



Doing Business

in

South East Europe 2008

COMPARING REGULATION ACROSS THE REGION AND WITH 178 ECONOMIES

Doing
Business

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Copies of *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth*, and *Doing Business in 2004: Understanding Regulations* may be obtained at www.doingbusiness.org.

Doing Business in South East Europe 2008 and other subnational and regional studies can be downloaded at <http://subnational.doingbusiness.org>.

Contents

Doing Business in South East Europe 2008 is the first regional and subnational *Doing Business* report in South East Europe. The report covers 22 cities from South East Europe which can be compared against each other, and with 178 economies around the world. The data for South East European cities are for January 2008. Comparisons with other cities, regions and countries in the world are based on the data and indicators in *Doing Business 2008*.

Doing Business measures the ways in which government regulations enhance business activity or restrain it. This report covers four *Doing Business* topics at the subnational and regional level: starting a business, dealing with licenses, registering property and enforcing contracts. These indicators have been selected because they cover areas of municipal jurisdiction and/or enforcement. The indicators are used to analyze the economic outcomes of the regulations and to identify what reforms have worked, where and why.

The methodology has limitations. Other areas important to business—such as proximity to major markets, the quality of infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not studied directly by *Doing Business*. To make the data comparable across countries, the indicators refer to a specific type of business—generally a limited liability company.

The report was directed by FIAS, a multi-donor

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Overview

An entrepreneur starting a business in Vlora (Albania) would only need 7 days to register her business, the same as in Paris (France) or Lisbon (Portugal).¹ In Mostar (Bosnia and Herzegovina), it would take almost 9 times longer, similar to Ljubljana (Slovenia) and Mbabane (Swaziland). Construction licenses are costly throughout the South East Europe region, but Tirana (Albania) is least expensive at 461% of income per capita. Enforcing a contract related to a simple commercial dispute takes about 10 months in Zrenjanin (Serbia) and more than 4 years in Banja Luka (Bosnia and Herzegovina).

Doing Business in South East Europe 2008 compares 22 cities in 7 economies: Albania, Bosnia and Herzegovina, Croatia, Kosovo², Macedonia, FYR (former Yugoslav Republic), Montenegro, and Serbia. Studying these economies in depth is driven by the common vision of the region—improving the business environment to increase investment flows, enhancing regional cooperation and eventually integrating with the European Union (EU).

The report covers 4 *Doing Business* topics: starting a business, dealing with licenses, registering property and enforcing contracts. These indicators have been selected because they reveal differences in national and municipal regulatory policies and practices—some regulations are mandated and enforced at the national level, while others are administered locally. These differences allow for comparisons within a country, the region and the world and are strong drivers of reform.

Overall, doing business is easiest in Bitola (Macedonia, FYR) and most difficult in Mostar (Bosnia and Herzegovina) (table 1.1).

Most of the economies in South East Europe are reforming rapidly to improve the ease of doing business. This fits the trend observed in Eastern Europe and Central Asia as the region that reformed the most in 2006/07 (figure 1.1).

Croatia and Macedonia, FYR are among the global top-10 reformers in *Doing Business 2008* (table 1.2). This is no accident. Croatia reformed in 4 of the 10 *Doing Business* areas. In 2005, registering a property in Croatia took 956 days. Now it takes 174 days. Croatia also sped up company start-up, consolidating procedures at the one-stop shop and allowing

TABLE 1.1
Doing Business in South East Europe—where is it easiest?

| RANK | City <i>Economy</i> | RANK | City <i>Economy</i> |
|------|---|------|---|
| 1 | Bitola (easiest) <i>Macedonia, FYR</i> | 12 | Pristina <i>Kosovo</i> |
| 2 | Zrenjanin <i>Serbia</i> | 13 | Belgrade <i>Serbia</i> |
| 3 | Shkodra <i>Albania</i> | 14 | Vranje <i>Serbia</i> |
| 4 | Pljevlje <i>Montenegro</i> | 15 | Varazdin <i>Croatia</i> |
| 5 | Krusevac <i>Serbia</i> | 16 | Sibenik <i>Croatia</i> |
| 6 | Vlora <i>Albania</i> | 17 | Niksic <i>Montenegro</i> |
| 7 | Osijek <i>Croatia</i> | 18 | Podgorica <i>Montenegro</i> |
| 8 | Prizren <i>Kosovo</i> | 19 | Zagreb <i>Croatia</i> |
| 9 | Skopje <i>Macedonia, FYR</i> | 20 | Banja Luka <i>Bosnia and Herzegovina</i> |
| 10 | Uzice <i>Serbia</i> | 21 | Sarajevo <i>Bosnia and Herzegovina</i> |
| 11 | Tirana <i>Albania</i> | 22 | Mostar <i>Bosnia and Herzegovina</i> |

Source: *Doing Business* database

pension and health services registration online. Two procedures and 5 days were cut from the process. In the area of construction licenses, Croatia decentralized its licensing process. A new law on zoning and construction came into force on October 1, 2007. Reforms in credit and bankruptcy, which are outside the scope of this report, were also introduced.

Macedonia, FYR, another global top reformer in 2008, decreased the time to obtain a construction license through administrative reform of the real estate registry and introduction of statutory time limits for issuing licenses. Macedonia, FYR also eliminated the minimum capital requirement, introduced a one-stop shop, and is working on an online

FIGURE 1.1
Eastern Europe & Central Asia reformed the most



TABLE 1.2
The top 10 reformers in 2006/07

| Economy | Starting a business | Dealing with licenses | Employing workers | Registering property | Getting credit | Protecting investors | Paying taxes | Trading across borders | Enforcing contracts | Closing a business |
|----------------|---------------------|-----------------------|-------------------|----------------------|----------------|----------------------|--------------|------------------------|---------------------|--------------------|
| Egypt | ✓ | ✓ | | ✓ | ✓ | | | ✓ | | |
| Croatia | ✓ | | | ✓ | ✓ | | | | | ✓ |
| Ghana | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | |
| Macedonia, FYR | ✓ | ✓ | | | | | ✓ | | | |
| Georgia | ✓ | ✓ | | ✓ | ✓ | ✓ | | | | ✓ |
| Colombia | | | | | | ✓ | ✓ | ✓ | | |
| Saudi Arabia | ✓ | | | | ✓ | | | ✓ | | |
| Kenya | ✓ | ✓ | | ✓ | ✓ | | | | | |
| China | | ✓ | | | ✓ | | | | | ✓ |
| Bulgaria | | ✓ | | | | | ✓ | | ✓ | |

Note: Economies are ranked on the number and impact of reforms. First, *Doing Business* selects the economies that reformed in 3 or more of the *Doing Business* topics. Second, it ranks these economies on the increase in rank on the ease of doing business from the previous year. The larger the improvement, the higher the ranking as a reformer.

Source: *Doing Business* database.

registration system for business start-up.

Other economies are also reforming albeit at a slower pace. Albania established a one-stop shop in September 2007, which slashed the time for starting a business from 36 days to 7 days. In Montenegro, the new Law on Statistics has reduced the number of days needed to obtain company identification by 4 days. Serbia reduced the property transfer tax from 5.0% to 2.5% of property value.

To become more competitive, the economies of South East Europe must continue to improve business regulations and keep up with the reformers of Eastern Europe and Central Asia. Bulgaria and Georgia are among the top-10 reformers in the world. Armenia, Azerbaijan, Belarus, the Czech Republic, Estonia, Hungary, Kazakhstan, the Kyrgyz Republic, Moldova, Poland, Romania, the Russian Federation, Slovenia, Tajikistan, Turkey and Uzbekistan all improved their business regulations. Around the world, 200 reforms—in 98 economies—were introduced between April 2006 and June 2007. Reformers simplified business regulations, strengthened property rights, eased tax burdens, increased access to credit and reduced the cost of exporting and importing.

Comparing business regulations across South East Europe

In starting a business, the region has a number of good practices. Vlora's (Albania) fast and simple business registration process is comparable to the world's top-25 performers on this indicator. Zlatnic, a hypothetical city that combines the best business start-up practices from the 22 cities covered, would rank 6th globally. Yet, these practices are not consistent throughout the region. Some cities perform significantly better than others due to more efficient national and municipal regulations in the registration process, fees and post-registration procedures with departments such as the health fund, tax authority and social security. The time it takes to register a business ranges from 7 days in Vlora and Shkodra (Albania) to 61 days in Mostar (Bosnia and Herzegovina). This reflects administrative differences—cities that have a one-stop shop complete registration faster than those where businesses register through the commercial court. The cost differences are even more pronounced, from as low as 3.9% of income per capita in Bitola (Macedonia, FYR) to 79.4% in Prizren (Kosovo). Numerous procedures also delay business registration; on average, entrepreneurs go through 10 procedures, 4 more than the OECD average.

To comply with all requirements to build a warehouse in South East Europe is not easy or cheap. In all cities, the entrepreneur has to wait a long time to complete the construction licensing process. Bitola (Macedonia, FYR) is fastest with 94 days and Mostar (Bosnia and Herzegovina) is slowest with 535 days, slower than 170 of the 178 economies covered in the global *Doing Business 2008*. A high number of pre-approval clearances, inefficiencies in the local offices of space planning and a long time to register the new warehouse are among the

major causes of delay. On average it takes 19 procedures to get a construction license. Osijek (Croatia) is most efficient with 13 procedures and Zagreb (Croatia) is most burdensome with 24 procedures, and both are Croatian cities. This gap illustrates differences at the municipal level—in Zagreb, an entrepreneur has to go through 17 pre-construction requirements with agencies like the waste collection department and the sanitary inspectorate. Although having few procedures speeds up the process, healthy construction regulation requires a balance between prudent safety standards and easy process. This is not the case when it comes to costs—low costs are always better. Costs are high throughout the region averaging 1,427% of income per capita. As has been noted, Tirana (Albania) is the cheapest at 461% of income per capita and Uzice (Serbia) is the most costly at 2,818% of income per capita, comparable to the 10 most expensive economies globally such as Guinea-Bissau and Niger.

Registering property is subject to similar regulations across the region but the number of procedures, time and cost vary significantly among cities. This is due mainly to local administrative practices and property transfer taxes, which are applied on top of national regulations. The number of procedures ranges from 5 in Zagreb (Croatia) to 11 in Banja Luka (Bosnia and Herzegovina). Time to register property can be as fast as 17 days in Pljevlje (Montenegro), the same as Slovakia, and as slow as 331 days in Sarajevo (Bosnia and Herzegovina), comparable to Angola. The main bottleneck is the land registry, accounting for 82% of the total time required. Prizren (Kosovo) has the lowest cost to register property—0.8% of property value—due mainly to the fixed-fee property transaction tax, that is, the transaction tax does not depend on the property value as in other economies. In terms of costs, Prizren (Kosovo) performs better than Canada or Slovenia and ranks just behind Italy. In Mostar (Bosnia and Herzegovina) registering property is most expensive—5.5% of property value with the transfer tax representing 90% of the total cost.

The region is marked by lengthy contract enforcement processes. The most efficient is Zrenjanin (Serbia); at 300 days, the process is the same as in the United States and faster than in Denmark, the world's 5th performer. In Banja Luka (Bosnia and Herzegovina), the entrepreneur has to wait as long as 4 years—similar to some of the slowest courts in the world, in economies such as Bangladesh or Afghanistan. Delays are due to case backlog and an insufficient number of judges. Breaking down the process into filing, judgment and enforcement reveals further variation. Shkodra (Albania) stands out for its fast filing of cases—21 days. The judgment period is fastest in Pljevlje (Montenegro), at 180 days, and

slowest in Mostar (Bosnia and Herzegovina), where courts take more than 2 years to solve a commercial case. Bitola (Macedonia, FYR) has the fastest enforcement, 45 days, while the same process takes the longest in Sibenik (Croatia), 700 days. The average cost to enforce a contract in South East Europe is 30% of the claim value, which is 7% higher than the Eastern European and Central Asian average of 23%. However, regional averages do not tell the full story. In Zagreb (Croatia), the enforcement cost is 13.8% of the claim value, less than half of what it costs in Belgrade (Serbia), and about one-third of the cost in Pristina (Kosovo).

What gets measured gets done

Publishing comparable data on the ease of doing business inspires governments to act. Comparisons among cities within a single economy are even stronger drivers of reform. That was the case in Mexico, where a subnational *Doing Business* study covering 12 states was first published in 2005. The study created competition to reform, as governors and mayors had a difficult time explaining why it took longer or cost more to comply with administrative procedures in their city or state than in their neighbors'—despite sharing identical federal laws and regulations. The second benchmarking in 2006 showed that 9 of the 12 states measured the first time had reformed in at least one of the areas measured by *Doing Business*. The conclusion: what gets measured gets done.

Payoffs from reform can be large.³ Higher rankings on the ease of doing business are associated with more growth, more jobs and a smaller share of the economy in the informal sector.⁴ In Mexico, reforms cut the time to start a business from 58 to 27 days. A recent study reports that reform pays off: the number of registered businesses rose by nearly 6%, employment increased by 2.6% and prices fell by 1% because of the competition from new entrants.⁵ In Serbia, business registration was taken out of the courts and the payoff was big—the time to register a business fell from 74 days in 2004 to 15 days in 2006 while the number of legally registered companies increased by 50% in the same period. Following this and other reforms, Serbia was the global top reformer in *Doing Business in 2006*.

To improve the business environment across South East Europe, national and municipal policymakers do not need to look beyond the region. Cities can learn from each other and adopt good existing regulations and practices. If the hypothetical city Zlatnic were to adopt the best existing practices from South East Europe, it would rank 9th among the 178 economies measured by *Doing Business*.⁶ This would mean

TABLE 1.3

Best practices in South East Europe—"Zlatnic"

| Indicator | Global ranking (178 economies) |
|--|-----------------------------------|
| Number of procedures to start a business Shkodra, Vlora (6 procedures) | 24 |
| Days to open a business Shkodra, Vlora (7 days) | 12 |
| Cost to open a business Bitola (3.9% of income per capita) | 24 |
| Number of procedures to build a warehouse Osijek (13 procedures) | 29 |
| Days to build a warehouse Bitola (94 days) | 19 |
| Cost to build a warehouse Tirana (461% of income per capita) | 119 |
| Number of procedures to register property Zagreb (5 procedures) | 42 |
| Days to register property Pljevlje (17 days) | 28 |
| Cost to register property Prizren (0.8% of property value) | 20 |
| Days to enforce a contract Zrenjanin (300 days) | 22 |
| Cost to enforce a contract Zagreb (13.8% of claim) | 17 |

Source: *Doing Business* database

adopting Vlora's (Albania) procedures to start a business, Osijek's (Croatia) procedures to obtain construction licenses, Podgorica's (Montenegro) time to register property and Zrenjanin's (Serbia) contract enforcement practices (table 1.3). With these regulations in place, South East European entrepreneurs would face a business environment similar to that of Australia, Canada and Ireland. Such improvements will lead to job creation, more local and international investments and faster economic growth.

Notes

1. The data for all economies in South East Europe are for January 2008. Data for all other economies are for June 2007.
2. Under UN Security Council Resolution 1244 (1999), Kosovo is administered by the United Nations Interim Administration Mission in Kosovo (UNMIK).
3. World Bank. Forthcoming. "Colombia: Inputs for Sub-Regional Competitiveness Policies." Mimeo. Washington, D.C.: World Bank Group.
4. Djankov, Simeon, Caralee McLiesh and Rita Ramalho. 2006. "Regulation and Growth." *Economics Letters* 92 (3):395-401.
5. Bruhn, Miriam. 2007. "License to Sell: The Effects of Business Registration Reform on Entrepreneurial Activity in Mexico." Cambridge, Mass.: Massachusetts Institute of Technology, Department of Economics.
6. This is based on composite numbers including indicators not measured in *Doing Business in South East Europe 2008*. For those indicators the values reported for Albania, Bosnia and Herzegovina, Croatia, Macedonia, FYR, Montenegro and Serbia in *Doing Business 2008* were used to calculate this ranking.

Starting a business

Entry regulation

Zlatko has a dream. He wants to start a Web design company in his hometown of Bitola (Macedonia, FYR) after completing his computer science degree in Belgium. Zlatko is bursting with ideas and already has a few clients lined up. All he has to do is register his business before he rolls up his sleeves and gets to work. In only 10 days, his company will be operational and his first project can be well under way. He is fortunate. If he tried to register his business in Mostar (Bosnia and Herzegovina), he would have to wait for 61 days before he could welcome his first clients. He knows that even if he could wait that long, his clients could not.

Starting a business in the average South East European city takes 27 days, requires 10 procedures and costs 21% of income per capita. A city with this performance would rank 114 when compared with the 178 representative cities worldwide, roughly the same as Kenya.¹ As noted in the previous chapter, Zlatnic, the hypothetical city that combines the best business start-up practices from the 22 South East European cities covered in this report, would rank 6th globally, 107 places higher than the average South East European city. Starting a business in such a city would take 6 procedures and 7 days as in Shkodra (Albania) and cost 3.9% of income per capita as in Bitola (Macedonia, FYR).

The large variation in the ease of starting a business across South East Europe is due to a variety of municipal and national regulations and practices that affect the business registration process, inspections by various authorities, fees and registry with the health fund, tax authority, and social security. It is easiest to set up a business in Bitola (Macedonia, FYR) and most difficult in Mostar (Bosnia and Herzegovina) (table 2.1).

Some South East European cities fare well on the number of procedures required to open a business. Shkodra and Vlora (Albania) have 6 procedures, which is the same as the United States, the third easiest economy in which to open a business. The most burdensome cities, Niksic and Podgorica (Montenegro), require 15 procedures, similar to Bolivia, ranking 156 in the world.

Requirements following commercial registration are the

TABLE 2.1
Where is it easy to start a business—and where not?

| RANK | City <i>Economy</i> | RANK | City <i>Economy</i> |
|------|---|------|---|
| 1 | Bitola (easiest) <i>Macedonia, FYR</i> | 11 | Vranje <i>Serbia</i> |
| 2 | Skopje <i>Macedonia, FYR</i> | 13 | Zrenjanin <i>Serbia</i> |
| 3 | Shkodra <i>Albania</i> | 14 | Prizren <i>Kosovo</i> |
| 4 | Tirana <i>Albania</i> | 15 | Pristina <i>Kosovo</i> |
| 5 | Vlora <i>Albania</i> | 16 | Sibenik <i>Croatia</i> |
| 6 | Pljevlje <i>Montenegro</i> | 17 | Osijek <i>Croatia</i> |
| 7 | Podgorica <i>Montenegro</i> | 17 | Zagreb <i>Croatia</i> |
| 8 | Niksic <i>Montenegro</i> | 19 | Varazdin <i>Croatia</i> |
| 9 | Uzice <i>Serbia</i> | 20 | Banja Luka <i>Bosnia and Herzegovina</i> |
| 10 | Krusevac <i>Serbia</i> | 21 | Sarajevo <i>Bosnia and Herzegovina</i> |
| 11 | Belgrade <i>Serbia</i> | 22 | Mostar <i>Bosnia and Herzegovina</i> |

Source: Doing Business database

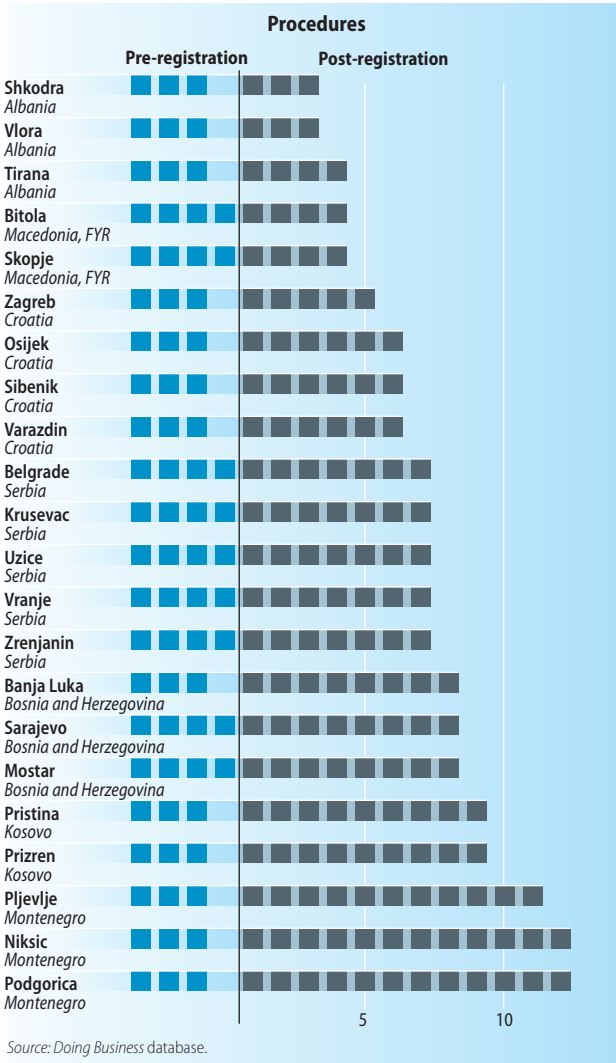
Note: The ease of starting a business is a simple average of the city rankings on the number of procedures, the associated time and cost and minimum capital (% of GNI per capita) required at the start of the business. See the data notes for details.

reason behind the high number of procedures (figure 2.1). In Niksic and Podgorica (Montenegro), an entrepreneur has to conduct 12 post-registration procedures including obtaining a municipal permit, receiving an inspection from the municipality and registering with the pension, employment and health funds. Some of these procedures can take a long time—in Varazdin (Croatia), the single procedure of obtaining a municipal environmental and workplace certificate takes 25 days.

The time it takes to register a business varies greatly across the 22 cities (figure 2.2). The best performers are Shkodra and Vlora (Albania) with 7 days. The slowest to complete the registration process is Mostar (Bosnia and Herzegovina), where it takes 61 days.

Completing business registration is faster when it is taken out of the courts and done by an administrative body. It is even faster when the administrative body is a one-stop shop. Albania offers a good example—the National Registration Center conducts simultaneous registration for the commercial registry, tax authorities, public institute of social security and labor inspectorate office, all within 2 days. Similar one-stop shops exist in Skopje (Macedonia, FYR) and Pristina (Kosovo), where the central agencies complete the registration process in 3 and 4 days respectively. In Belgrade (Serbia), however, it takes longer. Although the one-stop shop Serbian Business Registers Agency (SBRA) processes registrations in

FIGURE 2.1

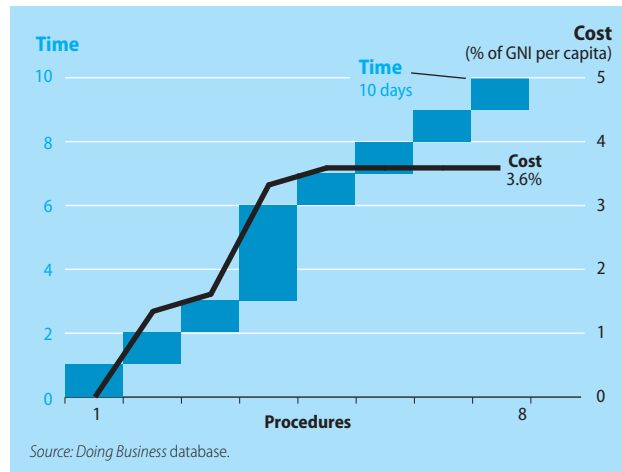
Many post-registration procedures

7 days, the additional procedures with the tax authorities, pension, employment, and health funds add at least 16 more days to the process. In Zrenjanin (Serbia), entrepreneurs spent 36 days completing all registration procedures, 7 of which are needed for registering with the local tax authority. Because of these delays, Serbia is moving towards consolidating all registration numbers with SBRA and consequently to a single identification number for each enterprise.

In economies where a commercial court is involved in the registration, the process tends to be slower. In Banja Luka and Mostar (Bosnia and Herzegovina), it takes the municipal court 20 and 21 days respectively to process the registration, due mainly to a backlog. In the Croatian cities of Varazdin and Osijek, the commercial court takes only 8 days, but this is still longer than the one-stop shops in the other economies.

The cost of starting a business represents on average 21% of income per capita, with large variations among the

FIGURE 2.2

Starting a business in Bitola—fast and cheap

22 cities. The lowest costs are seen in Bitola (Macedonia, FYR) with 3.6% of income per capita (figure 2.2) and Pljevlje (Montenegro) with 3.8%. Prizren and Pristina (Kosovo) stand out as the most costly to the entrepreneur, with 79% and 78% of income per capita respectively. The majority of the expense in both cities stems from the Municipality License Permit, which costs EUR 1,000.

A minimum capital requirement represents another significant cost of business registration—18 of the 22 cities require companies to set aside a minimum amount of capital before they start operating. In all cities of Bosnia and Herzegovina, this is 43% of GNI per capita, in Croatia 18% and in Serbia 8%. Macedonia, FYR is the friendliest to the entrepreneur in this respect and has no such requirement.

Efforts to improve business registration in South East Europe are well under way. Albania has been an ambitious recent reformer. It established a one-stop shop in September 2007 which slashed the time and cost of starting a business from 36 days to 9 days. Macedonia, FYR also recently introduced a one-stop shop and, as a result, registration time in Skopje has dropped by 3 days. In Montenegro, the new Law on Statistics has reduced the number of days needed to obtain a company identification number by 4 days. Bosnia and Herzegovina adopted a new court-based system in 2007, which sped up court registration and reduced the overall time to start a business.

What to Reform?**Eliminate the minimum capital requirement**

Some justify the minimum capital requirement as protecting creditors. But this makes little sense. Lenders base their decisions on commercial risk, not whether a business meets a government-imposed capital requirement. Recovery rates in

bankruptcy are no higher in economies with capital requirements than in those without.

Economies that have a minimum capital requirement include Ethiopia, Guinea-Bissau, Niger, Togo. No rich economy is in this list. The governments of Serbia, Bosnia and Herzegovina, Croatia and Montenegro all stand to benefit from such a reform and identify themselves with the world's better performers.

Eliminate operating or utilization permits

The operating or utilization permit certifies that a business meets a minimal standard for worker health and safety. This permit is inherited from the former Yugoslavia and requires local government bodies to inspect businesses and certify compliance. This procedure remains in Montenegro and Bosnia and Herzegovina. It has been eliminated in Macedonia, FYR, and Albania, where a self-compliance principle has been adopted in its place and has significantly simplified the process. In Serbia pre-registration inspection requirements were also eliminated but administrative authorities keep inspection rights, which may be carried out after the business begins to operate.

Introduce a one-stop shop

One-stop shops have been the most common reform in business start-up. Albania and Macedonia, FYR recently introduced this practice. Croatia, Serbia and Kosovo had already implemented one-stop shops. The governments of Montenegro and Bosnia and Herzegovina can benefit from such a reform. Global experience shows that on average this reform has cut 5 procedures from the start-up process and more than halved delays.

The one-stop shops can also be used to merge procedures. Currently registrations with the tax authority, the pension, health, and employment funds are done as separate procedures after the company is registered. These are particularly burdensome in Serbia, Montenegro and Bosnia and Herzegovina. In contrast, in Macedonia, FYR, Albania, and Kosovo, formalities such as tax and statistical registration have been delegated to the company registry.

Allow start-up online

Making registration electronic is one of the most effective ways to speed start-ups. In the past 4 years, 13 economies introduced electronic registration, including Belgium, Ireland, Mauritius and Norway, which lowered the average time to start a business from 40 to 17 days.² None of the covered South East European economies have done the same. Macedonia, FYR comes closest by publishing the company's creation notice on the Web site of the Central Register. Online

name checking is also available in Croatia. Such reforms can be cheap and are a good start for larger and deeper reforms.

Make city registries fully functional

Although local offices of business registries exist in many provincial cities, in some cases they are not authorized to perform all the functions that can be carried out in the capitals. As a result, entrepreneurs have to travel to the capital or send their paperwork to the central registry. This leads to unnecessary delays. In Serbia, for instance, if a business is to be open in Krusevac, the local tax authority has to request a tax identification number from Belgrade, because the tax authorities insist on independent administration of the tax registration procedures. The process takes 7 days. Allowing the business registry to handle tax identification will reduce that time. Similarly, Vlora (Albania) does not have a one-stop shop, so entrepreneurs have to travel to Fier to submit their paperwork there. Providing the local registries with the same functionality as the capital cities will cut down registration time and avoid delays.

Eliminate antiquated requirements

Some requirements are leftovers from a bygone era. These should be cut. One example is the requirement for a company seal or stamp, still on the books in all 22 cities. In earlier centuries, a seal symbolized the legal identity of a business and authenticated all its contracts. Now most documents are sent electronically. More than 100 economies have regulations allowing electronic signatures. These cost nothing and are more difficult to forge.

Standardize incorporation documents and publish information

Business registration applications are often rejected for flawed or insufficient paperwork. Standardizing incorporation documents would ensure legality without notaries and would prevent errors and speed up processing. Furthermore, application instructions ought to be made easily accessible to the public—both online and in paper format. This would eliminate many of the frustrations of entrepreneurs, who often have to figure out the system through trial and error.

Notes

- 1 The data for all economies in South East Europe are for January 2008. Data for all other economies are for June 2007.
- 2 World Bank. 2007. *Doing Business 2008*. Washington, D.C.: World Bank Group.

Dealing with licenses

Building a warehouse

Dijana, Artan and Ana opened their first bookshop 3 years ago. Thanks to the growing interest in local writers and demand for foreign books, their network of stores now spans South East Europe. They plan to build a new warehouse, but where to invest? In Sarajevo (Bosnia and Herzegovina), Tirana (Albania), Zagreb (Croatia), and other cities where they currently operate, obtaining a building permit is expensive and takes almost a year. This is why they soon start considering cheaper locations in other Eastern European countries.

Governments must strike an appropriate balance between licensing that protects the public and brings in revenue, and regulations that do not discourage business. Stricter building rules and regulations result in fewer accidents but where the process is too burdensome, fewer projects get started and construction can move to the informal economy—this does not serve the public interest.

Doing Business looks at licensing of the construction industry as an example of licensing regulations that businesses face. It measures the procedures, time and costs needed for a construction firm to build a standardized commercial warehouse, hook it up to utilities and formally register it. In an average South East European city, the process consists of 19 procedures which take 268 days and cost 1,427% of income per capita. In contrast, in OECD countries, it takes 14 proce-

TABLE 3.1

Where is it easy to deal with construction licenses—and where not?

| RANK | City <i>Economy</i> | RANK | City <i>Economy</i> |
|------|--------------------------------------|------|--------------------------|
| 1 | Pristina (easiest) Kosovo | 12 | Niksic Montenegro |
| 2 | Banja Luka Bosnia and Herzegovina | 13 | Zrenjanin Serbia |
| 3 | Prizren Kosovo | 14 | Podgorica Montenegro |
| 4 | Osijek Croatia | 15 | Bitola Macedonia, FYR |
| 5 | Sibenik Croatia | 16 | Belgrade Serbia |
| 6 | Pljevlje Montenegro | 17 | Tirana Albania |
| 7 | Shkodra Albania | 18 | Skopje Macedonia, FYR |
| 8 | Sarajevo Bosnia and Herzegovina | 19 | Krusevac Serbia |
| 9 | Vlora Albania | 20 | Vranje Serbia |
| 10 | Mostar Bosnia and Herzegovina | 21 | Uzice Serbia |
| 11 | Varazdin Croatia | 22 | Zagreb Croatia |

Source: *Doing Business* database

Note: The ease of dealing with licenses is a simple average of the city rankings on the number of procedures, the associated time and cost (% of GNI per capita) required to deal with licenses. See the data notes for details.

dures, 153 days and 62% of income per capita on average—a difference of 5 procedures, 115 days and 1,354% of income per capita less (figure 3.1).¹

The average city in South East Europe would rank 170 out of 178 cities around the world on the ease of dealing with licenses. The hypothetical city of Zlatnic, which combines the best licensing practices from the region, would rank 42 globally, 128 places higher. In Zlatnic, Dijana, Artan and Ana would go through 13 procedures as in Osijek (Croatia), which would take 94 days as in Bitola (Macedonia, FYR), and cost

FIGURE 3.1

Best, worst and average practices in dealing with licenses

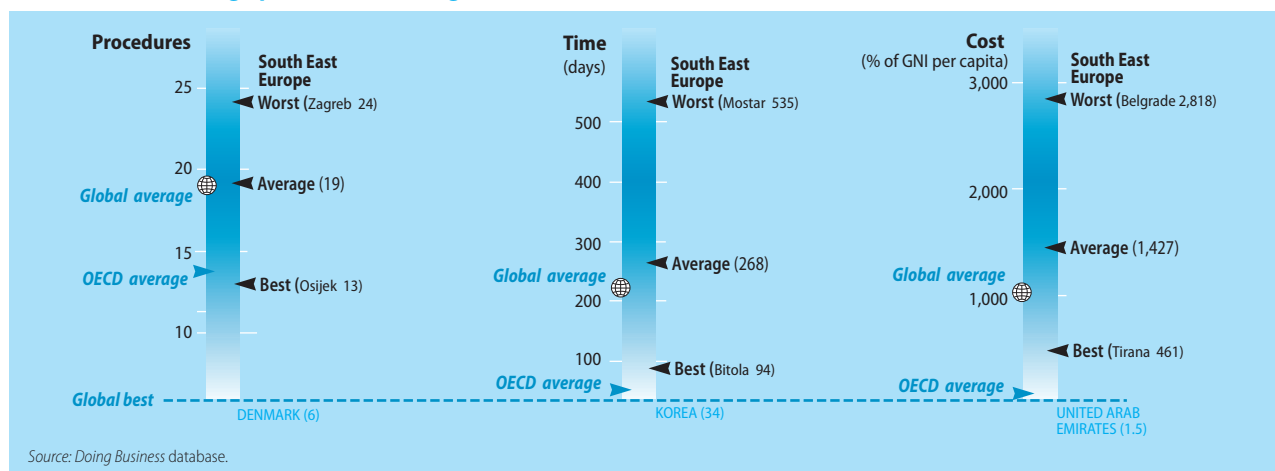
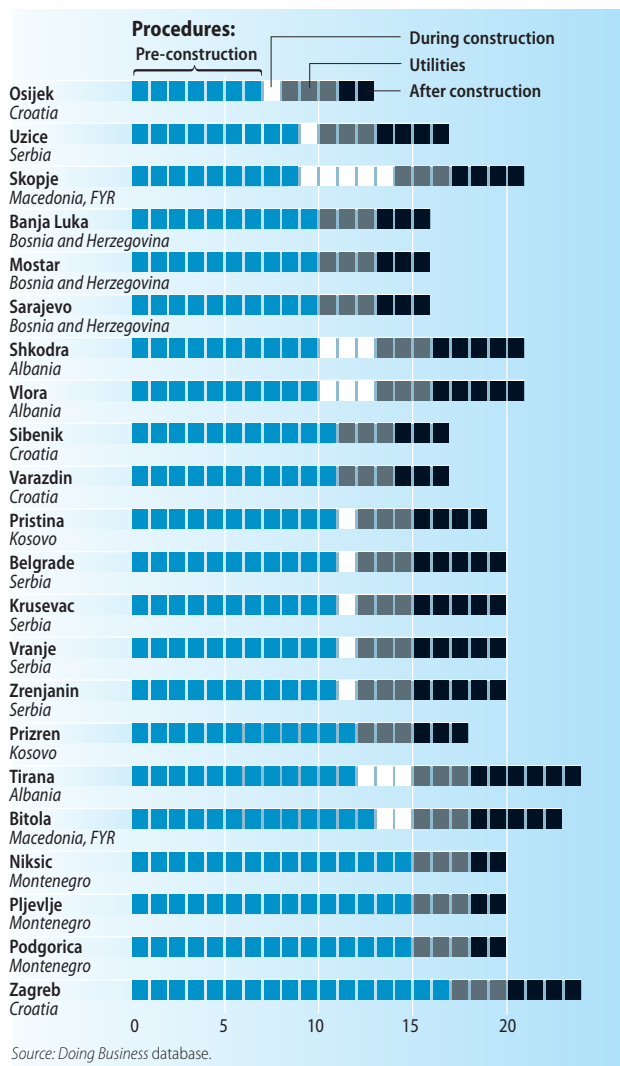


FIGURE 3.2

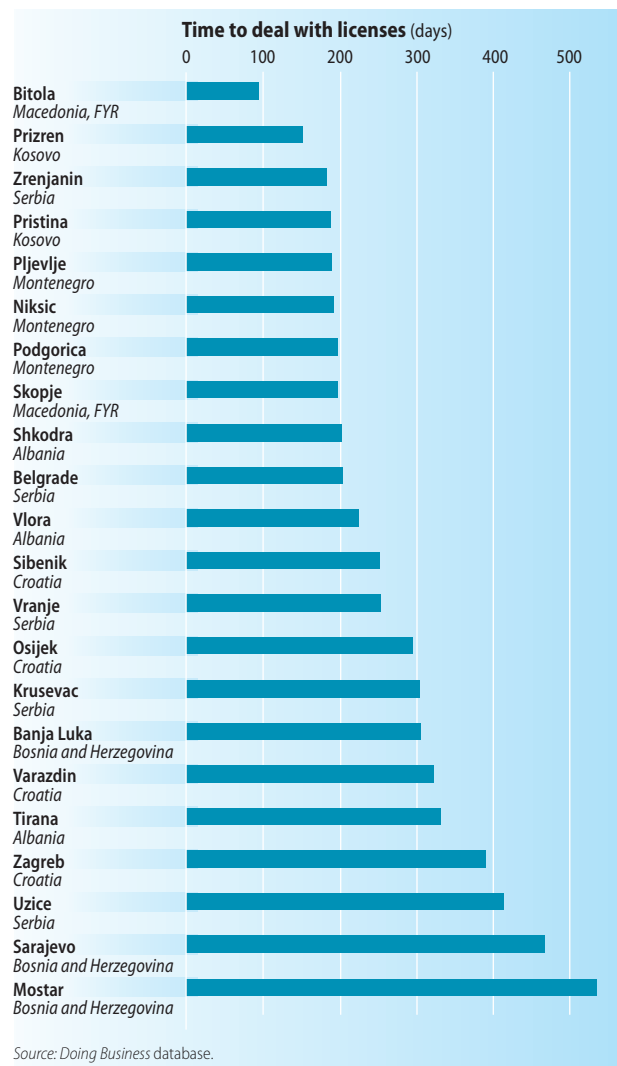
Many pre-construction procedures

461% of income per capita as in Tirana (Albania).

It is easiest to obtain construction licenses in Pristina (Kosovo) and Banja Luka (Bosnia and Herzegovina). Dealing with licenses is most difficult in Croatia's capital Zagreb and in the Serbian cities of Krusevac, Vranje and Uzice. There are big variations in the number of procedures, time and cost to deal with construction licenses due to different local regulations and practices across South East Europe (table 3.1).

On average it takes 19 procedures to get a construction license in the 22 cities covered. The process is easiest in Osijek and most burdensome in Zagreb, both Croatian cities, with 13 and 24 procedures respectively. The high number in Zagreb is due to additional pre-construction clearances not found in other cities. Before even applying for the building permit, a builder needs 16 permissions from agencies as diverse as the waste collection department and the sanitary inspectorate. There are 11 pre-construction procedures per

FIGURE 3.3

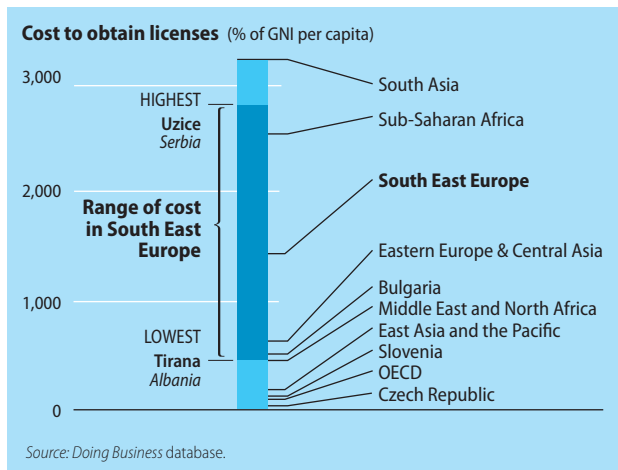
Big range in the time spent on licensing

city on average, which further burden entrepreneurs in South East Europe (figure 3.2).

It takes almost 6 times longer to deal with construction licenses from one city to another in South East Europe. The time ranges from 94 days in Bitola (Macedonia, FYR) to 535 days in Mostar (Bosnia and Herzegovina) (figure 3.3).

A high number of pre-approval clearances, long waiting times in local space planning offices and slow property registration are among the main causes of delay. It takes more than 4 months on average before construction can start. Pre-construction permits are fastest in Skopje (Macedonia, FYR) and slowest in Varazdin (Croatia)—at 32 and 230 days respectively. In the 3 Croatian cities and in Krusevac (Serbia), it takes 3 months to obtain location and construction permits from the local space planning offices. Utility clearances also slow down the process in some locations—in Serbia, they cannot be obtained in less than 2 months as opposed to just

FIGURE 3.4

Expensive construction licensing in South East Europe

2 days in Macedonia, FYR. Some have addressed these delays: In Sarajevo (Bosnia and Herzegovina), a new electronic system reduced the time needed to obtain the fire safety clearance to 4 days. The same process takes one month in Tirana (Albania). Post-construction procedures are similarly burdensome. Registering the new warehouse with the Land Registry takes 315 days in Sarajevo and 400 days in Mostar, both cities in Bosnia and Herzegovina.

The costs are high across the region—1,427% of income per capita on average. Albanian cities stand out as cheapest for the building company. Uzice and Vranje in Serbia are most costly at 2,818% and 2,796% of income per capita respectively. They rank among the 10 most expensive locations globally, comparable to Niger and Guinea-Bissau. To notify and obtain a municipal approval for commencement of works and pay city building land tax is the most costly procedure in Serbian cities—it represents 77% of the total costs. The average costs in South East Europe are higher than most regions in the world and many new EU member countries (figure 3.4).

South East Europe only needs to look to its neighbors to find lessons on how to improve construction licensing. Eastern Europe saw the biggest reforms in this area in 2006.² Getting a license in Georgia required 285 days and 29 procedures in 2004, similar to the average South East European city. Consequently, fewer than 45% of construction projects in Tbilisi had legal permits. Over the last 3 years, Georgia eliminated many unnecessary approvals and introduced a one-stop shop for licensing, a “silence is consent” rule and statutory time limits. The number of procedures dropped to 12—all necessary to protect public interest and safety—and the time has been reduced to 13 days. As a result, the number of permits issued grew by 151% in 2006/07.³ Georgia’s approval process for building a warehouse is now more efficient than any EU country except Denmark.

South East Europe has been reforming too. In Croatia, a new law on zoning and construction came into force on October 1, 2007. The law also decentralized the licensing process and increased the responsibilities of authorized architects and engineers. Macedonia, FYR, as part of its recent reforms, has introduced statutory time limits to shorten the deadlines for issuing licenses. Furthermore, to make the process more transparent, the government has distributed an electronic construction permitting package with documents and manuals to all its municipalities, along with posters and flyers explaining each step for applicants. Banja Luka (Bosnia and Herzegovina) has introduced different pricing for 6 zones to reflect new territorial development. The impact of these reforms remains to be seen. To support growth of the construction sector and to encourage investment in property development, reform efforts need to continue.

What to reform?

Consolidate project clearances

Why not centralize all municipal project clearances in a single office? In Italy, companies had to make separate visits to the fire department, worker safety department, water department, sanitation department, health department and tax department. That process took an average of 8 months. Now all project clearances are centralized into one office, and negotiating the bureaucracy takes only 4 months. The challenge is convincing the various agencies like utility authorities and civil defense to send a representative to a centralized location and delegate decision-making authority to them. One solution would be to work out a part-time system, whereby representatives from the different agencies work at the one-stop shop regularly a few times a week.

Make the permitting process transparent

Builders need to understand how the process works. Tools like the electronic construction permitting packages and flyers distributed by the government in Macedonia, FYR help businesses with their project planning. In 2001, the municipal authorities in Riga (Latvia) created a step-by-step guide with a list of required documents and flowcharts showing which offices to visit when and with what documents, and listing the offices’ addresses, working hours and contact numbers. This simple reform cut 2 months off the process and gave builders confidence and trust in the construction permitting process.

Make licensing applications and processing electronic

In Singapore, builders submit all permit applications electronically. Developers in Austria, Denmark, Iceland, Malaysia, Norway and the United States also complete their applications online. A number of forms are already available electronically across South East Europe. Further developing and improving the online systems will save more time for both entrepreneurs and government officials. It will also remove the contact between them—and the chance for bribes along with it.

Provide on-the-job training to spatial planning office staff

As building projects become more complex and online systems are put in place, it is important to have staff with adequate technical skills in spatial planning offices. In Bosnia and Herzegovina, capacity-building training has been provided to employees. Ongoing on-the-job training prevents delays due to poor capacity of the local authorities to review building documents and to carry out onsite inspections.

Create, regularly update and digitize zoning maps

Municipalities should develop, regularly update and eventually digitalize zoning maps and cadastral records so that businesses do not need to obtain zoning permits and cadastral extracts prior to applying for a building license. No old-member European Union country requires a zoning permit or a cadastral extract to submit a building permit application.

Notes

1. The data for all economies in South East Europe are for January 2008. Data for all other economies are for June 2007.
2. World Bank. 2007. *Doing Business 2008*. Washington, D.C.: World Bank Group.
3. Bagaudinova, Svetlana, Dana Omran and Umar Shavurov. 2007. "Licensing 159 Activities – Not 909." In World Bank, *Celebrating Reform*. Washington, D.C.: World Bank Group and U.S. Agency for International Development.

Registering property

Regulation of property transfers

“My house is mine and not mine. It is mine because I inherited it from my father. It is not mine because it is not registered in my name. I cannot spend 3 months without work in order to go through the property registration process.” So says Ivana, who works at a small restaurant in Uzice (Serbia).

Both the private sector and government can benefit from an efficient property registration system. But the process has to be easy and affordable in order to include the big majority who cannot afford to spend a lot of time and money. The reforms are small relative to the enormous pay-offs they offer.

New Zealand is the world’s top performer in this area—with only 2 procedures, 2 days and a cost of 0.1% of property value. Lawyers certify land transfer documents on behalf of their clients and submit them electronically for registration. Confirmation is returned within minutes. This efficiency is not limited to OECD countries—some economies in the Middle East and North Africa are not far behind. In Oman, it takes 2 procedures and 16 days to transfer property from one domestic private company to another. In contrast, in South East Europe, the average is 7 procedures and 91 days and the cost is 3.5% of property value. People from the region spend 3 months more than New Zealanders and 4 times longer than Slovenians or Bulgarians and pay 6 times more than entrepreneurs in Poland.¹ However, Zlatnic, the hypothetical city that combines the best practices from the 22 South East European cities covered in this report, would rank 16th globally. Registering property in such a city would take 5 procedures as in Zagreb (Croatia), 17 days as in Pljevlje (Montenegro), and cost 0.8% of property value as in Prizren (Kosovo). In contrast, a hypothetical city adopting the worse practices of the region would rank 170, just behind Afghanistan.

Despite a similar regulatory framework for property registration across the region, the time, cost and number of procedures vary due to local administrative practices and taxes. The city of Bitola (Macedonia, FYR) ranks 1st with 6 procedures, 22 days and a cost of 3.2% of the property value. Registering property is most difficult in Mostar (Bosnia and Herzegovina) where the entrepreneur has to comply with 8 procedures that take 145 days and cost 5.5% of the property value (table 4.1).

TABLE 4.1

Where is it easy to register property—and where not?

| RANK | City <i>Economy</i> | RANK | City <i>Economy</i> |
|------|---|------|---|
| 1 | Bitola (easiest) <i>Macedonia, FYR</i> | 12 | Pljevlje <i>Montenegro</i> |
| 2 | Krusevac <i>Serbia</i> | 13 | Varazdin <i>Croatia</i> |
| 3 | Vranje <i>Serbia</i> | 14 | Niksic <i>Montenegro</i> |
| 4 | Shkodra <i>Albania</i> | 15 | Osijek <i>Croatia</i> |
| 5 | Prizren <i>Kosovo</i> | 16 | Skopje <i>Macedonia, FYR</i> |
| 6 | Zrenjanin <i>Serbia</i> | 17 | Sibenik <i>Croatia</i> |
| 7 | Belgrade <i>Serbia</i> | 18 | Zagreb <i>Croatia</i> |
| 7 | Uzice <i>Serbia</i> | 19 | Podgorica <i>Montenegro</i> |
| 9 | Vlora <i>Albania</i> | 20 | Banja Luka <i>Bosnia and Herzegovina</i> |
| 10 | Tirana <i>Albania</i> | 21 | Sarajevo <i>Bosnia and Herzegovina</i> |
| 11 | Pristina <i>Kosovo</i> | 22 | Mostar <i>Bosnia and Herzegovina</i> |

Source: Doing Business database

Note: The ease of registering property is a simple average of the city rankings on the number of procedures, and the associated time and cost (as % of property value) required to register a property. See the data notes for details.

The number of procedures ranges from 5 in Zagreb (Croatia) to 11 in Banja Luka (Bosnia and Herzegovina). Differences are explained by specific national requirements. In general, the number of procedures is similar across cities within each economy. Six procedures are required in all cities in Albania, Croatia (except for Zagreb), Macedonia FYR and Serbia; in Kosovo and Montenegro, entrepreneurs have to go through 7 procedures—except for Podgorica (Montenegro), where 8 are required. Bosnia and Herzegovina is the only economy in the region where there are differences across cities—Sarajevo has 7, Mostar 8 and Banja Luka 11 procedures (table 4.2). Additional procedures in Banja Luka include the requirement to provide a lot occupancy drawing, confirm that the property does not affect the municipality’s construction plans and obtain a special tax clearance from the local tax authority. Also, in Mostar and Banja Luka, the entrepreneur must go through a separate registration with the cadastre.

The time needed to register property varies across the 22 cities. In Pljevlje (Montenegro) and Bitola (Macedonia, FYR)—the fastest cities—registration takes 17 and 22 days respectively. In Sarajevo (Bosnia and Herzegovina), an entrepreneur has to wait 10 months longer than she would in New Zealand. While the process is faster in the other 2 cities measured in Bosnia and Herzegovina—Mostar takes 5 months, Banja Luka 6 months—this is still a long time for an

TABLE 4.2
Who regulates property registration the least—and who the most?

| Procedures (number) | | | |
|-------------------------|----------|-------------------------------------|---------|
| Zagreb (Croatia) | 5 FEWEST | Uzice (Serbia) | 6 |
| Shkodra (Albania) | 6 | Vranje (Serbia) | 6 |
| Tirana (Albania) | 6 | Zrenjanin (Serbia) | 6 |
| Vlora (Albania) | 6 | Sarajevo (Bosnia and Herzegovina) | 7 |
| Osijek (Croatia) | 6 | Pristina (Kosovo) | 7 |
| Sibenik (Croatia) | 6 | Prizren (Kosovo) | 7 |
| Varazdin (Croatia) | 6 | Niksic (Montenegro) | 7 |
| Bitola (Macedonia, FYR) | 6 | Pljevlje (Montenegro) | 7 |
| Skopje (Macedonia, FYR) | 6 | Mostar (Bosnia and Herzegovina) | 8 |
| Belgrade (Serbia) | 6 | Podgorica (Montenegro) | 8 |
| Krusevac (Serbia) | 6 | Banja Luka (Bosnia and Herzegovina) | 11 MOST |

| Time (days) | | | |
|-------------------------|----------|-------------------------------------|----------|
| Pljevlje (Montenegro) | 17 LEAST | Vranje (Serbia) | 84 |
| Bitola (Macedonia, FYR) | 22 | Podgorica (Montenegro) | 86 |
| Shkodra (Albania) | 24 | Skopje (Macedonia, FYR) | 98 |
| Prizren (Kosovo) | 36 | Zrenjanin (Serbia) | 100 |
| Niksic (Montenegro) | 36 | Uzice (Serbia) | 104 |
| Vlora (Albania) | 37 | Belgrade (Serbia) | 111 |
| Pristina (Kosovo) | 38 | Mostar (Bosnia and Herzegovina) | 145 |
| Varazdin (Croatia) | 41 | Sibenik (Croatia) | 153 |
| Tirana (Albania) | 42 | Zagreb (Croatia) | 174 |
| Osijek (Croatia) | 63 | Banja Luka (Bosnia and Herzegovina) | 190 |
| Krusevac (Serbia) | 74 | Sarajevo (Bosnia and Herzegovina) | 331 MOST |

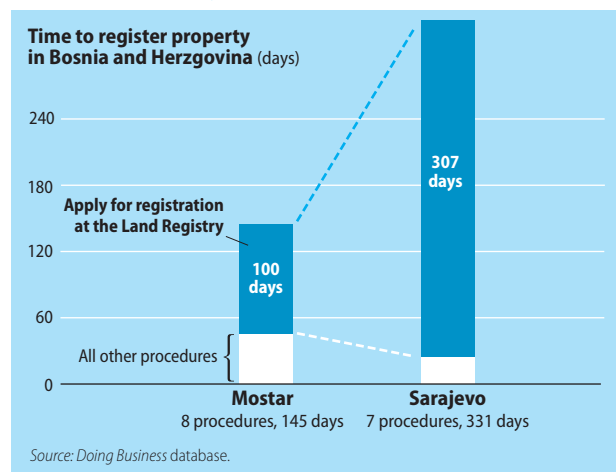
| Cost (% of the property value) | | | |
|-------------------------------------|------------|-----------------------------------|----------|
| Prizren (Kosovo) | 0.8 LOWEST | Podgorica (Montenegro) | 3.4 |
| Pristina (Kosovo) | 0.9 | Shkodra (Albania) | 3.5 |
| Belgrade (Serbia) | 2.8 | Tirana (Albania) | 3.5 |
| Krusevac (Serbia) | 2.9 | Vlora (Albania) | 3.5 |
| Uzice (Serbia) | 2.9 | Skopje (Macedonia, FYR) | 3.5 |
| Vranje (Serbia) | 2.9 | Osijek (Croatia) | 5.0 |
| Zrenjanin (Serbia) | 2.9 | Varazdin (Croatia) | 5.0 |
| Bitola (Macedonia, FYR) | 3.2 | Sibenik (Croatia) | 5.0 |
| Niksic (Montenegro) | 3.3 | Zagreb (Croatia) | 5.0 |
| Pljevlje (Montenegro) | 3.3 | Sarajevo (Bosnia and Herzegovina) | 5.0 |
| Banja Luka (Bosnia and Herzegovina) | 3.4 | Mostar (Bosnia and Herzegovina) | 5.5 MOST |

Source: Doing Business database

entrepreneur to wait for his property to be transferred. The main bottlenecks are the land registries, which on average account for 82% of the total time to register property in Bosnia and Herzegovina (figure 4.1).

The third slowest city is Zagreb (Croatia) where—despite a reform that cut the time for registering property by 225 days—the process still takes 174 days. Compare that to Varazdin or Osijek, both also in Croatia, where it takes 41 and 63 days respectively. The main reason is lower volume at the land registry courts. In Serbia, it takes on average 95 days to complete the same procedures; within this country, an entrepreneur in Krusevac will wait 74 days while his competitor in Uzice or Belgrade will wait 104 and 111 days respectively. The property registry system in southern Serbia called *Tapijski* dates from Ottoman times; in this system, the landowner has a paper or contract (*tapija*) which proves the ownership of the

FIGURE 4.1
Comparing property registration in Mostar and Sarajevo

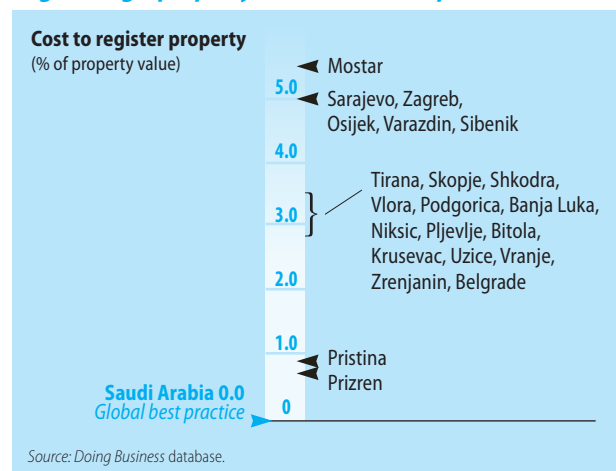


land. “Land registry does not exist as such and the cadastre is only showing who is using the property at the moment,” says an entrepreneur from Vranje.

Kosovo is the cheapest economy with regards to the cost to register property—0.8% of the property value in Prizren and 0.9% in Pristina. This is due mainly to a fixed property transaction tax. As a result, these 2 cities perform better than Canada or Slovenia and are just slightly more expensive than Italy. In Mostar (Bosnia and Herzegovina) registering property is most expensive—5.5% of the property value. Here the transfer tax is calculated as a percentage of property value (5%), as it is calculated in the neighboring city of Banja Luka, where the transfer tax is 3% of the property value (figure 4.2).

Serbia reduced the transfer tax from 5.0% to 2.5% and now the average total cost is 2.9% of the property value. In contrast, Montenegro increased the transfer tax from 2% to 3%. A recent reform in Egypt shows that a reduction in fees

FIGURE 4.2
Registering a property in Prizren is cheap



can actually increase revenue from new registrations. One year ago, registering a property in Cairo cost 5.9% of property value. Ninety percent of properties were either not registered or registered at below market values.² Then the government decided to lower the rate. Today, it costs 1%. As a result, revenues from title registrations rose by 39%.³

A number of economies in Eastern Europe and Central Asia saw other interesting positive changes in the period 2006/07: Uzbekistan reduced the notarization fee from 10% of the property value to a fee based on surface area. As a result, the cost to register property fell from 10.5% of the property value to 1.4%. Poland converted registration fees from a percentage to a fixed fee, lowering the total cost to only 0.5%. In Hungary, a second registry operating in Budapest reduced the backlog and cut the time from 78 days to 63. Georgia cut the requirement to involve notaries. The cities in South East Europe could follow the suit.

What to reform?

Eliminate the requirement for special certificates

Doing Business promotes cutting unnecessary or redundant procedures. For example, Albania, Bosnia and Herzegovina, Croatia, Kosovo, Montenegro and Serbia require a recent excerpt from the property registry to prove ownership—the property deed should be sufficient. In Bosnia and Herzegovina, Kosovo, Macedonia, FYR and Montenegro, special tax clearances and non-encumbrance certificates are required, regardless of the fact that the property tax or most recent public utility receipts prove that the property has no such debts.

Reduce transfer tax and introduce fixed fees

This does not necessarily imply less tax revenue as evidenced by reforms in other countries, such as India or Egypt. A good example of fixed fees is Kosovo, where the transfer tax is not based on the property value. High transfer costs discourage the formalization of titles and fees charged on a percentage basis encourage below-market property value declarations.

Take registration out of the courts

Bosnia and Herzegovina, Croatia, Kosovo, Montenegro and Serbia require the involvement of the courts for certain property registration procedures. In 2004, the Dominican Republic took these procedures out of the courts and made them administrative. The time to register property fell by 44%.

In the South East European economies where courts are involved, property registration takes more than twice the time as in economies where courts are not involved, such as in Albania or Macedonia FYR. And judges who deal with

property registration have less time for their main work—resolving disputes. Taking registration out of the courts, as Norway has done, means that registration can be more easily linked with the agency responsible for the cadastre. That makes it easier to detect overlapping and duplicate titles, which improves the security of property rights. In Serbia the reform is underway.

Make the registry electronic—including payments of registration taxes and rights

Economies that transfer records from paper to electronic forms benefit from shorter processing times. Going electronic also makes it easier to identify errors and overlapping titles, improving title security. Croatia digitized land records as part of its far-reaching land reform. The next step is to put procedures online. This works when people using the registration services (notaries, lawyers and the public at large) have Internet access. Other economies can benefit from putting individual procedures rather than the entire system online. Bosnia and Herzegovina recently allowed property records to be consulted online.

Being able to make registration tax payments and rights online saves time—the entrepreneur no longer needs to go personally to the government office or a commercial bank. She would be able to go straight from her own desk to the virtual registry to register the deed. This reform would cut at least 2 procedures for all the 22 measured cities.

Introduce fast-track procedures

To register property in Lithuania, entrepreneurs must obtain a certificate of execution and a land and building reappraisal. This takes 9 days. Then they apply for title transfer at the registry, which takes another 20 days. But if they don't want to wait, they can pay a higher fee which cuts delays from 29 to 3 days. Fast-track procedures help prioritize the work of the registry and allow entrepreneurs to focus on their business. Another 56 economies try to expedite registration by setting time limits at the registry. This works best when registrars are evaluated on whether they meet the targets.

Make the use of notaries optional

Standard deeds can be provided to be filled out by the entrepreneur. If the law requires the deed to be notarized, governments can endow registrars with the requisite notary powers for this purpose. Around the globe, 3 out of 4 economies manage property registration without mandating the use of notaries; in those economies, property rights are no less secure, and efficiency is greater.

Whatever the motivation for reform, the social problem it addresses is clear: without the ability to legally own land,

some people are denied opportunities that others enjoy. Reforming land laws and related registration requirements goes a long way towards reducing inequality in economic opportunities. It is what many urban and rural poor people need and governments would be wise to oblige.

Notes

1. The data for all economies in South East Europe are for January 2008. Data for all other economies are for June 2007.
2. OPIC (Overseas Private Investment Corporation). 2005. "Egypt: Overview of the Housing Sector." Office of Economic Development, Issues Paper 1, July.
3. World Bank. 2007. *Doing Business in Egypt 2008*. Washington D.C.: World Bank Group.

Enforcing contracts

Court efficiency

There is no doubt: without efficient courts, less wealth is created. Fewer transactions take place, and those that do generally involve a small group of people who are linked through kinship, ethnic origin or previous dealings. Businesses that have little or no access to courts must rely on social networks to decide whom to do business with.

Based on analysis of pertinent regulations, *Doing Business* tracks the efficiency of contract enforcement by measuring time, cost and procedural steps to resolve a standard commercial case. It takes on average 573 days, 30.3% of the value of the claim and 40 procedural steps to enforce a contract in South East Europe. An average city from the region would rank 122 out of 178 economies on the ease of enforcing contracts. The easiest cities in which to enforce a contract are Zrenjanin (Serbia) and Krusevac (Serbia). The most difficult ones are Banja Luka (Bosnia and Herzegovina), Pristina (Kosovo) and Prizren (Kosovo) (table 5.1).¹

The time to enforce a contract varies a great deal across the 22 South East European cities (figure 5.1). Dragan, an entrepreneur, has to wait less than one year in Zrenjanin (Serbia), Bitola (Macedonia, FYR) and Pljevlje (Montenegro)—similar to the United States and Norway. In Mostar and Banja Luka (Bosnia and Herzegovina), he has to wait almost 5 times longer—almost as long as countries with the world's slowest courts, such as Bangladesh and Afghanistan. Lawyers and court officials in both cities attribute delay to case backlog and an insufficient number of judges.

Mostar and Banja Luka (Bosnia and Herzegovina) could look to other cities in the region for better practices. In Macedonia FYR, a program to reduce delays cut the number of cases pending for more than 3 years by 46%. Litigants in long-standing disputes were contacted and asked to appear in court. If neither party showed up, the case was dismissed. Statistics on court backlog were circulated monthly to track progress. The reform cut the time to enforce a contract in Skopje from 509 days to 385 days.² Bitola (Macedonia, FYR) fares even better with 345 days.

Doing Business divides the time it takes to conclude the entire dispute resolution process into 3 stages: filing, judgment

TABLE 5.1

Where is it easy to enforce a contract—and where not?

| RANK | City Economy | RANK | City Economy |
|------|-------------------------------|------|--------------------------------------|
| 1 | Zrenjanin (easiest) Serbia | 12 | Vlora Albania |
| 2 | Krusevac Serbia | 13 | Skopje Macedonia, FYR |
| 3 | Bitola Macedonia, FYR | 14 | Tirana Albania |
| 4 | Uzice Serbia | 15 | Shkodra Albania |
| 5 | Zagreb Croatia | 16 | Podgorica Montenegro |
| 6 | Osijek Croatia | 17 | Niksic Montenegro |
| 7 | Varazdin Croatia | 18 | Sarajevo Bosnia and Herzegovina |
| 8 | Sibenik Croatia | 19 | Mostar Bosnia and Herzegovina |
| 9 | Pljevlje Montenegro | 20 | Pristina Kosovo |
| 10 | Belgrade Serbia | 21 | Prizren Kosovo |
| 11 | Vranje Serbia | 22 | Banja Luka Bosnia and Herzegovina |

Source: *Doing Business* database

and enforcement. Shkodra, Vlora and Tirana (Albania) stand out for fast filing of cases—21, 28 and 30 days respectively. Courts in these cities use a computerized lottery system that randomly assigns judges and schedules hearings.³ Across the region—with the exception of Mostar and Banja Luka (Bosnia and Herzegovina), where it takes around 9 and 6 months respectively—the longest it takes to file a case is 2 months, similar to Athens (Greece) and Budapest (Hungary).

Bitola (Macedonia, FYR) is the city with the fastest enforcement, 45 days. Bitola is followed by Zrenjanin (Serbia), Krusevac (Serbia) and Skopje (Macedonia, FYR), where it takes 60 days. This relative efficiency reflects recently introduced laws in Macedonia FYR and Serbia that reduced enforcement times. Sibenik (Croatia) is the slowest in the region; enforcing a contract takes 700 days due to the overburdened basic court. In contrast, other Croatian cities—Zagreb, Osijek, and Varazdin—have introduced out-of-court enforcement for small and uncontested claims and enforcement there is about 4 times faster. In 2007, the number of pending cases in Croatia decreased by 230,000—mainly due to faster enforcement. However, more needs to be done as slow enforcement of judgments continues to account for 25% of all pending cases.⁴

The average cost to enforce a contract in South East Europe is 30.3% of the claim value. However, regional averages do not tell the full story. The cost to enforce a contract varies

FIGURE 5.1
Time to enforce a contract in South East Europe

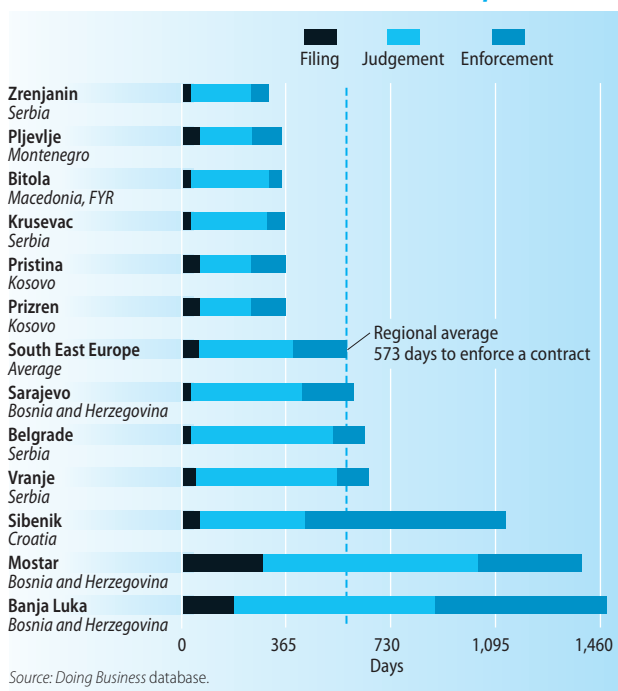
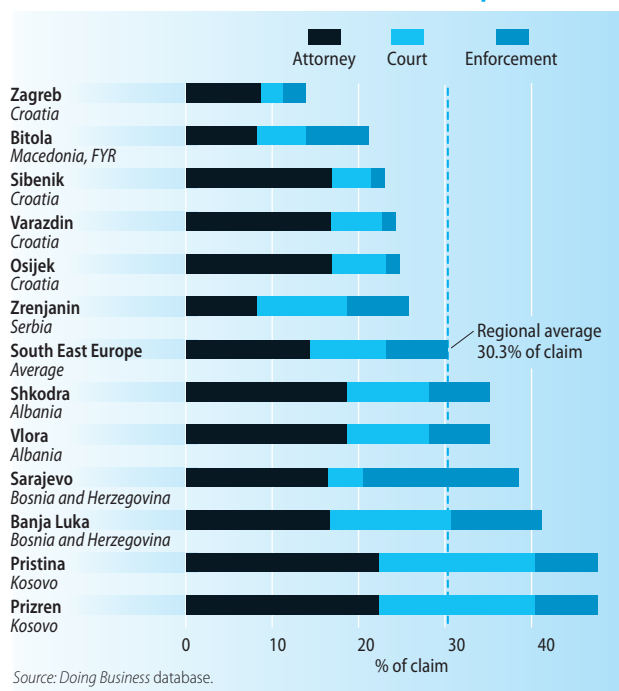


FIGURE 5.2
Cost to enforce a contract in South East Europe



a great deal across the region. In Zagreb (Croatia), resolving a dispute costs 13.8% of the claim value, less than half of the costs in Niksic (Montenegro) and Uzice (Serbia), and about one-third of the costs in Pristina and Prizren (Kosovo) (figure 5.2).

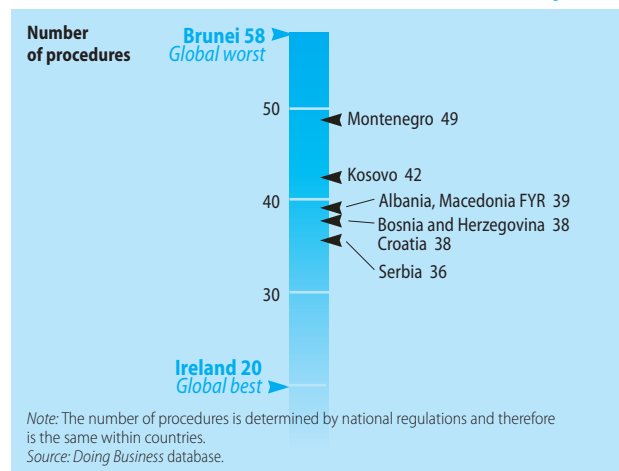
There is no clear relationship between time and cost, as in most economies the cost to enforce contracts is determined by either a national or a local fee schedule rather than by the actual time it takes to resolve a commercial dispute. Tina, the owner of a flower shop, would pay similar amounts to enforce a contract in any of the cities of Montenegro or Kosovo. In Bosnia and Herzegovina, there are different schedules and the costs to enforce a contract range among cities—from 34% of the claim value in Mostar to 41% of the claim value in Banja Luka.

Some would argue that more formal procedures in dispute resolution ensure that due process is followed and justice is done. Evidence suggests otherwise. The more complex the procedure for resolving disputes, the less likely firms are to report that judges are impartial and court decisions fair.⁵ In South East Europe, the number of procedural steps to enforce a contract varies from 36 in Serbia to 49 in Montenegro (figure 5.3). Montenegro’s performance is similar to the 10 economies with the highest number of procedural steps in

the world. In Montenegro, 50% of firms identify corruption as a major constraint to doing business, the highest rate in the region.⁶

There have been positive initiatives to improve contract enforcement in the region. Most cities surveyed introduced commercial courts, many use case management systems and the practice of commercial mediation is becoming increasingly common. However, running an efficient court system is no easy task. There is still a long way to go for the judiciary systems in South East Europe to become as efficient as those in Hong Kong and Luxemburg—the global leaders in contract enforcement.

FIGURE 5.3
Procedures to enforce a contract in South East Europe



What to reform?

Introduce or improve case management systems

Case management systems monitor cases in the court docket to ensure they proceed efficiently from the moment the case is filed until it is decided. They also prevent parties from shopping for the judge most willing to accept bribes. In 2006, Macedonia, FYR introduced case management software that randomly assigns cases to judges and by July 2007 the judicial council had brought charges of corruption against 10 judges. A similar system was implemented in Albania. Now Vlora, Shkodra and Tirana stand out for fast notification. But case management is more than random assignment of judges. It can only be successful if the court data for the entire process are computerized and support functions such as case tracking, document management, deadline reminders and scheduling of hearings are done automatically.

Improve enforcement

On average, 25% of the time to resolve a commercial dispute across South East Europe is spent enforcing the judgment. In 2007, several Eastern European economies including Macedonia, FYR have reformed their enforcement laws. Courts in the Czech Republic can now order financial institutions to check whether the debtor holds an account with them and, if that is the case, to automatically pay the due amount from that account. In the past, creditors themselves had to identify the banks where debtors held an account. In Macedonia, FYR, private bailiffs have started operating, shortening the average time to enforce a judgment in Skopje from 90 to 60 days.

Notes

1. The data for all economies in South East Europe are for January 2008. Data for all other economies are for June 2007.
2. World Bank. 2006. *Doing Business 2007: How to Reform*. Washington, D.C.: World Bank Group.
3. CEELI (Central and East European Initiative). October 2006. Judicial Reform Index for Albania. Washington, D.C.: American Bar Association and CEELI for United States Agency for International Development. <http://www.abanet.org/ceeli>
4. US Commercial Services. *Doing Business in Croatia, 2008*. Country Commercial Guide for U.S. Companies. <http://www.buyusa.gov/croatia/en/27.html>
5. Based on the analysis of the *Doing Business 2005* indicators with indicators of impartiality of the judiciary from the Economic Freedom of the World; Geeta Batra, Daniel Kaufmann and Andrew Stone. 2003. *Investment Climate Around the World: Voices of the Firms from the World Business Survey*. Washington, D.C.: World Bank Group. Results are significant at the 5% level, controlling for income per capita.
6. World Bank. 2003. Enterprise survey 2003, Montenegro: Country Profile. Washington, D.C.: World Bank Group.

Data notes

Starting a business

Dealing with licenses

Registering property

Enforcing contracts

The indicators presented and analyzed in *Doing Business in South East Europe 2008* measure government regulation and the protection of property rights and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the degree of regulation, such as the number of procedures to start a business or register commercial property. Second, they gauge regulatory outcomes, such as the time and cost to enforce a contract. Third, they measure the extent of legal protections of property, for example, the scope of assets that can be used as collateral according to secured transactions laws. The data for the 22 South East European cities are for January 2008. Data for all other economies are for June 2007 and are based on the global report *Doing Business in 2008*.

Methodology

Based on the study of laws and regulations with input and verification by more than 200 lawyers, construction experts, accountants, businesspeople and public officials routinely administering or advising on legal and regulatory requirements the *Doing Business* methodology offers several advantages. It uses factual information about what laws and regulations say and allows for multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue, as the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive, so data can be collected in a large sample of economies—178 published in the global report *Doing Business in 2008* and the 22 cities in South East Europe for this report. Because the same standard assumptions are applied in the data collection, which is transparent and easily replicable, comparisons and benchmarks are valid across economies and states. And the data not only highlight the extent of obstacles but also help identify their source, supporting policymakers in designing reform.

Limitations to what is measured

The *Doing Business* methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the selected cities and may not be representative of regulatory practices in other parts of the measured economies. Second, the data often focus on a specific business form—a limited liability company of a specified size—and may not be representative of the regulation on other businesses, for example, sole

proprietorships. Third, transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business in South East Europe 2008* represent the median values of several responses given under the assumptions of the standardized case. Finally, the methodology assumes that the business has full information on what is required and does not waste time in completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly.

Data corrections

Questions on the methodology and challenges to data may be submitted through the “Contact us” function on the Subnational *Doing Business* website at <http://subnational.doingbusiness.org>. Updated indicators, as well as any revisions of or corrections to the printed data, are posted on the website.

Economy characteristics

Exchange rates

The exchange rates used in this report are:

Albania: 1 USD = 98.48 ALL

Bosnia and Herzegovina: 1 USD = 1.56 BAM

Croatia: 1 USD = 5.84 HRK

Kosovo: 1 USD = 0.80 EUR

Macedonia, FYR: 1 USD = 48.78 MKD

Montenegro: 1 USD = 0.80 EUR

Serbia: 1 USD = 66.43 RSD

Gross national income (GNI) per capita

Doing Business in South East Europe 2008 reports 2006 income per capita as published in the World Bank's *World Development Indicators 2007*. Income is calculated using the Atlas method (current USD). For cost indicators expressed as a percentage of income per capita, 2006 GNI in local currency units is used as the denominator.

Population

Doing Business in South East Europe 2008 reports midyear 2006 population statistics as published in World Development Indicators 2007.

Starting a business

Doing Business in South East Europe 2008 records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost of complying with each procedure under normal circumstances and the paid-in minimum capital requirements. Subsequently, local incorporation lawyers and government officials complete and verify the data.

Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that all agencies involved in the start-up process function without corruption. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across countries, several assumptions about the business and the procedures are used.

Assumptions about the business

The business:

- Is a limited liability company. If there is more than one type of limited liability company in the country, the limited liability form most popular among domestic firms is chosen. Information on the most popular form is obtained from incorporation lawyers or the statistical office.
- Operates in the country's most populous city.
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity.
- Has start-up capital of 10 times income per capita at the end of 2006, paid in cash.
- Performs general industrial or commercial activities, such as the production or sale of products or services to the public. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant and offices and is not a proprietor of real estate.
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees 1 month after the commencement of operations, all of them nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

Procedures

A procedure is defined as any interaction of the company founder with external parties (for example, government agencies, lawyers, auditors or notaries). Interactions between company founders or company officers and employees are not counted as procedures.

Procedures that must be completed in the same building but in different offices are counted as separate procedures. If founders have to visit the same office several times for different sequential procedures, each is counted separately. The founders are assumed to complete all procedures themselves, without middlemen, facilitators, accountants or lawyers, unless the use of such a third party is mandated by law. If the services of professionals are required, procedures conducted by such professionals on behalf of the company are counted separately.

Both pre- and postincorporation procedures that are officially required for an entrepreneur to formally operate a business are recorded (table 5.1).

Procedures required for official correspondence or transactions with public agencies are also included. For example, if a company seal or stamp is required on official documents, such as tax declarations, obtaining the seal or stamp is counted. Similarly, if a company must open a bank account before registering for sales tax or value added tax, this transaction is included as a procedure. Shortcuts are counted only if they fulfill 4 criteria: they are legal, they are available to the general public, they are used by the majority of companies, and avoiding them causes substantial delays.

Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses conducting general commercial or industrial activities. Procedures that the company undergoes to connect to electricity, water, gas and waste disposal services are not included.

Time

Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days). A procedure is considered completed once the company has

TABLE 5.1

What does starting a business measure?

Procedures to legally start and operate a company

- Preregistration (name verification, notarization)
- Registration in the economy's most populous city
- Postregistration (social security registration, company seal)

Time required to complete each procedure

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure

- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital

- Deposited in a bank or with a notary before registration begins

Source: *Doing Business* database.

received the final document, such as the company registration certificate or tax number. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed that the entrepreneur is aware of all entry regulations and their sequence from the beginning but has had no prior contact with any of the officials.

Cost

Cost is recorded as a percentage of the country's income per capita. It includes all official fees and fees for legal or professional services if such services are required by law. Fees for purchasing and legalizing company books are included if these transactions are required by law. The company law, the commercial code and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates of incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

Paid-in minimum capital

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration and up to 3 months following incorporation and is recorded as a percentage of the country's income per capita. The amount is typically specified in the commercial code or the company law. Many countries have a minimum capital requirement but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation. In Germany in June 2007 the minimum capital requirement for limited liability companies was €25,000, of which at least €12,500 was payable before registration. The paid-in minimum capital recorded for Germany is therefore €12,500, or 42.8% of income per capita.

This methodology was developed in Djankov and others (2002) and is adopted here with minor changes.

Dealing with licenses

Doing Business in South East Europe 2008 records all procedures required for a business in the construction industry to build a standardized warehouse. These procedures include submitting all relevant project-specific documents (for example, building plans and site maps) to the authorities; obtaining all necessary clearances, licenses, permits and certificates; completing all required notifications; and receiving all necessary inspections. *Doing Business* also records procedures for obtaining all utility connections. Procedures necessary to register the property so that it can be used as collateral or transferred are also counted. The survey divides the process of building a warehouse into distinct procedures and calculates the time and cost of completing each procedure in practice under normal circumstances.

Information is collected from experts in construction licensing, including architects, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations, including approvals and inspections. To make the data comparable across countries, several assumptions about the business, the warehouse project and the procedures are used.

Assumptions about the construction company

The business (BuildCo):

- Is a limited liability company.
- Operates in the country's most populous city.
- Is 100% domestically and privately owned.
- Has 5 owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.
- Has 20 builders and other employees, all of them nationals with the technical expertise and professional experience necessary to obtain construction permits and approvals.
- Has at least 1 employee who is a licensed architect and registered with the local association of architects.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability insurance).
- Owns the land on which the warehouse is built.

Assumptions about the warehouse project

The warehouse:

- Has 2 stories, both above ground, with a total surface of approximately 14,000 square feet (1,300.6 square meters). Each floor is 9 feet, 10 inches (3 meters) high.
- Has road access and is located in the periurban area of the country's most populous city (that is, is on the fringes of the city but still within its official limits). It is not located in a special economic or industrial zone.
- Is located on a land plot of 10,000 square feet (929 square meters) that is 100% owned by BuildCo and is registered in the cadastre and land registry.
- Is a new construction (no previous construction on the land).

- Has complete architectural and technical plans prepared by a licensed architect.
- Will be connected to the following utilities—electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- Will require a 10-ampere power connection and 140 kilowatts of electricity.
- Will require up to 100 cubic meters of water daily.
- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will include all technical equipment required to make the warehouse fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Procedures

A procedure is any interaction of the company's employees or managers with external parties, including government agencies, notaries, the land registry, the cadastre, utility companies, public and private inspectors and technical experts apart from in-house architects and engineers. Interactions between company employees, such as development of the warehouse plans and inspections conducted by employees, are not counted as procedures. Procedures that the company undergoes to connect to electricity, water, sewerage and phone services are included. All procedures that are legally or in practice required for building a warehouse are counted, even if they may be avoided in exceptional cases.

Time

Time is recorded in calendar days. The measure captures the median duration that local experts indicate is necessary to complete a procedure in practice. It is assumed that the minimum time required for each procedure is 1 day. If a procedure can be accelerated legally for an additional cost, the fastest procedure is chosen. It is assumed that BuildCo does not waste time and commits to completing each remaining procedure without delay. The time that BuildCo spends on gathering information is ignored. It is assumed that BuildCo is aware of all building requirements and their sequence from the beginning.

Cost

Cost is recorded as a percentage of the country's income per capita. Only official costs are recorded. All the fees associated with completing the procedures to legally build a warehouse are recorded, including those associated with obtaining land use approvals and preconstruction design clearances; receiving inspections before, during and after construction; getting utility connections; and registering the warehouse property. Nonrecurring taxes required for the completion of the warehouse project also are recorded. The building code, information from local experts and specific regulations and fee schedules are used as sources for costs. If several local partners provide different estimates, the median reported value is used.

Registering property

Doing Business in South East Europe 2008 records the full sequence of procedures necessary when a business purchases land and a building to transfer the property title from another business so that the buyer can use the property for expanding its business, as collateral in taking new loans or, if necessary, to sell to another business. Every procedure required by law or necessary in practice is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf. Local property lawyers, notaries and property registries provide information on procedures as well as the time and cost to complete each of them.

To make the data comparable across countries, several assumptions about the parties to the transaction, the property and the procedures are used.

Assumptions about the parties

The parties (buyer and seller):

- Are limited liability companies.
- Are located in the periurban area of the country's most populous city.
- Are 100% domestically and privately owned.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

Assumptions about the property

The property:

- Has a value of 50 times income per capita. The sale price equals the value.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 6,000 square feet (557.4 square meters). A 2-story warehouse of 10,000 square feet (929 square meters) is located on the land. The warehouse is 10 years old, is in good condition and complies with all safety standards, building codes and other legal requirements. The property of land and building will be transferred in its entirety.
- Will not be subject to renovations or additional building following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants (legal or illegal), and no other party holds a legal interest in it.

TABLE 5.2

What does registering property measure?**Procedures to legally transfer title on real property**

- Preregistration (checking for liens, notarizing sales agreement)
- Registration in the economy's most populous city
- Postregistration (paying taxes, filing title with municipality)

Time required to complete each procedure

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure

- Official costs only, no bribes
- No value added or capital gains taxes included

Source: Doing Business database.

Procedures

A procedure is defined as any interaction of the buyer or the seller, their agents (if an agent is legally or in practice required) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally or in practice required for registering property are recorded, even if they may be avoided in exceptional cases. It is assumed that the buyer follows the fastest legal option available and used by the majority of property owners. Although the buyer may use lawyers or other professionals where necessary in the registration process, it is assumed that it does not employ an outside facilitator in the registration process unless legally or in practice required to do so (table 5.2).

Time

Time is recorded in calendar days. The measure captures the median duration that property lawyers, notaries or registry officials indicate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day. It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest legal procedure available and used by the majority of property owners is chosen. If procedures can be undertaken simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all regulations and their sequence from the beginning. Time spent on gathering information is not considered.

Cost

Cost is recorded as a percentage of the property value, assumed to be equivalent to 50 times income per capita. Only official costs required by law are recorded, including fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers. Other taxes, such as capital gains tax or value added tax, are excluded from the cost measure. Both costs borne by the buyer and those borne by the seller are included. If cost estimates differ among sources, the median value is used.

Enforcing contracts

Indicators on enforcing contracts measure the efficiency of the judicial system in resolving a commercial dispute. The data are built by following the step-by-step evolution of a commercial sale dispute before local courts. The data are collected through study of the codes of civil procedure and other court regulations as well as surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Assumptions about the case

- The value of the claim equals 200% of the country's income per capita.
- The dispute concerns a lawful transaction between 2 businesses (Seller and Buyer), located in the country's most populous city. Seller sells goods worth 200% of the country's income per capita to Buyer. After Seller delivers the goods to Buyer, Buyer does not pay for the goods on the grounds that the delivered goods were not of adequate quality.
- Seller (the plaintiff) sues Buyer (the defendant) to recover the amount under the sales agreement (that is, 200% of the country's income per capita). Buyer opposes Seller's claim, saying that the quality of the goods is not adequate. The claim is disputed on the merits.
- A court in the country's most populous city with jurisdiction over commercial cases worth 200% of income per capita decides the dispute.
- Seller attaches Buyer's goods prior to obtaining a judgment because Seller fears that Buyer may become insolvent during the lawsuit.
- Expert opinions are given on the quality of the delivered goods. If it is standard practice in the country for parties to call witnesses or expert witnesses to give an opinion on the quality of the goods, the parties each call one witness or expert witness. If it is standard practice for the judge to appoint an independent expert to give an expert opinion on the quality of the goods, the judge does so. In this case the judge does not allow opposing expert testimony.
- The judgment is 100% in favor of Seller: the judge decides that the goods are of adequate quality and that Buyer must pay the agreed price.
- Buyer does not appeal the judgment. The judgment becomes final.
- Seller takes all required steps for prompt enforcement of the judgment. The money is successfully collected through a public sale of Buyer's movable assets (for example, office equipment).

Procedures

A procedure is defined as any interaction between the parties, or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment. This year the survey allowed respondents to record procedures that exist in civil law but not common law jurisdictions, and vice versa. For example, the judge can appoint an independent expert in civil law countries whereas both parties in common law countries send a list of their expert witnesses to the court. To indicate the overall efficiency of court procedures,

1 procedure is now subtracted for countries that have specialized commercial courts and 1 procedure for countries that allow electronic filing of court cases.

Time

Time is recorded in calendar days, counted from the moment the plaintiff files the lawsuit in court until payment. This includes both the days when actions take place and the waiting periods between. The respondents make separate estimates of the average duration of different stages of dispute resolution: the completion of service of process (time to file the case), the issuance of judgment (time for the trial and obtaining the judgment) and the moment of payment (time for enforcement).

Cost

Cost is recorded as a percentage of the claim, assumed to be equivalent to 200% of income per capita. Only official costs required by law are recorded, including court and enforcement costs and average attorney fees where the use of attorneys is mandatory or common.

This methodology was developed in Djankov and others (2003) and is adopted here with minor changes.

Ease of doing business

The ease of doing business index ranks the selected cities from 1 to 22. The index is calculated as the ranking on the simple average of city percentile rankings on each of the 4 topics covered in *Doing Business in South East Europe 2008*. The ranking on each topic is the simple average of the percentile rankings on its component indicators.

The ease of doing business index is limited in scope. It does not account for an economy's proximity to large markets, the quality of its infrastructure (other than services related to obtaining utility connections), the security of property from theft and looting, macroeconomic conditions or the strength of underlying institutions. There remains a large unfinished agenda for research into what regulation constitutes binding constraints, what package of reforms is most effective and how these issues are shaped by the economy context. The *Doing Business* indicators provide a new empirical data set that may improve understanding of these issues.

Doing Business indicators

for South East Europe

| | <i>Albania</i> | | | <i>Bosnia and Herzegovina</i> | | |
|---|----------------|---------------|--------------|-------------------------------|---------------|-----------------|
| | Shkodra | Tirana | Vlora | Banja Luka | Mostar | Sarajevo |
| Ease of doing business (South East Europe rank) | 3 | 11 | 6 | 20 | 22 | 21 |
| STARTING A BUSINESS (rank) | 3 | 4 | 5 | 20 | 22 | 21 |
| Procedures (number) | 6 | 7 | 6 | 11 | 12 | 12 |
| Time (days) | 7 | 8 | 7 | 51 | 61 | 54 |
| Cost (% of income per capita) | 25.7 | 23.9 | 33.7 | 33.0 | 40.9 | 30.1 |
| Minimum capital (% of income per capita) | 0.03 | 0.03 | 0.03 | 43.05 | 43.05 | 43.05 |
| DEALING WITH LICENSES (rank) | 7 | 17 | 9 | 2 | 10 | 8 |
| Procedures (number) | 21 | 24 | 21 | 16 | 16 | 16 |
| Time (days) | 202 | 332 | 215 | 306 | 535 | 467 |
| Cost (% of income per capita) | 470.9 | 461.0 | 470.9 | 750.2 | 875.3 | 790.3 |
| REGISTERING PROPERTY (rank) | 4 | 10 | 9 | 20 | 22 | 21 |
| Procedures (number) | 6 | 6 | 6 | 11 | 8 | 7 |
| Time (days) | 24 | 42 | 37 | 190 | 145 | 331 |
| Cost (% of the property value) | 3.5 | 3.5 | 3.5 | 3.4 | 5.5 | 5.0 |
| ENFORCING CONTRACTS (rank) | 15 | 14 | 12 | 22 | 19 | 18 |
| Procedures (number) | 39 | 39 | 39 | 38 | 38 | 38 |
| Time (days) | 381 | 390 | 373 | 1,480 | 1,390 | 595 |
| Cost (% of debt) | 35.1 | 31.8 | 35.1 | 41.1 | 34.0 | 38.4 |

| | <i>Macedonia, FYR</i> | | <i>Montenegro</i> | | |
|---|-----------------------|---------------|-------------------|-----------------|------------------|
| | Bitola | Skopje | Niksic | Pljevlje | Podgorica |
| Ease of doing business (South East Europe rank) | 1 | 9 | 17 | 4 | 18 |
| STARTING A BUSINESS (rank) | 1 | 2 | 8 | 6 | 7 |
| Procedures (number) | 8 | 8 | 15 | 14 | 15 |
| Time (days) | 10 | 12 | 20 | 16 | 20 |
| Cost (% of income per capita) | 3.9 | 4.6 | 6.5 | 3.8 | 6.2 |
| Minimum capital (% of income per capita) | 0.00 | 0.00 | 0.03 | 0.03 | 0.03 |
| DEALING WITH LICENSES (rank) | 15 | 18 | 12 | 6 | 14 |
| Procedures (number) | 23 | 21 | 20 | 20 | 20 |
| Time (days) | 94 | 198 | 192 | 190 | 197 |
| Cost (% of income per capita) | 1,195.7 | 2,067.8 | 1,293.3 | 1,168.7 | 1,615.9 |
| REGISTERING PROPERTY (rank) | 1 | 16 | 14 | 12 | 19 |
| Procedures (number) | 6 | 6 | 7 | 7 | 8 |
| Time (days) | 22 | 98 | 36 | 17 | 86 |
| Cost (% of the property value) | 3.2 | 3.5 | 3.3 | 3.3 | 3.4 |
| ENFORCING CONTRACTS (rank) | 3 | 12 | 17 | 9 | 16 |
| Procedures (number) | 39 | 39 | 49 | 49 | 49 |
| Time (days) | 345 | 385 | 545 | 345 | 545 |
| Cost (% of debt) | 21.1 | 33.1 | 26.4 | 25.7 | 25.7 |

| | <i>Croatia</i> | | | | <i>Kosovo</i> | |
|---|----------------|----------------|-----------------|---------------|-----------------|----------------|
| | Osijek | Sibenik | Varazdin | Zagreb | Pristina | Prizren |
| Ease of doing business (South East Europe rank) | 7 | 16 | 15 | 19 | 12 | 8 |
| STARTING A BUSINESS (rank) | 17 | 16 | 19 | 17 | 15 | 14 |
| Procedures (number) | 9 | 9 | 9 | 8 | 12 | 12 |
| Time (days) | 34 | 31 | 39 | 40 | 22 | 18 |
| Cost (% of income per capita) | 11.7 | 11.7 | 11.7 | 11.7 | 78.0 | 79.4 |
| Minimum capital (% of income per capita) | 18.36 | 18.36 | 18.36 | 18.36 | 0.00 | 0.00 |
| DEALING WITH LICENSES (rank) | 4 | 5 | 11 | 22 | 1 | 3 |
| Procedures (number) | 13 | 17 | 17 | 24 | 19 | 18 |
| Time (days) | 295 | 252 | 323 | 390 | 188 | 151 |
| Cost (% of income per capita) | 1,089.8 | 1,090.2 | 1,090.2 | 1,224.6 | 1,005.0 | 1,191.1 |
| REGISTERING PROPERTY (rank) | 15 | 17 | 13 | 18 | 11 | 5 |
| Procedures (number) | 6 | 6 | 6 | 5 | 7 | 7 |
| Time (days) | 63 | 153 | 41 | 174 | 38 | 36 |
| Cost (% of the property value) | 5.0 | 5.0 | 5.0 | 5.0 | 0.9 | 0.8 |
| ENFORCING CONTRACTS (rank) | 6 | 8 | 7 | 5 | 20 | 20 |
| Procedures (number) | 38 | 38 | 38 | 38 | 42 | 42 |
| Time (days) | 525 | 1,125 | 575 | 561 | 360 | 360 |
| Cost (% of debt) | 24.7 | 22.9 | 24.2 | 13.8 | 47.5 | 47.5 |

| | <i>Serbia</i> | | | | |
|---|-----------------|-----------------|--------------|---------------|------------------|
| | Belgrade | Krusevac | Uzice | Vranje | Zrenjanin |
| Ease of doing business (South East Europe rank) | 13 | 5 | 10 | 14 | 2 |
| STARTING A BUSINESS (rank) | 11 | 10 | 9 | 11 | 13 |
| Procedures (number) | 11 | 11 | 11 | 11 | 11 |
| Time (days) | 23 | 29 | 25 | 28 | 37 |
| Cost (% of income per capita) | 8.9 | 8.6 | 8.8 | 8.8 | 8.6 |
| Minimum capital (% of income per capita) | 8.02 | 8.02 | 8.02 | 8.02 | 8.02 |
| DEALING WITH LICENSES (rank) | 16 | 19 | 21 | 20 | 13 |
| Procedures (number) | 20 | 20 | 17 | 20 | 20 |
| Time (days) | 204 | 304 | 414 | 253 | 183 |
| Cost (% of income per capita) | 2,713.1 | 2,593.1 | 2,818.3 | 2,796.0 | 2,613.3 |
| REGISTERING PROPERTY (rank) | 7 | 2 | 7 | 3 | 6 |
| Procedures (number) | 6 | 6 | 6 | 6 | 6 |
| Time (days) | 111 | 74 | 104 | 84 | 100 |
| Cost (% of the property value) | 2.8 | 2.9 | 2.9 | 2.9 | 2.9 |
| ENFORCING CONTRACTS (rank) | 10 | 2 | 4 | 11 | 1 |
| Procedures (number) | 36 | 36 | 36 | 36 | 36 |
| Time (days) | 635 | 355 | 390 | 650 | 300 |
| Cost (% of debt) | 28.4 | 27.6 | 27.0 | 28.4 | 25.7 |

List of procedures

Starting a business

Dealing with licenses

Registering property

LIST OF PROCEDURES

Starting a business

Shkodra, Albania

Standard company legal form: Limited Liability Company (LLC)
 Minimum capital requirement: ALL 100
 Date as of: January 2008

Procedure 1. Search and reserve a unique company name

Time: 1 day

Cost: ALL 100

Comments: The name can be searched online at http://www.qkr.gov.al/nrc/Forms_for_name_reservation.aspx

Procedure 2. Notarize the incorporation documents

Time: 1 day

Cost: ALL 8,000 (Notarization of Articles of Incorporation is ALL 2,500, Notarization of Statute is ALL 2,500 and an eventual special proxy to an attorney is ALL 3,000)

Comments: The above mentioned professional fees are mostly charged in Euros.

Procedure 3. Request and obtain the registration certification and unique business identification number with the National Registration Center, NRC (Qendra Kombëtare për Regjistrim, QRK)

Time: 2 days

Cost: ALL 100

Comments: A new law on business registration reform was enacted by the Parliament on May 3, 2007. Law 9723 On the National Registration Center establishes the National Registration Center (NRC) as a new central public institution. The newly established NRC started operation on September 1st, 2007. According to Law 9723, the NRC conducts a simultaneous registration for the Commercial Registry, tax authorities, Public Institute of Social Security and Labor Inspectorate Office. The office represents a one-stop shop and is intended to complete the registration within 24 hours. The new company obtains a certificate which contains a unique business identification number. The first registration center was opened in Tirana. Initially, due to a high demand for registration, the company was required to wait in line and obtain a number and estimated date after which it could submit the application for registration. The number of windows increased and the demand lessened since then. Still, in Tirana, a number is taken first, and then a party needs to stand in line to submit the application. By the end of 2007, other centers were opened in Shkodra, Gjirokastra, Fier and Korça. The plan is to open branches throughout Albania.

Procedure 4. Register for membership with the local Chamber of Commerce and Industry

Time: 1 day

Cost: ALL 20,000

Comments: The registration fee in Shkodra is ALL 20,000 for the first year of activity and the fee is applied proportionately: i.e. if the company registers in October, then it pays the fee only for three months, $(20,000/12) \times 3 = 5,000$. Thereafter, the fee is 1% of Net Profit, but not less than ALL 20,000 and not more than ALL 120,000.

Procedure 5. Registration with the Municipality Bureau of Internal Revenue

Time: 1 day

Cost: ALL 43,800 (environmental tariff of ALL 15,000 for commercial activities; registration fee of ALL 20,000; billboard fee of ALL 800 and advertisement sign fee of ALL 8,000)

Comments: According to the decision of the Municipality Assembly of Shkodra, the following yearly fees need to be paid in order to obtain the registration from the municipality: an environmental tariff that varies from ALL 5,000 to ALL 60,000; a one-time registration tax of ALL 20,000; a billboard fee of ALL 800; an advertisement sign fee of ALL 8,000/m² for signs placed by companies and ALL 3,000/m² for signs placed by businesspersons themselves; and a property tax of ALL 150/m² for commercial and service businesses, ALL 40/m² for production units and ALL 30/m² for non-governmental organizations (already paid due to our case assumption).

Procedure 6. Make a company seal

Time: 1 day

Cost: ALL 3,000

Comments: The fee can vary from ALL 2,000 to 4,000.

STARTING A BUSINESS

Vlora, Albania

Standard company legal form: Limited Liability Company (LLC)
 Minimum capital requirement: ALL 100
 Date as of: January 2008

Procedure 1. Search and reserve a unique company name

Time: 1 day

Cost: ALL 100

Comments: The name can be searched online at http://www.qkr.gov.al/nrc/Forms_for_name_reservation.aspx

Procedure 2. Notarize the incorporation documents

Time: 1 day

Cost: ALL 8,000 (Notarization of Articles of Incorporation is ALL 2,500, Notarization of Statute is ALL 2,500 and an eventual special proxy to an attorney is ALL 3,000)

Comments: The above mentioned professional fees are mostly charged in Euros.

Procedure 3. Request and obtain the registration certification and unique business identification number with the National Registration Center, NRC (Qendra Kombëtare për Regjistrim, QRK)

Time: 2 days

Cost: ALL 100

Comments: A new law on business registration reform was enacted by the Parliament on May 3, 2007. Law 9723 On the National Registration Center establishes the National Registration Center (NRC) as a new central public institution. The newly established NRC started operation on September 1st, 2007. According to Law 9723, the NRC conducts a simultaneous registration for the Commercial Registry, tax authorities, Public Institute of Social Security and Labor Inspectorate Office. The office represents a one-stop shop and is intended to complete the registration within 24 hours. The new company obtains a certificate which contains a unique business identification number. The first registration center was opened in Tirana. Initially, due to a high demand for registration, the company was required to wait in line and obtain a number and estimated date after which it could submit the application for registration. Later, the number of windows increased and the demand lessened. Still, in Tirana a number is taken first, and then a party needs to stand in line to submit the application. By the end of 2007, other centers were opened in Shkodra, Gjirokastra, Fier and Korça. The plan is to open branches throughout Albania. Businesses in Vlora can choose to register at any center, but they prefer Fier due to its proximity.

Procedure 4. Register for membership with the local Chamber of Commerce and Industry

Time: 1 day

Cost: ALL 10,000

Comments: The registration fee in Vlora is 10,000 ALL for the first year of activity. Thereafter, the following fee rate schedule applies:

- For a yearly turnover of up to ALL 5 million (M), the fee is ALL 10,000;
- For a turnover between ALL 5M and 10 M, the fee is ALL 20,000;
- For a turnover between ALL 10M and 20M, the fee is ALL 25,000;
- For a turnover between ALL 20M and 50M, the fee is ALL 30,000;
- For a turnover between ALL 50M and 100M, the fee is ALL 35,000;
- For a turnover between ALL 100M and 300M, the fee is ALL 40,000;
- For a turnover between 300M and 500M, the fee is ALL 50,000; and
- For a turnover above ALL 500M, the fee is ALL 100,000.

Procedure 5. Registration with the Municipality Bureau of Internal Revenue

Time: 1 day

Cost: ALL 77,000 (environmental tariff of ALL 50,000 due to the case assumption; registration fee of ALL 10,000; billboard fee of ALL 2,000; advertisement sign fee of ALL 10,000 and green fee of ALL 5,000)

Comments: According to Decision No. 9 of 04/30/2007 of the Municipality Assembly of Vlora, the following yearly fees apply to an LLC and need to be paid in order to obtain the registration from the municipality: an environmental fee of ALL 30,000 for companies with a yearly turnover up to ALL 20 million and ALL 50,000 for companies with a yearly turnover above ALL 20 million; a registration fee of ALL 10,000; a billboard fee of ALL 2,000 (in Albanian) and ALL 5,000 (in a foreign language); an advertisement sign fee (a temporary fee) of ALL 5,000/m² for a standard sign and ALL 10,000/m² for an electronic sign; a lighting service and green fee of ALL 5,000 and a property tax of ALL 150/m² (already paid due to our case assumption).

Procedure 6. Make a company seal**Time:** 1 day**Cost:** ALL 3,000**Comments:** The fee can vary from ALL 2,000 to 4,000.

STARTING A BUSINESS

Banja Luka, Bosnia and Herzegovina*Standard company legal form: Limited Liability Company (LLC)**Minimum capital requirement: BAM 2,000**Date as of: January 2008***Procedure 1. Stipulate the founding act and have it notarized in the municipality office****Time:** 1 day**Cost:** BAM 55 (court fee)**Procedure 2. Obtain a statement from commercial bank that full amount of the capital has been paid in; pay the registration fee to the budget account of the municipal court****Time:** 1 day**Cost:** No cost**Procedure 3. Registration with the municipal court****Time:** 20 days**Cost:** BAM 1,013 (BAM 950 for Court Registration and BAM 63 for the advertisement)

Comments: The municipal court deals with a high number of cases. The fees are BAM 950 for court registration and BAM 4.5 for every line in the advertisement (assuming around 14 lines X BAM 4.5 per line). By law, a number of standard forms must be completed. These forms may be purchased at a stationery shop or at the court (for BAM 15), to be prepared according to the regulations on registering legal entities in the Court Register. After the court registers the new company, the court informs the Official Gazette to announce the prepared notice. Companies are automatically registered for membership with the Chambers of Economy at the state, entity, canton and regional levels. Since 2004, membership with the Chamber of Economy of the Federation of Bosnia and Herzegovina and the Chamber of Economy of the Republic of Srpska is voluntary. The fees are as follows:

1. State level: For the membership with the Foreign Trade Chamber of Bosnia and Herzegovina, the company may choose one of two options:
 - a. Fee of 1% of the declared customs value of imported or exported goods and services;
 - b. Fee of 2% of the monthly sum of paid salaries;
2. Entity level: For the membership fee with the Chamber of Commerce of Federation of Bosnia and Herzegovina, the company may choose one of two options:
 - a. Fee of 1.7% of the company's gross paid salaries for all employees; or
 - b. Fee based on the number of employees (e.g., BAM 150 for 31–50 employees);
3. Cantonal (for Federation of Bosnia and Herzegovina) and regional (for the Republic of Srpska) level: For the membership fee with the Chamber of Economy, the company pays 3% of its gross income.
4. At the Brcko District level, the fee is determined by the Chamber of Economy.

Procedure 4. Buy a company stamp**Time:** 1 day**Cost:** BAM 40**Comments:** The stamp costs between BAM 35 and 45.**Procedure 5. Application for resolution on intended activities to the competent municipality****Time:** 4 days**Cost:** BAM 201 (application fee)**Procedure 6. Application for utilization permit to the Ministry of Commerce****Time:** 15 days**Cost:** BAM 220

Comments: The application should be submitted to the Banja Luka Commercial Department (all the inspections are centralized in one place) and depending on the scope of business of the company the relevant inspector or inspectors will perform

the inspection at the business premises of the company and issue the Approval to Perform Business. For example, if the scope of business of the company is trade, the trade inspector and employment inspector shall perform the inspection. To obtain this permit, it is necessary to submit the following documents: copy of the resolution on the intended activities, copy of the court registration, evidence of possession of the business premises, appropriate attestation for electric power issued by an authorized institution (the landlord should have obtained this document), and copy of the registration forms for employees. If the company produces a product it is required to submit an attestation for the machines.

Procedure 7. Apply for company identification number with the competent tax office**Time:** 5 days**Cost:** No cost (included in the previous procedure)

Comments: When filing the application for obtaining simultaneously the statistical and taxpayer number with the competent tax authority (in accordance with Regulations on Obtaining Identification Numbers), the newly incorporated company shall submit the following documents: application form, photocopy of the court resolution (registration) and contract on lease of business premises, resolution of the competent municipality on the intended activities (this resolution shall confirm that certain activities may be exercised at a certain address) and utilization permit (issued by canton ministry of commerce). The competent tax office shall also nominate the committee (for company inspection) which shall confirm that the company exists at the specified address and, based upon the report of this committee, the taxpayer and statistical number shall be obtained.

Procedure 8. Open a company account with a commercial bank**Time:** 1 day**Cost:** No cost**Procedure 9. Enroll the employees in pension insurance with Pension Insurance Institute (Zavod za Penziono Osiguranje)****Time:** 1 day**Cost:** BAM 1 (application form fee)

Comments: The following documentation should be submitted: copy of the concluded employment contract, copy of the company registration set at the Court Register of Companies, form M2 (obrazac M2), and employees work booklet.

Procedure 10. Enroll the employees in health insurance with Health Insurance Institute (Zavod za zdravstveno osiguranje)**Time:** 1 day**Cost:** BAM 1 (application form fee)

Comments: For health insurance, it is necessary to submit: application for pension insurance, application form for health insurance (obrazac Z01), identification card of employee and health booklet.

Procedure 11. Adopt and publish a rule book on matters of salary, work organization, discipline and other employee regulations**Time:** 1 day**Cost:** No cost**Comments:** BAM 250 if done by a lawyer.

STARTING A BUSINESS

Mostar, Bosnia and Herzegovina*Standard company legal form: Limited Liability Company (LLC)**Minimum capital requirement: BAM 2,000**Date as of: January 2008***Procedure 1. Stipulate the founding act and have it notarized in the municipality office****Time:** 2 days**Cost:** BAM 55 (court fee)**Procedure 2. Obtain a statement from commercial bank that full amount of the capital has been paid in; pay the registration fee to the budget account of the municipal court****Time:** 1 day**Cost:** BAM 600

Procedure 3*. Obtain a statement from tax authorities that the founder/s have no tax debts

Time: 1 day

Cost: No cost

Procedure 4. Registration with the municipal court

Time: 21 days

Cost: BAM 555 (BAM 405 is the registration fee and BAM 150 is the publishing fee)

Comments: The municipal court deals with a high number of cases. The fees are BAM 950 for court registration and BAM 4.5 for every line in the advertisement (assuming around 14 lines X BAM 4.5 per line). By law, a number of standard forms must be completed. These forms may be purchased at a stationery shop or at the court (for BAM 15), to be prepared according to the regulations on registering legal entities in the Court Register. After the court registers the new company, the court informs the Official Gazette to announce the prepared notice. Companies are automatically registered for membership with the Chambers of Economy at the state, entity, canton and regional levels. Since 2004, membership with the Chamber of Economy of the Federation of Bosnia and Herzegovina and the Chamber of Economy of the Republic of Srpska is voluntary. The fees are as follows:

1. State level: For the membership with the Foreign Trade Chamber of Bosnia and Herzegovina, the company may choose one of two options:
 - a. Fee of 1% of the declared customs value of imported or exported goods and services;
 - b. Fee of 2% of the monthly sum of paid salaries;
2. Entity level: For the membership fee with the Chamber of Commerce of Federation of Bosnia and Herzegovina, the company may choose one of two options:
 - a. Fee of 1.7% of the company's gross paid salaries for all employees; or
 - b. Fee based on the number of employees (e.g., BAM 150 for 31–50 employees);
3. Cantonal (for Federation of Bosnia and Herzegovina) and regional (for the Republic of Srpska) level: For the membership fee with the Chamber of Economy, the company pays 3% of its gross income.
4. At the Brcko District level, the fee is determined by the Chamber of Economy.

Procedure 5. Buy a company stamp

Time: 1 day

Cost: BAM 40

Comments: The stamp costs between BAM 35 and 45.

Procedure 6. Application for resolution on intended activities to the competent municipality

Time: 1 day

Cost: BAM 500 (application fee)

Procedure 7. Application for utilization permit to the Ministry of Commerce

Time: 15 days

Cost: BAM 150

Comments: The application should be submitted to the Mostar Commercial Department (all the inspections are centralized at one place) and, depending on the scope of business of the company, the relevant inspector or inspectors will perform the control at the business premises of the company and issue the Approval to Perform Business. For example, if the scope of business of the company is trade, the trade inspector and employment inspector shall perform the control. To obtain this permit, it is necessary to submit the following documents: copy of the resolution on the intended activities, copy of the court registration, evidence of possession of the business premises, appropriate attestation for electric power issued by an authorized institution (the landlord should have obtained this document) and copy of the registration forms for employees. If the company produces a product it is required to submit an attestation for the machines.

Procedure 8. Apply for the company identification number with the competent tax office

Time: 15 days

Cost: No cost (included in the previous procedure)

Comments: When filing the application for obtaining simultaneously the statistical and taxpayer number with the competent tax authority (in accordance with Regulations on Obtaining Identification Numbers), the newly incorporated company shall submit the following documents: application form, photocopy of the court resolution (registration) and contract on lease of business premises, resolution of the competent municipality on the intended activities (this resolution shall confirm that

certain activities may be exercised at a certain address) and utilization permit (issued by canton ministry of commerce). The competent tax office shall also nominate the committee (for company inspection) which shall confirm that the company exists at the specified address and, based upon the report of this committee, the taxpayer and statistical number shall be obtained.

Procedure 9. Open a company account with a commercial bank

Time: 1 day

Cost: No cost

Procedure 10. Enroll the employees in pension insurance with Pension Insurance Institute (Zavod za Penziono Osiguranje)

Time: 1 day

Cost: BAM 1 (application form fee)

Comments: The following documentation should be submitted: copy of the concluded employment contract, copy of the company registration set at the Court Register of Companies, form M2 (obrazac M2), and employees work booklet.

Procedure 11. Enroll the employees in health insurance with Health Insurance Institute (Zavod za Zdravstveno Osiguranje)

Time: 1 day

Cost: BAM 1 (application form fee)

Comments: For health insurance, it is necessary to submit: application for pension insurance, application form for health insurance (obrazac Z01), identification card of employee and health booklet.

Procedure 12. Adopt and publish a rule book on matters of salary, work organization, discipline and other employee regulations

Time: 1 day

Cost: No cost

Comments: BAM 250 if done by a lawyer.

* This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Osijek, Croatia

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: HRK 10,000

Date as of: January 2008

Procedure 1. Visit single access point HITRO at FINA (financial agency)

Time: 1 day

Cost: No cost

Comments: The procedure is as follows:

- a. The employees of FINA check whether the name the founder selected is available;
- b. The employees of FINA provide the prospective founder with the required information, forms and payment slips;
- c. The founder deposits the initial capital (min HRK 10,000), and pays court fees (HRK 400), publication fee (HRK 900), State Office for Statistics (Drzavni Zavod za Statistiku) fees (HRK 55) (included in procedures 3 and 4); and
- d. The founder provides the employees of FINA with information on the main business activity for the purpose of registering the company with the State Office for Statistics (Drzavni Zavod za Statistiku).

Procedure 2. Notarize memorandum of association (notary office)

Time: 1 day

Cost: HRK 4,000

Comments: The Deed of Incorporation and the Articles of Association of the prospective company, the Application to the Court Registry, and the Director's Statement on Acceptance of the Appointment can be drafted by the notary or by the one-stop shop (HITRO) personnel. However, if done by HITRO, the documents must be notarized by the notary. The cost depends on the number of founders and the founding capital. At the notary the Deed of Incorporation/Articles of Association of the Prospective Company cost HRK 3,150, Application for the Court Registry costs HRK 220, Statement on Acceptance of the Appointment as Director costs HRK 160 and value added tax. On other documents, the notary verifies the signatures for HRK 46.60 per signature.

Procedure 3. Deposit incorporation documents at FINA for registration at the commercial court

Time: 8 days

Cost: HRK 1,300 (HRK 400 is the court fee + HRK 900 is the publication fee)

Comments: All required incorporation documents are submitted to the employees of FINA who submit them to the competent commercial court. This procedure can also be done directly at the commercial court. The commercial court registers the company with the Court Register in accordance with the Companies Act (Zakon o trgovačkim društvima). Registration is done based on the application form and documents required by law to be submitted. If all the conditions prescribed by the law are fulfilled, the court is obliged to register the company. Before the company is entered into the Register, it may operate as "provisional company," upon adoption of the Memorandum of Association. The company automatically becomes a member of the Chamber of Commerce at registration. In April 2005, by amending the Court Register Act, the documentation requirements were reduced. Three different documents are no longer required; namely, the founders of the company do not have to give a statement related to previous unsettled debts. It is also not necessary to submit a Certificate of the Tax Office and Health and Pensions Insurance Funds in that respect. The court forwards the registration data to the Official Gazette (Narodne Novine) of the Republic of Croatia and any daily newspaper. According to the changes in the Company Law (effective as of 01 January 2004), it's mandatory only to have the registration data published in the Official Gazette, but the company may choose to publish the incorporation of the company in Vjesnik or another daily newspaper with a fee of about HRK 900.

In April 2005, by amending the Court Register Act (Zakon o izmjenama i dopunama Zakona o sudskom registru, Official Gazette 54/05), a statutory time limit of 15 days for deciding on any company registration, including registration of incorporation in the Court Registry was introduced. Furthermore, the amended act also introduced a statutory term of 8 days for amending and completing documents, after which the court invites the company to execute any amendment or confirm registration. The entrepreneur is informed by the Commercial Court of the decision and can return to HITRO to complete subsequent formalities.

Procedure 4. Order official seal at a specialized shop

Time: 1 day

Cost: HRK 150

Comments: Official seals are readily available throughout Croatia at special seal-making shops. A copy of the court decision on registration of incorporation should be presented in order to have the seal made.

Procedure 5*. Apply for statistical number at FINA

Time: 1 day

Cost: HRK 55

Comments: FINA registers the company with the State Office for Statistics (Državni Zavod za Statistiku) and obtains the Statistical File Number in the form of "Information on classification of the business entity pursuant to the National Classification of Activities."

Procedure 6. Open a bank account (local bank)

Time: 1 day

Cost: HRK 175

Comments: The company has to open a Croatian Kuna (HRK) account with a bank operating in Croatia. The cost of opening a bank account varies from one bank to another. Some banks offer this service free of charge while some request a special fee to be paid. The maximum fee is HRK 175.

Procedure 7. Register with tax authority (Porezna Uprava) for 'Value Added Tax' (VAT) and employee income tax withdrawals

Time: 1 day

Cost: No cost

Comments: Upon registering the company with the Commercial Court Register and fulfilling obligations of the State Bureau of Statistics, the company needs to register with the competent tax authority. Once the company is registered at the National Bureau of Statistics, the company data are automatically delivered through APIS - IT (www.apis-it.hr) to the tax authority so that it can charge the annual company tax. The company has to register at the tax office for VAT only when it issues its first invoice (within 15 days of issuance). Once the company is registered for VAT, all tax payments can be done through the e-VAT electronic system. A company whose total taxable annual income exceeds HRK 85,000 must register itself as an entity within the VAT system of taxation to the competent tax authority, based on the company's registered location.

Procedure 8*. Obtain municipal certificate that environment and workplace safety laws are observed (municipal office- Zupanijski Ured)

Time: 20 days

Cost: HRK 670 (the cost includes HRK 70 for revenue stamp + HRK 350 official fee + HRK 200 to 300 depending on company's type of business activity)

Procedure 9*. Register with Croatian Pension Insurance Fund (Hrvatski Zavod za Mirovinsko Osiguranje, HZMO) or FINA

Time: 1 day

Cost: No cost

Comments: The company must register with the Croatian Pension Insurance Fund within 15 days of incorporation, and must also register their employees within 15 days from the date of employment agreements. The procedure may be completed at the competent HZMO office or the HITRO.HR centers. Electronic filing of the application for registration with the HZMO has been available since May 2006.

The company needs to register with HZMO as a contributions payer. The company also needs to register its employees within 15 days of the date of the execution of the employment agreements. No fees are required. Registration can be completed within one day, if all required documents are submitted. The procedure may be completed at the competent HZMO office or at HITRO.HR centers. The following documents should be submitted: decision about the registration into the Court Registry, notice of classification from the National Institute for Statistics, application to the Croatian Pension Insurance Fund, proof of residence, and work contracts. All persons employed for the first time and under 40 years or age are obliged to register into the Second Pillar of retirement insurance. A person has to choose the obligatory pension fund within 3 months following the starting date of employment. If the fund is not chosen upon the expiration of that period, REGOS (The Central Register of the Insured) itself chooses the obligatory pension fund for the person. All persons employed for the first time and between 40 and 50 years of age can, if so desiring, register into the Second Pillar of retirement insurance. A person has to choose the obligatory pension fund within 6 months following the starting date of employment. If the fund is not chosen upon the expiration of that period, a person permanently loses the right to register into the Second Pillar of retirement insurance.

* This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Sibenik, Croatia

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: HRK 10,000

Date as of: January 2008

Procedure 1. Visit single access point HITRO at FINA (financial agency)

Time: 1 day

Cost: No cost

Comments: The procedure is as follows:

- The employees of FINA check whether the name the founder selected is available;
- The employees of FINA provide the prospective founder with the required information, forms and payment slips;
- The founder deposits the initial capital (min HRK 10,000), and pays court fees (HRK 400), publication fee (HRK 900), State Office for Statistics (Državni Zavod za Statistiku) fees (HRK 55) (included in procedures 3 and 4); and
- The founder provides the employees of FINA with information on the main business activity for the purpose of registering the company with the State Office for Statistics (Državni Zavod za Statistiku).

Procedure 2. Notarize memorandum of association (notary office)

Time: 1 day

Cost: HRK 4,000

Comments: The Deed of Incorporation and the Articles of Association of the prospective company, the Application to the Court Registry, and the Director's Statement on Acceptance of the Appointment can be drafted by the notary or by the one-stop shop (HITRO) personnel. However, if done by HITRO, the documents must be notarized. The cost depends on the number of founders and the founding capital. At the notary the Deed of Incorporation/Articles of Association of the Prospective Company cost HRK 3,150, Application for the Court Registry costs HRK 220, Statement on Acceptance of the Appointment as Director costs HRK 160 and value added tax. On other documents, the notary verifies the signatures for HRK 46.60 per signature.

Procedure 3. Deposit incorporation documents at FINA for registration at the commercial court

Time: 5 days

Cost: HRK 1,300 (HRK 400 is the court fee + HRK 900 is the publication fee)

Comments: All required incorporation documents are submitted to the employees of FINA who submit them to the competent commercial court. This procedure can also be done directly at the commercial court. The commercial court registers the company with the Court Register in accordance with the Companies Act (Zakon o trgovačkim društvima). Registration is done based on the application form and documents required by law to be submitted. If all the conditions prescribed by the law are fulfilled, the court is obliged to register the company. Before the company is entered into the Register, it may operate as "provisional company," upon adoption of the Memorandum of Association. The company automatically becomes a member of the Chamber of Commerce at registration. In April 2005, by amending the Court Register Act, the documentation requirements were reduced. Three different documents are no longer required; namely, the founders of the company do not have to give a statement related to previous unsettled debts. It is also not necessary to submit a Certificate of the Tax Office and Health and Pensions Insurance Funds in that respect.

The court forwards the registration data to the Official Gazette (Narodne Novine) of the Republic of Croatia and any daily newspaper. According to the changes in the Company Law (effective as of 01 January 2004), it's mandatory only to have the registration data published in the Official Gazette, but the company may choose to publish the incorporation of the company in Vjesnik or another daily newspaper with a fee of about HRK 900.

In April 2005, by amending the Court Register Act (Zakon o izmjenama i dopunama Zakona o sudskom registru, Official Gazette 54/05), a statutory time limit of 15 days for deciding on any company registration, including registration of incorporation in the Court Registry was introduced. Furthermore, the amended act also introduced a statutory term of 8 days for amending and completing documents, after which the court invites the company to execute any amendment or confirm registration. The entrepreneur is informed by the Commercial Court of the decision and can return to HITRO to complete subsequent formalities.

Procedure 4. Order official seal at a specialized shop

Time: 1 day

Cost: HRK 150

Comments: Official seals are readily available throughout Croatia at special seal-making shops. A copy of the court decision on registration of incorporation should be presented in order to have the seal made.

Procedure 5*. Apply for statistical number at FINA

Time: 1 day

Cost: HRK 55

Comments: FINA registers the company with the State Office for Statistics (Državni Zavod za Statistiku) and obtains the Statistical File Number in the form of "Information on classification of the business entity pursuant to the National Classification of Activities."

Procedure 6. Open a bank account (local bank)

Time: 1 day

Cost: HRK 175

Comments: The company has to open a Croatian Kuna (HRK) account with a bank operating in Croatia. The cost of opening a bank account varies from one bank to another. Some banks offer this service free of charge while some request a special fee to be paid. The maximum fee is HRK 175.

Procedure 7. Register with tax authority (Porezna Uprava) for 'Value Added Tax' (VAT) and employee income tax withdrawals

Time: 1 day

Cost: No cost

Comments: Upon registering the company with the Commercial Court Register and fulfilling obligations of the State Bureau of Statistics, the company needs to register with the competent tax authority. Once the company is registered at the National Bureau of Statistics, the company data are automatically delivered through APIS - IT (www.apis-it.hr) to the tax authority so that it can charge the annual company tax. The company has to register at the tax office for VAT only when it issues its first invoice (within 15 days of issuance). Once the company is registered for VAT, all tax payments can be done through the e-VAT electronic system. A company whose total taxable annual income exceeds HRK 85,000 must register itself as an entity within the VAT system of taxation to the competent tax authority, based on the company's registered location.

Procedure 8*. Obtain municipal certificate that environment and workplace safety laws are observed (municipal office- Zupanijski Ured)

Time: 22 days

Cost: HRK 670 (the cost includes HRK 70 for revenue stamp + HRK 350 official fee + HRK 200 to 300 depending on company's type of business activity)

Procedure 9*. Register with Croatian Pension Insurance Fund (Hrvatski Zavod za mirovinsko osiguranje, HZMO) or FINA

Time: 1 day

Cost: No cost

Comments: The company needs to register with the Croatian Pension Insurance Fund within 15 days of incorporation. Companies must also register their employees within 15 days from the date of employment agreements. The procedure may be completed at the competent HZMO office or at the HITRO.HR centers. Electronic filing of the application for registration with the Pension Insurance Fund (HZMO) has been available since May 2006.

The company needs to register with HZMO as a contributions payer. The company also needs to register its employees within 15 days of the date of the execution of the employment agreements. No fees are required. Registration can be completed within one day, if all required documents are submitted. The procedure may be completed at the competent HZMO office or at HITRO.HR centers. The following documents should be submitted: decision about the registration into the Court Registry, notice of classification from the National Institute for Statistics, application to the Croatian Pension Insurance Fund, proof of residence, and work contracts. All persons employed for the first time and under 40 years or age are obliged to register into the Second Pillar of retirement insurance. A person has to choose the obligatory pension fund within 3 months following the starting date of employment. If the fund is not chosen upon the expiration of that period, REGOS (The Central Register of the Insured) itself chooses the obligatory pension fund for the person. All persons employed for the first time and between 40 and 50 years of age can, if so desiring, register into the Second Pillar of retirement insurance. A person has to choose the obligatory pension fund within 6 months following the starting date of employment. If the fund is not chosen upon the expiration of that period, a person permanently loses the right to register into the Second Pillar of retirement insurance.

* This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Varazdin, Croatia

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: HRK 10,000

Date as of: January 2008

Procedure 1. Visit single access point HITRO at FINA (financial agency)

Time: 1 day

Cost: No cost

Comments: The procedure is as follows:

- The employees of FINA check whether the name the founder selected is available;
- The employees of FINA provide the prospective founder with the required information, forms and payment slips;
- The founder deposits the initial capital (min HRK 10,000), and pays court fees (HRK 400), publication fee (HRK 900), State Office for Statistics (Državni Zavod za Statistiku) fees (HRK 55) (included in procedures 3 and 4); and
- The founder provides the employees of FINA with information on the main business activity for the purpose of registering the company with the State Office for Statistics (Državni Zavod za Statistiku).

Procedure 2. Notarize memorandum of association (notary office)

Time: 1 day

Cost: HRK 4,000

Comments: The Deed of Incorporation and the Articles of Association of the prospective company, the Application to the Court Registry, and the Director's Statement on Acceptance of the Appointment can be drafted by the notary or by the one-stop shop (HITRO) personnel. However, if done by HITRO, the documents must be notarized by the notary. The cost depends on the number of founders and the founding capital. At the notary the Deed of Incorporation/Articles of Association of the Prospective Company cost HRK 3,150, Application for the Court Registry costs HRK 220, Statement on Acceptance of the Appointment as Director costs HRK 160 and value added tax. On other documents, the notary verifies the signatures for HRK 46.60 per signature.

Procedure 3. Deposit incorporation documents at FINA for registration at the commercial court

Time: 8 days

Cost: HRK 1,300 (HRK 400 is the court fee + HRK 900 is the publication fee)

Comments: All required incorporation documents are submitted to the employees of FINA who submit them to the competent commercial court. This procedure can also be done directly at the commercial court. The commercial court registers the company with the Court Register in accordance with the Companies Act (Zakon o trgovačkim društvima). Registration is done based on the application form and documents required by law to be submitted. If all the conditions prescribed by the law are fulfilled, the court is obliged to register the company. Before the company is entered into the Register, it may operate as "provisional company," upon adoption of the Memorandum of Association. The company automatically becomes a member of the Chamber of Commerce at registration. In April 2005, by amending the Court Register Act, the documentation requirements were reduced. Three different documents are no longer required; namely, the founders of the company do not have to give a statement related to previous unsettled debts. It is also not necessary to submit a Certificate of the Tax Office and Health and Pensions Insurance Funds in that respect. The court forwards the registration data to the Official Gazette (Narodne Novine) of the Republic of Croatia and any daily newspaper. According to the changes in the Company Law (effective as of 01 January 2004), it's mandatory only to have the registration data published in the Official Gazette, but the company may choose to publish the incorporation of the company in Vjesnik or another daily newspaper with a fee of about HRK 900.

In April 2005, by amending the Court Register Act (Zakon o izmjenama i dopunama Zakona o sudskom registru, Official Gazette 54/05), a statutory time limit of 15 days for deciding on any company registration, including registration of incorporation in the Court Registry was introduced. Furthermore, the amended act also introduced a statutory term of 8 days for amending and completing documents, after which the court invites the company to execute any amendment or confirm registration. The entrepreneur is informed by the Commercial Court of the decision and can return to HITRO to complete subsequent formalities.

Procedure 4. Order official seal at a specialized shop

Time: 1 day

Cost: HRK 179.9

Comments: Official seals are readily available throughout Croatia at special seal-making shops. A copy of the court decision on registration of incorporation should be presented in order to have the seal made.

Procedure 5*. Apply for statistical number at FINA

Time: 1 day

Cost: HRK 55

Comments: FINA registers the company with the State Office for Statistics (Državni Zavod za Statistiku) and obtains the Statistical File Number in the form of "Information on classification of the business entity pursuant to the National Classification of Activities."

Procedure 6. Open a bank account (local bank)

Time: 1 day

Cost: HRK 175

Comments: The company has to open a Croatian Kuna (HRK) account with a bank operating in Croatia. The cost of opening a bank account varies from one bank to another. Some banks offer this service free of charge while some request a special fee to be paid. The maximum fee is HRK 175.

Procedure 7. Register with tax authority (Porezna Uprava) for 'Value Added Tax' (VAT) and employee income tax withdrawals

Time: 1 day

Cost: No cost

Comments: Upon registering the company with the Commercial Court Register and fulfilling obligations of the State Bureau of Statistics, the company needs to register with the competent tax authority. Once the company is registered at the National Bureau of Statistics, the company data are automatically delivered through APIS - IT (www.apis-it.hr) to the tax authority so that it can charge the annual company tax. The company has to register at the tax office for VAT only when it issues its first invoice (within 15 days of issuance). Once the company is registered for VAT, all tax payments can be done through the e-VAT electronic system. A company whose total taxable annual income exceeds HRK 85,000 must register itself as an entity within the VAT system of taxation to the competent tax authority, based on the company's registered location.

Procedure 8*. Obtain municipal certificate that environment and workplace safety laws are observed (municipal office- Zupanijski Ured)

Time: 25 days

Cost: HRK 670 (the cost includes HRK 70 for revenue stamp + HRK 350 official fee + HRK 200 to 300 depending on company's type of business activity)

Procedure 9*. Register with Croatian Pension Insurance Fund (Hrvatski Zavod za Mirovinsko Osiguranje, HZMO) or FINA

Time: 1 day

Cost: No cost

Comments: The company needs to register with the Croatian Pension Insurance Fund within 15 days of incorporation. Companies must also register their employees within 15 days from the date of employment agreements. The procedure may be completed at the competent HZMO office or at the HITRO.HR centers. Electronic filing of the application for registration with the Pension Insurance Fund (HZMO) has been available since May 2006.

The company needs to register with HZMO as a contributions payer. The company also needs to register its employees within 15 days of the date of the execution of the employment agreements. No fees are required. Registration can be completed within one day, if all required documents are submitted. The procedure may be completed at the competent HZMO office or at HITRO.HR centers. The following documents should be submitted: decision about the registration into the Court Registry, notice of classification from the National Institute for Statistics, application to the Croatian Health Insurance Fund, proof of residence, and work contracts. All persons employed for the first time and under 40 years or age are obliged to register into the Second Pillar of retirement insurance. A person has to choose the obligatory pension fund within 3 months following the starting date of employment. If the fund is not chosen upon the expiration of that period, REGOS (The Central Register of the Insured) itself chooses the obligatory pension fund for the person. All persons employed for the first time and between 40 and 50 years of age can, if so desiring, register into the Second Pillar of retirement insurance. A person has to choose the obligatory pension fund within 6 months following the starting date of employment. If the fund is not chosen upon the expiration of that period, a person permanently loses the right to register into the Second Pillar of retirement insurance.

* This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Pristina, Kosovo

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: none

Date as of: January 2008

Procedure 1. Search and reserve a unique company name

Time: 1 day

Cost: No cost

Procedure 2. Pay business registration fee payment at a bank

Time: 1 day

Cost: EUR 21 (EUR 10 is the registration fee and EUR 10 is to file for the Statute. EUR 1 is the bank transaction fee)

Procedure 3. Request and obtain the business certificate at the Agency for Business Registration (ARBK)

Time: 4 days

Cost: EUR 2 (when receiving the certificate, a party needs to pay EUR 2 to receive the certificate and 'Business Information' document that provides general information about business structures)

Comments: Registration of a business to obtain the certificate can only be done in Pristina. The corporation is considered founded at the moment when the Business Registry official accepts the application. The following documents constitute the application for an LLC: business registration form (can be downloaded for free online at www.arbk.org), Statute, electricity statement proving that the electricity at the leased premises has been paid (last statement suffices if the amount owed is below the maximum accepted by KEK), title certificate or lease contract, copies of ID cards of all the shareholders. The business registration form contains an identification number that represents the tax identification number. After a company receives the business certificate, the information from the agency is processed by the tax authorities and Statistics Office. The Agency for Business Registration (Agjencioni per Regjistrimin e Bizneseve Kosovare, www.arbk.org) is under the authority of the Ministry of Trade and Industry. Sections 26.2 and 26.3 of UNMIK regulation 2001/6 on

business organizations specify that the charter capital“(26.2) for a LLC, [it] shall be at least 5,000 Deutsche Marks. The charter capital may be expressed as the equivalent in any currency that is lawful in Kosovo at the time the shareholders make their initial contributions (re-valued to 2,500 EUR after the conversion and according to Administrative Guideline 2003/1, No. 5.2). (26.3) 50% of a corporation's charter capital shall be paid to the corporation by its shareholders before the corporation is registered. The unpaid portion of the charter capital stated in the foundation documents shall be paid within one year from the date of the corporation's registration.” This procedure is not followed in practice as the company can declare the capital in any form in the application and it does not need to submit any actual proof of its existence.

Procedure 4. Make a company seal

Time: 1 day

Cost: EUR 30 (price may vary from EUR 20 to 40)

Comments: Seal is not legally required. However, a legal entity must have a seal for any interaction with the authorities.

Procedure 5. Request and obtain a confirmation letter proving that property tax in the leased premises has been paid

Time: 1 day

Cost: No cost

Comments: This letter is obtained from the Municipality Finance and Property Directorate.

Procedure 6. Request and obtain the work permit from the municipality

Time: 10 days

Cost: No cost

Comments: Each municipality has its own regulations determining the requirements, including fees, to obtain the permit. According to the Regulation for Work Permits of the Municipality of Pristina, the application should consist of: business operation certificate, building permit, lease contract, inspection committee approval, paid municipality fee, photocopy of the identification card and cadastral extracts. Upon showing the inspection approval and bank receipt for fee payment, the company may receive the municipal work license.

Procedure 7*. Request and obtain approval from the Municipality Technical Committee

Time: 7 days

Cost: EUR 10

Procedure 8*. Request and obtain inspection from the Municipality Technical Committee

Time: 5 days

Cost: No cost (included in the previous procedure)

Procedure 9*. Pay the fee for the work permit at the bank

Time: 1 day

Cost: EUR 1,000

Comments: The yearly commercial activity fee for an LLC is EUR 1,000. The fee varies across businesses from EUR 75 to 1,000 and needs to be renewed yearly. For some businesses, the fee is determined based on the size of the premises. A detailed schedule can be found at <http://www.pristina-komuna.org/?mod=rregulloret&bid=1&smid=112> (see: Vendim për ndryshimet dhe plotësimet e Rregullores).

Procedure 10*. Open a bank account

Time: 1 day

Cost: EUR 20

Comments: Business certificate, business information, a copy of an identification card of the legal representative and other people authorized to make withdrawals and deposits are required.

Procedure 11. Register for Value Added Tax (VAT) with the tax authority of the Ministry of Economy and Finance

Time: 4 days

Cost: No cost

Comments: The Value Added Tax (VAT) application is required only for companies with a yearly turnover of more than EUR 50,000. The VAT form can be downloaded at <http://www.mfe-ks.org/mefwww/atatimore/files/llatimeve/tvsh/formregjvtsh.pdf>. Once the request is submitted, the tax authorities conduct an inspection. The registra-

tion can be picked up in the next day or two. For more urgent cases, businesses can orally request that the procedure be completed faster. The Tax Administration authority has two offices in Pristina: one for the Municipality of Pristina and one for the other small towns that fall under the jurisdiction of the Municipality of Pristina.

Procedure 12*. Register employees for Social Security with the tax authority of the Ministry of Economy and Finance

Time: 1 day

Cost: No cost

Comments: Business certificate, a copy of an identification card and a completed registration form are required to register.

* This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Prizren, Kosovo

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: none

Date as of: January 2008

Procedure 1. Search and reserve a unique company name

Time: 1 day

Cost: No cost

Procedure 2. Pay business registration fee payment at a bank

Time: 1 day

Cost: EUR 21 (EUR 10 is the registration fee and EUR 10 is to file for the Statute. EUR 1 is the bank transaction fee)

Procedure 3. Request and obtain the business certificate at the Agency for Business Registration (ARBK)

Time: 4 days

Cost: EUR 2 (when receiving the certificate, a party needs to pay EUR 2 to receive the certificate and 'Business Information' document that provides general information about business structures)

Comments: Registration of a business to obtain the certificate can only be done in Pristina. The corporation is considered founded at the moment when the Business Registry official accepts the application. The following documents constitute the application for an LLC: business registration form (can be downloaded for free online at www.arbk.org), Statute, electricity statement proving that the electricity at the leased premises has been paid (last statement suffices if the amount owed is below the maximum accepted by KEK), title certificate or lease contract, copies of ID cards of all the shareholders. The business registration form contains an identification number that represents the tax identification number. After a company receives the business certificate, the information from the agency is processed by the tax authorities and Statistics Office. The Agency for Business Registration (Agjencioni per Regjistrimin e Bizneseve Kosovare, www.arbk.org) is under the authority of the Ministry of Trade and Industry. Sections 26.2 and 26.3 of UNMIK regulation 2001/6 on business organizations specify that the charter capital“(26.2) for a LLC, [it] shall be at least 5,000 Deutsche Marks. The charter capital may be expressed as the equivalent in any currency that is lawful in Kosovo at the time the shareholders make their initial contributions (re-valued to 2,500 EUR after the conversion and according to Administrative Guideline 2003/1, No. 5.2). (26.3) 50% of a corporation's charter capital shall be paid to the corporation by its shareholders before the corporation is registered. The unpaid portion of the charter capital stated in the foundation documents shall be paid within one year from the date of the corporation's registration.” This procedure is not followed in practice as the company can declare the capital in any form in the application and it does not need to submit any actual proof of its existence.

Procedure 4. Make a company seal

Time: 1 day

Cost: EUR 30 (price may vary from EUR 20 to 40)

Comments: Seal is not legally required. However, a legal entity must have a seal for any interaction with the authorities.

Procedure 5. Request and obtain a confirmation letter proving that property tax in the leased premises has been paid

Time: 1 day

Cost: No cost

Comments: This letter is obtained from the Municipality Finance and Property Directorate.

Procedure 6. Request and obtain the work permit from the municipality**Time:** 8 days**Cost:** No cost**Comments:** Each municipality has its own regulations determining the requirements, including fees, to obtain the permit. Upon showing the inspection approval and bank receipt for fee payment, the company may receive the municipal work license.**Procedure 7*. Request and obtain approval from the Municipality Technical Committee****Time:** 5 days**Cost:** EUR 30**Procedure 8*. Receive inspection from the Municipality Technical Committee****Time:** 3 days**Cost:** No cost (included in the previous procedure)**Procedure 9*. Pay the fee for the work permit at the bank****Time:** 1 day**Cost:** EUR 1,000**Comments:** The yearly commercial activity fee for an LLC is EUR 1,000 in Prizren. The fee ranges from EUR 50 to 1,000 and needs to be renewed yearly. For some businesses, the fee is determined based on the size of the premises. A detailed schedule can be found at <http://www.prizren-komuna.org> (Vendimet e Asamblesë të datës 22.02.2007).**Procedure 10*. Open a bank account****Time:** 1 day**Cost:** EUR 20**Comments:** Business certificate, business information, a copy of an identification card of the legal representative and other people authorized to make withdrawals and deposits are required.**Procedure 11. Register for Value Added Tax (VAT) with the tax authority of the Ministry of Economy and Finance****Time:** 2 days**Cost:** No cost**Comments:** The Value Added Tax (VAT) application is required only for companies with a yearly turnover of more than EUR 50,000. The VAT form can be downloaded at <http://www.mfe-ks.org/mefwww/atatimore/files/ltatimeve/tvsh/formregjtvsh.pdf>. Once the request is submitted (in the morning), the tax authorities conduct an inspection during the same day. The registration can be picked up the next day. For more urgent cases, businesses can orally require for the procedure to be completed faster.**Procedure 12*. Register employees for Social Security with the tax authority of the Ministry of Economy and Finance****Time:** 1 day**Cost:** No cost**Comments:** Business certificate, a copy of an identification card and a completed registration form are required to register.

*This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Bitola, Macedonia, FYR*Standard company legal form: Limited Liability Company (LLC)**Minimum capital requirement: none**Date as of: January 2008***Procedure 1. Check the uniqueness of the company name and pick up a company registration form at the Central Registry (CR)****Time:** 1 day**Cost:** No cost**Comments:** Company registration forms are now available at the central register's website (www.crm.com.mk) and at the 30 offices of the Companies Registry; alternatively, the forms can be bought at any bookstore that sells administrative materials.**Procedure 2. Notarize the incorporation documents (notary office)****Time:** 1 day**Cost:** MKD 2,000**Comments:** To register a limited liability company (LLC), a founder must notarize the following documents:

- Foundation agreement;
- Statement in accordance with article 29 of the Trade Company Law stating that there are no limitations to starting a company as defined by this article;
- Statement in accordance with article 32 of the Trade Company Law listing all the activities undertaken in order to establish the company and that the company is founded in accordance with the law;
- Statement in accordance with article 183 of the Trade Company Law; and
- Signature of the person authorized to act as a signatory of the company.

Procedure 3. Procure extract of criminal record confirming that the manager is eligible to run the company (local Principal Court)**Time:** 1 day**Cost:** MKD 400 (court fee)**Comments:** The competent authority for issuing the extracts from criminal records is the principal court of the municipality listed as the manager's residence.**Procedure 4. Registration with the Central Registry****Time:** 3 days**Cost:** MKD 2,552**Comments:** The company founders can prepare the registration documents. If professional (lawyer) services are used, a fee of EUR 500 is charged for one month of service. A one-stop shop system was implemented on January 1, 2006. The Central Registry of the Republic of Macedonia, FYR is the unique institution for registration of LLCs and other forms of trade companies, foreign representative offices, and others. The procedure at the Central Register covers:

- registration of the company in the Trade Register;
- providing the statistics identification number for the company;
- opening the bank account of the company;
- registration of the company in the Public Revenue Office - Tax Office;
- publishing the company's creation notice on the web site of the Central Register (www.crm.com.mk).

The cost of starting a business was decreased in October 2007 when a Government decision changed the tariff of the Central Registry published in the Official Gazette No. 119/07.

Procedure 5. Make a company seal (specialized shop)**Time:** 1 day**Cost:** MKD 900**Comments:** The fee may vary depending on the type and quality of the material for the seal. The company certificate of registration is required.**Procedure 6. Inform the Employment Agency for hiring employees****Time:** 1 day**Cost:** No cost**Comments:** Documents to be submitted to the Employment Agency include the registration forms (M1 and M2) and the employment contract for each employee. Copies of the registration forms are taken to the Pension and Health Insurance Fund offices. The registration forms can be downloaded on-line from the website of the Employment Agency.**Procedure 7. Register with the Health Insurance Fund****Time:** 1 day**Cost:** No cost**Comments:** To register with the Health Insurance Fund, the company needs to bring copies of employment registration forms. The offices of the Health Insurance Fund and the Pension Fund in Bitola are on different floors in the same building and are hence counted as two separate procedures.

Procedure 8*. Register with the Pension Insurance Fund

Time: 1 day

Cost: No cost

Comments: To register with the Pension Insurance Fund, the company needs to bring copies of employment registration forms. The offices of the Health Insurance Fund and the Pension Fund in Bitola are on different floors in the same building and are hence counted as two separate procedures.

* This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Niksic, Montenegro

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: EUR 1

Date as of: January 2008

Procedure 1. Obtain application form and reserve the company name

Time: 1 day

Cost: EUR 15 (EUR 10 to 20)

Comments: The company name can be checked online at the Central Registry of Companies of Montenegro (www.crps.cg.yu). The company name reservation is valid for 120 days with no possibility for extension. The name reservation can be transferred to a third party (upon notification of the Company Registry). The application form can be obtained at a bookstore or on the aforementioned website.

Procedure 2. Certify the company's founding agreements

Time: 1 day

Cost: EUR 30

Comments: The Republic of Montenegro still has no public notaries, but the profession is expected to develop soon. The Law on Companies of the Republic of Montenegro authorizes all lawyers to certify documents. In practice, however, only the Company Registry accepts such certified documents. All other institutions require court certification of documents. Certification fees vary depending on the number of pages, documents, and so forth. Documents can be certified at the lawyer's office on the spot, without an appointment.

Procedure 3. Register with the Company Registry

Time: 2 days

Cost: EUR 25 (EUR 10 registration + EUR 15 publishing fee)

Comments: The only registry in Montenegro is in Podgorica (in the Commercial Court Building). The registry is computerized. The legal time limit for registration is 4 days, but in practice, the registry completes the registration in 2 days. The Company Registry prepares text for the announcement of the company formation. The Registry also estimates the publication fee (based on notice length) and sends all notices to the Official Gazette, which are published in an upcoming issue. Publication lead time is 10–15 days. Subsequent procedures do not depend on the announcement, so the client can continue to form the company regardless of the publication date.

Procedure 4. Make a company seal

Time: 1 day

Cost: EUR 30

Comments: The company seal or stamp is a core instrument in company's legal transactions. The company must order a seal or stamp upon registering with the Company Registry because it is essential for subsequent company transactions. The seal is made on the day it is ordered.

Procedure 5. Obtain statistical number of the company

Time: 2 days

Cost: EUR 5

Comments: Upon registering, the company must apply for the statistical identification number with the Statistical Office of the Republic of Montenegro. The new Law for Statistics and Statistical System has helped reduce the number of days required to obtain the number. Similarly to the company registration, this procedure is also completed in Podgorica. The company may obtain the number during the same day, especially if they have traveled a long distance. The following documents are needed for the statistical registration or change of existing registration:

- Copy of the company registration or of the possible changes;
- Form RJR-1 filed, signed and stamped;
- Form RJR-1a filed, for business and other units; and

d. Confirmation of the payment of EUR 5.00 in the account.

Of all the company types that register with the Company Registry in the Economic Court in Podgorica, small businesses and some forms of foreign companies are exempted from the statistical registration. The number can be obtained within the same or next business day. The above-mentioned forms (RJR-1 and RJR-1a) can be obtained at the Bureau. The application can be submitted by mail or in person, but the number can be received only in person.

Procedure 6. Open a bank account

Time: 1 day

Cost: No cost

Comments: Proof of having opened a bank account is required to register for taxes. The bank account is opened once the company is registered with the Company Registry and the Statistical Office.

Procedure 7. Obtain municipal license

Time: 12 days

Cost: EUR 94.5 (based on the size of premises the license fee is EUR 40, the request is EUR 3 and the inspection fee is EUR 51.5 - assuming that the offices are used for commercial activity where the fee is EUR 35.79, the area is 100 m² (add 20% or 7.16) and is located in Zone III (add another 20% or 8.59) and they have been previously used as business premises)

Comments: Once registered, the company must file the verified copy of registration with the Central Registry; the copy of registration with the Bureau of Statistics; and the copy of the bank account the incorporation documents, the certified lease agreement, a professional evaluation that the registered business activity can be conducted in that particular business premise, and the appropriate application form duly completed, signed and stamped, with the municipality where the company is seated and shall conduct business activities. The appointed commission will visit the business premises and issue the license. The municipal license is required for all companies, regardless of the field of their activity. In addition, some activity-specific licenses may apply. The cost depends on the size of the premises and is based on the following schedule:

up to 50 m² EUR 20
above 50 m² EUR 40.

EUR 3 is the request fee. The cost of the Municipality Technical Commission (inspection) depends on the type, area of the leased business premises and location, and it is based on the following schedule for premises up to 50m²:

| | |
|-------------------------|---------------|
| Food-related businesses | EUR 40.99 |
| Commercial | EUR 35.79 and |
| Craftsperson | EUR 30.67. |

For premises from 50 to 100 m², there is a surcharge of 20% and above 100 square meters, the surcharge is 50%. These fees are valid for Zone I, while for Zone II there is a 10% surcharge, for Zone III a 20% surcharge and for Zone IV a 50% surcharge.

Procedure 8*. Receive municipal inspection

Time: 7 days

Cost: No cost

Comments: If the business premises have been previously used for commercial activities, the appointed commission conducts a site visit and determines whether the business premises can be used for a commercial activity. If the business premises have not been previously used for commercial activities, the company needs also to get a proof from the power supply company asserting that the meter has been adjusted to reflect for business charges. Our case assumes that the premises have been used previously for business activity.

Procedure 9*. Register with the Pension Fund

Time: 2 days

Cost: No cost

Comments: A filed application form (ROD 1), a certified copy of registration from the Company Registry, and a copy of the notification from the Statistics Fund are needed to register with the Pension Fund.

Procedure 10*. Register with the Employment Bureau

Time: 2 days

Cost: No cost

Procedure 11*. Register with the Health Fund

Time: 2 days

Cost: No cost

Procedure 12*. Register for income tax**Time:** 2 days**Cost:** No cost

Comments: The following documents are required: application form duly filed with the company's information and signed by the company representative, copies of the registration documents, copy of the certificate of the identification number of the company, certificate of the bank account opened, proof that the company filed for a business license, and identification cards or passports of the executive director. If the application form is completed correctly, the tax number and VAT number certificates are issued within 2-3 days. The tax number always matches the company number. The tax number is issued after obtaining the municipal business license. There is no tax inspection before issuing the number.

Procedure 13*. Register for Value Added Tax (VAT)**Time:** 2 days**Cost:** No cost

Comments: Once the company is registered for income tax, only an application form, duly completed, signed and stamped, is required.

Procedure 14*. Register employees for Social Security**Time:** 2 days**Cost:** No cost

Comments: Employees are registered for the social security insurance with the Pension Fund. In addition to completing a standard Pension Fund form, the company must include proof of registration with the following entities: the Central Registry, the Bureau of Statistics, and the Pension Fund.

Procedure 15*. Register company with Chamber of Commerce**Time:** 1 day**Cost:** No cost

Comments: Chamber of Commerce membership is obligatory and requires submission of an application form.

* This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Pljevlje, Montenegro

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: EUR 1

Date as of: January 2008

Procedure 1. Obtain application form and reserve the company name**Time:** 1 day**Cost:** EUR 15 (EUR 10 to 20)

Comments: The company name can be checked online at the Central Registry of Companies of Montenegro (www.crps.cg.yu). The company name reservation is valid for 120 days with no possibility for extension. The name reservation can be transferred to a third party (upon notification of the Company Registry). The application form can be obtained at a bookstore or on the aforementioned website.

Procedure 2. Certify the company's founding agreements**Time:** 1 day**Cost:** EUR 30

Comments: The Republic of Montenegro still has no public notaries, but the profession is expected to develop soon. The Law on Companies of the Republic of Montenegro authorizes all lawyers to certify documents. In practice, however, only the Company Registry accepts such certified documents. All other institutions require court certification of documents. Certification fees vary depending on the number of pages, documents, and so forth. Documents can be certified at the lawyer's office on the spot, without an appointment.

Procedure 3. Register with the Company Registry**Time:** 2 days**Cost:** EUR 25 (EUR 10 registration + EUR 15 publishing fee)

Comments: The only registry in Montenegro is in Podgorica (in the Commercial Court Building). The registry is computerized. The legal time limit for registration is 4 days, but in practice, the registry completes the registration in 2 days. The Company Registry prepares text for the announcement of the company formation. The Registry also estimates the publication fee (based on notice length) and sends all notices

to the Official Gazette, which are published in an upcoming issue. Publication lead time is 10–15 days. Subsequent procedures do not depend on the announcement, so the client can continue to form the company regardless of the publication date.

Procedure 4. Make a company seal**Time:** 1 day**Cost:** EUR 20

Comments: The company seal or stamp is a core instrument in company's legal transactions. The company must order a seal or stamp upon registering with the Company Registry because it is essential for subsequent company transactions. The seal is made on the day it is ordered.

Procedure 5. Obtain statistical number of the company**Time:** 2 days**Cost:** EUR 5

Comments: Upon registering, the company must apply for the statistical identification number with the Statistical Office of the Republic of Montenegro. The New Law for Statistics and Statistical System has helped reduce the number of days required to obtain the number. Similarly to the company registration, this procedure is also completed in Podgorica. The company may obtain the number during the same day, especially if they have traveled a long distance. The following documents are needed for the statistical registration or change of existing registration:

- Copy of the company registration or of the possible changes;
- Form RJR-1 filed, signed and stamped;
- Form RJR-1a filed, for business and other units; and
- Confirmation of the payment of EUR 5.00 in the account.

Of all the company types that register with the Company Registry in the Economic Court in Podgorica, small businesses and some forms of foreign companies are exempted from the statistical registration. The number can be obtained within the same or next business day. The above-mentioned forms (RJR-1 and RJR-1a) can be obtained at the Bureau. The application can be submitted by mail or in person, but the number can be received only in person.

Procedure 6. Open a bank account**Time:** 1 day**Cost:** No cost

Comments: Proof of having opened a bank account is required to register for taxes. The bank account is opened once the company is registered with the Company Registry and the Statistical Office.

Procedure 7. Obtain municipal license**Time:** 7 days**Cost:** EUR 22 (the license fee is EUR 20 and the request is EUR 2)

Comments: The municipal license is required for all companies, regardless of the field of their activity. In addition, some activity-specific licenses may apply. Once registered, the company must file the verified copy of registration with the Central Registry; the copy of registration with the Bureau of Statistics; the copy of the bank account, the incorporation documents, the certified lease agreement, a professional evaluation that the registered business activity can be conducted in that particular business premise, and the appropriate application form duly completed, signed and stamped, with the municipality where the company is seated and shall conduct business activities.

If the business premises have been previously used for commercial activities, the technical commission (inspection) usually does not visit the site. If the business premises have not been previously used for commercial activities, the company needs also to get permission that the transformed premises can be used for business operation and proof from the local offices of the power supply company that the meter has been adjusted to reflect for business charges. In this case, the appointed commission (for a fee of EUR 60) will visit the site in order to issue their approval. The process of obtaining the license can last up to 7 days in such case. Our case assumes that the premises have been used previously for business activities and no further permissions are necessary. During 2007, the commission has not conducted any site visits because licenses have been issued mostly for locations where business activities have been conducted previously. The technical commission can also conduct other site visits, especially if any concerns are raised by various subjects.

Procedure 8*. Register with the Pension Fund**Time:** 2 days**Cost:** No cost

Comments: A filled application form (ROD 1), a certified copy of registration from the Company Registry and a copy of the notification from the Statistics Fund are needed to register with the Pension Fund.

Procedure 9*. Register with the Employment Bureau

Time: 2 days
Cost: No cost

Procedure 10*. Register with the Health Fund

Time: 2 days
Cost: No cost

Procedure 11*. Register for income tax

Time: 2 days
Cost: No cost

Comments: The following documents are required: application form duly filed with the company's information and signed by the company representative, copies of the registration documents, copy of the certificate of the identification number of the company, certificate of the bank account opened, proof that the company filed for a business license, and identification cards or passports of the executive director. If the application form is completed correctly, the tax number and VAT number certificates are issued within 2-3 days. The tax number always matches the company number. The tax number is issued after obtaining the municipal business license. There is no tax inspection before issuing the number.

Procedure 12*. Register for Value Added Tax (VAT)

Time: 2 days
Cost: No cost

Comments: Once the company is registered for income tax, only an application form, duly completed, signed and stamped, is required.

Procedure 13*. Register employees for Social Security

Time: 2 days
Cost: No cost

Comments: Employees are registered for the social security insurance with the Pension Fund. In addition to completing a standard Pension Fund form, the company must include proof of registration with the following entities: the Central Registry, the Bureau of Statistics, and the Pension Fund.

Procedure 14*. Register company with Chamber of Commerce

Time: 1 day
Cost: No cost

Comments: Chamber of Commerce membership is obligatory and requires submission of an application form.

* This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Krusevac, Serbia

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: RSD 20,836

Date as of: January 2008

Procedure 1. Obtain registration forms, form RJR-1, form OP, forms M1 and M4

Time: 1 day
Cost: RSD 5 (OP form fee)

Comments: Registration forms for the Business Registration Agency (Registar privrednih subjekata) are free and are available exclusively at the Agency and at its official Web site (free download at www.apr.sr.gov.yu/APRWeb). Forms M1, M4, E1, E3 are available on the Web site www.minrzs.sr.gov.yu, but the OP forms are not.

Procedure 2. Notarize the Memorandum of Association and lease contract at the basic court

Time: 1 day
Cost: RSD 15,301 (RSD 8,450+ (0.25%X Initial Capital of 2,597,510) + RSD 32.5 for Notarization request + 5 owners X RSD 65 per signature Notarization)

Comments: Cost depends on the amount of capital and the value of the lease. At least 4 copies should be notarized with the Municipal Court, as the court will keep at least one copy, one copy will be filed later with the commercial court, and the filer will want to retain at least 2 originals. The cost of such certification varies depending on the value of the incorporation contract. The Law on Court Taxes as of July 2005 establishes the following costs:

- a. Up to RSD 10,000 value - RSD 650;
- b. From RSD 10,001 to 100,000 value - RSD 650 increased for 1% of the contract value;
- c. From RSD 100,001 to 1,000,000 value - RSD 1,950 increased for 0.5% of the contract value; and
- d. Over RSD 1,000,000 - RSD 8450 increased for 0.25% of the contract value, but not more than RSD 26,000.

In addition, there is a fee for requesting the notarization of RSD 32.5. In case of notarization of several documents only one request fee should be paid. The price for notarization of the signatures specimen with a competent court is RSD 65 and RSD 325 for every proxy's signature verification (power of attorney). The previous practice of requesting the court clerk to come to the business premises to certify a document against payment of the additional tax was revoked by a decision of the Constitutional Court of Serbia which found it to be unconstitutional.

Procedure 3. Open a temporary bank account; pay initial deposit or its part and all other fees

Time: 1 day
Cost: No cost

Comments: In order to open a temporary account, the decision or contract of incorporation must be submitted to the chosen bank. At least half of the initial capital is payable in advance, the rest within a period of 2 years from the registration. The initial deposit is paid to a temporary account at one of the commercial banks. After registration is completed, the funds are transferred to a Giro-account of the enterprise and may be used in business transactions. Obtain the payment slip from the bank.

Procedure 4. Obtain the registration certificate from the Business Registers Agency (SBRA)

Time: 7 days
Cost: RSD 5,060 (RSD 3,600 for registration application + RSD 1,460 for obtaining the registration number)

Comments: Under the Business Registration Law, which came into effect in July 2004, the company registration is transferred from the Commercial Courts to the Serbian Business Registers Agency (SBRA).

The payment of RSD 3,600 is made for the registration application in the account of SBRA. The amount of RSD 1,460 has to be paid for obtaining the registration number and code from the Republic Statistical Agency. Instead of two separate proceedings, the agency now issues the number and the code of the Republic Statistical Agency simultaneously with the registration certificate. The following documents need to be submitted:

- a. Set of forms for registration;
- b. Contract of incorporation (deed of establishment) or decision on the company founding with authentic signatures of founder(s) notarized by the Municipal Court;
- c. Decision on appointment of the director by the founders;
- d. Information on the founder(s) (i.e. registration documents, if the founder is a legal entity or identification number and proof of registered residence, if the founder is a physical person. If such documents are in a foreign language, they must be translated into Serbian by an authorized court translator (approximate costs RSD 800 per page);
- e. Certified signature of the director on the OP form (or deputy director or other authorized person);
- f. Evidence of payment of the administrative fee;
- g. Bank confirmation that the capital has been paid to the temporary bank account or certified statement from the founder that the financial capital has been secured;
- h. Optionally, power of attorney if filing is made by an attorney.

The court will examine if the request complies with current legislation and whether all necessary documents are attached to it. The requirement to submit the statute of the company upon registration has been abolished. In addition, the assessment of the contribution in kind by the authorized appraisers is no longer required (submission of an agreement between the founders on the value of contribution in kind has replaced the aforementioned requirement). The registry at that point publishes the registration on the Internet.

Procedure 5. Make stamp and seal

Time: 1 day
Cost: RSD 2,000

Comments: The price varies between RSD 1,000 to 3,000, depending on the number of words, design, etc. In order to make a stamp, the copy of the registration ruling must be submitted to the stamp-maker.

Procedure 6. Obtain PIB – tax identification number at the Municipal Hall; certify the signatures (3 copies) for opening bank account

Time: 7 days

Cost: No cost

Comments: To obtain the tax identification number (PIB), the founders must submit the following documents to the tax authorities of the municipality where the company is registered: registration ruling (copy), statistic ruling (copy), and a completed, signed, and stamped tax identification form. The RUJP office has a seat in every municipality.

Procedure 7. Register with local tax authority

Time: 7 days

Cost: No cost

Comments: The local tax authority sends the case to Belgrade and the registration process takes 7 days. When the tax identification number is obtained, the company's representative has to submit all or some of the following documents to the local tax authority (documentation requirements vary among different local authorities):

- Copy of the registration certificate of the Business Registration Agency;
- Copy of the certificate on the personal tax number;
- Labor contract with the general manager/founder of the company;
- Completed registration form for the VAT; in accordance with the Law on Value Added Tax (Official Gazette RS no. 84/2004, 86/2004, 61/2005) companies that predict that their total turnover in the period of 12 months will be more than RSD 2,000,000 are obliged to submit a completed registration form for the VAT registration;
- Certified OP form;
- Statement on the employed workers;
- Certified lists of real estates, motor vehicles and aircraft of the taxpayer;
- List of all stores and numbers of fiscal cash registers; and
- Agreement concluded with the book-keeping agency.

Depending on the local tax authority, all the above documents have to be submitted to the tax authority at latest 10-15 days following the day the personal tax number is obtained.

Procedure 8. Open a permanent business account with the commercial bank

Time: 1 day

Cost: No cost

Comments: The documentation for setting up a permanent business account with a commercial bank varies. The following documents are generally required:

- Original or certified copy of the company's registration with the SBRA (evidence of the company identification number and other relevant data);
- Application for opening the permanent account;
- Contract for depositing funds;
- Tax number for PIB (residents only);
- The bank-provided specimen card for legal entities (original);
- Identity card of the founders (copy); and
- Incorporation deed (copy).

Although the law allows for in-kind contributions (labor, machinery, or other assets), in practice, the founders are required to deposit the full amount in cash. According to the Law on Preventing Money Laundering (December 2005), the bank must require identification of the company when opening the account. The company that opens the bank account must submit to the bank the name, family name, date and the place of birth, and the residence of any individual who possesses at least 10% of shares or other rights that enable him or her to participate in managing the legal entity.

Procedure 9. Register the employment contracts with the Employment Organization/Fund

Time: 1 day

Cost: No cost

Comments: Founders must submit and certify the following documents: forms M1 new (application for insurance) and M1 old (application for insurance and establishment of the working relation); form E1 (application on vacancy for working place) along with the employee's medical-care booklet; form E3 (application for establishing or ending of working relation); RSD 1 (application for beginning/ending/changing the terms of the payers of the contributions) and worker's id card and employment contract.

Procedure 10. Obtain certificate from the PIO Fund (pension fund)

Time: 2 days

Cost: No cost

Comments: To obtain a certificate from the Employees' Pension and Disability Insurance (PIO) Fund (Fond za penzijsko i invalidsko osiguranje zaposlenih), founders must submit Form M1 (used for reporting employee insurance); Form M4 (for obtaining a taxpayer registry number and paying contributions), Forms E1 and E3, and the employment contract for inspection. If the application is not submitted within 8 days of the start of employment, a statement explaining the delay must be submitted. The registry number is issued within 24 hours and requires two visits to the Fund.

Procedure 11. Obtain certificate from the Health Fund

Time: 1 day

Cost: No cost

Comments: To obtain a certificate from the Health Fund, the company must submit the following documents: employment record card; medical examination record (medical identity card); Forms M1 and M2 (application for health insurance); RSD 1 (application for beginning/ending/changing the terms of the payers of the contributions) and a list of medical identity cards issued by the company.

STARTING A BUSINESS

Uzice, Serbia

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: RSD 20,836

Date as of: January 2008

Procedure 1. Obtain registration forms, form RJR-1, form OP, forms M1 and M4

Time: 1 day

Cost: RSD 5 (OP form fee)

Comments: Registration forms for the Business Registration Agency (Registar privrednih subjekata) are free and are available exclusively at the Agency and at its official Web site (free download at www.apr.sr.gov.yu/APRWeb). Forms M1, M4, E1, E3 are available on the Web site www.minrzs.sr.gov.yu, but the OP forms are not.

Procedure 2. Notarize the Memorandum of Association and lease contract at the basic court

Time: 1 day

Cost: RSD 15,301 (RSD 8,450+ (0.25%X Initial Capital of 2,597,510) + RSD 32.5 for Notarization request + 5 owners X RSD 65 per signature Notarization)

Comments: Cost depends on the amount of capital and the value of the lease. At least 4 copies should be notarized with the Municipal Court, as the court will keep at least one copy, one copy will be filed later with the commercial court, and the filer will want to retain at least 2 originals. The cost of such certification varies depending on the value of the incorporation contract. The Law on Court Taxes as of July 2005 establishes the following costs:

- Up to RSD 10,000 value - RSD 650;
- From RSD 10,001 to 100,000 value - RSD 650 increased for 1% of the contract value;
- From RSD 100,001 to 1,000,000 value - RSD 1,950 increased for 0.5% of the contract value; and
- Over RSD 1,000,000 - RSD 8450 increased for 0.25% of the contract value, but not more than RSD 26,000.

In addition, there is a fee for requesting the notarization of RSD 32.5. In case of notarization of several documents only one request fee should be paid. The price for notarization of the signatures specimen with a competent court is RSD 65 and RSD 325 for every proxy's signature verification (power of attorney). The previous practice of requesting the court clerk to come to the business premises to certify a document against payment of the additional tax was revoked by a decision of the Constitutional Court of Serbia which found it to be unconstitutional.

Procedure 3. Open a temporary bank account; pay initial deposit or its part and all other fees

Time: 1 day

Cost: No cost

Comments: To open a temporary account, the decision or contract of incorporation must be submitted to the chosen bank. At least half of the initial capital is payable in advance, the rest within a period of 2 years from the registration. The initial deposit

is paid to a temporary account at one of the commercial banks. After registration is completed, the funds are transferred to a Giro-account of the enterprise and may be used in business transactions. Obtain the payment slip from the bank.

Procedure 4. Obtain the registration certificate from the Business Registers Agency (SBRA)

Time: 3 days

Cost: RSD 5,060 (RSD 3,600 for registration application + RSD 1,460 for obtaining the registration number)

Comments: Under the Business Registration Law, which came into effect in July 2004, the company registration is transferred from the Commercial Courts to the Serbian Business Registers Agency (SBRA).

The payment of RSD 3,600 is made for the registration application in the account of SBRA. The amount of RSD 1,460 has to be paid for obtaining the registration number and code from the Republic Statistical Agency. Instead of two separate proceedings, the agency now issues the number and the code of the Republic Statistical Agency simultaneously with the registration certificate. The following documents need to be submitted:

- Set of forms for registration;
- Contract of incorporation (deed of establishment) or decision on the company founding with authentic signatures of founder(s) notarized by the Municipal Court;
- Decision on appointment of the director by the founders;
- Information on the founder(s) (i.e. registration documents, if the founder is a legal entity or identification number and proof of registered residence, if the founder is a physical person. If such documents are in a foreign language, they must be translated into Serbian by an authorized court translator (approximate costs RSD 800 per page);
- Certified signature of the director on the OP form (or deputy director or other authorized person);
- Evidence of payment of the administrative fee;
- Bank confirmation that the capital has been paid to the temporary bank account or certified statement from the founder that the financial capital has been secured;
- Optionally, power of attorney if filing is made by an attorney.

The court will examine if the request complies with current legislation and whether all necessary documents are attached to it. The requirement to submit the statute of the company upon registration has been abolished. In addition, the assessment of the contribution in kind by the authorized appraisers is no longer required (submission of an agreement between the founders on the value of contribution in kind has replaced the aforementioned requirement). The registry at that point publishes the registration on the Internet.

Procedure 5. Make stamp and seal

Time: 1 day

Cost: RSD 2,000

Comments: The price varies between RSD 1,000 to 3,000, depending on the number of words, design, etc. In order to make a stamp, the copy of the registration ruling must be submitted to the stamp-maker.

Procedure 6. Obtain PIB – tax identification number at the Municipal Hall; certify the signatures (3 copies) for opening bank account

Time: 6 days

Cost: No cost

Comments: To obtain the tax identification number (PIB), the founders must submit the following documents to the tax authorities of the municipality where the company is registered: registration ruling (copy), statistic ruling (copy), and a completed, signed, and stamped tax identification form. The RUJP office has a seat in every municipality.

Procedure 7. Register with local tax authority

Time: 7 days

Cost: No cost

Comments: The local tax authority sends the case to Belgrade and the registration process takes 7 days. When the tax identification number is obtained, the company's representative has to submit all or some of the following documents to the local tax authority (documentation requirements vary among different local authorities):

- Copy of the registration certificate of the Business Registration Agency;
- Copy of the certificate on the personal tax number;
- Labor contract with the general manager/founder of the company;
- Completed registration form for the VAT; in accordance with the Law on Value

Added Tax (Official Gazette RS no. 84/2004, 86/2004, 61/2005) companies that predict that their total turnover in the period of 12 months will be more than RSD 2,000,000 are obliged to submit a completed registration form for the VAT registration;

- Certified OP form;
- Statement on the employed workers;
- Certified lists of real estates, motor vehicles and aircraft of the taxpayer;
- List of all stores and numbers of fiscal cash registers; and
- Agreement concluded with the book-keeping agency.

Depending on the local tax authority, all the above documents have to be submitted to the tax authority at latest 10-15 days following the day the personal tax number is obtained.

Procedure 8. Open a permanent business account with the commercial bank

Time: 1 day

Cost: No cost

Comments: The documentation for setting up a permanent business account with a commercial bank varies. The following documents are generally required:

- Original or certified copy of the company's registration with the SBRA (evidence of the company identification number and other relevant data);
- Application for opening the permanent account;
- Contract for depositing funds;
- Tax number for PIB (residents only);
- The bank-provided specimen card for legal entities (original);
- Identity card of the founders (copy); and
- Incorporation deed (copy).

Although the law allows for in-kind contributions (labor, machinery, or other assets), in practice, the founders are required to deposit the full amount in cash. According to the Law on Preventing Money Laundering (December 2005), the bank must require identification of the company when opening the account. The company that opens the bank account must submit to the bank the name, family name, date and the place of birth, and the residence of any individual who possesses at least 10% of shares or other rights that enable him or her to participate in managing the legal entity.

Procedure 9. Register the employment contracts with the Employment Organization/Fund

Time: 1 day

Cost: No cost

Comments: Founders must submit and certify the following documents: forms M1 new (application for insurance) and M1 old (application for insurance and establishment of the working relation); form E1 (application on vacancy for working place) along with the employee's medical-care booklet; form E3 (application for establishing or ending of working relation); RSD 1 (application for beginning/ending/changing the terms of the payers of the contributions) and worker's id card and employment contract.

Procedure 10. Obtain certificate from the PIO Fund (pension fund)

Time: 2 days

Cost: No cost

Comments: To obtain a certificate from the Employees' Pension and Disability Insurance (PIO) Fund (Fond za penzijsko i invalidsko osiguranje zaposlenih), founders must submit Form M1 (used for reporting employee insurance); Form M4 (for obtaining a taxpayer registry number and paying contributions), Forms E1 and E3, and the employment contract for inspection. If the application is not submitted within 8 days of the start of employment, a statement explaining the delay must be submitted. The registry number is issued within 24 hours and requires two visits to the Fund.

Procedure 11. Obtain certificate from the Health Fund

Time: 1 day

Cost: No cost

Comments: To obtain a certificate from the Health Fund, the company must submit the following documents: employment record card; medical examination record (medical identity card); Forms M1 and M2 (application for health insurance); RSD 1 (application for beginning/ending/changing the terms of the payers of the contributions) and a list of medical identity cards issued by the company.

STARTING A BUSINESS

Vranje, Serbia

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: RSD 20,836

Date as of: January 2008

Procedure 1. Obtain registration forms, form RJR-1, form OP, forms M1 and M4

Time: 1 day

Cost: RSD 5 (OP form fee)

Comments: Registration forms for the Business Registration Agency (Registar privrednih subjekata) are free and are available exclusively at the Agency and at its official Web site (free download at www.apr.sr.gov.yu/APRWeb). Forms M1, M4, E1, E3 are available on the Web site www.minrzs.sr.gov.yu, but the OP forms are not.

Procedure 2. Notarize the Memorandum of Association and lease contract at the basic court

Time: 1 day

Cost: RSD 15,301 (RSD 8,450+ (0.25%X Initial Capital of 2,597,510) + RSD 32.5 for Notarization request + 5 owners X RSD 65 per signature Notarization)

Comments: Cost depends on the amount of capital and the value of the lease. At least 4 copies should be notarized with the Municipal Court, as the court will keep at least one copy, one copy will be filed later with the commercial court, and the filer will want to retain at least 2 originals. The cost of such certification varies depending on the value of the incorporation contract. The Law on Court Taxes as of July 2005 establishes the following costs:

- Up to RSD 10,000 value - RSD 650;
- From RSD 10,001 to 100,000 value - RSD 650 increased for 1% of the contract value;
- From RSD 100,001 to 1,000,000 value - RSD 1,950 increased for 0.5% of the contract value; and
- Over RSD 1,000,000 - RSD 8450 increased for 0.25% of the contract value, but not more than RSD 26,000.

In addition, there is a fee for requesting the notarization of RSD 32.5. In case of notarization of several documents only one request fee should be paid. The price for notarization of the signatures specimen with a competent court is RSD 65 and RSD 325 for every proxy's signature verification (power of attorney). The previous practice of requesting the court clerk to come to the business premises to certify a document against payment of the additional tax was revoked by a decision of the Constitutional Court of Serbia which found it to be unconstitutional.

Procedure 3. Open a temporary bank account; pay initial deposit or its part and all other fees

Time: 1 day

Cost: No cost

Comments: To open a temporary account, the decision or contract of incorporation must be submitted to the chosen bank. At least half of the initial capital is payable in advance, the rest within a period of 2 years from the registration. The initial deposit is paid to a temporary account at one of the commercial banks. After registration is completed, the funds are transferred to a Giro-account of the enterprise and may be used in business transactions. Obtain the payment slip from the bank.

Procedure 4. Obtain the registration certificate from the Business Registers Agency (SBRA)

Time: 3 days

Cost: RSD 5,060 (RSD 3,600 for registration application + RSD 1,460 for obtaining the registration number)

Comments: Under the Business Registration Law, which came into effect in July 2004, the company registration is transferred from the Commercial Courts to the Serbian Business Registers Agency (SBRA).

The payment of RSD 3,600 is made for the registration application in the account of SBRA. The amount of RSD 1,460 has to be paid for obtaining the registration number and code from the Republic Statistical Agency. Instead of two separate proceedings, the agency now issues the number and the code of the Republic Statistical Agency simultaneously with the registration certificate. The following documents need to be submitted:

- Set of forms for registration;
- Contract of incorporation (deed of establishment) or decision on the company founding with authentic signatures of founder(s) notarized by the Municipal Court;
- Decision on appointment of the director by the founders;

d. Information on the founder(s) (i.e. registration documents, if the founder is a legal entity or identification number and proof of registered residence, if the founder is a physical person. If such documents are in a foreign language, they must be translated into Serbian by an authorized court translator (approximate costs RSD 800 per page);

- Certified signature of the director on the OP form (or deputy director or other authorized person);
- Evidence of payment of the administrative fee;
- Bank confirmation that the capital has been paid to the temporary bank account or certified statement from the founder that the financial capital has been secured;
- Optionally, power of attorney if filing is made by an attorney.

The court will examine if the request complies with current legislation and whether all necessary documents are attached to it. The requirement to submit the statute of the company upon registration has been abolished. In addition, the assessment of the contribution in kind by the authorized appraisers is no longer required (submission of an agreement between the founders on the value of contribution in kind has replaced the aforementioned requirement). The registry at that point publishes the registration on the Internet.

Procedure 5. Make stamp and seal

Time: 1 day

Cost: RSD 2,000

Comments: The price varies between RSD 1,000 to 3,000, depending on the number of words, design, etc. In order to make a stamp, the copy of the registration ruling must be submitted to the stamp-maker.

Procedure 6. Obtain PIB – tax identification number at the Municipal Hall; certify the signatures (3 copies) for opening bank account

Time: 9 days

Cost: No cost

Comments: To obtain the tax identification number (PIB), the founders must submit the following documents to the tax authorities of the municipality where the company is registered: registration ruling (copy), statistic ruling (copy), and a completed, signed, and stamped tax identification form. The RUJP office has a seat in every municipality.

Procedure 7. Register with local tax authority

Time: 7 days

Cost: No cost

Comments: The local tax authority sends the case to Belgrade and the registration process takes 7 days. When the tax identification number is obtained, the company's representative has to submit all or some of the following documents to the local tax authority (documentation requirements vary among different local authorities):

- Copy of the registration certificate of the Business Registration Agency;
- Copy of the certificate on the personal tax number;
- Labor contract with the general manager/founder of the company;
- Completed registration form for the VAT; in accordance with the Law on Value Added Tax (Official Gazette RS no. 84/2004, 86/2004, 61/2005) companies that predict their total turnover in the period of 12 months will be more than RSD 2 million are obliged to submit a completed registration form for the VAT registration;
- Certified OP form;
- Statement on the employed workers;
- Certified lists of real estates, motor vehicles and aircraft of the taxpayer;
- List of all stores and numbers of fiscal cash registers; and
- Agreement concluded with the book-keeping agency.

Depending on the local tax authority, all the above documents have to be submitted to the tax authority at latest 10-15 days following the day the personal tax number is obtained.

Procedure 8. Open a permanent business account with the commercial bank

Time: 1 day

Cost: No cost

Comments: The documentation for setting up a permanent business account with a commercial bank varies. The following documents are generally required:

- Original or certified copy of the company's registration with the SBRA (evidence of the company identification number and other relevant data);
- Application for opening the permanent account;

- c. Contract for depositing funds;
- d. Tax number for PIB (residents only);
- e. The bank-provided specimen card for legal entities (original);
- f. Identity card of the founders (copy); and
- g. Incorporation deed (copy).

Although the law allows for in-kind contributions (labor, machinery, or other assets), in practice, the founders are required to deposit the full amount in cash. According to the Law on Preventing Money Laundering (December 2005), the bank must require identification of the company when opening the account. The company that opens the bank account must submit to the bank the name, family name, date and the place of birth, and the residence of any individual who possesses at least 10% of shares or other rights that enable him or her to participate in managing the legal entity.

Procedure 9. Register the employment contracts with the Employment Organization/Fund

Time: 1 day

Cost: No cost

Comments: Founders must submit and certify the following documents: forms M1 new (application for insurance) and M1 old (application for insurance and establishment of the working relation); form E1 (application on vacancy for working place) along with the employee's medical-care booklet; form E3 (application for establishing or ending of working relation); RSD 1 (application for beginning/ending/changing the terms of the payers of the contributions) and worker's id card and employment contract.

Procedure 10. Obtain certificate from the PIO Fund (pension fund)

Time: 2 days

Cost: No cost

Comments: To obtain a certificate from the Employees' Pension and Disability Insurance (PIO) Fund (Fond za penzijsko i invalidsko osiguranje zaposlenih), founders must submit Form M1 (used for reporting employee insurance); Form M4 (for obtaining a taxpayer registry number and paying contributions), Forms E1 and E3, and the employment contract for inspection. If the application is not submitted within 8 days of the start of employment, a statement explaining the delay must be submitted. The registry number is issued within 24 hours and requires two visits to the Fund.

Procedure 11. Obtain certificate from the Health Fund

Time: 1 day

Cost: No cost

Comments: To obtain a certificate from the Health Fund, the company must submit the following documents: employment record card; medical examination record (medical identity card); Forms M1 and M2 (application for health insurance); RSD 1 (application for beginning/ending/changing the terms of the payers of the contributions) and a list of medical identity cards issued by the company.

STARTING A BUSINESS

Zrenjanin, Serbia

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: RSD 20,836

Date as of: January 2008

Procedure 1. Obtain registration forms, form RJR-1, form OP, forms M1 and M4

Time: 1 day

Cost: RSD 5 (OP form fee)

Comments: Registration forms for the Business Registration Agency (Registar privrednih subjekata) are free and are available exclusively at the Agency and at its official Web site (free download at www.apr.sr.gov.yu/APRWeb). Forms M1, M4, E1, E3 are available on the Web site www.minrzs.sr.gov.yu, but the OP forms are not.

Procedure 2. Notarize the Memorandum of Association and lease contract at the basic court

Time: 1 day

Cost: RSD 15,301 (RSD 8,450+ (0.25% \times Initial Capital of 2,597,510) + RSD 32.5 for Notarization request + 5 owners \times RSD 65 per signature Notarization)

Comments: Cost depends on the amount of capital and the value of the lease. At least 4 copies should be notarized with the Municipal Court, as the court will keep at least one copy, one copy will be filed later with the commercial court, and the filer will want to retain at least 2 originals. The cost of such certification varies depending

on the value of the incorporation contract. The Law on Court Taxes as of July 2005 establishes the following costs:

- a. Up to RSD 10,000 value - RSD 650;
- b. From RSD 10,001 to 100,000 value - RSD 650 increased for 1% of the contract value;
- c. From RSD 100,001 to 1,000,000 value - RSD 1,950 increased for 0.5% of the contract value; and
- d. Over RSD 1,000,000 - RSD 8450 increased for 0.25% of the contract value, but not more than RSD 26,000.

In addition, there is a fee for requesting the notarization of RSD 32.5. In case of notarization of several documents only one request fee should be paid. The price for notarization of the signatures specimen with a competent court is RSD 65 and RSD 325 for every proxy's signature verification (power of attorney). The previous practice of requesting the court clerk to come to the business premises to certify a document against payment of the additional tax was revoked by a decision of the Constitutional Court of Serbia which found it to be unconstitutional.

Procedure 3. Open a temporary bank account; pay initial deposit or its part and all other fees

Time: 1 day

Cost: No cost

Comments: In order to open a temporary account, the decision or contract of incorporation must be submitted to the chosen bank. At least half of the initial capital is payable in advance, the rest within a period of 2 years from the registration. The initial deposit is paid to a temporary account at one of the commercial banks. After registration is completed, the funds are transferred to a Giro-account of the enterprise and may be used in business transactions. Obtain the payment slip from the bank.

Procedure 4. Obtain the registration certificate from the Business Registers Agency (SBRA)

Time: 10 days

Cost: RSD 5,060 (RSD 3,600 for registration application + RSD 1,460 for obtaining the registration number)

Comments: Under the Business Registration Law, which came into effect in July 2004, the company registration is transferred from the Commercial Courts to the Serbian Business Registers Agency (SBRA).

The payment of RSD 3,600 is made for the registration application in the account of SBRA. The amount of RSD 1,460 has to be paid for obtaining the registration number and code from the Republic Statistical Agency. Instead of two separate proceedings, the agency now issues the number and the code of the Republic Statistical Agency simultaneously with the registration certificate. The following documents need to be submitted:

- a. Set of forms for registration;
- b. Contract of incorporation (deed of establishment) or decision on the company founding with authentic signatures of founder(s) notarized by the Municipal Court;
- c. Decision on appointment of the director by the founders;
- d. Information on the founder(s) (i.e. registration documents, if the founder is a legal entity or identification number and proof of registered residence, if the founder is a physical person. If such documents are in a foreign language, they must be translated into Serbian by an authorized court translator (approximate costs RSD 800 per page);
- e. Certified signature of the director on the OP form (or deputy director or other authorized person);
- f. Evidence of payment of the administrative fee;
- g. Bank confirmation that the capital has been paid to the temporary bank account or certified statement from the founder that the financial capital has been secured;
- h. Optionally, power of attorney if filing is made by an attorney.

The court will examine if the request complies with current legislation and whether all necessary documents are attached to it. The requirement to submit the statute of the company upon registration has been abolished. In addition, the assessment of the contribution in kind by the authorized appraisers is no longer required (submission of an agreement between the founders on the value of contribution in kind has replaced the aforementioned requirement). The registry at that point publishes the registration on the Internet.

Procedure 5. Make stamp and seal

Time: 1 day

Cost: RSD 2,000

Comments: The price varies between RSD 1,000 to 3,000, depending on the number of words, design, etc. In order to make a stamp, the copy of the registration ruling must be submitted to the stamp-maker.

Procedure 6. Obtain PIB – tax identification number at the Municipal Hall; certify the signatures (3 copies) for opening bank account

Time: 10 days

Cost: No cost

Comments: To obtain the tax identification number (PIB), the founders must submit the following documents to the tax authorities of the municipality where the company is registered: registration ruling (copy), statistic ruling (copy), and a completed, signed, and stamped tax identification form. The RUJP office has a seat in every municipality.

Procedure 7. Register with local tax authority

Time: 8 days

Cost: No cost

Comments: The local tax authority sends the case to Belgrade and the registration process takes 7 days. When the tax identification number is obtained, the company's representative has to submit all or some of the following documents to the local tax authority (documentation requirements vary among different local authorities):

- Copy of the registration certificate of the Business Registration Agency;
- Copy of the certificate on the personal tax number;
- Labor contract with the general manager/founder of the company;
- Completed registration form for the VAT; in accordance with the Law on Value Added Tax (Official Gazette RS no. 84/2004, 86/2004, 61/2005) companies that predict their total turnover in the period of 12 months will be more than RSD 2 million are obliged to submit a completed registration form for the VAT registration;
- Certified OP form;
- Statement on the employed workers;
- Certified lists of real estates, motor vehicles and aircraft of the taxpayer;
- List of all stores and numbers of fiscal cash registers; and
- Agreement concluded with the book-keeping agency.

Depending on the local tax authority, all the above documents have to be submitted to the tax authority at latest 10-15 days following the day the personal tax number is obtained.

Procedure 8. Open a permanent business account with the commercial bank

Time: 1 day

Cost: No cost

Comments: The documentation for setting up a permanent business account with a commercial bank varies. The following documents are generally required:

- Original or certified copy of the company's registration with the SBRA (evidence of the company identification number and other relevant data);
- Application for opening the permanent account;
- Contract for depositing funds;
- Tax number for PIB (residents only);
- The bank-provided specimen card for legal entities (original);
- Identity card of the founders (copy); and
- Incorporation deed (copy).

Although the law allows for in-kind contributions (labor, machinery, or other assets), in practice, the founders are required to deposit the full amount in cash. According to the Law on Preventing Money Laundering (December 2005), the bank must require identification of the company when opening the account. The company that opens the bank account must submit to the bank the name, family name, date and the place of birth, and the residence of any individual who possesses at least 10% of shares or other rights that enable him or her to participate in managing the legal entity.

Procedure 9. Register the employment contracts with the Employment Organization/Fund

Time: 1 day

Cost: No cost

Comments: Founders must submit and certify the following documents: forms M1 new (application for insurance) and M1 old (application for insurance and establishment of the working relation); form E1 (application on vacancy for working place) along with the employee's medical-care booklet; form E3 (application for establishing or ending of working relation); RSD 1 (application for beginning/ending/changing the terms of the payers of the contributions) and worker's id card and employment contract.

Procedure 10. Obtain certificate from the PIO Fund (pension fund)

Time: 2 days

Cost: No cost

Comments: To obtain a certificate from the Employees' Pension and Disability Insurance (PIO) Fund (Fond za penzijsko i invalidsko osiguranje zaposlenih), founders must submit Form M1 (used for reporting employee insurance); Form M4 (for obtaining a taxpayer registry number and paying contributions), Forms E1 and E3, and the employment contract for inspection. If the application is not submitted within 8 days of the start of employment, a statement explaining the delay must be submitted. The registry number is issued within 24 hours and requires two visits to the Fund.

Procedure 11. Obtain certificate from the Health Fund

Time: 1 day

Cost: No cost

Comments: To obtain a certificate from the Health Fund, the company must submit the following documents: employment record card; medical examination record (medical identity card); Forms M1 and M2 (application for health insurance); RSD 1 (application for beginning/ending/changing the terms of the payers of the contributions) and a list of medical identity cards issued by the company.

LIST OF PROCEDURES

Dealing with licenses

Shkodra, Albania

Procedures to build a warehouse

Warehouse Value: USD 406,184 = ALL 40,000,000

Date as of: January 2008

Procedure: 1. Request and obtain recent property certificate at the Real Estate Property Registry

Time: 7 days

Cost: ALL 500

Comments: The certificate of ownership of the property where construction site shall be located can be obtained from the Real Estate Registry. This certificate cannot be more than 3 months old. The authority has an electronic system, which expedites the process. The fee was set by the Council of Ministers Decision No. 549, from 08/26/2002 in regard to Real Estate Property Registry fees.

Procedure: 2*. Request and obtain extract of master plan of the plot from the Urban Planning Department

Time: 45 days

Cost: ALL 37,160 (land area– 929 square meters, fee per square meter–ALL 40)

Comments: The master plan of the plot received by the municipal Urban Planning Department should also contain the approval of the municipal Department of Road Projects. The Road Projects Department is part of the municipality and the procedure is handled internally. Article 36 of the Law On City Planning states that the master plan of the plot shall be submitted to the technical secretary of the Territory Management Council and the municipality within 15 days from the date of its inclusion. It should be available to the company within 30 days.

Procedure: 3*. Request and obtain document attesting that the firm has no unpaid environmental fines

Time: 2 days

Cost: ALL 100

Comments: This is required by Point 18 of the Council of Ministers' approval of the city planning regulations. It must be submitted with the required set of documents when applying for the construction site permit and the construction permit.

Procedure: 4*. Request and obtain opinion of the local Urban Planning Department

Time: 3 days

Cost: ALL 100

Comments: BuildCo should request an attestation of the drawings' compliance with the urban zoning regulations from the district Urban Planning Department. This requirement is provided for by Point 21 of the regulations on construction (of up to three stories), "Documents that an Investor Should Submit for Obtaining Construction Site Permit and Construction Permit," published by the Shkodra Municipal Council.

Procedure: 5*. Request and obtain project clearance from water authority**Time:** 3 days**Cost:** No cost**Comments:** The water authority approves the project and indicates the nearest water supply sources.**Procedure: 6*. Request and obtain project clearance from environmental protection agency****Time:** 3 days**Cost:** No cost**Procedure: 7*. Request and obtain electricity authority approval****Time:** 5 days**Cost:** ALL 500**Procedure: 8*. Request and obtain fire department approval****Time:** 15 days**Cost:** ALL 20,000**Comments:** The fee for this procedure is 0.5% of the project value for objects with the investment value of up to ALL 50 million, according to Decision No. 285 (of June 27, 2002) On Tariffs of the Police for Protection against Fire Services. The fee is estimated at 0.5% of the design value (generally 10% of the warehouse value, which would be ALL 4 million in the case considered here)..**Procedure: 9. Request and obtain a decision from the Technical Commission of the Urban Planning Department****Time:** 45 days**Cost:** ALL 800,000 (2% of the project value of ALL 40,000,000)**Comments:** The time for this procedure depends on the meeting schedule of the Commission for Regulating the Territory. This commission is supposed to meet once a month, but it may meet less frequently.**Procedure: 10. Request and obtain building permit****Time:** 30 days**Cost:** ALL 400,000 (1% of the project value of ALL 40,000,000)**Comments:** The building permit is valid for a term determined by the Commission for Regulating the Territory. According to Article 46 of the Law On City Planning, the permit is valid for 180 days. This permit grants the right to build on the site. The building permit shall be issued only to juridical persons who are licensed contractors. Several forms and documents are required to obtain this permit:

- Technical project;
- Building plan chart;
- Budget and cost projection;
- Seismologic study.

According to Article 50 of the Law On City Planning, the Commission for Regulating the Territory has 45 days to decide on the construction permit. According to Article 51 of the same law, the fee is 1% of the investment value. At least 10 days in advance, BuildCo must notify the construction office about the start of the construction. This notification must contain construction drawings, together with the construction permit, and topographic and engineering drawings of the foundations. The time for this procedure also depends on the meeting of the Commission for Regulating the Territory.

Procedure: 11. Receive on-site inspection of construction foundations**Time:** 1 day**Cost:** No cost**Procedure: 12. Receive on-site inspection of the completion of construction skeleton****Time:** 1 day**Cost:** No cost**Procedure: 13. Receive on-site inspection of the adjustment of the surroundings of the building according to the drawings****Time:** 1 day**Cost:** No cost**Procedure: 14*. Request and connect to electricity services****Time:** 25 days**Cost:** ALL 40,000**Procedure: 15*. Request and connect to water and sewage services****Time:** 14 days**Cost:** ALL 40,000**Procedure: 16*. Request and connect to telecommunications services****Time:** 10 days**Cost:** ALL 30,000**Procedure: 17. Receive on-site inspection and obtain approval from an authorized expert****Time:** 1 day**Cost:** No cost**Comments:** The authorized expert from the Urban Planning Department will sign the inspection completion statement after performing the on-site inspection.**Procedure: 18. Request and receive inspection from municipality****Time:** 5 days**Cost:** No cost**Procedure: 19. Receive compliance report after inspection****Time:** 2 days**Cost:** No cost**Comments:** The construction firm usually receives the compliance report within 3 days of inspection.**Procedure: 20. Request and obtain the occupancy permit****Time:** 30 days**Cost:** No cost**Comments:** The occupancy permit grants the right to use the building after the construction is completed. Addressed to the Urban Planning Department, the request must be accompanied by a set of documents related to the construction process and by the completion statement, duly signed by the authorized expert.**Procedure: 21. Register with the Real Estate Registry****Time:** 15 days**Cost:** ALL 4,250**Comments:** After the issuance of the occupancy permit, the construction file is submitted to the Real Estate Registry in order to register the warehouse. The submitted file must include the building permit and reports from the above-mentioned inspection. The registration tax is EUR 8 per square meter. The fee was set by the Council of Ministers Decision No. 549, from 08/26/2002 and was modified by decision No. 292 on 04/24/2003.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Vlora, Albania*Procedures to build a warehouse**Warehouse Value: USD 406,184 = ALL 40,000,000**Date as of: January 2008***Procedure: 1. Request and obtain recent property certificate at the Real Estate Property Registry****Time:** 14 days**Cost:** ALL 500**Comments:** The certificate of ownership of the property where construction site shall be located can be obtained from the Real Estate Registry. This certificate cannot be more than 3 months old. The authority has an electronic system, which expedites the process. The fee was set by the Council of Ministers Decision No. 549, from 08/26/2002 in regard to Real Estate Property Registry fees.

Procedure: 2*. Request and obtain extract of master plan of the plot from the Urban Planning Department**Time:** 45 days**Cost:** ALL 37,160 (land area- 929 square meters, fee per square meter-ALL 40)

Comments: The master plan of the plot received by the municipal Urban Planning Department should also contain the approval of the municipal Department of Road Projects. The Road Projects Department is part of the municipality and the procedure is handled internally. Article 36 of the Law On City Planning states that the master plan of the plot shall be submitted to the technical secretary of the Territory Management Council and the municipality within 15 days from the date of its inclusion. It should be available to the company within 30 days.

Procedure: 3*. Request and obtain document attesting that the firm has no unpaid environmental fines**Time:** 2 days**Cost:** ALL 100

Comments: This attestation is required by Point 18 of the Council of Ministers' approval of the city planning regulations. It must be submitted with the required set of documents when applying for the construction site permit and the construction permit.

Procedure: 4*. Request and obtain opinion of the local Urban Planning Department**Time:** 7 days**Cost:** ALL 100

Comments: BuildCo should request an attestation of the drawings' compliance with the urban zoning regulations from the district Urban Planning Department. This requirement is provided for by Point 21 of the regulations on construction (of up to three stories), "Documents that an Investor Should Submit for Obtaining Construction Site Permit and Construction Permit," published by the Vlora Municipal Council.

Procedure: 5*. Request and obtain project clearance from water authority**Time:** 3 days**Cost:** No cost

Comments: The water authority approves the project and indicates the nearest water supply sources.

Procedure: 6*. Request and obtain project clearance from environmental protection agency**Time:** 4 days**Cost:** No cost**Procedure: 7*. Request and obtain electricity authority approval****Time:** 5 days**Cost:** ALL 500**Procedure: 8*. Request and obtain fire department approval****Time:** 15 days**Cost:** ALL 20,000

Comments: The fee for this procedure is 0.5% of the project value for objects with the investment value of up to ALL 50 million, according to Decision No. 285 (of June 27, 2002) On Tariffs of the Police for Protection against Fire Services. The fee is estimated at 0.5% of the design value (generally 10% of the warehouse value, which would be ALL 4 million in the case considered here)..

Procedure: 9. Request and obtain a decision from the Technical Commission of the Urban Planning Department**Time:** 45 days**Cost:** ALL 800,000 (2% of the project value of ALL 40,000,000)

Comments: The time for this procedure depends on the meeting schedule of the Commission for Regulating the Territory. This commission is supposed to meet once a month, but it may meet less frequently.

Procedure: 10. Request and obtain building permit**Time:** 30 days**Cost:** ALL 400,000 (1% of the project value of ALL 40,000,000)

Comments: The building permit is valid for a term determined by the Commission for Regulating the Territory. According to Article 46 of the Law On City Planning, the permit is valid for 180 days. This permit grants the right to build on the site. The building permit shall be issued only to juridical persons who are licensed contractors. Several forms and documents are required to obtain this permit:

- a. Technical project;
- b. Building plan chart;
- c. Budget and cost projection;
- d. Seismologic study.

According to Article 50 of the Law On City Planning, the Commission for Regulating the Territory has 45 days to decide on the construction permit. According to Article 51 of the same law, the fee is 1% of the investment value. At least 10 days in advance, BuildCo must notify the construction office about the start of the construction. This notification must contain construction drawings, together with the construction permit, and topographic and engineering drawings of the foundations. The time for this procedure also depends on the meeting of the Commission for Regulating the Territory.

Procedure: 11. Receive on-site inspection of construction foundations**Time:** 1 day**Cost:** No cost**Procedure: 12. Receive on-site inspection of the completion of construction skeleton****Time:** 1 day**Cost:** No cost**Procedure: 13. Receive on-site inspection of the adjustment of the surroundings of the building according to the drawings****Time:** 1 day**Cost:** No cost**Procedure: 14*. Request and connect to electricity services****Time:** 25 days**Cost:** ALL 40,000**Procedure: 15*. Request and connect to water and sewage services****Time:** 25 days**Cost:** ALL 40,000**Procedure: 16*. Request and connect to telecommunications services****Time:** 10 days**Cost:** ALL 30,000**Procedure: 17. Receive on-site inspection and obtain approval from an authorized expert****Time:** 1 day**Cost:** No cost

Comments: The authorized expert from the Urban Planning Department will sign the inspection completion statement after performing the on-site inspection.

Procedure: 18. Request and receive inspection from municipality**Time:** 10 days**Cost:** No cost**Procedure: 19. Receive compliance report after inspection****Time:** 3 days**Cost:** No cost

Comments: The construction firm usually receives the compliance report within 3 days of inspection. Another 30 days are required to obtain the occupancy permit.

Procedure: 20. Request and obtain the occupancy permit**Time:** 30 days**Cost:** No cost

Comments: The occupancy permit grants the right to use the building after the construction is completed. Addressed to the Urban Planning Department, the request must be accompanied by a set of documents related to the construction process and by the completion statement, duly signed by the authorized expert.

Procedure: 21. Register with the Real Estate Registry**Time:** 21 days**Cost:** ALL 4,250

Comments: After the issuance of the occupancy permit, the construction file is submitted to the Real Estate Registry in order to register the warehouse. The submitted file must include the building permit and reports from the above-mentioned inspections. The registration tax is EUR 8 per square meter. The total fee is thus ALL 4,250. The fee was set by the Council of Ministers Decision No. 549, from 08/26/2002 and was modified by decision No. 292 on 04/24/2003.

*This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Banja Luka, Bosnia and Herzegovina

Procedures to build a warehouse

Warehouse Value: USD 650,000 = BAM 1,013,350

Date as of: January 2008

Procedure: 1. Request and obtain excerpt from the cadastre plan showing status of the land plot**Time:** 2 days**Cost:** BAM 27

Comments: BuildCo must submit a request for issuance of a copy of the cadastre plan. The form is available from the municipality.

Procedure: 2*. Request and obtain excerpt from the land registry book showing proper registration**Time:** 7 days**Cost:** BAM 5

Comments: The excerpt is available from the Land Registry Department of the municipal court. The excerpt will be provided on the same day on written or oral request at the counter.

Procedure: 3. Request and obtain urban planning consent from the municipality (Urban Planning Department)**Time:** 25 days**Cost:** BAM 16

Comments: BuildCo submits a request for receiving urban planning consent with the following documents:

- a. Reason for the request including data necessary for planning department to assess the project (program sketch, first design draft or preliminary project design or similar documentation);
- b. Preliminary project design in 2 copies (or project proposal or program sketch depending on the level of complexity);
- c. General schemes for power installations, heating installations, fire prevention and security systems, water supply and sewage installation systems;
- d. Excerpt from the cadastre plan showing right to build/ownership of plot not older than 6 months;
- e. Excerpt from the land registry book showing proper registration;
- f. Environmental consent, if required;
- g. Other data if requested by a competent body;
- h. Consent on the protection from fire and explosion issued by a competent company;
- i. Consent for the heating installations from a competent company.

Once issued the urban permit is valid for a period of one year during which the company may submit the request for the construction permit. The time needed for this procedure has decreased due to administrative reform throughout the municipalities and staff changes.

Procedure: 4. Request and obtain preliminary verification of the heating installations and electrical installations**Time:** 25 days**Cost:** BAM 40

Comments: BuildCo must submit the description of the main project plan to the municipal electricity provider (Elektroprivreda), it consists of:

1. Architecture Project or Book 1, which contains a site plan (scale: 1:200), all special features, at least two detailed cross-sectional plans, the facade (scale: 1:500), design details (scale: 1:10), carpentry and locksmith plans, and technical description and pre-measurements; and
2. Building Project or Book 2, which contains cost estimates, technical descriptions and reports, as well as a description of all phases of construction, including:
 - a. Electrical installations (IT, lightning rod) and fire prevention technology and video surveillance with pre-measurements and technical descriptions;
 - b. Heating installations (including pre-measurements and technical descriptions);
 - c. Water supply and sewage system installations (including pre-measurements and technical descriptions);
 - d. Information on the geotechnical and civil engineering aspects of the project;
 - e. Study on waste management and environment protection (required when business activities impact the environment);
 - f. Study on fire and explosion prevention.

Procedure: 5*. Request and obtain preliminary verification of water supply and sewage system**Time:** 25 days**Cost:** BAM 150

Comments: BuildCo must submit the description of the main project plan to the municipal water and sewage authority (Vodovod i Kanalizacije).

Procedure: 6*. Obtain preliminary verification of study on fire and explosion prevention**Time:** 10 days**Cost:** BAM 150

Comments: BuildCo must submit electronically the description of the main project plan to the Public Institute for Fire Protection, an independent agency.

Procedure: 7. Obtain validation of the technical audit of the main project**Time:** 15 days**Cost:** BAM 30,401

Comments: BuildCo must have the technical audit showing that the project was designed in accordance with the conditions stated in the urban permit and the provisions of the Law on Spatial Planning. Projects and their attachments must be validated by the legal entities/auditors authorized for the completion and verification of the projects. This legal entity must have at least one engineer having passed the state exam and with 5 years of experience. The authorized auditor signs the statement by which it confirms that the project is entirely in compliance. The request and the total price for technical audits vary among municipalities depending on municipal decisions about the prices for technical audit of constructions.

Procedure: 8. Apply for building permit with the municipality**Time:** 25 days**Cost:** BAM 41

Comments: BuildCo must submit a request to the Department for Spatial Planning, Urbanism and Communal Matters with the following documents:

- a. Valid urban planning consent;
- b. Cadastre excerpt, land plot and proof of right to build;
- c. Proof of payment for purchase of the construction land;
- d. Proof of rent payments for the paid rent compensation;
- e. Consents obtained during the issuance of the urban planning permit;
- f. Consent with the planned building; any other enclosures as requested by the authorities;
- g. Verified development project (two copies);
- h. Consents with the project documentations (Project Books 1 and 2, including the preliminary verifications applied for in procedures 4 to 7).

There is no fee associated with the application.

Procedure: 9. Request and obtain marking out of the land plot**Time:** 9 days**Cost:** BAM 1,521

Comments: The request for marking out the land plot must be submitted to the municipal construction department with the construction permit and the urban planning consent. The municipal authorities mark out the land plot. Cost depends on the municipal decisions on prices adopted annually and on the on-site inspection estimation.

Procedure: 10. Notify the municipality about the commencement of works**Time:** 7 days**Cost:** No cost

Comments: BuildCo must notify the municipal construction department about the start of construction no later than 8 days before work begins.

Procedure: 11. Request and obtain phone line connection**Time:** 45 days**Cost:** BAM 52

Comments: BuildCo must contact BH Telecom to obtain a phone line connection. The request should include the preliminary verification of the phone installation and Project Books 1 and 2.

Procedure: 12*. Request and connect to water and sewage services**Time:** 20 days**Cost:** BAM 100

Comments: BuildCo must contact the municipal water and sewage authority (Vodovod i Kanalizacije) to obtain water and sewage connection. The request should include the preliminary verification and Project Books 1 and 2.

Procedure: 13*. Request electricity connection**Time:** 20 days**Cost:** BAM 100

Comments: BuildCo must contact the municipal electricity provider (Elektroprivreda) to obtain an electrical connection. The request should include the proof of property ownership, the construction permit, and other data, as requested.

Procedure: 14. Request and obtain the building usage permit**Time:** 30 days**Cost:** BAM 31

Comments: After the technical review of completed construction, BuildCo must submit a request for the building usage permit, including the following documents:

- Copy of the building permit;
- Copy of a cadastre plan including an exact plan of the marked final building position;
- Written statements from each contractor stating that the work has been properly performed in accordance with the project design and future maintenance plans; and
- Written report by the work supervisor that all materials used were of standard quality (certified by the suppliers).

BuildCo submits these documents to the construction department of the relevant municipality (the same municipal department that issued the building permit). The building usage permit is issued upon completion of the technical inspection. It is only after the issuance of this permit that the building may be used.

Procedure: 15*. Receive technical inspection**Time:** 70 days**Cost:** BAM 1,521

Comments: The relevant municipal department which issued the building permit performs the technical inspection within 15 days from the day of receiving of a duly submitted request for issuance of a building usage permit. The relevant municipal department must appoint an independent professional inspection board for the technical inspection within eight days from the date of a duly submitted request for issuance of a building usage permit. The number of board members appointed depends on the type and complexity of the building: the board will consist of one professional for each type of works to be inspected (architectural/construction, mechanical, water and sewage system, electric installations, etc.). The relevant municipal department is obliged to notify the company, and the members of the

inspection board as to the date and time of the inspection no less than 10 days prior to the inspection scheduled date. No later than on the day of the inspection the company is obliged to present the following documentation to the board:

- Excerpt from the commercial court register showing that the company is duly registered;
- Details of the people/person responsible for each phase of the work (if the project is not complex, then one person may be appointed to be responsible for all the work);
- Construction permit and copy of the Main Project (Books 1 and 2);
- Performance reports verified by the designer of the Main Project, for the purpose of validation of compliance with the Main Project, as well as terms and conditions specified in the building permit;
- The construction diary maintained by the company;
- Construction book, which is a document containing the verified performed quantity of works in compliance with the main project (by the company);
- Proof of testing and quality of materials and equipment used received from suppliers at the time of purchase of materials and equipment;
- Construction mark out plan and minutes on the performed mark out. This is the procedure of transferring the dimensions of the future construction from the plans to the site and marking the edges of the construction surface. The construction mark out is carried out by the physical or legal person registered for performing geodetic activities;
- Scheme of the construction-site organization; and
- Decision on the appointed engineers and the supervisors.
- Proof that any special conditions defined in the urban planning consent have been fulfilled; and
- Project of the executed activities if some construction activities were done additionally and not included in the main or design verified by a competent body.

The inspection board will draw up a protocol which needs to be signed by the president and each board member. The board is obliged to forward the signed protocol to the relevant municipal department within eight days following the site inspection. Even in cases where the authorized representatives were not present at the inspection or have not forwarded the written report within 8 days after the site inspection, the building usage permit will be issued. However, if the protocol by the technical inspection board states that the building is defective and the defective parts need to be removed, then the municipality will set a deadline of up to 90 days for the removal of the defects. Once the defects have been removed to the satisfaction of the municipality, the permit for construction usage will be issued. If the protocol by the technical inspection board states that a building usage permit can be issued then the construction department of the relevant municipality, is obliged to issue the usage permit within 10 days from the day of receiving the protocol on technical inspection performed. A building for which a building usage permit has not been issued can not be registered in the land registry books at the municipal court (see procedure 16 below).

Procedure: 16. Register the building into the cadastre book records**Time:** 75 days**Cost:** BAM 700

Comments: The request for registration in the land books should be submitted with an application sheet, which is available from the municipality, and the building usage permit. The duration is not defined. This procedure is protracted due to the privatization of the apartments in Bosnia and Herzegovina and therefore the cadastre departments in the municipalities are overwhelmed with new registrations. The procedure for completion is lengthy as the cadastre departments are currently processing the requests for registrations from 2004. Court tax per request is 4 BAM. However, if some activities need to be done by the cadastre for the registration this price can increase.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Mostar, Bosnia and Herzegovina

Procedures to build a warehouse

Warehouse Value: USD 650,000 = BAM 1,013,350

Date as of: January 2008

Procedure: 1. Request and obtain excerpt from the cadastre plan showing status of the land plot

Time: 3 days

Cost: BAM 35

Comments: BuildCo must submit a request for issuance of a copy of the cadastre plan. The form is available from the municipality.

Procedure: 2*. Request and obtain excerpt from the land registry book showing proper registration

Time: 13 days

Cost: BAM 10

Comments: The excerpt is available from the Land Registry Department of the municipal court.

Procedure: 3. Request and obtain urban planning consent from the municipality (Urban Planning Department)

Time: 15 days

Cost: BAM 650

Comments: BuildCo submits a request for receiving urban planning consent with the following documents:

- a. Reason for the request including data necessary for planning department to assess the project (program sketch, first design draft or preliminary project design or similar documentation);
- b. Preliminary project design in 2 copies (or project proposal or program sketch depending on the level of complexity);
- c. General schemes for power installations, heating installations, fire prevention and security systems, water supply and sewage installation systems;
- d. Excerpt from the cadastre plan showing right to build/ownership of plot not older than 6 months;
- e. Excerpt from the land registry book showing proper registration;
- f. Environmental consent, if required;
- g. Other data if requested by a competent body;
- h. Consent on the protection from fire and explosion issued by a competent company;
- i. Consent for the heating installations from a competent company.

Once issued the urban permit is valid for a period of one year during which the company may submit the request for the construction permit. The time needed for this procedure has decreased due to administrative reform throughout the municipalities and staff changes.

Procedure: 4. Request and obtain preliminary verification of the heating and electricity installations

Time: 30 days

Cost: BAM 40

Comments: BuildCo must submit the description of the main project plan to the municipal electricity provider (Elektroprivreda), it consists of:

1. Architecture Project or Book 1, which contains a site plan (scale: 1:200), all special features, at least two detailed cross-sectional plans, the facade (scale: 1:500), design details (scale: 1:10), carpentry and locksmith plans, and technical description and pre-measurements; and
2. Building Project or Book 2, which contains cost estimates, technical descriptions and reports, as well as a description of all phases of construction, including:
 - a. Electrical installations (IT, lightning rod) and fire prevention technology and video surveillance with pre-measurements and technical descriptions;
 - b. Heating installations (including pre-measurements and technical descriptions);
 - c. Water supply and sewage system installations (including pre-measurements and technical descriptions);
 - d. Information on the geotechnical and civil engineering aspects of the project;
 - e. Study on waste management and environment protection (required when business activities impact the environment);
 - f. Study on fire and explosion prevention.

Procedure: 5*. Request and obtain preliminary verification of water supply and sewage system project

Time: 15 days

Cost: BAM 40

Comments: BuildCo must submit the description of the main project plan to the municipal water and sewage authority (Vodovod i Kanalizacije).

Procedure: 6*. Obtain preliminary verification of study on fire and explosion prevention

Time: 7 days

Cost: BAM 100

Comments: BuildCo must submit electronically the description of the main project plan to the Public Institute for Fire Protection, an independent agency.

Procedure: 7. Obtain validation of the technical audit of the main project

Time: 10 days

Cost: BAM 30,401

Comments: BuildCo must have the technical audit showing that the project was designed in accordance with the conditions stated in the urban permit and the provisions of the Law on Spatial Planning. Projects and their attachments must be validated by the legal entities/auditors authorized for the completion and verification of the projects. This legal entity must have at least one engineer having passed the state exam and with 5 years of experience. The authorized auditor signs the statement by which it confirms that the project is entirely in compliance. The request and the total price for technical audits vary among municipalities depending on municipal decisions about the price list for technical audit of constructions.

Procedure: 8. Apply for building permit with the municipality

Time: 15 days

Cost: BAM 350

Comments: BuildCo must submit a request to the Department for Spatial Planning, Urbanism and Communal Matters with the following documents:

- a. Valid urban planning consent;
- b. Cadastre excerpt, land plot and proof of right to build;
- c. Proof of payment for purchase of the construction land;
- d. Proof of rent payments for the paid rent compensation;
- e. Consents obtained during the issuance of the urban planning permit;
- f. Consent with the planned building; any other enclosures requested by the authorities;
- g. Verified development project (two copies);
- h. Consents with the project documentations (Project Books 1 and 2, including the preliminary verifications applied for in procedures 4 to 7).

There is no fee associated with the application.

Procedure: 9. Request marking out of the land plot

Time: 15 days

Cost: BAM 30

Comments: The request must be submitted to the municipal construction department with the construction permit and the urban planning consent. The municipal authorities mark out the land plot. Cost depends on the municipal decisions on prices adopted annually and on the on-site inspection estimation.

Procedure: 10. Notify the municipality about the commencement of works

Time: 8 days

Cost: BAM 10

Comments: BuildCo must notify the municipal construction department about the start of construction no later than 8 days before work begins.

Procedure: 11. Request phone line connection

Time: 7 days

Cost: BAM 150

Comments: BuildCo must contact BH Telecom to obtain a phone line connection. The request should include the preliminary verification of the phone installation and Project Books 1 and 2.

Procedure: 12*. Request and connect to water and sewage services**Time:** 10 days**Cost:** BAM 150

Comments: BuildCo must contact the municipal water and sewage authority (Vodovod i Kanalizacije) to obtain water and sewage connection. The request should include the preliminary verification and Project Books 1 and 2.

Procedure: 13*. Request electricity connection**Time:** 10 days**Cost:** BAM 2,000

Comments: BuildCo must contact the municipal electricity provider (Elektroprivreda) to obtain an electrical connection. The request should include the proof of property ownership, the construction permit, and other data, as requested.

Procedure: 14. Request and obtain the building usage permit**Time:** 15 days**Cost:** BAM 6,500

Comments: After the technical review of completed construction, BuildCo must submit a request for the building usage permit, including the following documents:

- a. Copy of the building permit;
- b. Copy of a cadastre plan including an exact plan of the final building position;
- c. Written statements from each contractor stating that the work has been properly performed in accordance with the design and future maintenance plans; and
- d. Written report by the work supervisor that all materials used were of standard quality (certified by the suppliers).

BuildCo submits these documents to the construction department of the relevant municipality (the same municipal department that issued the building permit). The building usage permit is issued upon completion of the technical inspection. It is only after the issuance of this permit that the building may be used.

Procedure: 15*. Receive technical inspection**Time:** 15 days**Cost:** No cost

Comments: The relevant municipal department which issued the building permit performs the technical inspection within 15 days from the day of receiving of a duly submitted request for issuance of a building usage permit. The relevant municipal department must appoint an independent professional inspection board for the technical inspection within eight days from the date of a duly submitted request for issuance of a building usage permit. The number of board members appointed depends on the type and complexity of the building: the board will consist of one professional for each type of works to be inspected (architectural/construction, mechanical, water and sewage system, electric installations, etc.). The relevant municipal department is obliged to notify the company, and the members of the inspection board as to the date and time of the inspection no less than 10 days prior to the inspection scheduled date. No later than on the day of the inspection the company is obliged to present the following documentation to the board:

- a. Excerpt from the commercial court register showing that the company is duly registered;
- b. Details of the people/person responsible for each phase of the work (if the project is not complex, then one person may be appointed to be responsible for all the work);
- c. Construction permit and copy of the Main Project (Books 1 and 2);
- d. Performance reports verified by the designer of the Main Project, for the purpose of validation of compliance with the Main Project, as well as terms and conditions specified in the building permit;
- e. The construction diary maintained by the company;
- f. Construction book, which is a document containing the verified performed quantity of works in compliance with the main project (by the company);
- g. Proof of testing and quality of materials and equipment used received from suppliers at the time of purchase of materials and equipment;
- h. Construction mark out plan and minutes on the performed mark out. This is the procedure of transferring the dimensions of the future construction from the plans to the site and marking the edges of the construction surface. The construction mark out is carried out by the physical or legal person registered for performing geodetic activities;
- i. Scheme of the construction-site organization; and
- j. Decision on the appointed engineers and the supervisors.
- k. Proof that any special conditions defined in the urban planning consent have been fulfilled; and

- l. Project of the executed activities if some construction activities were done additionally and not included in the main or design verified by a competent body.

The inspection board will draw up a protocol which needs to be signed by the president and each board member. The board is obliged to forward the signed protocol to the relevant municipal department within eight days following the site inspection. Even in cases where the authorized representatives were not present at the inspection or have not forwarded the written report within 8 days after the site inspection, the building usage permit will be issued. However, if the protocol by the technical inspection board states that the building is defective and the defective parts need to be removed, then the municipality will set a deadline of up to 90 days for the removal of the defects. Once the defects have been removed to the satisfaction of the municipality, the permit for construction usage will be issued. If the protocol by the technical inspection board states that a building usage permit can be issued then the construction department of the relevant municipality, is obliged to issue the usage permit within 10 days from the day of receiving the protocol on technical inspection performed. A building for which a building usage permit has not been issued can not be registered in the land registry books at the municipal court (see procedure 16 below).

Procedure: 16. Register the building into the cadastre book**Time:** 400 days**Cost:** BAM 200

Comments: The request for registration in the land books should be submitted with an application sheet, which is available from the municipality, and the building usage permit. The duration is not defined. This procedure is protracted due to the privatization of the apartments in Bosnia and Herzegovina and therefore the cadastre departments in the municipalities are overwhelmed with new registrations. The procedure for completion is lengthy as the cadastre departments are currently processing the requests for registrations from 2004. Court tax per request is 4 BAM. However, if some activities need to be done by the cadastre for the registration this price can increase.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES**Osijek, Croatia**

Procedures to build a warehouse

Warehouse Value: USD 513,901 = HRK 3,000,000

Date as of: January 2008

Procedure: 1. Request and obtain preliminary approval from National Croatian Electric Grid**Time:** 30 day**Cost:** HRK 402 (HRK 152 for the approval + HRK 250 for the electro-energy approval)

Comments: The Croatian Electricity Company issues the approval based on the review of the project design for compliance with the regulations. The Croatian Electricity Company can also issue a written approval within the timeframe stipulated by law. It is also necessary to obtain an electroenergy approval, which is one of the preconditions for obtaining a construction permit, and also determines the cost of connecting to the grid.

Procedure: 2*. Request and obtain extract from the Land Registry for subject and bordering lands**Time:** 7 days**Cost:** HRK 20 (Administrative tax)

Comments: The extract can be obtained at the Land Registry of the local court for an administrative tax of HRK 20. The extracts for bordering lands can be obtained for free online. The possession record is obtained together with the extract.

Procedure: 3*. Request and obtain copy of the cadastre plan**Time:** 7 days**Cost:** HRK 70

Comments: This copy can be obtained from the local Office for Cadastre and Geodetic Activities.

Procedure: 4. Request and obtain location permit from local Office of Space Planning and Construction**Time:** 90 days**Cost:** HRK 770 (Administrative tax)

Comments: Pursuant to the Law on Physical Planning it is necessary to obtain a location permit, to ensure that the project (preliminary drawings) meets the applicable zoning regulations. The preliminary approvals precede the request for a location permit. The municipality should act as a one-stop shop and obtain all the preliminary approvals: from the fire department, the waste collection department, the National Telecommunications Agency, and the local waterworks administration. The location permit is valid for 2 years and may be extended for additional 2 years, provided the zoning regulations have not been changed. The request for the location permit should be accompanied by the documents obtained in procedures 2 and 3.

Procedure: 5. Obtain decision from municipal authorities regarding utilities and pay utility fee**Time:** 15 days**Cost:** HRK 144,300 (650m base X 6m height X HRK 37)

Comments: The company must obtain a decision on the payment of utility fees from the municipal authorities for utilities. Such decision is made by the authority based on the construction permit. The fee is paid for the purpose of financing the utilities. The amount of the fee depends on the volume of the building (in cubic meters) and on the location. It can be paid at once or in installments. Whenever it is necessary to refinance utilities or public roads, and the financing is the responsibility of the city, the investor can arrange with the city to finance these works and such financing can be considered towards the investor's obligation to pay the utility fees. The utility fees range from HRK 20 to HRK 180 per m³, depending on the zone. The cost for the warehouse described in the questionnaire would be 650m (base) X 6m (height) X HRK 37.

Procedure: 6*. Pay water contribution to the state company Croatian Waters (Hrvatske Vode)**Time:** 15 days**Cost:** HRK 163,800 (650m base X 6m height X HRK 42)

Comments: The water contribution is paid to finance the management of water resources and flood protection. The cost is based on the zone of the new construction (Zones A, B, and C – Zone A is Zagreb and the protected coastal area, Zone B is the rest of the country, and Zone C are areas subject to a special Government care), the purpose of the construction (residential, industrial, public interest), and the volume of the construction. The cost for the warehouse described in the questionnaire would be 650m (base) X 6m (height) X 42 HRK according to the price list of Hrvatske Vode.

Procedure: 7. Request and obtain building permit from the local Office for Space Planning and Construction**Time:** 90 days**Cost:** HRK 1,050 (0.035% of the value of the project of HRK 4,000,000)

Comments: The building permit is the document upon which the investor can begin construction. The Building Code stipulates that the project design must be in compliance with the conditions provided in the location permit and with the conditions provided in special laws and regulations. The project designer is liable for such compliance. The competent authority for issuance of the building permit needs to obtain the approvals (clearances) related to fire-fighting protection, work safety, ionizing and non-ionizing protection and protection of cultural heritage. The competent authority shall check whether the project design has been executed in accordance with the conditions provided in the location permit, whether the necessary documents have been attached to the application, whether there is an access from the land plot to the public-traffic surface and whether the utility fees have been settled. According to the amendments to the Building Code, the following documents need to be attached to the application for issuance of the building permit: location permit or excerpt from the detailed zoning plan; three sets of project design drawings, and other eventual studies, if necessary.

Procedure: 8*. Receive on-site inspection**Time:** 1 day**Cost:** No cost

Comments: The inspection is performed by a team from the local Office for Space Planning and Construction.

Procedure: 9. Connect to water and sewage system**Time:** 30 days**Cost:** HRK 50,000

Comments: The cost is not standardized, but calculated by the water and sewage company on a case-by-case basis.

Procedure: 10*. Connect to power grid**Time:** 30 days**Cost:** HRK 230,830 (1,647 HRK X 140kw + 250 HRK fee)

Comments: The formulas for the calculation of connection fees are set pursuant to the Energy Law that the Croatian Energy Regulatory Agency adopted in March 2006. The fees are calculated either on the basis of the unit price and the connection power or on the basis of the real costs of connecting to the network.

Procedure: 11*. Connect to telecommunications system**Time:** 30 days**Cost:** HRK 610

Comments: The cost varies depending on the service required.

Procedure: 12. Request and obtain occupancy permit from local Office for Space Planning and Construction**Time:** 30 days**Cost:** HRK 1,200

Comments: The company should request approval of the building by the competent building authority (Tjelo Graditeljstva). The request has to be accompanied by a list of documents related to the construction process, such as a copy of the building permit, data on construction participants (investor, designer, constructor, supervisory engineer, and reviewer), builder's written statement on executed works and conditions of construction maintenance, and supervisory engineer's final report on construction execution. Afterwards, a special commission is established to carry out an on-site inspection, which occurs within 30 days after the receipt of the request. The municipal authority will issue the occupancy permit within 30 days from the on-site inspection. Pursuant to the Building Code, the occupancy permit shall not be issued if the construction is not connected to the public-traffic surface and other utilities as provided in the conditions of the location permit.

Procedure: 13. Register new construction with the Land Registry**Time:** 7 days**Cost:** HRK 500

Comments: Registering the new construction is not mandatory, but without registration the owner cannot take out a mortgage. Having an occupancy permit is a precondition for registering the new construction.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Sibenik, Croatia

Procedures to build a warehouse

Warehouse Value: USD 513,901 = HRK 3,000,000

Date as of: January 2008

Procedure: 1. Request and obtain preliminary approval from the Inspectorate for Fire at the Ministry of Interior Affairs**Time:** 15 days**Cost:** No cost

Comments: The Inspectorate issues the approval based on the review of the project design at the municipal offices for space planning, environment protection, construction, and property rights. It reviews whether the project has been prepared in accordance with the regulations. The Inspectorate can also issue a written approval within the timeframe stipulated by law. Although the local Office of Space Planning and Construction is officially required to obtain the necessary approvals, in practice the client has to obtain the approvals on his/her own.

Procedure: 2*. Request and obtain preliminary approval from National Croatian Electric Grid**Time:** 15 days**Cost:** HRK 402 (HRK 152 for the approval + HRK 250 for the electro-energy approval)

Comments: The Croatian Electricity Company issues the approval based on the review of the project design for compliance with the regulations. The Croatian Electricity Company can also issue a written approval within the timeframe stipulated by law. It is also necessary to obtain an electroenergy approval, which is one of the preconditions for obtaining a construction permit, and also determines the cost of connecting to the grid.

Procedure: 3*. Request and obtain preliminary approval from waste collection department**Time:** 15 days**Cost:** No cost**Comments:** Although the local Office of Space Planning and Construction is officially required to obtain the necessary approvals, in practice the client has to obtain the approvals himself/herself.**Procedure: 4*. Request and obtain preliminary approval from the national telecommunications agency****Time:** 15 days**Cost:** No cost**Comments:** Although the local Office of Space Planning and Construction is officially required to obtain the necessary approvals, in practice the client has to obtain the approvals himself/herself.**Procedure: 5*. Request and obtain preliminary approval from the local water authority****Time:** 15 days**Cost:** HRK 214**Comments:** Although the local Office of Space Planning and Construction is officially required to obtain the necessary approvals, in practice the client has to obtain the approvals himself/herself.**Procedure: 6*. Request and obtain extract from the Land Registry for subject land and bordering lands****Time:** 1 day**Cost:** HRK 20 (Administrative tax)**Comments:** The extract can be obtained at the Land Registry of the local court for an administrative tax of HRK 20. The extracts for bordering lands can be obtained for free online. The possession record is obtained together with the extract.**Procedure: 7*. Request and obtain copy of the cadastre plan****Time:** 7 days**Cost:** HRK 70**Comments:** This copy can be obtained from the local Office for Cadastre and Geodetic Activities.**Procedure: 8. Request and obtain location permit from local Office of Space Planning and Construction****Time:** 60 days**Cost:** HRK 770 (Administrative tax)**Comments:** Pursuant to the Law on Physical Planning it is necessary to obtain a location permit, the purpose of which is to ensure that the project (preliminary drawings) meets the applicable zoning regulations. The preliminary approvals precede obtaining a location permit. The municipality should act as a one stop shop and obtain all the preliminary approvals. However, in practice it the company that carries out these procedures. The validity of a location permit is 2 years and may be extended for additional 2 years, provided the zoning regulations in respect of the location have not been changed. The request for the location permit should be accompanied by the documents obtained in Procedures 6 and 7.**Procedure: 9. Obtain decision from municipal authorities regarding utilities and pay utility fee****Time:** 20 days**Cost:** HRK 144,300 (650m base X 6m height X HRK 37)**Comments:** The company must obtain a decision on the payment of utility fees from the municipal authorities for utilities. Such decision is made by the said authority based on the construction permit. The fee is paid for the purpose of financing the utilities. The amount of the fee depends on the volume of the building (in cubic meters) and on the location. It can be paid at once or in installments. Whenever it is necessary to refinance utilities or public roads, and the financing is the responsibility of the city, the investor can arrange with the city to finance these works and such financing can be considered towards the investor's obligation to pay the utility fees. The utility fees range from HRK 20 to HRK 180 per m³, depending on the zone. The cost for the warehouse described in the questionnaire would be 650m (base) X 6m (height) X HRK 37.**Procedure: 10*. Pay water contribution to the state company Croatian Waters (Hrvatske Vode)****Time:** 20 days**Cost:** HRK 163,800 (650m base X 6m height X HRK 42)**Comments:** The water contribution is paid to finance the management of water resources and flood protection. The cost is determined based on the zone of the new construction (Zones A, B, and C – Zone A is Zagreb and the protected coastal area, Zone B is the rest of the country, and Zone C are areas subject to a special Government care), the purpose of the construction (residential, industrial, public interest), and the volume of the construction. The cost for the warehouse described in the questionnaire would be 650m (base) X 6m (height) X 42 HRK according to the price list of Hrvatske Vode.**Procedure: 11. Request and obtain building permit from the local Office for Space Planning and Construction****Time:** 90 days**Cost:** HRK 1,050 (0.035% of the value of the project of HRK 4,000,000)**Comments:** The building permit is the document upon which the investor can begin construction. The Building Code stipulates that the project design must be in compliance with the conditions provided in the location permit and with the conditions provided in special laws and regulations. The project designer is liable for such compliance. The competent authority for issuance of the building permit needs to obtain the approvals (clearances) related to fire-fighting protection, work safety, ionizing and non-ionizing protection and protection of cultural heritage. The competent authority shall check whether the project design has been executed in accordance with the conditions provided in the location permit, whether the necessary documents have been attached to the application, whether there is an access from the land plot to the public-traffic surface and whether the utility fees have been settled. According to the amendments to the Building Code, the following documents need to be attached to the application for issuance of the building permit: location permit or excerpt from the detailed zoning plan; three sets of project design drawings, and other eventual studies, if necessary.**Procedure: 12. Connect to water and sewage system****Time:** 20 days**Cost:** HRK 50,000**Comments:** The cost is not standardized, but calculated by the water and sewage company on a case-by-case basis.**Procedure: 13*. Connect to power grid****Time:** 20 days**Cost:** HRK 230,830 (1,647 HRK x 140kw + 250 HRK fee)**Comments:** The formulas for the calculation of connection fees are set pursuant to the Energy Law that the Croatian Energy Regulatory Agency adopted in March 2006. The fees are calculated either on the basis of the unit price and the connection power or on the basis of the real costs of connecting to the network.**Procedure: 14*. Connect to telecommunications system****Time:** 20 days**Cost:** HRK 610**Comments:** The cost varies depending on the service required.**Procedure: 15. Request and obtain occupancy permit from local Office for Space Planning and Construction****Time:** 30 days**Cost:** HRK 1,200**Comments:** The company should request approval of the building by the competent building authority (Tjelo Graditeljstva). The request has to be accompanied by a list of documents related to the construction process, such as a copy of the building permit, data on construction participants (investor, designer, constructor, supervisory engineer, and reviewer), builder's written statement on executed works and conditions of construction maintenance, and supervisory engineer's final report on construction execution. Afterwards, a special commission is established to carry out an on-site inspection, which occurs within 30 days after the receipt of the request. The municipal authority will issue the occupancy permit within 30 days from the on-site inspection. Pursuant to the Building Code, the occupancy permit shall not be issued if the construction is not connected to the public-traffic surface and other utilities as provided in the conditions of the location permit.

Procedure: 16*. Receive on-site inspection and signing of the completion statement**Time:** 1 day**Cost:** No cost**Comments:** The inspection is performed by a team from the local Office for Space Planning and Construction.**Procedure: 17. Register new construction with Land Registry****Time:** 10 days**Cost:** HRK 500**Comments:** Registering the new construction is not mandatory, but without registration the owner cannot take out a mortgage. Having an occupancy permit is a precondition for registering the new construction.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Varazdin, Croatia*Procedures to build a warehouse**Warehouse Value: USD 513,901 = HRK 3,000,000**Date as of: January 2008***Procedure: 1. Request and obtain preliminary approval from the Inspectorate for Fire at the Ministry of Interior Affairs****Time:** 15 day**Cost:** No cost**Comments:** The Inspectorate issues the approval based on the review of the project design at the municipal offices for space planning, environment protection, construction, and property rights. It reviews whether the project has been prepared in accordance with the regulations. The Inspectorate can also issue a written approval within the timeframe stipulated by law. Although the local Office of Space Planning and Construction is officially required to obtain the necessary approvals, in practice the client has to obtain the approvals on his/her own.**Procedure: 2*. Request and obtain preliminary approval from the National Croatian Electric Grid****Time:** 30 days**Cost:** HRK 402 (HRK 152 for the approval + HRK 250 for the electro-energy approval)**Comments:** The Croatian Electricity Company issues the approval based on the review of the project design for compliance with the regulations. The Croatian Electricity Company can also issue a written approval within the timeframe stipulated by law. It is also necessary to obtain an electroenergy approval, which is one of the preconditions for obtaining a construction permit, and also determines the cost of connecting to the grid.**Procedure: 3*. Request and obtain preliminary approval from waste collection department****Time:** 30 days**Cost:** No cost**Comments:** Although the local Office of Space Planning and Construction is officially required to obtain the necessary approvals, in practice the client has to obtain the approvals himself/herself.**Procedure: 4*. Request and obtain preliminary approval from the national telecommunications agency****Time:** 15 days**Cost:** No cost**Comments:** Although the local Office of Space Planning and Construction is officially required to obtain the necessary approvals, in practice the client has to obtain the approvals himself/herself.**Procedure: 5*. Request and obtain preliminary approval from the local water authority****Time:** 30 days**Cost:** HRK 214**Comments:** Although the local Office of Space Planning and Construction is officially required to obtain the necessary approvals, in practice the client has to obtain the approvals himself/herself.**Procedure: 6*. Request and obtain extract from the Land Registry for subject land and bordering lands****Time:** 1 day**Cost:** HRK 20 (Administrative tax)**Comments:** The extract can be obtained at the Land Registry of the local court for an administrative tax of HRK 20. The extracts for bordering lands can be obtained for free online. The possession record is obtained together with the extract.**Procedure: 7*. Request and obtain copy of the cadastre plan****Time:** 1 day**Cost:** HRK 70**Comments:** This copy can be obtained from the local Office for Cadastre and Geodetic Activities.**Procedure: 8. Request and obtain location permit from local Office of Space Planning and Construction****Time:** 90 days**Cost:** HRK 770 (Administrative tax)**Comments:** Pursuant to the Law on Physical Planning it is necessary to obtain a location permit, the purpose of which is to ensure that the project (preliminary drawings) meets the applicable zoning regulations. The preliminary approvals precede obtaining a location permit. The municipality should act as a one stop shop and obtain all the preliminary approvals. However, in practice it the company that carries out these procedures. The validity of a location permit is 2 years and may be extended for additional 2 years, provided the zoning regulations in respect of the location have not been changed. The request for the location permit should be accompanied by the documents obtained in Procedures 6 and 7.**Procedure: 9. Obtain decision from municipal authorities regarding utilities and pay utility fee****Time:** 15 days**Cost:** HRK 144,300 (650m base X 6m height X HRK 37)**Comments:** The company must obtain a decision on the payment of utility fees from the municipal authorities for utilities. Such decision is made by the said authority based on the construction permit. The fee is paid for the purpose of financing the utilities. The amount of the fee depends on the volume of the building (in cubic meters) and on the location. It can be paid at once or in installments. Whenever it is necessary to refinance utilities or public roads, and the financing is the responsibility of the city, the investor can arrange with the city to finance these works and such financing can be considered towards the investor's obligation to pay the utility fees. The utility fees range from HRK 20 to HRK 180 per m3, depending on the zone. The cost for the warehouse described in the questionnaire would be 650m (base) X 6m (height) X HRK 37.**Procedure: 10*. Pay water contribution to the state company Croatian Waters (Hrvatske Vode)****Time:** 15 days**Cost:** HRK 163,800 (650m base X 6m height X HRK 42)**Comments:** The water contribution is paid to finance the management of water resources and flood protection. The cost is determined based on the zone of the new construction (Zones A, B, and C – Zone A is Zagreb and the protected coastal area, Zone B is the rest of the country, and Zone C are areas subject to a special Government care), the purpose of the construction (residential, industrial, public interest), and the volume of the construction. The cost for the warehouse described in the questionnaire would be 650m (base) X 6m (height) X 42 HRK according to the price list of Hrvatske Vode.**Procedure: 11. Request and obtain building permit from the local Office for Space Planning and Construction****Time:** 90 days**Cost:** HRK 1,050 (0.035% of the value of the project of HRK 4,000,000)**Comments:** The building permit is the document upon which the investor can begin construction. The Building Code stipulates that the project design must be in compliance with the conditions provided in the location permit and with the conditions provided in special laws and regulations. The project designer is liable for such compliance. The competent authority for issuance of the building permit needs to obtain the approvals (clearances) related to fire-fighting protection, work safety, ionizing and non-ionizing protection and protection of cultural heritage. The competent authority shall check whether the project design has been executed in accordance with the conditions provided in the location permit, whether the necessary documents have been attached to the application, whether there is an access from the land plot to the public-traffic surface and whether the utility fees have been settled.

According to the amendments to the Building Code, the following documents need to be attached to the application for issuance of the building permit: location permit or excerpt from the detailed zoning plan; three sets of project design drawings, and other eventual studies, if necessary.

Procedure: 12. Connect to water and sewage system

Time: 30 days

Cost: HRK 50,000

Comments: The cost is not standardized, but calculated by the water and sewage company on a case-by-case basis.

Procedure: 13*. Connect to power grid

Time: 30 days

Cost: HRK 230,830 (1,647 HRK X 140kw + 250 HRK fee)

Comments: The formulas for the calculation of connection fees are set pursuant to the Energy Law that the Croatian Energy Regulatory Agency adopted in March 2006. The fees are calculated either on the basis of the unit price and the connection power or on the basis of the real costs of connecting to the network.

Procedure: 14*. Connect to telecommunications system

Time: 30 days

Cost: HRK 610

Comments: The cost varies depending on the service required.

Procedure: 15. Request and obtain occupancy permit from local Office for Space Planning and Construction

Time: 60 days

Cost: HRK 1,200

Comments: The company should request approval of the building by the competent building authority (Tjelo Graditeljstva). The request has to be accompanied by a list of documents related to the construction process, such as a copy of the building permit, data on construction participants (investor, designer, constructor, supervisory engineer, and reviewer), builder's written statement on executed works and conditions of construction maintenance, and supervisory engineer's final report on construction execution. Afterwards, a special commission is established to carry out an on-site inspection, which occurs within 30 days after the receipt of the request. The municipal authority will issue the occupancy permit within 30 days from the on-site inspection. Pursuant to the Building Code, the occupancy permit shall not be issued if the construction is not connected to the public-traffic surface and other utilities as provided in the conditions of the location permit.

Procedure: 16*. Receive on-site inspection and signing of the completion statement

Time: 1 day

Cost: No cost

Comments: The inspection is performed by a team from the local Office for Space Planning and Construction.

Procedure: 17. Register new construction with Land Registry

Time: 1 day

Cost: HRK 500

Comments: Registering the new construction is not mandatory, but without registration the owner cannot take out a mortgage. Having an occupancy permit is a precondition for registering the new construction.

*This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Pristina, Kosovo

Procedures to build a warehouse

Warehouse Value: USD 250,847 = EUR 200,000

Date as of: January 2008

Procedure: 1. Request and obtain the property certificate and a copy of lot plan from the municipal Geodesy and Cadastral Directorate

Time: 2 days

Cost: EUR 8 (EUR 4 for the property certificate and EUR 4 for the lot plan copy)

Comments: Property certificate and a copy of the lot plan are valid for 180 days each and cost 4 EUR each.

Procedure: 2*. Request and obtain a confirmation letter from the Municipality Finance and Property Directorate that there are no tax obligations

Time: 1 day

Cost: No cost

Comments: The approval is valid for one year, within which BuildCo needs to obtain all the necessary permits and start construction. Form can be downloaded online at <http://www.prishtina-komuna.org/index.php?mod=formulare&bid=1&smid=113> (KËRKESË PËR ÇAKTIMIN E KUSHTEVE URBANISTIKE-TEKNIK).

Procedure: 3. Request and obtain the technical-urbanism requirements approval

Time: 30 days

Cost: EUR 10

Procedure: 4*. Request and obtain initial clearance from the electricity authority (Korporata Energjetike e Kosovës)

Time: 2 days

Cost: EUR 10

Procedure: 5*. Request and obtain initial clearance from the water authority (Ujësjiellësi Rajonal, Prishtinë)

Time: 2 days

Cost: No cost

Comments: There is no charge for the clearance, but the total fee including the connection is EUR 180 (reflected in Procedure 14).

Procedure: 6*. Request and obtain project clearance from the heating authority (Ngrohtorja, Prishtinë)

Time: 2 days

Cost: EUR 5

Procedure: 7*. Request and obtain the fire protection clearance from the Ministry of Internal Affairs, Emergency Department

Time: 15 days

Cost: EUR 50

Procedure: 8. Request and obtain validation of the technical audit of the main project

Time: 5 days

Cost: No cost

Comments: Directorate verifies the main project plan and assesses the amount of fees that need to be paid in order to obtain the building permit.

Procedure: 9. Request and obtain the building permit from the municipal Planning, Urbanism and Construction Directorate

Time: 35 days

Cost: EUR 10

Comments: Form can be downloaded online at <http://www.prishtinakomuna.org/index.php?mod=formulare&bid=1&smid=113> (KËRKESË PËR DHËNIEN E LEJES NDËRTIMORE).

Procedure: 10*. Pay municipal fees for the building permit in a bank

Time: 1 day

Cost: EUR 13,006 (1,300.6 warehouse area X EUR 10 per square meter)

Comments: For the construction of a warehouse, the fee is EUR 10 per square meter. If the warehouse will be used for commercial activities, then the fee is EUR 22 per square meter. In general, most of the building permit fees are per cubic meter.

Procedure: 11. Notify the municipal Planning, Urbanism and Construction Directorate about the start of construction work

Time: 1 day

Cost: No cost

Comments: The notification needs to be submitted 8 days before the beginning of construction. The Technical Commission may visit the site on an unannounced basis to verify whether the construction is in accordance with the plan. Due to the volume of construction in Pristina, such visits are rare.

Procedure: 12. Receive on-site inspection by the municipal Technical Commission

Time: 8 days
Cost: No cost

Procedure: 13*. Request and connect to electricity services

Time: 15 days
Cost: EUR 500

Comments: For a higher-voltage connection, a prior permission from the Ministry of Energy is needed.

Procedure: 14*. Request and connect to water and sewage services

Time: 7 days
Cost: EUR 180

Procedure: 15*. Request and connect to telecommunications services (Posta dhe Telekomunikacioni i Kosovës)

Time: 5 days
Cost: EUR 20

Procedure: 16. Request technical approval of the building by the municipal Technical Commission

Time: 1 day
Cost: EUR 30

Procedure: 17. Receive technical approval of the building by the municipal Technical Commission and obtain the usage permit

Time: 39 days
Cost: EUR 10

Comments: Form can be downloaded online at <http://www.prishtina-komuna.org/index.php?mod=formulare&bid=1&smid=113> (KËRKESE PËR DHËNIEN E LEJES PËR PËRDORIM).

Procedure: 18. Register construction with the municipal Geodesy and Cadastral Directorate

Time: 60 days
Cost: EUR 120

Comments: Cost includes the fee to reflect changes in the city's urban plan as well as the inspection.

Procedure: 19*. Obtain an inspection from the municipal Geodesy and Cadastral Directorate

Time: 45 days
Cost: No cost

*This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Prizren, Kosovo

Procedures to build a warehouse

Warehouse Value: USD 250,847 = EUR 200,000

Date as of: January 2008

Procedure: 1. Request and obtain the property certificate and a copy of lot plan from the municipal Geodesy and Cadastral Directorate

Time: 2 days
Cost: EUR 9 (EUR 5 for the property certificate and EUR 4 for the lot plan copy)
Comments: Property certificate and lot plan copy are valid for 180 days each.

Procedure: 2*. Request and obtain a confirmation letter from the Municipality Finance and Property Directorate that there are no tax obligations

Time: 1 day
Cost: No cost

Procedure: 3. Request and obtain the technical-urbanism requirements approval

Time: 30 days
Cost: EUR 18

Comments: The approval is valid for one year, within which a party needs to obtain all the necessary permits and start construction.

Procedure: 4*. Receive on-site inspection by the municipal Technical Commission

Time: 5 days
Cost: No cost

Comments: The municipal Technical Commission conducts an on-site visit and determines the necessary permissions that need to be obtained by BuildCo. to obtain the building permit. The Technical Commission may also conduct other random visits during the construction to see whether the building complies with the approved standards. Construction cannot start until the building permit has been obtained.

Procedure: 5*. Request and obtain initial clearance from the electricity authority (Korporata Energjetike e Kosovës)

Time: 2 days
Cost: EUR 10

Procedure: 6*. Request and obtain initial clearance from the water authority (Ujësjiellësi Rajonal, Prizren)

Time: 2 days
Cost: No cost

Comments: There is no charge for the clearance, but the total fee including the connection is EUR 180 (reflected in Procedure 14).

Procedure: 7*. Request and obtain initial clearance from the post and telecommunication authorities (Posta dhe Telekomunikacioni i Kosovës)

Time: 2 days
Cost: EUR 5

Procedure: 8*. Request and obtain the fire protection clearance from the Ministry of Internal Affairs, Emergency Department

Time: 15 days
Cost: EUR 50

Procedure: 9. Request and obtain validation of the technical audit of the main project

Time: 5 days
Cost: No cost

Comments: Directorate verifies the main project plan and assesses the amount of fees that need to be paid in order to obtain the building permit.

Procedure: 10. Request and obtain the building permit from the municipal Planning, Urbanism and Construction Directorate

Time: 28 days
Cost: EUR 10

Procedure: 11*. Pay municipal fees for the building permit in a bank

Time: 1 day
Cost: EUR 15,607 (1,300.6 area X 6 m height (3m each floor) X EUR 2 Zone II fee)
Comments: The following schedule for warehouses is applied:
a. Zone I: EUR 3 per m³;
b. Zone II: EUR 2 per m³;
c. Zone III: EUR 1 per m³.

Procedure: 12. Notify the municipal Planning, Urbanism and Construction Directorate about the start of construction work

Time: 8 days
Cost: No cost

Comments: The notification needs to be submitted 8 days before the beginning of construction.

Procedure: 13*. Request and connect to electricity services**Time:** 15 days**Cost:** EUR 500**Comments:** For a higher-voltage connection, a prior permission from the Ministry of Energy is needed.**Procedure: 14*. Request and connect to water and sewage services****Time:** 7 days**Cost:** EUR 180**Procedure: 15*. Request and connect to telecommunications services****Time:** 5 days**Cost:** EUR 20**Procedure: 16. Request technical approval of the building by the municipal Technical Commission****Time:** 10 days**Cost:** EUR 15**Procedure: 17. Register construction with the municipal Geodesy and Cadastral Directorate****Time:** 60 days**Cost:** EUR 120**Comments:** Cost includes the fee to reflect changes in the city's urban plan as well as the inspection.**Procedure: 18*. Obtain an inspection from the municipal Geodesy and Cadastral Directorate****Time:** 45 days**Cost:** No cost

*This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Bitola, Macedonia, FYR*Procedures to build a warehouse**Warehouse Value: USD 327,751 = MKD 15,989,459**Date as of: January 2008***Procedure: 1. Obtain copy of cadastre plan****Time:** 5 days**Cost:** MKD 225**Comments:** The copy can be obtained if the property is registered in the space plan. The cost was decreased in October 2007 as a result of the Government decision published in the Official Gazette No. 119/07.**Procedure: 2*. Obtain extract of detailed space plan from municipal Office of Space Planning****Time:** 6 days**Cost:** MKD 800**Comments:** This document and the copy of the space plan should be submitted when requesting the location permit.**Procedure: 3*. Obtain proof of ownership from Cadastre Office (title deed)****Time:** 1 day**Cost:** MKD 125**Comments:** The title deed can be obtained at the local Cadastre. The cost decreased in October 2007 as a result of the Government decision published in the Official Gazette No. 119/07.**Procedure: 4*. Obtain Account of Numerical Data (Elaborat od Numericki Podatoci) from a private cadastre office****Time:** 4 days**Cost:** MKD 3,500**Comments:** The charge for the Account of Numerical Data is MKD 3,500 if the cadastre plan is the same as the space plan. If the plot has to be divided or there is a road going through it then it is necessary to perform new measurements on the spot and the charge is MKD 12.5 per square meter.**Procedure: 5. Request location permit from Office of Space Planning****Time:** 25 days**Cost:** MKD 1,250**Comments:** When requesting the location permit the following documents should be submitted: copy of the cadastre plan, extract from the detailed space plan, account of numerical data (obtained in procedures 1 through 4) and the project design. Once the request is granted, the owners of the neighboring parcels are informed. If no complaints are filled within 8 days, the decision enters into force. The period for filing a complaint was recently decreased from 15 days as a result of the amendment to the Space Planning Law passed on November 14, 2007 and published in the Official Gazette No. 137/07.**Procedure: 6*. Obtain information about underground terrain from electric grid company****Time:** 7 days**Cost:** MKD 1,100**Comments:** Information about the location of underground electric cables is obtained. The information should be obtained by the Office of Space Planning after the company submits the request for the location permit, but in practice the companies obtain the necessary documents themselves. The project design should be submitted.**Procedure: 7*. Obtain information about underground terrain from water supply company****Time:** 7 days**Cost:** No cost**Comments:** Information about the location of underground sewage pipes is obtained. The information should be obtained by the Office of Space Planning after the company submits the request for the location permit, but in practice the companies obtain the necessary documents themselves. The project design should be submitted.**Procedure: 8*. Obtain information about underground terrain from sewage company****Time:** 7 days**Cost:** No cost**Comments:** Information about the location of underground sewage pipes is obtained. The information should be obtained by the Office of Space Planning after the company submits the request for location permit, but in practice the companies obtain the necessary documents themselves. The project design should be submitted.**Procedure: 9*. Obtain information about underground terrain from telecommunications company****Time:** 7 days**Cost:** No cost**Comments:** Information about the location of underground telecommunication cables is obtained. The information should be obtained by the Office of Space Planning after the company submits the request for the location permit, but in practice the companies obtain the necessary documents themselves. The project design should be submitted.**Procedure: 10. Obtain electroenergy approval from electric grid company****Time:** 7 days**Cost:** MKD 6,000**Comments:** The following approvals should be obtained by the Office of Space Planning after the company submits the request for building permit, but in practice the companies obtain the necessary approvals themselves and submit them together with the request for the building permit. The approval is issued on the basis of reviewing the main project plan.

Procedure: 11*. Obtain approval from water supply company**Time:** 7 days**Cost:** MKD 1,000

Comments: The following approvals should be obtained by the Office of Space Planning after the company submits the request for building permit, but in practice the companies obtain the necessary approvals themselves and submit them together with the request for the building permit. The approval is issued on the basis of reviewing the main project plan.

Procedure: 12*. Obtain approval from sewage company**Time:** 7 days**Cost:** MKD 1,000

Comments: The approval should be obtained by the Office of Space Planning after the company submits the request for building permit, but in practice the companies obtain the necessary approvals themselves and submit them together with the request for a building permit. The approval is issued on the basis of reviewing the main project plan.

Procedure: 13. Request and obtain building permit from Office of Space Planning**Time:** 20 days**Cost:** MKD 1,250

Comments: The request should be accompanied by the following documents: a copy of the project design, the location permit, 4 copies of the main project plan, and the approval of procedures 10 through 12 if the client has obtained them himself/herself. One copy of the main plan is submitted to the Office of Communal Services where the communal tax is calculated and an invoice is sent to the client.

Procedure: 14*. Receive an on-site inspection by representatives of Space Planning Office**Time:** 1 day**Cost:** No cost

Comments: Once the Office of Space Planning receives the request for the building permit they send a team to the site to verify that the plot is suitable to be built on.

Procedure: 15*. Receive an on-site inspection by a geometric engineer and obtain the protocol**Time:** 2 days**Cost:** MKD 1,400

Comments: The protocol consists of information about the plot and the location of the building on the plot.

Procedure: 16*. Pay municipal tax (contribution for utilities) for preparation of space and urban plan at a commercial bank or post office and obtain proof of payment**Time:** 1 day

Cost: MKD 1,697,283 (Utility contribution of MKD 1,260 per square meter X 1,300.6 warehouse area + MKD 45 (0.3% of the average salary MKD 15,066) X 1,300.6 area)

Comments: The utilities contribution is MKD 1,260 MKD per square meter of usable space. The contribution for preparing the detailed space plan is 0.3% of the average salary in Macedonia, FYR per square meter.

Procedure: 17. Connect to electric grid**Time:** 7 days**Cost:** MKD 22,000

Comments: The cost is determined in consultation with the electrical power company.

Procedure: 18*. Connect to water supply system**Time:** 7 days**Cost:** MKD 8,000

Comments: The cost is determined in consultation with the water and sewage company.

Procedure: 19*. Connect to sewage system**Time:** 7 days**Cost:** MKD 10,000

Comments: The cost is determined in consultation with the water and sewage company.

Procedure: 20*. Obtain phone line**Time:** 7 days**Cost:** MKD 3,000**Procedure: 21. Request and obtain a decision on building use from the municipality****Time:** 20 days**Cost:** MKD 1,750

Comments: The request for the occupancy permit is submitted once the building is completed. A report by engineers who supervised the construction is also submitted. The report should confirm that the main project plan was followed.

Procedure: 22*. Technical examination by a team of experts**Time:** 1 day**Cost:** MKD 25,000 (Fee for the contribution of the experts)

Comments: The experts should be from various fields of expertise relevant to the construction: electrical, mechanical and construction engineers, and architect.

Procedure: 23. Register the warehouse with the Real Estate Registry**Time:** 3 days**Cost:** MKD 325 (MKD 275 is the registration fee and MKD 50 is the stamp duty)

Comments: The new construction is registered at the Cadastre.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Niksic, Montenegro*Procedures to build a warehouse**Warehouse Value: USD 438,982 = EUR 350,000**Date as of: January 2008***Procedure: 1. Obtain proof of ownership****Time:** 1 day**Cost:** EUR 5 Republic Administrative Tax and EUR 3 Agency for Real Estate fee**Procedure: 2. Obtain copy of site map****Time:** 3 days**Cost:** EUR 15**Procedure: 3. Obtain land use permit****Time:** 30 days**Cost:** EUR 150

Comments: For a property above 1,000 square meters, all the permissions need to be obtained from the Ministry of Economic Development in Podgorica.

Procedure: 4. Obtain a geotechnical study**Time:** 7 days**Cost:** No cost**Procedure: 5. Obtain approval of the geotechnical study from the Ministry of Economy****Time:** 7 days**Cost:** EUR 150

Comments: Ministry of Economic Development gives a permission for the geotechnical study. The results are submitted to the Ministry to obtain the approval. The report contains the approval and detailed information about the study and the construction.

Procedure: 6. Revision of geotechnical condition report**Time:** 10 days**Cost:** No cost**Procedure: 7*. Obtain clearance to connect to the electricity network****Time:** 15 days**Cost:** EUR 200 (EUR 50 for taxes and EUR 150 for the service)

Comments: BuildCo would have to pay for the initial clearance from utility companies. In the case of electricity the cost would be EUR 200.

Procedure: 8*. Obtain clearance to connect to water and sewage network**Time:** 10 days**Cost:** EUR 274 (1,300.6 warehouse area X EUR 0.18 fee + 17% Value Added Tax)**Procedure: 9*. Obtain clearance to connect to telecommunications network****Time:** 7 days**Cost:** EUR 340**Comments:** According to municipal tariffs and fees, the cost is calculated based on the total area of the warehouse. Anything between 1,000 and 3,000 m² is EUR 340.**Procedure: 10*. Pay the municipality tax (a compensation for using the city's land and the needed adjustments to city's space and urban plan), Komunalije – Niksic****Time:** 2 days**Cost:** EUR 32,515 (1,300.6 warehouse area X EUR 50 per square meter (Zone III fee) X 50% warehouse applicability fee)**Comments:** Before the building permit is issued, the company must pay the so called "communal tax" fee for the maintenance of existing infrastructure, compensation for using the city's land and the adjustment that the city needs to make to its urban plan due to the new construction. The fees are determined according to the following schedule (in EUR):

a. In Zone I, the fees are:

In Zone A EUR 152/m²,In Zone B EUR 132/m², andIn Zone C EUR 112/m²;b. In Zone II EUR 82/m²;c. In Zone III EUR 50/m²; andd. In Zone IV EUR 25/m².

For warehouses, only 50% of the fee is applied. Due to the assumption of building the warehouse in a periurban area, BuildCo would build its warehouse either in Zone III and IV (that is why the average of the two costs was taken to calculate the total cost for this procedure).

Procedure: 11. Obtain urban consent from Ministry of Economic Development**Time:** 30 days**Cost:** EUR 175 (0.05% of the property value of EUR 350,000)**Procedure: 12*. Obtain ecological consent from Ministry for Tourism and Environmental Protection****Time:** 10 days**Cost:** EUR 3,500 (1% of the property value of EUR 350,000)**Procedure: 13*. Obtain traffic consent****Time:** 10 days**Cost:** EUR 2**Procedure: 14. Obtain fire prevention consent****Time:** 15 days**Cost:** EUR 500**Procedure: 15. Obtain building permit****Time:** 30 days**Cost:** EUR 350 (0.1% of the property value of EUR 350,000)**Procedure: 16*. Obtain power connection****Time:** 20 days**Cost:** EUR 300**Procedure: 17*. Obtain water and sewerage connection****Time:** 10 days**Cost:** EUR 200**Procedure: 18*. Obtain phone connection****Time:** 5 days**Cost:** EUR 80**Procedure: 19. Receive technical control of building****Time:** 3 days**Cost:** EUR 350 (0.1% of the property value of EUR 350,000)**Procedure: 20. Obtain use permit****Time:** 50 days**Cost:** EUR 700 (0.2% of the property value of EUR 350,000)

* This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Pljevlje, Montenegro*Procedures to build a warehouse**Warehouse Value: USD 438,982 = EUR 350,000**Date as of: January 2008***Procedure: 1. Obtain proof of ownership****Time:** 1 day**Cost:** EUR 8 (EUR 5 Republic Administrative Tax and EUR 3 Agency for Real Estate fee)**Procedure: 2. Obtain copy of site map****Time:** 2 days**Cost:** EUR 15**Procedure: 3. Obtain land use permit****Time:** 30 days**Cost:** EUR 150**Comments:** For a property above 1,000 square meters, all the permissions need to be obtained from the Ministry of Economic Development in Podgorica.**Procedure: 4. Obtain a geotechnical study****Time:** 7 days**Cost:** No cost**Procedure: 5. Obtain approval of the geotechnical study from the Ministry of Economy****Time:** 7 days**Cost:** EUR 150**Comments:** Ministry of Economic Development gives a permission to conduct the geotechnical study. The results are then submitted to the Ministry to obtain the approval. The report contains the approval and detailed information about the study and the construction.**Procedure: 6. Revision of geotechnical condition report****Time:** 15 days**Cost:** No cost**Procedure: 7*. Obtain clearance to connect to the electricity network****Time:** 10 days**Cost:** EUR 200 (EUR 50 for taxes and EUR 150 for the service)**Comments:** BuildCo would have to pay for the initial clearance from utility companies. In the case of electricity the cost would be EUR 200.**Procedure: 8*. Obtain clearance to connect to water and sewage network****Time:** 7 days**Cost:** EUR 274 (1,300.6 warehouse area X EUR 0.18 fee + 17% Value Added Tax)**Procedure: 9*. Obtain clearance to connect to telecommunications network****Time:** 7 days**Cost:** EUR 340**Comments:** According to municipal tariffs and fees, the cost is calculated based on the total area of the warehouse. Anything between 1,000 and 3,000 square meters is EUR 340.

Procedure: 10*. Pay the municipality tax (a compensation for using the city's land and the needed adjustments to city's space and urban plan), Komunalije – Pljevlja

Time: 2 days

Cost: EUR 28,678 (1,300.6 warehouse area X EUR 31.5 per square meter (Zone V fee) X 70% due to the assumption that land is already privately owned)

Comments: Before the Building Permit is issued, the company must pay the so called "communal tax" fee for the maintenance of existing infrastructure, compensation for using the city's land and the adjustment that the city needs to make to its urban plan due to the new construction. This adjustment is supposed to contribute to the development of new roads, schools, utilities and other facilities. The fees are determined according to the following schedule (in EUR):

- a. Zone I: EUR 70/m²;
- b. Zone II: EUR 63/m² (90% of Zone I fee);
- c. Zone III: EUR 56/m² (80% of Zone I fee);
- d. Zone IV: EUR 45.5/m² (65% of Zone I fee);
- e. Zone V: EUR 31.5/m² (45% of Zone I fee);
- f. Zone VI: EUR 21/m² (30% of Zone I fee).

If the land is privately owned, then only 70% of the corresponding fee is applied. Due to the assumption of building the warehouse in a periurban area, BuildCo would build its warehouse either in Zone IV or V (that is why the average of the two costs was taken to calculate the total cost for this procedure).

Procedure: 11. Obtain urban consent from Ministry of Economic Development

Time: 30 days

Cost: EUR 175 (0.05% of the property value of EUR 350,000)

Procedure: 12*. Obtain ecological consent from Ministry for Tourism and Environmental Protection

Time: 10 days

Cost: EUR 3,500 (1% of the property value of EUR 350,000)

Procedure: 13*. Obtain traffic consent

Time: 10 days

Cost: EUR 2

Procedure: 14. Obtain fire prevention consent

Time: 15 days

Cost: EUR 500

Procedure: 15. Obtain building permit

Time: 30 days

Cost: EUR 350 (0.1% of the property value of EUR 350,000)

Procedure: 16*. Obtain power connection

Time: 15 days

Cost: EUR 300

Procedure: 17*. Obtain water and sewerage connection

Time: 10 days

Cost: EUR 200

Procedure: 18*. Obtain phone connection

Time: 3 days

Cost: EUR 80

Procedure: 19. Receive technical control of building

Time: 3 days

Cost: EUR 350 (0.1% of the property value of EUR 350,000)

Procedure: 20. Obtain use permit

Time: 50 days

Cost: EUR 700 (0.2% of the property value of EUR 350,000)

* This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Krusevac, Serbia

Procedures to build a warehouse

Warehouse Value: USD 650,300 = RSD 43,201,055

Date as of: January 2008

Procedure: 1. Request and obtain extract from the urban plan or act on zoning conditions

Time: 10 days

Cost: RSD 10,000

Comments: Request for either of these documents should be submitted to the municipality on which territory the building plot is situated. The extract from the urban plan could be obtained only if an urban plan for the respective site exists. An excerpt from an urban plan contains all the conditions and data necessary for the development of a conceptual project and, in particular, the regulations (set-back), construction line and height restrictions and conditions. When constructing in an area for which an urban plan is not envisaged and upon the request of an interested company, the competent municipality will issue an act on zoning conditions in accordance with the space plan. However, if the construction site is located within an area for which an urban plan exists (adopted on the basis of old laws), the act on zoning conditions shall be issued in conformity with such an urban plan, until the deadline for adopting the new urban plan expires. The required plans and documents for connecting to roads and other communal infrastructure shall be obtained, at the investor's expense, ex officio by the municipality competent for issuing a building permit regarding the warehouse.

Procedure: 2*. Request and obtain proof of ownership of the construction land

Time: 5 days

Cost: RSD 200

Comments: The proof of ownership is granted by either the competent municipal court (land register extract) or Republic Geodesy Institute (newly established cadastre's extract). The proof of ownership (the land register extract) is granted by the competent municipal court and it can be obtained within 10 days. The proof of ownership (cadastre extract) can be obtained in 1 day from the Republic Geodesy Institute and this extract costs RSD 1,300 – RSD 1,700 (the price depends on the number of pages). In the case considered here, only proof of ownership from the municipal court is needed.

Procedure: 3. Request and obtain main construction project clearance from the electric energy authority

Time: 30 days

Cost: RSD 20,000

Procedure: 4*. Request and obtain main construction project clearance from the water and sewerage authority

Time: 30 days

Cost: RSD 100,000

Procedure: 5*. Request and obtain main construction project clearance from the labor inspection department for safety at work

Time: 1 day

Cost: RSD 2,000

Procedure: 6*. Request and obtain main construction project clearance from the heating authority

Time: 3 days

Cost: RSD 16,000

Comments: The building authority will not approve the project without a clearance from the heating authority.

Procedure: 7*. Request and obtain main construction project clearance from the telecommunication authority

Time: 60 days

Cost: RSD 16,000

Comments: The telecom authority makes a list of conditions within 10 days from the time the application was submitted. After that the company prepares the relevant set of drawings and designs according to their norms.

Procedure: 8*. Request and obtain main construction project clearance from the traffic authority**Time:** 30 days**Cost:** RSD 16,000

Comments: A duly licensed company other than the one that furnished the main construction project plan must verify whether the main construction project has been made in accordance with the law and with the technical standards, and whether it has all necessary clearances described in Procedures 3–9. The main construction project must be certified and stamped to that effect.

Procedure: 9. Request and obtain building permit**Time:** 90 days**Cost:** RSD 680

Comments: A request for obtaining a building permit should be submitted to the Secretariat for Urbanism and Construction Affairs of the municipality on whose territory the building plot is situated, with the following documentation:

- Extracts from the urban plan issued within 6 months prior to the filing of the request for a building permit;
- Preliminary design project that has to be in conformity with the urban plan mentioned above; and
- Evidence of the ownership status or rental status on the building plot.

Procedure: 10*. Request and obtain technical review of the main project**Time:** 7 days**Cost:** RSD 190

Comments: A duly licensed company other than the one that furnished the main construction project plan must verify whether the main construction project has been made in accordance with the law and with the technical standards, and whether it has all necessary clearances described in Procedures 3–9. The main construction project must be certified and stamped to that effect.

Procedure: 11. Notify and obtain approval for the start of construction from the municipality and pay city building land tax**Time:** 7 days**Cost:** RSD 5,200,000

Comments: The start of construction activities must be reported to the municipality at least 8 days before commencement. The notification must be accompanied by all necessary documentation described in Procedures 1–10 above, including the main construction project design and description of the equipment to be used, to be certified by the municipality within 8 days of submission. After this certification has been obtained, construction may commence. The company must pay the land usage tax that is charged by the City Building Directorate and varies from EUR 50 to EUR 60 per square meter of the building plot. Construction activities cannot begin before this fee is paid. Proof of payment of this fee (if not agreed otherwise with the City Building Directorate) is submitted to the municipality along with the other documents mentioned above, which are submitted as attachments to the notification to the municipality. The cost depends on the city suburb in which the facility is built. Land taxes differ from one suburb to the other.

Procedure: 12. Hire and nominate expert supervisor of the construction work**Time:** 1 day**Cost:** RSD 648,016

Comments: Expert supervision of the construction must be secured during the entire period of construction. Such expert supervision must be done by a licensed independent engineer. This person cannot be affiliated with BuildCo. The expert supervisor comes on average once a week.

Procedure: 13. Request and obtain consent regarding the connection of the plot of land to the nearest public road**Time:** 7 days**Cost:** RSD 500

Comments: BuildCo needs to undertake this procedure should it require access/use of the nearest public road.

Procedure: 14*. Request and obtain consent regarding regulations on environmental protection**Time:** 14 days**Cost:** RSD 80,000**Procedure: 15*. Request and obtain water and sewerage connection****Time:** 30 days**Cost:** RSD 100,000**Procedure: 16*. Request and obtain electricity connection****Time:** 60 days**Cost:** RSD 500,000**Procedure: 17*. Request and obtain phone connection****Time:** 30 days**Cost:** RSD 16,000**Procedure: 18. Request and obtain usage permit****Time:** 68 days**Cost:** RSD 120

Comments: After all construction activities have been completed, a municipal commission examines if the constructed building complies with the issued building permit, all laws and technical standards. The municipality issues the usage permit within 7 days after the commission has conducted the technical examination and reports that the building is suitable for use. The municipality commission shall not issue the usage permit if the building is not in compliance with the technical standards and the technical documentation. It shall order to the company to eliminate all the irregularities and again examine the building and then issue the usage permit. If the irregularities cannot be fixed and the usage of the building would be dangerous, the municipality commission shall order the demolition of the building.

Procedure: 19*. Receive technical examination of the building from municipality commission**Time:** 1 day**Cost:** RSD 5,000

Comments: BuildCo must submit a formal request along with the building and usage permits. If there is a cadastral register in the area where the warehouse is constructed, the company should register the building at the cadastral registry. Otherwise, the building should be registered in the land books.

Procedure: 20. Register the building with the land or cadastral register**Time:** 1 day**Cost:** RSD 5,000

Comments: BuildCo must submit a formal request along with the building and usage permits. If there is a cadastral register in the area where the warehouse was constructed, the company should register the building in the cadastral registry. Otherwise, the building should be registered in the land books.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Uzice, Serbia

Procedures to build a warehouse

Warehouse Value: USD 650,300 = RSD 43,201,055

Date as of: January 2008

Procedure: 1. Request and obtain extract from the urban plan or act on zoning conditions**Time:** 60 day**Cost:** RSD 20,500

Comments: Request for either of these documents should be submitted to the municipality on which territory the building plot is situated. The extract from the urban plan could be obtained only if an urban plan for the respective site exists. An excerpt from an urban plan contains all the conditions and data necessary for the development of a conceptual project and, in particular, the regulations (set-back), construction line and height restrictions and conditions. When constructing in an area for which an urban plan is not envisaged and upon the request of an interested company, the competent municipality will issue an act on zoning conditions in accordance with the space plan. However, if the construction site is located within an area for which an urban plan exists (adopted on the basis of old laws), the act on zoning conditions shall be issued in conformity with such an urban plan, until the deadline for adopting the new urban plan expires. The required plans and documents for connecting to roads and other communal infrastructure shall be obtained, at the investor's expense, ex officio by the municipality competent for issuing a building permit regarding the warehouse.

Procedure: 2*. Request and obtain proof of ownership of the construction land**Time:** 1 day**Cost:** RSD 1,694

Comments: The proof of ownership is granted by either the competent municipal court (land register extract) or Republic Geodesy Institute (newly established cadastre's extract). The proof of ownership (the land register extract) is granted by the competent municipal court and it can be obtained within 10 days. The proof of ownership (cadastre extract) can be obtained in 1 day from the Republic Geodesy Institute and this extract costs RSD 1,300 – RSD 1,700 (the price depends on the number of pages). In the case considered here, only proof of ownership from the municipal court is needed.

Procedure: 3. Request and obtain main construction project clearance from the electric energy authority**Time:** 8 days**Cost:** RSD 1,500**Procedure: 4*. Request and obtain main construction project clearance from the water and sewerage authority****Time:** 30 days**Cost:** RSD 135,000**Procedure: 5*. Request and obtain main construction project clearance from the labor inspection department for safety at work****Time:** 5 days**Cost:** RSD 1,500**Procedure: 6*. Request and obtain main construction project clearance from the heating authority****Time:** 8 days**Cost:** RSD 380,000

Comments: The building authority will not approve the project without a clearance from the heating authority.

Procedure: 7*. Request and obtain main construction project clearance from the telecommunication authority**Time:** 15 days**Cost:** RSD 11,900

Comments: The telecom authority makes a list of conditions within 10 days from the time the application was submitted. After that the company prepares the relevant set of drawings and designs according to their norms.

Procedure: 8. Request and obtain building permit**Time:** 60 days**Cost:** RSD 600

Comments: A request for obtaining a building permit should be submitted to the Secretariat for Urbanism and Construction Affairs of the municipality on whose territory the building plot is situated, with the following documentation:

- Extracts from the urban plan issued within 6 months prior to the filing of the request for a building permit;
- Preliminary design project that has to be in conformity with the urban plan mentioned above; and
- Evidence of the ownership status or rental status on the building plot.

Procedure: 9. Notify and obtain approval for the start of construction from the municipality and pay city building land tax**Time:** 30 days**Cost:** RSD 5,200,000

Comments: The start of construction activities must be reported to the municipality at least 8 days before commencement. The notification must be accompanied by all necessary documentation described in Procedures 1–10 above, including the main construction project design and description of the equipment to be used, to be certified by the municipality within 8 days of submission. After this certification has been obtained, construction may commence. The company must pay the land usage tax that is charged by the City Building Directorate and varies from EUR 50 to EUR 60 per square meter of the building plot. Construction activities cannot begin before this fee is paid. Proof of payment of this fee (if not agreed otherwise with the City Build-

ing Directorate) is submitted to the municipality along with the other documents mentioned above, which are submitted as attachments to the notification to the municipality. The cost depends on the city suburb in which the facility is built. Land taxes differ from one suburb to the other.

Procedure: 10. Hire and nominate expert supervisor of the construction work**Time:** 15 days**Cost:** RSD 648,016

Comments: Expert supervision of the construction must be secured during the entire period of construction. Such expert supervision must be done by a licensed independent engineer. This person cannot be affiliated with BuildCo. The expert supervisor comes on average once a week.

Procedure: 11. Request and obtain consent regarding regulations on environmental protection**Time:** 120 days**Cost:** RSD 60,000**Procedure: 12*. Request and obtain water and sewerage connection****Time:** 8 days**Cost:** RSD 325,000**Procedure: 13*. Request and obtain electricity connection****Time:** 8 days**Cost:** RSD 448,000**Procedure: 14*. Request and obtain phone connection****Time:** 1 day**Cost:** RSD 150**Procedure: 15. Request and obtain usage permit****Time:** 90 days**Cost:** RSD 80,000

Comments: After all construction activities have been completed, a municipal commission examines if the constructed building complies with the issued building permit, all laws and technical standards. The municipality issues the usage permit within 7 days after the commission has conducted the technical examination and reports that the building is suitable for use. The municipality commission shall not issue the usage permit if the building is not in compliance with the technical standards and the technical documentation. It shall order to the company to eliminate all the irregularities and again examine the building and then issue the usage permit. If the irregularities cannot be fixed and the usage of the building would be dangerous, the municipality commission shall order the demolition of the building.

Procedure: 16*. Receive technical examination of the building from municipality commission**Time:** 1 day**Cost:** RSD 3,166

Comments: BuildCo must submit a formal request along with the building and usage permits. If there is a cadastral register in the area where the warehouse is constructed, the company should register the building at the cadastral registry. Otherwise, the building should be registered in the land books.

Procedure: 17. Register the building with the land or cadastral register**Time:** 8 days**Cost:** RSD 3,466

Comments: BuildCo must submit a formal request along with the building and usage permits. If there is a cadastral register in the area where the warehouse was constructed, the company should register the building in the cadastral registry. Otherwise, the building should be registered in the land books.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Vranje, Serbia

Procedures to build a warehouse

Warehouse Value: USD 650,300 = RSD 43,201,055

Date as of: January 2008

Procedure: 1. Request and obtain extract from the urban plan or act on zoning conditions**Time:** 40 days**Cost:** RSD 16,000

Comments: Request for either of these documents should be submitted to the municipality on which territory the building plot is situated. The extract from the urban plan could be obtained only if an urban plan for the respective site exists. An excerpt from an urban plan contains all the conditions and data necessary for the development of a conceptual project and, in particular, the regulations (set-back), construction line and height restrictions and conditions. When constructing in an area for which an urban plan is not envisaged and upon the request of an interested company, the competent municipality will issue an act on zoning conditions in accordance with the space plan. However, if the construction site is located within an area for which an urban plan exists (adopted on the basis of old laws), the act on zoning conditions shall be issued in conformity with such an urban plan, until the deadline for adopting the new urban plan expires. The required plans and documents for connecting to roads and other communal infrastructure shall be obtained, at the investor's expense, ex officio by the municipality competent for issuing a building permit regarding the warehouse.

Procedure: 2*. Request and obtain proof of ownership of the construction land**Time:** 2 days**Cost:** RSD 1,000

Comments: The proof of ownership is granted by either the competent municipal court (land register extract) or Republic Geodesy Institute (newly established cadastre's extract). The proof of ownership (the land register extract) is granted by the competent municipal court and it can be obtained within 10 days. The proof of ownership (cadastre extract) can be obtained in 1 day from the Republic Geodesy Institute and this extract costs RSD 1,300 – RSD 1,700 (the price depends on the number of pages). In the case considered here, only proof of ownership from the municipal court is needed.

Procedure: 3. Request and obtain main construction project clearance from the electric energy authority**Time:** 30 days**Cost:** RSD 10,000**Procedure: 4*. Request and obtain main construction project clearance from the water and sewerage authority****Time:** 30 days**Cost:** RSD 150,000**Procedure: 5*. Request and obtain main construction clearance from the labor inspection department for safety at work****Time:** 1 day**Cost:** RSD 15,000**Procedure: 6*. Request and obtain main construction project clearance from the heating authority****Time:** 15 days**Cost:** RSD 300,000

Comments: The building authority will not approve the project without a clearance from the heating authority.

Procedure: 7*. Request and obtain main construction project clearance from the telecommunication authority**Time:** 15 days**Cost:** RSD 20,000

Comments: The telecom authority makes a list of conditions within 10 days from the time the application was submitted. After that the company prepares the relevant set of drawings and designs according to their norms.

Procedure: 8*. Request and obtain main construction project clearance from the traffic authority**Time:** 60 days**Cost:** RSD 5,900

Comments: According to oral information provided by the traffic authority, this clearance can be obtained within 30 days at a cost of RSD 5,900.

Procedure: 9. Request and obtain building permit**Time:** 15 days**Cost:** RSD 600

Comments: A request for obtaining a building permit should be submitted to the Secretariat for Urbanism and Construction Affairs of the municipality on whose territory the building plot is situated, with the following documentation:

- Extracts from the urban plan issued within 6 months prior to the filing of the request for a building permit;
- Preliminary design project that has to be in conformity with the urban plan mentioned above; and
- Evidence of the ownership status or rental status on the building plot.

Procedure: 10*. Request and obtain technical review of the project**Time:** 15 days**Cost:** RSD 80,000

Comments: A duly licensed company other than the one that furnished the main construction plan must verify that the project is in accordance with the law and technical standards, and that it has all necessary clearances described in Procedures 3–9. The main construction project must be certified and stamped to that effect.

Procedure: 11. Notify and obtain approval for the start of construction from the municipality and pay city building land tax**Time:** 8 days**Cost:** RSD 5,200,000

Comments: The start of construction activities must be reported to the municipality at least 8 days before commencement. The notification must be accompanied by all necessary documentation described in Procedures 1–10 above, including the main construction project design and description of the equipment to be used, to be certified by the municipality within 8 days of submission. After this certification has been obtained, construction may commence. The company must pay the land usage tax that is charged by the City Building Directorate and varies from EUR 50 to EUR 60 per square meter of the building plot. Construction activities cannot begin before this fee is paid. Proof of payment of this fee (if not agreed otherwise with the City Building Directorate) is submitted to the municipality along with the other documents mentioned above, which are submitted as attachments to the notification to the municipality. The cost depends on the city suburb in which the facility is built. Land taxes differ from one suburb to the other.

Procedure: 12. Hire and nominate expert supervisor of the construction work**Time:** 3 days**Cost:** RSD 450,000

Comments: Expert supervision of the construction must be secured during the entire period of construction. Such expert supervision must be done by a licensed independent engineer. This person cannot be affiliated with BuildCo. The expert supervisor comes on average once a week.

Procedure: 13. Request and obtain consent regarding the connection of the plot of land to the nearest public road**Time:** 30 days**Cost:** RSD 500,000

Comments: BuildCo needs to undertake this procedure should it require access/use of the nearest public road.

Procedure: 14*. Request and obtain consent regarding regulations on environmental protection**Time:** 30 days**Cost:** RSD 40,000**Procedure: 15*. Request and obtain water and sewerage connection****Time:** 10 days**Cost:** RSD 100,000

Procedure: 16*. Request and obtain electricity connection

Time: 15 days
Cost: RSD 150,000

Procedure: 17*. Request and obtain phone connection

Time: 10 days
Cost: RSD 17,000

Procedure: 18. Request and obtain usage permit

Time: 60 days
Cost: RSD 150

Comments: After all construction activities have been completed, a municipal commission examines if the constructed building complies with the issued building permit, all laws and technical standards. The municipality issues the usage permit within 7 days after the commission has conducted the technical examination and reports that the building is suitable for use. The municipality commission shall not issue the usage permit if the building is not in compliance with the technical standards and the technical documentation. It shall order to the company to eliminate all the irregularities and again examine the building and then issue the usage permit. If the irregularities cannot be fixed and the usage of the building would be dangerous, the municipality commission shall order the demolition of the building.

Procedure: 19*. Receive technical examination of the building from municipality commission

Time: 1 day
Cost: RSD 200,000

Comments: BuildCo must submit a formal request along with the building and usage permits. If there is a cadastral register in the area where the warehouse is constructed, the company should register the building at the cadastral registry. Otherwise, the building should be registered in the land books.

Procedure: 20. Register the building with the land or cadastral register

Time: 30 days
Cost: RSD 7,000

Comments: BuildCo must submit a formal request along with the building and usage permits. If there is a cadastral register in the area where the warehouse was constructed, the company should register the building in the cadastral registry. Otherwise, the building should be registered in the land books.

*This procedure can be completed simultaneously with previous procedures

DEALING WITH LICENSES

Zrenjanin, Serbia

Procedures to build a warehouse
Warehouse Value: USD 650,300 = RSD 43,201,055
Date as of: January 2008

Procedure: 1. Request and obtain extract from the urban plan or act on zoning conditions

Time: 15 days
Cost: RSD 30,000

Comments: Request for either of these documents should be submitted to the municipality on which territory the building plot is situated. The extract from the urban plan could be obtained only if an urban plan for the respective site exists. An excerpt from an urban plan contains all the conditions and data necessary for the development of a conceptual project and, in particular, the regulations (set-back), construction line and height restrictions and conditions. When constructing in an area for which an urban plan is not envisaged and upon the request of an interested company, the competent municipality will issue an act on zoning conditions in accordance with the space plan. However, if the construction site is located within an area for which an urban plan exists (adopted on the basis of old laws), the act on zoning conditions shall be issued in conformity with such an urban plan, until the deadline for adopting the new urban plan expires. The required plans and documents for connecting to roads and other communal infrastructure shall be obtained, at the investor's expense, ex officio by the municipality competent for issuing a building permit regarding the warehouse.

Procedure: 2*. Request and obtain proof of ownership of the construction land

Time: 7 days
Cost: RSD 400

Comments: The proof of ownership is granted by either the competent municipal court (land register extract) or Republic Geodesy Institute (newly established cadastre's extract). The proof of ownership (the land register extract) is granted by the competent municipal court and it can be obtained within 10 days. The proof of ownership (cadastre extract) can be obtained in 1 day from the Republic Geodesy Institute and this extract costs RSD 1,300 – RSD 1,700 (the price depends on the number of pages). In the case considered here, only proof of ownership from the municipal court is needed.

Procedure: 3. Request and obtain main construction project clearance from the electric energy authority

Time: 60 days
Cost: RSD 10,000

Procedure: 4*. Request and obtain main construction project clearance from the water and sewerage authority

Time: 10 days
Cost: RSD 50,000

Procedure: 5*. Request and obtain main construction project clearance from the labor inspection department for safety at work

Time: 10 days
Cost: RSD 2,000

Procedure: 6*. Request and obtain main construction project clearance from the heating authority

Time: 60 days
Cost: RSD 80,000

Comments: The building authority will not approve without a clearance from the heating authority.

Procedure: 7*. Request and obtain main construction project clearance from the telecommunication authority

Time: 20 days
Cost: RSD 20,000

Comments: The telecom authority makes a list of conditions within 10 days from the time the application was submitted. After that the company prepares the relevant set of drawings and designs according to their norms.

Procedure: 8*. Request and obtain main construction project clearance from the traffic authority

Time: 15 days
Cost: RSD 5,900

Comments: According to oral information provided by the traffic authority, this clearance can be obtained within 30 days at a cost of RSD 5,900.

Procedure: 9. Request and obtain building permit

Time: 10 days
Cost: RSD 450

Comments: A request for obtaining a building permit should be submitted to the Secretariat for Urbanism and Construction Affairs of the municipality on whose territory the building plot is situated, with the following documentation:

- Extracts from the urban plan issued within 6 months prior to the filing of the request for a building permit;
- Preliminary design project that has to be in conformity with the urban plan mentioned above; and
- Evidence of the ownership status or rental status on the building plot.

Procedure: 10*. Request and obtain technical review of the main project**Time:** 5 days**Cost:** RSD 20,000

Comments: A duly licensed company other than the one that furnished the main construction project plan must verify whether the main construction project has been made in accordance with the law and with the technical standards, and whether it has all necessary clearances described in Procedures 3–9. The main construction project must be certified and stamped to that effect.

Procedure: 11. Notify and obtain approval for the start of construction from the municipality and pay city building land tax**Time:** 10 days**Cost:** RSD 5,200,000

Comments: The start of construction activities must be reported to the municipality at least 8 days before commencement. The notification must be accompanied by all necessary documentation described in Procedures 1–10 above, including the main construction project design and description of the equipment to be used, to be certified by the municipality within 8 days of submission. After this certification has been obtained, construction may commence. The company must pay the land usage tax that is charged by the City Building Directorate and varies from EUR 50 to EUR 60 per square meter of the building plot. Construction activities cannot begin before this fee is paid. Proof of payment of this fee (if not agreed otherwise with the City Building Directorate) is submitted to the municipality along with the other documents mentioned above, which are submitted as attachments to the notification to the municipality. The cost depends on the city suburb in which the facility is built. Prices of land tax differ from one suburb to the other.

Procedure: 12. Hire and nominate expert supervisor of the construction work**Time:** 5 days**Cost:** RSD 648,016

Comments: Expert supervision of the construction must be secured during the entire period of construction. Such expert supervision must be done by a licensed independent engineer. This person cannot be affiliated with BuildCo. The expert supervisor comes on average once a week.

Procedure: 13. Request and obtain consent regarding the connection of the plot of land to the nearest public road**Time:** 30 days**Cost:** RSD 15,000

Comments: BuildCo needs to undertake this procedure should it require access/use of the nearest public road.

Procedure: 14*. Request and obtain consent regarding regulations on environmental protection**Time:** 10 days**Cost:** RSD 80,000**Procedure: 15*. Request and obtain water and sewerage connection****Time:** 10 days**Cost:** RSD 100,000**Procedure: 16*. Request and obtain electricity connection****Time:** 10 days**Cost:** RSD 500,000**Procedure: 17*. Request and obtain phone connection****Time:** 10 days**Cost:** RSD 150**Procedure: 18. Request and obtain usage permit****Time:** 30 days**Cost:** RSD 120

Comments: After all construction activities have been completed, a municipal commission examines if the constructed building complies with the issued building permit, all laws and technical standards. The municipality issues the usage permit within 7 days after the commission has conducted the technical examination and reports that the building is suitable for use. The municipality commission shall not

issue the usage permit if the building is not in compliance with the technical standards and the technical documentation. It shall order to the company to eliminate all the irregularities and again examine the building and then issue the usage permit. If the irregularities cannot be fixed and the usage of the building would be dangerous, the municipality commission shall order the demolition of the building.

Procedure: 19*. Receive technical examination of the building from municipality commission**Time:** 1 day**Cost:** RSD 20,000

Comments: BuildCo must submit a formal request along with the building and usage permits. If there is a cadastral register in the area where the warehouse is constructed, the company should register the building at the cadastral registry. Otherwise, the building should be registered in the land books.

Procedure: 20. Register the building with the land or cadastral register**Time:** 20 days**Cost:** RSD 6,000

Comments: BuildCo must submit a formal request along with the building and usage permits. If there is a cadastral register in the area where the warehouse was constructed, the company should register the building in the cadastral registry. Otherwise, the building should be registered in the land books.

* This procedure can be completed simultaneously with previous procedures

LIST OF PROCEDURES

Registering property**Shkodra, Albania**

Property value: USD 148,000 = ALL 14,574,685

Date as of: January 2008

Procedure: 1. The seller obtains an ownership title certificate**Time:** 7 days

Cost: ALL 950 (ALL 500 is for the Property Certificate and ALL 450 is for the Relevant Map)

Comments: The seller files with the Real Estate Registry Office the required documents to obtain an updated certificate of title with a layout or a record file. It contains the property number, land registry area, name of co-owner(s), and the description of the surface of the property in square meters, the site and/or building data, if any, and a specific section certifying that the real estate property is or is not subject to any dispute, lien, encumbrance, mortgage or any other real property rights.

Procedure: 2*. Verification of property certificate and relevant map at the Real Estate Property Registry**Time:** 5 days

Cost: ALL 1,400 (ALL 550 for an updated record file and ALL 950 for an updated certificate of title with a layout)

Comments: The legal status of the real estate property is checked by means of prior filing of an application by the seller with the relevant Real Estate Registry Office in order to obtain an updated certificate of title with a layout or an updated record file to be submitted to the notary. It is mandatory that this step be followed by the seller in case of execution of a sale and purchase contract on the real estate property.

Procedure: 3*. Comparison of indicative property map with the real situation and position of the land**Time:** 3 days

Cost: ALL 41,805 (557.4 square meters X 75 average fee per square meter)

Comments: This procedure aims at preventing any dispute arising from overlapping borders and other land surface misfit. It is not mandatory, but it is advisable to carry it out for high-priced transaction. The verification should be done by a licensed topographer at the expense of the buyer. The official fee to be paid is ALL 40 per square meter, but in reality the fee is between ALL 50 and 100 per square meter of land. It is assumed that the area of land in this case is 557.4 square meters.

For a rural land, it is also required to obtain a certificate from the local authorities certifying that the seller is the sole owner and is allowed to sell the land. The time to obtain this certificate is about 5 days and the cost is ALL 10 per square meter of land.

Procedure: 4. Notarization of the sale and purchase contract by a notary public**Time:** 1 day**Cost:** ALL 22,575 (the fees are calculated according to the following schedule:

| Value of real estate property: | Notary fees: |
|---|---|
| From 100,000 up to 3,000,000 | 3,500 to 7,000 (estimated proportionally) |
| Over 3,000,000 up to 4,000,000 | 7,000 up to 8,500 |
| Over 4,000,000 up to 6,000,000 | 8,500 up to 10,000 |
| Over 6,000,000 up to 8,000,000 | 10,000 up to 15,000 |
| Over 8,000,000 up to 10,000,000 | 15,000 up to 18,000 |
| Over 10,000,000 up to 15,000,000 | 18,000 up to 23,000 |
| Over 15,000,000 up to 25,000,000 | 23,000 up to 30,000 |
| Over 25,000,000 up to 40,000,000 | 30,000 up to 35,000 |
| Over 40,000,000 up to 50,000,000 | 35,000 up to 40,000 |
| Over 50,000,000 up to 70,000,000 | 40,000 up to 50,000 |
| Over 70,000,000 up to 100,000,000 | 50,000 up to 100,000 |
| Over 100,000,000 | Up to 150,000 ALL) |

Comments: The sale and purchase contract must be notarized by a notary public. The contract must be drafted by a notary public, lawyer, attorney at law, legal consultant or the parties themselves. Albanian law does not put any restrictions on their issue. In case the sale and the purchase contract are not drafted by a lawyer, the notary public is held responsible for the terms and conditions provided therein. An updated certificate of title of the property with a layout or an updated record file issued by the relevant Real Estate Registry Office is attached to and is an integral part of the sale and purchase contract.

Procedure: 5. Payment of tax at a second-tier bank**Time:** 1 day**Cost:** ALL 437,241 (3% of the property value of ALL 14,574,685

0.5% - 3% of the property value determined by the Order of the Ministry of Finance No. 5, dated January 30, 2006 with the following schedule:

| Property value | Tax |
|--|----------------------------|
| From 0 up to 2,000,000 | 0.5% of the property value |
| Over 2,000,000 up to 4,000,000 | 1% of the property value |
| Over 4,000,000 up to 6,000,000 | 2% of the property value |
| Over 6,000,000 and up | 3% of the property value) |

Comments: The seller is subject to the tax due for the transfer of the title of ownership on the real estate property. Such tax is paid at a bank, with whom the relevant Real Estate Registry Office maintains a banking account, and the seller obtains a receipt. The alienation of a real estate property from one legal entity to another is also subject to capital gains tax, at a rate of 20% of the transaction value.

Procedure: 6. Application for the registration of the real estate property with the relevant Real Estate Registry Office under the name of the buyer**Time:** 15 days**Cost:** ALL 2,750 (ALL 1,350 for the Registration request, ALL 500 for the Property Certificate, ALL 450 for the Relevant Map and ALL 450 for a Copy of Property Card)

Comments: The buyer submits the original version of the sale and purchase contract together with the bank receipt for payment of income tax, to the relevant Real Estate Registry Office for the registration of the real estate property under the buyer's name. The Shkodra Real Estate Registry handles the registration of the real estate properties mainly by means of a computerized system.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Vlora, Albania

Property value: USD 148,000 = ALL 14,574,685

Date as of: January 2008

Procedure: 1. The seller obtains an ownership title certificate**Time:** 14 days**Cost:** ALL 950 (ALL 500 is for the Property Certificate and ALL 450 is for the Relevant Map)

Comments: The seller files with the Real Estate Registry Office the required documents to obtain an updated certificate of title with a layout or a record file. It contains the property number, land registry area, name of co-owner(s), and the descrip-

tion of the surface of the property in square meters, the site and/or building data, if any, and a specific section certifying that the real estate property is or is not subject to any dispute, lien, encumbrance, mortgage or any other real property rights.

Procedure: 2*. Verification of property certificate and relevant map at the Real Estate Property Registry**Time:** 5 days**Cost:** ALL 1,400 (ALL 550 for an updated record file and ALL 950 for an updated certificate of title with a layout)

Comments: The legal status of the real estate property is checked by means of prior filing of an application by the seller with the relevant Real Estate Registry Office in order to obtain an updated certificate of title with a layout or an updated record file to be submitted to the notary. It is mandatory that this step be followed by the seller in case of execution of a sale and purchase contract on the real estate property.

Procedure: 3*. Comparison of indicative property map with the real situation and position of the land**Time:** 3 days**Cost:** ALL 41,805 (557.4 square meters X 75 average fee per square meter)

Comments: This procedure aims at preventing any dispute arising from overlapping borders and other land surface misfit. It is not mandatory, but it is advisable to carry it out for high-priced transactions. The verification should be done by a licensed topographer at the expense of the buyer. The official fee to be paid is ALL 40 per square meter, but in reality the fee is between ALL 50 and 100 per square meter of land. It is assumed that the area of land in this case is 557.4 m².

For a rural land, it is also required to obtain a certificate from the local authorities certifying that the seller is the sole owner and is allowed to sell the land. The time to obtain this certificate is about 5 days and the cost is ALL 10 per square meter of land.

Procedure: 4. Notarization of the sale and purchase contract by a notary public**Time:** 1 day**Cost:** ALL 33,575 (the fees are calculated according to the following schedule:

| Value of real estate property: | Notary fees: |
|---|---|
| From 100,000 up to 3,000,000 | 3,500 to 7,000 (estimated proportionally) |
| Over 3,000,000 up to 4,000,000 | 7,000 up to 8,500 |
| Over 4,000,000 up to 6,000,000 | 8,500 up to 10,000 |
| Over 6,000,000 up to 8,000,000 | 10,000 up to 15,000 |
| Over 8,000,000 up to 10,000,000 | 15,000 up to 18,000 |
| Over 10,000,000 up to 15,000,000 | 18,000 up to 23,000 |
| Over 15,000,000 up to 25,000,000 | 23,000 up to 30,000 |
| Over 25,000,000 up to 40,000,000 | 30,000 up to 35,000 |
| Over 40,000,000 up to 50,000,000 | 35,000 up to 40,000 |
| Over 50,000,000 up to 70,000,000 | 40,000 up to 50,000 |
| Over 70,000,000 up to 100,000,000 | 50,000 up to 100,000 |
| Over 100,000,000 | Up to 150,000 ALL) |

Comments: The sale and purchase contract must be notarized by a notary public. The contract must be drafted by a notary public, lawyer, attorney at law, legal consultant or the parties themselves. Albanian law does not put any restrictions on their issue. In case the sale and the purchase contract are not drafted by a lawyer, the notary public is held responsible for the terms and conditions provided therein. An updated certificate of title of the property with a layout or an updated record file issued by the relevant Real Estate Registry Office is attached to and is an integral part of the sale and purchase contract.

Procedure: 5. Payment of tax at a second-tier bank**Time:** 1 day**Cost:** ALL 437,241 (3% of the property value of ALL 14,574,685

0.5% - 3% of the property value determined by the Order of the Ministry of Finance No. 5, dated January 30, 2006 with the following schedule:

| Property value | Tax |
|--|----------------------------|
| From 0 up to 2,000,000 | 0.5% of the property value |
| Over 2,000,000 up to 4,000,000 | 1% of the property value |
| Over 4,000,000 up to 6,000,000 | 2% of the property value |
| Over 6,000,000 and up | 3% of the property value) |

Comments: The seller is subject to the tax due for the transfer of the title. Such tax is paid at a bank, with whom the Real Estate Registry Office maintains an account, and the seller obtains a receipt. The alienation of a real estate property from one legal entity to another is also subject to capital gains tax of 20% of the transaction value.

Procedure: 6. Application for the registration of the real estate property with the relevant Real Estate Registry Office under the name of the buyer

Time: 21 days

Cost: ALL 2,750 (ALL 1,350 is for the Registration request, ALL 500 is for the Property Certificate, ALL 450 is for the Relevant Map and ALL 450 is for a Copy of Property Card)

Comments: The buyer submits the original version of the sale and purchase contract together with the bank receipt for payment of income tax, to the relevant Real Estate Registry Office for the registration of the real estate property under the buyer's name.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Banja Luka, Bosnia and Herzegovina

Property value: USD 149,000 = BAM 232,291

Date as of: January 2008

Procedure: 1. Obtain a land registry extract as proof of ownership

Time: 6 days

Cost: BAM 65

Comments: The seller requests and obtains the land registry extract from a competent court land registry office as a proof of ownership. In practice, the extract must be obtained by the seller before starting the transaction formally. The seller may hire a lawyer to perform this task.

Procedure: 2*. Buyer and seller obtain the court extract certifying the person authorized to act on behalf of each company

Time: 7 days

Cost: BAM 65 (BAM 5 is the court certificate fee and BAM 60 is the lawyer fee)

Comments: Both the seller and the buyer submit the request for obtaining the court extract certifying the person authorized to act on behalf of each company to the court that keeps the Registry of Commercial Companies. It is common for them to hire a lawyer to perform this task. The parties have to provide the set of registration documents, which prove that the person who will sign on behalf of the company is authorized to do so.

Procedure: 3. Obtain the copy of the plan

Time: 9 days

Cost: BAM 27

Comments: The copy of the plan is obtained from the Cadastre.

Procedure: 4. Offer the property to the municipality

Time: 8 days

Cost: BAM 5 (municipality fee)

Comments: The seller needs to verify with the municipality that the property is not part of any municipality construction plans.

Procedure: 5. Obtain the tax clearance from local tax authorities for both companies

Time: 10 days

Cost: BAM 10

Comments: The tax clearance certifies that the seller and the buyer do not owe any property tax to the municipality.

Procedure: 6. Verification of the signatures of both parties at the Court

Time: 1 day

Cost: BAM 505 (BAM 105 is the verification fee and BAM 400 the lawyers fee)

Comments: For signing of the purchase agreement and verification of the signatures by the competent court, the presence of both parties is necessary or verification should be based on the special power of attorney. Five copies must be verified at the court, one copy for the court and two for each party. An attorney-at-law prepares the purchase agreement based on the extract (obtained in Procedure 1) and other documentation provided by the seller who is responsible for gathering all documentation to be presented to the lawyer. The lawyer will verify the ownership situation of the property in the court's Land Registry Office before signing the agreement. Participation of a lawyer in the preparation of the purchase agreement is not

mandatory according to the local legislation, although it is common.

Lawyer's fees depend on the value of the property and are set in the BiH Federation Official Gazette No. 22/04 as follows:

| Value of Property (in BAM) | Lawyer fees (in BAM) |
|-----------------------------|---|
| Under 5,000 | 240 |
| From 5,001 to 10,000 | 360 |
| From 10,001 to 30,000 | 720 |
| From 30,001 to 50,000 | 1,080 |
| From 50,001 to 75,000 | 1,440 |
| From 75,001 to 100,000 | 1,800 |
| From 100,001 to 1,000,000 | 1,800 + 1.2% of excess over 100,000 |
| From 1,000,001 to 5,000,000 | 4,400 + 0.6% of excess over 1,000,000 |
| Over 5,000,000 | 12,400 + 0.3% of excess over 5,000,000. |

Procedure: 7. Submit a request for evaluation of the property regarding tax payments

Time: 3 days

Cost: BAM 80 (lawyer's fee)

Comments: Parties file the request for the evaluation of the real estate regarding the payment of the tax for the transfer of the ownership on real estate at the competent municipal tax authority. The deadline for filing the request is 15 days from the verification of signatures on the sale agreement. This procedure can be done by a lawyer or by the buyer and/or the seller. The documentation shall include a copy of the sale contract.

Procedure: 8. On-site inspection of the property

Time: 5 days

Cost: No cost

Comments: Upon submission of the purchase agreement the tax office commission performs on-site inspection of the real estate and takes minutes during that inspection. Based on the minutes, the tax office makes an official decision on which party will pay the tax (in practice it is usually the buyer).

Procedure: 9. Payment of the transfer tax at a commercial bank

Time: 1 day

Cost: BAM 6,968.7 (3% of the property value of BAM 232,291)

Comments: The transfer tax is paid, usually by the buyer, at a commercial bank in favor of the municipal budget. The tax has to be paid according to the tax authority's instructions within 15 days from receiving payment instructions from the tax authority.

Procedure: 10. Apply for registration at the Land Registry

Time: 1 day

Cost: BAM 55 (land registry fee)

Comments: Parties submit the application and other documentation for the transfer of the ownership to the competent court land registry office. The documentation shall include the purchase agreement and certificate of tax payment. The registration of the transfer of ownership is handled by an authorized court officer.

Procedure: 11. Register at the Cadastre

Time: 144 days

Cost: BAM 14

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Mostar, Bosnia and Herzegovina

Property value: USD 149,000 = BAM 232,291

Date as of: January 2008

Procedure: 1. Obtain a land registry extract as proof of ownership

Time: 14 days

Cost: BAM 10

Comments: The seller requests and obtains the land registry extract from a competent court land registry office as a proof of ownership. In practice, the extract must be obtained by the seller before starting the transaction formally. The seller may hire a lawyer to perform this task. Due to a large number of cases this procedure lasts 14 days.

Procedure: 2*. Buyer and seller obtain the court extract certifying the person authorized to act on behalf of each company**Time:** 12 days**Cost:** BAM 16 (BAM 8 for each request and BAM 2 per page)

Comments: Both the seller and the buyer submit the request for obtaining the court extract certifying the person authorized to act on behalf of each company to the court that keeps the Registry of Commercial Companies. It is common for them to hire a lawyer to perform this task. The parties have to provide a set of registration documents, which prove that the person who will sign on behalf of the company is authorized to do so. The court tax is BAM 8 for the request and BAM 2 per page for the court extract. Each court extract contains approximately 4-5 pages. The lawyer's fee is about BAM 90.

Procedure: 3. Notaries verify the signatures of both parties**Time:** 1 day**Cost:** BAM 180

Comments: For signing of the purchase agreement and verification of the signatures by the competent court, the presence of both parties is necessary or verification should be based on the special power of attorney. Five copies must be verified at the court, one copy for the court and two for each party. An attorney-at-law prepares the purchase agreement based on the extract (obtained in Procedure 1) and other documentation provided by the seller who is responsible for gathering all documentation to be presented to the lawyer. The lawyer will verify the ownership situation of the property in the court's Land Registry Office before signing the agreement. Participation of a lawyer in the preparation of the purchase agreement is not mandatory according to the local legislation, although it is common.

Lawyer's fees depend on the value of the property and are set in the BiH Federation Official Gazette No. 22/04 as follows:

| Value of Property (in BAM) | Lawyer fees (in BAM) |
|-----------------------------|---|
| Under 5,000 | 240 |
| From 5,001 to 10,000 | 360 |
| From 10,001 to 30,000 | 720 |
| From 30,001 to 50,000 | 1,080 |
| From 50,001 to 75,000 | 1,440 |
| From 75,001 to 100,000 | 1,800 |
| From 100,001 to 1,000,000 | 1,800 + 1.2% of excess over 100,000 |
| From 1,000,001 to 5,000,000 | 4,400 + 0.6% of excess over 1,000,000 |
| Over 5,000,000 | 12,400 + 0.3% of excess over 5,000,000. |

Procedure: 4. Submit a request for evaluation of the property regarding tax payments**Time:** 1 day**Cost:** BAM 680

Comments: Parties request the evaluation of the real estate regarding the payment of the tax for the transfer of the ownership on real estate at the competent municipal tax authority. The deadline for filing the request is 15 days from the verification of signatures on the sale agreement. This procedure can be done by a lawyer or by the buyer and/or the seller. The documentation shall include a copy of the sale contract.

Procedure: 5. On-site inspection of the property**Time:** 23 days**Cost:** BAM 100 (commission fee)

Comments: Upon submission of the purchase agreement the tax office commission performs on-site inspection of the real estate and takes minutes during that inspection. Based on the minutes, the tax office makes an official decision on which party will pay the tax (in practice it is usually the buyer).

Procedure: 6. Payment of the transfer tax at a commercial bank**Time:** 1 day**Cost:** BAM 11,615 (5% of the property value of BAM 232,291)

Comments: The transfer tax is paid, usually by the buyer, to the municipal budget at a commercial bank. The tax has to be paid according to the tax authority's instructions within 15 days from receiving payment instructions from the tax authority.

Procedure: 7. Apply for registration at the Land Registry**Time:** 1 day**Cost:** BAM 55 (land registry fee)

Comments: Parties submit the application and other documentation for the transfer of the ownership to the competent court land registry office. The documentation

shall include the purchase agreement and certificate of tax payment. The registration of the transfer of ownership is handled by an authorized court officer.

Procedure: 8. Register at the Cadastre**Time:** 104 days**Cost:** BAM 10

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Osijek, Croatia

Property value: USD 466,500 = HRK 2,723,287

Date as of: January 2008

Procedure: 1. Obtain a land registry extract from the competent Land Registry Court**Time:** 1 day**Cost:** HRK 20 (per extract)

Comments: Obtaining a land registry extract has become a crucial part of the preparation process for the purchase of real estate, since the land registry extract generally enjoys public trust. Due diligence requires that the buyer knows the status of the land registry. If not, it can also result in adverse material consequences with respect to statutory warranty claims. The extract must be stamped by the Land Registry Court in order to be verified. This usually does not take more than one day.

In the last couple of years, Croatia has been in the process of computerizing the Registry. It is now possible to obtain an unofficial extract (if available) online at any time and at no cost. This process is still in its early stages. However, it is possible to search some of the Land Registry books online and obtain an electronic land registry extract for a property that has been entered in the electronic database. The digital Land Registry can be accessed through: <http://e-izvadak.pravosudje.hr/mpweb/main.jsp>. E-Cadastre also enables online insight into the status of possession of properties in Croatia, according to the number of land plot and cadastral municipality data (<http://katastar.hr/dgu/ind.php>).

Procedure: 2*. Notarization of sale contract by public notary**Time:** 1 day**Cost:** HRK 68.8 (to verify signature)

Comments: The contract of sale that contains a *clausula intabulandi* (i.e. the declaration by the seller that the buyer may be entered in the Land Register) is prepared by the parties or by a lawyer and the signatures of the seller (the party whose right will be limited by contract) are verified by a notary public. Standard sale contract forms can be purchased at office supply stores. If a lawyer prepares the sale contract, it will cost about 1.25% of the property price (plus 22% VAT) for properties with a value above HRK 500,000.

Procedure: 3. Submit the sale contract to the tax administration on the municipal level for payment of land transfer taxes**Time:** 30 days**Cost:** No cost

Comments: The buyer shall submit the sale agreement to the tax administration at the city/municipality level for payment of land transfer taxes. The tax administration makes a decision on the amount of taxes payable within 30 days and sends this decision to the address of the person who submitted the sale agreement. Along with this decision of the tax administration, a payment slip is attached, with the exact amount of the tax due, and with the exact bank account number indicated on which the payment of the tax should be exercised. This procedure is no precondition for registering the sale agreement in the Land Register.

The notary public shall also report the sale agreement to the tax administration at the city/municipality level for payment of land transfer taxes. While the buyer has the legal obligation to deliver the sale contract to the tax authority within 30 days of the conclusion of the sale agreement, the notary is obliged to deliver the sale agreement to the tax authority within 15 days of the expiry of the month in which the certification of signatures took place.

Procedure: 4*. Payment of stamp duty and registration fees at a commercial bank or post office**Time:** 1 day**Cost:** HRK 250 (HRK 50 stamp duty + HRK 200 registration fee)

Comments: Before applying for registration the stamp duty and registration fee must be paid. The registration fee and the stamp duty can be paid in post offices or commercial banks, but always only to the indicated bank account number (which is the account number of the State's budget).

Procedure: 5. Register title transfer at Land Registry Court**Time:** 30 days**Cost:** No cost (already paid in procedure 4)

Comments: The request for the property registration must be submitted to the Registry by the parties on the appropriate registration form approved by the Ministry of Justice. However, the request shall not be rejected just because it was not submitted on the prescribed registration form. The time it takes depends on the complexity of the case and the qualifications of the registry staff. The participation of an attorney is not mandatory, but if one is involved, the fees will be about 0.5% of the property value.

The Registry conducts the registration procedure and renders the decision issuing the property title. Only the final decision, the one allowing the registration, produces the legal effect. However, regardless of the time when the final decision is rendered, the date of the registration application will be the date marked in the Registry as the moment of transferring the ownership title. Since 2004, the court has not accepted incomplete applications. If the registration form contains certain deficiencies, the court will not invite the applicant to correct the request but will immediately dismiss the application. The applicant may submit a new request, which will then have a lower rank. Recent changes in 2005 entrust the Land Registry clerks with the authority to decide on applications, with judges deciding on appeals. The documentation shall include the notarized sale agreement, the application form and a certified copy of an identification card or a passport.

Procedure: 6. Payment of land transfer tax**Time:** 1 day**Cost:** HRK 136,164.6 (5% of the value of the property of HRK 2,723,287)

Comments: Within 15 days of the receipt of the tax assessment notice, the buyer shall pay the real property transfer tax. In the event of a default by the buyer, the tax authority can hold the seller jointly liable for the payment of this tax, provided that the seller assumed the contractual obligation to pay the tax. If the buyer does not properly notify the taxation office of all circumstances regarding the real property transaction that are relevant for the proper assessment of the tax, he shall be subject to penalties in an amount ranging from HRK 500 up to HRK 200,000. If the buyer does not pay the tax, it will not stop his/her right to register the ownership.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Sibenik, Croatia

Property value: USD 466,500 = HRK 2,723,287

Date as of: January 2008

Procedure: 1. Obtain a land registry extract from the competent Land Registry Court**Time:** 1 day**Cost:** HRK 20 (per extract)

Comments: Obtaining a land registry extract has become a crucial part of the preparation process for the purchase of real estate, since the land registry extract generally enjoys public trust. Due diligence requires that the buyer knows the status of the land registry. If not, it can also result in adverse material consequences with respect to statutory warranty claims. The extract must be stamped by the Land Registry Court in order to be verified. This usually does not take more than one day.

In the last couple of years, Croatia has been in the process of computerizing the Registry. It is now possible to obtain an unofficial extract (if available) online at any time and at no cost. This process is still in its early stages. However, it is possible to search some of the Land Registry books online and obtain an electronic land registry extract for a property that has been entered in the electronic database. The digital Land Registry can be accessed through: <http://e-izvadak.pravosudje.hr/mpweb/main.jsp>. E-Cadastre also enables online insight into the status of possession of properties in Croatia, according to the number of land plot and cadastral municipality data (<http://katastar.hr/dgu/ind.php>).

Procedure: 2*. Notarization of sale contract by public notary**Time:** 1 day**Cost:** HRK 46.6 (to verify signature)

Comments: The contract of sale that contains a *clausula intabulandi* (i.e. the declaration by the seller that the buyer may be entered in the Land Register) is prepared by the parties or by a lawyer and the signatures of the seller (the party whose right will be limited by contract) are verified by a notary public. Standard sale contract forms can be purchased at office supply stores. If a lawyer prepares the sale contract, it will cost about 1.25% of the property price (plus 22% VAT) for properties with a value above HRK 500,000.

Procedure: 3. Submit the sale contract to the tax administration on the municipal level for payment of land transfer taxes**Time:** 30 days**Cost:** No cost

Comments: The buyer shall submit the sale agreement to the tax administration at the city/municipality level for payment of land transfer taxes. The tax administration makes a decision on the amount of taxes payable within 30 days and sends this decision to the address of the person who submitted the sale agreement. Along with this decision of the tax administration, a payment slip is attached, with the exact amount of the tax due, and with the exact bank account number indicated on which the payment of the tax should be exercised. This procedure is no precondition for registering the sale agreement in the Land Register.

The notary public shall also report the sale agreement to the tax administration at the city/municipality level for payment of land transfer taxes. While the buyer has the legal obligation to deliver the sale contract to the tax authority within 30 days of the conclusion of the sale agreement, the notary is obliged to deliver the sale agreement to the tax authority within 15 days of the expiry of the month in which the certification of signatures took place.

Procedure: 4*. Payment of stamp duty and registration fees at a commercial bank or post office**Time:** 1 day**Cost:** HRK 250 (HRK 50 stamp duty + HRK 200 registration fee)

Comments: Before applying for registration the stamp duty and registration fee must be paid. The registration fee and the stamp duty can be paid in post offices or commercial banks, but always only to the indicated bank account number (which is the account number of the State's budget).

Procedure: 5. Register title transfer at Land Registry Court**Time:** 120 days**Cost:** No cost (already paid in procedure 4)

Comments: The request for the property registration must be submitted to the Registry by the parties on the appropriate registration form approved by the Ministry of Justice. However, the request shall not be rejected just because it was not submitted on the prescribed registration form. The time depends on the complexity of the case and the qualifications of the registry staff. The participation of an attorney is not mandatory, but if one is involved, the fees will be about 0.5% of the property value.

The Registry conducts the registration procedure and renders the decision issuing the property title. Only the final decision, the one allowing the registration, produces the legal effect. However, regardless of the time when the final decision is rendered, the date of the registration application will be the date marked in the Registry as the moment of transferring the ownership title. Since 2004, the court has not accepted incomplete applications. If the registration form contains certain deficiencies, the court will not invite the applicant to correct the request but will immediately dismiss the application. The applicant may submit a new request, which will then have a lower rank. Recent changes in 2005 entrust the Land Registry clerks with the authority to decide on applications, with judges deciding on appeals. The documentation shall include the notarized sale agreement, the application form and a certified copy of an identification card or a passport.

Procedure: 6. Payment of land transfer tax**Time:** 1 day**Cost:** HRK 136,164.6 (5% of the value of the property of HRK 2,723,287)

Comments: Within 15 days of the receipt of the tax assessment notice, the buyer shall pay the real property transfer tax. In the event of a default by the buyer, the tax authority can hold the seller jointly liable for the payment of this tax, provided that the seller assumed the contractual obligation to pay the tax. If the buyer does not properly notify the taxation office of all circumstances regarding the real property transaction that are relevant for the proper assessment of the real property transfer tax, he shall be subject to penalties in an amount ranging from HRK 500 up to HRK 200,000. If the buyer does not pay the tax, it will not stop his/her right to register the ownership.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Varazdin, Croatia*Property value: USD 466,500 = HRK 2,723,287**Date as of: January 2008***Procedure: 1. Obtain a land registry extract from the competent Land Registry Court****Time:** 1 day**Cost:** HRK 20 (per extract)

Comments: Obtaining a land registry extract has become a crucial part of the preparation process for the purchase of real estate, since the land registry extract generally enjoys public trust. Due diligence requires that the buyer knows the status of the land registry. If not, it can also result in adverse material consequences with respect to statutory warranty claims. The extract must be stamped by the Land Registry Court in order to be verified. This usually does not take more than one day.

In the last couple of years, Croatia has been in the process of computerizing the Registry. It is now possible to obtain an unofficial extract (if available) online at any time and at no cost. This process is still in its early stages. However, it is possible to search some of the Land Registry books online and obtain an electronic land registry extract for a property that has been entered in the electronic database. The digital Land Registry can be accessed through: <http://e-izvadak.pravosudje.hr/mpweb/main.jsp>. E-Cadastre also enables online insight into the status of possession of properties in Croatia, according to the number of land plot and cadastral municipality data (<http://katastar.hr/dgu/ind.php>).

Procedure: 2*. Notarization of sale contract by public notary**Time:** 1 day**Cost:** HRK 68.8 (to verify signature)

Comments: The contract of sale that contains a *clausula intabulandi* (i.e. the declaration by the seller that the buyer may be entered in the Land Register) is prepared by the parties or by a lawyer and the signatures of the seller (the party whose right will be limited by contract) are verified by a notary public. Standard sale contract forms can be purchased at office supply stores. If a lawyer prepares the sale contract, it will cost about 1.25% of the property price (plus 22% VAT) for properties with a value above HRK 500,000.

Procedure: 3. Submit the sale contract to the tax administration on the municipal level for payment of land transfer taxes**Time:** 30 days**Cost:** No cost

Comments: The buyer shall submit the sale agreement to the tax administration at the city/municipality level for payment of land transfer taxes. The tax administration makes a decision on the amount of taxes payable within 30 days and sends this decision to the address of the person who submitted the sale agreement. Along with this decision of the tax administration, a payment slip is attached, with the exact amount of the tax due, and with the exact bank account number indicated on which the payment of the tax should be exercised. This procedure is no precondition for registering the sale agreement in the Land Register.

The notary public shall also report the sale agreement to the tax administration at the city/municipality level for payment of land transfer taxes. While the buyer has the legal obligation to deliver the sale contract to the tax authority within 30 days of the conclusion of the sale agreement, the notary is obliged to deliver the sale agreement to the tax authority within 15 days of the expiry of the month in which the certification of signatures took place.

Procedure: 4*. Payment of stamp duty and registration fees at a commercial bank or post office**Time:** 1 day**Cost:** HRK 250 (HRK 50 stamp duty + HRK 200 registration fee)

Comments: Before applying for registration the stamp duty and registration fee must be paid. The registration fee and the stamp duty can be paid in post offices or commercial banks, but always only to the indicated bank account number (which is the account number of the State's budget).

Procedure: 5. Register title transfer at Land Registry Court**Time:** 8 days**Cost:** No cost (already paid in procedure 4)

Comments: The request for the property registration must be submitted to the Registry by the parties on the appropriate registration form approved by the Ministry of Justice. However, the request shall not be rejected just because it was not submitted on the prescribed registration form. The time depends on the complexity of the case and the qualifications of the registry staff. The participation of an attorney is not

mandatory, but if one is involved, the fees will be about 0.5% of the property value.

The Registry conducts the registration procedure and renders the decision issuing the property title. Only the final decision, the one allowing the registration, produces the legal effect. However, regardless of the time when the final decision is rendered, the date of the registration application will be the date marked in the Registry as the moment of transferring the ownership title. Since 2004, the court has not accepted incomplete applications. If the registration form contains certain deficiencies, the court will not invite the applicant to correct the request but will immediately dismiss the application. The applicant may submit a new request, which will then have a lower rank. Recent changes in 2005 entrust the Land Registry clerks with the authority to decide on applications, with judges deciding on appeals. The documentation shall include the notarized sale agreement, the application form and a certified copy of an identification card or a passport.

Procedure: 6. Payment of land transfer tax**Time:** 1 day**Cost:** HRK 136,164.6 (5% of the value of the property of HRK 2,723,287)

Comments: Within 15 days of the receipt of the tax assessment notice, the buyer shall pay the real property transfer tax. In the event of a default by the buyer, the tax authority can hold the seller jointly liable for the payment of this tax, provided that the seller assumed the contractual obligation to pay the tax. If the buyer does not properly notify the taxation office of all circumstances regarding the real property transaction that are relevant for the assessment of the transfer tax, he shall be subject to penalties in an amount ranging from HRK 500 up to HRK 200,000. If the buyer does not pay the tax, it will not stop his/her right to register the ownership.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Pristina, Kosovo*Property value: USD 87,094 = EUR 69,440**Date as of: January 2008***Procedure: 1. Request and obtain the property certificate and lot plan copy from the Municipality Geodesic and Cadastral Directorate****Time:** 2 days**Cost:** EUR 8 (EUR 4 for the property certificate and EUR 4 for the lot plan copy)**Comments:** Property certificate and lot plan copy are valid for 180 days each.**Procedure: 2*. Request and obtain confirmation letters from the Municipality Finance and Property Directorate proving that the property can be sold and there are no tax obligations****Time:** 2 days**Cost:** EUR 4

Comments: The confirmation letter is one letter issued to both buyer and seller. For a construction on agricultural land, the confirmation letter needs to be obtained from the Agricultural Institution and costs EUR 30.

Procedure: 3. Lawyer drafts sale-purchase agreement**Time:** 2 days**Cost:** EUR 200

Comments: The fee that lawyers charge depends on the value of the contract. It varies from EUR 100 to EUR 300 and is subject to bargaining.

Procedure: 4. Confirmation of the transaction contract by municipality court**Time:** 2 days**Cost:** EUR 56 (EUR 50 is the court confirmation fee, EUR 1 is the request fee and EUR 5 is the authorization)

Comments: The practice is to hire lawyers to draft the transaction contract and obtain the court confirmation. The lawyer needs to have an authorization in order to be able to confirm the contract in the court. Authorization for the lawyer needs to be confirmed by the municipality court and costs EUR 5.

Procedure: 5. Seller pays transaction tax at a commercial bank**Time:** 1 day**Cost:** EUR 150

Comments: Previously, the transaction tax was a fixed percentage charged on the property value. Currently, transaction tax is EUR 150 per lot. We assume that the property sold represents one lot due to its size.

Procedure: 6. Register property title transfer with the Real Estate Registry of the municipal Geodesic and Cadastral Directorate**Time:** 30 days**Cost:** EUR 5 (application fee)**Comments:** The new owner needs to request and obtain an approval in order to reflect the changes in ownership and obtain a new title certificate.**Procedure: 7*. Payment of application fee at a bank****Time:** 1 day**Cost:** EUR 200**Comments:** Payments of up to EUR 20 can be made at the Cadastral Offices. Payments above this value need to be made at a bank.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Prizren, Kosovo*Property value: USD 87,094 = EUR 69,440**Date as of: January 2008***Procedure: 1. Request and obtain the property certificate and lot plan copy from the Municipality Geodesic and Cadastral Directorate****Time:** 2 days**Cost:** EUR 9 (EUR 5 for the property certificate and EUR 4 for the lot plan copy)**Comments:** Property certificate and lot plan copy are valid for 180 days each.**Procedure: 2*. Request and obtain confirmation letters from the Municipality Finance and Property Directorate proving that the property can be sold and there are no tax obligations****Time:** 2 days**Cost:** EUR 5**Comments:** The confirmation letter is one letter issued to both buyer and seller. For a construction on agricultural land, the confirmation letter needs to be obtained from the Agricultural Institution and costs EUR 30.**Procedure: 3. Lawyer drafts sale-purchase agreement****Time:** 2 days**Cost:** EUR 175**Comments:** The fee that lawyers charge depends on the value of the contract. It varies from EUR 50 to EUR 300 and is subject to bargaining.**Procedure: 4. Confirmation of the transaction contract by municipality court****Time:** 2 days**Cost:** EUR 56 (EUR 50 is the court confirmation fee, EUR 1 is the request fee and EUR 5 is the authorization)**Comments:** The practice is to hire lawyers to draft the transaction contract and obtain the court confirmation. The lawyer needs to have an authorization in order to be able to confirm the contract in the court. Authorization for the lawyer needs to be confirmed by the municipality court and costs EUR 5.**Procedure: 5. Seller pays transaction tax at a commercial bank****Time:** 1 day**Cost:** EUR 200**Comments:** Previously, the transaction tax was a fixed percentage charged on the property value. Currently, transaction tax is EUR 150 per lot. We assume that the property sold represents one lot due to its size.**Procedure: 6. Register property title transfer with the Real Estate Registry of the municipal Geodesic and Cadastral Directorate****Time:** 28 days**Cost:** EUR 5 (application fee)**Comments:** The new owner needs to request and obtain an approval in order to reflect the changes in ownership and obtain a new title certificate.**Procedure: 7*. Payment of application fee at a bank****Time:** 1 day**Cost:** EUR 80**Comments:** Payments of up to EUR 20 can be made at the Cadastral Offices. Payments above this value need to be made at a bank.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Bitola, Macedonia, FYR*Property value: USD 153,000 = MKD 7,464,166**Date as of: January 2008***Procedure: 1. Obtain a non-encumbrance certificate on the property****Time:** 2 days**Cost:** MKD 400**Comments:** Check in the First Instance Court (Bitola) whether there are any mortgages on the land and obtain a non-encumbrance certificate from that court. This information could also be found in the title deed of the seller.**Procedure: 2*. Obtain copy of the title deed from the Cadastre****Time:** 1 day**Cost:** MKD 175 (MKD 125 for title deed + MKD 50 for stamp duty)**Comments:** The seller should obtain a copy of the title deed from the Cadastre before starting the transaction formally. The cost of obtaining the title deed was decreased in October 2007 following the Government decision published in the Official Gazette No. 119/07.**Procedure: 3. A lawyer prepares the sale contract****Time:** 1 day**Cost:** MKD 2,000**Comments:** According to practice the Revenue Office requests that an attorney-at-law prepares the sale agreement. While in Skopje, clients usually hire the lawyer to complete the registration, clients in Bitola prefer to complete the process themselves; hence the cost in Bitola is lower.**Procedure: 4. Calculation and payment of the land transfer tax at the local Public Revenue Department****Time:** 8 days**Cost:** MKD 224,175 (MKD 250 is the administrative tax + 3% of the value of the property of MKD 7,464,166 for land transfer tax)**Comments:** Tax liability is incurred on the date of conclusion of the agreement on the transfer of ownership. The base for the land transfer tax is the market value of the real estate at the moment of the tax liability. Previously paid to the Public Revenue Authority, the payment of this tax moved from the Revenue Authority to the municipalities in 2005. According to the Law on Property Taxes (Official Gazette of RoM, No. 61, dated September 13th 2004), the tax rates are determined by each municipality, and the municipal administration is authorized to calculate and collect the property taxes as per the location of the property. The mayor should pass and deliver the decision on the amount of the property tax within 30 days from the submission of the application by the taxpayer. The rate of the land transfer tax equals 3% of the determined market value of the property.**Procedure: 5. Authenticate sale contract at public notary office****Time:** 1 day**Cost:** MKD 10,000 (notary fees (with a maximum of MKD 10,000), are determined in accordance with the Tariff for Notary Services adopted in 2002:

| Property value (MKD) | Notary's fees |
|-------------------------------|---------------|
| Up to 100,000 | 1,000 |
| From 100,000 to 200,000 | 1,500 |
| From 200,000 to 300,000 | 2,500 |

Above 300,000 1% of the property value (max. 10,000 MKD))

Comments: The agreement is authenticated before a notary by the seller and buyer. The notary will not authenticate the agreement if the land transfer tax has not been paid to the Revenue Authority. If the tax is not paid when the agreement is signed before a notary, the seller must pay the tax after signing and to submit a copy of the tax receipt to the notary, who will then authenticate the agreement. According to the Law on Notary Public, a notary is obliged to submit these documents to the Cadastre in order to inform the Cadastre about the change in ownership.

Procedure: 6. Register change of ownership at the Cadastre**Time:** 10 days**Cost:** MKD 425 (250 MKD for change of ownership + 125 MKD for new title deed + 50 MKD for stamp duty)**Comments:** A request for changing the title is submitted to the Cadastre. The buyer will obtain from the Cadastre a new title deed on which the new owner will be registered. The right of ownership over the property is established at the moment of registration of that right in the Public Book at the Cadastre. On March 10, 2005, amendments to the Law on Survey, Cadastre and Registration of the Rights over real property (Official Gazette of RoM, No. 84) provided for the possibility of conducting electronic transactions through the Cadastre. These amendments took effect in November 2005. However, they have not yet been put into practice. The documentation shall include a sale contract authenticated by the public notary (obtained in Procedure 6).

The cost of changing the ownership and obtaining the title deed was decreased in October 2007 following the Government decision published in the Official Gazette No. 119/07.

*This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Niksic, Montenegro*Property value: USD 193,000 = EUR 153,879**Date as of: January 2008***Procedure: 1. Obtain property excerpt from Agency for Real Estate****Time:** 1 day**Cost:** EUR 8 (EUR 5 Republic Administrative Tax and EUR 8 Agency for Real Estate fee)**Comments:** The buyer goes to the local branch of the Agency for Real Estate to obtain an excerpt on the property, proving the seller's ownership.**Procedure: 2. Lawyer drafts sale-purchase agreement****Time:** 1 day**Cost:** EUR 150**Comments:** For some transactions, a party may choose to hire a lawyer to check the boundaries and limitations of the property against the excerpt. The fee that lawyers charge depends on the value of the contract. The fee ranges from EUR 100 to 200.**Procedure: 3. Sign and notarize the sale-purchase agreement at the Municipal Court****Time:** 1 day**Cost:** EUR 300 (EUR 30 for any agreement over EUR 5,000 + 0.25% of the amount exceeding EUR 5,000, not to exceed EUR 300. The total in this case is EUR 300)**Comments:** It is mandatory that the sale-purchase agreement be notarized.**Procedure: 4. Obtain tax clearance from tax authorities****Time:** 2 days**Cost:** EUR 10**Comments:** The seller should obtain a document from the tax authorities saying that he has paid any taxes related to the property.**Procedure: 5. Tax authorities assess the amount of transfer tax to be paid by the buyer****Time:** 7 days**Cost:** No cost**Comments:** During this period the tax authorities will compare their valuation of the property with the sale-purchase agreement price. They will assess how much the buyer should pay as transfer tax (3% of the property value) and assign a bank at which to pay. This assessment may take from 4 to 10 days.**Procedure: 6. Buyer pays transfer tax at a commercial bank****Time:** 1 day**Cost:** EUR 4,616.4 (3% of the property value of EUR 153,879)**Comments:** The buyer will deposit the amount assessed by the tax authorities to be paid as transfer tax into the bank account assigned by the tax authorities in their account. The tax was recently increased from 2 to 3% of the property value.**Procedure: 7. Request inscription of the new owner at the Agency for Real Estate****Time:** 23 days**Cost:** EUR 18 (The request is EUR 5 and the inscription is EUR 13)**Comments:** The request takes 1 day and the inscription 15-30 days. Parties fill in a standard form or make a simple written request at the local branch of the Agency for Real Estate for the name on the property to be changed to the buyer's name. After the Agency inscribes the name, the transfer is considered final. The parties are notified in writing that the inscription has taken place. There is no mandatory document at the end of this period, though the buyer can request a copy of the inscription.

REGISTERING PROPERTY

Pljevlje, Montenegro*Property value: USD 193,000 = EUR 153,879**Date as of: January 2008***Procedure: 1. Obtain property excerpt from Agency for Real Estate****Time:** 1 day**Cost:** EUR 8 (EUR 5 Republic Administrative Tax and EUR 8 Agency for Real Estate fee)**Comments:** The buyer goes to the local branch of the Agency for Real Estate to obtain an excerpt on the property, proving the seller's ownership.**Procedure: 2. Lawyer drafts sale-purchase agreement****Time:** 1 day**Cost:** EUR 150**Comments:** For some transactions, a party may choose to hire a lawyer to check the boundaries and limitations of the property against the excerpt. The fee that lawyers charge depends on the value of the contract. The fee ranges from EUR 100 to 200.**Procedure: 3. Sign and notarize the sale-purchase agreement at the Municipal Court****Time:** 1 day**Cost:** EUR 300 (EUR 30 for any agreement over EUR 5,000 + 0.25% of the amount exceeding EUR 5,000, not to exceed EUR 300.)**Comments:** It is mandatory that the sale-purchase agreement be notarized.**Procedure: 4. Obtain tax clearance from tax authorities****Time:** 2 days**Cost:** EUR 5**Comments:** The seller should obtain a document from the tax authorities saying that he has paid any taxes related to the property.**Procedure: 5. Tax authorities assess the amount of transfer tax to be paid by the buyer****Time:** 5 days**Cost:** No cost**Comments:** During this period the tax authorities will compare their valuation of the property with the sale-purchase agreement price. They will assess how much the buyer should pay as transfer tax (3% of the property value) and assign a bank at which to pay. This assessment may take from 4 to 10 days.**Procedure: 6. Buyer pays transfer tax at a commercial bank****Time:** 1 day**Cost:** EUR 4,616.4 (3% of the property value of EUR 153,879)**Comments:** The buyer will deposit the amount assessed by the tax authorities to be paid as transfer tax into the bank account assigned by the tax authorities.**Procedure: 7. Request inscription of the new owner at the Agency for Real Estate****Time:** 6 days**Cost:** EUR 18 (The request is EUR 5 and the inscription is EUR 13)**Comments:** The request lasts 1 day and the inscription 3-7 days. Parties fill in a standard form or make a simple written request at the local branch of the Agency for Real Estate in order for the name on the property to be changed to the buyer's name. After the Agency inscribes the name, the transfer is considered final. The parties are notified in writing that the inscription has taken place. There is no mandatory document to pick up at the end of this period, though the buyer can request a copy of the inscription if he wishes.

REGISTERING PROPERTY

Krusevac, Serbia

Property value: USD 195,500 = RSD 12,987,554

Date as of: January 2008

Procedure: 1. Obtain an extract from the Register of Companies**Time:** 3 days**Cost:** RSD 3,120 (RSD 1,560 per extract for each party)**Comments:** Because there are two parties involved, they must obtain the extract from the Register of Companies confirming that the persons signing the contract are authorized to sign on behalf of the companies.**Procedure: 2. Verification of the sale purchase agreement before the court****Time:** 1 day**Cost:** RSD 41,000 (court fees, depending on the property value and according to the following schedule (with a maximum of RSD 26,000):

| Property Value (in RSD): | Court Fees (in RSD): |
|---------------------------|-------------------------------------|
| Up to 10,000 | 650 |
| From 10,000 to 100,000 | 650 + 1% of the property value |
| From 100,000 to 1,000,000 | 1,950 + 0.5% of the property value |
| Over 1,000,000 | 8,450 + 0.25% of the property value |

Comments: Usually, a lawyer prepares the sale purchase agreement (charging additional RSD 15,000). The sale and purchase agreement is verified before the court. The court verifies the documentation, as the notaries do in other countries. In Serbia, the procedure of establishing the notary instead of court verifications is under way. According to the Law on the Transfer of Real Estate, it is obligatory for the agreement on the purchase and sale of the real estate to be verified before the court.**Procedure: 3. The request for registration is submitted to the Municipal Court Land Register or to the Cadastre****Time:** 2 days**Cost:** RSD 4,212.6 (RSD 2,600 is the fee at Land Registry or RSD 4,212.6 at the Cadastre)**Comments:** There is a transition in progress from registration performed by the Land Register (a court) to a system where it is handled entirely by the Cadastre (administrative procedure). The new system will join legal record keeping (Land Register) with factual record keeping (old Cadastre) providing a unified system of registration. The new Cadastre is maintained by the Republic Geodesy Institute through units organized regionally. The urban regions are still covered primarily by the court-led registry. The Real Estate Cadastre and Registration Project aims to create a process entirely administered by the Cadastre by 2010 (see www.rgz.sr.gov.yu).**Procedure: 4. Submit an application to the tax authorities to approve the transaction value and authorize payment of the transfer tax****Time:** 7 days**Cost:** No cost**Comments:** The parties shall submit an application to the local tax authorities to get an approval of the sale price that will be used to calculate the transfer tax. The parties have 10 days after the sale contract has been verified by the court to submit the application. The request will be approved in a few days and the parties then have 15 days to pay the transfer tax.**Procedure: 5. Payment of the transfer tax****Time:** 1 day**Cost:** RSD 324,688.9 (2.5% X property value of RSD 12,987,554)**Comments:** Payment of the tax on transfer of absolute rights (2.5% of the value of the property as estimated by the tax authority) is made to the account of the local tax authority at a commercial bank.**Procedure: 6. The Cadastre/Land Registry makes a decision on the title****Time:** 75 days**Cost:** No cost (already paid in Procedure 3)**Comments:** The time depends on the agency in charge of the registration. The Cadastre takes longer due to a backlog from previous years. When the transition to a new Cadastre is complete, the Land Registry ceases to exist.

REGISTERING PROPERTY

Uzice, Serbia

Property value: USD 195,500 = RSD 12,987,554

Date as of: January 2008

Procedure: 1. Obtain an extract from the Register of Companies**Time:** 3 days**Cost:** RSD 3,120 (RSD 1,560 per extract for each party)**Comments:** Because there are two parties involved, they must obtain the extract from the Register of Companies confirming that the persons signing the contract are authorized to sign on behalf of the companies.**Procedure: 2. Verification of the sale purchase agreement before the court****Time:** 1 day**Cost:** RSD 41,000 (court fees, depending on the property value and according to the following schedule (with a maximum of RSD 26,000):

| Property Value (in RSD): | Court Fees (in RSD): |
|---------------------------|-------------------------------------|
| Up to 10,000 | 650 |
| From 10,000 to 100,000 | 650 + 1% of the property value |
| From 100,000 to 1,000,000 | 1,950 + 0.5% of the property value |
| Over 1,000,000 | 8,450 + 0.25% of the property value |

Comments: Usually, a lawyer prepares the sale purchase agreement (charging additional RSD 15,000). The sale and purchase agreement is verified before the court. The court verifies the documentation, as the notaries do in other countries. In Serbia, the procedure of establishing the notary instead of court verifications is under way. According to the Law on the Transfer of Real Estate, it is obligatory for the agreement on the purchase and sale of the real estate to be verified before the court.**Procedure: 3. The request for registration is submitted to the Municipal Court Land Register or to the Cadastre****Time:** 1 day**Cost:** RSD 4,212.6 (RSD 2,600 is the fee at Land Registry or RSD 4,212.6 at the Cadastre)**Comments:** There is a transition in progress from registration performed by the Land Register (a court) to a system where it is handled entirely by the Cadastre (administrative procedure). The new system will join legal record keeping (Land Register) with factual record keeping (old Cadastre) providing a unified system of registration. The new Cadastre is maintained by the Republic Geodesy Institute through units organized regionally. The urban regions are still covered primarily by the court-led registry. The Real Estate Cadastre and Registration Project aims to create a process entirely administered by the Cadastre by 2010 (see www.rgz.sr.gov.yu).**Procedure: 4. Submit an application to the tax authorities to approve the transaction value and authorize payment of the transfer tax****Time:** 90 days**Cost:** No cost**Comments:** The parties shall submit an application to the local tax authorities to get an approval of the sale price that will be used to calculate the transfer tax. The parties have 10 days after the sale contract has been verified by the court to submit the application. The request will be approved in a few days and the parties then have 15 days to pay the transfer tax.**Procedure: 5. Payment of the transfer tax****Time:** 1 day**Cost:** RSD 324,688.9 (2.5% X Property Value of RSD 12,987,554)**Comments:** Payment of the tax on transfer of absolute rights (2.5% of the value of the property as estimated by the tax authority) is made to the account of the local tax authority at a commercial bank.**Procedure: 6. The Cadastre/Land Registry makes a decision on the title****Time:** 75 days**Cost:** No cost (already paid in Procedure 3)**Comments:** The time depends on the agency in charge of the registration. The Cadastre takes longer due to a backlog from previous years. When the transition to a new Cadastre is complete, the Land Registry ceases to exist.

REGISTERING PROPERTY

Vranje, Serbia

Property value: USD 195,500 = RSD 12,987,554

Date as of: January 2008

Procedure: 1. Obtain an extract from the Register of Companies

Time: 7 days

Cost: RSD 3,120 (RSD 1,560 per extract for each party)

Comments: Because there are two parties involved, they must obtain the extract from the Register of Companies confirming that the persons signing the contract are authorized to sign on behalf of the companies.

Procedure: 2. Verification of the sale purchase agreement before the court

Time: 8 days

Cost: RSD 41,000 (court fees, depending on the property value and according to the following schedule (with a maximum of RSD 26,000):

| Property Value (in RSD): | Court Fees (in RSD): |
|--------------------------------|--------------------------------------|
| Up to 10,000..... | .650 |
| From 10,000 to 100,000 | .650 + 1% of the property value |
| From 100,000 to 1,000,000..... | 1,950 + 0.5% of the property value |
| Over 1,000,000..... | 8,450 + 0.25% of the property value) |

Comments: The court is located in Leskovac and covers Vranje. Usually, a lawyer prepares the sale purchase agreement (charging additional RSD 15,000). The sale and purchase agreement is verified before the court. The court verifies the documentation, as the notaries do in other countries. In Serbia, the procedure of establishing the notary instead of court verifications is under way. According to the Law on the Transfer of Real Estate, it is obligatory for the agreement on the purchase and sale of the real estate to be verified before the court.

Procedure: 3. The request for registration is submitted to the Municipal Court Land Register or to the Cadastre

Time: 30 days

Cost: RSD 4,212.6 (RSD 2,600 is the fee at Land Registry or RSD 4,212.6 at the Cadastre)

Comments: In Vranje, the system of tapija, by which the land owner possesses a document that confirms his ownership of the land, is used. Land registry books do not exist. There is a transition from a system where the registration is performed by the Land Register (a court) to a system where it is handled entirely by the Cadastre (administrative procedure). The new concept is to join legal record keeping (Land Register) with factual record keeping (old Cadastre) providing a unified system for registration of the real property. The new real Property Cadastre is maintained by the Republic Geodesy Institute through its units organized on the territorial principle. The urban regions are still covered primarily by the court-led registry. The Real Estate Cadastre and Registration Project, which is currently under way, aims to create a process entirely administered by the Cadastre by 2010 (see www.rgz.sr.gov.yu).

Procedure: 4. Submit an application to the tax authorities to approve the transaction value and authorize payment of the tax

Time: 20 days

Cost: No cost

Comments: Tax authorities are located in Leskovac and it takes longer to receive their approval and authorization. The parties shall submit an application to the local tax authorities for approval of the sale price used to calculate the transfer tax. The parties have 10 days after the sale contract has been verified by the court to submit the application. The request will be approved in a few days and the parties then have 15 days to pay the transfer tax.

Procedure: 5. Payment of the transfer tax

Time: 1 day

Cost: RSD 324,688.9 (2.5% X Property Value of RSD 12,987,554)

Comments: Payment of the transfer tax (2.5% of the property value) is made to the account of the local tax authority at a commercial bank.

Procedure: 6. The Cadastre/Land Registry makes a decision on the title

Time: 75 days

Cost: No cost (already paid in Procedure 3)

Comments: The time depends on the agency in charge of the registration. The Cadastre takes longer due to a backlog from previous years. When the transition to a new Cadastre is complete, the Land Registry ceases to exist.

REGISTERING PROPERTY

Zrenjanin, Serbia

Property value: USD 195,500 = RSD 12,987,554

Date as of: January 2008

Procedure: 1. Obtain an extract from the Register of Companies

Time: 7 days

Cost: RSD 3,120 (RSD 1,560 per extract for each party)

Comments: Because there are two parties involved, they must obtain the extract from the Register of Companies confirming that the persons signing the contract are authorized to sign on behalf of the companies.

Procedure: 2. Verification of the sale purchase agreement before the court

Time: 1 day

Cost: RSD 41,000 (court fees, depending on the property value and according to the following schedule (with a maximum of RSD 26,000):

| Property Value (in RSD): | Court Fees (in RSD): |
|--------------------------------|--------------------------------------|
| Up to 10,000..... | .650 |
| From 10,000 to 100,000 | .650 + 1% of the property value |
| From 100,000 to 1,000,000..... | 1,950 + 0.5% of the property value |
| Over 1,000,000..... | 8,450 + 0.25% of the property value) |

Comments: Usually, a lawyer prepares the sale purchase agreement (charging additional RSD 15,000). The sale and purchase agreement is verified before the court. The court verifies the documentation, as the notaries do in other countries. In Serbia, the procedure of establishing the notary instead of court verifications is under way. According to the Law on the Transfer of Real Estate, it is obligatory for the agreement on the purchase and sale of the real estate to be verified before the court.

Procedure: 3. The request for registration is submitted to the Municipal Court Land Register or to the Cadastre

Time: 1 day

Cost: RSD 4,212.6 (RSD 2,600 is the fee at Land Registry or RSD 4,212.6 at the Cadastre)

Comments: There is a transition in progress from registration performed by the Land Register (a court) to a system where it is handled entirely by the Cadastre (administrative procedure). The new system will join legal record keeping (Land Register) with factual record keeping (old Cadastre) providing a unified system of registration. The new Cadastre is maintained by the Republic Geodesy Institute through units organized regionally. The urban regions are still covered primarily by the court-led registry. The Real Estate Cadastre and Registration Project aims to create a process entirely administered by the Cadastre by 2010 (see www.rgz.sr.gov.yu).

Procedure: 4. Submit an application to the tax authorities to approve the transaction value and authorize payment of the transfer tax

Time: 15 days

Cost: No cost

Comments: The parties shall submit an application to the local tax authorities to get an approval of the sale price that will be used to calculate the transfer tax. The parties have 10 days after the sale contract has been verified by the court to submit the application. The request will be approved in a few days and the parties then have 15 days to pay the transfer tax.

Procedure: 5. Payment of the transfer tax

Time: 1 day

Cost: RSD 324,688.9 (2.5% X Property Value of RSD 12,987,554)

Comments: Payment of the tax on transfer of absolute rights (2.5% of the value of the property as estimated by the tax authority) is made to the account of the local tax authority at a commercial bank.

Procedure: 6. The Cadastre/Land Registry makes a decision on the title

Time: 75 days

Cost: No cost (already paid in Procedure 3)

Comments: The time depends on the agency in charge of the registration. The Cadastre takes longer due to a backlog from previous years. When the transition to a new Cadastre is complete, the Land Registry ceases to exist.

* This procedure can be completed simultaneously with previous procedures.

Acknowledgements

Contact details of local partners

are available on the *Doing Business* website at

<http://subnational.doingbusiness.org>

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