



Foreign
Investors
Council

F I BUSINESS BAROMETER

Sarajevo, August 2021.

BOSNA & HERZEGOVINA



FOREIGN INVESTORS COUNCIL (FIC)

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Acknowledgements

Investors Council in Bosnia and Herzegovina (**FIC**) who participated in the preparation of this 3rd edition of "Business Barometer". Although the period behind us was marked by the fight against the coronavirus pandemic (COVID-19), our association continues its strategic activities in the direction of advocating the improvement of the business environment on behalf of all our members, foreign and domestic investors.

Referring to the business climate in Bosnia and Herzegovina (**B&H**) in the past period, in addition to the well-known challenges that the country is facing, the COVID pandemic has brought new challenges for the business sector and investors. Fortunately, most companies managed to preserve their business and jobs, but there was a significant reduction of business activities and thus a decline in revenues, which reduced their financial capacity to invest and reinvest.

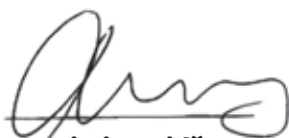
When it comes to investment projects of the FIC members, the global pandemic has certainly affected their business, as well as all other legal entities in the country. What makes us especially proud is the fact that our members, despite the challenges caused by the pandemic, showed high degree of innovation, adaptability but also courage in adjusting to the new business environment, and bravely continued with the realization of their previous projects. In addition to the fact that our members have succeeded in these challenging times to continue with their business plans, we are especially proud that many of them have continued to invest in CSR projects that are extremely important for citizens and the community at this point.

Over the past year, one of the FIC's most important goals has been to support our members in overcoming the challenges they faced through our activities and timely information on important events in the months of COVID crisis. Also, when the government declared a state of emergency in the country, FIC has put all its resources and expertise at the disposal of the B&H authorities in order to find the best options for minimizing the negative consequences for domestic economy.

Although economic recovery will primarily depend on further moves by the B&H authorities, I am confident that this new edition of the Business Barometer combined with our new White Book edition will serve as a guideline for decisions-making processes essential for the economic development. Also, we believe that it is a useful basis for planning, resource mobilization, performance management, and aligning the government services in terms of their engagement with the business community.

FIC will continue to support processes in B&H aimed at improving business environment, and we hope that in the coming period, in cooperation with our partners, we will achieve good results that go in the direction of relieving the economy, and thus strengthening the position of foreign and domestic investors in B&H.

I wish to conclude by expressing my appreciation for the ongoing support of the GIZ Regional Service Center for Cooperation with the Private Sector in South-East Europe (RSC) in providing technical and financial assistance to ensure the completion of this 3rd "Business Barometer". I also thank all the FIC members who participated in this Survey.



Branimir Muidža

President of the Foreign Investors Council in B&H

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Executive Summary

Foreign investments are one of the most attractive forms of international cooperation and economic development of the country to which they flow. Connecting domestic companies with foreign companies through the realization of investment is the first step towards globalization of the host country which directly contributes to achieving greater efficiency and competitiveness of domestic companies, technology development, transfer of new skills and knowledge, conquering new markets, employment and overall economic growth. Investments are an important generator of economic development of all countries in transition, including B&H.

Although B&H is determined in its efforts to attract more investments, the desired level of investments has not been achieved yet largely due to the complicated administrative structure and insufficiently stimulating business environment. In addition to the well-known challenges when it comes to the investment climate, the situation has been further exacerbated by the challenges posed by the global coronavirus pandemic (COVID-19). For this reason, investors and the FIC members in B&H created this report in order to provide relevant inputs to the local authorities in order to achieve an optimal investment climate that will attract a significant amount of new investments to the country and improve the position of existing investors.

In this report, the FIC members identified main barriers they are currently facing in doing business, but also recognized the benefits of investing in B&H. More than half (52%) of the FIC members is moderately dissatisfied with the business climate and believe that the business environment is unpredictable which has a very negative effect on attracting new investments. Notably, despite the perceived obstacles that the **FIC members indicated in the survey, 92% of the current investors are willing to recommend B&H as a country to invest in, and 65% of them intend to reinvest in B&H over the next three years.**

In addition to the fact that due to the COVID-19 pandemic, the number of employees decreased in 2020, almost **74% of companies plan to hire additional labor force in the next three years.** Investors have identified highly educated personnel, mostly in technical and economic professions, as the most desirable employee profiles. However, the investors are also looking for other types of skilled labor force.

The FIC members also stated that skilled labor force, proximity to the European Union and low labor costs are the most important competitive advantages of B&H, which local authorities can and must use in order to attract new investments.

This report complements the *White Book* published periodically by the FIC, which provides for a very specific set of prescriptive measures identified to address many of these findings.



Introduction

The 3rd „Business Barometer“ is one of the key activities pursued by the FIC and implemented in cooperation with the **GIZ Regional Service Center for Cooperation with the Private Sector in South-East Europe (RSC)**.

The „Business Barometer“ is a survey that the FIC periodically conducts among its members, foreign and domestic investors present in B&H. This survey aims to gain additional knowledge about the overall satisfaction of investors with the business environment in B&H, the obstacles they face in business, their plans for reinvestment and employment, and creating more business opportunities within the country. This survey also resulted in aggregated the FIC membership statistics, which was collected and subsequently presented.

The first two editions of the Business Barometer were published in 2015 and 2018, while the 3rd edition covers the period 2019/2020. In addition to the standard chapters, this edition also contains a new chapter which reveals business conditions during the COVID-19 pandemic. The results of the Business Barometer will be presented to the relevant authorities in B&H and will be used to improve the investors' position and their requests towards governments, with the aim of improving the regulatory framework, the efficiency of public administration and policy decisions, for the purpose of strengthening the position of the current investments and encouraging new ones.

We hope that the B&H authorities will seriously consider and use the inputs of foreign investors presented in report and consistently implement the necessary economic reforms implied by this report.

About the Foreign Investors Council in B&H

The Foreign Investors Council - FIC is an independent, non-profit business association founded in 2006 that represents the interests of foreign and domestic investors in Bosnia and Herzegovina. FIC currently gathers nearly 70 international and local companies that have invested in B&H over BAM 9 billion and employ over 20,000 citizens.

The mission of the FIC is to advocate investment climate improvement and overall business environment for the general prosperity of future economic development. The FIC promotes good business practices of foreign and domestic companies and offers solutions to the B&H authorities in order to overcome the obstacles that investors face while doing business in the country. The FIC delivers practical support to all investors and seeks to bring global economic trends closer to the business community in B&H.

The FIC is an association that acts as a single voice of investors operating in B&H, with the aim of improving communication and cooperation between the business community and the authorities, in order to overcome barriers in business and establish a normative and institutional framework for creating optimal investment environment, and ultimately ensured strong economic growth and a better standard of living for B&H citizens.



About the GIZ Regional Service Center for Cooperation with the Private Sector in South-East Europe (RSC)

GIZ Regional Service Center for Cooperation with the Private Sector in South-East Europe (RSC) was established in 2019 in Sarajevo to promote the German Development Cooperation with special focus on the "**develoPPP**" programme which is offered for domestic companies from the Western Balkans as well as for EU companies. This programme is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) to foster the involvement of the private sector in areas where business opportunities and development policy initiatives overlap.

The RSC functions as a cross-sector and cross-country competence node for cooperation with industry. As a consulting and service structure, the RSC supports existing projects implemented by the GIZ in identifying cooperation potential and actively helps to initiate and prepare suitable partnership projects. It operates across sectors and countries in all 6 countries of the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia).

- Supports companies systematically to examine partnership potentials with the private sector and to identify suitable project ideas;
- Establishes contacts with companies in Germany and the region in order to mobilise them for partnerships within German Development Cooperation;
- Cooperates closely with existing service structures in the region, in Germany and in the EU and connects interesting partners and project ideas to the corresponding projects and structures in the region;
- Provides support in taking up promising initiatives and examining their relevance and feasibility;
- Advises interested companies on suitable cooperation formats and funding mechanisms;
- Monitors involved companies through the entire application process and support them to develop high-quality applications with existing experience and to maximize the probability of funding.

Methodology

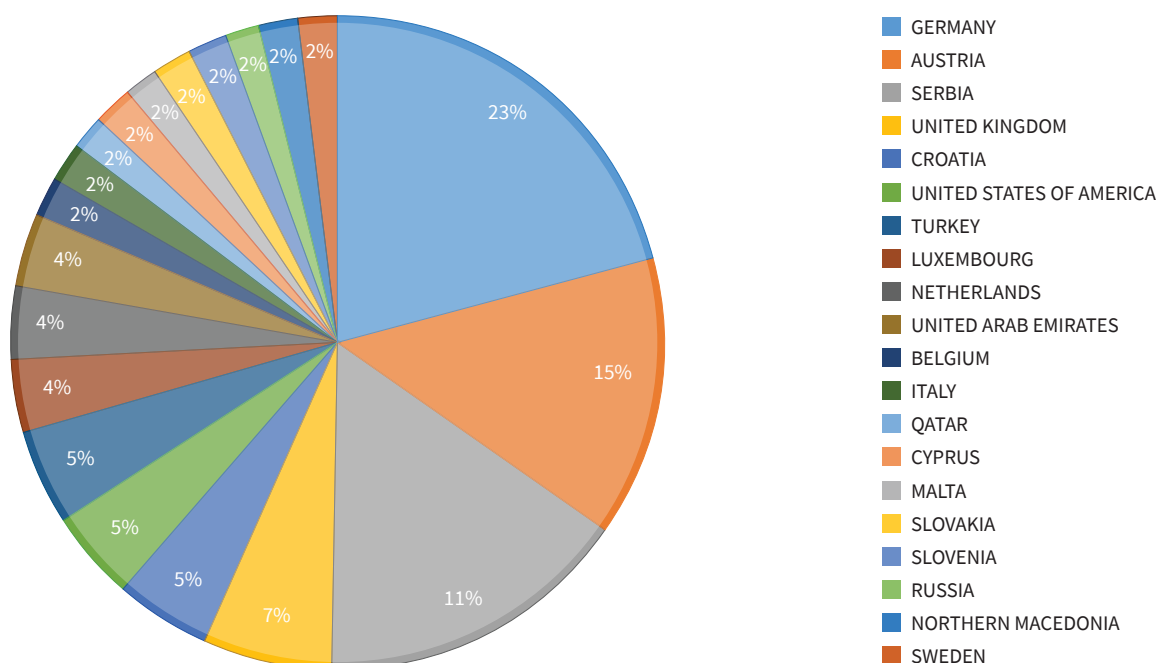
The results of a survey conducted among the FIC members, presented in the form of the 3rd edition of the Business Barometer, were collected using an online survey instrument. The questionnaire was completed by the FIC member-companies, with the aim of providing an overview of the business climate in the past period, the main business challenges, and specific recommendations to the relevant institutions at the state, entity, and local levels on removing the major obstacles faced by investors, including the improvement of the existing normative and institutional framework governing this area. The questions are related to members' activities throughout 2019/2020. The survey was completed by 73% of our members. Conversely, not all foreign investors in B&H are members of the FIC. Collected data from the survey are presented in charts and figures to facilitate easy visualization of the results. This survey is also intended for various stakeholders in B&H to identify major impediments to growing investments. The survey and this resulting report aim to influence the creation of more favourable economic and business climate for existing investors in the country in order to increase the likelihood of reinvestment, expanding operations, hiring additional workforce, reducing unemployment and increasing the standard of B&H citizens.



A – GENERAL INFORMATION ON THE FIC MEMBERS¹

COUNTRY OF HEADQUARTERS OF THE INVESTORS

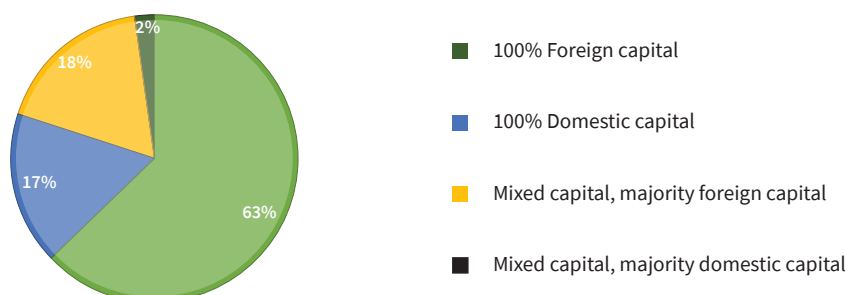
According to the origin of the surveyed companies, the major investors are companies from Germany with a share of 23%, followed by Austria with a share of 15%, Serbia with a share of 11%, United Kingdom with a share of 7% and Croatia, USA and Turkey each with a share of 5%, while other countries each account for either 4% or 2%.



¹ General information on the FIC members has been complemented with their master data available at the FIC Executive Office (Country of Origin, Equity Origin, Type of Investment, Type of Economic Activity, Geographical Distribution of the Investment, Legal Status).

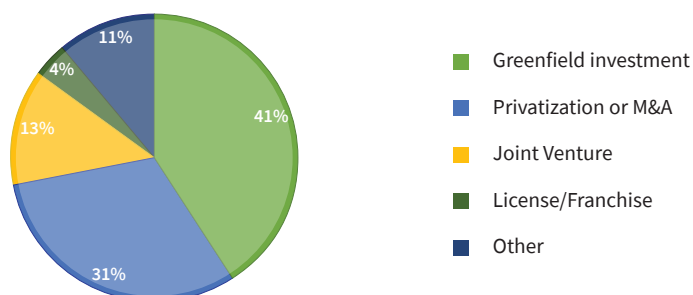
EQUITY ORIGIN

With respect to equity origin, most of the companies are foreign-owned with a total share of 63%, followed by domestic-owned ones with a share of 17%, mixed-equity companies with a foreign controlling interest account for 18%, while mixed-equity companies with a domestic controlling interest account for 2%.



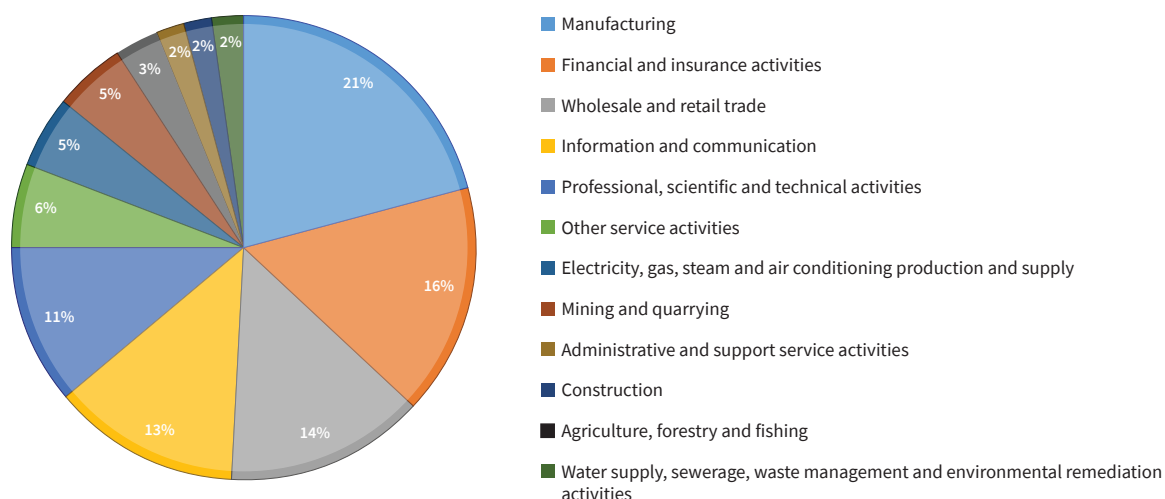
TYPE OF INVESTMENTS

Most of the FIC members, 41% of them, carried out their investment as a Greenfield investment, followed by privatization or acquisition of domestic companies (31%) while 13% of the FIC members made their investment by joint ventures. A total of 4% of the FIC members invested in the business by acquiring a foreign franchise or license, while 11% of all members used other models to implement their investment.



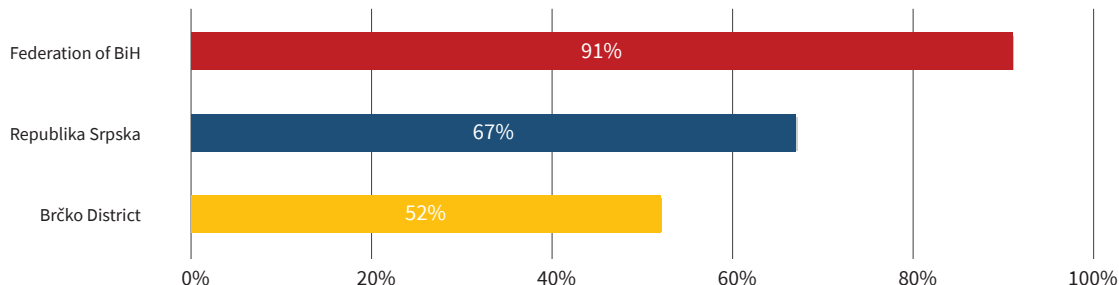
TYPE OF BUSINESS ACTIVITY

Members of the FIC have invested in numerous business activities and sectors. Most investments have been made in the manufacturing industry (21%) and financial activities (16%). A total of 14% of the FIC members invested in wholesale and retail trade, and 13% in information and communication sector. Professional, scientific and technical activities account for 11% while other service-oriented activities account for 6%. A smaller percentage of the FIC members are engaged in the following activities: production and supply of electricity, gas, steam and air conditioning (5%), mining and quarrying (5%), then administrative and support service activities (3%), construction (2%), agriculture, forestry and fishing (2%), water supply, sewerage, waste management and environmental remediation activities (2%).



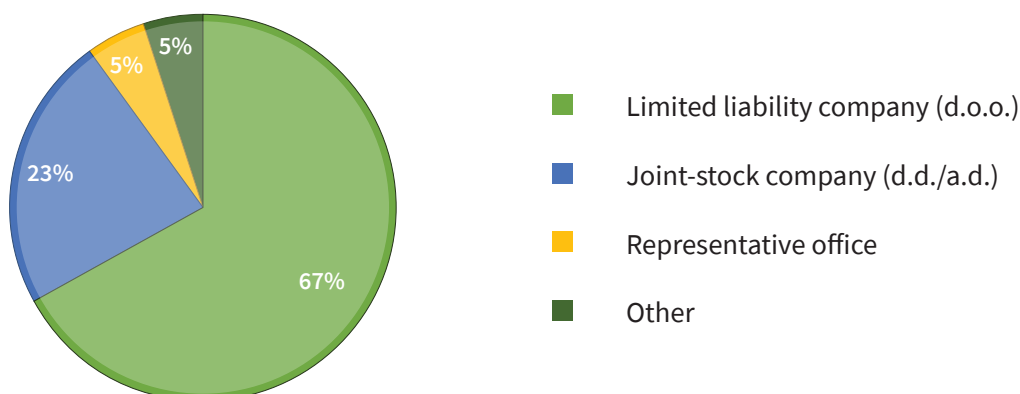
GEOGRAPHIC DISTRIBUTION OF THE INVESTMENTS

Out of the total number of the FIC members, 91% invested in the territory of the Federation of B&H, while 67% invested in Republika Srpska and 52% in the territory of Brčko District.



LEGAL STATUS

Limited liability companies account for 67% of the total number of the FIC members, 23% of them are joint-stock companies, while representative offices and other types of organization have each the same

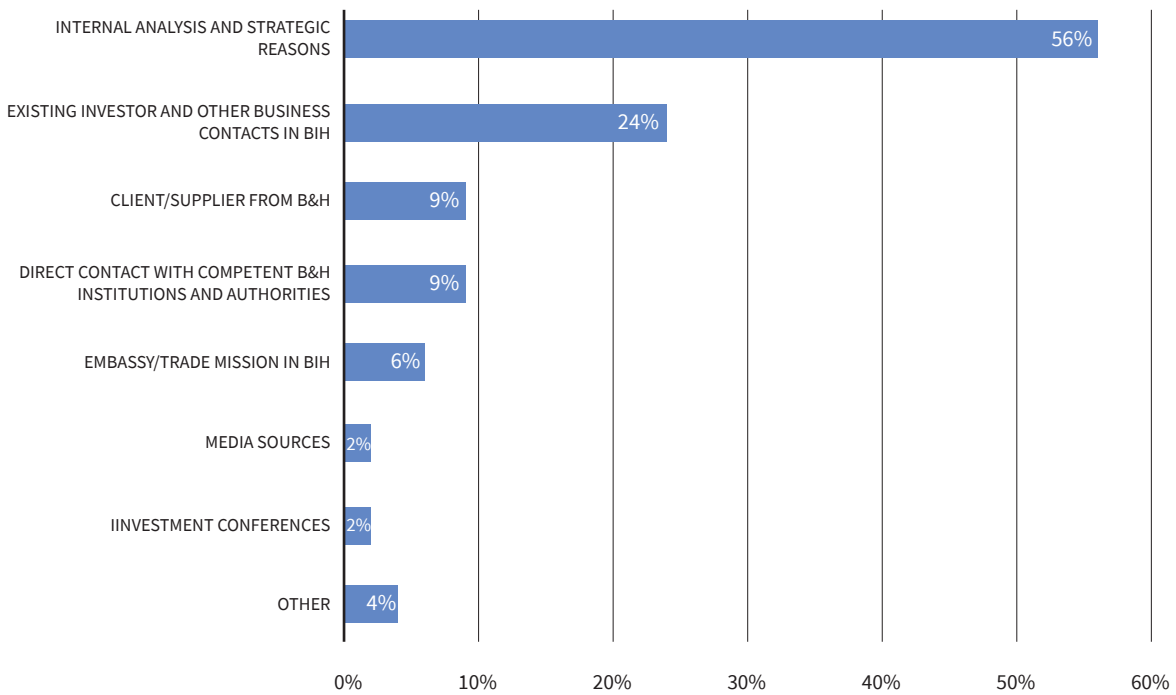




B - INVESTMENTS OF THE FIC MEMBERS IN B&H

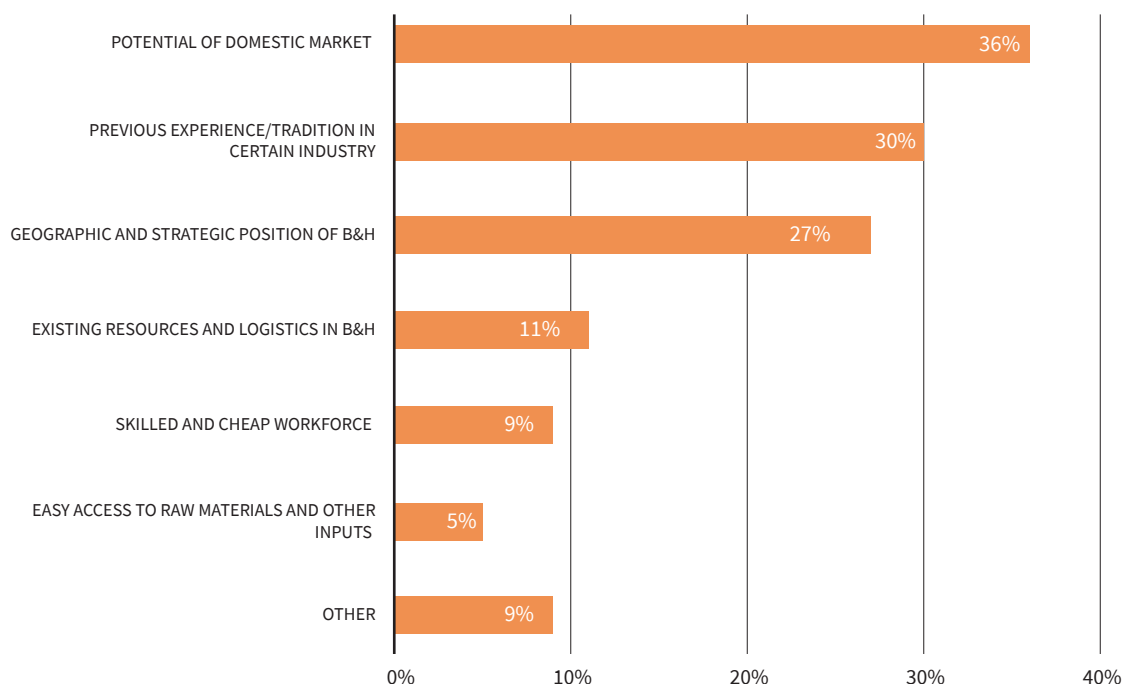
SOURCES OF INFORMATION ON INVESTMENT OPPORTUNITIES

Out of the total number of companies surveyed, 56% of them learnt about the investment opportunities in B&H by conducting an internal analysis, 24% of the respondents received the information from another investor who had already invested in B&H or other business contacts, while 9% of investors got the information from the existing client/supplier or through direct contact with the competent B&H institutions and bodies. Only 6% of investors received investment information through embassies/trade missions, and 4% through other channels. 2% of investors received information thanks to media sources and investment conferences.



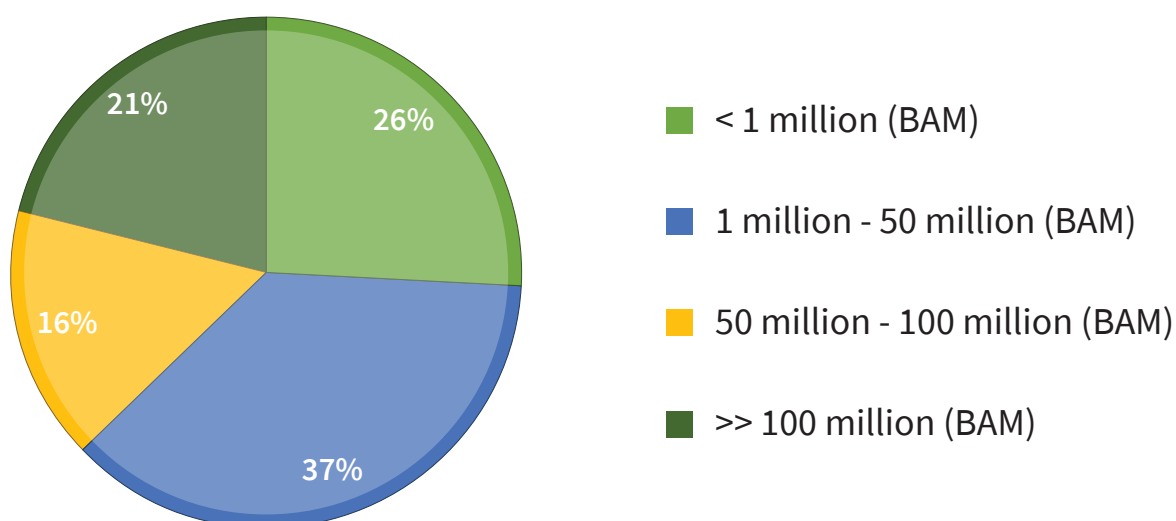
MOTIVES FOR INVESTING IN B&H

The FIC members mostly invest in B&H because of the domestic market potentials, the experience and tradition B&H has in certain industries, its geographic and strategic position, and the available resources and logistics. Skilled and cheap workforce and easy access to raw materials were assessed as less important motives for investing in B&H.



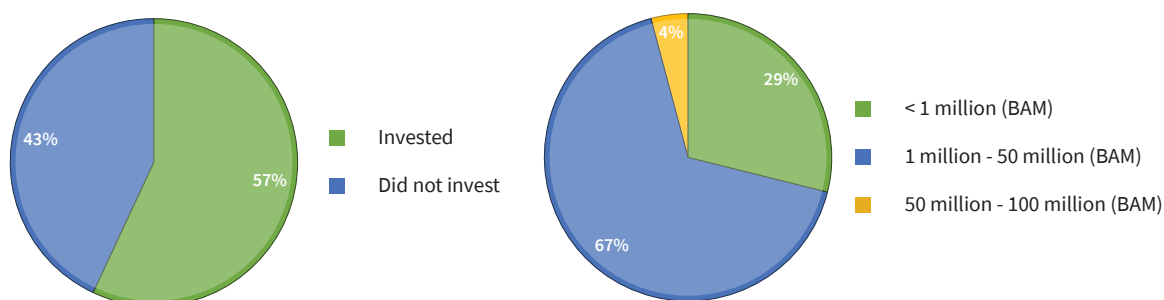
VALUE OF TOTAL INVESTMENTS OF THE FIC MEMBERS IN B&H

Since the beginning of its business operations in B&H, 37% of the surveyed the FIC members invested between 1 and 50 million (BAM), 26% invested less than 1 million (BAM), while 21% of the FIC members invested over 100 million (BAM). Only 16% of the FIC members have invested between 50 and 100 million (BAM) in total.



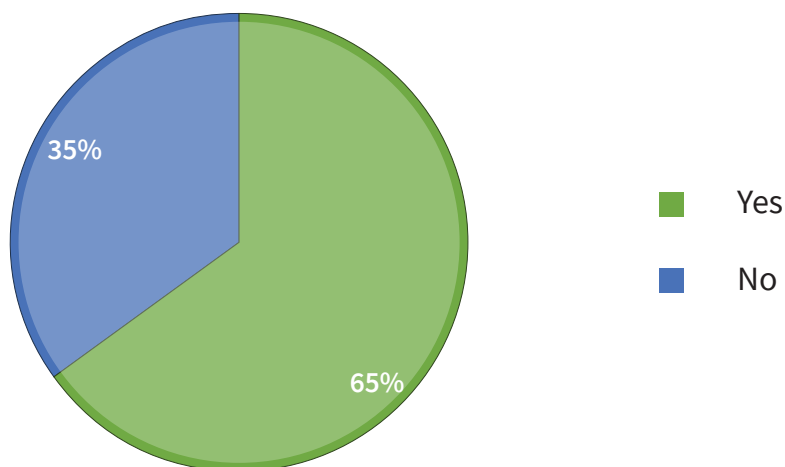
INVESTMENTS OF FIC MEMBERS IN 2019/2020

When asked if they invested in 2019/2020, a total of 57% of the FIC members answered affirmative while 43% of members had no investment during this period. Among the companies that have invested in the past two years, 67% have invested between 1 and 50 million (BAM), 29% have invested less than 1 million (BAM), and only 4% had new investments worth between 50 and 100 million (BAM).



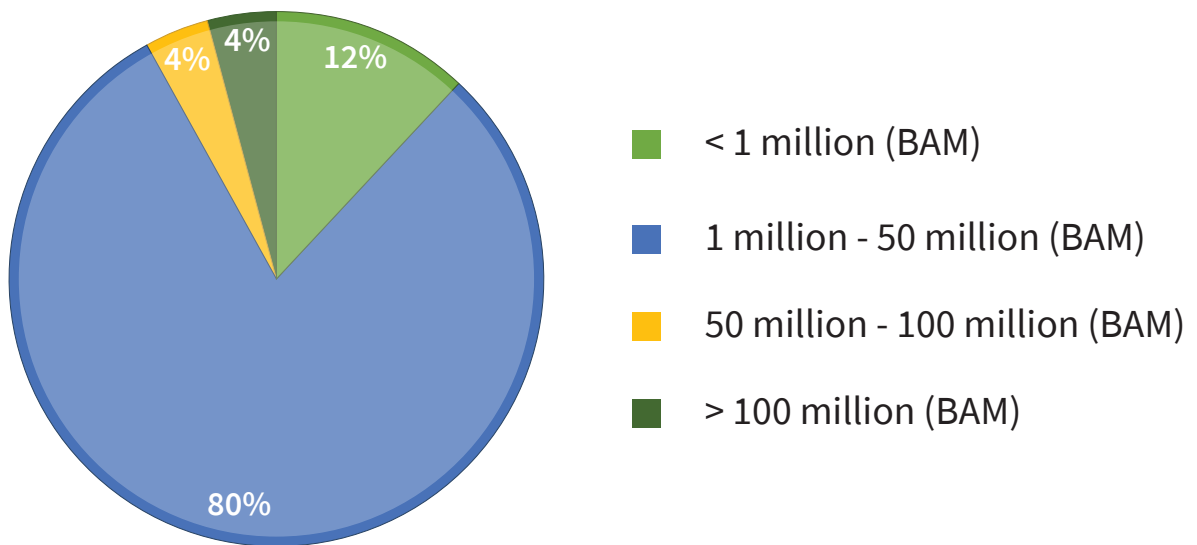
REINVESTING PLANS FOR THE UPCOMING THREE YEARS

The results show that 65% of the respondents opted for reinvestment in B&H over the next three years, while 35% decided not to reinvest. No company has any plans to withdraw the investment. As reasons for not reinvesting, the companies stated uncertain business conditions caused by the outbreak of the coronavirus pandemic (COVID-19), then the priorities to gain return on their current investment and strengthening human resources in the company. Some companies also stated the political instability in the country, weak support from the local authorities and complex bureaucracy.



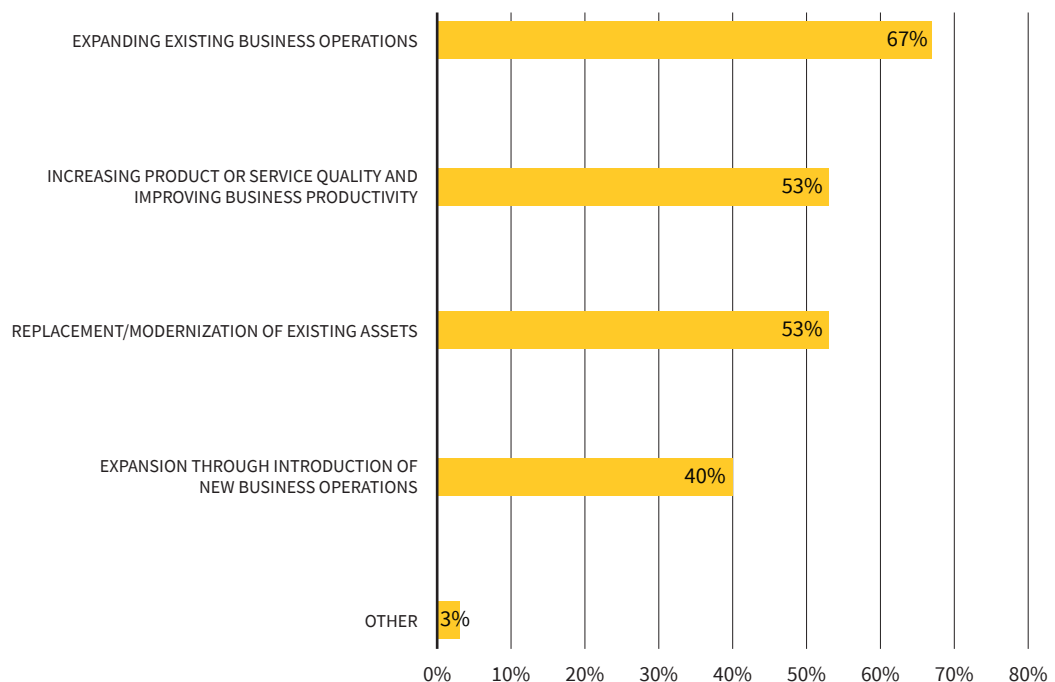
VALUE OF PLANNED INVESTMENTS OVER THE NEXT THREE YEARS

Among the companies planning to reinvest over the next three years, 80% intend to invest between 1 and 50 million (BAM), while 12% plan to invest less than 1 million (BAM). Only 4% have plans to make an investment amounting between 50 and 100 million (BAM). The same percentage of companies (4%) plan to make investments worth more than 100 million (BAM).



REASONS FOR REINVESTING

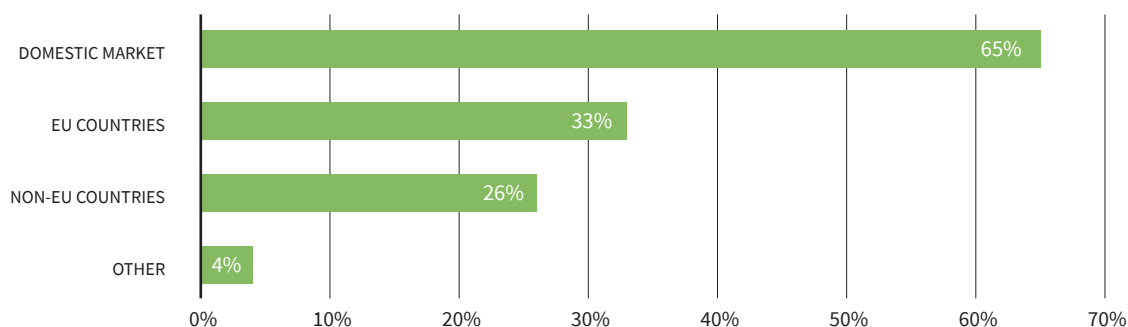
Among the companies that decided to reinvest, 67% will invest in expanding their business, 53% in increasing the quality of their products or services and improving productivity, the same percentage (53%) of companies will invest in replacement/modernization of the existing assets, while others, in a share of 40%, intend to invest in the expansion of their business through the introduction of new business operations.



C – ECONOMIC PERFORMANCE OF THE FIC MEMBERS

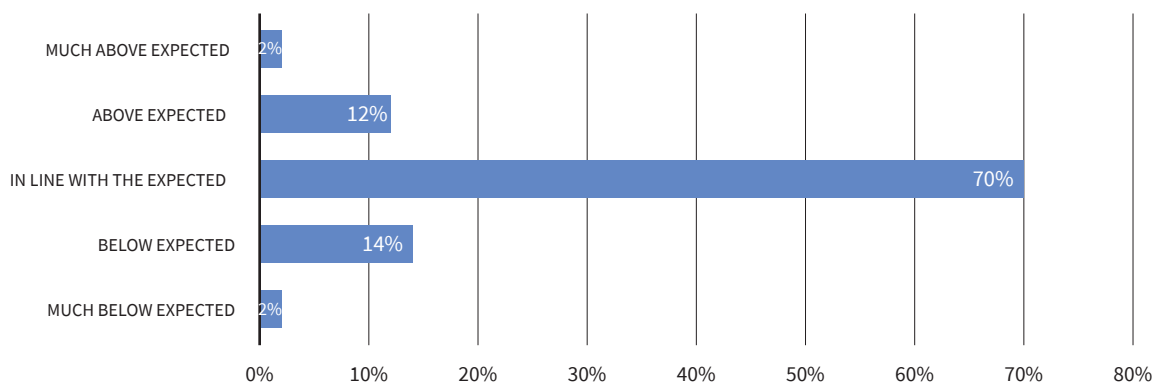
PRIORITY TARGET MARKETS

More than half of the surveyed the FIC members (65%) place their products on the domestic market, while in terms of foreign markets, they were mostly targeting the EU countries (33%). The countries outside the EU accounted for 26% in the structure of the FIC members.



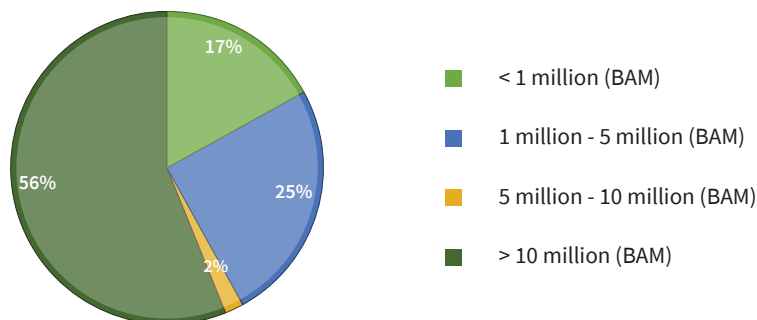
FINANCIAL BUSINESS RESULTS

A total of 70% of the FIC members have achieved financial results that corresponded to the expected business projections and targets. The business results achieved by 14% of the companies were below the expected ones, while 12% of them achieved the results above the expected. Only 2% of companies had business results well above expectations, the same percentage of companies had results well below expected business projections and set goals.



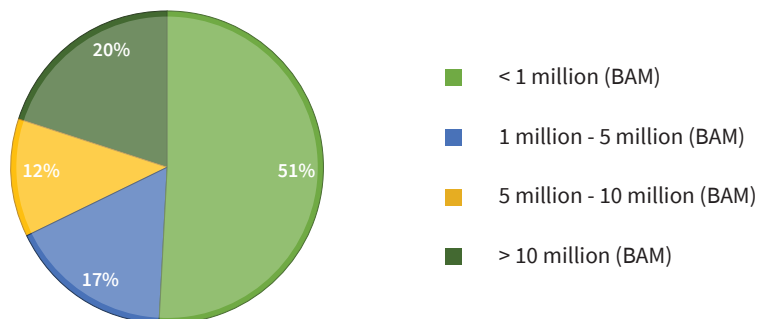
2019 ANNUAL TURNOVER ACHIEVED IN B&H

56% of the surveyed the FIC members achieved turnover of more than 10 million (BAM) in 2019; 25% had a turnover between 1 and 5 million (BAM); 17% of the companies achieved a turnover less than 1 million (BAM), while 2% of the companies had a turnover ranging between 5 and 10 million (BAM).



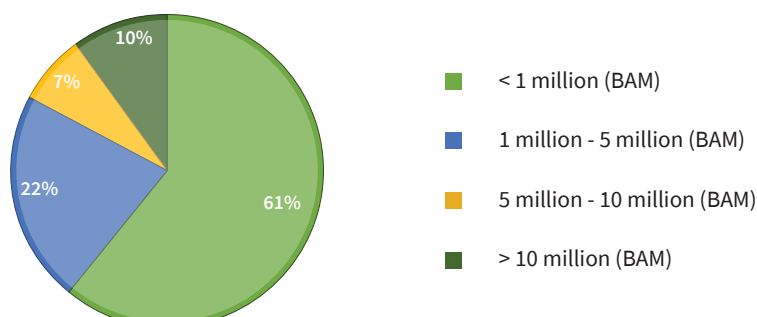
2019 PROFIT MADE IN B&H

More than half of the companies (51%) made profits of less than 1 million (BAM), 20% made profits higher than 10 million (BAM), 17% of them made profits between 1 and 5 million (BAM), while 12% of the companies made profits ranging between 5 and 10 million (BAM).



2019 ANNUAL TURNOVER ACHIEVED FROM EXPORTS

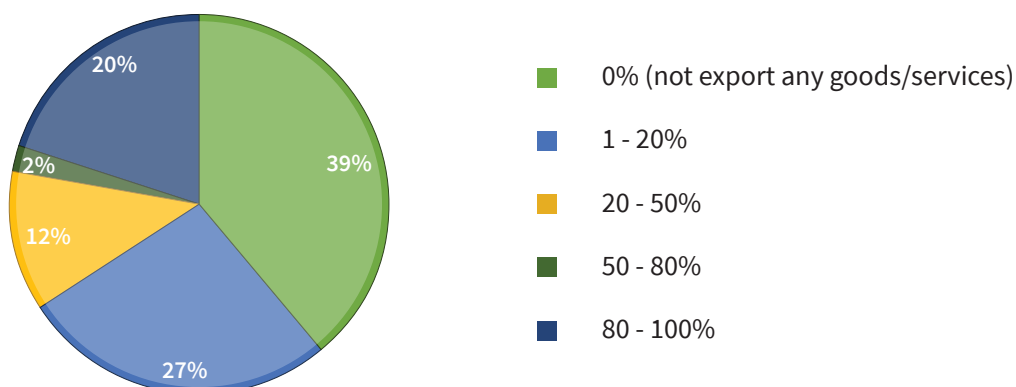
More than half of the export-oriented FIC members (61%) had an export-based turnover of less than 1 million (BAM), 22% had an export-based turnover ranging between 1 and 5 million (BAM), and 10% of the members in the amount of more than 10 million (BAM), while 7% of them realized a turnover ranging between 5 and 10 million (BAM).



PERCENTAGE OF ANNUAL EXPORT-BASED TURNOVER IN B&H

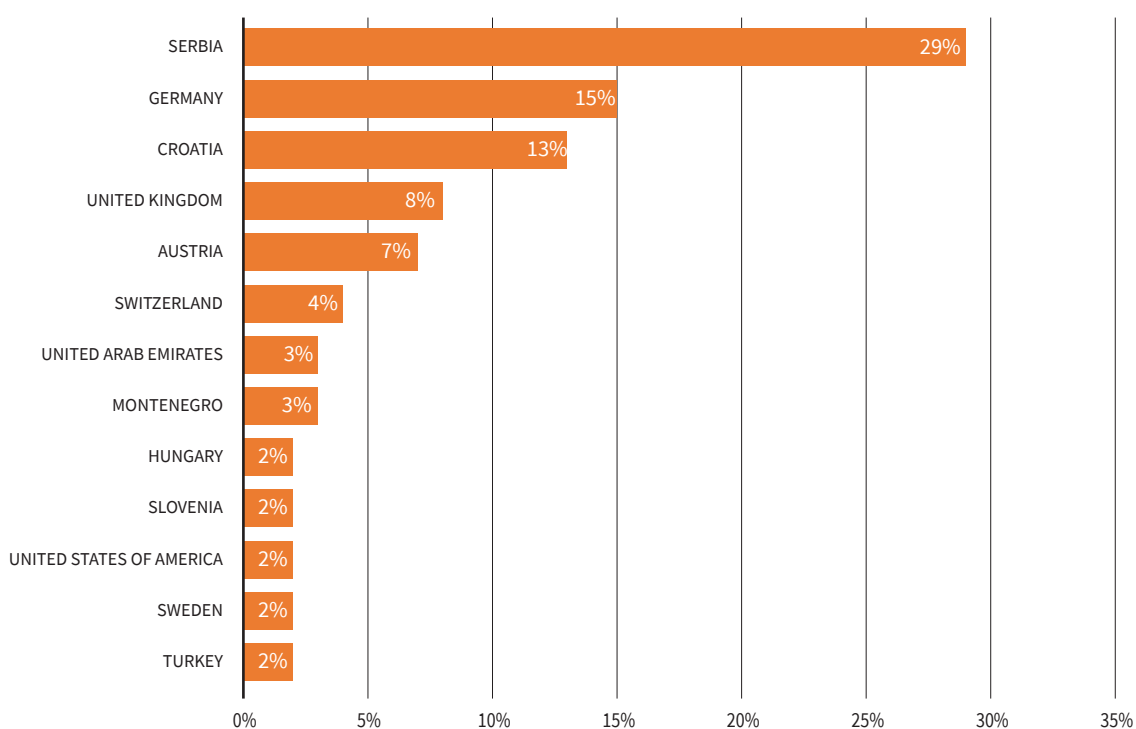
Export of goods/services

39% of the surveyed members stated that they did not export their goods and services; 27% of them had an export sale between 1% and 20%; 12% of the FIC members had an export-based turnover of 20-50%; and 2% of them had an export-based turnover ranging between 50 and 80%, while an export-based turnover ranging between 80-100% was realized by 20% of the members.



COUNTRIES TO WHICH MOST OF THE GOODS AND SERVICES ARE EXPORTED

According to the survey, the FIC members in 2019/2020 exported the most to Serbia (29%), Germany (15%) and Croatia (13%), followed by the United Kingdom (8%) as the fourth export country and Austria (7%) which ranks fifth.

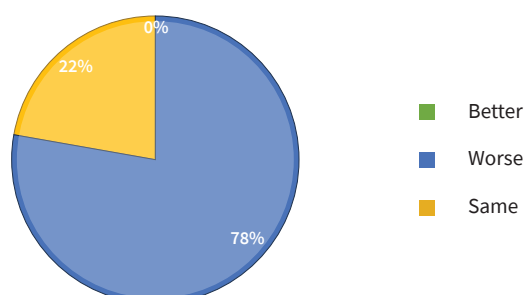




D – EVALUATION OF THE BUSINESS CLIMATE IN B&H

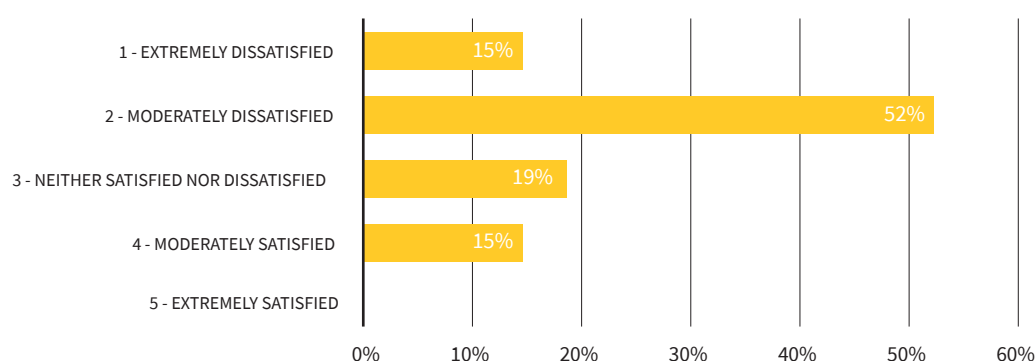
ASSESSMENT OF THE ECONOMIC AND BUSINESS CLIMATE IN B&H IN 2020 COMPARED TO 2019

In terms of changes, 78% of the respondents believe that the business environment in 2020 is more unfavorable compared to 2019, while 22% believe that the business environment is the same as in previous year. The results of this assessment are understandable if we consider that 2020 was marked by the coronavirus pandemic (COVID-19), which stopped business activities and made it difficult for most companies in B&H.



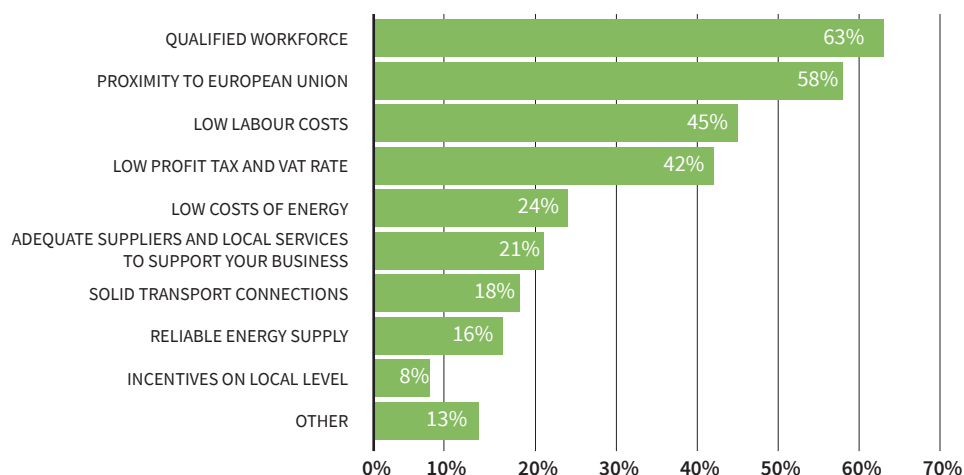
EVALUATION OF THE CURRENT BUSINESS CLIMATE IN B&H

In the opinion of the FIC members, the business climate in B&H is far from ideal, especially if we consider the negative effects of the coronavirus pandemic (COVID-19) on business. Slightly more than half of the surveyed members (52%) expressed moderate dissatisfaction with the business climate in B&H, while 19% were neither satisfied nor dissatisfied. Only 15% of respondents stated that they were moderately satisfied, and the same percentage of respondents said that they were extremely dissatisfied with the current business climate.



COMPETITIVE ADVANTAGES OF INVESTING IN B&H

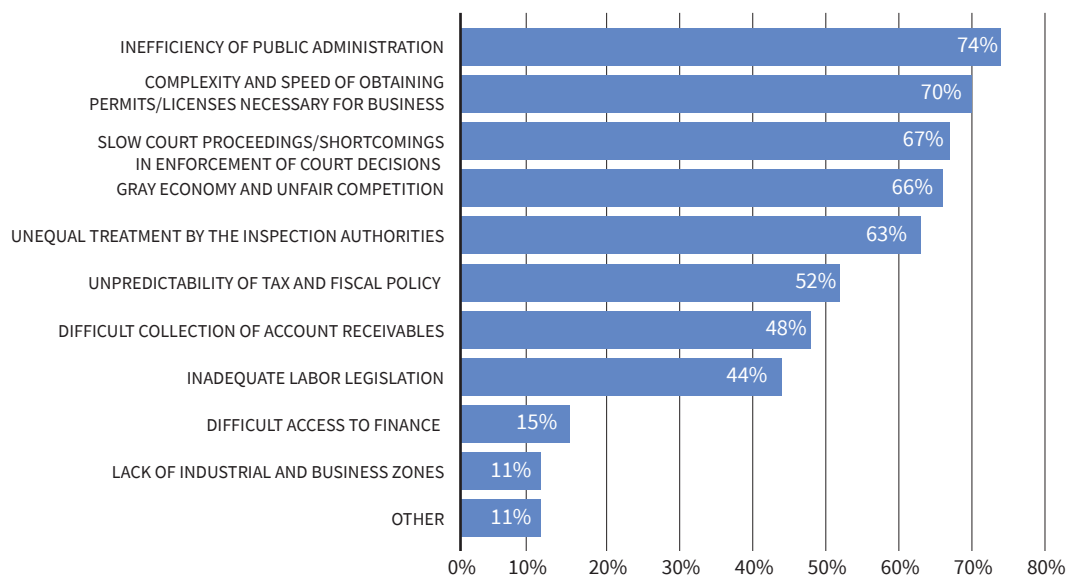
The FIC members indicated that qualified and skilled workforce, proximity to the European Union market and low labour costs are the most important competitive advantages of B&H when it comes to attracting foreign investors. The next-ranked advantages for making an investment in B&H refer to low tax rates (profit tax and VAT), low energy prices, adequate suppliers and local business support services that meet the needs of foreign companies, solid road connections and reliability in the supply of energy. Incentives for investments at the local level is an area where, in the opinion of the respondents, there is still a lot of room for improvement. Investors believe that natural resources, the potential for business expansion and the availability of raw materials are additional competitive advantages of B&H in attracting foreign investment.



MAIN OBSTACLES FOR DOING BUSINESS IN B&H

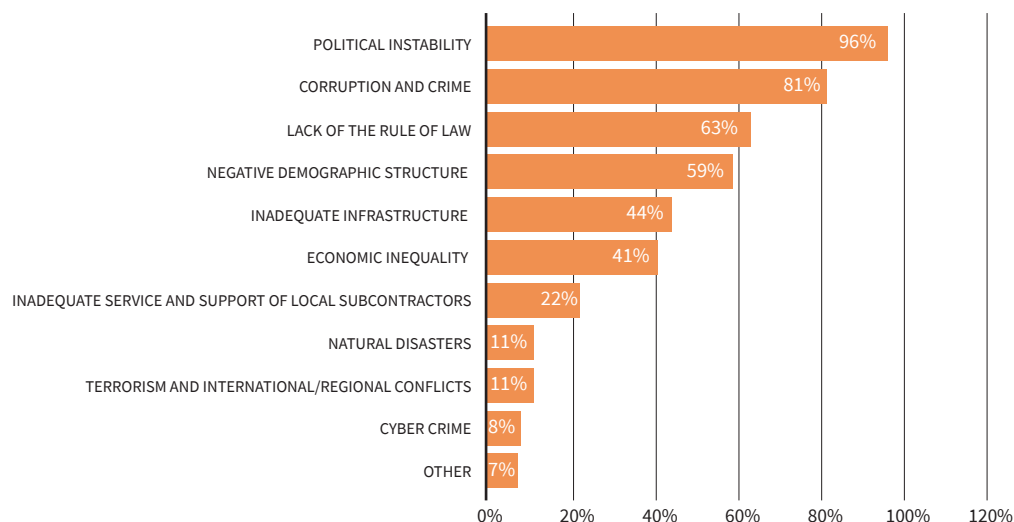
Inefficiency of public administration, complexity and speed of obtaining permits/licenses necessary for business, and slow court proceedings/shortcomings in enforcement of court decisions are the three biggest current obstacles faced by the

FIC members in their business. In fourth place is the gray economy and unfair competition, and in fifth place is the unequal treatment by the inspection authorities. Other obstacles include unpredictability of tax and fiscal policy in B&H, difficult collection of account receivables, inadequate labor legislation, difficult access to finance and lack of industrial and business zones. The respondents also mentioned additional obstacles that negatively affect their business, such as the lack of legal regulations in certain business activities, inconsistency and complexity of regulations at the state level and business blockade due to the coronavirus pandemic (COVID-19).



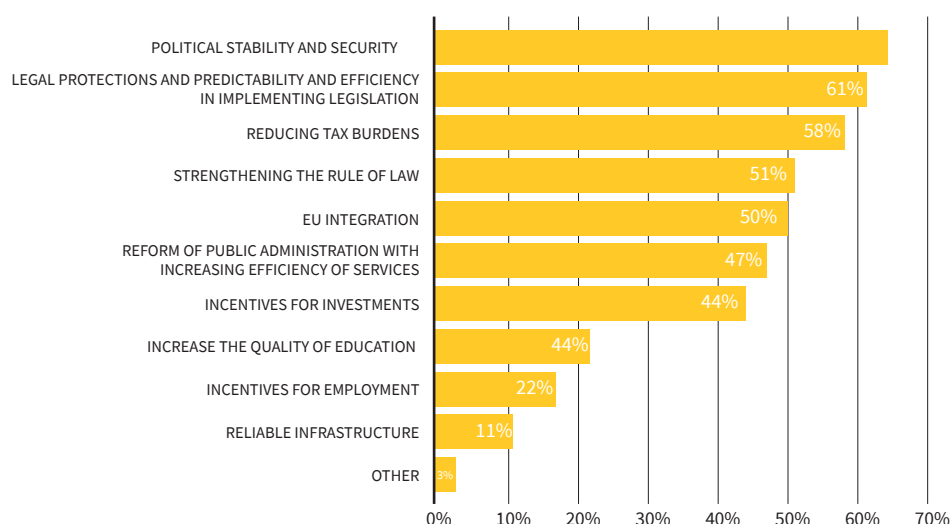
MAIN BUSINESS CLIMATE-RELATED RISKS

According to FIC members, the business climate-related risks that could have the greatest impact on their successful operations in the future are political instability, corruption and crime, and lack of the rule of law. This is followed by negative demographic structure (negative natural increase, outflow of workforce), inadequate infrastructure (utilities, road, telecommunications, digital, etc.), economic inequality and inadequate service and support of local subcontractors. Risks that could have a slightly lower impact on the successful operations of companies are natural disasters, terrorism and international/regional conflicts, and cyber crime. In addition, the FIC members also mentioned risks such as the lack of institutional cooperation at the B&H level and the weak purchasing power of the population.



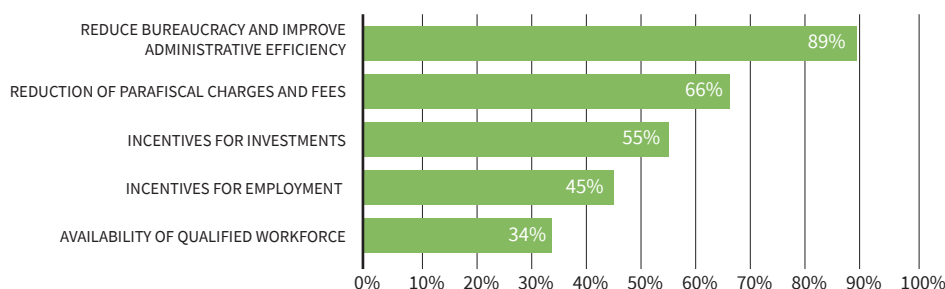
KEY PRIORITIES FOR STATE AND ENTITY GOVERNMENTS TO IMPROVE THE BUSINESS ENVIRONMENT

The FIC members underscored the key priorities that governments should set in order to improve the existing conditions for business development in B&H. As a number one priority, they stated the establishment of political stability and security. The second placed priority is to establish legal protection of investors with effective law enforcement practices that have either direct or indirect impact on the foreign investments. The third priority is to reduce tax burdens. In fourth place is the strengthening the rule of law, and in fifth the priority of Bosnia and Herzegovina's accession to the European Union. These results clearly justify the existence of the White Book and similar documents that point to the existing issues, along with the effective implementation, enforcement and transparent operation of the public institutions.



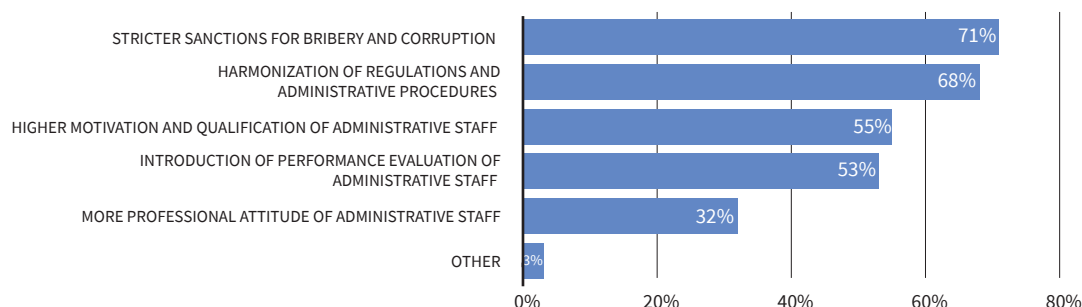
KEY PRIORITIES FOR LOCAL AUTHORITIES IN ORDER TO ATTRACT MORE INVESTMENT AND INCREASE EMPLOYMENT

89% of the surveyed companies believe that it is the most important to reduce bureaucracy at the local level and improve the efficiency of administration. 66% of investors would recommend cantons and municipalities to reduce para-fiscal charges; 55% believe that more incentives should be introduced for investors, while 45% think it would be more important to introduce local employment incentives. 34% of respondents believe that local governments should provide investors with greater availability of qualified workforce.



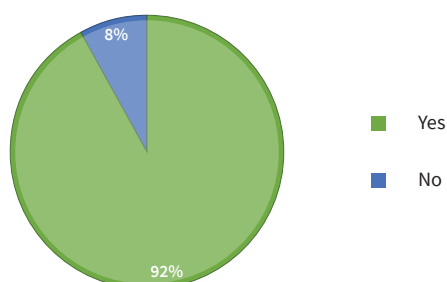
MAIN FACTORS THAT WOULD CONTRIBUTE TO IMPROVING THE EFFICIENCY OF PUBLIC ADMINISTRATION

The FIC members believe that stricter sanctions for bribery and corruption in public administration (71%), harmonization of regulations and administrative procedures (68%) and higher motivation and qualification of administrative staff (55%), are three priority factors that would contribute to improving efficiency of public administration in B&H. The introduction of objective performance evaluation of administrative staff (53%) was stated as the fourth factor, while a more professional attitude of administrative staff (32%) was stated as the fifth factor. Respondents also pointed out that it is necessary to digitize public administration and administrative procedures based on European and worldwide practices.



WILLINGNESS TO RECOMMEND OTHER FOREIGN COMPANIES TO INVEST IN B&H

Despite the observed obstacles that the FIC members pointed out in this survey, as many as 92% of the respondents would readily recommend B&H as a country for investment to other foreign companies, while only 8% do not share that opinion.

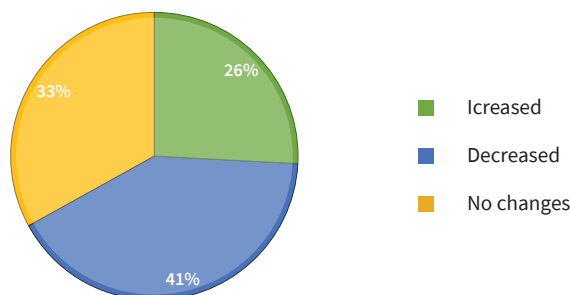




E – EMPLOYMENT & EDUCATION

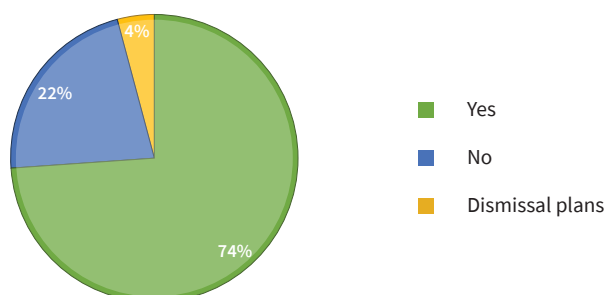
NET EMPLOYEES IN THE LAST CALENDAR YEAR (2020)

In 2020, as expected due to the negative effects that the coronavirus pandemic (COVID-19) had on the business of companies, 41% of surevey participants saw a decrease in the number of employees, while 26% of companies had increase in the number of employees. In 33% of companies, there were no changes in the number of employees in 2020.



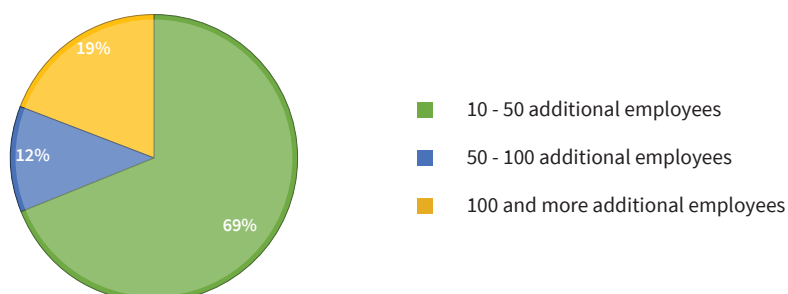
PLANS FOR ADDITIONAL RECRUITMENTS IN THE NEXT THREE YEARS

When asked whether they plan to hire additional labor force in the next three years, 74% of the respondents answered affirmative, while 22% answered that they do not plan new recruitments. Only 4% of respondents have plans to lay off workers in the next three years. As reasons why they do not intend to hire new workers or plan to lay off workers, the companies stated the poor economic situation in the companies and poor macroeconomic indicators, the assumption that the company's activities will be reduced or at the same level due to the coronavirus, as well as the increasing digitization of business processes that reduces the need for a new workforce.



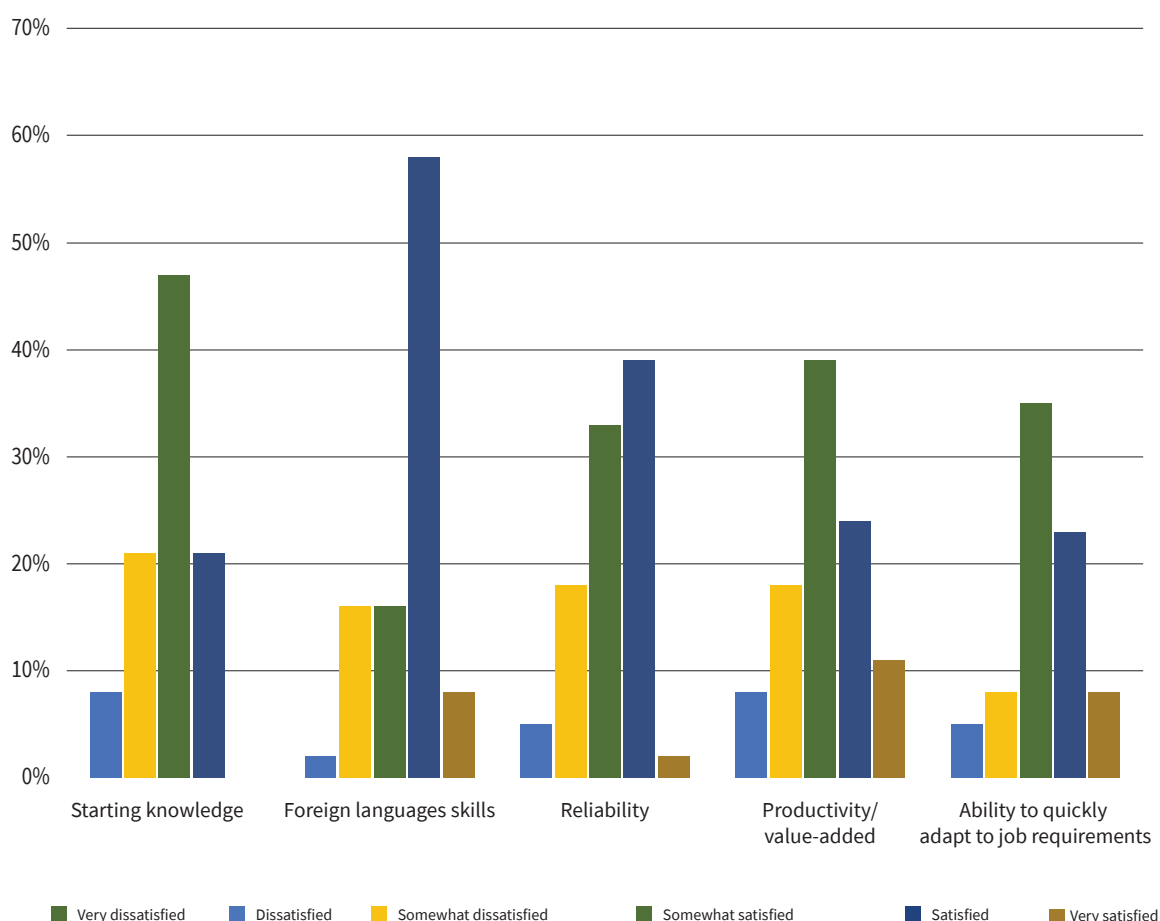
PLANNED NUMBER OF NET ADDITIONAL EMPLOYEES OVER THE NEXT THREE YEARS

74% of the respondents are planning to make new investments over the next three years also intend to hire additional workforce. Out of the aforementioned 74%, 69% are planning to employ between 10 and 50 employees, 19% plan to employ over 100 additional employees, while 12% plan to employ between 50 and 100 additional employees.



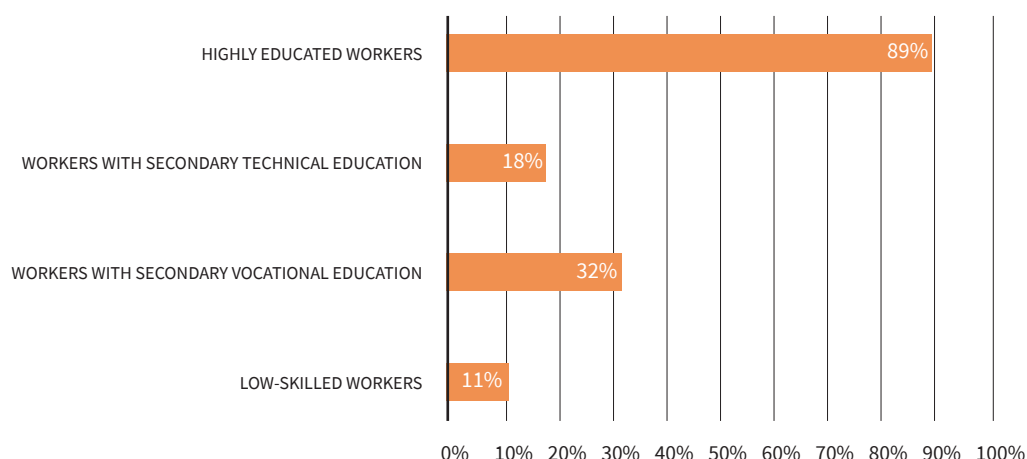
EXPERTISE AND RELIABILITY OF HUMAN RESOURCES IN B&H

The FIC members assessed the expertise and reliability of human resources in B&H, where close to half of the respondents stated that they were satisfied with their foreign languages' skills and the reliability of employees. To some extent, they were also satisfied with their starting knowledge, as well as with ability of employees to adapt to job requirements, while the investors were the least satisfied with the productivity of workers in B&H.



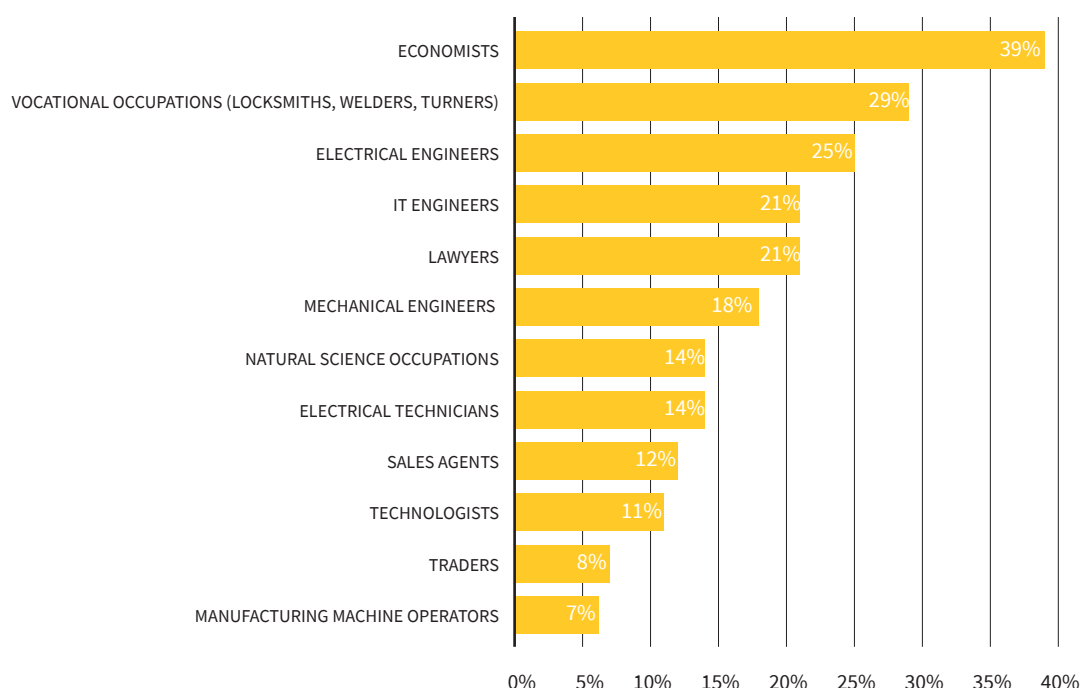
PROFILE OF WORKERS IN DEMAND

According to previously collected data from the questionnaire, almost 90% of the FIC members will have a need for recruiting highly skilled professionals, then 32% will need workers with secondary technical education (specialized skilled workers for technical and related occupations) and 18% for workers with secondary vocational education (skilled workers for a particular occupation). Only 11% of the respondents expressed the need to employ low-skilled workers.



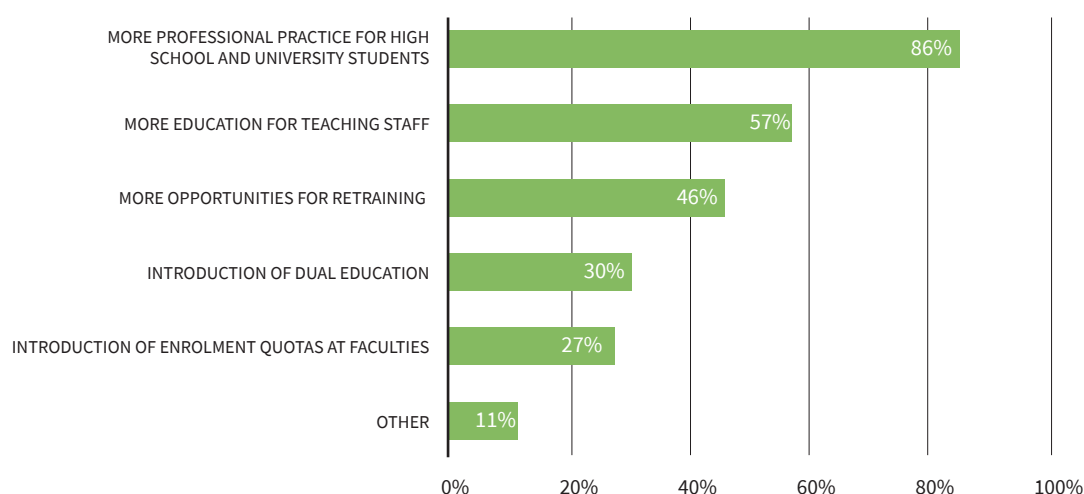
REQUIRED OCCUPATIONS/SKILLS

When it comes to the occupations that are most in demand among the FIC members, the following occupations stand out: economists, vocational occupations (locksmiths, welders, turners) and electrical engineers, especially IT engineers. Also among the required occupations are lawyers, mechanical engineers and occupations of natural science orientation (mathematicians, physicists and chemists). A significant percentage of companies also expressed the need to hire electrical technicians, sales agents and traders, technologists and manufacturing machine operators.



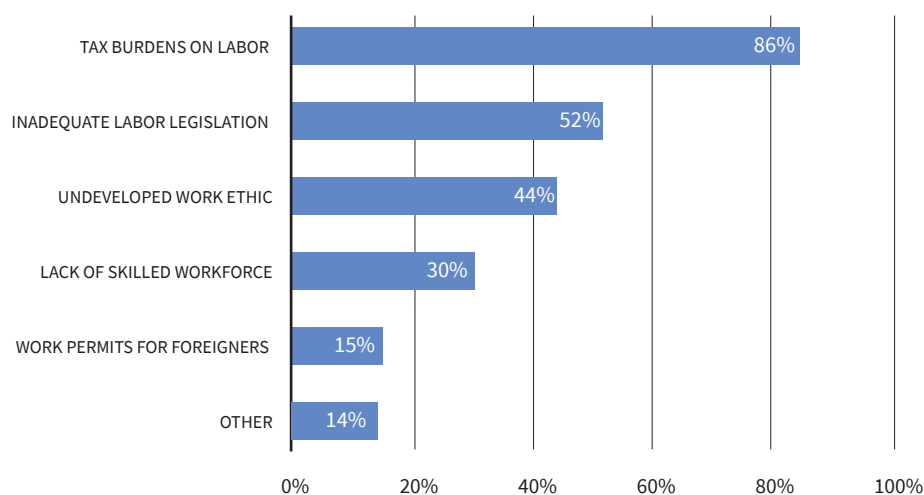
RECOMMENDATIONS FOR IMPROVING THE EDUCATION SYSTEM IN B&H

When asked what recommendations they would give to decision makers in order to match the education system in B&H with the needs of the labor market, the FIC members listed as three main recommendations: introduction of more professional practice for high school and university students, more education for teaching staff and more opportunities for retraining considering that in B&H there are many unemployed people with surplus occupations. In addition to the recommendations shown in the chart below, investors stated that there is an urgent need to reform the education system throughout B&H in line with global trends, improve communication between the education system and employers and adopt the strategies for future human resources needs.



BARRIERS TO JOB CREATION IN B&H

According to the FIC members, the three biggest obstacles to job creation in B&H are tax burdens on labor (taxes and contributions), inadequate labor legislation that does not follow European trends in terms of greater labor mobility, and insufficiently developed work ethic, which is listed as the third biggest obstacle. Lack of skilled workers and work permits for foreigners are minor barriers to employment. As additional challenges in creating new jobs, the FIC members stated unfavorable economic and political environment for business development and attracting new foreign investments, as well as the growing corruption in the country.

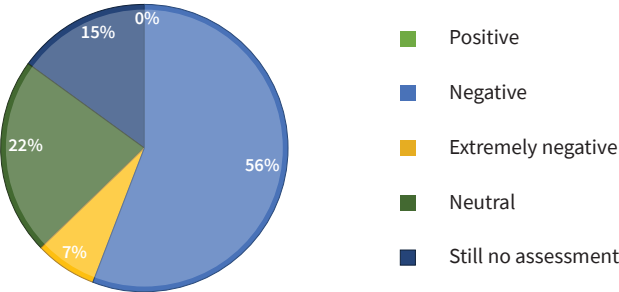




F – THE IMPACT OF THE COVID-19 PANDEMIC ON FIC MEMBERS

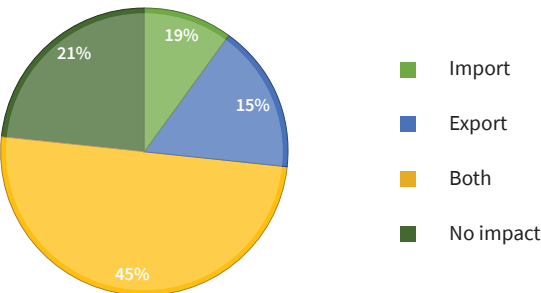
IMPACT OF THE COVID-19 PANDEMIC ON BUSINESS OPERATIONS IN BIH

More than half (56%) of FIC members felt the negative effects on business and revenues due to the COVID-19 pandemic. A total of 22% of FIC members were not affected by the pandemic, while 15% of companies still do not have a precise estimate of potential losses due to the pandemic. Only 7% of FIC members felt the extremely negative effects of the pandemic on their business and income.



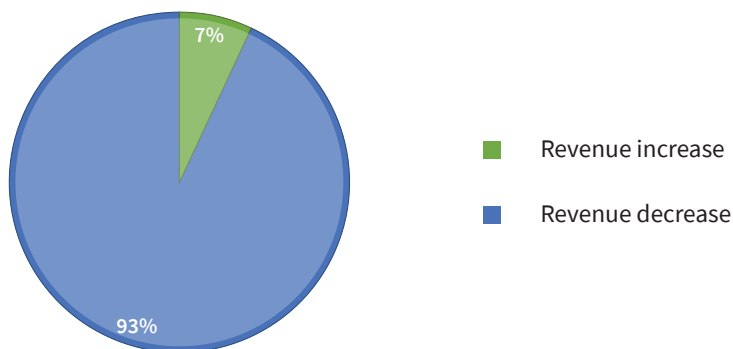
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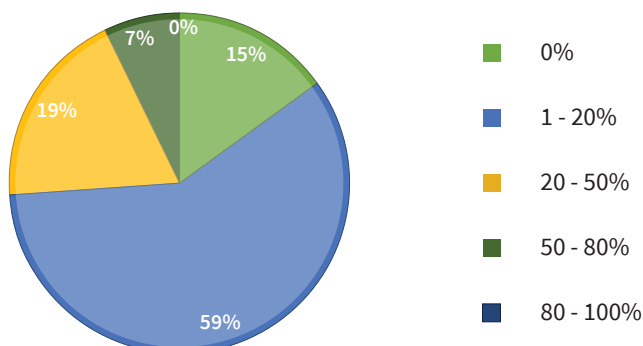
IMPACT OF THE COVID-19 PANDEMIC ON COMPANY REVENUES

A total of 93% of respondents answered that the COVID-19 pandemic led to a drop in their revenues, while only 7% of companies answered that the pandemic had an impact on increasing their revenues and production, and business expansion.



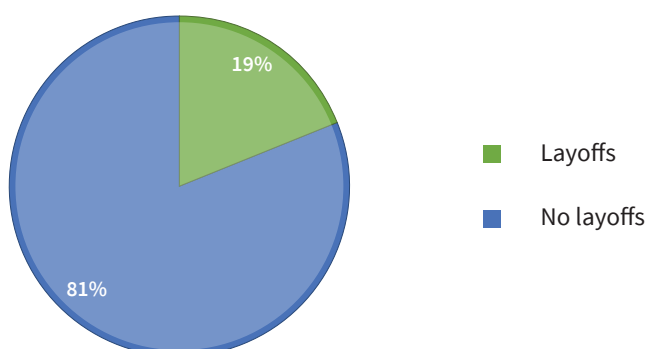
PERCENTAGE DROP IN REVENUES DUE TO COVID-19

A total of 59% of the companies in 2020 recorded a decline in revenues in a percentage of 1-20%, while 19% of the companies had a decline between 20 and 50% of total revenues. Only 7% of the companies had a revenue drop percentage between 50 and 80%. Fortunately, a significant percentage of the companies (15%) did not record a decline in revenues in 2020.



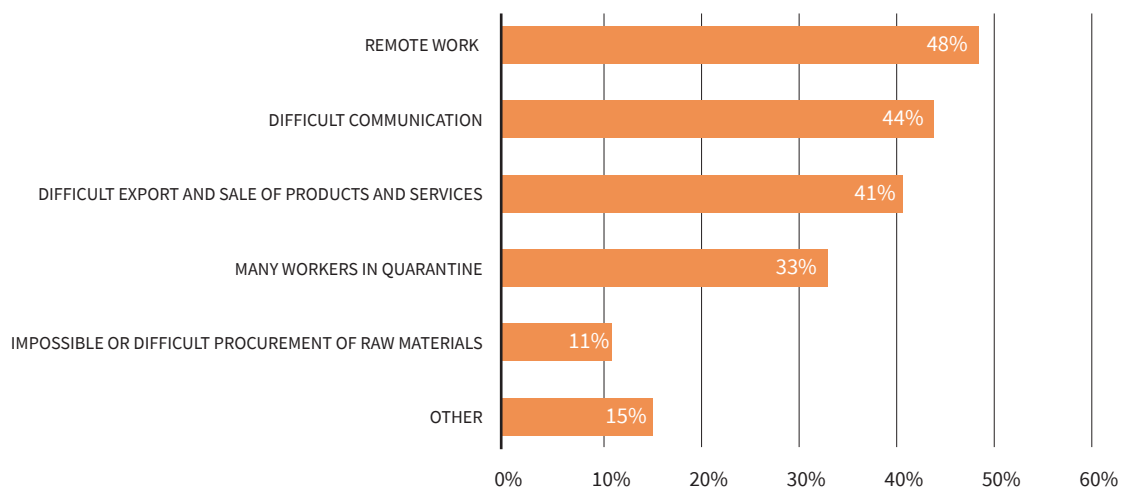
IMPACT OF THE COVID-19 PANDEMIC ON JOBS

For most of the FIC members (81%), the COVID-19 pandemic had no impact on jobs and layoffs of employees, while 19% were forced to lay off workers during the months of the crisis due to declining incomes.



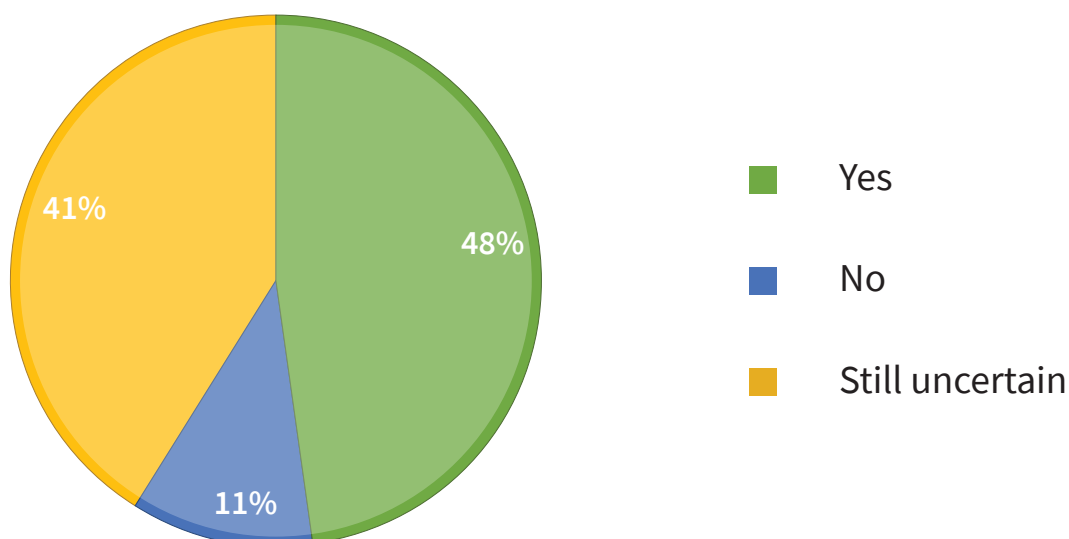
MAIN BUSINESS CHALLENGES DURING THE COVID-19 PANDEMIC

The FIC members who felt the consequences of the pandemic stated as the biggest challenges in the months of the crisis were remote work (work from home), then difficult communication (road communication, postal communication etc.) and difficult export and sale of products and services. Many companies were also affected by the fact that many workers were in quarantine, as well as the Impossible or difficult procurement of raw materials. A significant proportion of companies also stated additional challenges they faced during the pandemic, such as health care of workers and clients, organizing work during limited working hours, closing shops and the inability of B&H authorities to manage the socio-economic consequences of the pandemic.



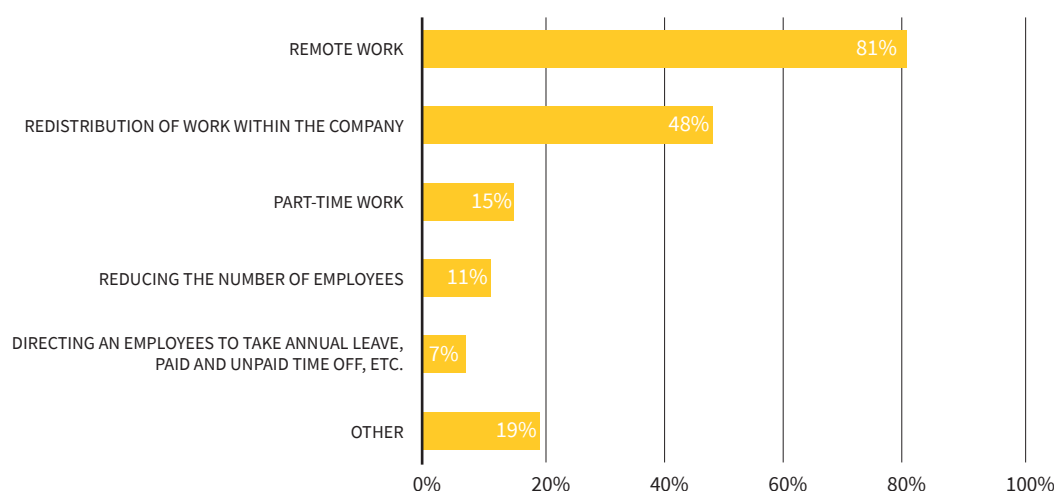
IMPACT OF THE COVID-19 PANDEMIC ON THE IMPLEMENTATION OF THE COMPANY'S STRATEGIC AND INVESTMENT PLANS

When asked whether your company will be able to implement the established strategic and investment plans despite the consequences of the pandemic, 48% of surveyed companies answered that they will succeed in implementing their plans, while 41% of respondents answered that the implementation of their established strategic and investment plans is still uncertain. Only 11% of companies will not be able to realize their plans due to the negative consequences of the COVID-19 pandemic.



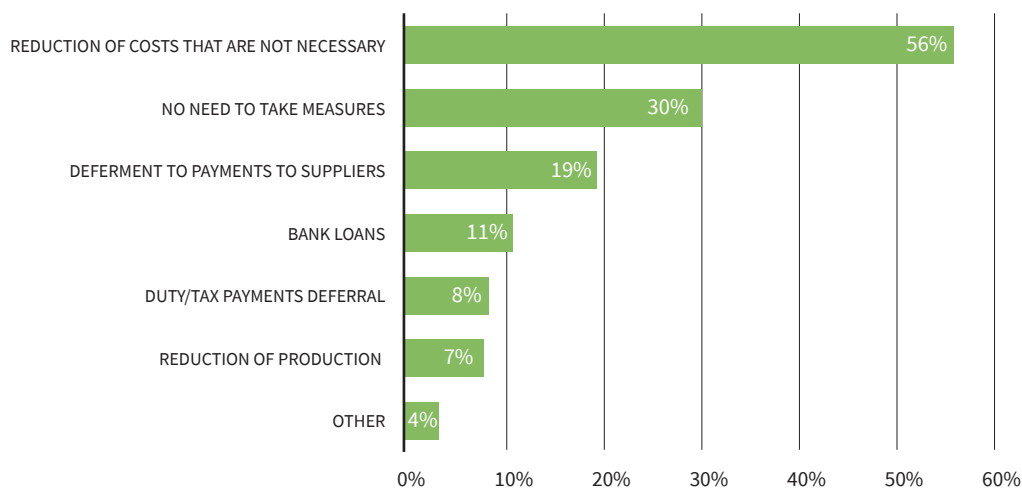
BUSINESS PROCESS OPTIMIZATION TO OVERCOME THE CRISIS CAUSED BY THE COVID-19 PANDEMIC

When it comes to strategies and decisions to optimize the business processes in order to overcome the crisis caused by the pandemic, most companies (81%) believe that remote work, redistribution of work within the company (48%), and part-time work (15%) were the main factors that have helped companies preserve their business while protecting the health of their workers and clients. In addition to the above, the companies listed additional ways that made their business easier in the crisis months, such as prompt communication with major suppliers and customers, cost reduction and the realization of strategic partnerships.



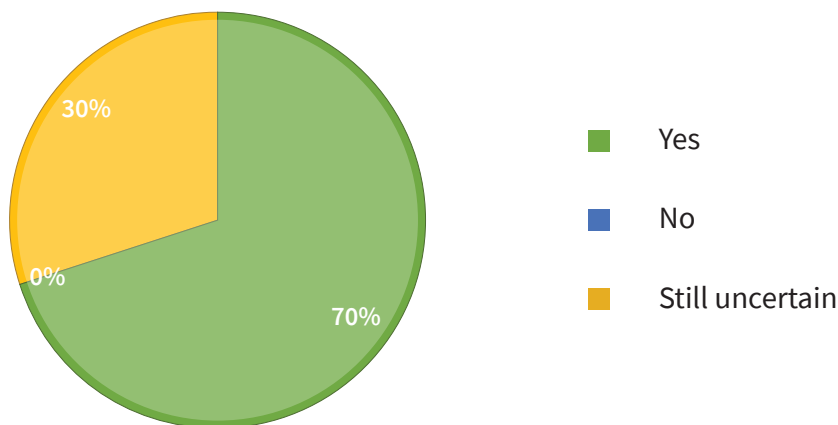
MEASURES TAKEN BY INVESTORS DURING THE COVID-19 PANDEMIC IN ORDER TO MAINTAIN BUSINESS OPERATIONS

According to the survey, more than half of the FIC members (56%), in the months of the crisis caused by the COVID-19, decided to reduce fixed and variable costs that are not necessary, in order to preserve their business. 30% of respondents did not need to apply any measures, while 19% decided to postpone payments to suppliers for delivered goods and services. 11% of the FIC members decided to take a loan from banks, 8% to postpone duty/tax payments to the state, and 7% decided to reduce production.



SUPPORT TO COMPANIES DURING THE CRISIS CAUSED BY THE COVID-19 PANDEMIC

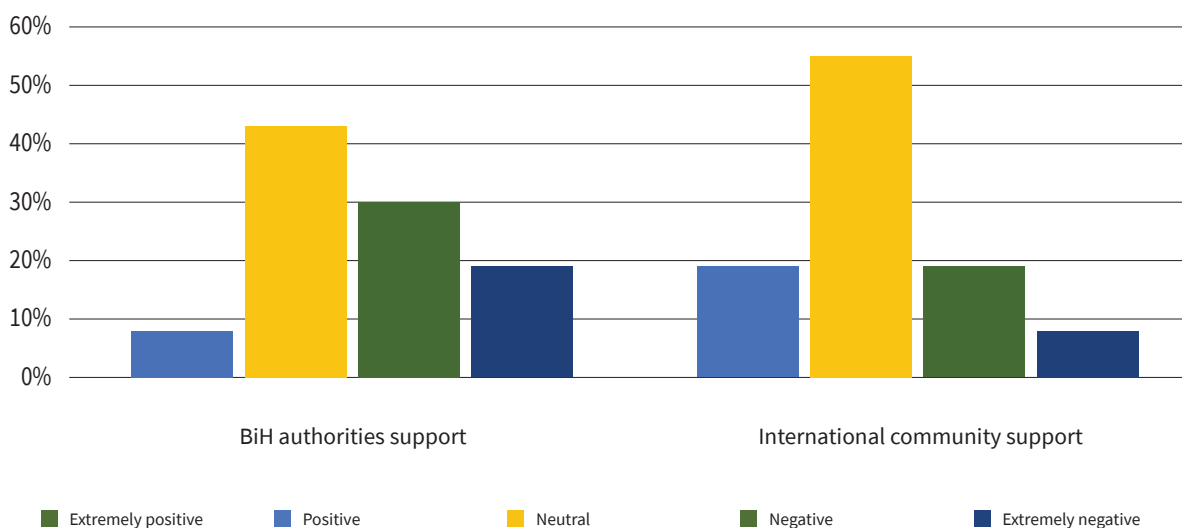
When asked whether they will be able to overcome the business crisis without financial and technical support, a significant majority of companies (70%) answered that they will be able to overcome the current crisis without additional support, while 30% of companies answered that they are still unsure whether they will be able to overcome business difficulties on their own without additional financial and operational support.



ASSESSMENT OF THE SUPPORT OF B&H AUTHORITIES AND INTERNATIONAL COMMUNITY IN COMBATING THE COVID-19 EFFECTS ON BUSINESS

44% of respondents took a neutral position in assessing the support undertaken by the B&H authorities in order to combat the consequences of the COVID-19 pandemic, 30% gave a negative assessment, 19% assessed the support of the B&H authorities as extremely negative, while only 7% of respondents gave a positive assessment of the B&H authorities' efforts to help companies overcome the crisis.

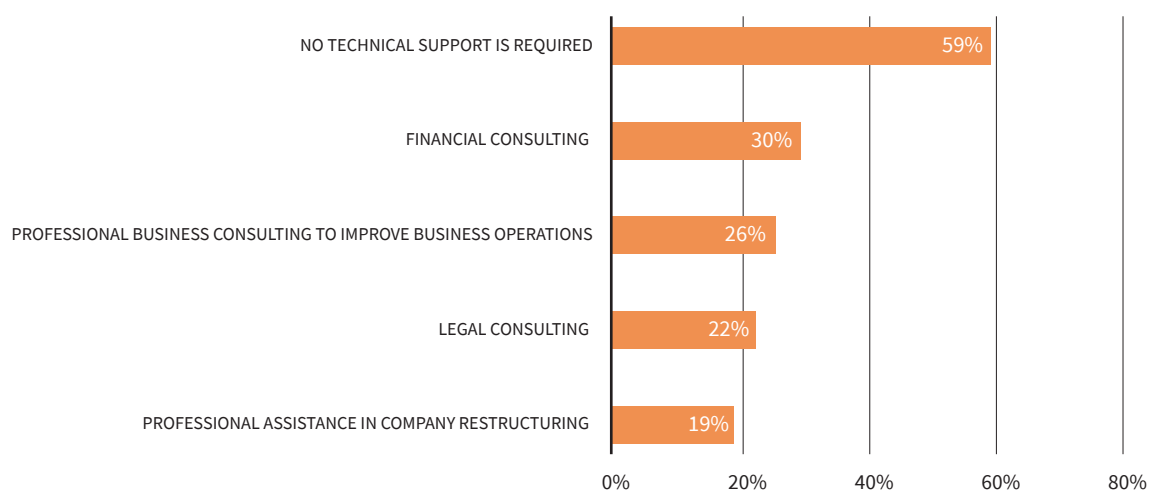
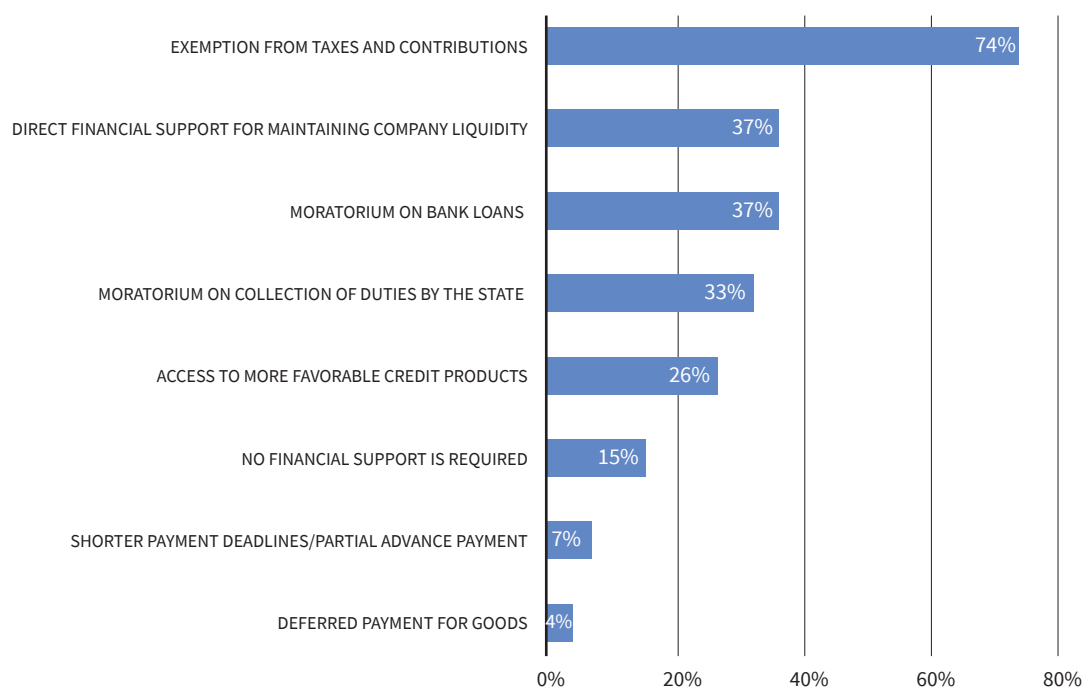
The support of the international community in overcoming the crisis caused by the pandemic was assessed somewhat better. 55% of respondents had a neutral position in assessing the support. The same percentage of respondents (19%) assessed both positively and negatively the international community support, while 7% gave an extremely negative assessment.



EXPECTED FINANCIAL AND TECHNICAL ASSISTANCE OF B&H AUTHORITIES IN OVERCOMING THE ECONOMIC CRISIS CAUSED BY THE COVID-19 PANDEMIC

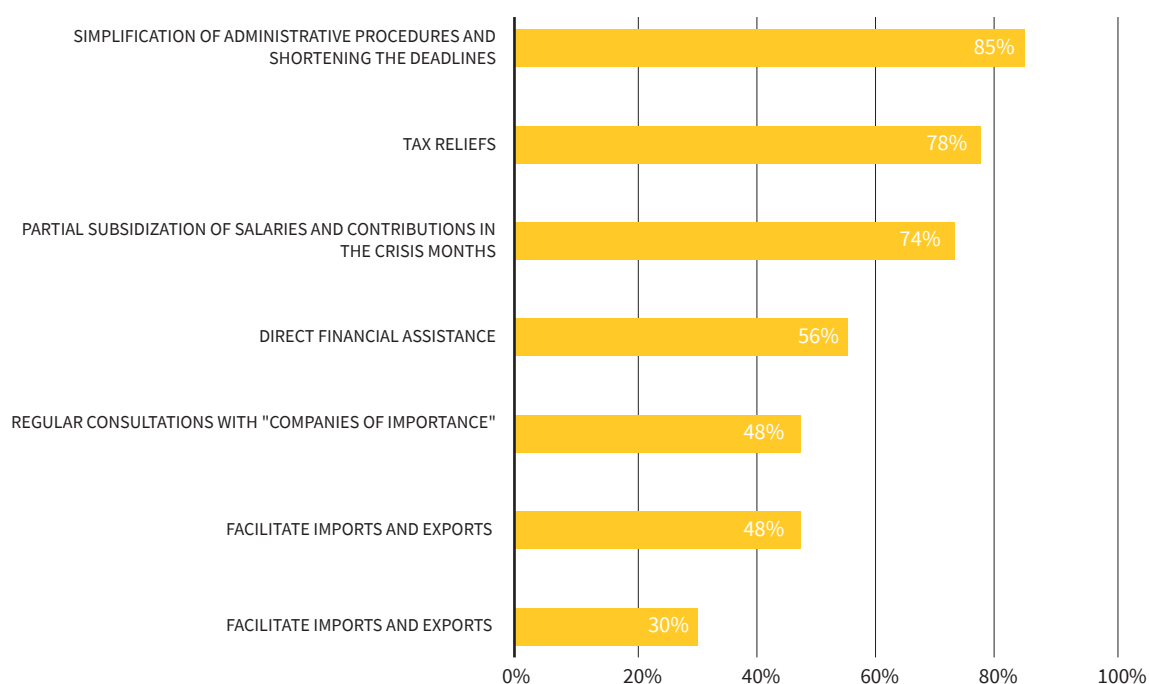
When asked what are the types of financial support that the state should apply in order to overcome the economic crisis caused by the COVID-19, the largest number of respondents (74%) believe that this is a temporary exemption from taxes and contributions. The same percentage of respondents (37%) believe that direct financial support to companies and a moratorium on bank loan repayments are the best ways to help companies maintain their liquidity. A slightly lower percentage (33%) of respondents think that a moratorium on collection of duties by the state is the best type of financial support, while 26% believe that the best form of support is to allow companies access to more favorable credit products.

When it comes to technical assistance that the B&H authorities should provide to companies in overcoming the negative consequences of the pandemic, in addition to 59% of respondents who do not need any technical support, 30% of respondents said that financial consulting is the most necessary form of technical support. A slightly lower percentage of respondents (26%) said they needed professional business advice to improve their business operations, while 22% needed legal consulting services in overcoming the crisis, and 19% needed professional assistance in restructuring the company.



RECOMMENDATIONS TO THE B&H AUTHORITIES IN ORDER TO OVERCOME THE CONSEQUENCES OF THE COVID-19 PANDEMIC

When asked which five most effective measures B&H authorities should take in overcoming the economic crisis caused by COVID-19, the companies answered that the first thing is to simplify administrative procedures and shorten the deadlines, followed by the introduction of tax reliefs and partial subsidization of salaries and contributions. In the fourth place is the measure of providing direct financial assistance to companies, while in the fifth place are facilitating the procedure of import and export of goods/services, and regular consultations with "companies of importance" regarding their needs.



Members

