



Bosnia and Herzegovina



Business Support on Your Doorstep

Enterprise Europe Network London Country Profile March 2010

Bosnia and Herzegovina



Country's full name: Bosnia and Herzegovina (Bosna i Hercegovina, Босна и Херцеговина)

Capital city: Sarajevo (297,416)¹

Population: 3.8 million (2007)²

Official languages: Bosnian, Croatian and Serbian³

Currency: Konvertibilna Marka (Convertible Mark, which is pegged to the Euro)⁴

Religion: Islam (Bosniaks), Roman Catholicism (Croats) and Orthodox (Serbs)⁵

Terrain: Varied landscape with high altitude central mountains and arable land in the northern part of the country with Mediterranean vineyards in the south⁶.

Climate: Warm and humid summers between May and September with very cold winters with snow and fog between

November and February. Short spring and autumn periods.⁷

Administrative divisions: Bosnia and Herzegovina is administratively divided into two parts and these are known as the 'entities'. The Federation of Bosnia and Herzegovina and the Republika Srpska. Each of these entities have their own political structures and administrative divisions. The Federation of Bosnia and Herzegovina is split into 10 cantons (kanton) and 79 municipalities, while the Republika Srpska is split into municipalities only. There are four "official" cities in Bosnia and Herzegovina; Sarajevo, East Sarajevo, Banja Luka and Mostar⁸

Weights and measures: Metric

Time zone: GMT +1

International dialling code: +387

RECENT HISTORY⁹

The former Yugoslavia descended into civil war in 1990. Along with Croatia, Slovenia and Macedonia which all succeeded in 1991, Bosnia and Herzegovina declared its independence in 1992. Bosnia and Herzegovina was divided on ethnic grounds and there was a bloody civil war between the Bosniak and the Bosnian Serb communities. The Bosnian Serbs wanted to remain in the newly formed Federal Republic of Yugoslavia (made up of the republics of Serbia and Montenegro). The Yugoslav leader, Slobodan Milošević led a military intervention supported by the Bosnian Serb leader, Radovan Karadžić. The war ended in 1995 with the signing of the Dayton Agreement which defined the external borders of Bosnia and Herzegovina and the constitutional structure of the country. The country was split into the two 'entities' of the Federation of Bosnia and Herzegovina and the Republika Srpska.

The war resulted in the death of 100 000 people and war crimes such as the Srebrenica massacre and the siege of Sarajevo caused huge divides between the ethnic communities. United Nations peacekeeping troops remained in the country from 1995 until 2002 and in 2004 the EU was entrusted with peacekeeping and mainland security taking over the NATO mandate¹⁰.

In 2003, the EU launched a Stabilisation and Association Process with Bosnia and Herzegovina and this was signed as an agreement in 2008. The country hopes to become an EU member however it is yet to achieve candidate country status¹¹. Bosnia and Herzegovina is also in the process of gaining membership to the World Trade Organisation and NATO's Partnership for Peace Programme.

GOVERNMENT¹²

Bosnia and Herzegovina is a federal democratic republic which is split into two main entities; the Federation of Bosnia and Herzegovina and the Republika Srpska. The former covers 51% of the country whilst the latter accounts for 49%. Both these entities have their own political structures.

Above both of these entities there is state-level government. There is a bicameral legislature made up of the House of Representatives (*Predstavnički Dom*) and the House of Peoples (*Dom Naroda*). The Dayton Agreement established a rotating tripartite presidency with each member representing the three constituent peoples; Bosniaks, Croats and Serbs. The last Presidential elections were held in 2006 and the current Presidents are Haris Silajdžić, Željko Komšić and Nebojša Radmanović. There is also a nine member Council of Ministers. Executive power is shared between the tripartite presidency and the Council at state level.

The Federation of Bosnia and Herzegovina has its own bicameral legislature as well as its own executive which is composed of a President and two Vice-Presidents, a Prime Minister and a Cabinet. The current President is Borjana Krišto (Croat) and the Vice-Presidents are Misad Kebo (Bosniak) and Spomenka Mičić (Serb). The current Prime Minister is Mustafa Mujezinović who was appointed in June 2009. Beneath the entity level of the Federation there is also an assembly in each of the 10 cantons which have legislative powers at cantonal level.

The political structure of the Republika Srpska is different to that of the Federation of Bosnia and Herzegovina. There is a National Assembly and a Council of the Peoples which holds legislative power. Similar to the Federation, the Republika Srpska has a President, Rajko Kuzmanović (Serb) and two Vice-Presidents. There is also a Prime Minister and Cabinet who hold most of the executive power. The current Prime Minister is Milorad Dodik, who is from the Alliance of Independent Social Democrats Party. The Republika Srpska is split into municipalities and each has its own assembly.

There is an independent judiciary in Bosnia and Herzegovina. The highest courts are the three Constitutional Courts. One at state-level (*Ustavni Sude Bosne i Hercegovine*) and one in each of the entities.

ECONOMIC OVERVIEW¹³

The disintegration of the former Yugoslavia and the war that followed had dire economic consequences for Bosnia and Herzegovina. Currently the services sector makes up 53% of GDP, while industry makes up 23% and agriculture 8%¹⁴. Since the end of the war in 1995 Bosnia and Herzegovina's economy has undergone a process of transition and economic recovery. In addition, a policy of privatisation and structural reform is currently under way. GDP has trebled from its pre-war figure and the economy has benefited from significant levels of international assistance from global financial institutions such as the IMF and World Bank, which invested over €5 billion in infrastructure reconstruction¹⁵. In the past 20 years the European Union has invested over €2.5 billion in the country¹⁶.

Bosnia and Herzegovina has achieved sustained economic growth, which was initiated by the huge reconstruction that was required following independence. Growth in exports has seen a particular rise in recent years, notably in steel and aluminium but also in machinery, car parts and furniture. In recent years, the country has seen increased levels of inflation. Increases in excise taxes as well as the introduction of VAT in 2006 have also resulted in increased prices. However the national currency has remained stable and the country's external debt has been reduced to sustainable levels. Unemployment had been as high as 43.2% in 2005 but this was reduced by 20% by 2008¹⁷.

International assistance, particularly from the World Bank and the EU has resulted in Bosnia and Herzegovina adopting liberal economic policies. Structural reform is under way and the banking and financial sectors have undergone privatisation and modernisation. However, the legacy of the pre-war economic structures still persists and various state-owned companies have not yet been privatised. In order to enhance economic stability, Bosnia and Herzegovina will need to overcome some key challenges in the next decade; improving competitiveness and creating conditions conducive to

private sector growth (increased privatisation in key sectors such as telecoms, utilities, energy, water supply, mining, and public media), fostering greater economic integration of the Federation of Bosnia and Herzegovina and the Republika Srpska, strengthening institutions and public management as well as reducing corruption and unemployment.

Global Economic Downturn

As with most European countries, Bosnia and Herzegovina has suffered the effects of the global economic downturn and in 2009 it entered recession. In 2009, GDP was estimated to have dropped by 3% and exports decreased by 45%¹⁸. Bosnia and Herzegovina was forced to go to the International Monetary Fund for \$1.7 billion in an economic support programme. The IMF assistance comes with conditions attached and it aims to consolidate public finances, liquidity and capitalisation of the banks¹⁹. The government hopes that the IMF package will continue the policy of modernising the economy and sustaining the growth that was achieved in the last decade. The European Commission and World Bank has also provided further assistance to help the country weather the economic storm.

ECONOMIC INDICATORS	
Population (2007 est.) ²⁰	3.8 million
Unemployment rate (2007) ²¹	23.4%
GDP per capita in Euros (2008) ²²	3,648
Real GDP growth rate (2008) ²³ (2009) ²⁴	6% and -3% (forecasted)
Inflation rate (2008) ²⁵	7.4%
Total exports (billion euro) (2008) ²⁶	35% of GDP (which WB puts at \$18.45bn)
Total imports (billion euro) (2008) ²⁷	64% of GDP (which WB puts at \$18.45bn)
Internet usage rate (per 100 people) (2008) ²⁸	34.7

Source: World Bank

INFRASTRUCTURE/ENVIRONMENT

Roads²⁹

There are approximately 22,600km of roads making up the national highways network. There are 3,788km of main roads, 4,824km of regional roads and 14,000km of local roads. There are only 995km of motorways and in recent years there has been mass investment into the expansion of the motorway network. Major development and reconstruction projects have commenced to connect Banja Luka and Bijelina on the Serbian border, Tuzla to Orasje on the Croatian border and renovation of the Sarajevo-Tuzla motorway. There is also huge investment earmarked for the Corridor Vc motorway project which links Budapest to Port Ploce in Croatia via Sarajevo. Within Bosnia and Herzegovina this will account for 330km. There are also road links with Croatia, Montenegro and Serbia.

Railways³⁰

The nation's rail network consists of 1,042km of track of which most is electrified. Investment to modernise and reconstruct large portions of the rail network has begun to improve lines so that trains with a speed of 160km per hour can use the network, modernising the signalling and communications links and complete reform and development of the overall subsector. There are regular rail services linking Sarajevo, Mostar, Banja Luka, Mostar to Zagreb, Belgrade, Budapest and Ploce.

Civil Aviation³¹

There are four main airports in Bosnia and Herzegovina. The largest of these is Sarajevo International Airport (*Međunarodni Aerodrom Sarajevo*). It deals with 90% of air traffic coming into the country and has a capacity to take 800,000 passengers per year³². Many international airlines fly to Sarajevo including; *Lufthansa*, *Austrian Airlines*, *Turkish Airlines* and the national airline *B&H Airlines*. The three other international airports are in Banja Luka, Mostar and Tuzla. The airports have undergone modernisation and redevelopment in recent years due to the damage they suffered during the war.

Energy³³

Coal is the primary form of energy in Bosnia and Herzegovina accounting for 93% of its total energy potential. The primary use of coal in the country is in the production of electricity. Bosnia and Herzegovina relies on importing other sources of energy such as liquid fuel and natural gas. According to the *International Energy Agency's* latest statistics the country produced 3.94 Mtoe of energy in 2007, while it imported 1.65 Mtoe³⁴. Production of electricity has been identified as a sector for investment and expansion with plans to enhance the country's hydro and wind energy capacity.

Telecommunications³⁵

The telecommunications infrastructure is relatively underdeveloped by European standards. In 2008 there were only 27 fixed telephone lines per 100 people (the 6th lowest in the whole of Europe). Despite a 24% increase in the same index but for mobile phones between 2003 and 2008 it was the third lowest ranking country (only above San Marino and Andorra) in Europe. Internet usage is at 34.6% and the country has the second lowest bandwidth speed on the continent.

Privatisation of this industry began in 2006 but it is dominated by the three main telecommunications operators in the country *BH Telecom*, *Hrvatske telekomunikacije Mostar* and *Telecom Srpske*. (*Telecom Srpske* was privatised in a sale to *Telecom Srbija* for €646 million) These companies are the only providers of fixed and mobile lines and despite their dominance, e-commerce activity is expanding and the sector is open to competition³⁶.

Environment

The country possesses a range of natural resources including timber, minerals, hydro-power and water³⁷

MAJOR SECTORS OF THE ECONOMY

Agriculture³⁸

Despite being a predominantly rural country (81% of the total land area and 114 out of the 143 municipalities are classified as rural), Bosnia and Herzegovina still imports the majority of its agricultural products for consumption. Agriculture accounts for only 8% of the country's GDP. Traditionally, whilst Bosnia and Herzegovina was part of the former Yugoslavia, the country was the industrial heartland of the nation and its agricultural sector was further weakened following the civil war. Currently 15% of the Bosnian labour force work in the agricultural sector.

Bosnia and Herzegovina imports 80% of its wheat needed for consumption, over 50% of its meat and poultry requirements, 32% of milk, nearly 70% of apples³⁹. The dominant form of agricultural activity in the country is arable farming, fruit and vine-growing. In recent years, the government has introduced rural development plans to try and stimulate increased agricultural activity because the country's agricultural output is far below its potential capacity.

Food Processing⁴⁰

This industry plays an important role. However the civil war resulted in huge damage to the agricultural and food processing infrastructure and this industry currently works to 10% of its potential capacity. The main foods that are processed are meats, milk, vegetables, sugar and oil. The food processing sector is characterised by numerous small enterprises and undeveloped former co-operative system companies.

Automotive/Auto Components Industry⁴¹

The automotive industry has played an important role in the Bosnian economy. Prior to the conflict, the auto components industry was extremely strong. However, since the end of the war, basic metal production, tool making, metalworking, mechanical and electrical engineering, automotive textile products and vehicle assembly sub-sectors, which all support the auto components industry have gradually begun to regain a sense of cohesion. In recent years, *Volkswagen* and *Skoda* have reopened operations in Bosnia.

Construction Industry⁴²

Following the conflict and the need to rebuild the infrastructure, the construction industry became an important part of the Bosnian economy. Major infrastructure development projects such as the *Corridor Vc* project and EU funded infrastructure development plans have helped stimulate this sector. Privatisation has also helped the construction industry to grow. However, following the war, much of the skilled labour left the country but the government has encouraged the development of civil and design engineering in Bosnia and Herzegovina to provide the workforce with the necessary expertise and skills to develop and expand this industry.

Mining and Metal Processing Industry⁴³

Mining of mineral resources has long played an important role in the Bosnian economy. Mining and quarrying and the manufacturing of basic metals and fabricated metal production have all seen rapid growth in recent years. The country has vast reserves of natural minerals such as coal, bauxite, iron and limestone. In addition, it is estimated that Bosnia has over 653 million tonnes of iron ore deposits as well as vast reserves of chromium, lead, magnesium and zinc. The industry has benefited from investment from *Arcelor Mittal Zenica* and *Birac Zvornik*. The metal processing industry has developed as a result of the key role that mining has played within the economy. The mining and manufacturing of basic metals is characterised by large-sized businesses. However, the sub-sector dealing with the higher stages of metal processing such as forging, pressing, stamping, roll forming, treatments and casting of metals has also grown. This sub-sector is characterised by smaller companies who have adopted more customer-orientated approaches.

BANKING AND FINANCE

Banking

In the last decade the banking and financial sectors of Bosnia and Herzegovina have undergone a process of stabilisation, consolidation and privatisation. The landscape of the banking sector has changed in recent years and currently 29 different banks operate in the country⁴⁴. Bosnian banks such as *Bosna Bank International*, *Razvojna Banka Federacije BiH*, *Hypo Hypo Aple-Adria-Bank*. Foreign banks such as *Raiffeisen Bank*, *Intesa SanPaolo Banka*, *Postbank*, *Volkbank*, *Sparkasse* and *Turkish Ziraat Bank* all operate in the country. The influence of foreign banks in Bosnia and Herzegovina has influenced the stabilisation and consolidation of the sector.

The Central Bank of Bosnia and Herzegovina is responsible for issuing the *Konvertibilna Marka* (KM) and ensuring macroeconomic stability. The KM has become one of the most stable currencies of the Balkan and South-East European region. 90% of capital is privately owned (only 10% is state owned). The Central Bank also coordinates the activities of the central banks of the two entities; the Federation of Bosnia and Herzegovina and the Republika Srpska.

The banking sector represents the largest sub-sector of Bosnia and Herzegovina's financial sector. In 2008, it accounted for 80.82% of the KM25.76 billion generated by the whole sector⁴⁵

Insurance

The country's insurance industry is relatively small in comparison to its neighbours in the Balkans. In 2004, the *Insurance Agency of Bosnia and Herzegovina (Agencija za osiguranje u Bosni i Hercegovini)* was established to coordinate uniformity in the insurance markets of the two entities. The insurance market in the country is dominated by domestic operators⁴⁶. Leading insurance operators in the country include; *Bosna Sunce Osiguranje*, *Krajina Koppaonik Origuranje* and *Hercegovine Osiguranje*.

Centralna Banka Bosne i Hercegovine (Central Bank of Bosnia and Herzegovina), 25 Maršala Tita Street, 71 000, Sarajevo, Bosnia and Herzegovina.

T: +387 33 278 222 F: +387 33 215 094 E: pr@cbbh.ba

The Central Bank was established in 1997 and operates to maintain monetary stability and is responsible for the issuing of domestic currency.

W: www.cbbh.ba

Agencija za bankarstvo Federacija Bosne i Hercegovine (Banking Agency of the Federation of Bosnia and Herzegovina), Koševo 3, 71000 Sarajevo, Bosnia and Herzegovina.

T: +387 33 721 400. F: +387 33 668 811. E: agencija@fba.ba Established in order to regulate promote a reliable and stable banking system within the Federation of Bosnia and Herzegovina

W: www.fba.ba

Agencije za bankarstvo Republike Srpske/Агенције за банкарство Републике Српске (Banking Agency of the Republika Srpska), Vase Pelagica 11a, 78000, Banja Luka, Bosnia and Herzegovina.

T: +387 51 218 111. F: +387 51 216 665. E: office@abrs.ba

Established in order to regulate and promote a reliable and stable banking system within the Republika Srpska.

W: www.abrs.ba

Sarajevske Berze-Burze (Sarajevo Stock Exchange), Đoke Mazalića 4, 71000 Sarajevo, Bosnia and Herzegovina.

T: +387 33 251 460. F: +387 33 251 462. E: contact@sase.ba

The Sarajevo Stock Exchange was set up in 2001 and trading began in 2002. It is the principal stock exchange within the Federation of Bosnia and Herzegovina and since its creation has made over €1,047.59 million in turnover⁴⁷. The Stock Exchange is a member of the Federation of European Stock Exchanges and transactions are carried out electronically.

W: www.sase.ba

Banjalučka Berza/ Бањалучка берза хартија од вриједности а.д. Бања Лука (Banja Luka Stock Exchange), Petra Kočića bb, 78000 Banja Luka, Bosnia and Herzegovina.

T: +387 51 326 041. F: +387 51 326 056 E: office@blberza.com

The Banja Luka Stock Exchange is the primary stock exchange of the Republika Srpska. It was established in 2001.

W: www.blberza.com

OPPORTUNITIES FOR UK EXPORTERS / INVESTORS

Overview⁴⁸

In 2008, British companies exported £20.7 million worth of goods to Bosnia and Herzegovina. Leading British exports include; specialised industrial machinery, road vehicles, manufactured articles, power generating machinery and equipment, non-metallic mineral machines, ADP equipment, beverages and pharmaceutical equipment. Throughout the last decade, foreign direct investment in Bosnia and Herzegovina has increased from €159 million in 2000 to over €5790 million by the end of the decade.

While Bosnia and Herzegovina is not yet a member of the EU single market, the national authorities have taken steps to encourage investment from EU countries such as the UK. In 1998 legislation was passed to ensure 'national treatment of foreign investors'. In short, this gives foreign companies the same rights as domestic ones. In addition, the government is currently implementing wide-ranging structural reforms and many key sectors are subject to privatisation and liberalisation. Foreign companies have been able to benefit from this. Measures have also been taken to legislate against any possible future nationalisation or expropriation of foreign-owned companies⁴⁹. The country is also a member of the *Central European Free Trade Agreement*, which conforms to *World Trade Organisation* procedures and EU standards. Companies that operate from Bosnia and Herzegovina therefore have access to other non-EU member states' markets such as Albania, Montenegro, the Former Yugoslav Republic of Macedonia and Serbia⁵⁰.

Central and entity level governments have introduced incentives to assist foreign investment in Bosnia. A *Foreign Investor Support Fund* has been established by central government where foreign companies can obtain up to €150 000. The two entities have established their own tax regimes with various exemptions for foreign businesses. In addition, Bosnia and Herzegovina has signed an *Agreement on Avoidance of Double Taxation* with the United Kingdom, which aims to eliminate the double taxation of income made in one territory.⁵¹

The *Foreign Investment Promotion Agency* highlights the tourism, agriculture and food processing, energy, wood, transport, mining and metal processing and automotive industries as sectors in which

they seek foreign investment. In addition, as various sectors of the economy are being transformed through privatisation, British companies could benefit from tender opportunities in telecommunications and IT, utilities and construction. There are 2000 state owned companies which are in the process of being privatised.

Agricultural and Food Processing Industries⁵²

Currently, the Bosnian agriculture and food processing industries are not operating at full capacity and almost all food is imported. The government is actively seeking financial investment in this industry to modernise all aspects of agricultural production. Investors could benefit from the huge amount of uncultivated land and favourable climate for growing agricultural produce. In addition, the privatisation of former state-owned companies provides British investors with opportunities as they can take advantage of a highly skilled and low-cost labour force.

Notable opportunities for investment are in the cultivation of field crops because of Bosnia's varying climate and a good water supply. Opportunities can be found in medicinal and aromatic herbs, fruit, vine-growing and vegetables. The national government is also promoting the development of organic food production through the *National Environmental Action Plan*. The government is seeking specialist scientific and technological expertise as well as agro-economic specialists.

Investment is also sought within the food processing industry as the sector is only operating at 10% of its potential capacity. The government seeks investment and innovation in the food processing sector in order to integrate exiting primary producers with processors. Therefore, lucrative opportunities for middle and large-sized food producers and processors to establish modern systems and infrastructures for production, collection, processing and marketing.

Automotive Industry⁵³

The Bosnian automotive industry provides numerous opportunities for investment. In recent years, the auto components sub-sector has become the dominant sub-sector within the automotive industry. However, the government wants to develop the whole industry and seeks investors at all levels of the supply chain. The industry has undergone major restructuring and privatisation. Foreign companies such as *Asa Prevent* and *Bekto International* have taken advantage of the growth opportunities. There are currently a large number of manufacturers in the country producing diverse parts and components including; engines, gears, drive shafts, brake parts, clutches, steering wheels, pumps, filters, textile and leather products. This has developed a skilled and knowledgeable workforce and many international car manufacturers have drawn upon the expertise of the Bosnian workforce. Companies such as *Mercedes, Volkswagen, Renault* and *Peugeot* all have operations in the country.

In order to expand the Bosnian automotive industry, the government wants to establish an automotive cluster⁵⁴. To enhance the cluster, the government seeks foreign investors and partners to develop the cluster within the South Eastern Europe region. Expansion of this is supported by the Foreign Trade Chamber of Bosnia and Herzegovina, the Foreign Investment Promotion Agency as well as universities and research centres within the country.

Other opportunities for investment in this industry can be found in investing in capital equipment and technologies. Potential investors can also benefit from a highly skilled labour force and supporting infrastructure.

Energy Industry⁵⁵

Privatisation, restructuring and reform of the energy industry provides investors with opportunities across various sub-sectors. The government wants the Bosnian energy industry to become an integral part of the wider European energy market.

Bosnia and Herzegovina has vast coal reserves. The recent discovery of coal deposits in Bugojno and Kongora provides investors with opportunities to introduce new technology and efficient production techniques. In addition, the privatisation of state-owned coal companies there are opportunities to increase productivity and improve environmental production. The government also actively seeks new approaches and techniques such as subsurface gasification.

The natural gas and oil sectors are the least developed energy subsectors in the country. Investment opportunities exist in construction of underground storage, diversification of gas supplies, construction of new supply routes and development of the distribution network. Laws and regulations have been

implemented at both national and entity level to ensure protection of any foreign investment in this subsector.

Investment in electricity production, particularly in hydro and wind power is sought by the government. Geo-thermal and solar power sources have recently been introduced and the government seeks to expand the use of such sources through foreign investment. Investors could also potentially benefit from public-private partnerships as well as financing from specialised institutions such as the *World Bank* and *European Investment Bank*.

Mining and Metal Processing⁵⁶

The mining and metal processing industries offer various opportunities for foreign investors. Despite the vast resources and a highly-skilled labour force, the industry needs to undergo substantial reform, restructuring and modernisation. The government seeks new technologies to improve efficiency and develop exploration techniques. While the government has developed the mining and metal processing infrastructure of the country, such as the construction of an aluminium smelting plant in Mostar, the government seeks foreign strategic partners to enhance the capacity of the country's wider metal and metal processing infrastructure.

Tourism⁵⁷

The development of the tourism industry has been made a priority by the government as part of the country's overall national economic development policy. Bosnia and Herzegovina offers investors opportunities in diverse areas of tourism due to its varied landscape, climate as well as its rich historical and cultural heritage. Having hosted the Winter Olympic games in 1984, the country has a huge winter sports capacity. Opportunities for investors can be found in the development and upgrade of resorts such as Blidinje, Visne, Kupres and Kozara. In addition, there are plans to establish new tourism resorts in Bjelasnica, Igman and Jahorina where foreign investment is sought for the development of transportation and diversification of these resorts.

Spa tourism is another key sub-sector of the tourism industry. However, as with the winter resorts, the existing spas are in need of investment to upgrade and modernise the facilities. The government actively seeks foreign investment to help spa resorts to develop their business models, management philosophy and marketing strategies. The government also seeks to expand the cultural, religious, national park and eco-tourism sub-sectors.

Transport⁵⁸

A range of infrastructure works in the road and railway networks provides opportunities to investors from diverse industries. Privatisation of previously state-owned firms has opened competition. Major infrastructure development projects include the *Corridor Vc* highway and the expansion of the railway network connecting Bosnia and Herzegovina with neighbouring countries and integrating it within the European network. In order to expand the transport infrastructure, the government actively seeks significant capital investments.

Wood⁵⁹

The wood industry provides many opportunities for investors due to the fact that 53% of the country is covered by forest. Deciduous trees such as beech and oak are the predominant types of trees. These high quality types of wood provide opportunities for the furniture industry, and investors in pulp and paper mills, veneer and hardwood plywood. The national investment agency highlights the potential in the development of medium-density fibreboard and veneer.

BUSINESS CULTURE⁶⁰

Business hours

The standard working week is Monday to Friday and working hours are typically from 0900 to 1700.

National holidays in 2010

- New Year's Day 1 January
- New Year Holiday 2 January
- Orthodox Christmas Eve (RS) 6 January
- Orthodox Christmas (RS) 7 January

• Republic Day (RS)	14 January
• Independence Day (FBiH)	1 March
• Orthodox Good Friday (RS)	2 April
• Catholic Easter (FBiH)/Orthodox Easter (RS)	4 April
• Catholic Easter Monday (FBiH)/Orthodox Easter Monday	4 April
• Labour Day	1 May
• Labour Day Holiday	3 May
• Day of victory over Fascism (RS)	9 May
• St. Vitus' Day (RS)	28 June
• Ramadam Bajram (End of Ramadan) (FBiH)	9 September
• All Saints' Day (FBiH)	1 November
• Kurban Bajram (Feast of Sacrifice) (FBiH)	16 November
• General Framework Agreement Day (RS)	21 November
• Statehood Day (FBiH)	25 December
• Catholic Christmas (FBiH)	25 December

Dress

Smart formal business attire is worn by both men and women.

Business Etiquette

There is nothing peculiar that distinguishes business etiquette in Bosnia and Herzegovina from Western European countries. Hand shaking is common in both professional and social situations. Business cards are often exchanged. Investors should also be sensitive to the differences between the ethnic communities in Bosnia and Herzegovina.

SETTING UP A BUSINESS IN BOSNIA AND HERZEGOVINA⁶¹

While there is a standardised procedure for establishing a business in Bosnia and Herzegovina, setting up a business in the country comes under the jurisdiction of the entities. The first necessary step is to set up an 'establishment contract', which has to be signed by a registered notary. As with other countries, payment is required in order to register and establish a business. This must be done through the *Ministry of Trade and Economic Relations of Bosnia and Herzegovina* (This can take up to 10 days). Businesses must also register with the competent municipal court in the entity in which they will be established within. New businesses are required to obtain a 'company stamp' and open a bank account in a commercial bank. In addition, new companies must also register with the relevant authorities in order to contribute to pension and disability funds. Only once all these steps have been taken can a business get final authorisation to begin trading. The overall process of setting up a business will cost around €1,500.

More information on the differences in legal structures of businesses in the Federation of Bosnia and Herzegovina and the Republika Srpska can be found on the following website:

W: www.fipa.gov.ba

FURTHER SOURCES OF INFORMATION/ USEFUL ADDRESSES

Enterprise Europe Network London at London Chamber of Commerce and Industry, 33 Queen Street, London, EC4R 1AP

T: +44 (0)20 74891992. F: +44 (0)20 72031812 E: europe@londonchamber.co.uk

The Enterprise Europe Network London brings together GLE, London Chamber of Commerce and London Technology Network. We provide practical, hands-on support and information for London's small and medium businesses seeking funding, hoping to expand their business into Europe, or wishing to develop (technology) partnerships with other European businesses.

W: www.een-london.co.uk

London Chamber of Commerce and Industry, 33 Queen Street, London, EC4R 1AP

T: +44 (0)20 7248 4444. F: 020 7489 0391. E: lc@londonchamber.co.uk

London Chamber of Commerce's World Trade Team, Information Centre and Enterprise Europe Network team can provide information or advice on many topics relating to international trade and overseas markets, including Bosnia and Herzegovina. London Chamber of Commerce is a membership organisation but non-members can utilise certain services on a (charged) basis. The Enterprise Europe Network services are available to all companies and do not depend on LCCI membership.

W: www.londonchamber.co.uk

UK Trade and Investment, Kingsgate House, 66-74 Victoria Street, London, SW1E 6SW.

T: 020 7215 4735/4723. F: 020 7215 8313.

Contact Lis Herisz, Bosnia-Herzegovina Desk Officer. T: 020 7215 309. F: 020 7215 8313

E: liz.herisz@ukti.gsi.gov.uk

UK Trade and Investment is a British government body responsible for helping UK firms secure overseas sales and investments. Their website has pages for each country of the world, including Bosnia and Herzegovina, which give useful information and contacts.

W: www.uktradeinvest.gov.uk

British Embassy in Bosnia and Herzegovina, 8 Tina Ujevica Street, 71000, Sarajevo, Bosnia and Herzegovina.

T: +387 33 282 200. F: +387 33 282 203. E: britemb@bih.net.ba

Trade & Investment Section: 11 Petrakijina Street, 71000, Sarejevo, Bosnia and Herzegovina.

T: +387 33 282 200 F: +387 33 204 780. E: britemb@bih.net.ba

Contact Dzermal Klepic. E: dzemal.kleplic@fco.gov.uk

W: <http://ukinbih.fco.gov.uk/en/>

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