

2012



FOREIGN INVESTMENT PROMOTION AGENCY

Bosnia and Herzegovina Information and Communication Technologies Sector

BOSNIA AND HERZEGOVINA INVESTMENT OPPORTUNITIES

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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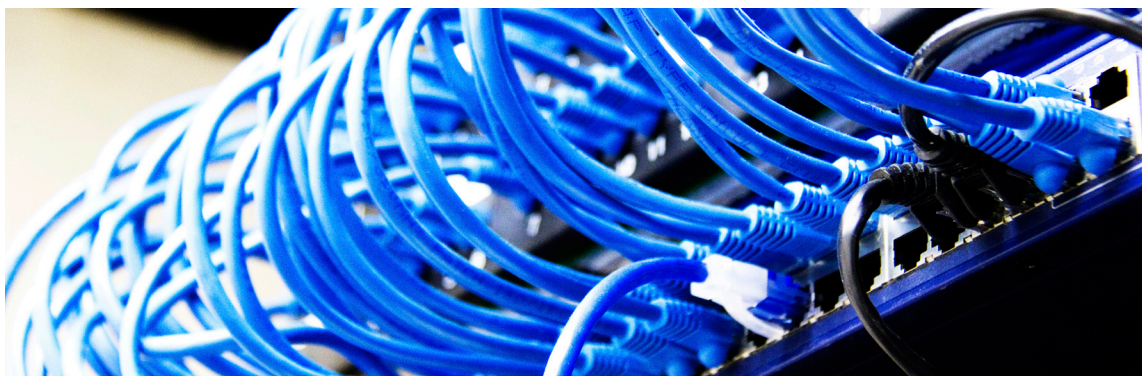
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Information and Communication Technologies Sector

Invest in Information and Communication Technologies Sector in Bosnia and Herzegovina

ICT is among the most vibrant and fast growing sectors in Bosnia and Herzegovina. ICT is a ubiquitous technology and investments in ICT are also estimated to have been responsible for around half of the EU's productivity growth in recent years.

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 quality of ICT infrastructure in Bosnia and Herzegovina is not at the level of EU countries, it is getting better with each year. 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. Despite the recent economic crisis, the ICT industry in B&H is growing. Many ICT companies recently turned to implementation of Quality Models and Standards, such as CMMI, in order to improve their overall performance in business, manufacturing, finance and value creation aspects. 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 B&H. 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 legal entities primarily 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 obviously. For the Technological expertise, training workers, changing business processes and improving compliance with standards the importance of ICT is very big, and only for policy is medium, as inputs to policy debates. B&H ICT companies are successfully implementing different joint projects with companies abroad of all sizes in the development of particular product components, as subcontractors for product development, or as implementers of software products. The revenues of large ICT companies are growing. Estimated total revenue from all telecommunication services for 2011. was 690.254.627,00 EUR.

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

TELECOMMUNICATION/ICT INDICATORS 2011

FIXED TELEPHONE NETWORK	
Fixed telephone lines of incumbent operators	945 357
Analog fixed telephone lines-PSTN lines	804 341
Number of ISDN lines	67 980
CLL subscriptions	32 102
IP telephony subscriptions	38 933
Total number of public telephones	2 001
Fixed telephone lines which are residential	810 983
Fixed telephone lines which are business	134 374
Total number of fixed alternative operators	11
Total fixed numbers ported within the year	1 031
MOBILE CELLULAR NETWORK	
Total active mobile cellular telephone subscriptions	3 171 283
Mobile cellular subscriptions prepaid	2 653 081
Mobile cellular subscriptions postpaid	518 202
Percentage of population covered by 3G/4G mobile network	70%
Percentage of population covered by a mobile cellular telephone network	99%
INTERNET	
Estimated Internet users	2 113 100
Penetration of the Internet users	55%
Total number of ISPs active on the market	79
Total fixed Internet subscriptions	515 293
Dial-up Internet subscriptions	85 046
Total fixed broadband Internet subscriptions	430 247
DSL Internet subscriptions	248 006
Cable modem Internet subscriptions	114 849
Total number of FWA Internet subscriptions	65 733
Leased lines Internet subscriptions	1 374
Fibre to the home Internet subscriptions	278
Other fixed broadband Internet subscriptions	7
REVENUE	
Estimated total revenue from all telecommunication services (EUR)	690 254 627
Revenue from mobile networks (EUR)	350 012 782
Revenue from fixed telephone services-incumbent and alternative operators (EUR)	189 641 578
Revenue from Internet services (EUR)	65 738 316

Source: Communications Regulatory Agency BH



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, GPRS, 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/4G 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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