

FREQUENTLY ASKED QUESTIONS

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1. BOSNIA AND HERZEGOVINA AT A GLANCE

| | |
|------------------------------|---|
| Official name: | Bosnia and Herzegovina (locally Bosna i Hercegovina, most commonly abbreviated as B&H) |
| Capital city: | Sarajevo (population 500.000) |
| Other major cities: | Banja Luka, B&Hac, Mostar, Tuzla, Zenica |
| Geographic location: | South Eastern Europe, borders with Croatia (932km), Serbia (312km) and Montenegro (215km). |
| Area: | 51.209 km ² |
| Population: | 3.8 million |
| Religions: | Muslim (44%), Orthodox Christian (32%), Roman Catholic (17%), others (7%) |
| Ethnic groups: | Bosniaks, Serbs, Croats and others |
| Languages: | Bosnian, Serbian, Croatian (all official) |
| Administrative organization: | Two entities (Federation of B&H and Republic of Srpska) and Brcko district of B&H |
| Government Structure: | B&H is a parliamentary democracy with a bicameral parliament (House of Representatives and House of Peoples), a three-member rotating presidency, a Council of Ministers, and Constitutional Court. |
| GDP: | 13.9 billion EUR (2014) |
| GDP per capita: | 3,642 EUR (2014) |
| Currency: | Konvertibilna Marka (BAM-official; KM-common use) |
| Exchange rate: | 1 EUR = KM 1.95 (fixed exchange rate) |
| Landforms: | A very hilly country with the Dinaric Alps dominating the landscape. The highest point, Mt. Maglić, rises to 2,387 m. Thick forests cover almost 50% of the land. In the north, along the Sava River valley, a hilly, fertile plain stretches east to west. The country has 23 km of coastline in the southwest of the country, providing access to the Adriatic Sea. |
| Climate: | Winters can be very cold with a lot of snow, especially in the hills and mountains. Summers are generally warm and comfortable, occasionally hot. Cooler temperatures in higher elevations. |
| Latitude/longitude: | 44° N, 18° E |
| Time zone: | CET (GMT + 1 hour) |
| Internet domain: | .ba |
| Int. telephone ode: | +387 |

2. FIPA SUPPORT

o What is FIPA?

Foreign Investment Promotion Agency in B&H is a state agency with the main objective of promoting B&H, creating a more conducive business environment, retaining the existing foreign investment, as well as FDI policy advocacy.

o What can FIPA do for you?

FIPA helps you seize business opportunities in B&H by:

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

o What are FIPA activities?

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

- organic food and pure water, construction, textile, auto-components, ICT sector, etc.
- Cooperation with B&H Ministry of Foreign Affairs, diplomatic-consular networks and diaspora on FDI promotion abroad
 - Work on creating presentations and producing materials essential for FIPA activities abroad. FIPA website contains all relevant information about foreign direct investment in B&H
 - Publishing a monthly “FIPA Newsletter” (business and investment news)
 - Creating and maintaining of investment projects and available locations data bases, etc.

3. INVESTING IN B&H

o **Why would a company choose B&H as a location for investing?**

There are many reasons for investing in B&H, such as:

- Stable financial sector
- Excellent geographical location
- Favorable Trade and other Agreements
- Favorable Tax and Customs System
- Availability of skilled, educated, competitively priced and multilingual labor force that is familiar with international business
- Abundance of premises and sites, industrial zones, free trade zones
- B&H can be a successful platform to export to a market of app. 600 million people without customs duties.

Legal Framework

o **What are the basic laws and regulations encouraging foreign investors to invest in B&H?**

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

- Law on the Policy of Foreign Direct Investment of B&H
- Law on Foreign Investment of FB&H
- Law on Foreign Investment of RS

Other Laws and Regulations which encourage foreign investors to invest in B&H:

- Law on Value Added Tax of B&H
- Law on Corporate Income Tax of FB&H
- Law on Corporate Income Tax of RS
- Framework Law on Registration of Business Entities in B&H
- Law on Registration of Business Entities of FB&H
- Law on Registration of Business Entities of RS
- Customs Tariff of B&H
- Customs Policy Law of B&H
- Decision on Implemental Regulations of the Customs Policy Law of B&H
- Decision on Harmonizing and Establishing Customs Tariffs of B&H

Status of Foreign Investors

o What is the status of foreign investors?

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

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

o What is the status of foreign citizens?

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

Incentives

o What incentives does B&H offer to foreign investors?

According to the Law on the Policy of Foreign Direct Investments of B&H, many incentives are offered to foreign investors, such as:

- National treatment of foreign investors, i.e., foreign investors have the same rights and obligations as residents of B&H;
- Foreign investors are entitled to open accounts in any commercial bank in domestic and/or any freely convertible currency on the territory of B&H;
- Foreign investors are entitled to freely employ foreign nationals, subject to the labor and immigration laws in B&H;
- Foreign investors are protected against nationalization, expropriation, requisition or measures having similar effects; such measures may take place only in the public interest in accordance with the applicable laws and regulations and against the payment of an appropriate compensation, i.e. compensation that is adequate, effective and prompt;
- Equipment being imported as part of share capital is exempt from paying customs duties (with the exception of passenger cars, slot and gambling machines);
- The rights and benefits of foreign investors granted and obligations imposed by the Law (mentioned above) cannot be terminated or

overruled by subsequent laws and regulations. Should a subsequent law or regulation be more favorable to foreign investor, the investor will have the right to choose the regime by which the investment will be regulated.

- Foreign investors may own real estate in B&H. Foreign investors enjoy the same property rights in respect to real estate as B&H legal entities.
- Foreign investors are entitled to transfer abroad, freely and without delay, in convertible currency, proceeds resulting from their investment in B&H.
- Free trade zones in B&H are part of the customs territory of B&H and have status of legal entity. According to the Law on Free Trade Zones of B&H, free trade zone founders may be one or more domestic and foreign legal entities or natural persons and establishment must be economically justified (the free zone establishment is considered economically justified if the submitted feasibility study and other evidence can prove that the value of goods exported from a free zone will exceed at least 50% of the total value of manufactured goods leaving the free zone within the period of 12 months). The users of free zone do not pay VAT and import customs. Investment in the free zone, transfer of profit and transfer of investment are free of charge.
- Incentives related to the taxes, customs, employment etc. are mentioned in the other relevant parts of the brochure.

o Are there any customs incentives?

Equipment being imported as part of share capital is exempt from paying customs duties. This exemption does not refer to passenger vehicles, slot and gambling machines. In order to enjoy this benefit, the foreign investor should submit a written request for exemption from paying import duties to the competent customs authority (according to the place of seat of the company) along with the following documents:

- contract or other relevant document about the investment on the basis of which the equipment is being imported,
- proof of registration of the investment at the competent authority,
- specification of equipment with tariff number, tariff mark (with quantity indication), single and total value, certified by the investor,
- statement of the investor that the equipment is not older than 10 year age limit,
- certificate of the competent institution confirming that the imported equipment complies with the environmental and employment protection standards.

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

o Has B&H signed Agreements on Protection of Investments and with which countries?

Bosnia and Herzegovina has Agreements on Promotion and Protection of Investments with the following countries:

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

o Who will insure my investment in B&H?

Foreign investors can insure their investment with the European Union Investment Guarantee Trust Fund for Bosnia and Herzegovina, administered by the Multilateral Investment Guarantee Agency (MIGA, member of the World Bank Group). Also, insurance is possible through insurance (international and domestic) companies existing in B&H.

4. B&H ECONOMY (INDICATORS)

Banking

o What is the current situation in the banking sector of B&H?

After the implementation of the new monetary policy by the Central Bank in 1997 and the market entry of foreign banks, the financial sector - in which the banking sector dominates - experienced a stabilization and consolidation process. The consolidation process of the banking sector came mainly on the back of foreign direct investments through the acquisition of private - or already privatised - banks. In addition to the acquisition of existing banks, foreign strategic investors undertook sizeable Greenfield investments in the banking sector.

At the beginning of 2016 there are 26 commercial banks. Two banks are state owned and 24 banks are predominantly privately owned with majority of foreign ownership (cca 90% of total banking sector assets). For quite some time, the operations of the banking sector in B&H have been characterised by the effects of the global economic and financial crisis, which also impacts most business segments of banks. In spite of the continuous decrease in foreign sources of funding in the form of credit lines, credit activities recorded a slight increase in 2015, as well as the deposits/savings. The liquidity, profitability and capitalisation of the banking sector can be assessed as satisfactory, and it can thus be concluded that the banking sector continues to be stable and safe.

o How many international banks are currently present in the B&H market?

Many international banks have set up branch banks in B&H including: Abu Dhabi Islamic Bank; Dubai Islamic Bank, Hypo Alpe-Adria Bank, Intesa Sanpaolo Group, Islamic Development Bank, Komercijalna banka, NLB Group (Nova Ljubljanska banka), ProCredit Holding, Raiffeisen Bank International, Sberbank, Steiermärkische Bank und Sparkassen, Turkish Ziraat Bank, Unicredit Bank. The list of banks is available on www.cbbh.ba (Central Bank of B&H, February 2016).

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

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

o **What are interest rates of commercial banks?**

Commercial banks, which are most active in lending had a quite stable interest rate policy, so there were no large oscillations in the average weighted interest rates in the previous years. Data on average weighted interest rates for 2015 indicate that there were no substantial changes in interest rate trends compared to previous years.

There is a difference between interest rates on household loans with and without currency clause that were agreed as variable rates.

In December 2015, Interest Rates on Loans to Households in BAM (in percent, annual basis) were:

- For Consumption (Floating Interest Rates up to 1 Year IRF) - 7.797
- For Housing Purchases (up to 1 Year IRF) – 5.495

In December 2015, Interest rates on Loans to Non-financial Corporations (Loans in BAM Indexed to Foreign Currency - in percent, annual basis) were:

- Up to an Amount of EUR 0.25 Million (Floating Interest Rates up to 1 Year IRF) – 7.755
- Over an Amount of EUR 0.25 Million and up to EUR 1 Million (Floating Interest Rates up to 1 Year IRF) – 5.812
- Over an Amount of EUR 1 Million (Floating Interest Rates up to 1 Year IRF) – 5.953

Source: Central Bank of B&H

o **What is the international credit rating of B&H?**

B&H was assigned B credit rating by Standard & Poor's Agency with stable outlook (September 2015) and B3 sovereign credit rating with stable outlook by Moody's Investors Service (February 2016).

o **Which accounting and auditing standards must be met by business operators in B&H?**

Companies are liable for keeping financial books, preparing and submitting accounting statements according to the provisions of the Law on Accounting, International Accounting Standards(IAS), International Financial Reporting Standards(IFRS),International Standards on Auditing (ISA).

o Which international accounting and auditing companies exist in B&H?

Major companies operating in B&H are Deloitte, KPMG, Price water house Coopers (PWC) and others.

o What is the exchange rate policy in B&H?

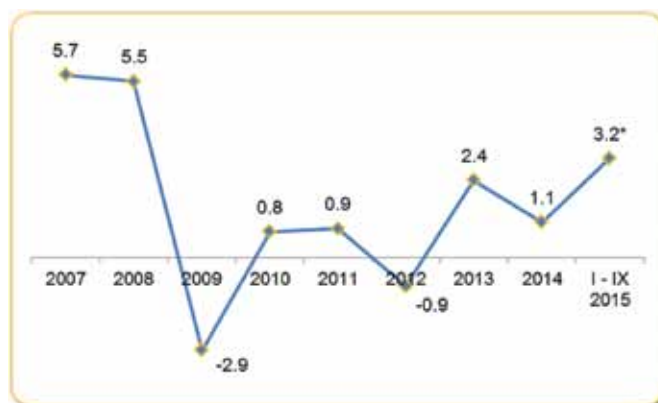
Central Bank of Bosnia and Herzegovina maintains monetary stability by issuing domestic currency according to the Currency Board arrangement with full coverage in freely convertible foreign exchange funds under fixed exchange rate 1 KM = 0.51129 eur, respectively 1 eur = 1.95583 KM. Central Bank defines and controls the implementation of monetary policy of Bosnia and Herzegovina. Central Bank supports and maintains appropriate payment and settlement systems.

Statistics

o What is the recent GDP trend?

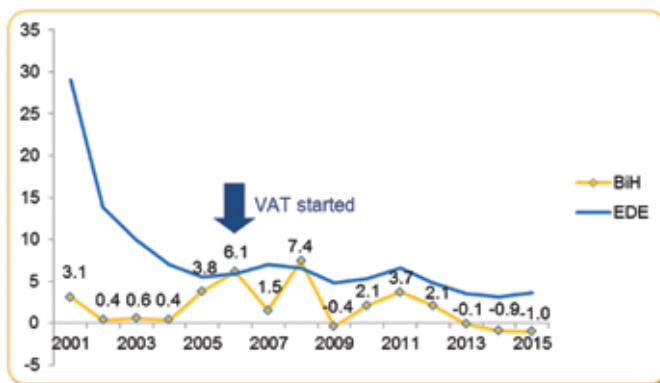
Gross Domestic Product (GDP) has been rising for years with average real growth rate of 5%. Negative effects of the global financial and economic crisis on B&H economy peaked in 2009 and 2012. GDP growth rate in 2013 was 2.4%. Unfortunately, natural disaster and floods in May 2014 had affected on GDP growth rate in 2014. GDP growth rate in 2014 was 1.1%. The real GDP growth rate for the period Q1-Q3 2015, compared to the same period of the previous year, amounted 3.2%.

REAL GDP GROWTH RATE (%)



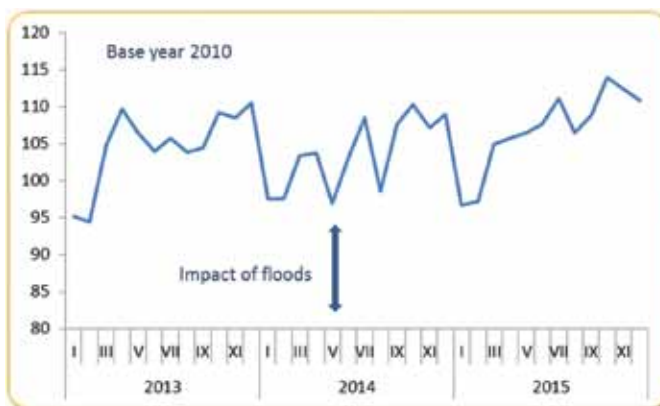
Source: Agency for Statistics of B&H, * Preliminary data

o **What is the annual inflation rate (%) in B&H?**



Source: Agency for Statistics of B&H, EDE (Emerging and Developing Europe) International Monetary Fund (October 2015)

o **Volume Index of Industrial Production in B&H – Total Industry**



Source: Agency for Statistics of B&H

The recovery of industrial production was recorded in 2013 when the rate of change in cumulative production, relative to the previous year, was 6.7%. Because of natural disaster and floods in May 2014, year-on-year growth rates in 2014 was only 0.1%.

In 2015 growth rate of industrial production was 2.6%, compared with the previous year. (Source: Agency for Statistics of B&H.)

Monthly statistic about Industrial production has been provided by Agency for Statistics of Bosnia and Herzegovina - www.bhas.ba.

Stock Exchange

o How many stock exchanges operate on the capital market?

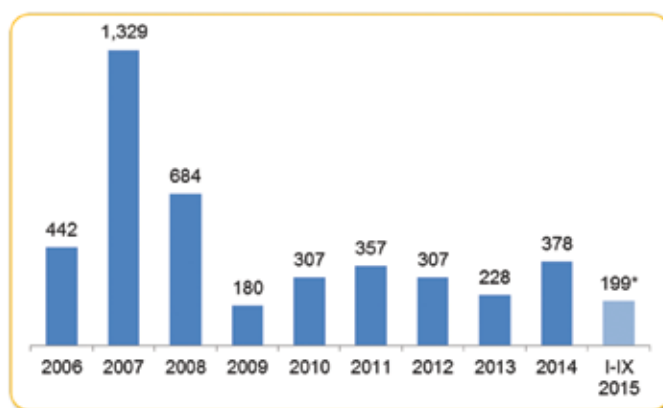
There are two stock exchanges in Bosnia and Herzegovina:

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

FDI Statistics

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

Flow of FDI in Bosnia and Herzegovina, by years, million EUR



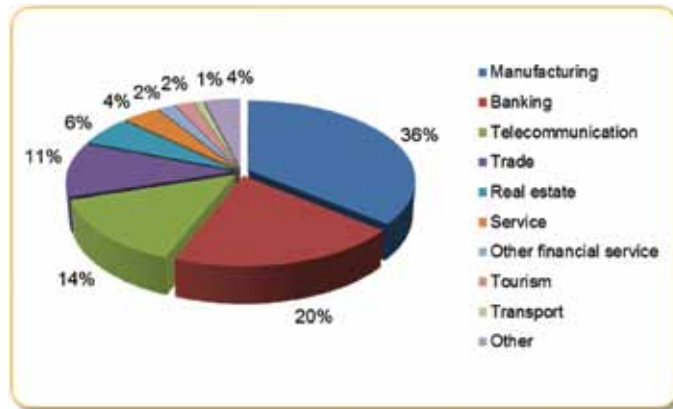
Source: Central Bank of B&H, * Preliminary data for period January-September 2015 within Balance of payments

In 2007 we attracted 1.3 billion EUR which is absolutely the highest amount recorded in the last 20 years mainly thanks to the privatization of large state-owned enterprise. In 2009 the global economic crisis hit the inflow of FDI. Increase of foreign direct investments (FDI) was recorded in 2010 and 2011. Unfortunately, mainly caused by slow economic recovery globally, which also reflected on investment worldwide, FDI in B&H in 2012 and 2013 did not have a positive trend.

According to the official data of Central bank of B&H, FDI inflow in 2014 was 378 million EUR, which is 66.3% higher than in 2013. Unfortunately, preliminary and uncompleted data for period January-September 2015 represent decrease of FDI, compared to same period 2014. However, if we take into account on-going projects, even with lower values of FDI till September, we can be optimistic regarding future FDI growth.

o **FDI by sectors?**

May 1994 - Dec 2014 - Stock of FDI in December 2014 was 6 billion EUR



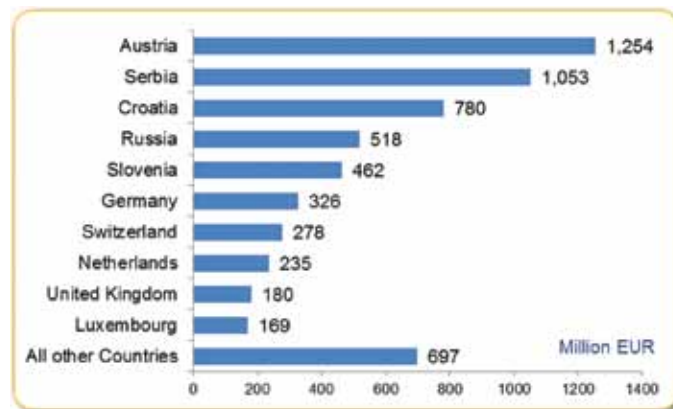
Source: Central Bank of B&H

Top Investors

o **Who are the top foreign investors in B&H?**

Top investor countries in B&H

Stock of FDI in December 2014, Total amount was 5,953 million EUR



Source: Central Bank of B&H

Top foreign investors in B&H in 2015

| Foreign company | Country | Sector |
|--|-------------------|-------------------|
| EFT International Investments Holdings Limited | United Kingdom | Mining and Energy |
| Henkel | Germany | Manufacturing |
| South European Investment Company | Saudi Arabia, UAE | Real Estate |
| Metalleghe SpA | Italy | Manufacturing |
| Comsar Energy Group Limited | Cyprus | Mining and Energy |
| Athabasca Investment | Germany | Manufacturing |
| Swisslion Takovo | Serbia | Manufacturing |
| Gulf Real Estate | Kuwait | Real Estate |
| Telemach | Luxembourg | Telecommunication |
| Bulgartabac | Bulgaria | Manufacturing |

The most important investors in FIPA Selection of Foreign Investors in B&H for 2014 are: Comsar Energy Group Banja Luka, GS – Tvoronica mašina Travnik, Zinktechnik Bosnia Mostar and Swisslion Trebinje.

5. SETTING UP BUSINESS

Types of Companies

Setting up a business in B&H is regulated by:

- Company Law of the Federation of B&H
- Company Law of Republic of Srpska
- Law on the Takeover of Joint Stock Companies
- Company Law of the Federation of B&H
- Company Law of Republic of Srpska
- Law on the Takeover of Joint Stock Companies

o What types of companies are permitted by the B&H law?

Types of companies:

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

Steps for Establishing Company

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

Federation of B&H:

- 1) Establishment Contract (made by notary)
- 2) Payment of initial capital
- 3) Registration at the competent court
- 4) Making a company stamp
- 5) Opening a bank account in a commercial bank
- 6) Registration of the company and staff at the Tax Administration
- 7) The statement of the company founder about fulfillment of all requirements for starting activity (submit to the Competent Inspection Department) / and start business

Republic of Srpska

- 1) Verification of the founding act by a notary
- 2) Payment of initial capital
- 3) Registration request submit to the APIF RS
- 4) Making a company stamp
- 5) Opening a bank account in a commercial bank
- 6) Registration of the company and staff at the Tax Administration / and start business

o How long does it take to register a business?

In FB&H, according to the Law, court registration procedure of establishing a business takes up to 5 days, and in RS up to 3 days.

o What are the costs of registering a business?

The costs are as follows:

Federation of B&H:

- Administrative costs: cca. 500 EUR
- Lawyer and notary costs: cca. 500 – 1,000 EUR

Republic of Srpska

- Administrative and notary costs: cca. 150 EUR (first establishment)

Brcko district

- Administrative and notary costs: cca. 1,000 EUR

o **Can a foreign investor have a representative office in B&H?**

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

It is important to remember that a representative office doesn't have the status of a legal entity – it is an extension of its parent company. It may only engage in non-profit making activities. Accordingly, a representative office may engage in any of the following functions: market research, promotional and informative activities representing the company.

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

6. TAX REGIME

Corporate Income Tax

o **What is the corporate income tax rate?**

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

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

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

- In FB&H, the tax base is determined in the tax balance, alignment of of expenditures and revenues and capital gains / losses reported in the financial statements. The tax base is calculated as the profit shown in the financial statements, increased by non-deductible expenses and other non-deductible items, and reduced by non-taxable items. Any income and capital gains earned by the taxpayer shall be included in the tax base, except for items that are not included in accordance with Law on the Corporate Income Tax. Income tax is calculated by multiplying the tax base with the rate of income tax.

Personal Income Tax

o What are the personal income tax rates?

In B&H, personal income tax is regulated at entity level. Brcko district has its own Law on Personal Income Tax that regulates this type of tax for the district.

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

In RS personal income tax is 10 % on net wage in accordance with gross model. Also, in Republic of Srpska there are deductions to the total amount of income for resident taxpayers for basic personal deduction as set out in the Law on Personal Income Tax, as well as other bases for basic personal deduction.

Personal income tax in Brcko district is 10% on net wage in accordance with gross model as well.

Real Estate (Transfer) Tax

o What are Real Estate Tax Rates and Property Transfer Tax Rate?

Federation of B&H: Property transfer tax rate is 5%. The tax base is the value of the property estimated by the commission appointed by the local tax administration office (according to the seat of the property). Payer of property transfer tax is most often the seller of the property (depending on the location of the property being sold). Only in Canton Sarajevo and Hercegovacko-neretvanski Canton the buyer is the payer of property transfer tax.

Republic of Srpska: Real estate tax rate is to 0.10% of the estimated market value of real estate for real estate which is directly responsible for production activities (facilities for the production and storage facilities for raw materials, intermediate products and final products), and the tax rate is to 0.20% of the estimated market value real estate to other real estate.

Brcko district: The tax rate on real estate cannot be less than 0.05% of the appraised value of real estate, and shall not exceed 1,0% of the appraised value of real estate. For all administrative units the obligation to pay taxes arises in the moment of concluding the sale contract.

Value Added Tax

o What is the Value Added Tax rate?

Value added tax (VAT) rate is flat rate of 17% in B&H.

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

Double Taxation Treaties

o With which countries has B&H signed Double Taxation Treaties?

Bosnia and Herzegovina has Agreements on avoidance of double taxation with the following countries:

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

Depreciation, Accelerated Depreciation

o Do taxpayers have the right to apply accelerated depreciation?

Yes, taxpayers have the right to apply accelerated depreciation.

In the Federation of B&H, accrued depreciation is recognized when determining the tax base by applying proportional method of depreciation on fixed assets. Tax deductible depreciation rates of fixed assets are as follows:

- a) buildings - 5%
- b) roads, municipal facilities, railways - 10%
- c) equipment, vehicles, plant - 15%
- d) equipment for water management, water and sewage systems - 15%
- e) hardware, software and equipment for environmental protection - 33.3%
- f) growing crops - 15%
- g) basic herd - 40% and
- h) intangible assets - 20%

Depreciation expenditure is recognized for tax purposes only when own fixed assets are in use, by which the taxpayer conducts business.

If the purchase price of the property is less than BAM 1,000.00, its purchase value can be fully deducted in the year in which the property is acquired.

The taxpayer is entitled to accelerated depreciation of fixed assets, serving the purpose of pollution of air, water, land and noise reduction.

Accelerated depreciation can be up to 50% higher than the rate mentioned in text above. The total cost of depreciation can not exceed the purchase value.

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

Depreciation is subject to the following means:

- Buildings and facilities
- Plant and equipment

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

Depreciation rates are calculated according to:

- a) Proportional
- b) Functional and
- c) Digressive method

Excises

o What are excises?

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

Tax Incentives

o What are tax incentives in B&H?

In the Federation of B&H:

Law on the Corporate Income Tax enables following incentives.

- The taxpayer who invests, from its own funds, in production equipment more than 50% of the total profit in the current tax period, shall be reduced of the obligation of the calculated tax for 30% of the amount in the year of investment.
- The taxpayer who in a period of 5 consecutive years makes investments from its own funds, in the total amount of 10 million EUR, starting with the first year when taxpayer has to invest at least 2 million EUR, shall be reduced of the obligations of the calculated income tax for 50% of the amount in the year of investment.
- The taxpayer is entitled to a tax-deductible expense in the double amount of the gross wage paid to newly employees if meets the following conditions:
 - duration of the employment contract must be at least for a period of 12 months with full-time working hour,
 - New employee was not employed with the taxpayer or a related person in the previous five years.

In the Republic Srpska:

A taxpayer who in the territory of the Republic of Srpska invests in equipment, facilities and real estate for carrying out production activities in the amount of more than 50% of realized profit (the tax base) for current tax period, the income tax liability shall be reduced by of 30%.

o Are profits transferred abroad taxed in B&H?

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

Other Taxes

o What is the withholding tax regulation?

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

- dividends or allocation of profits;
- interest or its functional equivalent under financial instruments and arrangements;
- royalties and other intellectual property rights;
- for management, technical and educational services (including fees for market research services, tax consulting, auditing services and consulting services);
- fee for the lease on the basis of lease movable and immovable property;
- compensation for entertainment and sports events;
- insurance premiums for the insurance or reinsurance of risks in the Federation;
- charges for telecommunications services;
- Other fees for services, but only for non-residents of countries with which there is no signed agreement on avoidance of double taxation.

The withholding tax is paid at the tax rate of 10%, and for dividends the rate is 5%, tax rate may be lower in the case of application of the Agreement on Avoidance of Double Taxation.

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

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

The tax to be withheld from revenue payments to a foreign legal person is 10% of the total revenue paid and dividends the rate 5%.

Social Security Contributions

In the FB&H there are contributions paid by the employer and those paid by the employee.

In Republic of Srpska as well as in the Federation of B&H, contributions are calculated on the basis of gross wage. Gross wage includes net wage earned by regular employment, multiplied by determined coefficient, plus contributions and taxes.

In Brcko district, pension insurance contributions are regulated by entity laws.

a) Employee's Share:

- FB&H: 17% for pension insurance, 12.5% for health insurance, 1.5% for unemployment insurance (in total: 31% on gross wage).
- RS: 18,5% for pension insurance, 12% for health insurance, 1 % for unemployment insurance, 1.5 % for child protection (in total: 33 % on gross wage)
- Brcko district: 17% for pension insurance for employers who apply FB&H law and 18% for pension insurance for employers who apply RS law, 12% for health insurance and 1.5% for unemployment insurance (in total 30.5 or 31.5% on gross wage).

b) Employer's Share:

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

7. OPPORTUNITIES FOR INVESTMENT

Privatization

o How is the privatization process regulated in B&H?

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

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

o How is the privatization process managed in B&H?

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

o Who can be a buyer in the privatization process?

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

o Which methods of privatization are used?

The privatization methods are as follows:

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

o What payment instruments are used in the privatization procedure?

In the process of privatization the payment instrument is cash.

o What is the process of restructuring?

Companies prepare their privatization programs that include:

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

o What results have been achieved in privatization so far?

Privatization of many strategic companies is underway. Privatization of state monopolies: telecoms, energy: utilities – electricity, etc. is ongoing process.

Bankruptcy

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

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

Concessions

o What are concessions?

Concessions in Bosnia and Herzegovina are granted for exploiting natural resources or constructing infrastructure facilities and other public goods in general use (such as the use of forests, highways, major roads and accompanying infrastructure facilities, railroads, water channels, ports and airports, waterways, exploring and/or use of energy and other mineral raw materials, crude oil and

natural gas, use of construction land, use of agricultural land, hotels and other tourism facilities, etc).

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

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

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

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

o What is the duration of a concession contract?

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

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

o Which rights do concessionaires enjoy?

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

o What are the concessionaires' obligations?

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

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

8. LAND/REAL ESTATE

o **Can foreign investors acquire property in B&H?**

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

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

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

Requests for land registry extracts, as well as requests for alterations in land register records, are submitted to the land register offices located in courts, specifically municipal courts in FB&H and district commercial courts in RS.

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

o **Where can I insure my property?**

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

o **Can I rent out my property in B&H?**

A foreign investors can rent out their B&H property without any requirement to obtain a rental license from the authorities, but can be limited by a signed contract.

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

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

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

Leasing office space (without ground floor):

5 EUR/m² – 20 EUR/m² per month

Buying office space:

Central position 1500 EUR/m² – 3000 EUR/m²

Peripheral position 500 EUR/m² – 2000 EUR/m²

o What is the price of land?

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

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

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

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

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

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

9. FOREIGN TRADE

Customs Rates

o How are imports customs regulated?

Customs Policy Law of B&H regulates import and export customs issues.

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

o Which products can be imported duty free?

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

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

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

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

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

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

Trade Structure

o Which goods dominate B&H exports and imports?

Top Exported Products in the period January - December 2015, classified by SITC (Standard International Trade Classification) section and division:

- Miscellaneous manufactured articles (27.5%)
- Manufactured goods classified chiefly by material (23.6%)
- Machinery and transport equipment (14.7%)
- Crude materials, except fuels (11.0%)
- Chemicals (7.2%)
- Mineral fuels and lubricants (7.1%)
- Food and Live animals (6.9%)
- Animal and vegetable oils and fats (1.3%)
- Beverages and tobacco (0.7%)

Top Imported Products in the period January - December 2015, classified by SITC (Standard International Trade Classification) section and division:

- Manufactured goods classified chiefly by material (22.6%)
- Machinery and transport equipment (20.5%)
- Food and Live animals (13.9%)
- Mineral fuels and lubricants (13.5%)
- Chemicals (13.1%)
- Miscellaneous manufactured articles (9.8%)
- Crude materials, except fuels (2.9%)
- Beverages and tobacco (2.6%)
- Animal and vegetable oils and fats (0.9%)

o Which countries are B&H's major foreign trade partners?

B&H's major foreign trade partners in the period January – December 2015 are: Germany, Italy, Croatia, Serbia, Slovenia, Austria, China, Russian Federation, Turkey, Hungary, Poland, USA, France, the Netherlands and Czech Republic.

Free Zones

o What are Free Zones?

The free zones are part of the customs territory of B&H managed by the founder of the free zone.

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

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

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

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

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

Free Trade Agreements

o Which countries have signed the Free Trade Agreement with B&H?

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

B&H has also signed a Free Trade Agreement with Turkey.

o Does B&H have preferences to export to other countries?

The Stabilization and Association Agreement (SAA) between the EU and B&H enters into force on Jun 1, 2015. The SAA establishes a close partnership between the EU and B&H and deepens the political, economic and trade ties between the two parties. It is from now on the main framework for the relations between the EU and B&H

B&H also has generalized system of preferences with USA, New Zealand, Switzerland, Norway, Japan, Russia, Kazakhstan, Belarus, Canada and Australia.

Furthermore, B&H has preferential export regime with Iran.

10. EMPLOYMENT

Employment Relations

o What is the total number of employees in B&H?

B&H benefits from a rather well-educated population and a qualified labor force that responds to the requirements of the economic structure of the country.

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

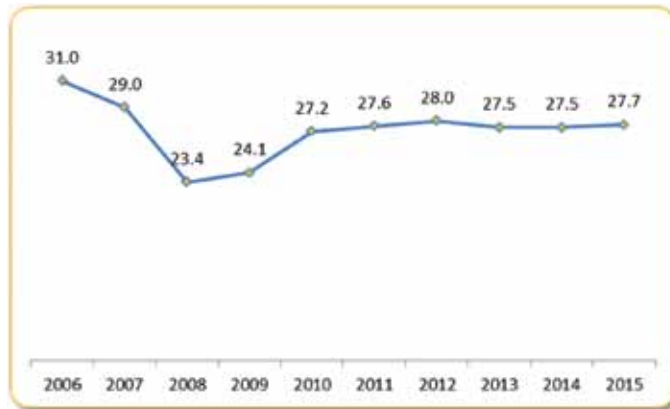
Of all employees in December 2015, women were 41.3%

o How is the local labor force structured by activities?

| Activities | December 2015 | I-XII 2015 I-XII 2014 |
|--|---------------|--------------------------|
| Agriculture, forestry and fishing | 16,758 | 101.7 |
| Mining and quarrying | 18,530 | 99.3 |
| Manufacturing | 140,089 | 102.0 |
| Electricity, gas, steam and air conditioning supply | 16,870 | 100.5 |
| Water supply; sewerage, waste management and remediation activities | 12,653 | 99.1 |
| Construction | 33,711 | 99.9 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 129,165 | 102.0 |
| Transportation and storage | 35,740 | 101.9 |
| Accommodation and food service activities | 33,589 | 103.0 |
| Information and communication | 18,134 | 101.9 |
| Financial and insurance activities | 16,008 | 98.4 |
| Real estate activities | 2,411 | 113.5 |
| Professional, scientific and technical activities | 21,713 | 104.7 |
| Administrative and support service activities | 11,469 | 109.5 |
| Public administration and defence; compulsory social security | 74,122 | 100.7 |
| Education | 64,388 | 101.2 |
| Human health and social work activities | 48,931 | 102.2 |
| Arts, entertainment and recreation | 9,662 | 106.4 |
| Other service activities | 11,483 | 100.7 |

Source: Agency for Statistics of B&H

o What is the unemployment rate in B&H? (%)



Source: Agency for Statistics of B&H

The Labour Force Survey, which is regularly conducted from 2006 according to the international methodology, provides a real picture of labour market in B&H.

o Which employment types are stipulated by the law?

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

o How can we employ a worker?

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

o How can we terminate employment?

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

Small companies with fewer than 30 employees are not required to consult on dismissals, nor are they required to have works councils. Larger employers have to consult with their works council or trade unions where five or more employees face dismissal. In the event of dismissal, severance equal to one-third of monthly salary for each year of service is payable.

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

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

o Can the employer hire trainees or volunteers?

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

Work and Residence Permits for Foreigners

o How can foreigners obtain residence permits?

Residence and movement of foreign nationals is regulated by the Law on Foreigners of B&H.

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

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

A temporary residence permit may be issued for legitimate reasons such as: family reunification, education. humanitarian reasons, work with work permit, work without a work permit.

The costs are as follows:

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

o How can foreigners obtain work permits?

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

Work permit may be issued to a foreigner upon the request of legal or natural person offering employment. Depending on the place of residence or the seat of employer, the work permit shall be issued by authority competent for matters of foreigner employment of the Federation of Bosnia and Herzegovina, Republika Srpska or Brcko district of Bosnia and Herzegovina.

Work permit shall be issued by the competent authority on the basis of established work permit quota (Work permit quota) or as permit outside the quota (Work permits outside the quota), in accordance with the Law on Foreigners of B&H, as well as in accordance with regulations pertaining to the issuance of work permits. Work permit shall be issued for a specific post and/or for a specific type of job. Work permit may not be issued to a period longer than one year. Within the annual quota of work permits, the Council of Ministers shall determine occupations allowing for employment of foreigners, as well as the number of work permits for each occupation and establish the territorial division of work permits according to the needs.

Collective Contracts

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

Collective contracts regulate the rights, obligations and responsibilities arising from employment, mutual relationship among the parties to the collective contract and other matters of importance to the employee and the employer. There is a General Collective Agreement of FB&H and General Collective Agreement of RS.

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

o Is the employer obliged to conclude a collective contract?

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

Working Hours and Overtime Work

o What are full time working hours?

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

o Are overtime working hours limited?

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

Annual Leave, Public Holidays

o What is the minimum annual leave?

The minimum annual leave is 20 working days, according to labor laws of B&H.

o How long can a maternity leave last in B&H?

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

Minimum Wages

o Is there a minimum wage?

Minimum net wage is defined by Collective Agreement. The average net wage was 424 EUR in the period Jan. - Dec. 2015.

o In which cases are employees entitled to increased salaries?

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

11. WORKFORCE AND EDUCATION

Educational System

o How is the educational system organized in B&H?

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

o What is the educational structure of unemployed population?

Registered unemployment by qualification in B&H, December 2015

| | |
|-----------------------------|----------------|
| TOTAL, December 2015 | 537,568 |
| University qualification | 43,761 |
| Two-year college | 7,586 |
| Secondary | 148,538 |
| Highly skilled and skilled | 184,398 |
| Semi-skilled | 10,911 |
| Unskilled | 142,374 |

Source: Agency for Statistics of B&H

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

Graduates, Masters of Science, Specialists and Doctors of Science on High Schools Institutions in B&H, in 2014.

| | Total graduated students | Total masters of science and specialists | Total doctors of science |
|-----|--------------------------|--|--------------------------|
| B&H | 16,351 | 3,364 | 301 |

Source: Agency for Statistics of BiH, Education Statistics, November 2015

Number of Universities and Students

o How many educational institutions are there in B&H?

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

| | Number of institutions |
|--|------------------------|
| Pre-school education (school year 2014/2015) | 289 |
| Primary education (school year 2014/2015) | 1,866* |
| Secondary education (school year 2014/2015) | 311 |
| Higher education (school year 2014/2015) | 47** |

*1,812 active regular basic schools (central and self-contained with satellite schools and departments) and 54 basic schools for children with special needs. **In the academic year 2014/2015, in the territory of BiH, were 47 higher education institutions, out of which 10 public and 37 private. Source: Agency for Statistics of BiH, November 2015

o How many students are there in B&H?

In the academic year 2014/2015 on the territory of B&H were 96,425 students enrolled in 47 higher education institutions (first cycle and integrated I and II cycle) and 143,881 students attended 311 secondary schools.

o Is B&H participating in the Bologna Process?

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

o Are there any foreign schools?

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

Selected international schools:

| School | Language | Contact |
|--|---------------------|--|
| QSI International School of Sarajevo | English | www.qsi.org/bhz |
| The International School of Sarajevo | English and Bosnian | www.internationalschool.ba |
| International Burch University (IBU) | English | www.ibu.ebu.ba |
| International University of Sarajevo | English | www.ius.edu.ba |
| The Sarajevo Graduate School of Business | English | www.sgsb.edu.ba |
| American University in B&H: Sarajevo, Banja Luka, Mostar and Tuzla | English | www.auB&H.edu.ba |
| The Sarajevo School of Science and Technology | English | www.ssst.edu.ba |
| French School of Sarajevo | French | www.mission-laique.asso.fr www.aefe.fr |
| UWC United World College in Mostar (UWCiM) | English | www.uwcmostar.ba |

All information about Higher Education and authorised institutions are available on www.cip.gov.ba - Centre for Information and Recognition of Qualifications in Higher Education and www.hea.gov.ba - Agency for Development of Higher Education and Quality Assurance

12. INFRASTRUCTURE

Road and Railway Network

o What is the total road network in B&H?

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

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

o What is the railway transportation potential?

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

Airports

o How many airports exist in B&H and what is the connectivity of Sarajevo Airport?

B&H has 4 airports – Sarajevo, Mostar, Banja Luka and Tuzla. Annual passenger transport at Sarajevo Airport amounts 709,901 passengers in 2014, 151,353 at Tuzla, 67,974 at Mostar Airport and 27,636 passengers at Banja Luka.

In the period January-September 2015, the number of aircraft movements indicates the increase by 1.9% compared to the same period of the previous year. The number of transported passengers is higher by 20.9% and volume of transported goods is higher by 369.9% compared with the same period of the previous year. (Source: Agency for Statistics of B&H).

Sarajevo Airport has daily connections with all major airports in Europe. The distances between Sarajevo and major European cities are as follows:

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

River Transport

o What are the possibilities for river transportation in B&H?

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

Fixed and Mobile Telephony

o What is the fixed telephony infrastructure?

The telephony infrastructure covers the whole territory of B&H. There are about 1.4 million pairs of which nearly 1 million are connected. The network is of great quality and high reliability, because there is more than 115 year long tradition of it in B&H.

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

There are 3 telecom operators for mobile GSM technology: BH Telecom (Sarajevo), Telecom Srpske (Banja Luka) and HT Mostar (Mostar). Also, there are two operators who are registered as providers of public mobile telephone service and provide mobile telephony services on the basis of commercial

agreements concluded with the licensees for GSM services. (IZI mobil and Blicnet). All providers are present on the whole territory of B&H and they cover more than 98% of the territory and 99% of the population. The number of prepaid subscribers (2,792,836) is still several times higher than the number of post-paid subscribers (698,352). The number of mobile subscribers in Bosnia and Herzegovina as of December 31st 2014 was 3,491,188 with a rate of growth 0,1%, compared to year 2013.

Changes of existing and introduction of new service packages are frequent in the offer of mobile telephony services.

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

The fixed telecommunication network is more than 98% digitalized and uses copper pairs and DECT, as well as optics for large users, while the transfer is based on optics using PDH and SDH technology. In December 2014, B&H has three (3) licenced Fixed Telephony operators and thirteen (13) licenced providers of Fixed Public Telephone Services.

o What is the penetration of the mobile telecommunication network?

The level of penetration (number of mobile subscribers per 100 inhabitants) of mobile telephony in B&H was 90.87% at the end of 2014. The existing UMTS networks (Universal Mobile Telecommunications System - based on the 3GSM standard) cover more than 70.8% up to 92.5% of the population in Bosnia and Herzegovina which mostly relates to the coverage of the large urban areas, tourist centres and significant roadways. The number of installed 3G base stations, as of December 31st 2014, was 1,790 for three main service providers. Source: Annual report of the Communications Regulatory Agency for the year 2014, June 2015

Internet

o What is the Internet availability and infrastructure?

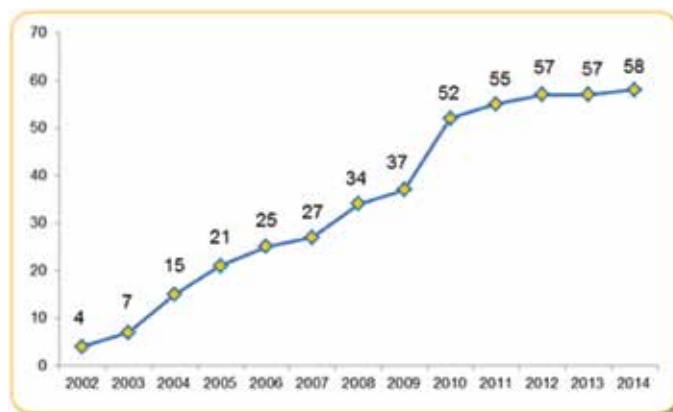
Internet as a service has been completely liberalized since 2002 and there are 70 Internet Service Providers (ISP) in addition to existing telecom operators, providing various services of Internet access using different technologies.

Detailed information of importance to the sector is available within Annual Report of the Communications Regulatory Agency: www.cra.ba

o How many internet users are there in B&H?

In 2014, there were 544,709 Internet subscribers in B&H, while the estimates say that in the same year there were 2.2 million Internet users. There was a growth in the number of Internet users of 1.81% in 2014 compared to 2013. This shows that the Internet usage rate in B&H for 2014 was 58.00% and in 2013 was 56.96%.

Internet users penetration diagram



Source: The Communications Regulatory Agency, Annual Survey 2014, June 2015

o What are the possibilities of internet access?

Generally speaking, both smaller and larger cities in B&H are following the trend of reducing the total number of dial-up subscribers while at the same time, the total number of broadband Internet access subscribers has seen a rise. The number of broadband subscribers reached 99.58% of the total number of Internet subscribers. The structure of broadband connections is still lead by the xDSL access with 54.80% of broadband internet access subscribers. The number of cable connections increased by 18.37%, in 2014 compared to 2013.

o Subscribers by the types of service for the period from 2012-2014

The development of broadband Internet and liberalization of the telecommunications market have conditioned the service package offers that have merged several offers into a single package: Internet, fixed telephone services, mobile telephone services and TV.

Number of users of service bundle in B&H (2012-2014)

| Service bundle Double-Play | 2012 | 2013 | 2014 |
|--|-------------|-------------|-------------|
| Television and Internet | 36,590 | 61,204 | 86,280 |
| Fixed telephony and Internet | 22,985 | 25,511 | 36,644 |
| Fixed telephony and television | 42,555 | 58,375 | 66,584 |
| Fixed telephony and mobile telephony | | | 272 |
| Mobile telephony and Internet | | | 122 |
| Mobile telephony and television | | | 114 |
| Internet via Fixed telephony and Internet via Mobile telephony | | | 55 |
| Service bundle Triple-Play | | | |
| Fixed telephony, Internet and television | 61,176 | 96,574 | 133,460 |
| Fixed telephony, Mobile telephony and Internet | | | 103 |
| Fixed telephony, Mobile telephony and television | | | 23 |
| Mobile telephony, Internet and television | | | 310 |
| Service bundle Quadruple play | | | |
| Fixed telephony, Internet, television and mobile telephony | 999 | 3,052 | 6,060 |

Source: Annual report of the Communications Regulatory Agency for the year 2014, June 2015

As of December 31st 2014 in BiH services were provided by 42 licensees for television broadcasting, which is done via terrestrial broadcasting, and 144 licensees for radio broadcasting. In addition, the audiovisual services were provided by 86 licensees for television broadcasting, which is done via other electronic communications networks.

Source: Annual report of the Communications Regulatory Agency for the year 2014, June 2015

13. OPERATIONAL COSTS

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

Monthly review of AVERAGE CONSUMER PRICES IN B&H is available on www.bhas.ba (Agency for Statistics of B&H) - Monthly publication

o What is the price of electricity in B&H?

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

www.ferk.ba - Regulatory Commission for Electricity in Federation B&H

www.reers.ba - The Regulatory Commission for Energy of Republic of Srpska.

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

| Price of electricity in B&H | Higher | Lower |
|-----------------------------|-------------------------|-------------------------|
| In December 2015 | with all taxes included | with all taxes included |
| Average | 0,10 EUR/kWh | 0,05EUR/kWh |

Source: Agency for Statistics of B&H, Monthly review of Average Consumer Prices in B&H, December 2015

The average price of electricity for industry from group of customers IC, without VAT, in the first half of 2015 amounted 6.25 EUR cent/kWh, which is 0.5 % more in comparison with the second half of 2014 (Source: Agency for Statistics of B&H, Multi-domain stats, Environment and Energy, Prices of electricity and natural gas, September 2015).

o What is the price of gas in B&H?

| The price of natural gas in December 2015 | With all taxes included |
|---|--------------------------|
| Average* | 0.409 EUR/m ³ |
| Industry** | 0.485 EUR/m ³ |

Source: * Monthly review of Average Consumer Prices in B&H - Agency for Statistics of B&H, **Sarajevo gas d.o.o – Since January 2016

The average price of natural gas for industry, without VAT, in the first half of 2015 amounted 14.8 EUR/GJ, which is same in comparison with the second half of 2014. (Source: Agency for Statistics of B&H, Multi-domain stats, Environment and Energy, Prices of electricity and natural gas, September 2015).

o What are the costs of telephone?

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

The prices of access fees, established by the telecom operators, range from 14.8 EUR to 15.3 EUR. All three telecom operators have a unique monthly subscription fee for legal entities at the level of the price cap (8.4 EUR).

The prices of calls within the fixed network particular operators range from 0.017 EUR/min to 0.020 EUR/min.

The prices of calls from their landline to other fixed networks in B&H at the level of price caps and amounts 0.025 EUR/min.

The prices of calls between the fixed network and its own mobile network, established by the telecom operators, range from 0.092 EUR/min to 0.097 EUR/min.

International calls are divided into three zones: neighbouring, European and non-European countries.

International calls to neighbouring countries: from 0.153 to 0.225 EUR/min.
 International calls to other European countries: from 0.358 to 0.392 EUR/min.
 International calls to non-European countries: from 0.358 to 0.591 EUR/min.

Source: Annual report of the Communications Regulatory Agency for the year 2014, June 2015

Average prices according Agency for Statistics of B&H, Average consumer prices in Bosnia and Herzegovina, December 2015:

- Average price of Monthly telephone subscription in December 2015 was 7.72 EUR.
- Average price of mobile phone usage within own fixed network in December 2015 was 0.102 EUR/min.

o What are the prices of water in B&H?

Water charges are determined at local level and thus are different from one municipality to another. The water price consists of: water, sanitation, PVN (Special Water Compensation) for water consumption and PVN for water protection (depending of the level of pollution of wastewater).

Average monthly price in December 2015, of Water supply was 0.511 EUR/m³ and Sewerage services was 0.256 EUR/m³. (Source: Agency for Statistics of B&H, Average consumer prices in Bosnia and Herzegovina - December 2015)

The new price list for Sarajevo Canton is effective from December 1, 2013: The fixed part of price for water and sewerage for legal entities is 2.39 EUR/m³ per month which is increased by a variable amount depending on water consumption. (Source: Vodovod i kanalizacijad.o.o. Sarajevo)

o What is the quality of water in B&H?

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