

# **Foreign Investors Council**

## **White Book 2008**

Sarajevo, December 4 2008

# Making Foreign Investors' Voice Heard



- **Vision:** The single voice for foreign investors in BiH
- **Mission:** Promote pro-business initiatives and deliver practical support to all investors to improve the BiH business environment
- **28 Members:** Many sectors represented: auditing, aluminum, dairy, energy, financial services, legal services, oil and gas, pulp and paper, retail, real state development, steel, telecommunications, tourism
- Total FIC members' investment in BiH exceeds **€ 4 billion**, employing over **11,000 citizens**

# Improving the Business Environment

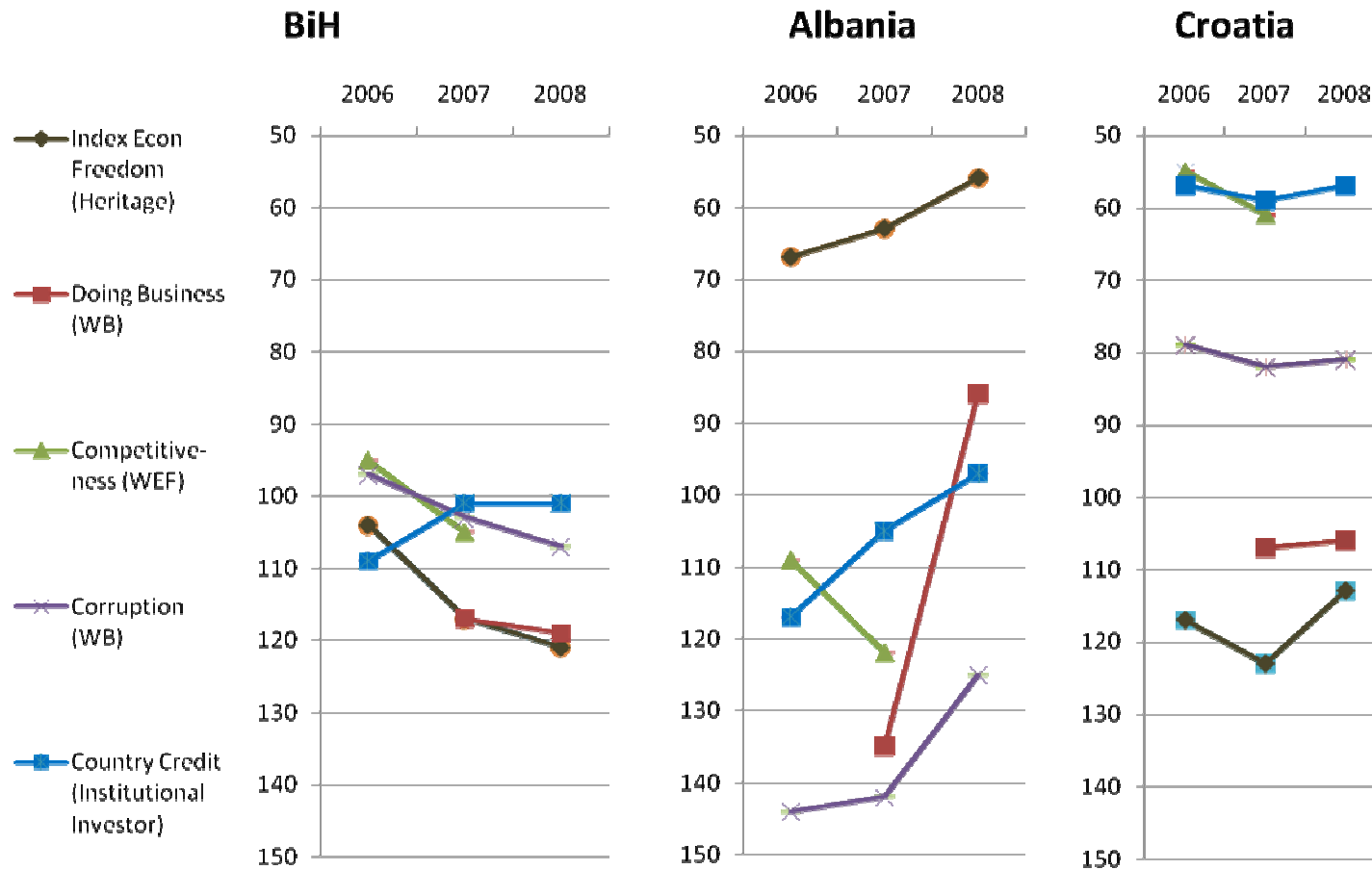


- **Advocating for Change**
  - White Book
  - One-on-One meetings with government officials
- **Raising Awareness**
  - Forums with high ranking officials
  - Cooperation Council meetings
- **Networking Events to Boost Cooperation Among Members**

# The Problem: Trends in Investment Attractiveness Indicators



Rankings

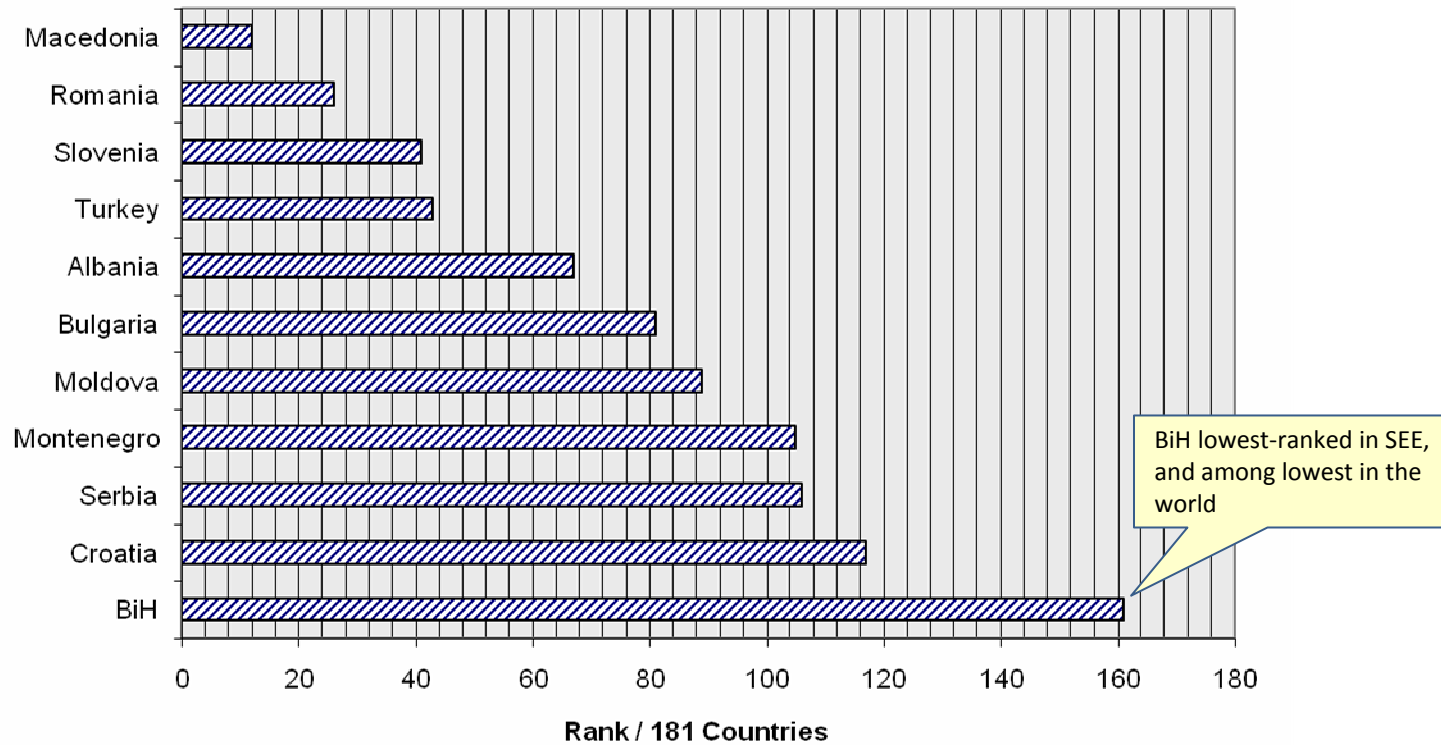


Source: World Bank-IFC *Business Environment Snapshot*

# The Problem: Obstacles to Starting a Business

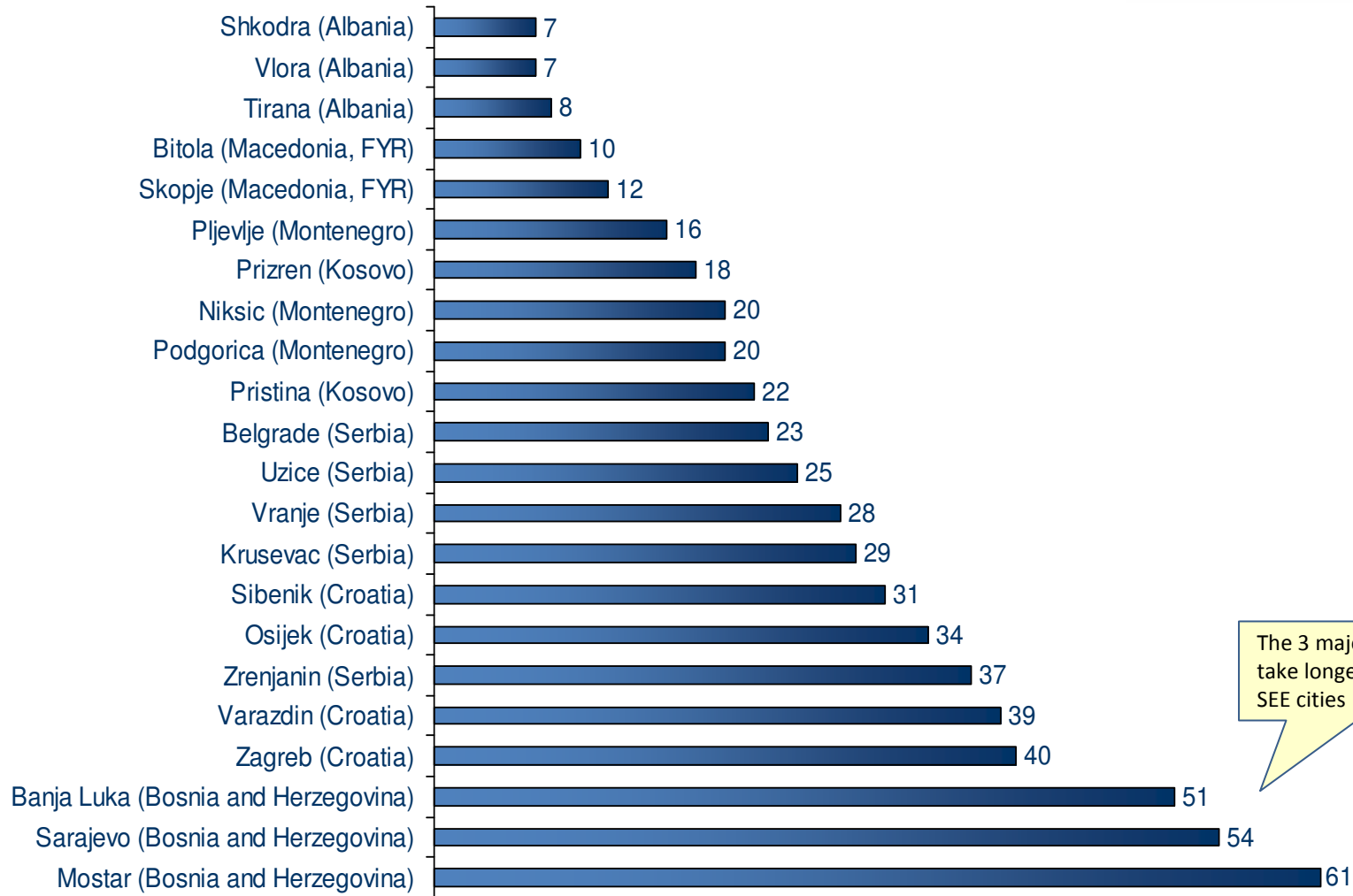


Business Startup



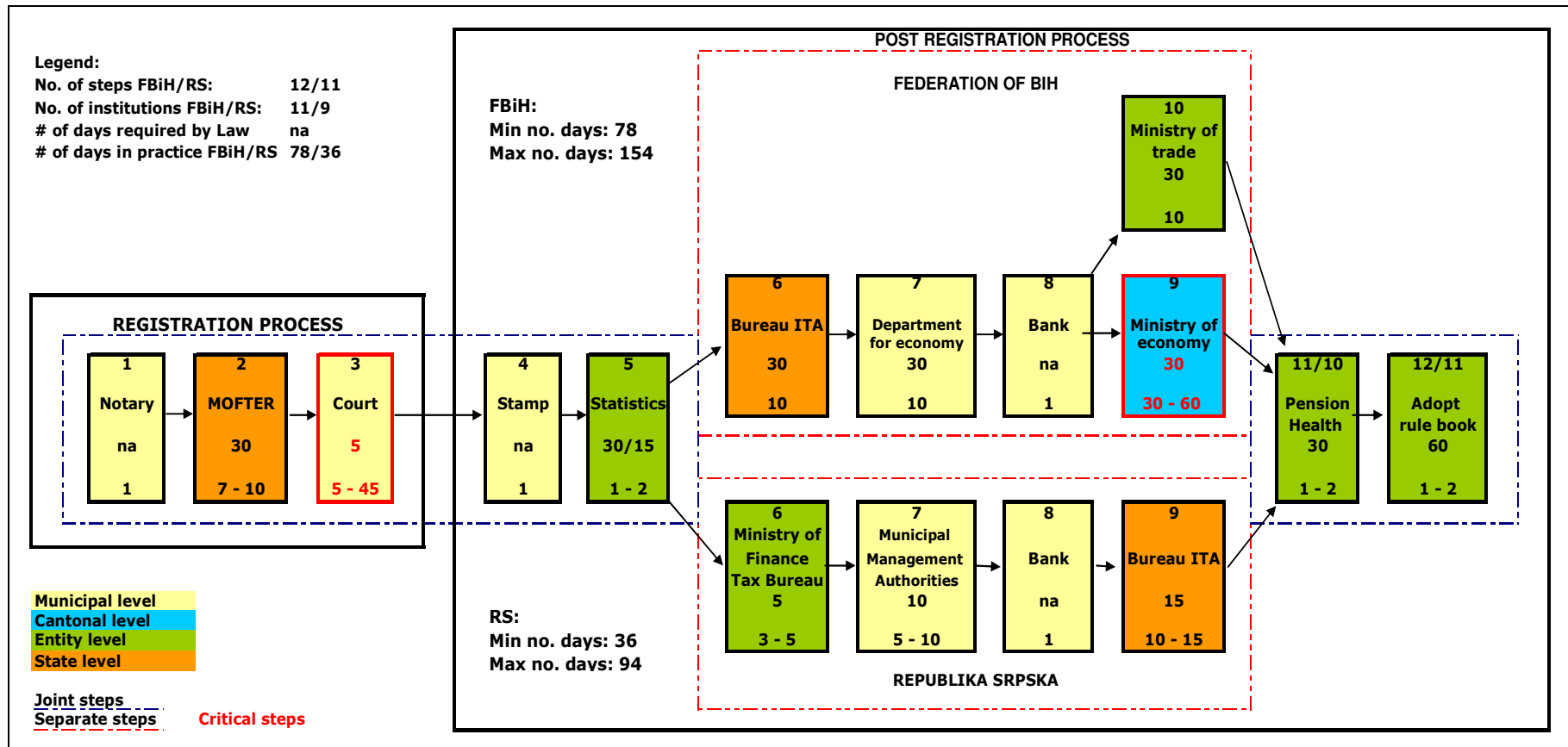
Source: World Bank *Doing Business 2008*

# The Problem: Time to Start a Business



Source: World Bank, *Doing Business in South East Europe* – July 2008

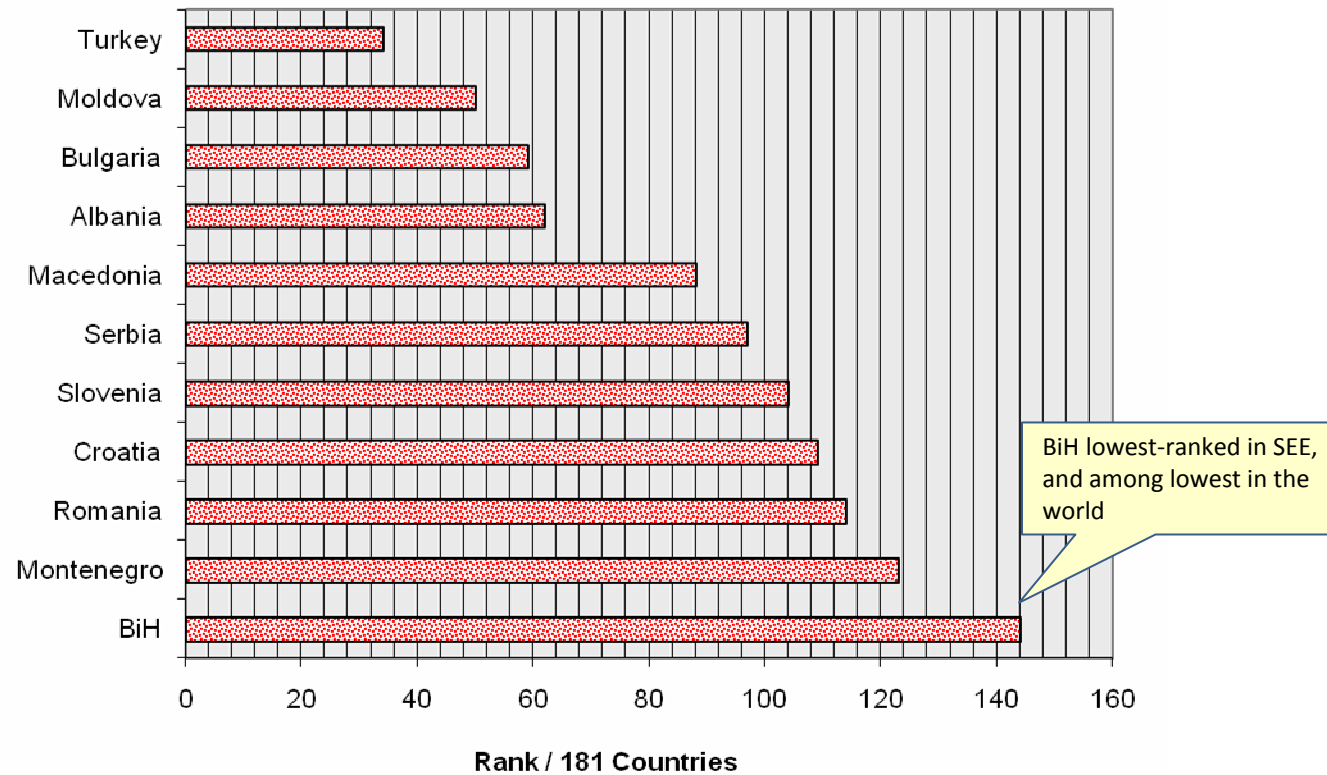
# The Problem: Complicated Registration Process for Foreign-Owned Company



# The Problem: Difficulties in Registering Property

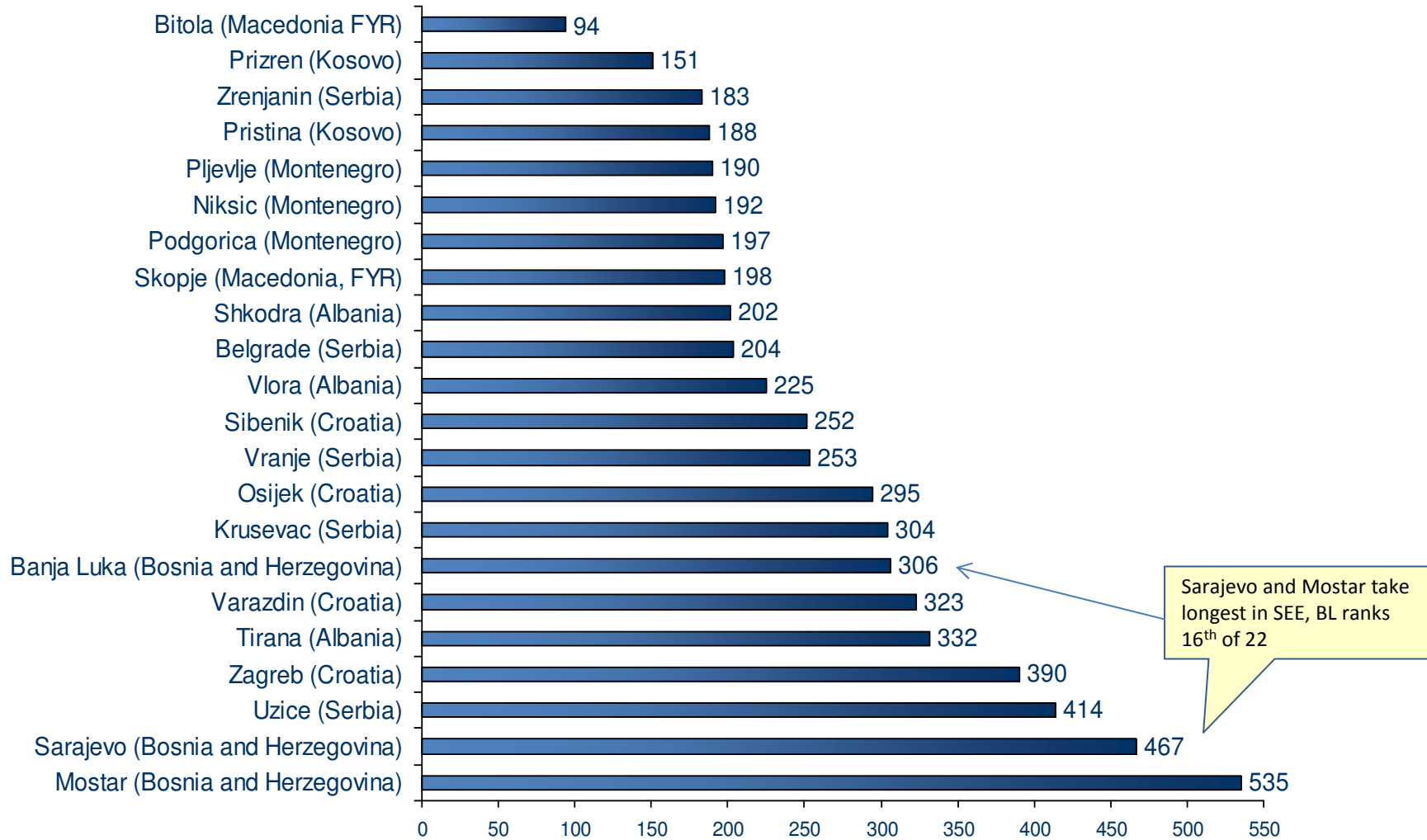


Registering Property



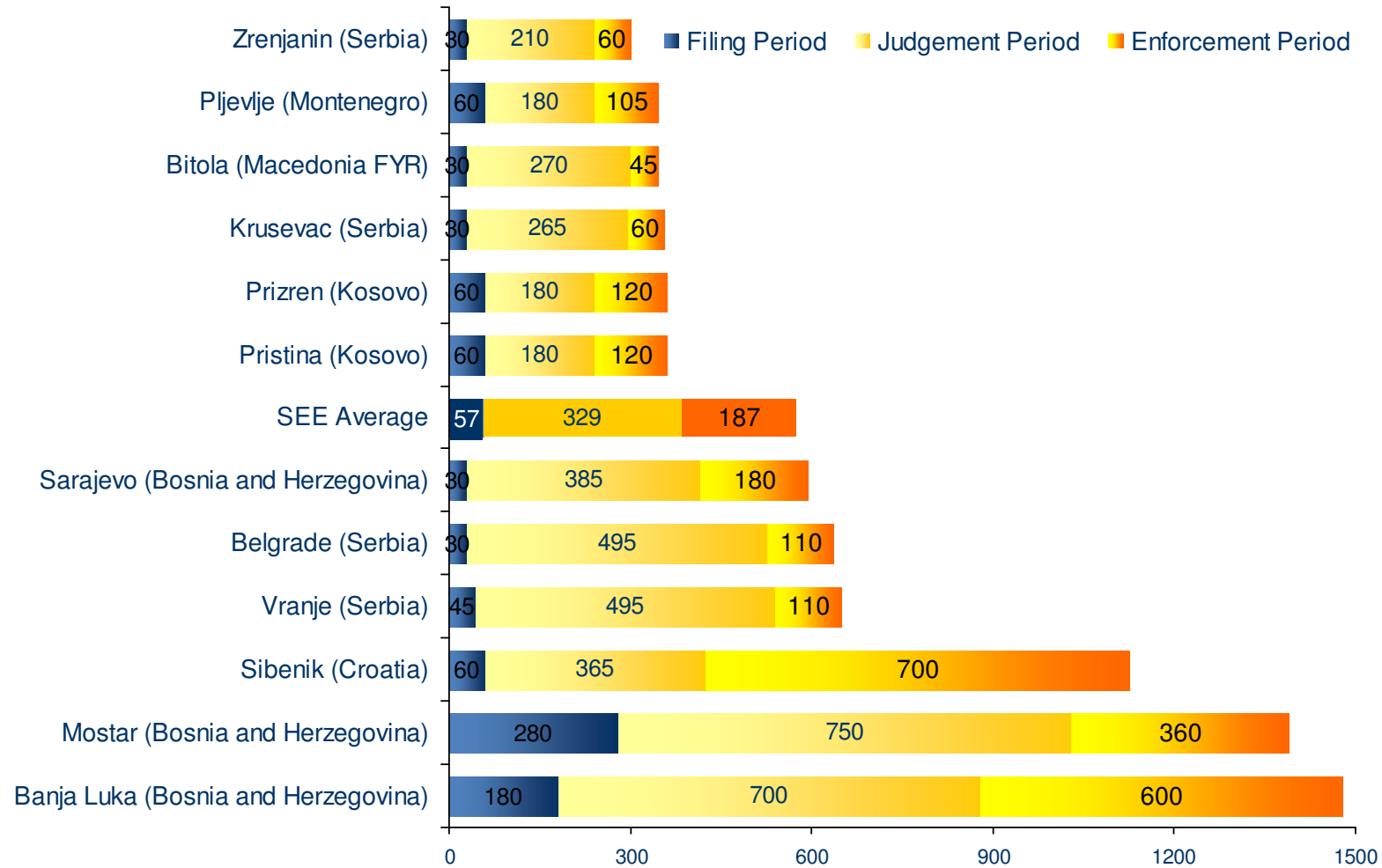
Source: World Bank *Doing Business 2008*

# The Problem: Time to Obtain Construction Licenses



Source: World Bank, *Doing Business in South East Europe* – July 2008

# The Problem: Time to Enforce Contracts



Source: World Bank, *Doing Business in South East Europe* – July 2008

# White Book 2008: 4 Focus Areas



- **Business Registration**
- **Temporary Residence and Work Permits**
- **Taxes**
- **Construction Permits**

# Key Reform Recommendations



Reform Area	Impediments	Priorities
<p><b>Business Registration</b></p> <div data-bbox="241 651 510 866" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><i>Business registration in BiH continues to be a much more difficult process than necessary</i></p> </div>	<ul style="list-style-type: none"> <li>• No central information point where all information on the registration process can be obtained</li> <li>• Information / documents not available electronically, nor in foreign languages</li> <li>• Law on electronic signature is not being practiced</li> <li>• Deadlines defined by laws are not respected</li> <li>• Different practices applied even within the same institution with enormous variance in time taken</li> <li>• Lack of coordination and communication among institutions</li> <li>• Insufficient number of staff members handling registration , and they are inadequately trained</li> <li>• Inadequate customer service support</li> <li>• Inadequate information management and communications technology</li> </ul>	<p><b>Legislation</b></p> <ul style="list-style-type: none"> <li>• In FBiH, allow companies to start operating before inspectors check premises (as now in RS)</li> <li>• Introduce “solemnization” process between attorney and notary</li> <li>• Fully implement Law on Electronic Signature</li> </ul> <p><b>Administration / Practical Aspects</b></p> <ul style="list-style-type: none"> <li>• Establish a One-Stop-Shop for the business registration process</li> <li>• Introduce “e-registration” capability to enable online business start-up</li> <li>• Require deadlines defined by law to be met</li> <li>• Post all information, documents, and forms on institutional websites</li> <li>• Establish telephone public information service in court registration departments</li> </ul> <p><b>Customer Service</b></p> <ul style="list-style-type: none"> <li>• Improve managerial organization of institutions</li> <li>• Improve technical knowledge, efficiency, and number of institutional staff</li> </ul>

# Key Reform Recommendations



Reform Area	Impediments	Priorities
<p><b>Temporary Residence and Work Permits</b></p>	<ul style="list-style-type: none"> <li>• Unaligned state/entity legislation and procedures</li> <li>• Higher institutions do not accept documents already reviewed and approved by lower institutions</li> <li>• Residence Permit: List of requested documents varies from one officer to another</li> <li>• Residence Permit: Proof of no prior convictions is not issued or recognized by all countries</li> <li>• Work Permit: Lengthy medical examination (and only certain centers are authorized – none are private)</li> <li>• Work Permit: Stamped copies of previously provided documents must be resubmitted every years</li> </ul>	<p><b>Legislation</b></p> <ul style="list-style-type: none"> <li>• Harmonize state, entity and cantonal laws and procedures for obtaining/extending temporary residence and work permits</li> <li>• For aliens not staying in the country for more than 3 months per year, simplify the procedure for residence permit or appointment as an authorized person</li> <li>• Enable issuance of White Card at passport control units</li> <li>• Apply the Framework Law on Higher Education</li> </ul> <p><b>Administration / Practical Aspects</b></p> <ul style="list-style-type: none"> <li>• Post procedures for temporary residence and work permits on institutional websites</li> <li>• Streamline procedure for validating no prior criminal record</li> <li>• Accept medical examination documents from foreign licensed M.D.'s, and expand list of BiH institutions authorized to conduct medical examinations</li> </ul> <p><b>Customer Service</b></p> <ul style="list-style-type: none"> <li>• Enhance communication, exchange of information and cooperation between institutions</li> </ul>

*Sarajevo Canton is the most expensive place in BiH and the SEE region for a foreigner to obtain a residence and work permit – approximately KM 2,000 per year*

# Key Reform Recommendations



Reform Area	Impediments	Priorities
<p data-bbox="286 427 416 472">Taxes</p> <div data-bbox="241 603 510 849" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><i>There have been important improvements since our first White Paper, but significant problems remain</i></p> </div>	<ul style="list-style-type: none"> <li>• Unaligned legislation among State, entities, cantons; unclear legislation</li> <li>• Inconsistent interpretation of same tax laws by authorities in different administrations</li> <li>• Lack of a central electronic database, which would store all tax laws, changes to laws, rulebooks, frequently asked questions, and applied practice</li> <li>• Excessive resources / time for companies operating throughout BiH to interpret legislation/rulings and prepare duplicative reports and filings for multiple tax authorities</li> <li>• Double taxation agreements absent for some countries; no central public register of bilateral tax agreements that do exist</li> <li>• Corporate Income Tax: double taxation is still not fully harmonized between the two entities – different rates, incentives and rules for dividends, capital gains, etc.</li> <li>• Property sales tax: different tax rates and principles among RS and FB&amp;H with 10 cantons</li> <li>• District Brcko: non-existence of separate Corporate Income Tax law</li> </ul>	<p data-bbox="1196 424 1348 453"><b>Legislation</b></p> <p data-bbox="1196 469 1496 497"><i>Corporate Income Tax:</i></p> <ul style="list-style-type: none"> <li>• Harmonize laws among the entities and Brcko District to enable submission of only one tax return for the principal business location</li> <li>• Harmonize taxation of dividends and capital gains between RS and FBiH</li> <li>• VAT: Extend the legal deadline for filing returns from the 10<sup>th</sup> to 15<sup>th</sup> of the month, and require VAT reimbursement within 7 days from then</li> <li>• <i>Brcko District:</i> Introduce two separate, harmonized laws for Corporate Income Tax and Personal Income Tax</li> </ul> <p data-bbox="1196 970 1653 999"><b>Administration / Practical Aspects</b></p> <ul style="list-style-type: none"> <li>• Publish all bilateral tax agreements on MOFTER and Ministry of Finance websites</li> <li>• Extend bilateral tax agreements with all relevant countries to avoid double taxation and regulate mutual recognition of social insurance payments and rights</li> <li>• Brcko District: issue instructions for taxpayers with principal place of business in RS and FBiH</li> <li>• Make sale of real estate subject to VAT computation, as long as such sale is made between persons operating within VAT system</li> </ul>

# Key Reform Recommendations



Reform Area	Impediments	Priorities
<p><b>Construction Permits</b></p>	<ul style="list-style-type: none"> <li>• Multiple government levels involved in permitting process – state, entity, cantonal and municipality authorities; lack of coordination among them</li> <li>• No central publicly accessible electronic repository of comprehensive construction permitting information and forms, nor handbook with respective regulations</li> <li>• Lack of spatial and regulatory plans in most municipalities</li> <li>• Deadlines defined by laws are not meet by authorities</li> <li>• Lack of planning and organizational skills within administrative authorities</li> <li>• Lack of support to investors</li> </ul>	<p><b>Administration / Practical Aspects</b></p> <ul style="list-style-type: none"> <li>• Establish an online database containing spatial, urban and regulatory plans for all municipalities</li> <li>• Publish a handbook / roadmap for businesses for obtaining all approvals and permissions, with respective legislation, forms, and institutions involved in the overall process</li> <li>• Develop a system for sorting and prioritizing incoming construction permitting requests, and functionally reorganize accordingly (very large commercial projects, private home construction, etc.)</li> <li>• Introduce electronic / online permitting applications; use information technology and GIS systems to reduce paperwork and improve processes</li> </ul> <p><b>Customer Service</b></p> <ul style="list-style-type: none"> <li>• Enhance professional capacities of officials in order to improve service and efficiency</li> </ul>

*The construction permitting process remains complex and lengthy, with up to 80 different required procedures*

## Contact the FIC



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