# LAW ON CONCESSIONS

(Official Gazette of the Federation of BiH, 40/02 and 61/06)

## CHAPTER I

### **GENERAL PROVISIONS**

#### Article 1

This Law regulates: subject matter, modalities and conditions under which domestic and foreign legal entities may be awarded concessions for infrastructure and service assurance, exploitation of natural resources, financing, design, construction, reconstruction, rehabilitation, maintenance and/or operation of the infrastructure concerned and all accompanying facilities and services in the areas/sectors under exclusive competence of the Federation of Bosnia and Herzegovina (hereinafter referred to as: Federation), the competence for award of the concessions, the establishment of the Concession Commission of the Federation, the tendering procedure, the contents of concession contract, the termination of concession contract, the rights and obligations of the Concessions within the territory of the Federation.

#### Article 2

#### (Purpose of the Law)

The purpose of this Law is to create a transparent, non-discriminatory and clear legal framework for setting the conditions under which domestic and foreign legal entities may be awarded concessions in the Federation and to encourage the investment of foreign capital in the areas/sectors referred to in Article 1 of this Law.

#### Article 3

#### (Object of the concession)

In accordance with the provisions of this Law, a concession object shall be as follows:

- 1. Construction/ extension of the existing and usage or use of:
  - Highways, major roads, roads and accompanying infrastructure facilities,

- Railways,
- Navigable canals and ports, and
- Airports;
- 2. Exploitation of watercourse and other water resources;
- 3. Construction of hydroelectric power plants;
- 4. Construction and exploitation or exploitation of hydro-accumulation power plant;
- 5. Exploration and/or exploitation of energetic and other row materials, including all types of salt and saline water laid down by special law;
- 6. Exploration and/or exploitation of crude oil and natural gas;
- 7. Usage of a building site;
- 8. Exploitation of forest land;
- 9. Hunting and fishing;
- 10. Construction, exploitation and management of oil and gas pipeline transportation and their storage in pipelines and terminals
- 11. Game of chance;
- 12. Passenger and freight train transport;
- 13. Public regular passenger service;
- 14. Exploitation of medicinal, thermal and mineral waters;
- 15. Exploration and/or exploitation of non-metallic minerals, including secondary mineral resources regulated by a special law;
- 16. Hydro-melioration systems and extraction systems intended to extract quarry materials from watercourse and waterlines;
- 17. Agricultural land use;
- 18. Hotels and other tourist facilities and
- 19. Natural and architectural heritage sites and buildings.

A concession object may be the right to pursuit of activities of utilities and other public services, subject to cantonal regulations.

### Article 4

#### (Definitions)

For the purpose of this Law, individual terms have the following meaning:

"**Conceding Party**" means all competent ministries and authorities of the Federation authorised by the Government of the Federation of Bosnia and Herzegovina (hereinafter referred to as: Government of FBiH) to award concession. "**Concession**" means the right to pursuit of the economic activities by exploitation of natural resources, goods of general interest and pursuit of activities of general interest under this Law.

"**Concessionaire**" means a legal entity established in accordance with special laws of the Federation, owned by a local and/or foreign legal person who is awarded a concession and executes a concession contract pursuant to this Law.

### Article 5

### **Competence to Award Concessions**

The Government of the Federation shall take a decision on the award of concession for certain goods at the proposal of the line ministry.

In case of dispute over the competence of the Federation and cantons for concession awarding, the competent authorities shall harmonize the conditions and modality of concession awarding.

Any competence dispute over the concession awarding between the Federation and cantons shall be solved by the Joint Concession Commission referred to in Article 8 (2) of this Law.

### Article 6

The Federation Government shall decide on the award of a concession, as follows:

- 1. Construction/ upgrading of the existing and use or use of:
  - Highways, major roads, roads and associated infrastructure facilities,
  - Railways,
  - Navigable canals,
  - Ports,
  - Airports;
- 2. Exploitation of watercourse and other water resources in the territory of interest of two or more cantons;
- 3. Construction of hydroelectric power plants with a capacity above 5 MW;
- 4. Construction and exploitation o of water accumulations subject to territory or interest of two or more cantons;
- 5. Construction, exploitation and management of oil and gas pipeline transportation and their storage in pipelines and terminals;

- 6. Game of chance;
- 7. Exploitation of forests and forest land;
- 8. Passenger and freight train transport and
- 9. Natural and architectural heritage sites and buildings.

The awarding of the concession for subject matters not falling under the Law on Concessions of Bosnia and Herzegovina and paragraph 1 of this Article shall be regulated by a cantonal Law.

# **II INSTITUTIONAL STRUCTURE**

### Establishment and General Functions of the Commission

### Article 7

This Law shall establish the Concession Commission of the Federation of Bosnia and Herzegovina (hereinafter referred as: Commission) as an independent regulatory body set up to exercise its competences in the capacity of the Concession Commission of the Federation or in the capacity of the Special Joint Concession Commission. In executing its function, the Commission shall promote the satisfaction of public needs and the economic development through involvement of private sector in financing, design, construction, rehabilitation, maintenance and/or operation of infrastructure and accompanying facilities and devices, services and in exploitation of natural resources and buildings used for their exploitation, taking into account the protection of private sector. The Head office of the Commission shall be in Sarajevo. The Commission may hold its sessions also outside the Head Office.

### **Commission's Functional Distribution of Competence**

#### Article 8

The Commission shall operate as the Concession Commission of the Federation when it performs duties and grants authorizations related to the award of concession that fall under exclusive competence of the Federation. The Commission shall operate as the Special Joint Concession Commission when it performs duties and grants authorizations related to the award of concession granting that do fall under joint competence of the Federation and cantons or in the case set forth under Article 5(3) of this Law.

## **Composition of the Commission**

### Article 9

The Commission shall consist of seven members, citizens of Bosnia and Herzegovina and the Federation, including a chair and vice-chair. A chair and vice-chair cannot belong to the same constituent peoples.

## Appointment and Eligibility of the Commission Members

The Commission members shall be appointed by the Parliament of the Federation of Bosnia and Herzegovina (hereinafter referred to as: Parliament of FBIH) upon proposal of the Government of the FBIH out of eminent experts from the legal, economics and engineering profession. The Commission members to the first convocation shall be appointed within 90 days upon entry into force of this Law.

The Chair and the Vice-Chair shall be appointed from among the Commission members by the Parliaments of FBIH.

No person convicted of a criminal offence against property, economics, constitutional order, breach of duty or any of the responsibilities shall be appointed as a Commission member.

Commission members shall not have direct or indirect interests in any activity that would lead to a conflict of personal interest with their official duties. Commission members shall not be assigned to other duties, nor take on any functions.

Commission members shall not exercise any political function.

# Term of Office

## Article 11

The term of office of Commission members shall be five years and it may be renewed for another term of five years. If a vacancy in the Commission exists prior to the expiration of term, the Parliament of FBIH shall appoint a new Commission member for the remaining period of term.

## Appointment and Remuneration of Personnel

## Article 12

The Commission shall have a Secretary.

The Secretary of the Commission and other personnel working for the Commission shall be appointed in a manner and under conditions specified by law and Rule book on internal organization of the Commission. The Rule book on internal organization of the Commission shall provide for the criteria for rates of remuneration and other allowances on the grounds of the employment.

The Government of the Federation shall provide for the rate of remuneration and other allowances on the grounds of the employment for the Chair, the Vice-Chair and other Commission members.

## Competence of the Commission

### Article 13

The exclusive competence of the Commission shall involve as follows:

- monitoring all activities of Concessionaire in order to ensure that the consumers are adequately provided with services and charged appropriate/proper rates;
- Approval of time limits and conditions of a standard contract for provision of services to customers;
- Reviewing consumers' appeals regarding the amount of fee or conditions for Concessionaire services supply;
- Decision-making on any request or audit request submitted pursuant to this Law.

### Other duties and functions of the Commission

#### Article 14

The Commission shall prepare a Policy Paper on the concession award (hereinafter referred to as: Policy Paper) listing economic sectors and industries to be delegated and awarded to local and foreign legal entities. The Commission shall submit the Policy Paper to the Government of the Federation that will state its position thereof within 30 days of its receipt. The Government of the Federation shall submit the adopted Policy Paper to the Parliament of FBIH in writing.

The Policy Paper shall be published in the "Official Gazette of the Federation of BiH".

The Commission shall monitor the implementation of Policy Paper and submit an annual report to the Government of the Federation.

The Commission may, on its own initiative or upon request from any stakeholder, formulate general principles or suggest the implementation of specific regulations governing a certain economic or indistrial area.

The Commission shall answer to any question posed by the Minister and it may, on its own initiative notify the Minister of any question under its competence.

The Commission may arbitrate any dispute arising between contracting parties, if stakeholders so agree and it may act as a mediator upon request from stakeholders.

Upon submission of request by any stakeholder, the Commission shall take a decision in order to protect the rights of stakeholders.

If the public interest needs to be protected, the Commission may request the Government of the Federation to reimburse any costs incurred by experts participating in public consultations.

The Commission shall cooperate with other bodies established pursuant to the laws of the Federation.

The Concessionaire shall compensate/ pay the costs, either in their entirety or partially, incurred in examining any matter submitted to the Commission or costs incurred in enforcement of the decisions or orders of the Commission.

## Funds for Operation of the Commission

### Article 15

The funds for operation of the Commission shall be provided in the Federation budget.

The funds for operation of the Commission shall include the budgetary funds of the Federation institutions that are determined in accordance with the Law.

The use of funds by the Commission shall be subject to audit by the competent body responsible for audit of financial operations of the institutions of the Federation.

The Commission shall prepare an annual financial statement and shall include it in the annual report on its operations in the previous year and shall submit it to the Parliament of FBIH.

## **Operation of the Commission**

### Article 16

The Chairperson of the Commission shall coordinate the work of the Commission and be responsible for work of the personnel.

Should the Chairperson of the Commission be absent or unable to exercise their duties, the Vice-Chair shall act as Chairperson of the Commission.

Applications filed with or requests for approval or reconsideration/review submitted to the Commission in accordance with this Law shall be examined and decided by at least three Commissioners. If a Commissioner is unable to perform their duty or dies in the course of deciding procedure, two remaining members of the Commission may unanimously make a decision.

## **Decisions of the Commission**

### Article 17

The Commission shall make decisions in accordance with provisions of the Law on administrative procedure.

The Commission shall forward without delay a certified copy of its decision to the participants and the competent Ministry and copies of other documents upon request from the Minister. The Secretary of the Commission shall have custody of the archives and shall perform other tasks/duties assigned by the Chairperson of the Commission.

Commission decisions shall be published in the 'Official Gazette of the Federation of Bosnia and Herzegovina'.

All documents signed by the Chairperson or a person authorized by the Chairperson shall be authentic. A copy of any document of the Commission signed by the Chairperson or authorized person shall be deemed authentic.

# **Reporting Obligation**

### Article 18

The Commission shall submit a report on its operations in the previous year to the Government of FBiH not later than 31 May of the current year.

The report shall include the data on submitted requests, those for review, decisions of the Commission, and number, nature of and answers to any enquiry the Commission had considered. The report shall also contain any other information concerning the work of the Commission required by the Minister.

Upon consideration, the Government of FBiH shall submit to the Parliamentary Assembly the report for adoption within 30 (thirty) days from the date of its receipt.

The report shall be published in the 'Official Gazette of the Federation of Bosnia and Herzegovina'.

### **Public consultation**

### Article 19

The work of the Commission shall be public when considering the appeals and at the request of Minister.

The Commission may hold a public consultation on any matter of public interest within its competence.

Prior to holding a public consultation the Commission shall issue instructions in writing setting the date for submitting of all necessary documents and information and the date of public consultation, and shall provide all information it deems necessary.

The Commission may request participants to provide their opinion and evidence in writing.

The Commission may prohibit or restrict disclosure, publication or release of any information or documents if the type of document concerned or protection of the public interest so requires.

### **Commission decisions review**

### Article 20

Upon submission of a request for a review of the Commission's decisions, submitted within 60 (sixty) days from the day of decision-making or ex officio, the Commission may, following a review, revise or revoke the decision in cases as follows:

- When a new fact has been presented which, if known at the time of decision making would have affect the decision.
- Except when a stakeholder was justifiably prevented to state their opinion about the decision.

The Commission may correct a decision which contains an error in writing or calculation or any technical error, upon its own initiative or upon request of a stakeholder.

The Commission or any stakeholder may deposit a certified copy of the decision or an order adopted in accordance with this Law, with the competent court registry, where the Concessionaire has been registered according to the laws of the Federation.

The deposited decision or order shall be regarded as having the same legal force and effects as the decision of the competent court with which the Concessionaire has been registered in accordance with the laws of the Federation.

No appeal shall be permissible against the decision of the Commission, but an administrative dispute may be initiated before the Supreme Court of the Federation.

### Rules of the Commission

### Article 21

The Commission shall, with the Government's approval adopt the rules on:

- request submission procedure, presentations and complaints to the Commission, discussions/deliberations before the Commission and other matters concerning the work of the Commission;
- laying down the Commission modality of decision-making in cases as referred to in Article 5 (4);
- sessions and number of Commissioners to consider the request;
- ownership concentration and measures with a view of growing the competitiveness in a particular sector, except if otherwise specified by regulations;
- modality for settlement of disputes;
- internal organization and method for establishing the criteria for remuneration and
- determining the allowances.

The rules shall be published in 'Official Gazette of the Federation of Bosnia and Herzegovina'.

### Supervision and inspection of the Concessionaires' work/performance

### Article 22

The Chairperson of the Commission may in writing authorise other person to supervise and inspect the work of the Concessionaire.

The authorised person as referred to in paragraph 1 of this Article may:

- enter the building or property of the Concessionaire at reasonable time;
- analyse and make copies of ledgers, records, reports, files and other documentation related to the Concessionaire's activities and
- require any relevant information or document to be submitted for the purpose of enforcement of this Law.

The person entrusted with safekeeping, having possession or control of ledgers, records, reports, files and other documents shall make their access and revision available upon request of an authorised person.

The authorised person shall provide relevant ID evidence.

Neither Concessionaire nor any other person shall hinder the work of authorised person, make or verify a false statement while performing supervision or inspection.

# **III TENDERING PROCEDURE**

## Concession project approval

### Article 23

The Concessionaire shall prepare economic justification study for each project to be awarded a concession prior to public invitation of potential bidders. The economic justification study shall be submitted to the Commission for consideration and approval.

The Commission shall inform the competent authority on the approval of project within one month following the day of its receipt.

The Commission shall take decision, having regard to:

- impact of the project on user-provided service;
- impact of project on the fee charged against the users;
- whether the project aligns with the Policy Paper's objectives;
- whether the project benefits the Federation.

In case the Commission does not approve the project, it may make suggestions or recommendations to make the project eligible.

After project approval, the Concessionaire shall announce tender and invite eligible persons. Invitations to tender shall be sent to as many as possible addressees, and at the request of the Commission, an international invitation to tender shall be sent.

Upon written consent of the Commission, the Concessionaire may draw up a request to participate prior to open invitation to tender. The request to participate shall be published and submitted to subjects of professional and financial suitability and business capacity. The request to participate shall also contain tender award criteria.

### **Public invitation**

### Article 24

Public invitation shall include:

- (1) terms of reference;
- (2) definition of economic and legal conditions and requirements applicable to the project;
- (3) principles and methods of calculation of concession fee;
- (4) amount of concession and tender participation fee;
- (5) description of resources and property to be made available to the Concessionaire;
- (6) criteria pertaining to evaluation of tenders and awarding of concession in line with clear, transparent and non-discriminatory principles;
- (7) deadline for submission of tenders ;
- (8) draft of concession contract;
- (9) a list of all necessary permits, licenses and other authorizations and
- (10) tax allowances attached to the project, if any.

At the request of the Commission, the open invitation may include an obligatory preparation of economic justification study within environmental impact assessment. Economic justification study shall be considered in the evaluation of criteria pertaining to the concession award.

### Article 25

The Conceding Party shall submit to the Commission an invitation to tender and related documents for consideration and approval.

Within 21 days following the day of receiving invitation to tender, the Commission shall inform the Conceding Party of its approval.

The Commission shall take into account all relevant aspects, when considering the invitation to tender, including as follows:

- whether the evaluation, procedural and selection criteria of the most advantageous tender are grounded on clear, transparent and non-discriminatory principles;
- whether the invitation to tender substantially derogates from economic justification study approved by the Commission.

The Commission may give binding recommendations related to any submitted invitation.

### Award of concession

### Article 26

The Government shall, upon the Commission's proposal award concession to the most advantageous tenderer who met and fulfilled all conditions set in public invitation and being of a higher rank compared to all other tenderers.

The Commission shall, as soon as possible, be notified of the concession award to the most advantageous tenderer.

The Commission shall receive a copy of Concession Contract as well as copies of all project documentation in due form.

### Article 27

A concession award decision shall contain the following:

- object of concession;
- name of the Concessionaire;
- Ministry in charge of concluding concession contract on behalf of the Conceding Party and
- the time limit to conclude concession contract.

# Unsolicited tender offer

### Article 28

In case the tenderer submits a proposal to the ministry regarding a concession not being subject to public invitation, the ministry shall evaluate whether there is public interest for the respective concession.

When evaluating proposal referred to in paragraph 1 of this Article, particular attention shall be paid at:

- the fact that the project subject to proposed concession can be implemented only with process, design, methodology or concept of engineering for which the tenderer owns exclusive rights;
- urgent need for providing services or for existence of infrastructure for public use.

The Ministry shall submit a request to the Commission to obtain authorisation to negotiate with tenderer, if it evaluates that there is public interest for the concession.

The Commission shall, as soon as possible notify the Ministry of granting the authorisation.

The authorisation granted by the Commission may contain the due right of the Commission to monitor the process and /or review the documents.

The Ministry cannot conclude a concession contract on the basis of unsolicited tender offer, unless it obtains an authorisation by the Commission, the concession shall be awarded in accordance with procedure laid down by this Law.

# IV CONCESSION CONTRACT

### Contents of the concession contract

### Article 29

The concession contract shall contain in particular:

- 1. contracting parties;
- 2. rights and obligations of contracting parties, including obligations to provide a safety service to users at the lowest price given the circumstances;
- 3. concession fee;

- 4. activities related to obtaining necessary authorizations for the pursuit of activities in accordance with the concession contract;
- 5. investment conditions;
- 6. facilities and land use;
- 7. assets and properties made available by the Government of FBiH;
- 8. terms and conditions, and time-limit to use object of the concession;
- 9. the Concessionaire's obligations regarding environmental protection;
- 10. Concessionaire's actions with regard to found objects of natural, historical and/or historical-cultural and/or architectural heritage of Bosnia and Herzegovina during exploitation of concession object;
- 11. Concessionaire's actions with regard to further exploitation of concession object endangering finding site, i.e. value and integrity of the respective object of natural, historical and/or historical-cultural and/or architectural heritage of Bosnia and Herzegovina;
- 12.mandatory revitalization of renewable natural resources, i.e. non-renewable natural resources reclamation;
- 13. contract renewal terms and conditions;
- 14. sanctions and penalties for contractual non-performance of contracting parties;
- 15. contract termination and procedure in case of contract termination before its natural expiry date;
- 16.modalities of disputes settlement, including international arbitration, if agreed so by the parties;
- 17. project financing measures;
- 18. establishment and adjustment of tariffs;
- 19. Concessioner's reasonable annual fee to the Commission;
- 20. force majeure event description and
- 21. other elements relevant to the object of concession.

The Concession contract shall have a definite term, which may not exceed 30 years. In event of exceptional circumstances requiring a longer-term investment, the term may be extended but may not exceed 50 years. The Concession Contract may be subject to renewal for a period not exceeding half of the original term.

The Concession contract cannot be delegated to the other Concessionaire without prior approval of the Commission. In case that the Concessioner failed to perform their duties under international finance institution whose member is Bosnia and Herzegovina, the Concession contract may be delegated to the respective institution without the Commission's approval. In reviewing the request for approval, the Commission shall have due regard to:

- (1) financial soundness of the Concessionaire nominee;
- (2) expertise and capacity of the Concessionaire nominee to provide service and perform duties laid down in the Concession Contract AND
- (3) impact of the awarded concession on ownership concentration within a specific activity sector.

The new Concessionaire shall undertake rights and obligations of the precursor.

The Concession contract shall be concluded and implemented in accordance with regulations of the Federation.

## **Termination of the Concession Contract**

### Article 30

The Concession Contract shall terminate:

- (1) upon the expiry of the contractual term in accordance with this Law;
- (2) by the opening bankruptcy proceeding against the Concessionaire;
- (3) by termination of existence of the concession object;
- (4) by termination of the Concession Contract

## **Breach of Concession Contract**

### Article 31

The Concession Contract may be breached:

- (1) if the Concessionaire is insolvent or bankrupt,
- (2) if the Concessionaire or the Conceding Party fails to fulfil their obligations.

## **V CONNCESIONAIRE**

### Concessionaire's legal status

### Article 32

The Concessionaire shall be a legal entity established or registered in accordance with the laws of Federation with whom the Conceding Party shall conclude a Concession Contract, and who shall have the rights and obligations laid down in this Contract and this Law.

### **Rights of the Concessionaire**

### Article 33

The Concessionaire shall have the right to own and use the assets and property made available by the Conceding Party in accordance with the Concession Contract.

### **Obligations of the Concessionaire**

### Article 34

Share capital of the Concessionaire shall be held by persons listed in tender documentation. Not more than 15% of voting rights can be transferred, directly or indirectly, without approval of the Commission.

The Concessionaire is obliged to perform activities defined as the object of concession in the Concession Contract and that may not be extended beyond the scope laid down in the Concession Contract.

The Concessionaire shall prepare standard services contracts regulating business relationship between the Concessionaire and users of services, subject to approval of the Commission.

# **VI PENALTY CLAUSES**

### **Penalty clauses**

### Article 35

The Concessionaire making false statement to ensure the transfer of share, stocks or stock certificate or upon which the Commission shall issue a transfer authorisation shall be imposed a pecuniary penalty of BAM 1,000.00 to BAM 10,000.00 for an economic offence.

A pecuniary penalty of BAM 100 to BAM 5,000 shall be imposed on a person responsible as Concessionaire for an economic offence in terms of activities referred to as in paragraph 1 of this Article.

A pecuniary penalty of BAM 100 to BAM 1,000.00 shall be imposed on persons referred to in paragraph 1 and 2 of this Article if:

- a) they fail or avoid to fill and return unfilled documents in a way provided for by this Law;
- b) they fail or avoid to answer the questions in the documents;
- c) they intentionally provide false answers to any question;
- d) they fail to answer the questions that could establish the facts because of which the inquiry is made;
- e) upon request of the Commission fail to present to the Commission or Commission member, or person authorized to review ledgers, documents, invoices, archive or records of more Concessionaires;
- f) they fail or refuse to perform any duty entrusted with them for which the sentence is not established, or
- g) they avoid or refuse to execute the request or to enforce an order issued by the Commission or judgment of the competent court;

h) Within the meaning of paragraph 3 of this Article, an act, omission or failure of any responsible person, officer, agent or other person acting on behalf of or employed by any Concessionaire and acting within their scope of employment and instructions shall in every case be deemed to be the act, omission or failure of that Concessionaire.

## **VII TRANSITIONAL AND FINAL PROVISIONS**

## Jurisdiction of the Court

### Article 36

The Supreme Court of Federation shall have jurisdiction to settle any disputes arising out of activities contrary to provisions of this Law.

### Article 37

An undertaking using natural resources to perform its activities, a public good or performing common interest activities shall conclude the Concession Contract without procedure prescribed by this Law within three months following the day of entry into force of this Law, except if natural resources, public good or common interest activities are subject to restitution.

The Concession Contract referred to in paragraph 1 of this Article shall be concluded for duration of five years.

### Article 38

An undertaking using natural resources to perform its activities, a public good or performing common interest activities may conclude the Concession Contract in accordance with Article 29 (2) of this Law without procedure prescribed by this Law in the following cases:

- If the concession award procedure was in accordance with applicable Law before adoption of this Law and
- if the concession award decision was not adopted on the grounds of concession award procedure referred to in indent 1 of this Article.

# **Final provisions**

### Article 39

On the date of the entry into force of this Law, laws and provisions of specific regulations on concessions that were enforced in the territory of Federation shall be null and void.

The Concession Contract that was concluded contrary to provisions of this Law shall be void.

### Article 40

Cantons are obliged to adopt Law on Concessions in accordance with this Law within six months following the entry into force of this Law, i.e. adopted Law to harmonise with this Law.

### Article 41

This Law shall enter into force on the eight day following its publication in the "Official Gazette of Federation BiH".

Speaker of the House of Peoples Parliament of the Federation of BiH Prof. Ivo Komšić, m.p.

Speaker of the House of Representatives Parliament of the Fedration of BiH Ismet Briga, m.p.