



White Paper 2007

BiH FIC



Major Inhibitors of Investment in BiH

Investment Issue	Major Recommendations
1. Permits & Procedures	<ul style="list-style-type: none"> • Create central commercial registry • Publish clear, standardized “road maps” for all business permissions procedures
2. Taxes	<ul style="list-style-type: none"> • Eliminate inter-entity double taxation • Harmonize entity tax regulations • Reduce payroll taxes
3. Construction	<ul style="list-style-type: none"> • Adopt pro-construction policy • Clarify zoning; streamline permitting procedures
4. Business Finance	<ul style="list-style-type: none"> • Unify financial markets regulation • Initiate program fully to integrate regional financial markets
5. Trade Policy	<ul style="list-style-type: none"> • Single economic space in BiH • Prioritize and promote SEE common market • Eliminate tariffs and NTBs on producers’ inputs

Permits & Procedures

Strengths

- Relatively low fees
- Straight-forward core laws

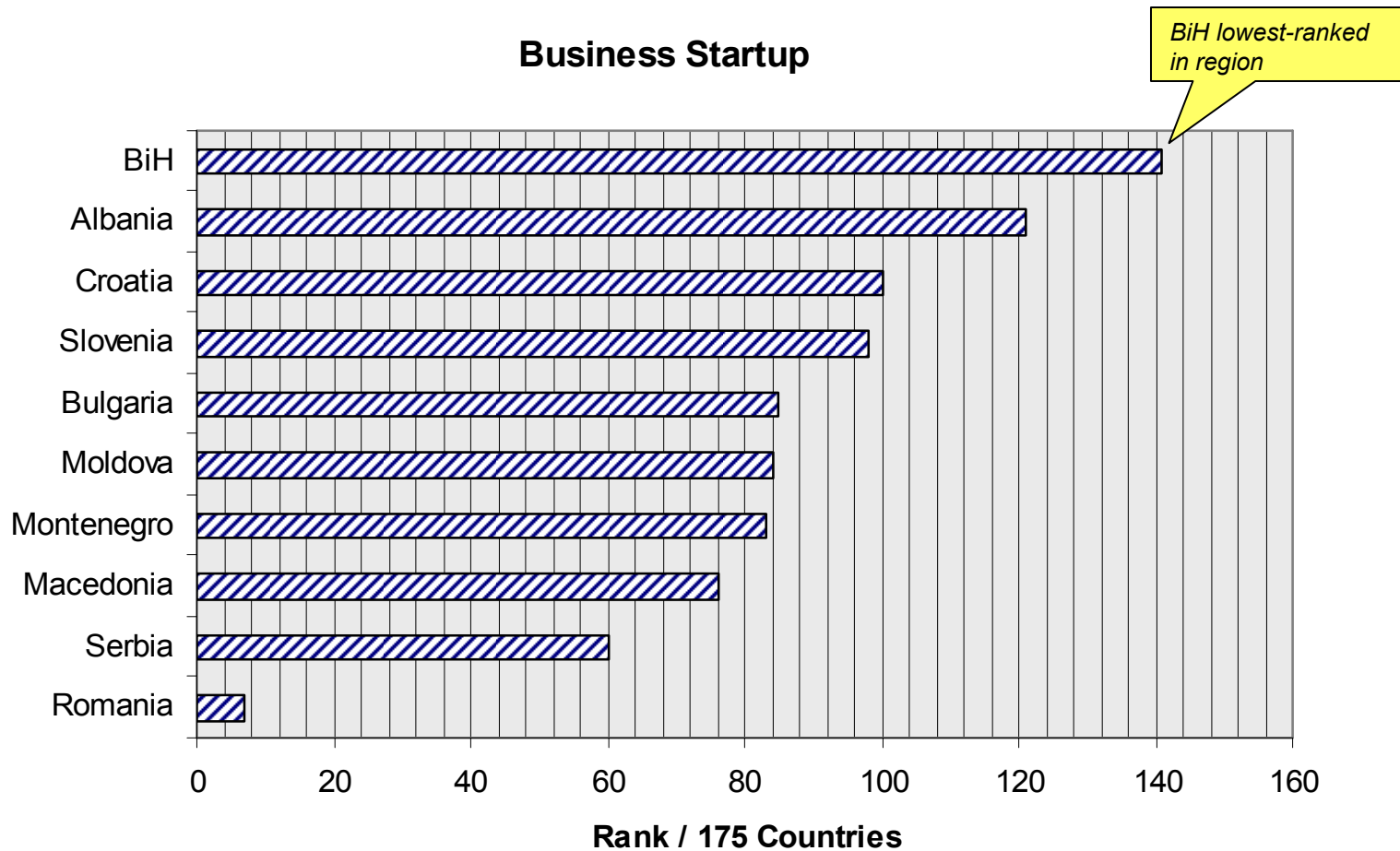
Weaknesses

- Complexity of procedures
- Overlapping jurisdictions, duplicative processes
- Lack of standardized procedural roadmaps
- Enforcement of extraneous issues through business registration
- Inadequate e-government
- Political interference

Recommendations

- *Establish central commercial registry*
- *Publish complete business permissions processes roadmaps*
- *Initiate regulatory impact assessment practice*

Permits & Procedures



Source: World Bank: Doing Business 2007

Permits & Procedures



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Permits & Procedures: Business Registration

- Create comprehensive “4-in-1” start-up procedure:
 - + business registration
 - + tax registration
 - + pension fund registration
 - + health insurance
- Simplify procedess by eliminating redundant requirements, decreasing number of steps, and road-mapping
- Reduce legal risk: review / redesign authorities’ roles to avoid overlapping and uncertainties



Permits & Procedures: Minimum Technical Requirements

- Revise and modernize MTRs per business activity
- Eliminate spatial planning and proprietorship-related issues from MTRs
- Establish on-line registry of MTRs
- Verify MTRs after business startup
- MTR ongoing verification through regular inspections according to the new Law on Inspections



Permits & Procedures: Business Permitting

- Post-registration permitting as general principle
- Inventory permits at all levels; revise according to necessity and legal requirement
- Road-map each permitting process to increase clarity and transparency
- Establish Central Registry of Permits

Taxes

Strengths

- Investment tax credits
- VAT; collection at State level
- New RS CIT law

Weaknesses

- Lack of cross-entity tax policy harmonization
- Shortcomings in FBIH CIT law
- Lack of clarity in double taxation treaties
- Excessive payroll taxes

Recommendations

- *Eliminate double taxation between the entities*
- *Harmonize inter-entity tax policy and legislation*
- *Reduce payroll tax rates*

Taxes: Inter-entity Problems

- FBiH return allows Foreign Tax Credit only for tax paid by a non-resident branch in a different COUNTRY
- RS - gives credit for payments made “abroad”, i.e. not FBiH / Brcko
- FBiH Withholding Tax applies to payments made to RS (cf. definition of non-resident)
- RS Withholding Tax does not apply to payments made to Federation, as the term used is “abroad” (“inostrani”)

Construction

Strengths

- Attractive land and real estate prices

Weaknesses

- Complex, duplicative, expensive procedures
- Absence of clear urban planning / zoning
- Dispersed, understaffed public offices
- Risk and delay due to incomplete ownership registration
- Inconsistent codes and inspection procedures

Recommendations

- *Publish clear zoning protocols and regulations for land use*
- *Streamline construction permitting – eliminate “Urban Permit”*
- *Adopt published, standardized building codes; retrain inspectors*
- *Launch real estate ownership registration drive*

Business Finance

Strengths

- Capable bank supervision
- Competitive interest rates
- Pledge registry
- Credit information bureaus

Weaknesses

- Inadequate range of bank credit products
- No money or bond markets
- No public equity finance
- Small financial market size

Recommendations

- *Finalize law for leasing, pensions, insurance, bond markets*
- *Remove courts from real estate collateral registration process*
- *Unite banking supervision under the CBBiH*
- *Unify regional financial markets*

Trade Policy

Strengths

- Bilateral FTAs in SEE
- Preferential trade agreements with OECD economies

Weaknesses

- Obstacles to inter-entity trade
- NTBs to intra-regional trade
- Tariffs on international trade
- Labor immobility
- Lack of unrestricted common market with SEE neighbors

Recommendations

- *Launch strategy and collaborative action with neighboring countries for creating SEE common market*
- *Lower tariff and non-tariff barriers generally; eliminate them on all inputs to productive businesses*



Thanks for your attention!

Help us achieve the recommended reforms.