

# LEGAL FRAMEWORK FOR THE ESTABLISHMENT AND MANAGEMENT OF BUSINESS ZONES IN BOSNIA AND HERZEGOVINA

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## Abstract

This paper will try to explain in more detail the legal framework for the establishment and management of business zones in the territory of Bosnia and Herzegovina, together with the basic concepts and types of business zones that we encounter on the territory of our country. This paper is divided into three thematic units, the first of which refers to the very concept of a business zone, the second to the legal framework for the establishment of business zones, and the third to those regulations that only regulate the management of these zones. The first thematic unit emphasizes the general characteristics and features of business zones in Bosnia and Herzegovina, together with the classification and individual descriptions of types of business zones. In the second thematic unit, the provisions regulating only the establishment of business zones in the territory of Bosnia and Herzegovina were mentioned, bearing in mind that all cantons have a certain level of self-government. The third thematic unit describes the legal framework for the management of business zones in Bosnia and Herzegovina, the rights and obligations arising from this relationship, along with all other specifics such as the location of real estate in these areas. The paper ends with a conclusion in which the subjective opinion of the author is presented on the topic of business zones in Bosnia and Herzegovina, the very advantages that we get from establishing them and their proper functioning.

*Keywords:* Law, Economy, Business

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## 1. Concept and Classification of Business Zones in Bosnia and Herzegovina

A business zone represents a space for the development of various business activities managed by a specialized team of experts or an organization and which was created as a result of an organized and designed development concept of a region or the country as a whole. To its "tenants", the business zone offers certain privileges that can be expressed through more favorable rents, deferred payment, reliefs in tax policy, easier access to venture capital, organized marketing, assistance in exporting, etc. The business zone can be organized and managed by the local self-government. or different quasi-governmental and similar organizations, may have private status or some other form of organization.

Business zones represent areas equipped with infrastructure that meet the requirements of entrepreneurs, and are designated by spatial planning documentation for the performance of a certain type of economic activity.

They are characterized by the joint use of an organized and equipped space by, conditionally speaking, similar business entities, for whom, considering their affinities and needs, "staying" in the business zone opens up the possibility of cooperation and business connections, the rationalization of business in certain segments and the use of certain resources together with other users in the zone.

Since there is no single categorization of business zones in the literature, nor can the standard and optimal sizes of zones be unambiguously determined, each country adapts the size and purpose of the zones to its specificities. The following is the most common classification of zones.

According to the content of the business zone, we divide it into industrial zones, industrial parks, business parks, technology parks, science parks, logistics parks, business incubators and free zones. Below are descriptions of some of these forms.

An industrial zone is a space intended for the accommodation of SMEs as well as large business systems, which is dedicated for the development of industry in a local community or region. This space is usually sold to interested parties on a commercial basis and does not have the character of a management organization as some other forms of business infrastructure have. The concept of establishing industrial zones in Bosnia and Herzegovina was started during the Austro-Hungarian Monarchy and continued after World War II. of the World War, so that most BiH centers had their own industrial zones.

The industrial park represents an area that is planned for industrial development in the development plan and to which all the necessary infrastructure has been brought. The users of the industrial park are usually industrial facilities of light industry and companies dealing with logistical support for production (shippers, storage services, customs clearance). In recent times, more and more frequent users are manufacturers of medical, pharmaceutical products and microelectronics, who require significantly larger plots and specialized production facilities. The park is divided into plots on which production halls or office spaces may (but may not) be built, which are offered to investors for sale or rent. The park is continuously managed by a company specialized in the management of industrial parks.

Science Park/Technology Park or Science and Technology Park (STP) is an organization managed by experts whose main task is to increase the well-being of the community by promoting a culture of innovation and competitiveness of associated entrepreneurs and research institutions. To achieve these goals, the science and technology park encourages and manages the flow of knowledge and technologies between universities, R&D institutions, SMEs/companies and the market; he facilitates the creation and growth of the innovations of established companies through incubation and spin-off processes and provides service services in order to increase the added value together with the services of high-quality ambience and equipment in TP.

Business incubators are forms of business infrastructure whose main activity is the provision of services by making available, with or without compensation, office space, administrative, technical and other services to newly established economic companies, entrepreneurial shops or innovation organizations, for a maximum of five years from their establishment.

Considering the area they occupy, business zones can be divided into:

- a) Micro zones - cover an area of up to 10 ha
- b) Small zones - areas from 10 to 50 ha
- c) Middle zones - cover an area of 50 to 100 ha
- d) Large zones - areas over 100 ha

According to this classification, the business zone can be divided into:

- a) Processing - production zones,
- b) Business - service zones
- c) Mixed zones.

With the fact that it is important to note that mixed zones are the most represented on the territory of Bosnia and Herzegovina.

Strategic business zones can be divided into:

- a) Zones of national importance (zones suitable for certain activities of national strategic interest, or

individual projects, or are in principle suitable for the reception of large domestic and foreign investors, and are located in favorable locations).

b) Zones of regional importance (medium-sized zones that have the possibility of expansion, more suitable for small and medium-sized entrepreneurs, as well as foreign investors).

c) Zones of local importance (zones of smaller area mainly of interest to local small and medium-sized entrepreneurs and craftsmen).

## 2. Legal framework for the establishment of business zones in Bosnia and Herzegovina

In order for a local or regional community to successfully develop business zones, it must first of all meet certain prerequisites for the establishment and development of business zones:

a) The zone must be provided for in the spatial planning document,

b) Investments in the establishment and development of the zone should be based on the objective needs of entrepreneurship (examining the interests of entrepreneurs from the area of the municipality, region and abroad who can be potential investors),

c) Current state and possible construction of road and utility infrastructure, adapted to project solutions,

d) Fixed the issue of land ownership and land registry status,

e) Determining the model of land transfer to investors (in the form of concession or permanent sale) i

f) Possibility of eventual expansion of entrepreneurial zones, etc.

Regarding the exact legal framework that regulates this process of establishing a business zone in Bosnia and Herzegovina, we can use the example of the Federation of Bosnia and Herzegovina, where a draft law was drawn up in 2020 that would largely regulate this topic and avoid possible misunderstandings, part of which follows below of work.

The basic feature of entrepreneurial zones is the joint use of infrastructure-equipped and organized complete space by entrepreneurs, who, by doing business within the entrepreneurial zone, are enabled to rationalize their business and use the available resources of the entrepreneurial zone together with other users of the zone. The establishment of an entrepreneurial zone is carried out through the following stages:

a) Phase I - preparation of an entrepreneurial zone, which includes: awareness of the need to establish an entrepreneurial zone, making a decision on preparatory actions, preparation of a pre-investment study - study of the justification for the establishment of an entrepreneurial zone, making a decision on the establishment of an entrepreneurial zone from Article 7, paragraph (2) of this law, regulation of property and legal relations in accordance with the provisions of the regulations on real rights in the Federation, preparation of a detailed planning document for the zone (regulatory plan for small, medium and large enterprise zones or urban project for micro enterprise zones), preparation of an environmental impact study according to the EIA directive of the European Union, preparation of the conceptual, main and implementation project of all contents of the entrepreneurial zone and preparation of the investment study of the entrepreneurial zone - feasibility study,

b) Phase II - realization of the establishment of the entrepreneurial zone, which includes the following steps: planning and finding sources of financing for the establishment of the entrepreneurial zone (funds from the budget of local self-government units, cantonal support, support of the Ministry, public-private partnership, pre-accession funds of the European Union, private sector), development of infrastructure in the enterprise zone (energy, communal, traffic and communication infrastructure) and space planning, monitoring of the establishment of the enterprise zone, implementation of the process of settlement of users of the enterprise zone, implementation of joint marketing and promotional activities of the enterprise zone and joint access to the market,

c) Phase III - development of the entrepreneurial zone, which includes the following steps: implementation of continuous promotional activities of the entrepreneurial zone and attracting investors, providing support to

investors in the entrepreneurial zone for the beginning and during business in the entrepreneurial zone, ensuring communal services and service support for investors in the entrepreneurial zone, ensuring contacts and cooperation with financial institutions, the educational sector, the labor market and other service providers necessary for the smooth development of the entrepreneurial zone.

The Federal Minister of Development, Entrepreneurship and Crafts issues a regulation that more closely regulates the stages of establishing an entrepreneurial zone.

It is also important to mention here the part that refers to the right to build in the business zone, so we can state the following.

After the previously described activities of adopting and harmonizing spatial planning documentation and other planning activities have been carried out, and after the method of financing and sources have been determined, the construction of the infrastructure in the zone is started. Construction includes the execution of construction and other works to build a new building or, in this case, infrastructure in a business zone. The process of building infrastructure in the zone begins with the creation of a plot of land with documentation (geodetic bases, situations, copies of the cadastral plan, title deeds, historical documents, etc.) and the process of obtaining a location permit, which contains a conceptual project made in accordance with the spatial plan on the basis of which this issuing permit. The conceptual project consists of mutually harmonized drawings and documents that give the conceptual and technical solution of the building and the placement of the building on the construction plot on the appropriate special geodetic foundation. This is followed by the development of the main project, which contains a number of mutually coordinated projects that give the technical solution of the building and which must be in accordance with the conceptual design, and the executive project, which elaborates the technical solution given in the main project, with which it must be harmonized. The executive project represents the foundation for construction. The main project and location permit together with other documentation (elaborations, reports, consents, certificates, evidence, etc.) represent the basis for obtaining a construction permit, after which the investor - a local self-government unit can proceed to the procedure of implementing a public tender for the selection of a contractor. After completing all the previously mentioned steps, the business zone equipped with infrastructure is ready for use and for the entry of business entities, who are waiting for ready infrastructure connections on the plot. After obtaining a use permit, the organizer of the business zone 36 is tasked with starting the process of building previously designed and documented capacities - public facilities (administrative building, reception, catering facilities, etc.) and business facilities (business centers, business incubators, halls for rent of business premises and workshops) whose volume and quantity will depend on the size and organization of the business zone. In addition, the zone organizer is responsible for landscaping and public areas in the zone, as well as for the positioning of signs, traffic signs, signage, advertising areas and similar content. Business entities that buy equipped land in the zone enter the process of building a hall/business facility on their plot, for which they are required to individually obtain the documentation necessary for construction (location permit, building permit, etc.) in accordance with the laws on spatial planning and construction.

### **3. Legal framework for the management of business zones in Bosnia and Herzegovina**

The founder of the entrepreneurial zone determines the manager of the entrepreneurial zone in the decision on establishing the entrepreneurial zone. The manager of the entrepreneurial zone can be:

- a) The founder himself, i.e. his bodies and/or legal entities responsible for economic development and improvement of entrepreneurship,
- b) Entrepreneurial zone as a registered independent business entity,
- c) A separate legal entity, i.e. a business entity established by the founder of the entrepreneurial zone independently or in partnership with other legal entities,
- d) Other business entities that have registered activities related to the development of entrepreneurial

infrastructure.

There are several laws and regulations in Bosnia and Herzegovina that regulate the management of business zones and other activities related to this institute, so the following is a list of both state and cantonal sources:

- a) Law on Public Procurement of Bosnia and Herzegovina/Official Gazette of Bosnia and Herzegovina, no. 49/04, 19/05, 52/05, 8/06, 24/06, 70/06 and 12/09
- b) Law on Concessions of Bosnia and Herzegovina/Official Gazette of Bosnia and Herzegovina, no. 32/02
- c) Law on foreign direct investment policy in Bosnia and Herzegovina/Official Gazette of Bosnia and Herzegovina, no. 17/98, 13/03 and 48/10
- d) Law on the transfer of immovable property/ Sl. Gazette SR BiH, no. 38/78, 4/89, 29/90, 22/91, Sl. Gazette RBiH, no. 21/92, 18/94
- e) Law on Registration of Business Entities in Bosnia and Herzegovina/Official Gazette of Bosnia and Herzegovina, no. 42/04
- f) Law on Free Zones in BiH/Official Gazette of BiH, no. 3/02, 13/03
- g) Law on Leasing of Business Buildings and Premises/ (Official Gazette of SR BiH No. 33/77, 02/87, 30/90 and Official Gazette of RBiH No. 3/93)
- h) Law on Administrative Procedure/Official Gazette of FBiH, no. 2/98 and 48/99
- i) Expropriation Law/Official Gazette of FBiH, no. 70/07
- j) Law on construction land of the Federation of Bosnia and Herzegovina/Official Gazette of FBiH, no. 25/08, 16/04 and 67/05
- k) Law on Property Legal Regulations/Official Gazette of the FBiH, no. 16/04
- l) Law on Public Enterprises in the Federation of Bosnia and Herzegovina/Official Gazette FBiH, no. 8/05
- m) Law on Concessions/Official Gazette FBiH, NO. 40/02 and 61/06
- n) Law on concessions in the area of Zenica - Dobojski Canton/Official Gazette of Zenica - Dobojski Canton, no. 5/03
- o) Law on Notaries/Official Gazette of FBiH, no. 45/02
- p) Law on Obligations/Official Gazette of the FBiH, no. 2/92, 13/93, 13/94 and 29/03
- q) Law on Agricultural Land/Official Gazette of the FBiH, no. 2/98
- r) Law on the Principles of Local Self-Government in the Federation of Bosnia and Herzegovina/Official Gazette of FBiH, no. 49/06
- s) Law on Business Companies/ Official Gazette of the FBiH, No. 23/99, 45/00, 2/02, 6/02, 29/03, 68/05, 91/07, 84/08, 88/08 and 07/ 09
- t) Law on Spatial Planning and Land Use at the FBiH Level/Official Gazette of the FBiH, no. 2 /06, 72/07 and 32/08
- u) Law on Registration of Business Entities in the Federation of Bosnia and Herzegovina/Official Gazette of FBiH, no. 27/05 and 68/05
- v) Law on Free Zones/Official Gazette of FBiH, no. 2/95, 37/04 and 43/04
- w) Law on Foreign Investments/Official Gazette of FBiH, no. 60/01 and 50/03
- x) Law on Ownership Legal Relations/ Official Gazette of the FBiH, no. 6/98 and 29/03
- y) Law on land registers/Official Gazette of the FBiH, no. 19/03 and 54/04
- z) Law on expropriation/ Sl. RS gazette, no. 112/06, 37/07, 110/08
- aa) Law on construction land/ Sl. RS gazette, no. 112/06
- bb) Law on Public Enterprises/ Sl. RS gazette, no. 175/04
- cc) Law on Public-Private Partnership in the Republic of Srpska/ Sl. RS gazette, no. 59/09
- dd) Law on communal activities/ Sl. RS gazette, no. 11/95 and 52/02
- ee) Law on Concessions/ Sl. RS gazette, no. 25/02, 91/06, 92/09
- ff) Law on Local Self-Government/ Sl. RS gazette, no. 101/04, 42/05, 118/05
- gg) Law on Notaries/ Sl. RS gazette, no. 86/04
- hh) Law on agricultural land/ Sl. RS gazette, no. 93/06 and 87/07

- ii) Law on surveying and real estate cadastre/ Sl. RS gazette, no. 55/03
- jj) Law on Registration of Business Entities/ Sl. glasnik RS, no. 42/05
- kk) Law on Free Zones/ Sl. RS gazette, no. 65/03
- ll) Law on Foreign Investments/ Sl. RS gazette, no. 124/08, 58/09
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- yy) Law on Spatial Planning and Construction/ Sl. Gazette of BD BiH, no. 13/08
- zz) Law on ownership and other rights/ Sl. gazette BD BiH, no. 11/01, 8/03, 40/04, 19/07
- aaa) Law on land registers and land rights/ Sl. Gazette of BD BiH, no. 11/01, 1/03, 14/03, 19/07

The organization of the business zone results from previously performed analyzes and prepared documentation (study of justification for the construction of the zone, marketing plan, spatial planning documentation) and it determines the location of areas in the zone for certain activities, the size of plots, buildings, etc. optimal use of space in the zone. Successful organization implies proper and functional distribution of activities in the zone (which is especially important if it is a mixed-type zone). In this way, a well-organized zone will have the same or related activities located in one area, which, in addition to the fact that certain possibly mutually "conflicting" activities will not interfere, will also enable the joint action and association of individual business entities as well as the rationalization of certain segments of business processes. When making a decision on the establishment of a zone, taking into account the aforementioned analyzes and studies of local self-government units, the organization of land management in the zone should be determined. In this sense, some of the possibilities are:

- a) Construction of infrastructure and sale of equipped land for predetermined purposes, b) Construction of infrastructure and granting the right to build on equipped land for predetermined purposes, c) Construction of infrastructure, business facilities and halls and renting them out for predetermined purposes.

The first case is easily the most common, the option of equipping the zone with infrastructure and granting the right to build on the equipped land would have certain advantages for the local community in the long term. First of all, for the reason that in this way the local community would be in a position to preserve its own wealth (land), and at the same time it would generate constant income, unlike the one-time "filling" of the budget by selling 38 plots of land, which, in addition, makes it much more difficult to manage the business zone. The effects that should be achieved by investing in the zone based on building rights are the same as when selling land, and in this way speculative resale of land is also prevented. Of course, in this case, the burden of building the infrastructure and starting the operation of the zone falls on the local government, which cannot be achieved without a good financing plan and support from other public entities. In the third case, the local self-government unit undertakes the entire construction of the infrastructure and its contents (business facilities, halls, etc.) and thus the entire investment, which requires substantial financial resources at the beginning, but later enables efficient management of the zone, ensuring quality support for entities in the zone as well as constant rental income. How the business zone will function and how successful it will be depends to a large extent on the person responsible for establishing the zone.

#### 4. Conclusion

The role of business zones in the development of the economy of Bosnia and Herzegovina is quite large. The special importance of business zones is that their development is largely conditioned by the creativity, entrepreneurship and commitment of the local community.

Business zones are the best way to attract foreign and domestic investors, which will employ the local population and strengthen the economic strength of the local community. There are different types of business zones, due to the fact that a large number of companies from different sectors of activity decide to open their facilities precisely in pre-equipped zones. Furthermore, these business zones differ in size and many other characteristics.

Business zones are a form of planned gathering of business entities in a certain area. What business zones attract to business entities to open facilities in them are various benefits, from cheaper or free rent, purchase, tax benefits to help with exports. In Bosnia and Herzegovina, the local community or municipality is most often the founder and manager of business zones. The advantage of this system of organizing economic activity is that it enables the development of sectors of activity that have traditionally been developed in a certain area. In this way, municipalities are given the opportunity to contribute to their own economic development and to avoid situations when higher levels of government prescribe economic policies that contradict the actual situation and needs on the ground.

Looking at the bad economic situation in BiH, it is necessary to make maximum use of all forms that will contribute to economic development, including the establishment of business zones. They are one of the forms that brings the cooperation of all levels of government, and most of all the local government bodies, which in this case take the main role. The municipal government must be active and initiate and stimulate the establishment of business zones by finding various forms of benefits for future investors.

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