Simplifying Foreign Investment in Bosnia and Herzegovina

PROJECT AT A GLANCE

COUNTRY/REGION  BOSNIA AND HERZEGOVINA/ EUROPE AND CENTRAL ASIA

PRODUCT  INVESTMENT POLICY

THEME  FRAGILE AND CONFLICT-AFFECTED AREA

Since 2007, the World Bank Group has worked with Bosnia and Herzegovina to streamline regulations related to permitting and administrative procedures and to overcome regulatory impediments for attracting and retaining cross-border investments. The project aims to improve the investment climate and increase levels of private investment.

CONTEXT

Investing in Bosnia and Herzegovina poses many challenges for companies, from the difficulty of accessing land to the process of obtaining construction or foreign employee work permits. The constitutional framework poses another challenge, by requiring potential investors to navigate the political agendas of stakeholders at four different levels of government. Despite bureaucratic and

RESULTS AND IMPACTS

• Annual cost savings of nearly $1 million to foreign firms from investment climate reforms.

• Increase in FDI flows from $225 million in 2010 to $378 million in 2011.

• Adoption in February 2012 of administrative procedures for legal entities and entrepreneurs resulting in 19 percent processing time reduction for each of approximately 220 local permits and licenses.
constitutional obstacles, the business climate has seen moderate reforms over the past ten years. Today Bosnia and Herzegovina has a strong incentive for business reform, namely, accession to the European Union. The World Bank Group and its partners aim to improve the investment climate to help the country access new regional and international investment.

OUR ROLE
As a part of a larger reform program, investment climate teams of the Bank Group partnered with government and donors in Bosnia and Herzegovina to improve the regulatory environment and remove administrative obstacles to foreign direct investment (FDI). One such obstacle was the onerous process of business registration. Working with the government, the project, implemented by IFC, helped streamline FDI registration procedures, and eliminate the compulsory double registration of foreign investment at the Ministry of Foreign Trade and Economic Relations.

A second obstacle was the lack of clear information for potential investors, such as land-related information and investment opportunities. The project addressed this by creating an interactive business map containing useful information for investors, including:

1. Economic and demographic data.
2. Land use and natural resources.
3. Investment procedures.

The new investment portal (http://www.fipa.gov.ba) includes useful information such as tenders for contracts, attractive sectors, and a catalog of projects by sector. It also features an interactive business map that can be filtered according to an investor’s interest in particular sectors, geographical features, transportation, and other resources.

“We wish that Bosnia and Herzegovina is a country that will guarantee safety through its legislation to those who invest their money here, ensure a high quality presentation and remove barriers.”

MIRKO ŠAROVIC
Minister of Foreign Trade and Economic Relations
Bosnia and Herzegovina

Another bottleneck for investment in Bosnia and Herzegovina was the lengthy and complex process of obtaining work permits for foreign employees. The Bank Group helped reform the process, reducing by more than 50 percent the number of procedures required to obtain work permits for foreigners. The allowable time for the government to approve permits was reduced from 30 to 15 days. By reforming the business climate and reducing the number of burdensome procedures for businesses, the Project aims to attract new investment to Bosnia and Herzegovina from neighboring countries and from potential regional and international investors.

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