

11. Identifying Internal and External Constraints to the Functioning and Development of Industrial Production of FBiH

11.1 Problem Analysis by the Company

In order to identify internal and external constraints to the functioning and development of industrial production of FBiH a survey was conducted among companies. The analysis included six groups of constraints in doing business as follows:

1. General business environment,
2. Authorities as a limiting factor in doing business,
3. Fiscal system,
4. Human resources,
5. Infrastructure,
6. Business support systems.

An appropriate number of questions referred to each group. The answer to each question meant identification of one or more problems (phenomena) from the field that deals with that type of question. For each identified problem it was necessary to assess the intensity of its impact on company's business activity.

11.1.1 General Business Environment

Questions related to identifying general business environment factors were: problems that emerge through corruption, problems that emerge through crime, problems and obstacles to movement of goods within BiH, problems and obstacles to export goods to the countries of former Yugoslavia, problems and obstacles to export goods to other countries, problems with payment transactions abroad, problems in negotiation with managers of other companies, breach of contract by domestic companies, lack of financial discipline of local business partners, lack of financial discipline of foreign business partners, uncertainty in case of business disputes and competition in the form of cheap imports.

Problems that emerge through corruption

Corruption has a strong negative impact on company business, so that immediate action is necessary to solve problems that are reflected in the following: no business deal of

higher value is possible to be completed without corruption, corruption supports non-market competition, presence of a strong underground economy and unfair competition, bribery of customs apparatus and winning tenders on competitive basis. Creation of unprofessional personnel through education and the abuse of office are further problems that are present but with the intensity that is tolerable for companies, and which do not require immediate action.

Problems that emerge through crime

Increased risk for business, strengthening of unfair competition, instability and disincentives for foreign investments are identified as the main consequences of crime. This phenomenon also has an impact on development of the negative image of the country and additional costs of business due to the need of introducing additional security measures.

Problems and obstacles to movement of goods within BiH

This phenomenon has a strong negative impact on company business, so that immediate action is necessary to solve the problem. The following problems are identified: for certain goods it is necessary to have two certificates (certificate of FBiH and certificate of RS), physical and legal persons are discriminated against in some parts of BiH, unequal terms of doing business in FBiH and in RS, non-harmonized legislation on the level of BiH. Undeveloped road and railway transport is identified as a problem for company business but with the intensity that is tolerable for companies, and which does not require immediate action.

Problems and obstacles to export goods to the countries of former Yugoslavia

The following elements are identified as the main problems and obstacles to export goods: long procedure of obtaining export licenses, setting up non-tariff barriers in the form of requests for attests and certificates, slow issuance of permits for export, a large number of required documents and the lack of export incentives. The need for promotion of exports is also mentioned.

Problems and obstacles to export goods to other countries

This phenomenon has a strong negative impact on company business, so that immediate action is necessary to solve the problem: lack of information and the need for 'CE' mark for the EU and some other countries, long procedure of obtaining export licenses, lack of incentives for exports, a large number of required documents and price competitiveness. A requirement of ISO standards, undeveloped air and railway transport, not used exit of our state to the sea and poor promotion of exports are further problems for the company business but with a tolerable intensity and which do not require immediate action.

Problems with payment transactions abroad

Undeveloped electronic banking and the fact that we are not an EU member are identified as the main problems with payment transactions abroad that require immediate action, while the problems of delay in payments and cash transactions and payments in foreign currency are identified as less urgent problems to be solved.

Problems in negotiating with managers of other companies

This phenomenon has a strong negative impact on company business, so that immediate action is necessary to solve problems that are specifically identified: failure to comply with the reached agreement, unprofessional conduct, false promises and lies.

Domestic companies that do not respect the terms of the contract.

The analysis shows that over 90% of companies meet with local business partners who do not respect the terms of the contract. Out of these companies 43% believes that this phenomenon has a strong negative impact on their business operations and that immediate action is necessary to resolve this problem, 50% of companies think that this phenomenon represents a problem for their business operations but with a tolerable intensity, and 7% finds that this phenomenon is neutral or has no significant effect on their business. In addition to this problem the companies stress the problem of slow process of solving court disputes.

Lack of financial discipline of local business partners.

The analysis shows that all companies (100%) meet with local business partners who are financially undisciplined. 33% of companies believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, and 67% of them finds that this phenomenon represents a problem for their business operations but with a tolerable intensity. In addition to this problem the companies identified further problems of slow process of solving court disputes and violation of the law on bankruptcy.

Lack of financial discipline of foreign business partners.

The analysis shows that 47% of companies meet with foreign business partners who are financially undisciplined. 29% of companies believe that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, and 71% of them find that this phenomenon represents a problem for their business but with a tolerable intensity.

Uncertainty in case of business disputes.

The analysis shows that all (100%) companies believe that there is uncertainty in the case of business disputes. 67% of companies believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this

problem, 27% of them finds that this phenomenon represents a problem in their business but with a tolerable intensity, and 6% finds that this phenomenon is neutral or that it has no significant effect on business operations of their companies. Moreover, they find that the courts are slow, biased and behind schedule.

Competition in the form of cheap imports.

The analysis shows that about 67% of companies meet with competition in the form of cheap imports. Out of 67% of companies that have experience with competition in the form of cheap imports, 60% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, and 40% of them find that this phenomenon represents a problem for their business but with a tolerable intensity. Furthermore, companies suggested that there was no control of the imported goods, while, at the same time, local products that are exported are rigorously controlled by the importing states.

11.1.2 Authorities as a Limiting Factor in Doing Business

In order to assess authorities as a limiting factor of business performance, the analysis included factors that occur in 6 forms that are presented to companies in the form of the following questions: the existing laws do not apply, whether the law on employment is restrictive, whether local authorities intervene in making business decisions, whether control and imposition of prices exist, whether a requirement to give information about business operations exist, whether the public business is insufficiently transparent?

Moreover, the companies gave feedback on the following possible limitations which come from the authorities: problems resulting from political instability, problems in the existing legal framework, lack of legal measures to prevent unfair competition, problems resulting from poor functioning of the courts and bureaucracy, problems in the procedures for termination of employment, difficulties in registering companies, problems in the functioning of customs, intellectual property issues and discrimination (related to nation, religion, language, ...).

Current laws do not apply?

Regarding the application of existing laws, 93% of companies find that the same do not apply. Out of 93% of companies, over 29% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, 57% of them finds that this phenomenon represents a problem for business operations of their companies but with a tolerable intensity, and 14% of them finds that this phenomenon is neutral or has no significant effect on their business.

Is the law on employment restrictive?

The analysis shows that 60% of companies believe that the law on employment is restrictive. Out of 60% of these companies, 56% finds that this phenomenon has a

strong negative impact on their business and that immediate action is required to resolve this problem, 33% of them finds that this phenomenon represents a problem for their business but with a tolerable intensity, and 11% of them finds that this phenomenon is neutral or has no significant effect on business operations of their companies. The companies also suggested that the existing law on employment is social and not profitable.

Do local authorities intervene in making business decisions?

The analysis shows that 20% of companies have experience with local authorities' interventions in their making business decisions. Out of 20% of these enterprises, 33% believes that this phenomenon has a strong negative impact on their business operations and that immediate action is required to resolve this problem, and 67% of them find that this phenomenon represents a problem for business operations of their companies but with a tolerable intensity. The companies also suggested that the authorities intervene indirectly in making business decisions, although it is not stated by which type of mechanisms.

Does control and imposition of prices exist?

The analysis shows that 27% of companies believe that there exists control and imposition of prices and they all assess that this phenomenon represents a problem for their business operations but with a tolerable intensity. Answers to this question are highly dependent on the type of business of the company.

Are you required to give information on company's business operations?

The analysis shows that 87% of companies find that they are required to give information about their business operations. Out of 87% of these companies, only 8% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, and 38% of them finds that this phenomenon represents a problem for their business operations but with a tolerable intensity, and 54% of them finds that this phenomenon is neutral or has no significant effect on business operations of their companies.

Is public business insufficiently transparent?

The analysis shows that 73% of companies find that public business is not sufficiently transparent. Out of 73% of these companies, 46% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, and 36% of them finds that this phenomenon represents a problem in business operations of their companies but with a tolerable intensity, and 18% of them finds that this phenomenon is neutral or has no significant effect on business operations of their companies.

Problems resulting from political instability

This phenomenon has a strong negative impact on business operations, so that immediate action is necessary to solve problems that result from: bad privatization, many investors stopped their investments, the risk of increasing foreign investment, organized crime and corruption, weakness of public administration discourages the inflow of foreign direct investments. High risk of doing business, lack of trust between partners and weak economic policies are identified as further problems with less need for urgent action.

Problems in the existing legal framework

The following problems in the existing legal framework are identified as problems that have a strong negative impact on company business, so that immediate action is necessary to solve those problems: lack of commercial courts, undefined legal framework, lack of harmonization of tax regulations on the level of BiH, non-application of existing laws. Furthermore, weak sanctions for violations of legal norms, confusion of the legal provisions and ambiguities of the law are identified as further urgent problems.

Lack of legal measures to prevent unfair competition

Immediate action is needed to resolve problems related to lack of legal measures: establishing national laboratories for quality control, prescribed quality standards, legal sanctions for companies in which former employees "steal" customers (non-compliance with laws on labor), lack of quality laws against monopoly, consistent application of the law on competition, lack of more frequent inspections, lack of rigorous penalties, control of imports.

It is also necessary to introduce the following: more restrictive legal provisions that would prevent unregistered work, more restrictive legal provisions that would prevent the black market for goods and measures to prevent monopolistic activity.

Problems resulting from poor functioning of courts and bureaucracy

The following problems are identified as problems that have a strong negative impact on company business, so that immediate action is necessary to solve those problems: slow process of solving court disputes, slow processing of commercial disputes, bribery and corruption, distrust in the work of the courts, long and expensive procedure of court disputes.

Problems in procedures for termination of contract

This phenomenon has a strong negative impact on business operations, so that immediate action is necessary to resolve problems that may occur due to insufficiencies in the Law on Labor. Another comment referred to the lack of disciplinary proceedings in the Law on Labor.

Problems in registering companies

The following problems are identified in the procedure for company registration: slow procedure, lack of facilities or information desks in each municipality in FBiH to obtain all information about company registration, too complicated and prolonged procedures, administrative divisions and a large number of documents. In addition, it is suggested that company registration is made cheaper.

Problems in functioning of customs

It is identified that the following problems have a strong negative impact on business operations, so that immediate action is necessary to solve these problems: a large number of required documents, lack of instructions by customs officers in the application of customs legislation, corruption and bribery, lack of the mechanism of 'home' clearance, expensive customs procedures. It is especially stressed that a large part of customs officers are unprofessional and that often additional documentation is required, which is not prescribed by law.

Problems of protection of intellectual property

The issue of protection of intellectual property is reflected in the fact that it is not regulated by law in a quality way, and the existing law is not implemented.

Discrimination (nation, religion, language,)

Although, according to the companies, discrimination exists in some parts of BiH, the problem is not that significant and it does not represent a serious obstacle to business.

11.1.3 Fiscal System

For the purpose of assessing the impact of fiscal system on the company business the analysis includes factors that occur in three forms characterized by certain questions: taxes on salaries, contributions for health and social security, taxes on profits and VAT.

Taxes on salaries

The analysis shows that 93% of companies believe that taxes on salaries are too high. Out of these companies, 72% believes that this phenomenon has a strong negative impact on their business operations and that immediate action is required to resolve this problem, and 21% of them finds that this phenomenon represents a problem for their business operations but with a tolerable intensity, and 7 % of them finds that this phenomenon is neutral or has no significant effect on their business. The companies also suggested that a company is uncompetitive even within BiH, e.g. FBiH and RS have different fiscal systems.

Contributions for health and social insurance

The analysis shows that over 90% of companies find that contributions for health and social security are too high. Out of these enterprises, 72% believes that this

phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, and 21% of them finds that this phenomenon represents a problem for their business but with a tolerable intensity, and 7 % of them finds that this phenomenon is neutral or has no significant effect on business operations of their companies.

Taxes on profit

The analysis shows that 67% of companies find that taxes on profit are too high. Out of 67% of these companies, 70% believes that this phenomenon has a strong negative impact on their business operations and that immediate action is required to resolve this problem, and 20% believes that this phenomenon represents a problem in their business but with a tolerable intensity, and 10% of them finds that this phenomenon is neutral or has no significant effect on business operations of their companies.

Comments regarding this issue were that many companies create fictitious expenses, to show as little profit as possible. The tax rate is reduced and this is encouraging, but at the same time the previous lower tax rate was abolished for those businessmen who reinvested their profit, what is negative.

VAT

The following problems are identified around the VAT: the VAT high rate, the VAT unified rate, refund of tax is very slow and payment of VAT on imports of fixed assets.

11.1.4 Human Resources

In order to assess the problems of companies related to human resources, the analysis included the following factors: availability of sufficient skilled labor force on the market, availability of a sufficient number of qualified engineers in the market, willingness of employees to accept new working methods, whether there is a lack of working discipline of employees, whether there is a problem with employees' motivation and whether the problem in relations with trade unions is significant.

Availability of skilled labor force on the market

The analysis shows that 87% of companies find that there is an insufficient number of skilled human resources in the market. Out of these companies, 38% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, while 54% of them finds that this phenomenon represents a problem for their business operations but with a tolerable intensity, and 8 % of them finds that this phenomenon is neutral or has no significant effect on business operations of their companies. Problems of technically oriented workforce, unwillingness of middle aged staff to accept changes and unwillingness for additional training and professional reorientation are especially stressed.

Availability of qualified engineers on the market

The analysis shows that about 85% of companies find that there is no sufficient number of qualified engineers on the market. Out of these companies, 54% finds that this phenomenon has a strong negative impact on their business operations and that urgent action is required to resolve this problem, and 38% of them finds that this phenomenon is a problem for their company business but with a tolerable intensity, and 8 % of them finds that this phenomenon is neutral or has no significant effect on business operations of their companies. The problem that engineers go to larger centers for better opportunities, wages and other reasons is especially stressed.

Willingness of employees to accept new working methods

The analysis shows that 67% of companies find that employees are not willing to accept new working methods. Out of 67% of these companies, 70% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, and 20% believes that this phenomenon represents a problem for business operations of their companies but with a tolerable intensity, and 10% of them finds that this phenomenon is neutral or has no significant effect on business operations of their companies.

Are there problems with working discipline of employees?

The analysis shows that 40% of companies find that employees are undisciplined. Out of 40% of these companies, 67% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, and 34% of them find that this phenomenon represents a problem for business operations of their companies but with a tolerable intensity. Employees' habits from the socialist period are also identified as a problem.

Problem of employees' motivation

The analysis shows that 60% of companies find that workers are unmotivated. Out of these companies, 33% believes that this phenomenon has a strong negative impact on their business operations and that immediate action is required to resolve this problem, and 67% of them find that this phenomenon represents a problem in business operations of their companies but with a tolerable intensity. Low income is identified as the main reason for lack of motivation.

Problems with trade unions

Lack of understanding for the employer's situation in relation to the trade union and ignorance of people who run the union are identified as problems for company business with a tolerable intensity for the company without the need for immediate action.

11.1.5 Infrastructure

The issues related to identifying limiting factors for business resulting from the existing infrastructure are issues of electricity, telecommunication services, roads and railways, and problems of the lease of facilities and equipment.

Electricity

This is a phenomenon that has a strong negative impact on business companies, so that immediate action is necessary to solve the problem. The identified issues are high electricity prices, weak (unreliable) electrical network - electricity supply, and monopoly - tariff system to the detriment of the economy and the benefit of citizens. Interrupted power supply is also identified as a less significant problem.

Telecommunication services

The identified problems are high prices, lack of signal coverage, poor internet service provider (bad connection) and lack of access to Internet services.

Utilities

The identified problems are high prices, poor service and the problem of disposal of hazardous substances. Further problems are interruptions in water supply and monopolistic activities.

Roads

The identified problems are poor quality of roads, lack of a network of motorways, fast wearing out of cars and increased costs of service and poor image of the country as a result of bad roads. Insufficient number of alternative routes is also identified as a problem.

Railways

Lack of container transport and divisions of railway transport in BiH are identified as the main problems with railways.

11.1.6 Business Support Systems

For the purpose of assessment of the business support systems the analysis included the following factors: availability of market information, availability of information that can be obtained in the Chamber of Commerce, quality of programs to promote exports, availability of long-term lending, quality of other banking services, availability of short-term lending, amount of interest rates and its impact on business, impact of bank fees and payment transaction services on doing business, professional conduct of staff in commercial banks, adjustment of education system to market needs, services of transport companies, services of insurance companies, issue of management training

programs, issue of professional training of employees, consultancy services and training programs to support business operations.

Availability of market information

The analysis shows that over 90% of companies find that market information is not available. It is interesting that none of these companies do not find that this phenomenon has a strong negative impact on their business operations and that immediate action is required to resolve this problem, 57% of them finds that this phenomenon represents a problem for their business operations but with a tolerable intensity, and 43% of them finds that this phenomenon is neutral or has no significant effect on business operations of their companies.

Information that can be obtained in the Chamber of Commerce

The analysis shows that 53% of companies believe that a small amount of information is available in the Chamber of Commerce. Out of 53% of those companies, 38% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, while 37% of them finds that this phenomenon represents a problem for their business but with a tolerable intensity, and 25% of them finds that this phenomenon is neutral or has no significant effect on their company business. Some of the comments were that the Chamber of Commerce does not serve its purpose, except for the payment of membership fees, and that unfriendliness and arrogance of employees of the Chamber of Commerce discourage the companies to contact this institution at all.

Programs to promote export

The analysis shows that 87% of companies believe that programs to promote exports are insufficient and inefficient. Out of these companies, 23% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, and 77% of them find that this phenomenon represents a problem for their business but with a tolerable intensity.

Availability of long-term loans

The analysis shows that 80% of companies find that long-term financing is not available. Out of 80% of these companies, 17% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, and 67% of them finds that this phenomenon represents a problem for their business but with a tolerable intensity, and 16% of them finds that this phenomenon is neutral or has no significant effect on business operations of their companies.

Availability of short-term loans (to maintain liquidity)

The analysis shows that 60% of companies find that short-term loans are not available. Out of 60% of these companies, 22% believes that this phenomenon has a strong

negative impact on their business and that immediate action is required to resolve this problem, and 56% of them finds that this phenomenon represents a problem for their business operations but with a tolerable intensity, and 22% of them finds that this phenomenon is neutral or has no significant effect on their business operations.

Problems with other banking services

The analysis shows that 13% of companies find that there are problems with other banking services. Out of 13% of these companies, 50% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, while 50% of them find that this phenomenon represents a problem for their business operations but with a tolerable intensity.

Influence of interest rates on business

About 80% of companies assessed that the amount of interest rates has a negative effect on their business. Out of these companies, 42% believes that this phenomenon has a strong negative impact on their business enterprises and that immediate action is required to resolve this problem, and 58% of them find that this phenomenon represents a problem in business operations of their companies but with a tolerable intensity.

Influence of bank fees and payment transaction services on business

The analysis shows that 33% of companies find that bank fees and payment transaction services negatively affect their business. Out of 33% of these companies, 40% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, and 60% of them find that this phenomenon represents a problem for their business but with a tolerable intensity.

Are the employees in commercial banks unprofessional?

None of the companies complained about unprofessional conduct of staff in commercial banks.

Adjustment of educational system to the needs of industry

Over 90% of companies find that education system is not adjusted to the needs of industry. Out of these companies, 64% believes that this phenomenon has a strong negative impact on their business and that immediate action is required to resolve this problem, and 29% believes that this phenomenon represents a problem for their business operations but with a tolerable intensity, and 7 % of them finds that this phenomenon is neutral or has no significant effect on their business operations. The companies identified that there is no sufficient number of professional secondary schools, and that the lack of adjustment of the education system, on the one hand, creates an excess of certain professions, and on the other hand, causes a lack of necessary professions.

Services of transport companies

Companies had objections to the high price of transport services and poor insurance of goods.

Services of insurance companies

Companies had objections to the non-fulfillment of obligations by the insurance companies, long deadlines for disbursements and problem of damage compensation.

Management training programs (offer, quality, price ...)

The companies identify as the first problem insufficient offer of training programs (except in Sarajevo and major towns) and poor quality of training programs, and then high prices.

Professional training of employees (offer, quality, price ...)

Companies highlighted the problem of insufficient offer and poor quality and lack of interest of employees for training.

Consultancy services (offer, quality, price ...)

Companies believe that consulting services in any field (economics, technology...) are extremely expensive, have poor quality, and that the service is provided without liability.

Training programs to support business operations

Companies highlighted the following training programs as a priority to support the company: training programs in the field of foreign trade, support for certification and obtaining attests, specialized technical trainings and programs in raising awareness for work, training in the field of information technologies in order to introduce modernization of equipment, programs for professional reorientation and training on safety at work for all employees.

Some problems that are not covered by the questionnaire were highlighted by the companies, such as the lack of adequate state regulation in the field of quality (development of national laboratories in all areas), and the repossession of property of the companies abroad.

11.2 Problem Analysis Based on Other Sources

According to the World Bank Report [47] Bosnia and Herzegovina occupies the 119th place among 181 countries in the world by the indicator on benefits for business. A year earlier, Bosnia and Herzegovina occupied the 105th place among 178 countries worldwide. Ten important elements in the business cycle were taken into account for this ranking: starting a business, obtaining construction permits, employing staff, registering property, receiving loans, protecting investors, paying taxes, trading across borders,

ensuring enforcement of contracts and closing the business. Some other elements that are important for business were not taken into account during the ranking, such as the vicinity of economy to large markets, quality of infrastructure (except for trading across borders), security of property against theft and looting, transparency of public procurement, macroeconomic framework and political stability. Special cause for concern is given by the fact that Bosnia and Herzegovina fell from the 105th to 119th place by the indicator on benefits for business, which is intolerable for a country in transition. According to this report all the states of former Yugoslavia are ranked higher than Bosnia and Herzegovina, Croatia is on the 106th, Serbia 94th, Montenegro 90th and Macedonia on the 71st place.

According to the World Bank Report Bosnia and Herzegovina takes the following positions in the ranking on the individual elements that are evaluated: 161st position for starting a company (requires 12 procedures and 60 days most of which most are spent on administrative tasks in the municipality, municipal court and the responsible cantonal ministry), 137th place for obtaining building permits (16 procedures and 296 days, half of which are spent on awaiting registration in the cadastre registers), 117th place for employing workers, 144th place for registering property, 59th place for receiving loans, 88th place for protection of investors, 154th place for payment of taxes, 55th place for trade across borders, 123rd place for ensuring the implementation of the contract and the 60th place for closing the company.

Infrastructure

According to the recommendations of the World Bank [45] the improvement of infrastructure is critically important and necessary. BiH invested much effort in improving the infrastructure as an important precondition for economic development of the country. However, approximately 40% of the network of main and regional roads is still in bad shape, and funds that are invested in their maintenance are inadequate. Road transport in major urban areas and surroundings is growing at a rate of 5% per year, which increases congestion and pollution whereas the security on the roads deteriorates. The transport network should be reconstructed and expanded, with the support of the state transportation strategy and private financing through the synergy with public sector. Development of the Corridor VC is of vital importance for increasing the capacity of transport infrastructure. The projections for the railway transport are that the range of heavy load transport would significantly increase during the medium-term period.

Table 11.1 shows an average price of electricity in the EU 27 and the prices in some European countries [17]. The table illustrates that the price of electricity for industry is lower than the price of electricity for households.

Table 11.1 Prices of electricity in the European Union. (taxes are included in prices)

	Prices of electricity (per 100 kWh) (EUR)					
	Households			Industry		
	2005	2006	2007	2005	2006	2007
EU-27	13.36	13.97	15.28	8.75	9.75	10.70
Croatia	8.48	9.22	9.23	6.76	7.32	7.33
Slovenia	10.33	10.49	10.64	7.33	7.81	8.90
Romania	7.79	9.43	10.17	9.15	9.20	10.02
Bulgaria	6.44	6.60	6.60	5.16	5.52	5.62
Austria	14.13	13.40	15.45	9.92	10.35	11.43

Problem of business disputes in the court

In addition to advisory services of IFC since 2003, the project of alternative dispute resolution in BiH has been implemented with the aim to ensure mediation in order to provide an efficient and financially cost-effective dispute resolution. With the support of IFC, trainings for future mediators in accordance with international standards were carried out, and the Association of Mediators of Bosnia and Herzegovina was established. By the end of 2006, 590 mediations were held in pilot project, out of which 56% were resolved in agreement [45]. Law on Mediation Procedure was adopted in 2004 by the Parliamentary Assembly of BiH, and additional bylaws were adopted by the state Parliament in 2006. Since July 2007 all necessary requirements for full implementation of the Law on Mediation were fulfilled.

Labor market

The main conclusions of the analysis of the labor market by the Federal Employment Agency [23] are as follows: mobility and flexibility of human resources are low, human resources in the formal sector are "outdated", and younger employees have difficulties to access jobs in the formal sector, collective contracts are, in contrast to legal regulations, not well adjusted to market conditions of business, and they kept the "non-market" privileges from the previous period, the labor legislation in Bosnia and Herzegovina is divided into entities and the District, but it is relatively in compliance with the conventions of the International Labor Organization and quite liberal, it is even comparable with developed market economies, the actual unemployment rate is consistently high, but it is much lower than the registered unemployment due to the existence of a large informal sector, job creation and redistribution of work is small, the system of determining salaries is not flexible enough and represents one of the obstacles to job creation and mobility of employees, wages in the formal sector are high from the perspective of the regional context and in comparison with the rate of productivity in Bosnia and Herzegovina.

11.3 Conclusion

The analysis of internal and external constraints to the functioning and development of industrial production includes the following elements: general business environment, authorities as a limiting factor in doing business, fiscal system, human resources, infrastructure and business support systems, based on which the following conclusions can be made:

1. Among the factors that determine the general business environment, corruption is identified as a factor that has a strong negative impact on company business. Besides corruption, the big problem for companies is uncertainty in case of business disputes, where courts are described as slow, biased and behind schedule. Further identified problems are unequal terms of doing business within BiH, insufficient information and the need for 'CE' mark for exports, long procedures for obtaining export licenses, and setting up non-tariff barriers in the form of requests for attests and certificates and a large number of required documents, unethical behavior of company managers in the form of non-compliance with concluded agreements, unprofessional conduct and false promises.
2. The problem of authorities as a limiting factor to doing business, which requires urgent action, includes non-application of existing laws, absence of commercial courts, under-defined legal framework and lack of adjustment of tax regulations within BiH. Further identified problems include slow process of solving court disputes, slow process of resolving business disputes, bribery and corruption, long and expensive procedure of court proceedings, as well as lack of trust in the work of courts. The identified problem of the functioning of customs includes the issue of a large number of required documents, lack of instructions by customs officers in the application of customs regulations, corruption and bribery, and lack of mechanisms of 'home' clearance. This problem is more significant by smaller companies.
3. High taxes on wages and the excessive contributions to health and social security are identified as the main problem among the factors that determine the fiscal system as a factor of limitation in doing business.
4. The problem of human resources as a limiting factor in doing business is not as significant as the previous problems mentioned under items 1-3. Reluctance of employees to accept new working methods and an insufficient number of adequate skilled human resources are highlighted as problems.
5. Among the factors of infrastructure which determine the general business environment the identified problems relate to high prices of electricity and the tariff system to the detriment of the economy and benefit the citizens as a factor

that has a strong negative impact on business. Lack of a network of motorways is identified as the next limiting factor.

6. Within the system of business support as a factor that affects the company business as the main identified problem are high interest rates. The next problem is the lack of adjustment of the education system to the needs of the industry. The following highlighted problems include insufficient number of training programs (especially outside the major centers), poor quality of training programs, high cost of training, as well as very high prices for consultancy services. The following training programs are highlighted as a priority: training in the field of foreign trade business operations, support for certification and obtaining attests, specialized technical training, and also programs to raise awareness for work, training in the field of information technology and programs of professional reorientation.

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