

Bosnia-Herzegovina: Efforts on improving of business climate

FIAS Conference on Self-Assessment of
Administrative Barriers

Sarajevo, 26 February 2003

Amir Hadžiomerađić

Ministry of Foreign Trade and Economic Relations

Bosnia-Herzegovina economy:

- Modest share of private sector in economy (public sector dominates with over 60% GDP)
- Huge war-related damages and uncompleted transition process
- complex and complicated political structure – two Entities with distinctive legislative systems; 4-layer administration
- cacophony of accumulated and overlapping regulations from planned and market economy
- out-dated technologies, low productivity, high unemployment rate
- fragmented economic space

Transition indicators for BiH

	2001	2002
Large-scale privatization	2+	2+
Small-scale privatization	3-	3
Governance and enterprise restructuring	2-	2-
Price liberalization	3	3
Trade and forex system	3	3
Competition policy	1	1
Banking sector	2+	2+
Non-banking sector	1	2-
Infrastructure	2	2+

Diagnostics:

- (gently pushed) BiH Governments started to address the issues in 2000
- FIAS provided comprehensive study on administrative barriers
- Study received considerable attention and was praised by politicians
- Topics covered:
 - commercial legal framework,
 - business registration
 - locating
 - labor market
 - taxation and customs
 - inspections

Some of comparative “advantages” detected:

- business entry period over 120 days, lack of appeal mechanism;
- approval of Defence Ministry for all businesses (Federation)
- locating (overlapping authorities): who issues approval for gas station? – one-million Euro question
- Chamber of Commerce: money for nothing

Conclusion: business climate in BiH is generally unfavorable and need urgent improvements to catch up with other transition countries

Therapy:

- Following recommendations from the Study we have prepared nation-wide Action Plan
- inter-entity and inter-ministry working group with serious approach without political interferences
- The Action Plan adopted at all levels and implementation has started in 2002
- effective monitoring and evaluation still missing
- WB support: Business Environment Adjustment Credit with clear performance criteria
- Need to establish regular and fruitful private-public partnership

Business registration and approvals

- three separate systems of registration (Federation, RS, Brčko) – legal uncertainties for operations
- Extremely bureaucratic and time-consuming process (average 100 days)
- Numerous sequential steps (up to 14 steps),
- Limited capacities of the courts, lack of transparency
- Increases cost of business start-up
- Phantom companies: corruption and massive tax evasion
- Need for substantial changes: Project on Business Registration (funded by DFID)

Business registration

(next steps)

- establish a single registry of companies (easily accessible, reliable, credible)
- Uniform registration procedure: no need for double registration
- Elimination of unnecessary steps (maximum 7 steps)
- Training and development of client-oriented service
- Introduction of computerised system
- Where to locate registration process: courts or municipalities?
- Problems arising from a loss of administrative power
- Better inter-agency exchange of information