not mandatory, but its use will facilitate clearance of goods.

*Pre-shipment inspection:* May be requested by the importer.

*Pro-Forma Invoice:* May be requested by the importer.

U.S. Shipper's Export Declaration (SED): Required if the value is more than USD 2,500 (USD 500 for shipments through the U.S. postal system). SEDs are required for all shipments requiring an export license.

## **U.S. Export Controls**

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More information on US export controls to BiH and general guidelines can be found at the Bureau of Industry and Security website: (<http://www.bis.doc.gov/licensing/ExportingBasics.htm>).

In general, below is the summary of steps needed to process your export:

- Ensure that your export is under U.S. Department of Commerce jurisdiction.
- Classify your item by reviewing the Commerce Control List.
- If your item is classified by an Export Control Classification Number (ECCN), identify the Reasons for Control on the Commerce Control List.

- Cross-reference the ECCN Controls against the Commerce Country Chart to see if a license is required. If yes, determine if a License Exception is available before applying for a license.
- Ensure that no proscribed end-users or end-uses are involved with your export transaction. If proscribed end-users or end-uses are involved, determine if you can proceed with the transaction or must apply for a license.
- Export your item using the correct ECCN and the appropriate symbol (e.g., NLR, license exception, or license number and expiration date) on your export documentation (e.g., Shipper's Export Declaration).

## Temporary Entry

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Goods temporarily entering BiH may be fully or partially free of customs duties and must not undergo any changes except for the nominal loss of value due to use. The maximum period for temporary entry is 12 months. The full list of goods that can be imported under this regime is provided in the Law on Customs Policy.

## Labeling and Marking Requirements

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Labels must contain the following information:

- Name of the product
- Full address of the importer
- Country of origin
- Net quantity/weight/volume
- Ingredients
- Manner of storage (transport, use, or maintenance)
- Pertinent consumer warnings.

Technically complex products must be accompanied by instructions on usage, manufacturer specifications, a list of authorized maintenance persons/businesses, warranty information, warranty period, and other applicable data. All information must be translated into the languages of BiH and affixed to (or accompanying) the product before it is put on the market.

## Prohibited and Restricted Imports

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In accordance with the Law on Foreign Trade Policy, for reasons of public safety and protection of human health and lives, the following types of imports are restricted:

- Cargo vehicles older than ten years;
- Buses older than ten years;
- Trailers for cargo vehicles older than ten years;
- Used tires.

In accordance with obligations from international trade agreements, the Council of Ministers may ban imports, exports, or transit of certain goods through BiH or set conditions for imports, exports, or transport of such goods in transit in order to prevent danger to human lives, health, and the environment.

## Customs Regulations and Contact Information

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Uprava za Indirektno Oporezivanje Bosne i Hercegovine - Indirect Taxation Administration of Bosnia and Herzegovina

Phone: +387-51-335-494 Fax: +387-51-335-101

Bana Lazarevica bb

Banja Luka, 78000

Bosnia and Herzegovina

Web: <http://www.uino.gov.ba/>

## Standards

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## Overview

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After the breakup of Yugoslavia, BiH inherited more than 11,000 Yugoslav standards and by-laws (known as "JUS" standards) and a number of those standards still remain in force. Identical regulations and standards are applied to both domestic and imported goods, regardless of the country of origin.

As of January 1, 2007 the former Institute for Standardization, Metrology and Intellectual Property of BiH was broken into three separate Institutes:

- Institute for Standardization
- Institute for Metrology
- Institute for Intellectual Property Rights ("IPR Institute")

BiH standards are designated as the BAS Standard. BiH is a member of the following international organizations for standardization:

ISO	International Organization for Standardization
IEC	International Electro-technical Commission
CEN	European Committee for Standardization
CENELEC	European Committee for Electro-technical Standardization
ETSI	European Telecommunications Standards

## **Standards Organizations**

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- Institute for Standardization
- Institute for Metrology
- Institute for Intellectual Property Rights (“IPR Institute”)

## **Testing/Conformity Assessment**

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The Institute for Standardization is the main conformity assessment body in BiH. There are other testing organizations in BiH; a list of these institutions can be obtained from the Institute.

## **Product Certification**

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Product certification is required in order to make sure that the product has undergone appropriate testing and that it conforms to relevant regulations. There are no existing Mutual Recognition Agreements with U.S. organizations.

## **Accreditation**

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The Accreditation Institute of BiH is the main institution for accrediting testing organizations in the country.

## **Publication of Technical Regulations**

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The Institute for Standardization of BiH publishes a bulletin of standards. Technical regulations are published in: the Official Gazette of BiH, Official Gazette of FBiH, and the Official Gazette of RS. U.S. companies can comment directly to the Institute.

## **Labeling and Marking**

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Labels must contain the following information: name of the product, full address of the importer and the country of origin, net quantity/weight/volume, ingredients, manner of storage (transport, use or maintenance), and pertinent consumer warnings. Technically complex products must be accompanied by instructions on usage, the manufacturer’s specifications, a list of authorized maintenance persons/businesses, warranty information, warranty period and other applicable data. All information must be translated into the languages of BiH and be affixed to (or accompany) the product before it is placed on the market.

## **Contacts**

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Institute for Standardization  
Vojvode Radomira Putnika 34  
I.Sarajevo  
Bosnia and Herzegovina  
Bosnia and Herzegovina Phone: 387-57-310-560 Fax: +387-57-310-575  
Website: <http://www.bas.gov.ba>

Institute for Metrology  
Dolina 6

71000 Sarajevo  
Bosnia and Herzegovina  
Phone: +387-33-207-015

Institute for Intellectual Property Rights  
Kralja Petra Kresimira IV 8a  
88000 Mostar  
Bosnia and Herzegovina  
Phone: +387-36-334-381 Fax: + 387-36-318-420  
Website: <http://www.ipr.gov.ba/>

Accreditation Institute of BiH  
Hamdije Cemerlica 2/7  
71000 Sarajevo  
Bosnia and Herzegovina  
Phone: +387-33-721-310 Fax: +387-33-721-311  
Website: <http://www.bata.gov.ba/>

## Trade Agreements

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In December 2006, BiH signed the Central European Free Trade Agreement (CEFTA) which became fully operational in November 2007. The regional trade group also includes Albania, Croatia, Macedonia, Serbia, Montenegro, Kosovo and Moldova. In June 2008, BiH signed the Stabilization and Association Agreement (SAA) with the European Union which is an important step towards EU membership. The most important part of the SAA is the establishment of a free trade zone between BiH and the European Union, allowing for the mutual abolishment of all custom tariffs and quantity limitations in mutual exchange of goods between BiH and the EU. The SAA should encourage further development of competitiveness among the country's exporters and increase investment and employment. The Interim Agreement on Trade and Trade-related matters (IA) between EU and Bosnia and Herzegovina will be in force until the ratification process of the SAA is finalized by the all EU member states. According to the Interim Agreement, a preferential export regime with the European Union is now in force, which provides that all goods of BiH origin that fulfill EU technical-technological standards and conditions can be imported to all EU countries without any quantitative restrictions and without paying customs or other similar duties. Since 2009 import tariffs have been eliminated for 11,000 products that BiH imports from the EU. Tariffs on products such as cosmetics, tractors, motorcycles, furniture, major appliances, electronic equipment, computers and tools tariffs were cut by 50 percent immediately upon signing the IA, and were eliminated completely as of January 1, 2010.

## Web Resources

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Institute for Standardization of BiH  
Web site: <http://www.bas.gov.ba/eng/index.php>

Institute for Intellectual Property Rights of BiH  
Web site: <http://www.ipr.gov.ba/>

Accreditation Institute of BiH  
Web site: <http://www.bata.gov.ba/>



Indirect Taxation Administration of BiH

Web site: <http://www.uino.gov.ba/>

Foreign Investment Promotion Agency of BiH

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

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## Chapter 6: Investment Climate

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### Openness to Foreign Investment

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After several years and multiple attempts at reform, Bosnia and Herzegovina (BiH) still struggles with opening its economy to foreign investment. The global economic crisis coupled with the sixteen month delay in formation of the state-level government stalled many key economic reforms over the past year. Earlier successful reforms included a liberal state-level foreign investment policy, a value-added tax, and a uniform trade and customs policy. Foreign investors, however, continue to face a number of serious obstacles, including a complex legal and regulatory framework, non-transparent business procedures, corruption, poor infrastructure, insufficient protection of property rights, and weak judicial structures. The government has been unable to make considerable improvements to the business environment, placing BiH lowest in the region in terms of ease of doing business. This, in turn, inhibits robust foreign investment. BiH has taken few concrete actions in recent years to encourage the privatization of state-owned enterprises, and has stalled a number of initiatives to improve the business climate, which has frustrated potential investors. Although some government authorities have begun to address these obstacles as part of the transition to a market economy, much more needs to be done. Foreign investment in the first nine months of 2011 totaled USD 316 million, far from its height of USD 2.1 billion in 2007. Foreign investment -- particularly Greenfield investment -- has shown only limited gains. The banking sector is the exception, with Austrian banks taking a dominant position in the local market. A high unemployment rate, slowdown of foreign direct investment and increased public sector spending remain central problems of the BiH economy.

The lack of political stability gives pause to many investors, preventing the country's economic development, and has resulted in BiH's recent credit rating downgrades. Political deadlock resulted in the country's failure to service external debt payments from January 16 through early February 2012, even though funds were readily available in the central bank. The state has

remained under temporary financing (similar to a continuing resolution in the US) for more than a year preventing it from making necessary capital investments to advance BiH towards EU and NATO membership. This stalemate also affects the private sector which benefits from public procurements and service needs.

Following are BiH's third-party rankings on widely accepted measures of the business and investment environment:

Measure	2012 Index/ Ranking	2011 Index/ Ranking	2010 Index/ Ranking	2009 Index/Ranking
<b>Transparency International Corruption Perception (CPI) Index</b>	N/A	91 (out of 178)	91 (out of 178)	99 (out of 180)
<b>The Heritage Foundation Index of Economic Freedom</b>	104 (out of 179)	104 (out of 179)	110 (out of 179)	134 (out of 179)
<b>World Bank Ease of Doing Business Ranking</b>	125 (out of 183)	110 (out of 183)	116 (out of 183)	119 (out of 181)
<b>The World Economic Forum Global Competitiveness Index</b>	100 (out of 142)	100 (out of 142)	102 (out of 142)	102 (out of 142)

BiH will need to address four fundamental issues in the near term to further economic reform:

*--Lack of Collective Political Will:* BiH has a complex governmental structure. Under the BiH constitution established through the Dayton Accords, Bosnia and Herzegovina is divided into two “entities,” the Federation of BiH (the Federation) and the Republika Srpska (RS). A third, smaller area, the Brčko District, operates under a separate administration. Each entity has municipalities. The Federation is further divided into ten cantons, each with its own government and responsibilities. This complex system of government lends itself to deadlock and prevents reforms. As a result, serious reforms take great effort, time, and political commitment. Unfortunately, well-known problems continue to persist year after year.

*-- Complex legal and regulatory framework:* The establishment of governmental structures at the state and entity levels created a multi-tiered legal and regulatory framework that is often duplicative and contradictory. For example, current employer contributions on net wages total 69 percent and 52 percent in the Federation and the RS, respectively. While the situation is far from ideal, progress has been made in recent years. For example, corporate income taxes in the two entities and Brčko District have been harmonized at ten percent. Nonetheless, the lack of a single economic space has a chilling effect on job creation in the formal economy and creates difficulties for companies trying to do business across the entire country. Entity business registration requirements are not harmonized. The Federation’s ten cantons each have different business regulations and administrative procedures affecting companies. Simplifying and streamlining this framework is essential to improving the investment climate. The RS has its own registration requirements which apply to the entire entity.

*-- Business regulations and administrative procedures:* With multiple layers of administration, opportunities for corruption abound, increasing the cost of doing business. In particular, public procurement tenders are not always transparent and investors complain about political interference and corruption. Even though European Union-compliant public procurement legislation has been adopted, it is not adequately enforced. According to the World Bank and

the International Finance Corporation (IFC) Doing Business 2012 report, BiH's business environment did not improve significantly over the last year. The country ranked 125th among 183 countries, the lowest in the region, in terms of overall ease of doing business. BiH lags behind Macedonia (22nd), Montenegro (56th), Croatia (80th), Albania (82nd), and Serbia (92nd) and Kosovo (117). BiH's position improved in three categories - dealing with construction permits, registering property, and trading across borders. BiH's worst performance was in the following categories - starting a business, paying taxes and enforcing contracts. Starting a business requires approximately 40 days and 12 separate procedures, which is well above the average for the region. BiH's ranking for ten aspects of doing business can be found at: <http://www.doingbusiness.org/ExploreEconomies/?economyid=26>

-- *Weak judicial structures*: BiH's legal/judicial system does not normally provide quick resolution of commercial disputes. Commercial courts do not exist and non-judicial dispute resolution mechanisms are few. Investors complain that legal judgments are at times not transparent and of questionable objectivity. Reform has been slow. The Competition Council, established in 2004, is an independent public institution mandated to enforce anti-trust laws, prevent monopolies, and enhance private sector competition. The Council reviews and approves foreign investments in cases of mergers and acquisitions of local companies by foreign companies.

**Investment Law**: The state-level Law on the Policy of Foreign Direct Investment provides a generic framework for foreign investment. The law accords foreign investors with the same rights as domestic investors, including bidding on privatization tenders. With the exception of the defense industry and the media sector, where foreign control is limited to 49 percent of a single company, there are no restrictions on investment. Investors are also protected from changes in the Law on Foreign Investment. Should the government amend the legislation, the investor may choose the most favorable regulations to apply. The law prohibits expropriation and nationalization of assets, except under special circumstances and with due compensation. Neither entity government nor the state government has expropriated any foreign investments to date.

**Complex Foreign Direct Investment**: BiH's commercial laws are unable to provide the level of security desired by some foreign investors. Some investors may seek to register their company outside of BiH. However, it can also lead to additional and time-consuming administrative and legal hurdles when registering these often complex companies in BiH.

BiH's Foreign Investment Promotion Agency provides some assistance to foreign investors, but has limited staff and budgetary resources. ([www.fipa.gov.ba](http://www.fipa.gov.ba))

Public-private partnerships (PPPs) are gradually gaining wider acceptance with BiH officials. The RS currently has PPPs in the health-care and transportation sectors. The Federation expects to adopt legislation that would allow PPPs in the near future.

## **Conversion and Transfer Policies**

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The Law on Foreign Direct Investment also guarantees the immediate right to transfer and repatriate profits and remittances. Local and foreign companies may also hold accounts in one or more banks authorized to initiate or receive payments in foreign currency. The implementing laws in both entities include transfer and repatriation rights. The Central Bank's adoption of a currency board in 1997 guarantees that the local currency, the convertible mark or KM, is fully convertible to the euro with a fixed exchange rate of KM 1.95583: EUR 1.00.

## **Expropriation and Compensation**

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The state investment law forbids expropriation of investments, except in the public interest. According to Article 16, “Foreign investment shall not be subject to any act of nationalization, expropriation, requisition or measures that have similar effects, except where the public interest may require otherwise.” In such cases of public interest, expropriation of investments would only be executed in accordance with applicable laws and regulations, would be free from discrimination, and would include payment of appropriate compensation. Neither entity government nor the state government has expropriated any foreign investments to date.

## **Dispute Settlement**

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BiH has implemented reforms to court operations and staffing, designed to streamline commercial disputes and other proceedings. However, it often takes several years for a case to be brought to trial. The U.S. Government implements a number of court reform programs to expedite case processing and further develop judicial capacity. The U.S. Government has provided training to judges, trustees, attorneys, and other stakeholders at both state and entity levels to assist in the development of new bankruptcy and intellectual property rights laws. Those laws are now in effect at both the entity and state levels.

Bosnia and Herzegovina has been a member of the International Center for the Settlement of Investment Disputes since 1997. It accepts international arbitration to settle private investment disputes if the parties outline this option in a contract.

Over the last decade, there has been only one case of a legal dispute involving a U.S. investor and the local government. The dispute remained unresolved at the time of the claimant’s exit from the BiH marketplace. While efforts are being made to improve BiH’s commercial court system, its current capacity and practical inefficiencies limit timely resolution of commercial disputes.

## **Performance Requirements and Incentives**

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There are several incentives for foreign direct investment, including exemptions from payment of customs duties and customs fees. Bosnia and Herzegovina is divided into three jurisdictions for direct tax purposes: the Federation, the RS and the Brčko District. The corporate income tax in the Federation allows tax relief to foreign investors who invest KM 20 million (roughly USD 14 million in December 2011) over a five-year period. The Federation exempts domestic and foreign companies from annual corporate profit tax if 30 percent of turnover at year end is from exports. In the Federation, RS, and Brčko District, the corporate income tax allows offsetting of profits against losses over a five-year period. In the Brčko District, if an investor invests in fixed assets and pays taxes, this investment is subject to tax relief. There are no special investment incentives in the RS. Foreign investors can open bank accounts in all jurisdictions and transfer abroad their profits, without any restrictions. 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 favorable to foreign investors, the investor has the right to choose the most beneficial regulations.

## Right to Private Ownership and Establishment

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Under the state-level investment law, a foreign enterprise has the same rights as a BiH enterprise or citizen, and foreign entities can establish and own a business with the same rights as domestic entities. However, the Federation Companies Law, unlike laws in the RS and the Brčko District, does not provide an option for foreign legal entities to establish a branch office. Foreign investors may own real estate in BiH and enjoy the same property rights as BiH citizens and legal entities, except in the defense industry and media, where foreign control is limited to 49 percent of a single company. Foreign interests must follow the same regulatory procedures when establishing their enterprises.

## Protection of Property Rights

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The BiH Government is strengthening its intellectual property rights laws in preparation for eventual membership in the European Union and the World Trade Organization. Bosnia's new IPR framework consists of seven laws, adopted and put into force by the Parliament in 2010. This new legislation is TRIPS and EU-compliant and includes laws on copyrights, patents, trademarks, geographical indications, and the topography of integrated circuits. The country also continues to increase its international obligations. It belongs to over 20 international treaties related to IPR and in 2009 ratified the 1996 WIPO Copyright Treaty and the WIPO Performance and Phonograms Treaty. Although existing legislation provides a basic level of protection, BiH's civil and criminal enforcement remains weak and some government offices are offenders. Some officials lack a basic understanding of the importance of IPR to economic growth.

The U.S. Government, in conjunction with local partners, has made IPR awareness within the enforcement community a priority through training programs, partnerships in campaigns run by the American Chamber of Commerce's IPR committee, and a recent IPR program to build the capacity of BiH's IPR Institute by improving efficiencies in the IPR application process and by assisting with drafting of regulations. Jurisdiction over IPR investigations is split between customs officials, entity inspectorates, and state and entity law enforcement agencies, and no institution has specialized IPR investigation teams. IPR crimes are prosecuted primarily at the state level. Those cases indicted often involve fairly low-level violators. The more significant cases have sometimes languished for years with little action from prosecutors or judges. However, there are signs of progress. In August 2011, the BiH State Court issued a verdict in a significant software piracy case. In that case, the accused was found guilty of unauthorized use of copyrighted material, based on having provided unlicensed products to a government agency. He was sentenced to one year in prison and ordered to pay approximately 195,000 Euros in damages. Undoubtedly, this will have an impact on discouraging similar instances of software piracy.

In BiH's private sector, awareness of IPR, particularly the importance of copyright protection, remains low. Curbing business software piracy could significantly improve the local economy through the creation of new jobs and the generation of significant tax revenue. Failure to recognize the importance of reducing copyright infringement makes software producers and official distributors less competitive and the establishment of a legitimate market more difficult. Businesses lose an estimated USD 15 million from the sale of counterfeit software, CDs, and DVDs. According to the Business Software Alliance (BSA), the rate of illegal software installed on personal computers in Bosnia and Herzegovina currently remains at 66 percent, which is the regional average.

In addition to the software piracy judgments, there are other indicators that BiH is strengthening its IPR enforcement regime. The entity governments have been using licensed software for a number of years and the state-level government came into compliance in 2009, a significant step forward in the government's commitment to IPR protection. However some officials still lack understanding of the importance of IPR. Illegal DVDs and CDs are still available for sale in small public markets. BiH's enforcement record still leaves much room for improvement. At this time, there is no mechanism to combat digital piracy.

## **Transparency of Regulatory System**

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Establishing a business in BiH can be an extremely burdensome and time-consuming process for investors. Registration is a 12-step procedure that takes, on average, 40 days to complete. Retaining a local lawyer may expedite the process. The administrative costs are approximately USD 450 and attorney's fees range from USD 200 to USD 1,000. Notary services are necessary when establishing a company, for real estate proceedings and for changes to the court registry. Once a company is registered in one of the entities, branch offices can be established in the other entity without a separate company registration procedure. This significantly reduces the time and administrative hurdles to expand operations. Other administrative procedures can be more time-consuming. For example, obtaining a construction permit can take six months to one year. Investors often complain about lack of transparency and potential corruption in this process.

The multitude of state, entity, cantonal (in the Federation only), and municipal administrations – each with the power to establish laws and regulations affecting business – creates a heavily bureaucratic, non-transparent system. It is difficult to know all of the laws or rules that might apply to certain business activities, given overlapping jurisdictions and the lack of any central source of information. Foreign investors often, therefore, obtain local assistance and advice.

Businesses are subject to inspections from a number of entity and cantonal/municipal agencies including the financial police, labor inspectorate, market inspectorate, sanitary inspectorate, health inspectorate, fire-fighting inspectorate, environmental inspectorate, institution for the protection of cultural monuments, tourism, and food inspectorate, construction inspectorate, communal inspectorate, and veterinary inspectorate. Some investors have complained about non-transparent fees levied during inspections, changing rules and regulations, and an ineffective appeals process to protest these fines.

## **Efficient Capital Markets and Portfolio Investment**

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Capital markets remain underdeveloped in BiH. Both entities have created their own modern stock market infrastructure with separate bourses in Sarajevo (SASE) and Banja Luka (BLSE), both of which started trading in 2002. The small size of the markets, lack of privatization, and public mistrust of previous voucher privatization programs has impeded the development of a market. Nonetheless, both stock exchanges experienced a significant boom in the first half of 2007, supported by strong performances in neighboring stock markets in Belgrade, Zagreb, and Ljubljana. However, during 2008 and the global economic crisis, foreign investment dwindled and investors saw previous gains dissipate on both exchanges. This downward trend continued in 2011, shaped not only by the global financial crisis but also by BiH's lack of political stability and slowdown of reforms. Both the RS and FBiH issued government securities for the first time during 2011, as part of their plans to raise capital in support of their budget deficits during this

period of economic stress. These securities are also available for secondary market trading on the stock exchanges.

Standard & Poor's (S&P) issued its first sovereign credit rating for Bosnia and Herzegovina in December 2008. On November 30, 2011, S&P cut BiH's long-term credit rating by one notch from B+ to B citing political deadlock over central-level government formation. S&P stated that it could act again if political wrangling continues to undermine management of the country's public finances. On May 16, 2011, Moody's Investors Service changed the outlook on the B2 government ratings of Bosnia and Herzegovina from stable to negative, citing the ongoing political stalemate and related delays in economic and constitutional reform. Additionally, Moody's has placed a negative outlook on Bosnia and Herzegovina's Ba3 ceiling for foreign-currency debt and its B3 ceiling for foreign-currency bank deposits.

Bosnia and Herzegovina's banking and financial system has been stable with the most significant investment coming from Austria. BiH has not yet emerged from the global economic crisis, but there are recognizable signs of slow recovery. Foreign exchange reserves increased to EUR 3.05 billion (USD 3.8 billion), and inflation is relatively low and stable at approximately three percent. During the second quarter of 2011, 30 commercial banks operated in BiH; 20 with headquarters in the Federation and 10 in the Republika Srpska. Total assets of commercial banks operating in Bosnia and Herzegovina reached USD 14 billion at the end of October 2011. Twenty-five commercial banks are members of the deposit insurance scheme which provides for deposit insurance in the amount of KM 35,000 since April, 2010.

In 2004 BiH passed a state-level framework law mandating the use of international accounting standards, and in 2005 both entities passed legislation eliminating the previous differences in standards that existed between the entities and Brčko District. All governments have implemented accounting practices that are fully in line with international norms. However, these standards have not yet been fully implemented throughout the country due to weak accounting capacity and failure of the government to translate international standards into local language so that firms can implement the standards. Legislative officials have been criticized for attempts to change these standards in an effort to protect local accounting firms. Foreign investors should therefore carefully scrutinize Bosnian corporate financial statements.

## **Competition from State-Owned Enterprises**

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Generally, private companies compete with public enterprises under the same terms and conditions with respect to access to markets, credit and other business operations. However, in the sectors such as telecommunications and electricity, state-owned enterprises hold a near-monopoly, making hefty profits as a direct result of their dominant market position. There have also been allegations that the Government-owned Postal Service has an unfair advantage when competing with private firms in the field of expedited mail delivery.

## **Corporate Social Responsibility**

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Foreign and local companies exercise some corporate social responsibility activities and awareness. More could be done in this area to respond to BiH's various social and economic needs. In general, consumers tend to view favorably companies that initiate and carry out charitable activities in the local market. The American Chamber of Commerce (AmCham) hosts annual philanthropic campaigns – most recently to support UNICEF's early childhood



development center projects. USAID also manages a project to foster greater corporate social responsibility in BiH.

## Corruption

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Corruption remains prevalent in many political and economic institutions in Bosnia and Herzegovina and raises the costs and risks of doing business. BiH's overly-complex business registration and licensing process is particularly vulnerable to corruption. The multitude of state, entity, cantonal and municipal administrations, each with the power to establish laws and regulations affecting business, creates a system that lacks transparency and opens opportunities for corruption. With the large number of levels involved, there are multiple opportunities to demand "service fees." Paying bribes to obtain necessary business licenses and construction permits, or simply to expedite the approval process occurs regularly.

Transparency International's (TI) 2011 Corruption Perception Index ranked BiH 91st out of 178 countries, among the lowest ranks in the region. According to TI, which maintains offices in BiH, relevant institutions lack the will to become actively involved in fighting corruption. Law enforcement agencies and the judiciary are not effective in the prosecution of corruption cases and are visibly exposed to political pressures. Prosecutors complain that citizens generally do not report instances of corruption and do not want to testify in these cases. The BiH Parliament established a state level agency to prevent and coordinate efforts to combat corruption.

Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It deters foreign investment, stifles economic growth and development, distorts prices, and undermines the rule of law. U.S. companies must carefully assess the business climate and develop an effective compliance program and measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms should take the time to become familiar with the relevant anticorruption laws of both BiH and the United States in order to properly comply, and where appropriate, seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, and uphold obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** The Foreign Corrupt Practices Act of 1977 was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business. Since 1977, the anti-bribery provisions of the FCPA have applied to all U.S. persons and certain foreign issuers of securities. With the enactment of certain amendments in 1998, the anti-bribery provisions of the FCPA now also apply to foreign firms and persons who cause, directly or through agents, an act in furtherance of such a corrupt payment to take place within the territory of the United States. For more detailed information, see:

<http://www.justice.gov/criminal/fraud/fcpa/>

**Local Laws:** U.S. firms should become familiar with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide

assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting due diligence when choosing business partners or agents overseas and provide support for qualified U.S. companies bidding on foreign government contracts. For a list of U.S. Foreign and Commercial Service offices: [www.trade.gov/cs](http://www.trade.gov/cs)

Alleged corruption by foreign governments or competitors can be brought to the attention of appropriate U.S. government officials, including local embassy personnel or through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp)

### **Anti-Corruption Resources**

Useful resources regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2011](http://www.transparency.org/policy_research/surveys_indices/cpi/2011) TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. See <http://www.transparency.org/publications/gcr>
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/departement/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html) See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html)
- The World Bank Worldwide Governance Indicators (WGI) assess six areas of governance including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See [http://info.worldbank.org/governance/wgi/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp) The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>
- The World Economic Forum's *Global Enabling Trade Report* ranks the Enabling Trade Index, and assesses the transparency of border administration (focused on bribe payments

and corruption). See:

<http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries regarding governance and anti-corruption at: <http://report.globalintegrity.org/>

## **Bilateral Investment Agreements**

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BiH has signed/ratified 42 agreements to promote and protect investments with the following countries: Albania, Austria, Belgium, Belarus, China, Croatia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Netherlands, Hungary, India, Iran, Italy, Jordan, Kuwait, Lithuania, Luxembourg, Macedonia, Malaysia, Moldova, Montenegro, Netherlands, Pakistan, Portugal, Qatar, Romania, Serbia, Libya, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, UAE, Ukraine, and the United Kingdom

BiH does not have a bilateral investment treaty with the United States.

## **OPIC and Other Investment Insurance Programs**

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OPIC's activities in BiH include: insurance for investors against political risk, coverage of losses due to expropriation of assets, political violence, and currency inconvertibility; and insurance coverage for contracting, exporting, licensing and leasing transactions.

Political risk insurance is also available from the EU Investment Guarantee Trust for BiH, administered by the Multilateral Investment Guarantee Agency, a World Bank affiliate.

## **Labor**

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BiH has a workforce with relatively low labor costs by western standards, and university enrollments have been increasing for a number of years. However, several sectors such as construction, information technology, and health care have experienced a significant loss of skills over the past decade, due to a lack of education and job training opportunities, as well as emigration. Tax rates on labor are high, discouraging employment of new workers and increasing incentives for unregistered employment. In addition, a rigid wage determination system stands in the way of job creation and worker mobility. This is a result of a collective bargaining system that retains most of its socialist era characteristics. Employees and employers share the costs of health care, pension, and unemployment insurance in the Federation, while in the Republika Srpska employers cover all of these costs, as well as child care contributions. Many employers underreport their labor force to avoid paying taxes and benefits. While official unemployment is approximately 43 percent, "unofficial" estimates of unemployment that include the large gray economy are approximately 27 percent.

## **Foreign-Trade Zones/Free Ports**

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The BiH Law on Free Trade Zones allows the establishment of free trade zones (FTZs) as part of the customs territory of BiH. Currently there are four free trade zones in BiH: Vogosca,

Visoko, Hercegovina-Mostar, and Holc Lukavac. One or more domestic or foreign legal entities registered in BiH may create a FTZ. The users of FTZs do not pay taxes and contributions, with the exception of those related to salaries and wages. Investors are free to invest capital in the FTZ, transfer their profit and retransfer capital. Customs and tariffs are not paid on imports into FTZs. The import of equipment for manufacturing within FTZs may be discontinued, however, if the value of goods produced and exported abroad is less than 75 percent of the total value of goods produced in that zone.

## Foreign Direct Investment Statistics

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According to BiH Central Bank data, the total value of foreign investments in BiH during 2011 amounted to KM 618 million (USD 394 million), which was almost 50 percent more than during the same period in 2010. Most investments during the first nine months of 2011 came from Russia, (USD 211 million), followed by Serbia (USD 159 million) and Austria (USD 105 million). The sectors that attracted the most investment were real estate, wholesale and retail trade and financial services. In the past fifteen years, Austria has been the largest investor (20 percent), followed by Serbia (18 percent), Croatia (14 percent), Slovenia (11 percent), Russia (nine percent), and Germany (six percent). The manufacturing sector had the highest percentage of FDI, followed by the banking and trade sectors.

*(Source: FIPA-Foreign Investment Promotion Agency of Bosnia and Herzegovina.)*

In December 2006, BiH signed free trade agreements with Albania, Croatia, Macedonia, Moldova, Montenegro, Serbia and Kosovo. It has preferential export regimes with the United States, New Zealand, Switzerland, Norway and Japan. In 2008, Bosnia and Herzegovina signed the Stabilization and Association Agreement (SAA) with the European Union, a step towards EU membership, but it has not yet entered into force. The SAA establishes a free trade zone between Bosnia and Herzegovina and the European Union, implying the mutual abolishment of all custom tariffs and quantity limitations on goods. The Interim Agreement on Trade and Trade-related matters (IA) between EU and Bosnia and Herzegovina will be in force until the ratification process of Stabilization and Association Agreement is finalized by the all the EU member states. According to the Interim Agreement, the preferential export regime with the European Union is in force, which provides that all goods of BiH origin that fulfill EU technical-technological standards and conditions, can be imported to all EU countries without any quantitative restrictions and without paying customs or other similar duties. Once in force, the SAA should encourage further development of competitiveness among the country's exporters and increase investments and employment. Since 2009, import tariffs have been eliminated for 11,000 products that BiH imports from the EU. Immediately upon signing, tariffs were cut by 50 per cent for products such as cosmetics, tractors, motorcycles, furniture, major appliances, electronic equipment, computers and tools, and they were completely eliminated as of January 1, 2010.

## Web Resources

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Foreign Investment Promotion Agency of BiH  
Web site: <http://www.fipa.gov.ba>

Central Bank of BiH  
Web site: <http://www.cbbh.ba>

Foreign Trade Chamber of BiH

Web site: <http://www.komorabih.ba>

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## Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
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### How Do I Get Paid (Methods of Payment)

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The following financial instruments are used in BiH to make payments abroad: remittances, documentary collections, checks, and letters of credit. The safest method of receiving payment for a U.S. export sale is cash-in-advance and/or irrevocable letter of credit. However, most importers prefer to avoid this costly instrument. Many claim to do business on open account terms with their European suppliers. Nevertheless, a confirmed letter of credit should be a minimum term. Companies that acquire capital goods expect the vendor to provide financing, preferably in the form of a loan.

### How Does the Banking System Operate

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With a growing number of foreign banks present in the country, competition is strong and banks are beginning to offer an extended product range of financial instruments (credit cards, consumer loans, mortgages). However, the level of bank intermediation remains low, due to the slow restructuring of the economy. Small and medium size enterprises still experience difficulties obtaining long-term credit, a problem exacerbated by the uncertain global economy. Inadequate secured transaction regulations and an inefficient court system make collateral foreclosure difficult and increase the cost of capital. There are currently 28 commercial banks operating in BiH, 18 in the Federation and ten in the RS. The number of banks is too large relative to the size of the country. Due to the minimum capital requirement of EUR 7.5 million, further consolidation is expected.

The Central Bank of BiH (CCBiH) ([www.cbbh.ba](http://www.cbbh.ba)) is the country's monetary authority. Its goal is to maintain monetary stability under the present currency board arrangement, with full coverage in freely convertible foreign exchange funds under a fixed exchange rate of 1 KM: EUR 0.51129. In addition, the CCBiH supports and maintains appropriate payment and settlement systems and co-ordinates the activities related to supervision of commercial banks. The Central Bank of BiH also coordinates the activities of the bank regulatory agencies in the two entities, which are in charge of bank licensing and supervision.

### Foreign-Exchange Controls

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In accordance with the Law on the Central Bank, neither the Central Bank nor any other relevant institution may impose payment restrictions on international transactions, except when the Central Bank deems it indispensable to meet BiH's obligations under international treaties or law.

Commercial banks and financial institutions in BiH may publicly trade in domestic and foreign currency without restrictions according to the law. The foreign exchange and payment system has no restrictions (no administrative management nor limits) on payments and transfers related to international current and capital transactions. In commercial banks, there are no restrictions for individuals or businesses (domestic and foreign) on opening accounts in domestic or any foreign currency, on exchanging KM for any foreign currency, or in payments to foreign partners.

In both the Federation and the RS, the Law on Foreign Exchange Operations regulates foreign exchange operations. These laws extend identical treatment to domestic and foreign physical and legal entities.

## **U.S. Banks and Local Correspondent Banks**

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There are no U.S. banks in BiH. The following are the largest banks in BiH that maintain U.S. correspondent banking arrangements:

Raiffeisen Bank dd Bosna i Hercegovina (Austrian)  
Phone: (+387) 33 755 010 Fax: (+387) 33 213 851  
Zmaja od Bosne bb  
71000 Sarajevo  
Web site: [www.raiffeisenbank.ba](http://www.raiffeisenbank.ba)

UniCredit Bank dd (Italian)  
Phone: (+387) 36 312 112 Fax: (+387) 36 312 116  
Kardinala Stepinca bb  
88000 Mostar  
Web Site: [www.unicreditbank.ba](http://www.unicreditbank.ba)

Hypo Alpe-Adria-Bank d.d. BiH (Austrian)  
Phone: (+387) 36 444 444 Fax: (+387) 36 444 400  
Kneza Branimira bb  
88000 Mostar  
Web Site: [www.hypo-alpe-adria.ba](http://www.hypo-alpe-adria.ba)

Intesa Sanpaolo Banka Bosna i Hercegovina (Italian)  
Phone: (+387) 33 497 500 Fax: (+387) 33 497 589  
Obala Kulina Bana 9a  
71000 Sarajevo  
Web Site: [www.intesasanpaolobanka.ba](http://www.intesasanpaolobanka.ba)

Volksbank BH dd Sarajevo (Austrian)  
Phone: (+387) 33 295 601 Fax: (+387) 33 295 603  
Fra Andjela Zvizdovica 1  
71000 Sarajevo  
Web site: [www.volksbank.ba](http://www.volksbank.ba)

NLB Razvojna Banka (Slovenian)  
Phone: (+387) 51 221 620 Fax: (+387) 51 221 623  
Milana Tepica 4, 78000 Banja Luka

Web site: [www.razvojinabanka.com](http://www.razvojinabanka.com)

## Project Financing

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International financial institutions including the World Bank, the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank are the most important sources of project financing for which procurement is open to U.S. bidders.

### World Bank

The World Bank has committed USD 1.3 billion since 1996 to BiH through 62 projects involving rehabilitation of industries, infrastructure, housing, education, health care, and landmine clearance. These funds have been used to purchase goods and equipment, build infrastructure, and obtain the consulting services needed to implement these projects. World Bank borrowers are required to submit timely notification of bidding opportunities and to advertise these opportunities and expressions of interest.

- The [Development Gateway Market \(dgMarket\)](http://www.dgmarket.com/) (<http://www.dgmarket.com/>) is a global online marketplace providing information on donor and government-funded tenders. Currently, dgMarket publishes tender notices for projects funded by the African Development Bank, the Asian Development Bank, Europe Aid, EBRD, European Investment Bank, EU member states, Phare/Tacis, and the World Bank. For more information, contact: [info@dgmarket.com](mailto:info@dgmarket.com).
- The United Nations publishes [UN Development Business](http://www.devbusiness.com/) (<http://www.devbusiness.com/>) which provides information on business opportunities generated through the World Bank, regional development banks, and other development agencies. Development Business is available in either print format or by online subscription. For more information contact the Development Business Liaison Office at Tel: (202) 458-2397; Fax: (202) 522-3316 or E-mail: [dbusiness@worldbank.org](mailto:dbusiness@worldbank.org)

### European Bank for Reconstruction and Development (EBRD)

With EUR 1.3 billion (USD 1.62 billion\* as of June 27, 2012) committed toward various projects in the financial, telecommunications, road, railways, and civil aviation sectors, the EBRD is one of the largest lenders in BiH.

Additional information about EBRD's projects and its procurement process and rules can be found on the following web sites:

<http://www.ebrd.com/pages/country/bosniaandherzegovina.shtml>

<http://www.ebrd.com/projects/index.htm>

<http://www.ebrd.com/oppor/procure/index.htm>

Contact:

European Bank for Reconstruction and Development (EBRD)

Fra Andjela Zvizdovica 1 B-15

71000 Sarajevo BiH

Phone: (+387) (33) 667-945

Fax: (+387) (33) 667-950



### European Investment Bank (EIB)

The European Investment Bank (EIB) has been active in BiH since 2000 and has funded numerous projects in the industry, railways, and road sectors in the amount of EUR 1.1 billion (USD 1.37 billion as of June 27, 2012). For additional information on EIB, its projects, and procurement rules, please visit the following websites:

<http://www.eib.org>

<http://www.eib.org/projects/>

<http://www.eib.org/publications/publication.asp?publ=44>

### U.S. Export Import Bank (Ex-Im Bank):

The Export-Import Bank of the United States (<http://www.exim.gov/>) is the official export credit agency of the United States. Ex-Im Bank's mission is to assist in financing the export of U.S. goods and services to international markets. Ex-Im Bank provides working capital guarantees (pre-export financing); export credit insurance (post-export financing); loan guarantees and direct loans (buyer financing). On average, 85 percent of Ex-Im Bank's transactions directly benefit U.S. small businesses. Since October 2002, Ex-Im Bank is open for private sector transactions in BiH and will consider business for short- and medium-term transactions in the private sector.

### Export-Import Bank of the United States

811 Vermont Avenue, N.W. Washington, DC 20571

Phone: (202) 565 3477

<http://www.exim.gov/>

### U.S. Trade and Development Agency (TDA):

USTDA is an independent U.S. government agency that promotes American private sector participation in developing and middle-income countries, with special emphasis on economic sectors that represent significant U.S. export potential. USTDA helps U.S. businesses compete for infrastructure projects in emerging markets by funding feasibility studies, orientation visits, specialized training grants, and various forms of technical assistance. In the past, USTDA program funds have supported numerous projects in Bosnia in the energy, telecommunications, transportation, and environmental technology sectors.

### Contact:

[Middle East, North Africa and Europe Region](#)

1000 Wilson Blvd., Suite 1600

Arlington, VA 22209 USA

Phone: (703) 875-4357 Fax: (703) 875-4009

E-mail: [mena\\_europe@ustda.gov](mailto:mena_europe@ustda.gov)

<http://www.ustda.gov/>

### Overseas Private Investment Corporation (OPIC):

OPIC is a self-sustaining U.S. Government agency that sells investment services to small, medium and large American businesses expanding into emerging markets around the world. OPIC's three main activities are risk insurance, project finance and investment funds. OPIC has a limit on financing through the investment guaranty and the direct loan programs of USD 200 million. The OPIC-sponsored equity funds make their own, commercially based investment decisions while fulfilling OPIC's policy mandates. The most important fund for the region is the USD 150 million Southeast Europe Equity Fund (SEEF) managed by Soros Private Funds Management.

Contact:  
OPIC  
1100 New York Avenue, N.W.  
Washington, D.C. 20527, USA  
Phone: (202) 336-8647 Fax: (202) 218-0109  
<http://www.opic.gov/>

## Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

U.S. Trade and Development Agency: <http://www.ustda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

European Bank for Reconstruction and Development: <http://www.ebrd.com>

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## Chapter 8: Business Travel

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- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
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- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
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### Business Customs

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Business customs in BiH remain an amalgam of old socialist-style habits and newly-acquired business practices. However, the business culture is changing. Over the past decade the business community has benefited from the presence of many international agencies, foreign investors, and technical assistance programs. This change, most obvious in the largest business and industrial centers, has introduced new management, language, IT skills, as well as Western-style business practices. Most of today's managers are fluent in English and are completely computer-literate. The exchange of business cards is a common practice. While most business meetings take place in a formal setting, it is not unusual to discuss business over coffee or lunch. An invitation to dinner should never be rejected; it may be a sign of a serious desire to do business. There are fewer women working in business than men, but they are treated with respect. As is the case in many other countries, local companies prefer to do business with people they know well. Business friendships are highly valued. Establishing a local presence and employing locals signal a long-term commitment to the market. Such practices are well received.

### Travel Advisory

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Before traveling to BiH, U.S. citizens should consult the latest U.S. government travel advisory at [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1070.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1070.html). Americans in BiH, visiting or residing, are urged to register with the U.S. Embassy in Sarajevo and enroll in the warden system (emergency alert network) in order to obtain updated information on travel and security.

### Visa Requirements

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U.S. citizens possessing a valid passport do not need a visa to enter BiH for short-term stays of up to three months while visiting for business or tourism. Foreigners must register in person with the local police at the nearest police station within 24 hours of arrival, however hotels will do this automatically for their guests. Registration is free for the first three months, regardless of the purpose of the visit. Stays of longer than three months (education, scientific research, employment, engagement in a professional activity, medical treatment, tourism, other justified reasons, or because of marriage to a BiH citizen) require a temporary resident permit, and visitors must apply for the permit before the end of their initial three months in BiH. Foreigners

must state the reason for the extended visit and submit evidence of adequate financial support for the duration of their stay in BiH.

The maximum duration of a temporary residence permit is 12 months, with the possibility of a renewal. The fee is KM 100 or approximately USD 64. A police certificate indicating that the applicant has no criminal record is required for this permit and should be obtained from the applicant's state of residence in the United States.

The local field office of the Foreigners' Affairs Department of the Bosnian Ministry of Security having jurisdiction over the foreigner's place of residence is the authority in charge of accepting applications for temporary residence permit. More information on the above application procedures can be obtained from the Department's web site <http://www.sps.gov.ba/>

For travel of foreign businesspersons to the United States, visa application information can be obtained from the following websites:

State Department Visa Website: <http://travel.state.gov/visa/index.html>

Consular Section at Embassy Sarajevo: <http://sarajevo.usembassy.gov/>

## **Telecommunications**

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Telecommunications services in BiH are relatively advanced. There are three 900 MHz GSM/3G networks - BH Mobile, m:Tel and Eronet with solid coverage throughout the country and roaming agreements with most international mobile operators. All mobile operators feature GPRS service. Unfortunately, internet connectivity remains a weak spot. Many hotels do not offer this service, especially outside of Sarajevo, although this is improving.

## **Transportation**

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BiH's road and railway systems have seen little improvement since the 1992-95 war. There is only 45 kilometers of limited-access, divided highway in the entire country, although plans are slowly progressing to complete a north-south corridor that will link Sarajevo to northeastern and southern Croatia (Corridor 5c). Driving time from Sarajevo to either Belgrade or Zagreb is four to five hours, and slightly less to the coast at Dubrovnik or Split. From Banja Luka, it is a two and a half hour drive to Zagreb. Rail travel to the neighboring capitals is considerably slower. Air transport is the fastest and most reliable connection between Sarajevo and the outside world. However, travelers in winter experience frequent delays and cancellations due to inclement weather, especially fog, at Sarajevo Airport. There are three other functional international airports, but the Sarajevo Airport accounts for almost all of total passenger and cargo traffic. The other three airports – Banja Luka, Mostar, and Tuzla -- have only occasional commercial charter traffic, mostly during summer months. Sarajevo International Airport is served by Austrian Airlines, Lufthansa, Croatia Airlines, German Wings, Turkish Airlines, Adria Airways, and JAT, which connect Sarajevo with Vienna, Munich, Zagreb, Istanbul, Ljubljana and Belgrade, respectively. The airport features a cargo center with a fully equipped customs warehouse to serve the needs of cargo traffic. Banja Luka International Airport opened for international traffic in 1998 to serve the city of Banja Luka and the surrounding region. Currently, only JAT flies from Belgrade to Banja Luka. Mostar Airport currently accepts charter flights only.

Car rental service is available from Budget, Hertz, Avis, National, and Europcar as well as other local car-rental companies.

## **Language**

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There are three main ethnic groups in BiH: Bosniaks (Muslims), Croats (Roman Catholics), and Serbs (Orthodox). The languages spoken in BiH – Bosnian, Serbian, and Croatian – are mutually understandable. When necessary in a conversation, it is best to refer to the language as “the local language.”

## **Health**

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The water supply in Sarajevo meets World Health Organization standards and therefore is not thought to pose a health risk. No lead or bacterial contamination has been found in the tap water in Sarajevo. The local cuisine is very similar to international cuisine and poses no risk. However, fresh vegetables and fruits must be thoroughly washed or peeled before consuming.

The drugs found in the pharmacies are usually labeled in the local language but the drugs can still be identified by the generic name. The dosage is measured by the metric system.

The following are recommended immunizations for those traveling to BiH: Tetanus, Diphtheria, Measles, Mumps, Rubella and Polio vaccines. Typhoid fever vaccine and Hepatitis A and B are recommended for those traveling in rural areas or anticipating extended stays.

Motor vehicle accidents are one of the leading causes of death in BiH. It is strongly recommended to use seatbelts when driving or being driven. Mines and associated devices were used extensively during the 1992-95 war. While many areas have been cleared of the mines, there is still a significant risk especially near the former confrontation lines. The following advice is given to avoid mines: stay on known safe surfaces, stick to approved routes, do not drive on road shoulders, observe local behavior, and obtain mine information.

Emergency health service is available in most cities. In Sarajevo, the number for emergency service is 124 or 611-111.

## **Local Time, Business Hours, and Holidays**

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BiH is in the GMT +1 time zone. Regular business hours are from 8 am to 5 pm; however, most government agencies close at 4 pm. The Federation of BiH and the Republika Srpska observe different holiday schedules. It is recommended to check with the U.S. Embassy regarding local holidays. The Embassy holiday schedule can be found at <http://sarajevo.usembassy.gov/holidays.html>

Summer break is in full swing during the months of July and August and appointments can be very difficult to schedule.

## **Temporary Entry of Materials and Personal Belongings**

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Exemption from customs duties is granted for the following:

- Various business documents including promotional materials such as brochures, other business and legal documents, blueprints, tender documents, bids, tickets, vouchers, printed forms, photographs, and recordings.
- Goods in the personal luggage of travelers including tobacco products (200 cigarettes, or 100 cigarillos, or 250 grams of tobacco per passenger per day), alcoholic beverages (two liters of wine or one liter of alcoholic beverages with the alcohol content above 22 percent), 60 cc/ml of perfume or 250cc/ml of toilet water.
- Goods that are being used for commercial/promotional purposes including goods used and/or consumed at trade fairs including samples, printed materials (brochures, catalogs, price lists, photographs, videos, etc.), equipment, machines and other products that are being displayed at trade fairs, and various items of insignificant commercial value.

## Web Resources

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U.S. Embassy Sarajevo: <http://sarajevo.usembassy.gov/>

USG travel advisories: <http://sarajevo.usembassy.gov/>

Ministry of Foreign Affairs of BiH: [http://www.mvp.gov.ba/index\\_eng.htm](http://www.mvp.gov.ba/index_eng.htm)

Sarajevo International Airport: [www.sarajevo-airport.ba](http://www.sarajevo-airport.ba)

Banja Luka Airport: <http://www.banjaluka-airport.com/>

Mostar International Airport: <http://www.mostar-airport.com/>

Budget: <http://www.budget.co.ba/>

Hertz: <http://www.hertz-europe.com>

Avis: <http://www.avisworld.com/>

Europcar: <http://www.europcar.com>

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## Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
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### Contacts

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U.S. Government:

Embassy of the United States of America  
Ms. Lian Von Wantoch, Economic Counselor  
E-mail: [VonWantachL@state.gov](mailto:VonWantachL@state.gov)

Ms. Erin Kotheimer, Deputy Economic Counselor  
E-mail: [KotheimerEE@state.gov](mailto:KotheimerEE@state.gov)

Mr. Matthew Kelly, Economic/Commercial Officer  
E-mail: [KellyMA2@state.gov](mailto:KellyMA2@state.gov)

Mr. Edhem Brankovic, Commercial Specialist  
E-mail: [BrankovicE@state.gov](mailto:BrankovicE@state.gov)

Robert C. Frasure 1, 71000 Sarajevo, Bosnia and Herzegovina  
Phone: +387-33-704 000 Fax: +387-33-659-722

Home Page: Commercial Service: <http://export.gov/bosniaandherzegovina/>  
U.S. Embassy Sarajevo: <http://sarajevo.usembassy.gov/>

Embassy of the United States of America  
USDA/FAS  
Mrs. Sanela Stanojic-Eminagic, Agricultural Specialist  
Robert C. Frasure 1, 71000 Sarajevo, Bosnia and Herzegovina  
Phone: +387-33-704 305 Fax: +387-33-704 425  
E-mail: [Sanela.Stanojic-Eminagic@usda.gov](mailto:Sanela.Stanojic-Eminagic@usda.gov)

U.S. Department of Agriculture  
Foreign Agricultural Service  
Trade Assistance and Promotion Office  
Phone: 202/720-7420  
[www.usda.gov](http://www.usda.gov)

The Multilateral Development Bank Office  
U.S. Department of Commerce  
14th and Constitution, NW, Washington, D.C. 20007  
Phone: 202/482-3399; Fax: 202/482-3914

Council of Ministers of BiH, Ministry of Foreign Affairs

Web Site: [www.mvp.gov.ba](http://www.mvp.gov.ba)

Government of Republika Srpska, Prime Minister

Web Site: <http://www.vladars.net>

Government of the Federation of BiH, Prime Minister

Web Site: [www.fbihvlada.gov.ba](http://www.fbihvlada.gov.ba)

Central Bank of BiH

Web Site: [www.cbbh.gov.ba](http://www.cbbh.gov.ba)

FIPA - Foreign Investment Promotion Agency

Web Site: [www.fipa.gov.ba](http://www.fipa.gov.ba)

Foreign Trade Chamber of BiH

Web Site: [www.komorabih.ba](http://www.komorabih.ba)

Chamber of Economy of the Federation of BiH

Web Site: [www.kfbih.com](http://www.kfbih.com)

Chamber of Commerce and Industry of Republika Srpska

Web Site: [www.komorars.ba](http://www.komorars.ba)

American Chamber of Commerce in BiH (AmCham)

Web Site: [www.amcham.ba](http://www.amcham.ba)

Foreign Investors Council (FIC)

Web Site: [www.fic.ba](http://www.fic.ba)

## **Market Research**

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To view market research reports produced by the U.S. Commercial Service please visit the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

## **Trade Events**

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

<http://www.buyusa.gov/bosniaandherzegovina/en>

<http://www.skenderija.ba/plug.php?e=events&c=sajam>

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## Chapter 10: Guide to Our Services

For more information on the services the U.S. Embassy Sarajevo offers U.S. businesses, please click on the link below.

<http://export.gov/bosniaandherzegovina/servicesforu.s.companies/index.asp>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.