



# Invest in Bosnia and Herzegovina



**EXPLORE NEW  
OPPORTUNITIES**

## Invest in the Heart of Europe

December 2018



# Bosnia and Herzegovina at a Glance



**Population:** 3,5 mill  
**Area:** 51.209 km<sup>2</sup>



**Administrative organization:**  
Two entities (Federation of BiH and Republika Srpska) and Brcko District of BiH



**GDP :** 15,3 billion EUR (2016)  
**GDP per capita:** 4 354 EUR (2016)



**Currency:** Konvertibilna Marka  
(BAM-official)  
**Exchange rate:** 1 EUR = KM 1.95  
(fixed exchange rate)



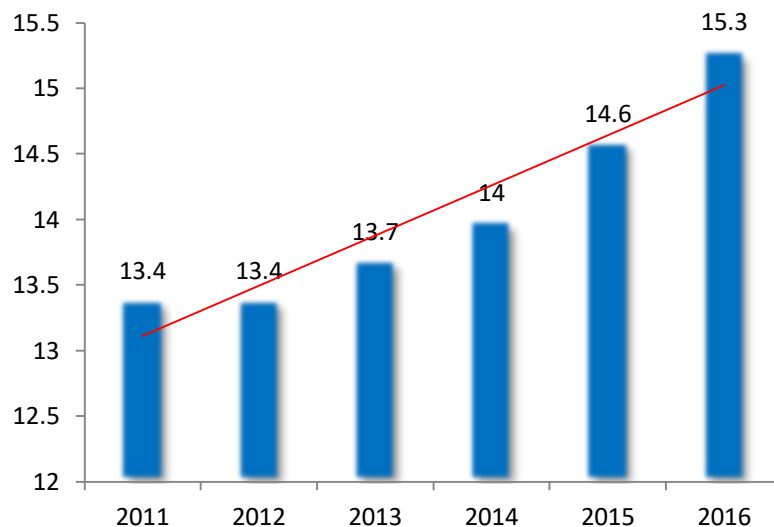
**Capital:** Sarajevo  
  
**Major cities:** Banja Luka,  
Bihać, Mostar, Tuzla, Zenica



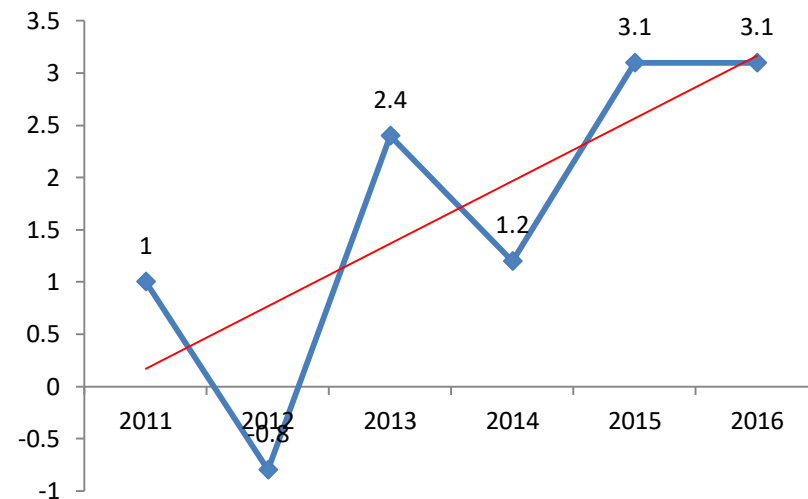


# Macroeconomic indicators

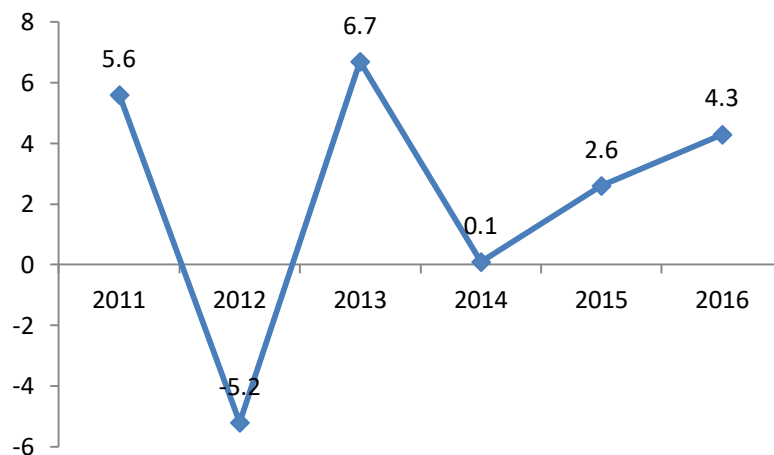
## GDP (billion EUR)



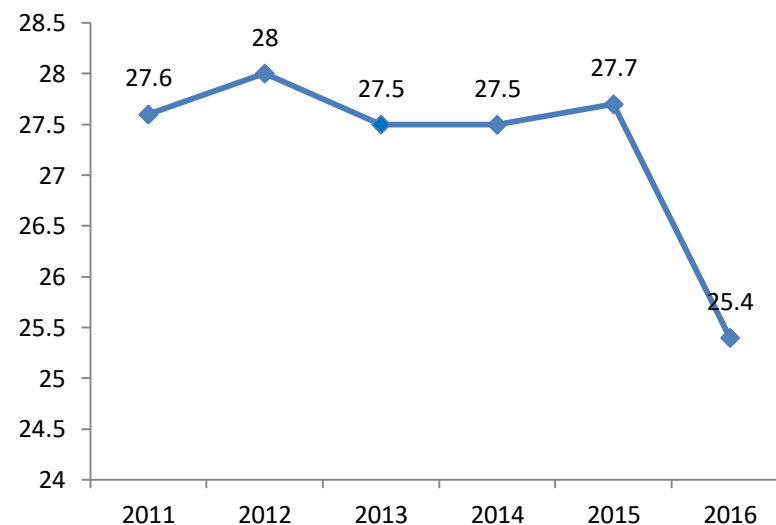
## Real GDP growth rate (%)



## Industrial production growth rate (%)



## Annual unemployment rate (%)



Source: Central Bank of BiH, Agency for Statistic of BiH



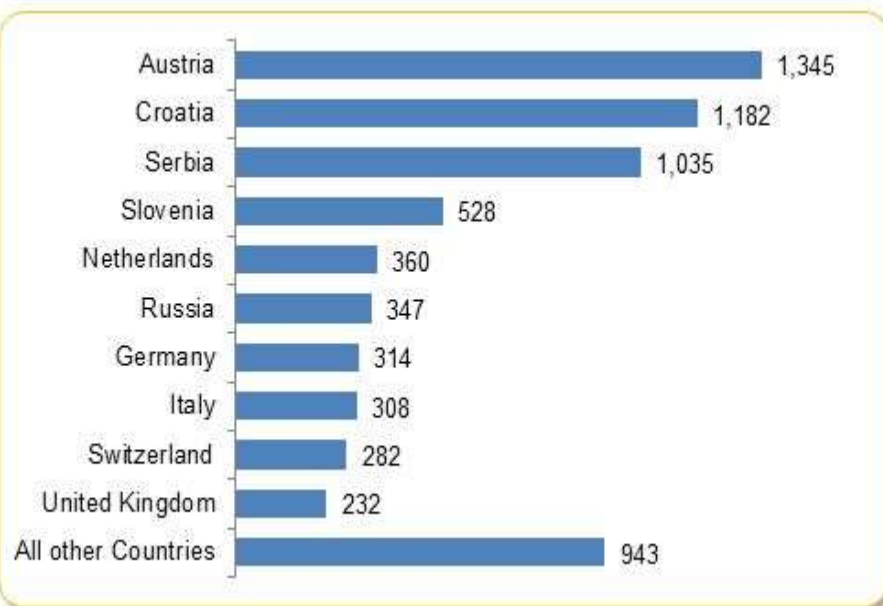
# FDI in Bosnia and Herzegovina



Source: Central Bank of BIH

**€ 6,9 bill**  
of FDI inflow in past 20 years

## Top investors countries May 1994 - December 2017 (in mill)



## FDI by sectors, % (Dec 2016)



**34%**  
Manufacturing



**24%**  
Banking



**13%**  
Telecommunication



**12%**  
Trade



**4%**  
Real Estate



**6%**  
Service and other  
financial service



**2%**  
Tourism



**6%**  
Transport and  
other industries





# They Have Already Invested



Das Auto.



# Reform Agenda for Bosnia and Herzegovina 2015 - 2018

## Progress made by BiH on the EU path



- The European Union's 28 member states on September 20, 2016 **accepted** Bosnia and Herzegovina's **membership application**
- EU members **welcomed the progress made** by the Bosnia and Herzegovina authorities in implementing their Reform Agenda and invited them to continue their efforts to the benefit of their citizens
- On February 28, 2018 Bosnia and Herzegovina handed over the country's **answers to European Commission's Questionnaire** to European officials

## Reform Agenda



- The Reform Agenda represents the EU's new approach to economic governance in our country.
- It covers Public Finance, Taxation and Fiscal Sustainability, The Business Climate and Competitiveness, The Labour Market, Social Welfare and Pension Reform, Rule of Law and Good Governance, Public Administration Reform

## Positive Results



- Doing Business 2014 – **131 position**
- Doing Business 2018 – **86 position**  - 45
- Growth of GDP, industrial production, export
- Important reforms are on hold

# Why Bosnia and Herzegovina?

1



**Strategic  
Location**

5



**Favourable  
Legal  
Environment**

2



**Favourable  
Trade and  
Other  
Agreements**

6



**Favourable  
Tax System**

3



**Skilled Labour at  
Competitive  
Price**

7



**Low  
Operating  
Costs**

4



**Stable  
financial  
system**

8



**Long Tradition of  
Industrial  
Excellence/  
Attractive  
Investment  
Locations**



# 1



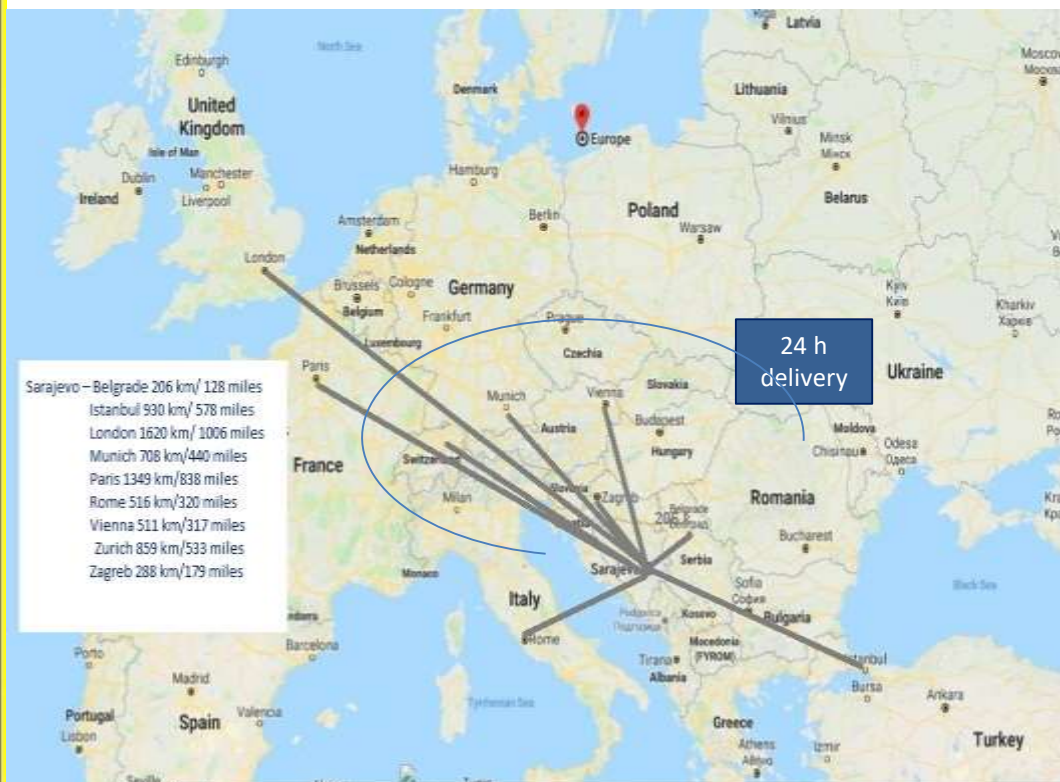
## Strategic Location, Close to All Major European Capitals

*"...The second point that contributed to our decision to invest in Bosnia and Herzegovina was the proximity to Western European markets, the proximity to the European highway system...."*



Mr. Edin Dacic, Director, Dacomet AG (Switzerland)

- A strategic location to European, Middle Eastern and Asian markets
- **Pan-European Corridor:** Corridor Vc going from Hungary through Croatia and Bosnia and Herzegovina to the Port Ploce (Croatia)



Well developed road and railway network



4 international airports  
Banja Luka, Sarajevo, Mostar, Tuzla with multiple daily flight to mayor European cities



2 river ports and 2 international ports



# 2



## Favourable Trade and Other Agreement



# FIPA

FOREIGN INVESTMENT PROMOTION AGENCY  
OF BOSNIA AND HERZEGOVINA

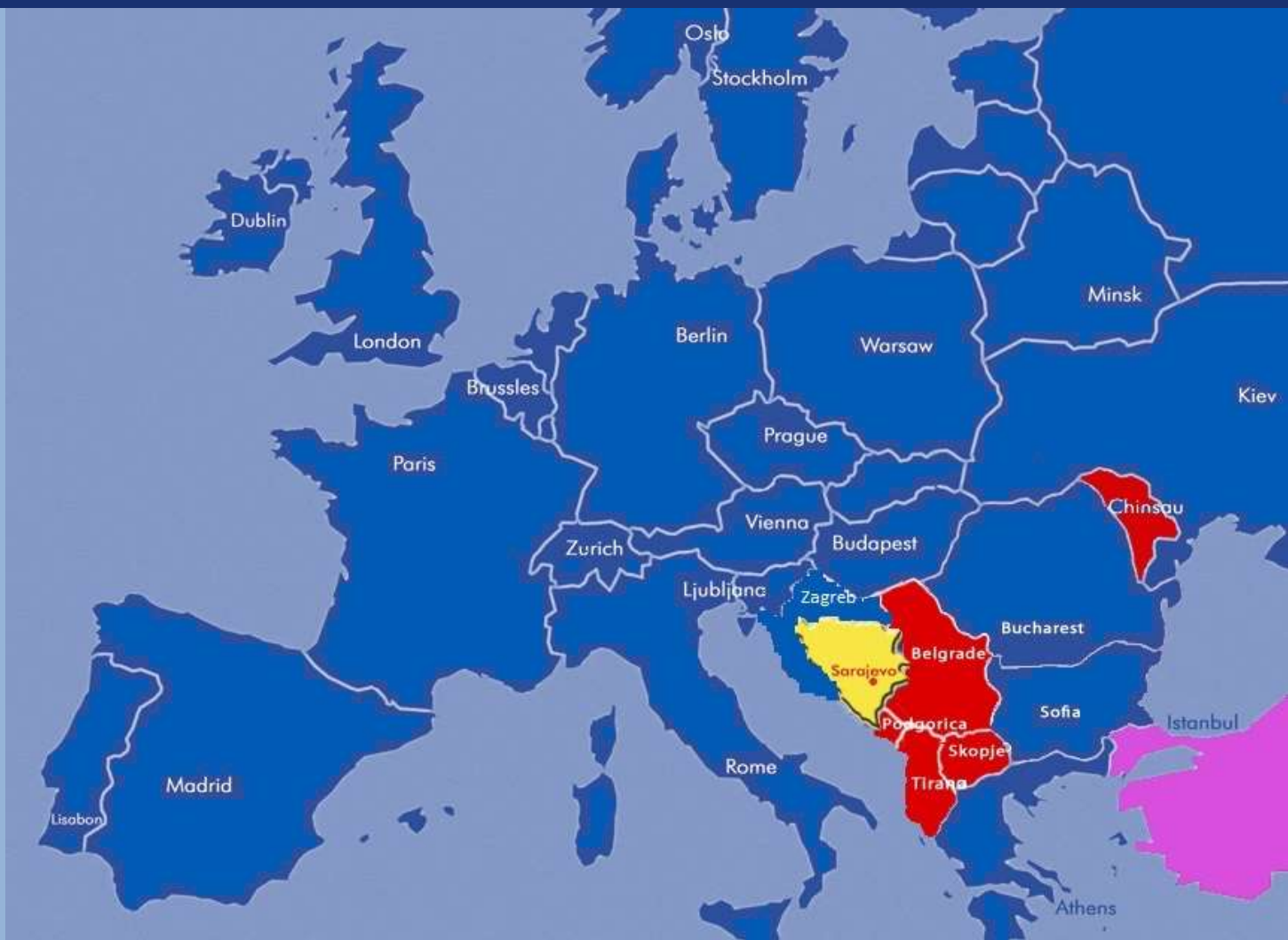
**Central European Free Trade  
Agreement (CEFTA) -20,1mill**

**Free Trade Agreement with  
Turkey - 76,7 mill**

**Free Trade Agreement with  
EFTA – 16,3 mill**

**Preferential Trade Agreement  
with EU,  
28 countries - 506,8 mill**

**Preferential export regimes  
with USA, New Zealand,  
Japan, Russia,  
Kazakhstan, Belarus, Canada,  
Australia and Iran**



# 2



## Liberal Foreign Trade Regime with a Major Number of Countries

*"...It is very important to emphasize that Bosnia and Herzegovina has a very liberal foreign trade regime with a major number of countries.....Also, B&H has signed Agreements on Promotion and Protection of Investment with many countries."*

Mr. Vladan Nastic, Marketing Director, Alpro doo Vlasenica-Alumil Group (Greece)

### Agreements on Avoidance of Double Taxation

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

### Agreements on Promotion and Protection of Investments

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

# 3

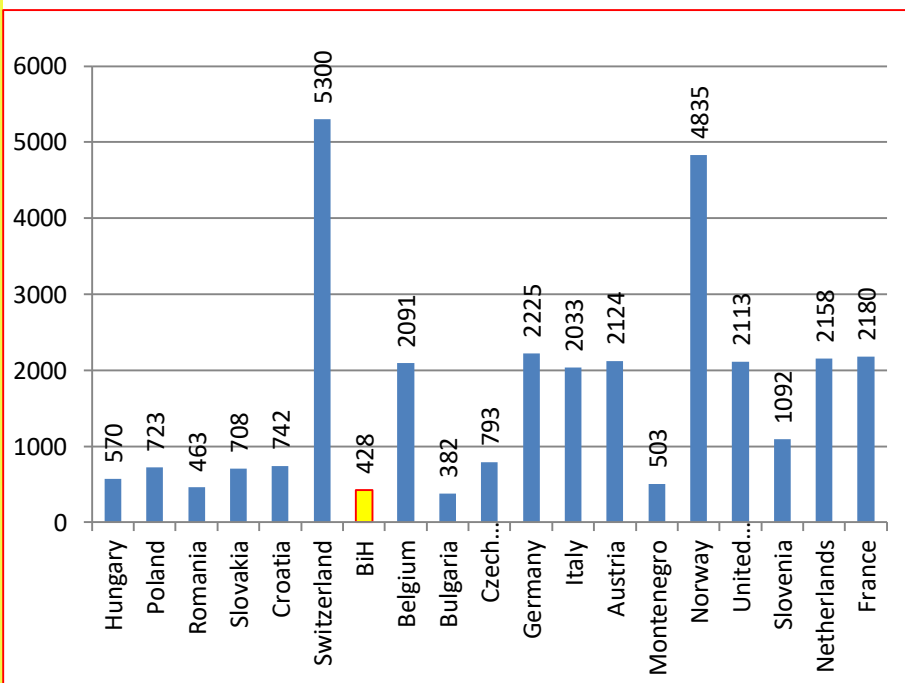


## Skilled Labour at Competitive Price

27,5%

Unemployment Rate  
(474,541 unemployed person)

Average Net Monthly Wages, EUR (2017)

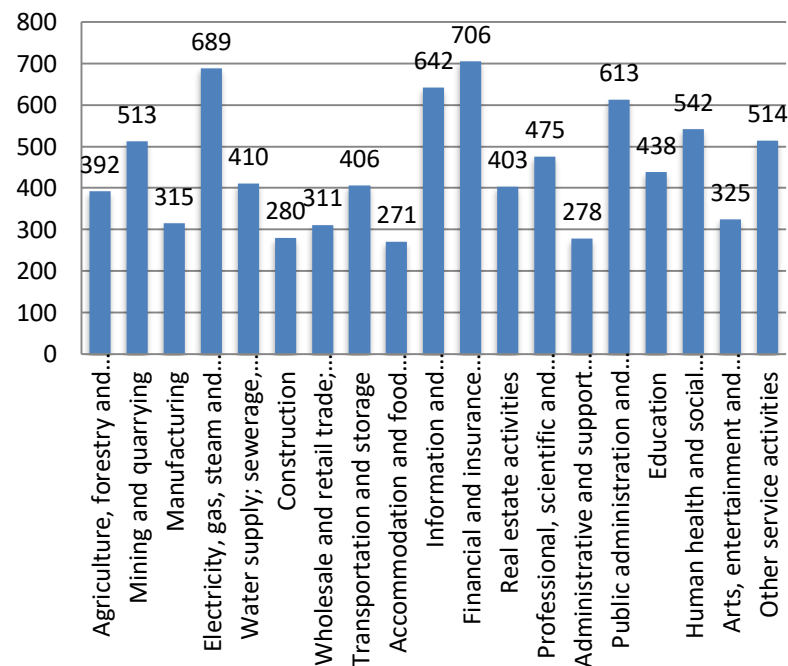


*"... Natron has been one of the most successful privatisations in the country. That has happened not only because it had a very strong, determined and resourceful group behind it, but also because of very sincere dedicated, technically competent workforce in the mill and in the country which delivered the right results once guided properly."*



**Mr. Yildirim Akturk,**  
Chairman of Supervisory Board of Hayat Group  
(Turkey)

## AVERAGE MONTHLY NET EARNINGS FOR NOVEMBER 2017



Source: Agency for Statistic of BiH, EUROSTAT



3



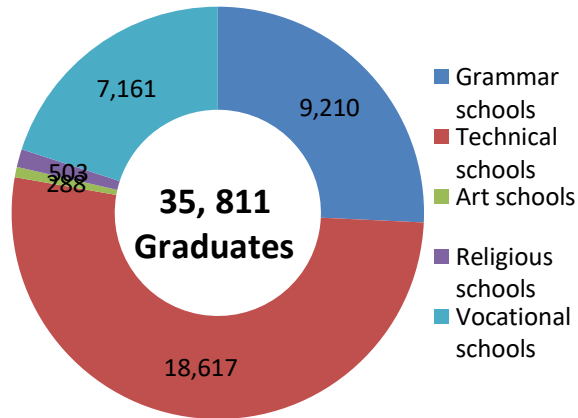
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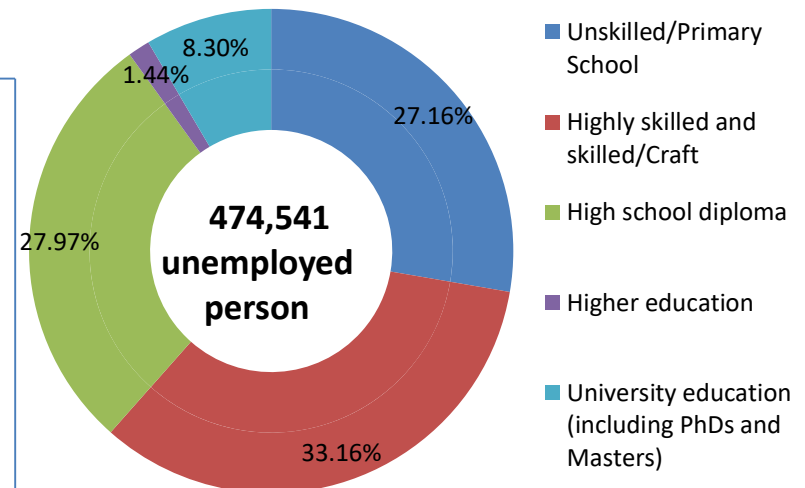
## 311 High Schools across the Country



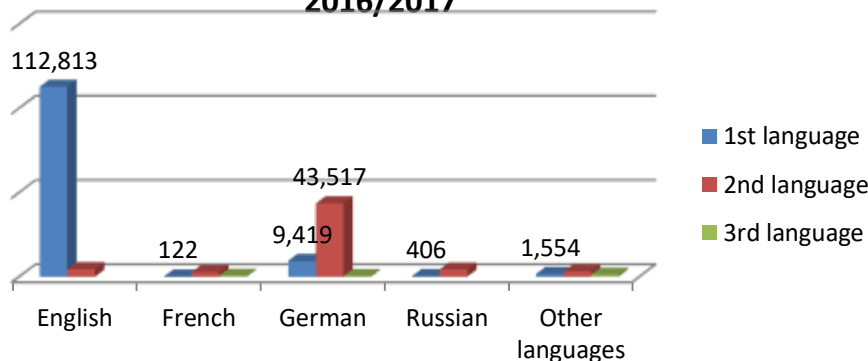
## 27 Universities across the Country

- ✓ Students who graduated in 2016: **15,266**
- ✓ Masters of science, masters, specialist and doctors of science in 2016: **3,836**

## The Structure of Unemployed by Level of Education (january 2018)



## Pupils who learn foreign language as first, second or third one 2016/2017





# 4



**Stable  
financial  
system**

*„It is a really good time for development in Bosnia and Herzegovina. We are seeing strong growth in the country, and in fact we are planning to invest at record levels over the next two years here, about €200 million each year. Our investment will really try and unlock this country's potential in many areas, from manufacturing to clean energy.“*

**Sir Suma Chakrabarti, EBRD President**



- ✓ **Resilient** economy and investment destination
- ✓ **Most stable currency** in the South East Europe linked to Euro

**1 BAM = 0.51129 €**

**1 € = 1.95583 BAM**

**MOODY'S B3 credit rating with stable prospects**

**STANDARD  
& POOR'S**

**B credit rating with stable prospects**

- ✓ High Central bank reserves
- ✓ BiH's external debt is duly serviced
- ✓ The **lowest inflation** in the Region (1,3% in 2017)



Source: Central Bank of BiH

**The Financial Intermediaries Asset Value**

	2014		2015		2016	
	Value, KM Millions	Share, %	Value, KM Millions	Share, %	Value, KM Millions	Share, %
Banks <sup>1)</sup>	22.766	87,4	23.737	87,5	25.014	87,8
Leasing Companies <sup>1)</sup>	514	1,97	475	1,75	423	1,48
Microcredit Organizations <sup>1)</sup>	647	2,48	640	2,36	665	2,34
Investment Funds <sup>2)</sup>	758	2,91	824	3,03	802	2,81
Insurance and Reinsurance Companies <sup>3)</sup>	1.355	5,20	1.465	5,40	1.582	5,56
<b>Total</b>	<b>26.039</b>		<b>27.141</b>		<b>28.486</b>	

# 5



## Favourable Legal Environment

*“...Investment climate in Bosnia is in our view very attractive for the investors.”*

Mr. Vuk Hamović, EFT Group Chairman  
(United Kingdom)



### National treatment of a foreign investor

- ✓ Foreign investors are entitled **to transfer** abroad, freely and without delay, in convertible currency, proceeds resulting from their investment in BiH
- ✓ Protection **against nationalization**, expropriation or similar measures
- ✓ Foreign investors **may own real estate** in BiH-Foreign investors enjoy the same property rights in respect to real estate as BiH legal entities
- ✓ Foreign investors are entitled to freely employ foreign nationals, subject to the labor and immigration laws in B&H
- ✓ The rights and benefits of foreign investors granted and obligations imposed by the Law on the Policy of Foreign Direct Investment **cannot be terminated** or overruled by subsequent laws and regulations. Should a subsequent law or regulation be more favorable to foreign investors, the investor will have the right to choose the regime by which the investment will be regulated.



# 6



## Favourable Tax System

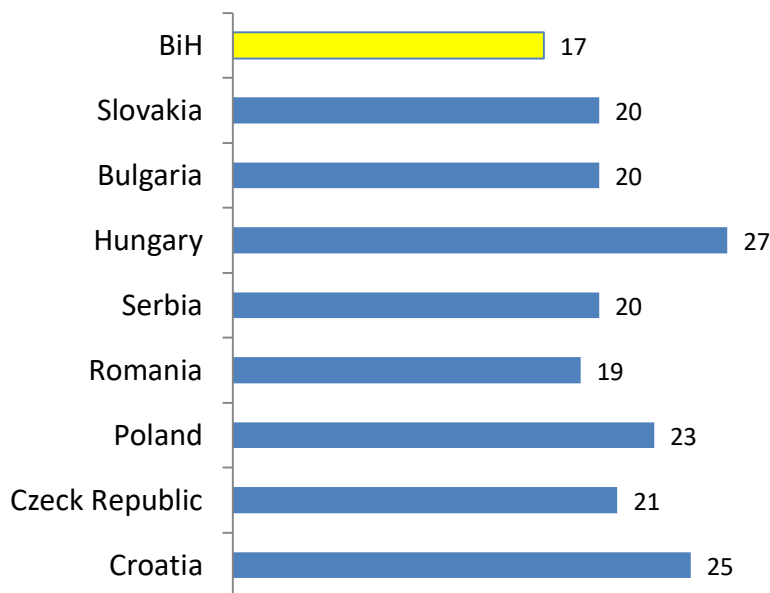
*„...Moreover the favourable tax system provides a unique advantage and a position to international investors ... Prevent Group is one of the clear examples that Bosnia and Herzegovina has the capacity and has the business environment to attract foreign direct investment.“*



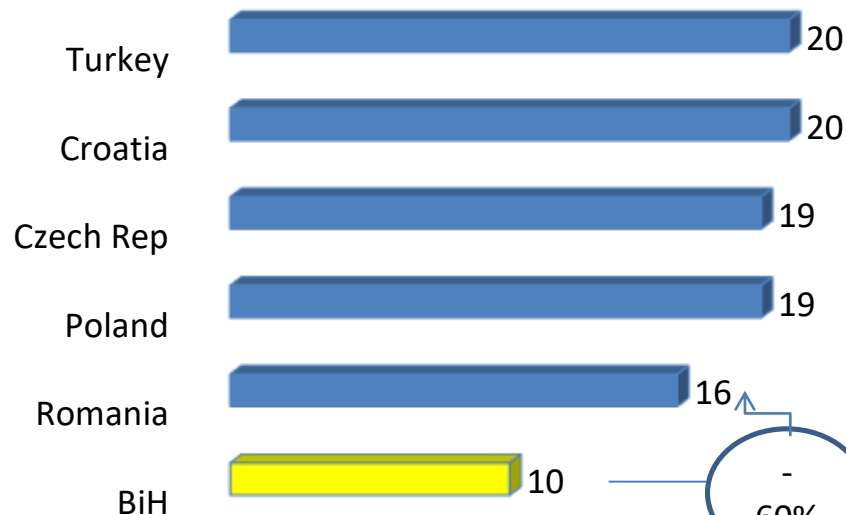
Mr. Almir Jazvin, Managing Director, Prevent BH (Germany)

✓ VAT and CIT in Bosnia and Herzegovina are among the lowest in the Region and EU

VAT standard rate (%)



CIT (%)



- 60%

Source: Agency for Statistic of BiH, Deloitte

- ✓ **Additional tax benefits in BiH**
- ✓ Personal Income Tax is 10%
- ✓ Customs rates 0-15%

- ✓ **Equipment** of the foreign investor being imported as part of share capital **is exempt from paying customs duties.** (with the exception of passenger vehicles, slot and gambling machines)

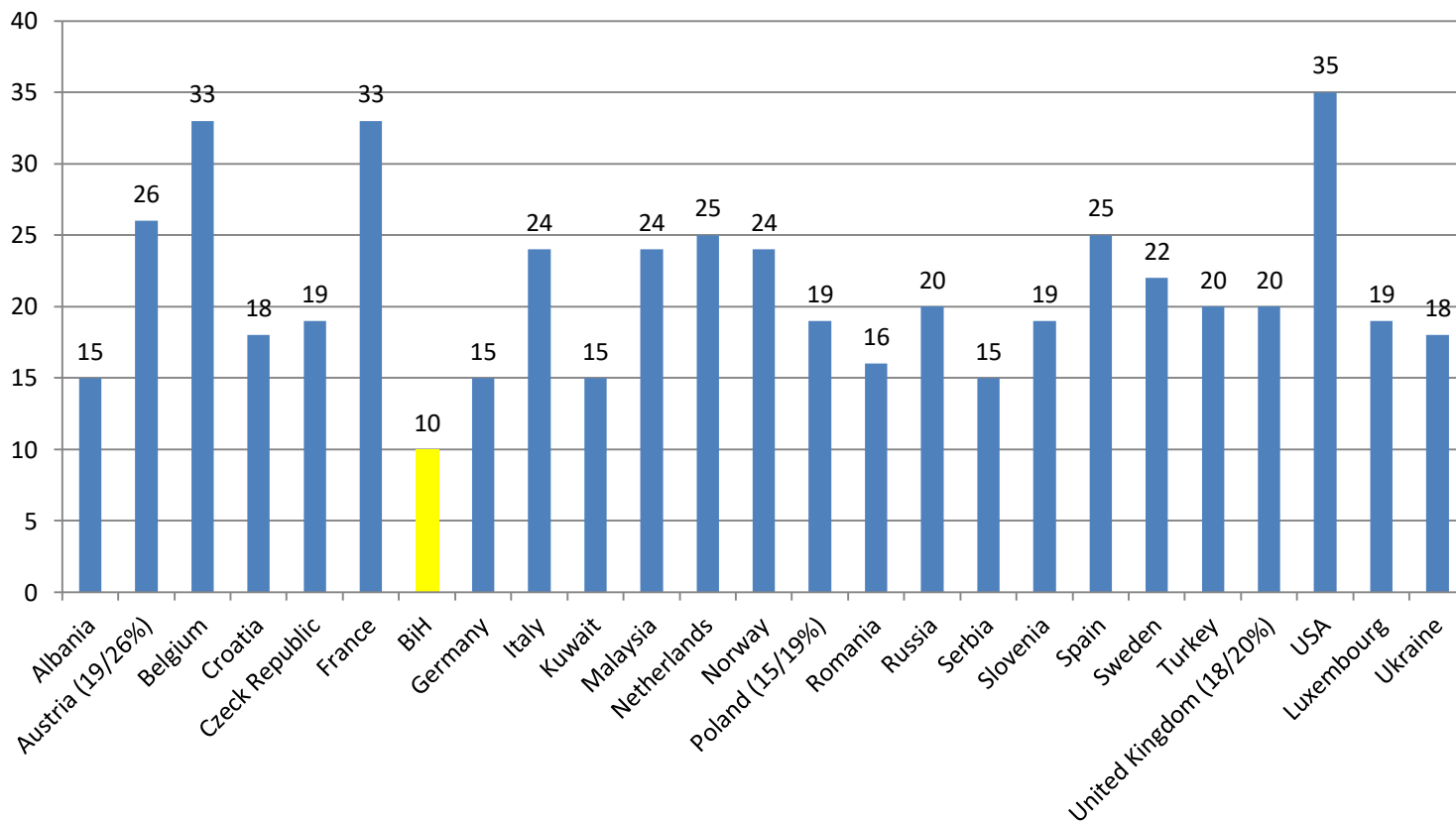
## Favorable tax environment

6



**Favourable  
Tax System**

### Corporate Tax Rates 2017



Source: <https://www2.deloitte.com/>



# 7



## Low Operating Costs

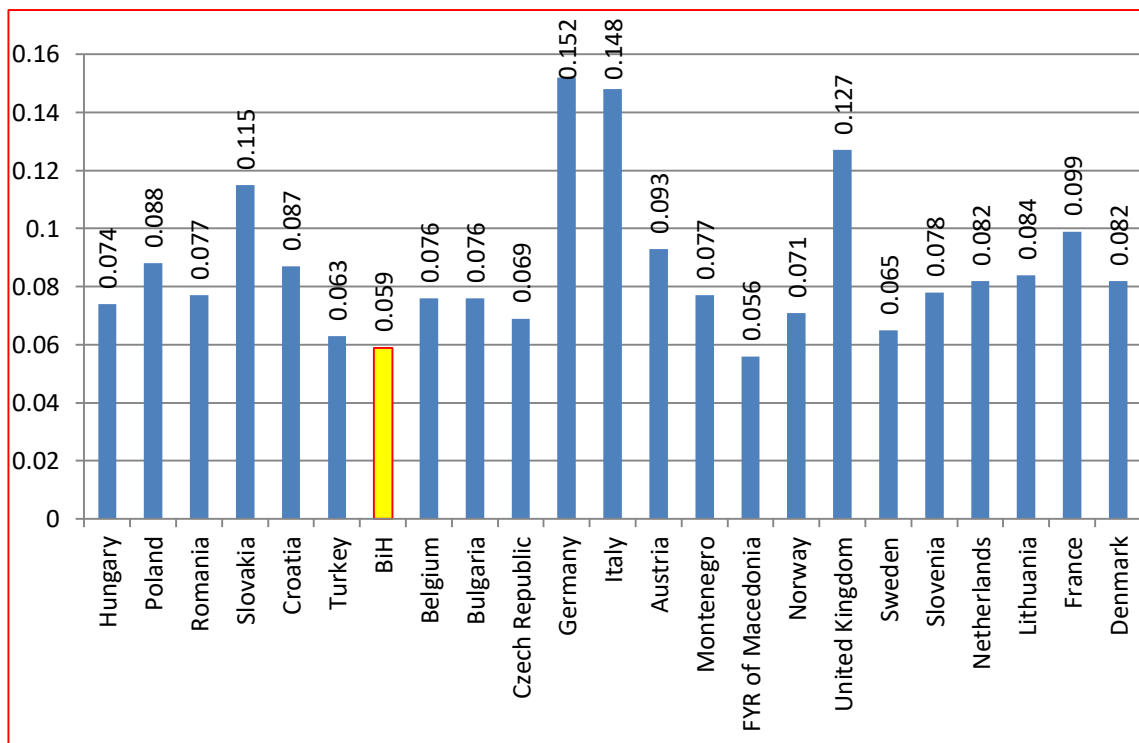
“...It is important to say here that BiH has been known for its low production costs and it provides a great opportunity for the clients who seek for a good and low cost, but still great quality product. “

Mr. Jozo Miskic, Director, Bogner Edelmetall doo Vitez (Austria)



Operating costs – significantly lower than in EU

### Half-yearly electricity prices for industry in 2018- €/kWh



Source: <http://ec.europa.eu/>



0,063 EUR/kWh



0,425 EUR/Sm<sup>3</sup>



0,511 €/m<sup>3</sup>



int.calls:0,153-0,392 €/min



Purchase: 3 €/m<sup>2</sup> – 100 €/m<sup>2</sup>



Rent: 4 €/m<sup>2</sup> – 50 €/m<sup>2</sup>



Purchase: 400 – 3.500 €/m<sup>2</sup>



Rent: 2 €/m<sup>2</sup> – 10 €/m<sup>2</sup>



Purchase: 20 €/m<sup>2</sup> – 1.000 €/m<sup>2</sup>



Construction costs:  
200 - 550 €/m<sup>2</sup>





# Recognitions

## TOP 10 MID-SIZED EUROPEAN REGIONS OF THE FUTURE 2018/19 – COST EFFECTIVENESS

RANK	REGION	COUNTRY
1	Sud-Vest	Romania
2	Nord-Est	Romania
3	Bosnia	Bosnia-Herzegovina
4	Sud	Romania
5	Sud-Est	Romania
6	Centru	Romania
7	Vest	Romania
8	Nord-Vest	Romania
9	Kuyavian-Pomeranian	Poland
10	Kiev Oblast	Ukraine

**FDI**  
Magazine

## TOP 10 SMALL EUROPEAN REGIONS OF THE FUTURE 2018/19 – FDI STRATEGY

RANK	REGION	COUNTRY
1	Greater Helsinki	Finland
2	Eindhoven Region	Netherlands
3	Niš Region	Serbia
4	Plovdiv Region	Bulgaria
5	Plzeň Region	Czech Republic
6	Podravje Region	Slovenia
7	Međimurje County	Croatia
8	Opolskie Region	Poland
9	Republic of Srpska	Bosnia-Herzegovina
10	West Herzegovina Canton	Bosnia-Herzegovina

## TOP 10 MID-SIZED EUROPEAN REGIONS OF THE FUTURE 2016/17 – COST EFFECTIVENESS

RANK	REGION	COUNTRY
1	Nord-Vest	Romania
2	Sud	Romania
3	Sud-Vest	Romania
4	Bosnia	Bosnia-Herzegovina
5	Sud-Est	Romania
6	Kiev Oblast	Ukraine
7	Vest	Romania
8	Centru	Romania
9	Subcarpathian	Poland
10	Kuyavian-Pomeranian	Poland

## TOP 10 SMALL EUROPEAN CITIES OF THE FUTURE 2018/19 – COST EFFECTIVENESS

RANK	CITY	COUNTRY
1	Skopje	Macedonia
2	Bijeljina	Bosnia-Herzegovina
3	Pleven	Bulgaria
4	Ruse	Bulgaria
5	Burgas	Bulgaria
6	Melitopol	Ukraine
7	Temopil	Ukraine
8	Kremenchuk	Ukraine
9	Berdiansk	Ukraine
10	Plovdiv	Bulgaria

## TOP 10 MICRO EUROPEAN CITIES OF THE FUTURE 2018/19 – COST EFFECTIVENESS

RANK	CITY	COUNTRY
1	Štip	Macedonia
2	Prilep	Macedonia
3	Prijedor	Bosnia-Herzegovina
4	Zvornik	Bosnia-Herzegovina
5	Yuzhnoukrainsk	Ukraine
6	Vranje	Serbia
7	Zaječar	Serbia
8	Sremska Mitrovica	Serbia
9	Zrenjanin	Serbia
10	Sombor	Serbia

8



Long Tradition of  
Industrial  
Excellence/  
Attractive  
Investment  
Locations

[http://www.fipa.gov.ba/investiranje/lokacije/poslovni\\_objekti/Archive.aspx?langTag=en-US&template\\_id=124&pageIndex=1](http://www.fipa.gov.ba/investiranje/lokacije/poslovni_objekti/Archive.aspx?langTag=en-US&template_id=124&pageIndex=1)



**Leasing office space** (without ground floor):

-5 EUR/m<sup>2</sup> – 20 EUR/m<sup>2</sup> per month

**Buying office space:**

-Central position 1,500 EUR/m<sup>2</sup> – 3,000 EUR/m<sup>2</sup>

-Peripheral position 500 EUR/m<sup>2</sup> – 2,000 EUR/m<sup>2</sup>

**Price of agricultural land:**

-2 EUR/m<sup>2</sup> – 25 EUR/m<sup>2</sup> ;

**Price of construction land:** 25 -EUR/m<sup>2</sup> – 700 EUR/m<sup>2</sup>

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

- Leasing production building: 2 EUR/m<sup>2</sup> – 10 EUR/m<sup>2</sup> per month

- Buying production building: 50 EUR/m<sup>2</sup> – 1,000 EUR/m<sup>2</sup>

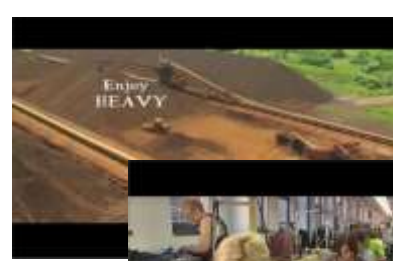


8



Long Tradition of  
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Locations

<http://www.fipa.gov.ba/investinbih/investment%20projects.htm>



INVESTMENT  
Foreign Investment Promotion Agency of Bosnia and Herzegovina



- ✓ Due to the good reputation and long industrial tradition of BiH, the **manufacturing sector received the most amount of FDI**
- ✓ **Auto, metal, agri and wood processing industries** traditionally have been country's strongest and most successful industries
- ✓ **ICT** is a booming sector
- ✓ Experience of local processing companies in **exporting to the EU market**
- ✓ Opportunity to integrate small companies for production **of higher value added products**
- ✓ **Investment projects :**
  - Privatisation process
  - Bankruptcy opportunities
  - Concessions
  - Joint ventures
  - PPP





# Energy sector

Natural resources and attractive investment locations–37% of total energy potentials



Potential of wind energy is estimated at 2000 MW ;  
Theoretical potential of solar energy amounts about 74.65 PWh



Electricity export of ~ 6000 GWh ranked BiH at 1st place in the region



Favourable and safe environment for investment  
Favourable Feed-in-tariffs



BiH is on the 8th place in Europe with 6,000 MW hydro energy potential and possible annual production of 99.256 GWh



# Metal Processing Industry

Leading export sector in BiH economy with 10% annual growth rate over the past years



Manufacturing support from beginning to an end – from raw materials, through design, engineering and development phase, as well as maintenance support



A large and productive workforce skilled in metal production and processing



Tradition in metal production and processing that provides strong access to existing and emerging markets



Unique natural resources, such as iron ore, bauxite, lead, zinc, and copper



Low utility costs, which provides a distinct cost advantage to investors





# Automotive Parts and Manufacturing



Geographical proximity to automotive manufacturing base in Europe allows foreign investors low distribution costs and “just-in-time” production delivery



Constant export growth and reputable customers



Availability of research and development institutes  
6 Faculties of Mechanics)



Quality production  
– ISO and industry certificates



Infrastructure in place and energy sources available at lower costs than in surrounding countries



Das Auto.



PORSCHE



MANN+HUMMEL





# Agriculture and Food Processing sector



Fertile and unpolluted soils, abundance of fresh water resources and favorable and varied climactic conditions remain an untapped resource at very competitive costs



BiH is a leading producer of raspberries (10th in the world), plums (15th), strawberries (35th) and offers high quality vegetables including among others potatoes, peppers, cabbage and cucumber



Average annual fresh milk export growth rate was 8% in the period of 2008/2016



Excellent opportunity to cover the Balkan market demand as well as BiH, which imports over 75% of its food and agricultural product







# Wood Industry

63% of BiH territory is covered in forests



Unparalleled access to natural resources, including different types of timber



A large and productive workforce skilled in wood processing, furniture, wood flooring and other verticals



A wood products laboratory and testing facility to increase research and development capabilities, lower costs, and create greater market access



Tradition in wood production and processing that provides strong access to existing and emerging markets



calligaris

LockWood





# Tourism

## New Unexplored Destination



- Health and Spa
- Ecotourism
- Ski and Mountain
- Cultural Heritage & - Religious tourism
- Adventure tourism
- Sea tourism



BiH becomes an emerging tourism destination

Unexplored and untouched natural beauties



-Opening and construction of new tourism resorts

-Upgrading of existing resorts

-Hotels privatization



-Nature Parks commercialization

-Resort operators

-Investment in supporting infrastructure

-Excellent climate conditions



-Long tradition in winter tourism

-Favourable legal environment with guarantees and right protecting your investment



# Information and Communications Technology



Technology parks/facilities that provide a world-class support network for ICT companies, including on-demand training, modern facilities, and state-of-the-art infrastructure



Availability of high-quality engineering, science, and ICT graduates, with workforce supply of over 100,000 skilled individuals and with over 1,200 university graduates in ICT



A competitive cost environment that merges world-class ICT skills with reasonable wage rates and cost of doing business



A growing number of connecting points for ICT companies, allowing them to undertake research and development





# FIPA

FOREIGN INVESTMENT PROMOTION AGENCY  
OF BOSNIA AND HERZEGOVINA

## FIPA SUPPORT

- Servicing potential and existing investors, especially during the process of business registration
- Legal advice for foreign investors
- Providing of all information related to BiH business environment
- Investor after-care
- Policy advocacy
- Analysis and presentation of attractive sectors for foreign investors
- Good co-operation with all levels of Government in BiH

**OUR SERVICES ARE FREE AND CONFIDENTIAL!**







# FIPA contacts

## **Sarajevo Office**

Dubrovacka 6

Phone: +387 33 278 080

Fax: +387 33 278 081

E-mail: [fipa@fipa.gov.ba](mailto:fipa@fipa.gov.ba)

## **Banja Luka Office**

Jovana Surutke 13/III, Office A52

Phone/ Fax: : +387 51 226 180

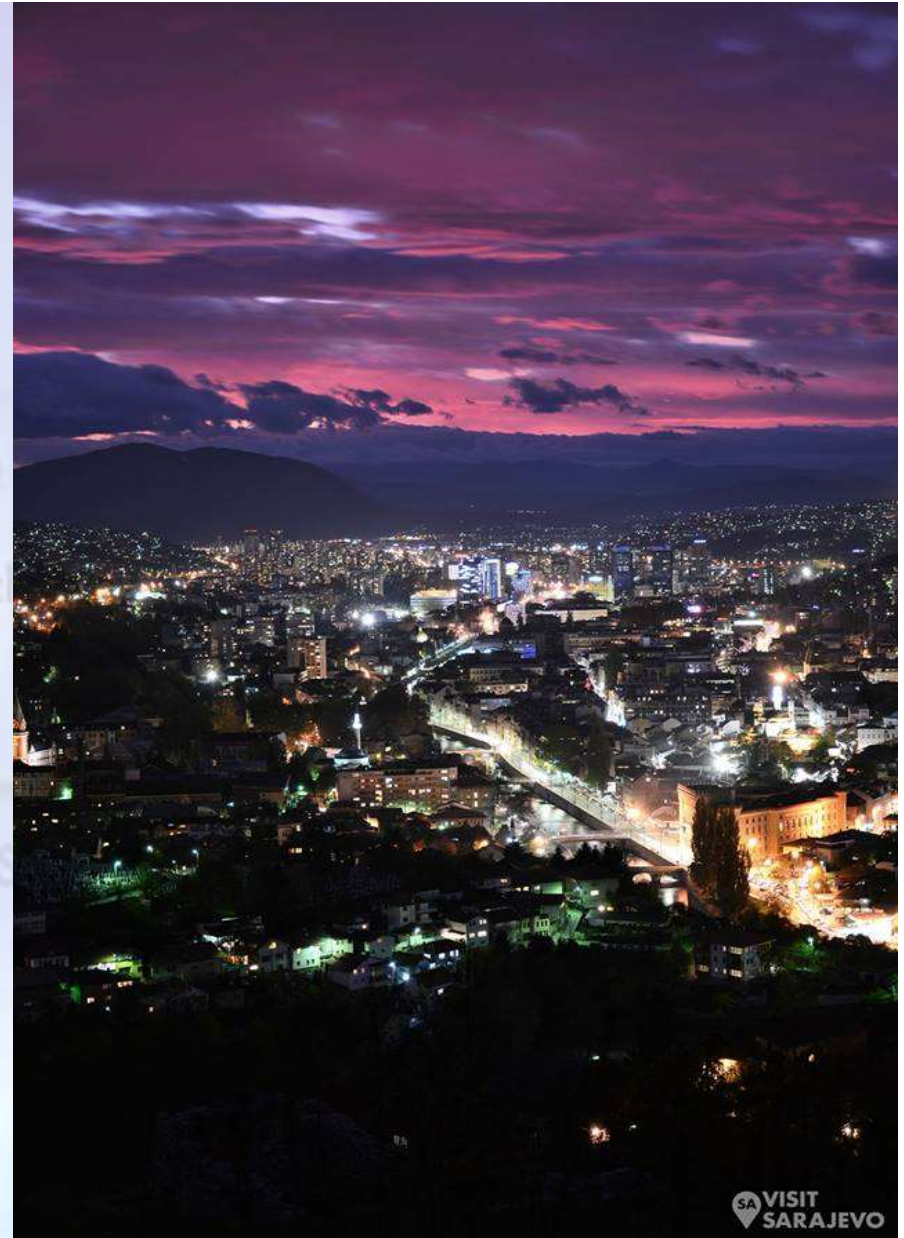
E-mail: [banjaluka@fipa.gov.ba](mailto:banjaluka@fipa.gov.ba)

## **Mostar Office**

Kneza Višeslava, Office 54

Phone /Fax: +387 36 558 815

E-mail: [mostar@fipa.gov.ba](mailto:mostar@fipa.gov.ba)





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