

2011



FOREIGN INVESTMENT PROMOTION AGENCY

Bosnia and Herzegovina Information and Communication Technologies Sector

BOSNIA AND HERZEGOVINA INVESTMENT OPPORTUNITIES

ENTER

Bosnia and Herzegovina Information and Communication Technologies Sector

FOREIGN INVESTMENT PROMOTION AGENCY



BOSNIA AND HERZEGOVINA

INVEST IN B&H
ICT - EXPLOIT THE
BENEFITS!



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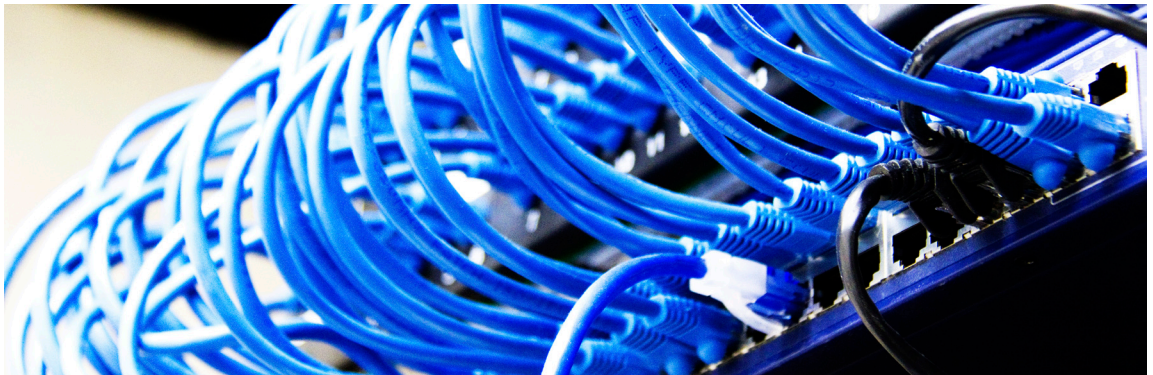
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Information and Communication Technologies Sector

Invest in Information and Communication Technologies Sector in Bosnia and Herzegovina

The ICT industry is developing and spreading within B&H too, becoming one of the drivers of the economic growth. Thus, the year 2010 recorded approximately 2.000 IT companies, while this number was approximately 300 in 2003. While the small enterprises (up to 10 employees) were predominant in 2003, average number of employees increased on 26 in 2010.

Bosnia and Herzegovina is committed to the development and capitalization of Information and Communications Technologies, being aware that this key sector plays a vital role in any modern economic structure.



The challenge ahead for the ICT sector, however, is to gain access to modern and valuable know-how, and this can only be achieved by foreign direct investment. Having in mind that Bosnia and Herzegovina has a small population base, we are focused primarily on targeting medium to large-sized ICT companies, such as:

- Conventional capital providers specifically experienced in developing emerging markets via merging and acquiring smaller diverse SME's into more efficient corporate investment drivers.
- ICT integrated solutions providers, which possess the necessary know-how and capital to develop Bosnia and Herzegovina's domestic ICT market as well as ICT goods and services targeted for export.
- Large trans-national branded FDI resources, particularly trans-national telecommunications and public utility providers - which are consistently expanding their regional market specifically in the fields of ICT design and integration - will be targeted for some specific projects, such as privatization opportunities relating to telecommunications and power utilities and as sociated projects.

Bosnia and Herzegovina's ICT sector offers an array of opportunities to potential investors wishing to exploit their knowledge, sophistication, know-how and new business ideas. In addition, locating in Bosnia and Herzegovina can provide a base (gateway) for penetrating markets in the surrounding region (SEE and Turkey - approximately 120 million of consumers).



ICT IS AN EMERGING SECTOR

Fast development of information society, as well as the improvement of competitiveness in Bosnia and Herzegovina, is not possible without a competitive ICT industry. Statistic information are the confirmation of the growing trend in the ICT sector.

ICT industry set up the association for information society in B&H – BAIT in December 2003, which has become a representative and guardian of ICT industry business interest in Bosnia and Herzegovina.

The revenues of large ICT companies are growing.

The data analysis shows that a trend of software sale and IT service providing share are in a mild increase from year to year in relation to the hardware sale.

In the past year, primarily legal entities and international organizations have increased their share in the structure of clients using the services and products of IT companies. It is clear that the state through different state bodies and public companies is not the main consumer of ICT services and products any more, as was the case in the past few years.

Importance of Competitiveness Increase is obvious.

STRONG ACADEMIC BASE

Bosnia and Herzegovina possesses a growing labour force skilled in various aspects of ICT design, management, and applications. Young, educated and innovated workers from B&H are participating in International project and Companies.

The University of Sarajevo (MIT) and the University of Tuzla (UCDED) both have specialized “e-learning” schools, teaching and utilizing modern multimedia and programming skills.

Several of Bosnia and Herzegovina’s colleges have established online training courses in partnership with U.S. and European universities (University Sarajevo, University Banja Luka University Tuzla, and University Mostar).

Complementing educational activities, areas of research at the B&H Universities are:

- Management information systems
- Artificial intelligence
- LAN, WAN and wireless network topologies
- Computer architectures
- New information technologies
- System and application software
- Object oriented programming languages
- Evolutionary computation
- Graphics and image processing
- Business and technical information systems
- Software development environment (IDE)

- Expert systems
- Computers in education
- Databases and database administration
- Feasibility studies of Information system projects
- Man machine interface (HMI)systems
- Hardware and software systems (computer systems) and components

Besides education, research activities of the Telecommunication Department at B&H Universities are:

- Spatial planning in telecommunication network development
- Medium and long-term telecommunication network development
- Telecommunication networks and transmission systems (cable, radio relay and satellite systems, commutation systems and mobile phone systems)
- Research in topologies of local telecommunication networks
- Advances in solutions for commutation systems, cable systems, satellite systems, multiplex systems, telecommunication networks, etc.
- Integrated management of networked systems
- Standardization in telecommunication
- New telecommunication technologies
- Integrated services networks
- Digital signal processing
- Investment programs for switching systems, transmission systems and telecommunication networks (stationary and mobile)
- Technical solutions for switching systems, cable systems, satellite systems, multiplex systems, telecommunication networks, etc.
- New telecommunication services
- Modern radio and television equipment
- Specific problems of cable television, wireless data transfer, GSM

B&H has very low average net and gross wages compared to the countries in the region and EU countries, while labour force is very qualified, skilled and educated.

STRATEGIC LOCATION

Bosnia and Herzegovina has signed Free Trade Agreements (CEFTA) with all SEE countries and Turkey. B&H presents a very convenient destination for easy access to the SEE market of over 60 million consumers, as well as to the market of Turkey with additional 60 million consumers. We also have a preferential export regime with all 27 EU countries, and USA, Australia, New Zealand, Switzerland, Norway, Russia, Japan, Canada and Iran.

That allows companies from B&H to export their products to the market of app. 600 million consumers without any taxes and customs duties.

Bosnia and Herzegovina has signed Agreements on Avoidance of Double Taxation with 35 countries and 36 Agreements on Promotion and Protection of Investment.



ATTRACTIVE BUSINESS ENVIRONMENT

The accelerated economic reform process in B&H has contributed to a greatly improved business climate. As a result, B&H has recorded one of the fastest business growths in South-Eastern Europe.

- B&H has the most stable currency and the lowest inflation in SEE.
- B&H offers favourable Tax and Customs Systems:
 - Investment capital is exempt from paying import customs and customs duties (with the exception of passenger cars, slot and gambling machines).
 - The Federation Law on the Corporate Income Tax enables the taxpayer, who in the year for which the corporate income tax is being determined, has achieved 30% of their total revenue by export to be exempted from the tax payment for that year.
 - Taxpayer who in the period of five consequent years invests into production in the value of minimum 20 million BAM, on the territory of the Federation of Bosnia and Herzegovina, is being exempted from the payment of corporate income tax for the period of five years beginning from the first investment year, in which minimum four million BAM must be invested. If taxpayer from the above paragraph, in the time period of five years, does not achieve the prescribed census for investment, they lose the right of tax exemption, and the unpaid corporate income tax is being determined in accordance with the provisions of the Law on the Corporate Income Tax augmented for penalty interest payable for untimely paid public revenues.
 - In the Federation of B&H, taxpayer who employs more than 50% of disabled persons and persons with special needs longer than one year is being exempted from the payment of corporate income tax for the year in which more than 50% disabled persons and persons with special needs were employed.

FAVOURABLE LEGISLATION FOR FOREIGN INVESTORS

The Law on the Policy of Foreign Direct Investments of Bosnia and Herzegovina ensures national treatment of foreign investors, i.e., foreign investors have the same rights and obligations as residents of B&H.

Foreign investors are entitled to open accounts in any commercial bank in domestic and/or any freely convertible currency at the territory of B&H.

Foreign investors are entitled to freely employ foreign nationals, subject to the labour and immigration laws in B&H.

Foreign investors are protected against nationalisation, expropriation, requisition or measures having similar effects; such measures may take place only in the public interest in accordance with the applicable laws and regulations and against the payment of an appropriate compensation, i.e. compensation that is adequate, effective and prompt

ICT INFRASTRUCTURE

Main telecom operators in Bosnia and Herzegovina (BH Telecom, HT Mostar, m: tel) with multiple international connectivity share majority of infrastructure; operate fixed and mobile telephony networks as well as Internet and data transmission networks.



There are a number of private and public network and internet service providers too.

All three companies possess most advanced technologies and services (IP/MPLS, VoIP, 3G, GRPS, EDGE, UMTS, broadband access networks – xDSL, Ethernet WAN, Ethernet Metropolitan Area Networks, Wi-Fi, W-LAN, etc.). The transmission system is now virtually 100% digitalized and the switching system is roughly 80% digitalized. The 2.5G system is applied, and the 3G (third generation) system is introducing gradually, which permits the radio data transmission rate of up to 2 Mbps. Also, B&H has lot of outsourcing companies. They take great pride in giving their clients the best possible solutions for their needs in areas of expertise and they ensure high standard of their finished product with consistency in meeting deadlines, quality, and accuracy.

WHY INVEST IN B&H ICT SECTOR?

- ICT is an Emerging Sector in Bosnia and Herzegovina
- The continued availability of high-quality engineering and science graduates at BiH colleges and abroad
- A competitive cost environment
- Investing in Bosnia and Herzegovina's ICT Sector presents a doorway to Southeast Europe
- Bosnia-Herzegovina must be EU compatible
- Privatization opportunities of strategic ICT companies still exist
- Ambitious plans related to the overall development of B&H, requiring a large-scale development of ICT infrastructure and ICT sector as whole
- Availability of basic ICT infrastructure
- Availability of a number of small IT companies
- Cultural affinity



SUCCESS STORIES

Foreign companies, investors in this sector:

- Telekom Srbija
- S&T Consulting, Integration, Outsourcing
- Siemens
- Com Trade Group
- T Hrvatski Telekom
- Microsoft Corporation USA
- Cisco Systems Inc USA
- AbaNet USA
- Mid Europe Partners UK
- Oracle
- Hermes Soft Lab

USEFUL CONTACTS:

Ministry of Communications and Transport of Bosnia and Herzegovina	www.mkt.gov.ba
Federal Ministry of Transport and Communications	www.fmpik.gov.ba
Ministry of Transport and Communications Republic of Srpska	www.vladars.net
B@IT-Association for Information Technologies in Bosnia and Herzegovina	www.bait.org.ba
Association of Informatics in Bosnia and Herzegovina	www.ecdl.ba
IT Service Management Forum	www.itsmf.ba

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