

INVEST IN TOURISM

Sarajevo, mart, 2005.



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FOREWORD

Bosnia and Herzegovina (BiH) lies in the very heart of South-East Europe and on the crossroads between Europe, the Middle East and Northern Africa. As a country in economic transition, BiH is now getting more and more open for business and foreign investment, offering to the potential investors significant opportunities of penetration into a wider regional market and of running their business on the world scale, since BiH is the signatory of the Free Trade Agreement in the South-East Europe that provide for a free access to this consumer market with 60 million people. BiH also has free export agreements with the European Union and with Turkey, as well as specific preferential export regimes with the USA, Japan, Canada, Switzerland, Australia, Norway, New Zealand and Russia.

The political forces of Bosnia and Herzegovina are unanimous in their intention to make BiH a full member of the European Union. In this respect, it is worth mentioning that BiH expects to start soon its negotiations on the Feasibility Study for Accession to the EU - yet another the confirmation that the reforms it has undertaken so far are the right ones.

Bosnia and Herzegovina has achieved a satisfactory political stability that guaranties security for your capital and your business; the fact that, since Dayton Peace Agreement was signed (November 1995), not a single serious incident threatening the country's peace and stability has occurred, proves it more than clearly.

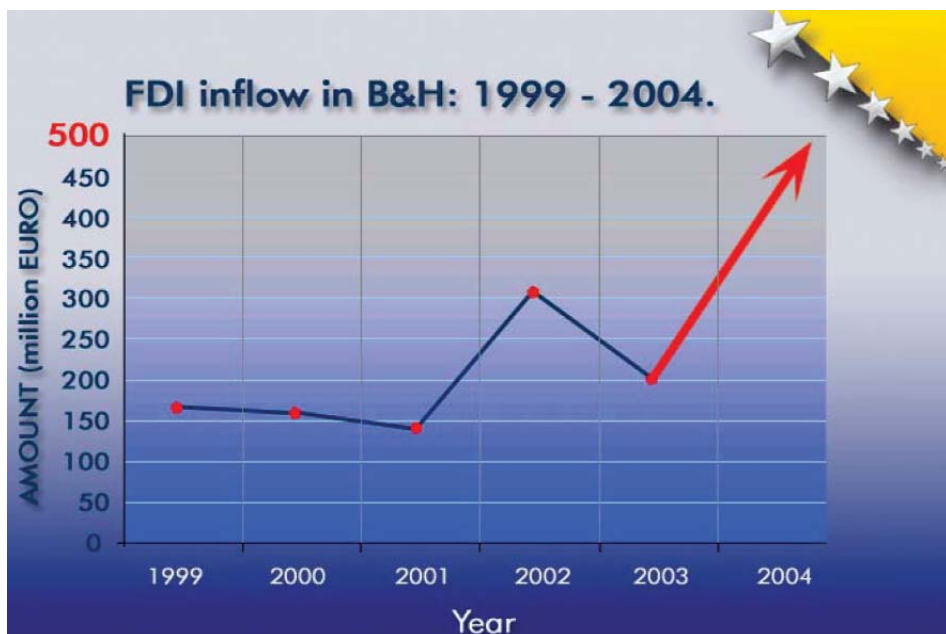
The improvement of business environment in Bosnia and Herzegovina and creation of a favourable climate for foreign investments are the key features of economic development and main elements of the Mid-term Development Strategy, better known as the Poverty Reduction Strategy Program (PRSP) of BiH (2004 -2007). The implementation of the PRSP's recommendations is already underway.

The improvement of business environment in BiH has taken a fast track mode, thanks to, inter alia, the activities of the Bulldozer Committee led by the Employers' Association of BiH, comprising businessmen, representatives of the key international financial organisations and the authorities of BiH, and aimed at identifying and removing those legal provisions that make it difficult for companies to further develop their businesses and to create new job opportunities. FIPA is greatly involved in this process while its director, Mr Mirza Hajriæ, co-ordinates the Quick Reform Unit that oversees the implementation of proposed measures. As of now, 100 new provisions were implemented. The Bulldozer Committee's Phase III is presently underway, with 50 the implementation of new reform measures.

The Value-added Tax (VAT) will be introduced in 2005, predicted at the rate 17%.

Advantages offered by B&H are:

- Macro-economic stability, achieved through its stable currency (the Convertible Mark - KM), linked to Euro with a fixed exchange rate;
- Lowest inflation in the region, with the average rate below 1%, the forecast being that it will see no major changes in 2005;
- Constant improvement of business environment;
- Fully reformed and developed banking sector;
- Considerable natural resources and potentials (wood, hydro-energy potentials, minerals, available agricultural and industrial land, construction industry, etc.);
- Highly educated, qualified and competitively priced work force;
- Numerous state-owned companies that are either being privatised or seeking strategic partners;
- Significant tax incentives for foreign investors;
- Risk protection system for foreign investors (about 30 bilateral agreements on mutual advancement and investment protection already ratified; protection through MIGA (the World Bank));
- Favourable foreign direct investment (FDI) laws, including national treatment of foreign investors;
- And numerous other advantages...



International business community has already recognized positive economic development as manifested by the constant growth of FDI.

This clearly indicates that foreign investors and businessmen have already identified many opportunities for making profit in BiH.

I hope that this brochure will help you in getting familiar with the business environment and economic potentials of BiH. In that respect, you can expect full support from the Council of Ministers of BiH, through its Foreign Investment Promotion Agency (FIPA) that stands firmly at your disposal in the process of identification and taking advantage of investment opportunities offered by BiH.

We wish you a lot of success in your intention to run your business in and with Bosnia and Herzegovina!

Chairman of BiH Council of Ministers
Adnan Terzić

A handwritten signature in blue ink, reading "A. Terzić", with a long horizontal underline stroke extending to the left.

SUMMARY



Bosnia and Herzegovina is a very interesting tourist destination because of her geographic position, exceptionally beautiful nature, cultural and historical heritage and favourable climate. For centuries, different cultures, religions and traditions have been adding value to the creation of a specific tourist product. Bosnia and Herzegovina possesses immense natural and man-made potentials for development of tourism.

Until 1992, significant tourist capacities, infrastructure and transporting network were built as a solid base for further development of this branch. The professionals who have proven their value and acquired valuable experience in the organisation of

the 14th Winter Olympic Games in 1984, as well as many other international sport, cultural and business events.

In the 1992 -1995 period, the war caused immense devastation of the whole country, her tourism capacities included.

However, many of the premises of the tourist offer are now functioning. Due to the activities of tourism communities and associations, formed within the chambers of commerce, numerous tourist agencies, mainly privatised companies in this field and owing to the support provided by relevant governmental institutions, tourism in Bosnia and Herzegovina could become one of the key businesses able of promoting the country in a completely new light.

Tourism has developed into the key sector of economy. Its development has extremely positive effects on the national economy and society on the whole, particularly in terms of the creation of new jobs.

World Tourism Organization (WTO) has ranked BiH among the group of countries with the highest anticipated annual growth, estimating annual growth rate at the level of 10,5 %. In 2004, the number of tourist arrivals in BiH was 3,5% higher than in 2003; it is projected that BiH, in terms of the growth of tourism, will have the third highest growth degree in the world until the end of 2020.

Projection of the world tourism industry annual growth (previous brochure table)

Tourism, as one of developmental chances of BiH, has been identified both by the American (USAID) and Japanese (JICA) experts, who launched, in March 2004, a study of the potentials of eco tourism in Bosnia and Herzegovina, discovering her resources and promoting her developmental potentials. The study is expected to be completed in March 2005.

BiH offers numerous investment possibilities in various fields of tourism and across her territory i.e. catering, hotel industry, spas, sports and recreation, as well as cultural and religious tourism. In the Development Strategy of BiH (PRSP), tourism has been identified as the sector that holds enormous potential for the advancement of national economy.

Annual Growth Projections 1995-2020	
Libya	12.6%
Oman	11.1%
BiH	10.5%
Vietnam	9.7%
Cuba	9.2%
Lebanon	8.8%
Cambodia	8.7%
Croatia	8.4%
South Africa	8.0%
China	7.8%
Egypt	7.7%
Indonesia	7.7%
Russian Federation	6.8%
Slovenia	6.0%
Turkey	5.5%

GENERAL INFORMATION ON B&H

- BiH lies at the very centre of the Southeast Europe, bordering with the Republic of Croatia to the north, west and southwest, and with Serbia and Montenegro to the east and south. Ivan Sedlo Mountain Pass (959 m) between Mt. Bitovnja and Mt. Bjelasnica connects two major parts of the country - a more densely populated Bosnia to the north, with abundance of forest and arable land, and smaller in size and mainly rocky Herzegovina, to the south. The distinct natural border between the region of Bosnia and that of Herzegovina is Vran - Radusa - Vranica - Bitovnja - Bjelasnica - Treskavica - Zelengora - Maglic mountain range.
- Bosnia and Herzegovina covers the territory of 51.129 km². Herzegovina makes about 20% of the country, inhabited by app. 10% of overall population. Nearby the Neretva River's estuary, before the canal of Mali Ston, Bosnia and Herzegovina has a tiny exit to the Adriatic Sea - a 21.2 km long coastline near the town of Neum.
- The capital is Sarajevo, with 480.000 inhabitants; other major towns in BiH are Banja Luka 180.000, Tuzla (100.000), Mostar (85.000) and Zenica (70.000).
- The estimates of the overall size of population vary because since 1991. there was no census held in the country, however, the generally accepted figure is 3.85 million.
- Very similar languages are spoken throughout the country. Latin and Cyrillic alphabets are in official use in both entities. Many BiH citizens speak English or German as their second language, while there are quite a lot of those speaking Russian, French or Italian, which makes communication with numerous tourists, business people and the representatives of international community easier.

POTENTIALS OF TOURISM

Why investing in B&H tourism?

- Thanks to numerous positive trends of development, tourism has become one of the most dynamic and most propulsive branches of economy, with multiple effects (in the 1990. - 2000. period, international turnover in tourism was over 50% higher, while the total revenue was almost 80% higher). This assigns to tourism a powerful function of a generator for a spectrum of economic activities, including it among the priorities of economic development of many countries of reception.
- According to the 2003. data provided by the World Tourism Organisation (WTO) international turnover of 694 million tourist arrivals what is 8,5 million, or 1,2% less than the last year and 514 billion USD revenue of the international tourism.

The share of the European Countries in the total international tourist arrivals in 2003. is 56,9%, or 401,5 million international tourist arrivals, what is 2,2% more than 2002. and the revenue of 282 billion USD were recorded in the international tourism.

In European Union countries tourism makes 5,5% of GDP, provides 6% working places, makes more than 30% of services export and 65% of total turnover of small and midium enterprises in EU is made by small and medium enterprises that are performing touris services.

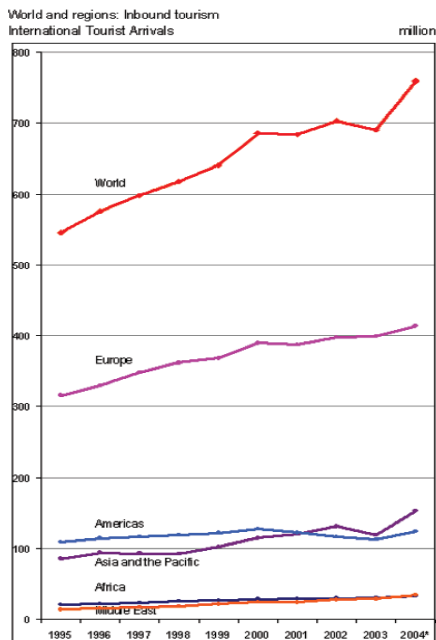
2005. Certain changes will be present at the international trade regarding demand and supply movement, characterized by:

- Tendencies towards huger number of travels, shorter distance
- increased number of travels inside the region
- Demand segmentation
- Increased demand for individual "arrangement packets" convinient for the guests wishes.
- Tendencies towards "travel as experience"
- Tendencies of standard growth and offer quality
- More aggressive promotional and other market activities of the touristic destinations.

Bosnia and Herzegovina poses great reserves of touristic resources as well as other advantages to attract tourists including:

- Well accesses to the markets that generate the highest number of tourist arrivals in Europe
- Untouched surrounding, mountains, coasts, walleys and forests
- Unique and variable flora and fauna
- Rich cultural heritage of art, customs and culinary specialties
- Fascinating and rich history since old Greeks, even earlier
- High level of literacy and educational standards, including high number of people that speak German, English, Italian and French language.

Beside that, county size provide visits of the huge number of celebrities during only one simple trip, actually Bosnia and Herzegovina is natural "packet destination".



Source: World Tourism Organization (WTO) ©

Number of tourist and overnight stays in B&H in 1997-2003

YEAR	Federation of Bosnia and Herzegovina		Republika Srpska		BOSNIA AND HERZEGOVINA	
	TOURISTS	OVER-NIGHT STAYS	TOURISTS	OVER-NIGHT STAYS	TOURISTS	OVER-NIGHT STAYS
1997	160.00	415.00	108.009	362.243	268.009	777.243
1998	189.000	453.000	148.175	437.736	337.175	890.736
1999	199.301	474.327	168.375	473.705	367.676	948.032
2000	221.418	511.048	169.720	440.760	391.138	951.808
2001	184.193	415.584	146.133	359.890	330.326	775.474
2002	214.640	505.772	151.838	384.187	375.050	902.307
2003	228.378	509.540	152.441	391.995	387.675	913.750

In 2004, Bosnia and Herzegovina has recorded the visits of 418.000 tourists, (7,7 % more than 2003.). BiH also has 16.987 registered beds in hotels, motels, boards and private accommodations. Accommodation capacities usage, during 2004 was 16,5%. The total number of overnight stays was over one million, or 10% more than last year, out of which 476.000 were foreigners and 533.000 domestic tourists.

- Accommodation capacities are mainly located in the popular tourist destinations, such as Sarajevo, Banja Vrucica, Mt. Jahorina, Neum and Medjugorje. Most of the hotels are medium-sized (up to 80 beds); grand hotels were built before the 1980s and are located mainly in the major urban centres. The number of motels and smaller hotels as well as pensions - particularly interesting for youngsters, who cannot afford costly hotels - is in increase.
- Hotel's accommodation capacities have growing capacity tendency. According to the present categorisation, majority of objects(60%) posses threestar category, and 8% of them for and five stars.

Source of data:

Tourism association of Foreign Trade Chamber BiH,

FBiH Office for Statistics, RS Institute for Statistics, Brcko District statistical office

Available accommodation capacities in B&H:

NUMBER OF BEDS	1990 I-XII	2003	2004	INDEX 2004/2003
BiH	51.632	16.155	17.419	107,8
USED CAPACITIES	21%	17,6%	17,3%	98,3

Source: Group for Tourism and Catering of BiH Foreign Trade Chamber

- Situated in the heart of the Balkans, BiH is close to major European capitals. The European tourists mainly visit their neighbouring, i.e. European countries, BiH included or, more precisely, almost 88% of their destinations are in other European countries. Another advantage of BiH lies in her central position, in the vicinity of the biggest world markets - the Middle East and Asia.
- Tourism is undoubtedly one of the biggest industries and for many countries it represents a significant employment basis. BiH has a great work-force potential, with both experience and long tradition in providing catering services that could satisfy the most demanding guests.
- With additional foreign direct investment in this sector, many young people in BiH could find jobs that would give them an opportunity to apply their knowledge of foreign languages and their international experiences.
- There are many educational and training programmes provided to those employed in BiH tourism, e.g. current training programme within the EU Tempus Programme.

TRANSPORT

- Geographically, BiH has a very favourable position. Across the country, just like in the neighbouring Croatia and Serbia and Montenegro, there are the corridors connecting Central Europe with the Adriatic. Given the importance of transport infrastructure for development of an economy and of society as the whole, and on the basis of studies that have already been made, conditions are now met for the construction of new roads, and for the reconstruction of bottlenecks in the existing infrastructure.
- During 2003, the construction of Josanica - Podlugovi Highway near Sarajevo was completed - as the part of the Pan-European Vc Corridor, the most important transporting project in BiH that would connect the Croatian Port of Ploce, with Sarajevo and Brcko and further north - with Budapest, in Hungary. Furthermore, more than 56% of the BiH population lives in the zone proposed for the construction of this corridor; they generate 63% of the country's GDP.
- The Vc Corridor, connecting Northern and Southern Europe, represents an exceptional added value in the context of integration of the transport network of Central Europe, as well as for development of tourism.
- Railroads are - much more than roads - part of an integrated European system. International agencies have begun working on the modernisation of railroad network of BiH.
- Some of the world-known freight-forwarding companies are already present in BiH. Domestic companies, such as Intersped, Dusanic, Transjug, Centrotrans, Meridijan, Interherc and Intereuropa, are also capable of providing full transportation and freight-forwarding services.
- UPS, DHL, TNT and FedEx are international post and merchandise carrier present in BiH.
- There are four airports in BiH: Sarajevo, Mostar, Banja Luka and Tuzla registered for international traffic.
- The River Sava has 333 kilometres of navigable water; as a tributary of the Danube, it is part of European waterway network - VII Trans-European Transport Corridor

Distances between Sarajevo and major European cities:

To	Distance (km)	Direct flight
Belgrade	206	Yes
Brussels	1310	No
Budapest	407	Yes
Frankfurt	1013	Yes
Istanbul	930	Yes
Ljubljana	389	Yes
London	1620	No
Munich	708	Yes
Paris	1349	No
Prague	755	No
Rome	516	No
Vienna	511	Yes
Zurich	859	No
Zagreb	288	Yes

ADVANTAGES OF B&H

- Bosnia and Herzegovina offers numerous advantages to foreign investors, regulated by the Law on Foreign Direct Investment Policy, the Law on Customs Policy, the Law on Concessions and the Law on Turnover Tax on Goods and Services;
- Favourable laws regulating FDI, including national treatment of foreign investors; BiH has a stable currency (KM), pegged to EURO;
- Lowest inflation in the region, expected not to change significantly in 2005;
- 95% of the products from BiH is exempt of all the taxes when exported to the EU countries;
- Likewise, according to the new preferential regime with the European Union, all the goods from Bosnia and Herzegovina that meet the EU technical and technological standards and requirements may be exported to the EU until the end of 2005 without any restrictions relating quantities and without the payment of custom fees and other related duties. Other countries that have allowed this preferential status to the goods from BiH are USA, Canada, Japan, Russia, Switzerland and Norway;
- Significant tax incentives for foreign investors;
- Fully reformed and developed banking sector;

- Risk Protection System for foreign investors (about 30 bilateral agreements on mutual advancement and protection of investments have been ratified; protection through MIGA/World Bank);
- Highly educated, qualified and cost-competitive work-force;
- In 2005, the remaining 65% of state-owned companies should be privatised. Privatisation is, therefore, without any doubt, a major assets currently offered by BiH;
- Constant improvement of business environment;
- BiH has a state-of-the-art telecommunication network;
- BiH is an important regional producer and exported of energy;
- BiH (Sarajevo) is a serious bidder for the organisation of the Winter Olympic Games in 2014. (In 1984, Sarajevo was a very successful host of the Winter Olympics).
- And many other advantages...

INVESTMENT OPPORTUNITIES OF B&H TOURISM



Zelengora

- Due to her mystic and tragic history, on the one hand, and to her astonishing natural beauties and her good people, on the other, Bosnia and Herzegovina has always attracted travellers and adventurers who wrote and told stories about her as a country full of contrasts and marked by a rich diversity of religious and cultural life.
- Our gorgeous country can offer to her visitors both an interesting and pleasant vacation and the possibility of obtaining new knowledge and experiences.
- BiH' s well-preserved natural resources and environment, cultural and historical heritage, climate and geographic position create are a huge potential for the development of tourism that respects regional specificities while focusing on selective tourism - mountain, spa, coastal, hunting and fishing, religious and eco tourism.



Bjelašnica



Maglić

Due to great potentials, conditions would be created for considerable advancement of BiH tourism.

Mountain tourism

- Nature has been truly generous rewarding with immense natural beauties the citizens of BiH who love and respect their country. If we are to make a choice of the true gems of natural beauty of Bosnia and Herzegovina, then certainly it would be her Alpine mountains: Bjelasnica, Igman, Zelengora, Treskavica, Jahorina, Romanija, Grmec, Kozara, Ozren any many others, with their immense forest and hunting wealth.



Maglić

- Olympic Mountains of Bjelasnica, Jahorina, Igman, Trebevic, as well as Mt. Vlasic near Travnik are great resources for winter tourism, sports and recreation. Bosnia and Herzegovina is an ideal country for all sorts of winter sports while it has incredible potentials for development of winter tourism.
- Ski tradition, planning and alpinism exist more than 100 years on the BiH Mountains what many objects and documents may witness. After XIV ZOI 84. winter tourism expansion started, at the period when our centers became a member of the world family consisted of 16 winter Olympic centers. Today, BiH winter centers poses more than 50 km of ski slopes, connected with eight cable railways and 24 ski lifts that may supply more than 20 000 skiers per hour.
- From December until the end of March, the Olympic Mountains of BiH are in full fling, offering some of the best skiing terrains in Europe. Jahorina and Bjelasnica Olympic centres, just like Mt. Igman and Mt. Trebevic - all in the immediate vicinity of Sarajevo - were the hosts of the 14th Winter Olympics.



Romanija

- Winter tourism development tradition settled Jahorina into a group of top ski centres of the Western Balkan, so today, Jahorina offers 3000 beds with 1400 of them in three and more star hotels until 2010. Master plan preparations are in progress as well as for privatisation of the state capital in Olympic Centre Jahorina and devastated buildings too.
- Mt. Jahorina has over 20 km of fully equipped Alpine skiing terrains, linked with four modern funiculars and four ski lifts, with the total capacity of over 7500 skiers per hour. In the summer, Mt. Jahorina is a very pleasant site for high altitude preparations of athletes, hiking and for the recreational activities, such as harvesting berries' and medicinal plants.
- Only twenty-six kilometres from Sarajevo and nineteen kilometres from the airport, there is Mt. Bjelasnica - favourite among both skiers and hikers. Mt. Bjelasnica occupies the area between Sarajevo and Konjic; many traditional Bosnian villages, canyons, lakes and mountain huts can be found there. Mt. Bjelasnica is under 135 cm high snow cover on average for 150 days. The ski- slopes are good for different disciplines, although, due to their steepness and length, it is most adequate for downhill and giant slalom. Natural beauties and hotels on Mt. Bjelasnica and Mt. Igman provide for the sporting activities both in the summer and in the winter. In order to use all the potentials of tourism offered by these mountains, we would need to reconstruct the war-demolished hotels and build the new ones. Infrastructure reconstruction is underway; the Government of BiH, supported by the international community, has taken measures to reconstruct the ski lifts and other facilities necessary for this type of tourism. In order to coordinate different levels of governmental and other institutions involved in the realisation of revitalisation projects of Olympic Mountains Igman and Bjelasnica, the Igman-Bjelasnica Task Force has been formed.



Bjelašnica Olympic games 84

- Recreation center "Risovac" dispose with 4000m ski slopes, connected with four seat cable railways, ski lift and baby ski lift that may transport 2200 skiers per hour. In hotels, center dispose with 130 beds and over 1000 bed in a private accommodations.
- Only 120 km from Split, 120 km from Mostar, and 140 km from Sarajevo, there is Kupres - an ideal place for vacation both in the skiing season and throughout the year. An interesting tourist site here is Mt. Kupres, which, with its 1250 m altitude, its cold Alpine climate and almost 5 months of snow, is the destination of choice for recreational skiers. It is particularly accessible and attractive for the tourist from Dalmatia and Herzegovina. Although the pre-war capacities are still awaiting reconstruction, tourists do have at their disposal four skiing tracks equipped with the ski lifts with the capacity of 1,000 skiers per hour.
- The skiing terrains on the slopes of Mt. Stozer belong to the "Stozer" Skiing Club from Kupres that has two tracks - one 300 and another 250 meters long - equipped with a 550 skiers per hour funicular and a special ski-lift for the beginners.
- Mt. Vlasic is equally distant from the Adriatic Sea and from major continental towns. It is dominated by the Opaljenik Peak (1943 m). The snow that remains on this mountain for more than 5 months with very few days of bad weather; while, in the summer, due to abundant forest, flower-sprinkled pastures, the River Ugar; a developed cattle-breeding and production of famous Vlasic Cheese, so Mt. Vlasic has all the preconditions for development of several types of tourism throughout a year.
- "Babanovac" Sports and Recreational Centre (1,260 m) on Mt. Vlasic is connected with Travnik by two asphalt roads. Once recognised as the site of the international ski-jumping competition, known as the "Vlasic Cup", with its 90 m ski jump venue - one of the southernmost and most natural ski in Europe - and as the winner of "1979 Silver Snowflake", as the best equipped and maintained winter centre in the former Yugoslavia, it has now started regaining its glory, experiencing

expansion of tourism activities. Babanovac has definitely become one of the first-class winter centres in Bosnia and Herzegovina, and even beyond her borders.

- Mt. Cvrznica is one of the highest mountains in Herzegovina. Its highest peak is Plocno (2,228 m). On its southern side there is Mt. Cabulja and a somewhat lower Mt. Vran, to its west. Between them, there are beautiful valleys and a clear natural mountain lake. Together, they make a fascinating natural phenomenon - the Blidinje Natural Park.
- In the heart of Krajina there is Mt. Kozara, on whose four sides there are - as its natural borders - the gem of Krajina, beautiful, emerald-blue River Una, the Sana River, wide Sava River and the rapid streams of the Vrbas.

RECREATIONAL CENTER	Name of the ski center	Height above sea level	Ski slopes lengths	Lifts number	Siers Capacity/hour
IGMAN-BJELAŠNICA	Ski centar Igman-Bjelašnica	1266-2067m/nv	8345 m	4	around 4150
VLAŠIĆ	Babanovac	1260-1525m/nv	15000 m	6	around 4600
KUPRES	Čajuga	1250 m/nv	13500 m	5	around 1000
BLIDINJE	Risovac	1250 m/nv	3000 m	3	around 2500
JAHORINA	OC Jahorina	1916 m/nv	20000 m	4	around 7500

Source: Touristic association of Federation of BiH

Cultural and heritage tourism

- It is her boundless tourism resources that make Bosnia and Herzegovina so special, while her mix of different influences makes her culture and arts a true mosaic marked by an unusual balance between old and new. Visiting numerous museums of the cities of Sarajevo, Banja Luka, Mostar and Bihac, one can find Roman mosaics, Neolithic pottery, Oriental architecture, crosses and paintings as the old decorations in the Catholic and Orthodox churches. These deep roots gave rise to wonderful poetry, and for the brilliant prose of Ivo Andric, who won Nobel Prize for literature, to the world-known painters, romantic music, etc.
- According to WTO, about 37% of world tourist arrivals are due to the cultural offer; it is expected that, by 2020, the number of visits will be 15% higher. Besides highlighting the country's cultural values, this type of tourism contributes to economic development.
- Cultural tourism has its own advantages, since it does not depend on weather conditions or season. Regions oriented to specific types of tourism can often be threatened by inadequate weather. When cultural tourism is concerned though, there are no negative effects of seasonal works either.
- An interesting aspect of possibilities of development of cultural tourism lies in the fact that the abundance and diversity of the culture in BiH is not limited to museums; rather it is kept in "living museums" - houses, bridges, architecture and traditional lifestyle.

- Major towns in the vicinity of the monuments of cultural and historical heritage in BiH can provide for more than 15,000 beds in hotels, motels and pensions. In 2003, there were more than 200,000 overnight stays, i.e. 25% of the total number of arrivals to BiH.

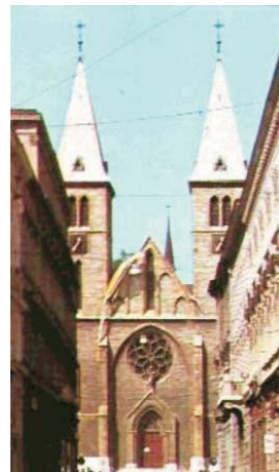


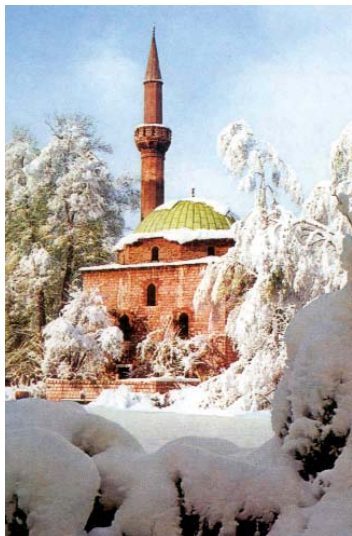
Sarajevo, Banja Luka, Mostar, Tuzla, Zenica, Bihac and Trebinje offer most of the accommodation capacities.

- It is interesting to mention that, in a very brief period of time, many projects were realised in the field of culture: Sarajevo Film Festival/SFF, considered the most popular event in Sarajevo, and not less important MESS International Theatre Festival, Jazz Fest Sarajevo and others.
- During SFF, its Open Air Cinema can take 2500 spectators.

Religious tourism

- A small country with the population of less than 4 million, mainly of Slav origin, speaking almost the same language, represents a meeting point of three Mediterranean civilisations: Western European, embodied in Catholicism, Byzantium, in the form of Orthodox Christianity, and the Ottoman Empire, in the form of Islam. When the Jews were expelled from Spain and Portugal, by the end of the 15th century, the Turks were the ones who provided them with refuge. That is why there is also the fourth, cultural component present in the mix called Bosnia and Herzegovina.
- Upon the apparition of Virgin Mary, Medjugorje has become a modern center of religious tourism and one of the most interesting destinations for the pilgrims from all over the world. Beside Lourdes and Fatima,





Medjugorje is now the most famous of all the world shrines dedicated to Virgin Mary.

- Every day, the groups of pilgrims arrive here from all over the world. Statistics show that, annually, over one million believers visit Medjugorje, where 15 000 beds in the family-run hotels and pensions can cater to all their needs.
- For almost five centuries, thousands of pilgrims have been visiting Ajvatovica, the best known of all the traditional Dova-prayer sites in BiH. Here the Muslim believers come to pray the so-called "Rain Dova", asking Allah to be merciful upon them and to pour rain onto their soil, thus granting them a fruitful and successful year.

Bosnia and Herzegovina has numerous significant religious and cultural monuments belonging to the Orthodox Church - their most precious holy sites, e.g. the monasteries built in the XIII and XIV centuries such as Tvrdos, Dobricevo, Ozren, Gomionica, Liplje, Mostanci and Dobrun, as well as the Church in Cajnice with its icon dedicated to Virgin Mary, the Mother of God; the icon that, as legend has it - was painted, just like the famous "Three-

handed Mother of God" - by Apostle Luke himself.

- Accommodation capacities, infrastructure and other facilities have been built: Prusac, Jajce, and numerous religious and cultural monuments of all the four faiths (Islam, Orthodox Christianity, Catholicism, and Judaism) that have existed in this part of the world for centuries.
- The wars waged in this part of the world have obliterated the traces of numerous religious monuments of different faiths, however memories of them has been preserved as the token of will that one day they would be rebuilt. Lovnica Manastery, near Sekovici that was built in the 13th century has thus been preserved to our days.



Eco tourism



- This branch of tourism maybe shows best the true potential of BiH for development. The Dinara Mountain Range is one of the most attractive, yet undiscovered places, in the southeast Europe. Many crystal-clear mountain creeks and wells provide not only for development of eco tourism, but also the first-class possibilities of rafting and fishing;
- Insufficient "bed & breakfast" accommodation capacities, as well as the lack of other additional services, provide for the possibility of investment in this sector;
- Although tourism is not sufficiently developed in BiH, that has not discouraged local investors to invest in this branch, while the number of foreign visitors, seeking new, undiscovered and exciting destinations, is in constant increase.
- Sutjeska National Park is the oldest such reserve in BiH with a thousand-year-old virgin forest of Perucica, covering 1.291 hectares, in its environs. This is the only remaining virgin forest in Europe.
- Here, there is also the highest peak in BiH - the 2,963 m high peak on Mt. Maglic, on the border between BiH and Montenegro. For mountaineers and nature-lovers, the fact that this virgin forest is accessible from the National Park is particularly challenging. The River Sutjeska has for thousands of years been cutting through a canyon between the massifs of Mt. Zelengora (2.014 m) and mountains Lelija, Maglic and Volujak, as well as through the very heart of the national park that covers the area of 17,500 hectares. One can freely say that Sutjeska National Park is the best of the best, amongst the incomparable natural beauties of the country. Its mountains, lakes, rivers, forests and its untouched nature make this site

one of the most magnificent ones in Europe. National Park Sutjeska got a name according to the river Sutjeska. It poses 320 beds in hotels and around 100 beds in a country houses. This mountain river flow through Zelengora (2.014 m), Lelija, Maglic, Volujak. The establishment of the national park in the very heart of the region of Mt. Dinara would certainly lead to the increase of demand for accommodation and other complementary services.

- Kozara National Park was established in 1967. Kozara is a tame mountain with all sorts of game: doe, boar, fox, hare, pheasant, wild duck and partridge, which make it a rare game preserve in this part of the Balkans.
- Magnificent "Mrakovica" monument was built on Kozara's summit, as the tribute to the victims and heroes of the WWII. Below the monument, there are expanses of coniferous and leaf forests, intersected with the pastures full with mountain wells and springs that extend all the way to the foot of the mountain with the fertile orchards of Potkozarje.

The National Park covers 3.375 hectares, and its highest peak Mrakovica (806 m). This is the area with the wells of crystal-clear rivers of Mlječanica, Mostanica, Vojskovačka Rijeka, Bukovica, and with numerous mountain springs. From Mrakovica that is centrally located, there are - stretching in all directions - deep valleys and mountain slopes and steep rocks, with meadows in the middle. The Park is well connected with the Zagreb-Belgrade highway and with the roads to Prijedor and Banja Luka.

Kozara National Park, with its coniferous and leaf forests, its flowery meadows, its valleys under snow, and its rapid, clear springs full of trout, is a true attraction - summers and winters alike.

- Šipovo and Plivsko lake, Nevesinje and Blagaj are included in the Project There are two swamps in BiH - natural park and Bardaca swamp at the north, and Hutovo Blato swamp at the south-natural park and favourite refugee for migratory birds, announced as Ramsar destination by the Ramsar-International convention and for years they are included in different programs of Italian, American and German organisations taking care of the preservation and prosperous development of border-line areas. At the entrance of the mentioned natural parks, there are motels with restaurants where their guests may enjoy in enormous choice of different specialities in these areas.



Bjelašnica - "Studeni potok"

Active and adventure sport tourism

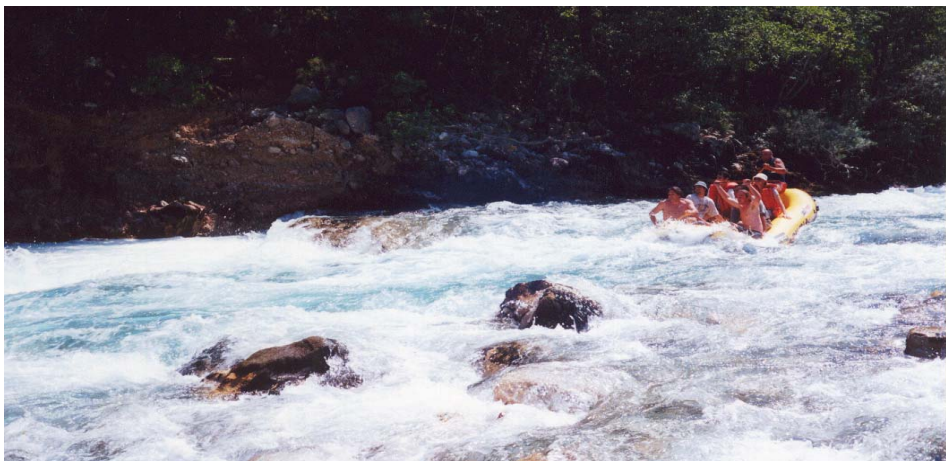
- With her rich forests, endemic sorts of trees, her rivers, lakes and exciting landscapes, BiH offers fantastic opportunities for the lovers of nature and active tourists. Alongside mountains of Treskavica, Trebevic, Romanija, Ozren, Crepoljsko, Bukovik, Vlasic, Zelengora, Vranica, Prokosko Lake, Prenj, Velez, Cvrsnica, the waterfalls of Skakavac, Bijambare Cave and the Canyon of Rakitnica also offer the possibilities for development of sporting disciplines: alpine climbing and rock scaling, hunting, fishing, golf, tennis, snowboard, turbo-skiing, mountain biking, paragliding etc. In the very heart of Mt. Cvrsnica there is a mountain valley (the altitude of 2228 m) called Diva Grabovica and Veliki Kuk, the highest rock in the Balkan Peninsula.



- The River Una is popular due to its annual regatta, where the guests from all over the world come to navigate its crystal-clear waters, before facing its wild and extremely strong waterfalls. Different water levels enable the brave ones, and even those with less courage, to enjoy the beautiful scenery.
- The Canyon of Tara, whose 1,300 meters of depth puts it the second next to the Colorado, enable the most comfortable yet most interesting rafting, canoeing and kayaking in Europe. The River Tara, full with diverse river fish, such as trout and grayling, is accessible both to the adults and to the children so the visitors to the Tara River are many.



- The Neretva River flows through a 100 km long wild canyon towards the Adriatic; the deep canyon, endemic sorts of trees and flowers, and above all, very beautiful landscapes are definitely unique. In the town of Konjic, in northern Herzegovina, there are several qualified rafting operators.
- The mighty rivers Una, Sana, Vrbas, Drina and Tara are certainly the clearest and the cleanest rivers in the Balkans, rich with all sorts of fish.
- The history has left in this part of the world since as early as the Roman era, the arrival of the Slavs, to the last, 20th century - marked by admirable building activities, but also, unfortunately, by enormous destruction caused by human kind - numerous monuments and traces of rich spiritual heritage of a people who has always lived and survived on the crossroads of cultures and civilisations - the cradle of Europe, as the Balkans have been since the times immemorial.



Spa tourism

- Thermo-mineral waters use tradition in our areas dates from long time ago, from Greeks and Roman period, since they noticed medical treatment of our geothermal sources. First chemical analyses and recommendations for use of spa waters use in medical treatment were made by famous experts from European spas (Visbaden and Baden - Baden). Not long ago after that, construction of modern spa centers for medical treatment and rehabilitation, where all types of people use their services, have been finished.
- Today, there are 15 spas in BiH, that are registered as hospital institutions and they have 3.450 bed, 8 separated for the citizens where thermal waters are in use and 8 mineral waters for a drink.
- The spas at Ilidza near Sarajevo, in Fojnica, Kiseljak, Tuzla, Olovo, Srebrenica, Visegrad and Teslic represent the wealth of thermal wells of radioactive and mineral waters, known from ancient times for their quality of being the remedy for many diseases.

- Thermo-mineral waters of these spas are beneficial for the heart, circulation, nerve, and gastro-intestinal tract diseases, while the treatment is always done in conjunction with sport, recreation and active vacationing.
- Near Visegrad, in the thick pine forest, there is "Vilina Vlas" spa and in Srebrenica, there is "Guber". In Prnjavor there is the spa known as "Kulasi", and in Potkozarje there is "Mlječanica".
- The wells of thermal water have been turned into the spa, medical and recreational centres, equipped with the most sophisticated diagnostic and physical therapy devices.
- If you happen to be in Banja Luka, you will find in its closest vicinity the spas of Laktasi, Slatina, Srpske Toplice (once known as Seher), famous for their successes in treating the cardio-vascular diseases and hypertension problems, unison the method approved by the World Health Organisation.
- On the edges of the town of Teslic there are hotels "Kardial" (four stars) and other three hotels are threestar hotels, with 950 bed.
- During 2004. spa tourism made more than 200.000 over night stays, or 26 of total touristic arrivals in BiH.



Sea tourism

- Bosnia and Herzegovina has 24 km of seaside; with 240 sunny days every year attracts more tourists from all over the world. Town Neum presents seaside door of BiH, and its accommodation capacities are 5000 beds, out of which 2000 in three and four star hotels. With its capacities it cannot satisfy necessities of tourist season. Private accommodations are also available, and pleasant pensions, restaurants and cottage houses offer unforgettable stay to the visitors. Thanks to the pleasant climate where season lasts from May till September; during 2004. there were 250.000 over night stays.



ECONOMIC OVERVIEW

General economic indicators

Indicators	1999	2000	2001	2002	2003
1. GDP, billion Euros	4.6	5.1	6.0	5.9	6.2
2. GDP per capita, Euro	1,231	1,356	1,472	1,553	1,608
3. Real GDP growth rate %	10.0	5.5	4.5	5.5	3.5
4. Industrial production growth rate, %	1.6 ¹ 10.6 ²	8.8 ¹ 5.6 ²	12.2 ¹ -12.9 ²	9.2 ¹ -2.5 ²	4.8 ¹ 5.7 ²
5. Annual inflation rate, %	-0.9 ¹ 15.1 ²	1.2 ¹ 13.6 ²	1.7 ¹ 6.5 ²	0.2 ¹ 1.7 ²	0.1 ¹ 1.8 ²
6. Annual unemployment rate, %	39.3	39.7	40.3	40.9 *	42.0*
7. Annual monthly net wage, Euros	175	191	226	228	247
8. Current account balance, million Euros	-1,029	-1,464	-1,360	-1,835	-1,840
9. Foreign debt of public sector, billion Euro	1.9	2.1	2.3	2.2	2.1
10. Net foreign reserves, million Euros	432.85	510.6	1,333.3	1,231.6	1,418.2

Source: Source: Central Bank of BiH, Statistical Office of BiH, FBiH Office for Statistics, RS Institute for Statistics

Legend

1. Federation of BiH
2. RS

*If we take into account that the Employment Bureau is not fully informed, then the real unemployment rate is estimated to be 20%.

About 53% of GDP is generated in the service sector, 32% in industry and 15 % in agriculture.

According to the official data provided by the PRSP (Mid-term Development Strategy), the unemployment rate is app. 20%, although the real rate is lower due to the presence of grey economy.

Macro-economic stability is achieved through the stable currency (Convertible Mark - KM), pegged to Euro by a strictly fixed exchange rate of 1,95583. KM is controlled

by the Currency Board of the Central Bank of BiH (CBBH), thanks to which the stable inflation rate, lowest in the Southeast Europe maintains.

International banks have established their banks or affiliates in BiH: Uni Credit Bank, Hypo Alpe Adria Bank, Raiffeisen Bank from Austria, Zagrebacka Banka from Croatia, Vereins Bank, Bank of Austria, Volksbank, Turkish Ziraat Bank and BBI. In 2002, Hypo Adria Bank was pronounced the most successful enterprise in the banking sector of BiH, while the most successful investor in the same sector in the whole region in 2002 was HVB Banka.

B3 credit rating for Bosnia and Herzegovina

On 29th March 2004, Bosnia and Herzegovina received her first sovereign credit rating. The Moody's agency, chosen by the Central Bank of BiH (CBBiH) at an international tender, assigned to BiH the B3 credit rating with a positive future prospect.

That fact that it has gained the above mentioned credit rating means that the economic policy and development of economic situation in BiH are on the right track. Over 80 world countries, amongst which are some from the SEE region, have failed to gain the credit rating.

BUSINESS ENVIRONMENT

International assistance for the recovery and reconstruction of BiH began with the establishment of peace in 1995. At first, priority was given to reconstruction of infrastructure and providing aid to citizens so that they could cope easier with the changes that were already affecting other economies of Central and Eastern Europe. Industrial capacities, damaged in the war, have been rebuilt and began employing workers with the increased demand - both domestically and at international market. Export to the markets of the EU and the countries of the Southeast Europe exists, not sufficient though since BiH still imports goods to meet her own needs and help the country's economy cope with the new market challenges.

Bosnia and Herzegovina is now in the process of serious economic recovery and improvement of business environment.

Mid-term Development Strategy of B&H (2004-2007)

One of the tasks standing before BiH is the implementation of her Mid-term Development Strategy (PRSP), with the following key priorities for 2004-2007: increase of employment, strengthening of public sector; reduction of public spending, the establishment of a stable welfare system and accession to the European Union.

Bulldozer Committee

In November 2002, the Bulldozer Project, aimed at enabling the participation of the country's entrepreneurs in the processes of proposing measures to overcome obstacles to successful business and create new jobs, was launched.

At the Committees' proposal, 100 reforms were implemented in less than a year. Some of the reforms are: elimination of barriers for investment, simplification of the company registration procedures, liberalisation of inter-entity transportation, increase of export of medicines from BiH, promotion of investment, environmental protection, etc.

The 3rd Phase of Bulldozer began on 7th July 2004; its aim is to build upon and consolidate the results and mechanisms put in place in the 1st and the 2nd phase. In this phase, public dialogue and process of consultations would be realised through a private-public partnership, whereby entrepreneurs and governmental officials would discuss and advance, jointly and constructively, the reform proposals.

On 10th January 2005, a compilation of 50 new measures - i.e. the third round of the project - was presented to the authorities of Bosnia and Herzegovina.

Feasibility Study

BiH is one of the five countries in the Southeast Europe participating in the Stabilisation and Association Process. The Process supports national and regional stabilisation, through a progressive integration into European structures.

Work on the Study has generated a comprehensive insight into the situation in Bosnia and Herzegovina. All the weaknesses, identified at the meetings with the representatives from the EC-Brussels, have been formulated in about 100 proposals for amending and modifying legislation, administrative practices or institutional set-up that were subsequently forwarded to the Council of Ministers.

Based on the Stabilisation and Association Report, the "European Agenda" has already become integrated into the plans of all the BiH institutions. These activities have influenced the acceleration of reforms in the country, which consequently led to the increased credibility of the country in the eyes of the European Commission.

OECD Investment Compact

The Southeast Europe Stability Pact is a political declaration and a framework agreement, adopted in June 1999, and aimed at strengthening cooperation among the countries and maintaining stability and economic growth of the region.

The Agreement on reforms, investment, integrity and growth in the Southeast Europe (INVESTMENT COMPACT) is a crucial part of the economic reforms undertaken within the framework of the Working Table II - focused on the economic reconstruction, development and cooperation.

The key goals of the Investment Compact are: the improvement of business environment for foreign investment, the support to private sector, the inclusion of private sector into reform processes, providing incentives and ensuring the follow-up of reforms.

European Charter on Small and Medium Enterprises

The Charter has identified ten key areas for a more accelerated development of SMEs, ranging from education and training in entrepreneurship, through swifter and cheaper launching of small business, regulations, improved application of information and communication access to internal market, more favourable financial and fiscal environment, to more efficient promotion and representation of the interest of SMEs. The Charter has become the foundation for the policies relating SMEs in the EU. At the EU Summit in Thessalonica, in June 2003, the countries of the Western Balkans have signed the Charter; BiH has also pledged to work actively on the implementation of the ten key Charter areas.

In the report submitted by BiH to the EC in September 2004, we could highlight the following achievements: introduction of the subject of Entrepreneurship in the secondary schools' curricula (the truth is that it is done only in the RS and in the part of the Federation of BiH following the so-called "Croatian curricula"); the cost of establishing a business in the FBiH have been reduced to 500 Euros while the time needed for such an operation is now reduced to 5 days; regulation-wise, the Law on Company Registration has been adopted; the registration of new enterprises throughout BiH is now both uniform and simplified. In the FBiH Law on SMEs is being drafted, while, in the RS, such a law had been passed earlier, while the establishment of the SMEs Agency is underway. A great number of the Charter-related tasks are awaiting BiH; an intense engagement is required for their fulfilment in the forthcoming period.

IGA

IGA is a national, financially independent, exporting and credit agency whose main task is the increase of export from Bosnia and Herzegovina and the provision of first-class financial services and low interest-rate and longer repayment period loans. In the course of 2003, IGA BiH provided loans, and covered with its guarantees, the 150 million KM worth exporting contracts.

LRC - Credit Bureau

LRC Engineering Credit Bureau is an institution that provides information on loans and other liabilities of both natural persons and corporate bodies.

This, fully functional credit bureau covers the entire country. Given that LRC Credit Bureau has met all the conditions required from the modern credit bureaus, it has enabled BiH to be included on the Central Bank's list of the countries with the functioning credit bureaus. Bosnia and Herzegovina is now the only country in the Southeast Europe with a registered credit bureau.

VAT - value-added tax

Law on the Indirect Taxation Administration regulates the full integration of the three customs administrations into a single body. Until the introduction of VAT, this Administration will deal with the administration and collection of all the customs, excises and VAT, i.e. all the indirect taxes.

The reform of customs system - including VAT - is to be implemented by July 2005 at the latest.

Introduction of VAT will contribute to a greater transparency and clarity of the indirect taxation system.

Framework Law on Company Registration

The Parliamentary Assembly of Bosnia and Herzegovina adopted, on 29th July 2004, the new Framework Law on Company Registration.

The Law will assist in the creation of single economic space for the company registration. The newly introduced system of registration functions across the country, the certificates being issued on the basis of this system are be valid across the country. This will also reduce considerably the time needed for the whole operation. This would bring dual benefit: establishment of a company will be much easier and faster so that the production aimed at greater prosperity and the creation of new jobs could start swiftly. In the same time, this would improve the image of our country in the eyes of potential foreign investors.

The Framework law on Accounting and Audit

The Parliamentary Assembly of Bosnia and Herzegovina adopted, on 29th June 2004, the Framework Law on Accounting and Audit that is compliant with the EU directives and practices, and will establish a uniform set of international accounting standards and reporting methods. It is expected to boost the investors' confidence in the system.

Note:

1. Regulations of relevance for potential investors in B&H are available in the brochures published by FIPA: "Frequently Asked Questions", "Summary of Laws" and "Investor Guide".
2. On February, **Interactive on line touristic guide for B&H** was presented as European Union Project for tourism development support, by the president of Touristic Association of Federation B&H, Mr. Semsudin Dzeko.
3. **FIPA** produced new sector study on Tourism - Invest in Tourism - in Bosnian language
4. **FIPA** is a member of Bjelasnica - Igman Development Project
5. **FIPA** participates at important international tourism fairs, events and seminars, -active promotion of B&H tourism

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