



# Doing Business in South East Europe 2011

COMPARING BUSINESS REGULATION ACROSS THE REGION AND WITH 183 ECONOMIES



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*Doing Business in South East Europe 2011* and other subnational and regional *Doing Business* studies can be downloaded at no charge at [www.doingbusiness.org/subnational](http://www.doingbusiness.org/subnational).

Copies of the *Doing Business* global reports: *Doing Business 2011: Making a Difference for Entrepreneurs*; *Doing Business 2010: Reforming through Difficult Times*; *Doing Business 2009*; *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](http://www.doingbusiness.org).

# Contents

*Doing Business in South East Europe 2011* is the second subnational report of the *Doing Business* series in South East Europe. In 2008, quantitative indicators on business regulations were created for 22 cities in 7 economies: Albania, Bosnia and Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro, and Serbia. This year, *Doing Business in South East Europe 2011* documents progress in 18 of the 22 cities previously measured—4 cities from Croatia are no longer included—and expands the analysis to 4 new cities—Balti (Moldova), Chisinau (Moldova), Durres (Albania), and Tetovo (FYR Macedonia). For a complete list of cities and economies measured in this report, please see City tables on page 45.

Comparisons with other economies are based on *Doing Business 2011: Making a Difference for Entrepreneurs*, the eighth in a series of annual reports published by the World Bank and the International Finance Corporation. The indicators in *Doing Business in South East Europe 2011* are also comparable with more than 300 cities from 38 economies benchmarked in other subnational *Doing Business* studies. All data and reports are available at [www.doingbusiness.org/subnational](http://www.doingbusiness.org/subnational) and [www.doingbusiness.org](http://www.doingbusiness.org).

*Doing Business* investigates the regulations that enhance business activity and those that constrain it. Regulations affecting four stages of the life of a business are measured at the subnational level in South East Europe: starting a business, dealing with construction permits, registering property and enforcing contracts. These indicators were selected because they cover areas of local jurisdiction or practice.

The data in *Doing Business in South East Europe 2011* are current as of January 2011. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

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Executive summary	1
About <i>Doing Business</i> and <i>Doing Business in South East Europe 2011</i>	9
Starting a business	14
Dealing with construction permits	20
Registering property	27
Enforcing contracts	32
Data notes	38
City tables	45
<i>Doing Business</i> indicators	51
List of procedures	
Starting a business	55
Dealing with construction permits	73
Registering property	105
Acknowledgments	118



# Executive summary

It is a matter of conjecture whether the economies of South East Europe constitute a unique region. Certainly, it is a place which has historically been shaped more by politics and the interests of foreign powers than economic forces. Yet it is economic forces, particularly those associated with transition and integration, and the deep reforms needed to move from a planned to a market economy, which have imposed themselves as the most formative influences on the direction of the region's public policies. While the region was once the inspiration for the term "balkanization"—describing the disintegration of a state into smaller antagonistic parts—the recent past, global economic crisis notwithstanding, speaks of increasing cooperation, economic growth, and foreign direct investment. Over the last decade, the region has gradually become a more settled and economically advanced area on the immediate periphery of the European Union (EU).

Despite perceptions, the region is quite diverse and the changes since the 2008 *Doing Business in South East Europe* report reflect that fact. Some of the countries have progressed further in transition while others have a distance to go. Some are on the cusp of the European Union while others have yet to attain "candidate" status. Croatia, in the final stages of accession discussions with the European Union, is no longer included in this regional report. In turn, Moldova, a newly emerged re-

TABLE 1.1  
**Cities from FYR Macedonia, Montenegro, Moldova, and Serbia take the lead on the 4 Doing Business topics measured**

		Ranking (1-22)			
Economy	City	Ease of starting a business	Ease of dealing with construction permits	Ease of registering property	Ease of enforcing contracts
Albania	Durres*	9	11	13	14
	Shkodra	8	3	9	11
	Tirana	10	NO PRACTICE	16	18
	Vlora	7	9	10	10
Bosnia and Herzegovina	Banja Luka	18	3	21	15
	Mostar	20	13	22	20
	Sarajevo	19	9	19	19
Kosovo	Pristina	22	17	18	21
	Prizren	21	6	14	22
FYR Macedonia	Bitola	2	12	3	5
	Skopje	1	2	15	9
	Tetovo*	3	3	6	3
Moldova	Balti*	13	8	1	4
	Chisinau*	17	19	1	2
Montenegro	Niksic	5	1	6	17
	Pljevlja	4	6	4	7
	Podgorica	6	18	20	16
Serbia	Belgrade	11	21	16	11
	Krusevac	16	20	10	11
	Uzice	12	16	10	6
	Vranje	14	13	5	7
	Zrenjanin	14	13	6	1

Note: The ranking on each topic is based on the simple average of the percentile rankings on its component indicators. See Data notes for details.

\*City not benchmarked in *Doing Business in South East Europe 2008* report.

Source: *Doing Business* database.

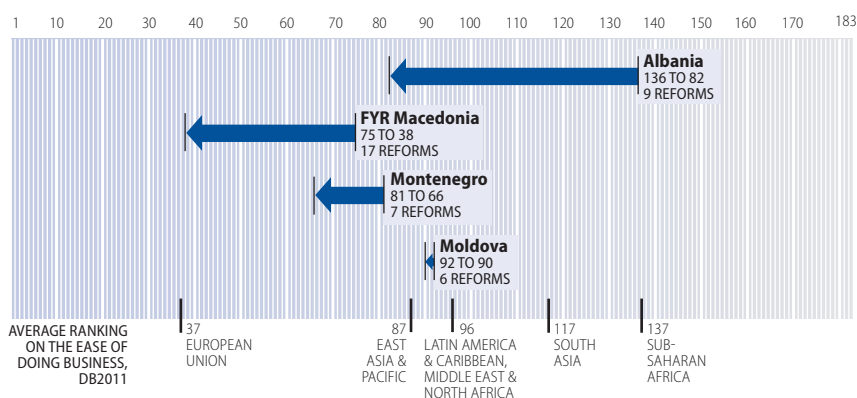
former, has been added. Some economies face ongoing political conundrums which remain open challenges. Overall, however, the political legitimacy which comes from economic progress has been a lesson learned by governments across the region. There is an abiding drive for competitiveness amongst and between all of them. Competitive economies cannot survive as islands of growth but must build interdependency with their neighbors and further afield. As a consequence, economic forces are asserting their pre-eminence in the region. Where there was once political disintegration, markets are encouraging investment and trading linkages across state borders.

There is no blueprint for how to grow and prosper but one factor is creating an investment climate conducive to starting and running a business, where

complying with regulations brings more benefits than costs. In an era of tight budgets and high unemployment, reforms making it easier to do business make more sense than ever. They help create jobs and boost growth without costing governments much. This report shows that the economies of South East Europe have continued to implement micro-economic reforms in spite of challenges presented by the global financial crisis. The report also shows that the results of recent reforms can be seen at the municipal level across the region. Coupled with other factors—such as the availability of a skilled workforce—improving the business environment in the region's secondary cities will continue to have a positive impact.

*Doing Business* studies business regulations from the perspective of a small

FIGURE 1.1

**The region's economies\* made large strides in improving commercial regulations**Improvement in the ranking on the ease of doing business, *Doing Business* 2008–2011

\* Represented by their respective capital cities.

Source: *Doing Business* database.

to medium-size domestic firm. Capital cities represent the economies of South East Europe in the annual *Doing Business* report, which compares regulatory practices in 183 economies around the world. Yet, within each economy, entrepreneurs face local regulations and practices that vary from city to city. *Doing Business in South East Europe 2008* was the first report to go beyond the capital cities for 7 economies in the region to capture these differences in 15 other cities from Albania, Bosnia and Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro, and Serbia. This report updates the information presented in 2008 for 6 economies (all but Croatia) and tracks their progress in implementation of business reforms. It also expands the analysis to 1 more country (Moldova) and 4 new cities: Balti (Moldova), Chisinau (Moldova), Durrës (Albania), and Tetovo (FYR Macedonia). The results of this new 22-city, 7-economy comparison for 4 *Doing Business* topics are presented here (table 1.1).

Across the region, it is easiest to start a business in Skopje (FYR Macedonia), deal with construction permits in Nikšić (Montenegro), register property in Balti and Chisinau (Moldova), and enforce a contract in Zrenjanin (Serbia). It is most difficult to start a business in Pristina (Kosovo), register property in Mostar (Bosnia and Herzegovina), and enforce a contract in Prizren (Kosovo).

Dealing with construction permits is most burdensome in Belgrade (Serbia), while in Tirana (Albania) no permit has been issued since 2009.

Two observations stand out. First, no single city does well in all 4 areas. For example, Chisinau (Moldova) ranks at or near the top on the ease of registering property and enforcing contracts but lags behind on the 2 other topics. And while Skopje (FYR Macedonia) is a top performer on the ease of starting a business and dealing with construction permits, it can look to Bitola (FYR Macedonia) or to Moldova's cities to improve its performance on property registration. Second, there is a rich variation in performance by indicator even among cities within the same economy—with the exception of starting a business, where all 3 Macedonian cities take the lead. For example, within Montenegro, Podgorica and Pljevlja could look to Nikšić to learn to deal with construction permits more efficiently. In addition, Zrenjanin could provide a positive example to other Serbian cities in the area of contract enforcement.

When comparing cities' 2011 performance with the results from 2008, some trends emerge. First, consistent performers stay at the top. For example, Bitola (FYR Macedonia) maintained its position among the best performers in most of the areas measured. Other cities, like Krusevac (Serbia), dropped relative to their peers. Some ranking changes can

be attributed to the addition of 4 new cities, some of which have competitive regulatory frameworks. For example, Balti (Moldova) ranks at the top on the ease of property registration. Tetovo (FYR Macedonia) is one of the most efficient cities for enforcing a contract. On the other hand, the cities that improved their business regulations the most during the past 3 years—such as Skopje (FYR Macedonia) and Banja Luka (Bosnia and Herzegovina)—surpassed their peers.

### SOUTH EAST EUROPE SETTING A STRONG PACE OF REFORM

Much has changed in recent years. The region has been very active in improving business regulations, often in response to circumstances—such as the prospect of joining the EU or facing the global financial crisis. Some of the regions' economies, represented by their respective capital cities, have been recognized as top 10 *Doing Business* reformers over the past 5 years: FYR Macedonia in 2006/2007, Albania in 2007/2008, and (again) FYR Macedonia as well as Moldova in 2008/2009. Most notably, FYR Macedonia has implemented 17 *Doing Business* reforms. In the most recent *Doing Business in 2011* report, FYR Macedonia ranks 38th out of 183 economies—an improvement of 37 positions over 5 years (figure 1.1).

*Doing Business in South East Europe 2008* identified good practices, pointed out bottlenecks, and provided recommendations for business reforms beyond the region's capital cities. Three years later, this report tracks progress over time. The results are impressive. All 19 cities measured for the second time show improvements in at least 1 of the 4 areas measured (table 1.2). Most cities benefited from the roll-out of nation-wide business reforms summarized below—although implementation results on the ground vary.

Within the region's economies, 2 cities stand out: Skopje (FYR Macedonia) and Banja Luka (Bosnia and Herzegovina) improved the most since 2008. Busi-

TABLE 1.2

**It is easier to do business now in all 19 cities benchmarked in 2008**

City, Economy	Starting a business	Dealing with construction permits	Registering property	Enforcing contracts
Skopje, FYR Macedonia	✓	✓	✓	✓
Banja Luka, Bosnia and Herzegovina	✓	✓	✓	✓
Vranje, Serbia	✓	✓	✓	X ✓
Niksic, Montenegro	✓	✓		
Podgorica, Montenegro	✓	✓		
Uzice, Serbia	✓	✓	✓	
Sarajevo, Bosnia and Herzegovina	✓	✓	✓	
Bitola, FYR Macedonia	✓		✓	✓
Vlora, Albania	✓		✓	✓
Mostar, Bosnia and Herzegovina	✓	✓	✓	
Pljevlja, Montenegro	✓	✓		
Chisinau, Moldova	✓		✓	✓
Tirana, Albania	✓		✓	✓
Belgrade, Serbia	✓	X	✓	
Shkodra, Albania	✓			✓
Zrenjanin, Serbia	✓		✓	
Prizren, Kosovo	X ✓			
Pristina, Kosovo	X ✓			
Krusevac, Serbia	✓			X

✓ *Doing Business* reform making it easier to do business

X *Doing Business* reform making it more difficult to do business

Note: The 19 cities measured in 2008 are ranked on the number and impact of reforms. At the top of the ranking are cities where most reforms making it easier to do business were implemented between January 2008 and January 2011 and which have achieved the biggest increases in their ranking on the 4 *Doing Business* topics measured from 2008.

Source: *Doing Business* database.

ness reforms were implemented in all 4 areas measured, resulting in significant benefits in terms of time and cost savings for entrepreneurs.

The one-stop shop in Skopje (FYR Macedonia) decreased the time to start a business from 12 days in 2008 to just 3 days now by eliminating 5 procedures. The one-stop shop offers entrepreneurs a range of services—including registering a new business with tax and statistical authorities, obtaining a trading license, publishing an incorporation notice, and registering employees for health and pension insurance.<sup>1</sup> Meanwhile, FYR Macedonia's new Law on Construction shifted responsibility for building supervision and review from public enforcement agencies to licensed professionals. As a result, the time to deal with construction permits in Skopje dropped by more than 2 months while 6 procedures were eliminated. Furthermore, after the cadastre staff was increased

in Skopje, the time needed to register a property title fell by over 1 month—from 98 days in 2008 to just 58 days in 2011. Finally, the commercial court in Skopje, equipped with an electronic case management system, became operational in 2008, facilitating contract enforcement in commercial matters.

In Banja Luka (Bosnia and Herzegovina), a utilization permit is no longer necessary for all businesses and a specialized commercial court took over business registration in 2010. As a result, the time to start a business decreased by more than one month. Meanwhile, Republika Srpska's 2010 Law on Construction and Urban Planning allowed private companies to prepare certain construction documentation, rendering the process of obtaining urban planning consent more efficient. Moreover, more than 80% of cadastre and 90% of land registry records are now available in digital form. As a result, the total time to deal with

construction permits decreased from 1 year in 2008 to 8 months today. At the same time, the time to register property dropped by 3 months because 4 procedures—including the requirement for signatory authorization, tax clearance, and the on-site evaluation of property—were abolished. Finally, the Law on Changes of the Law on Courts, enacted in May 2010, gave a specialized court in Banja Luka jurisdiction over commercial claims, cutting the time required to file a claim before the court from 6 months in 2008 to 46 days in 2011. At the same time, the time to enforce the judicial decision decreased by more than 200 days.

All 19 cities measured for the second time made it easier to start a business. The most popular start-up reform since 2008 was the establishment or improvement of one-stop shops—as seen in 10 cities. For example, in Belgrade (Serbia), the registration with various agencies has been consolidated under one roof. Obtaining a business registration certificate, tax identification number, pension fund certificate, and health fund certificate are now all done with a single visit to the Business Registers Agency (SBRA). Meanwhile, the other Serbian cities measured by this report are still working on the full implementation of their one-stop shops—specifically, pension fund and health fund registrations still have to be obtained separately. Nevertheless, the time to start a business in all Serbian cities has fallen significantly—most notably in Zrenjanin, where the time was cut from 37 days in 2008 to 17 days in 2011. In Chisinau and Balti (Moldova), unifying business registration with other procedures is still underway. Nevertheless, positive steps have been taken to reduce the overall start-up time—including setting statutory time limits and expedited options for business registration. As a result, the time to obtain a registration certificate was reduced from 15 days in 2008 to just 1 day now. Other popular start-up reforms were reductions in local licensing requirements and fees. For example, Albanian cities eliminated the requirement to register with the local

chambers of commerce. Cities in Montenegro did away with the municipal business license. Both Pristina and Prizren in Kosovo cut their municipal permit fees in half—from EUR 1,000 to EUR 525 and to EUR 400, respectively.

In the construction permits area, 9 out of the 19 cities measured in both 2008 and 2011 have benefited from reforms such as the digitization of cadastre records, enactment of new construction laws, and streamlined inspections. For example, Montenegro introduced risk-based construction approvals, where low risk, small scale projects are reviewed and approved by municipalities rather than the central government. In Serbia, the 2009 Planning and Construction Law simplified procedures for the issuance of construction permits and made them transferable between investors during construction. The impact of the new law varies across cities. In Vranje, the building permit can now be obtained in 6 months—3 months faster than in 2008. On the other hand, in Belgrade, the same process takes almost a year—5 months longer than in 2008. The greatest challenge in the implementation of this law is the application of provisions regarding the conversion of “rights of use” to ownership rights. Meanwhile, in Albania, the parliament adopted the Law on Territorial Planning in 2009. Once implemented, this new law is expected to professionalize the structure of the Territorial Adjustment Council (TAC)—the authority in charge of issuing building permits in Tirana. However, as of January 2011, no construction permit had been issued here since 2009, mainly because rivaling political parties represented in the council make consensus decision making unattainable. The new Law for Authorizing the Execution of Construction Works, adopted by the Moldovan parliament in July 2010, sets statutory time limits for project approvals and consolidates project clearances. The subsequent implementation process is expected to make dealing with construction permits more efficient.

Property registration reforms resulted in time and cost savings for entrepreneurs in 12 out of the 19 cities measured in both 2008 and 2011. Governments across the region are digitizing land books and making land registries more efficient through legislative and administrative reforms. As a result, the average time to register property across cities in South East Europe decreased by more than a month since 2008. For example, in Sarajevo (Bosnia and Herzegovina), where all land registry and cadastre books are now available in digital format, the time to register property is just a tenth of what it used to be. Specifically, it fell from 331 days in 2008 to just 33 days in 2011. In Mostar (Bosnia and Herzegovina), where 95% of cadastre records are now in digital format, the time to register a property fell by 1 month—from 145 days in 2008 to 117 days in 2011. Meanwhile, Moldova and FYR Macedonia are in the process of digitizing the land registry records and cadastre maps, respectively. Other business reform efforts undertaken by governments in the past three years include introducing statutory time limits, eliminating pre-sale certificates and clearances, and cutting fees. For example, Moldova no longer requires the submission of a cadastral sketch for properties already registered with the cadastre—decreasing the total time to register property from 48 days in 2008 to 5 days in 2011. In Albania, a newly introduced statutory time limit shortened the delay to register with the Immoveable Property Registration Office by 9 days in Tirana and by 12 days in Vlora over the same period. In FYR Macedonia, the information on land encumbrances was transferred from first instance courts to the cadastre, so now both the title deed and non-encumbrance certificate can be obtained from the same institution. Similar efforts are underway in Serbia. Along with digitization of cadastre maps, these reform efforts have cut the time to register property by 30 days in Zrenjanin, 25 days in Vranje, 20 days in Belgrade, and 17 days in Uzice.

Enforcing a contract became faster, cheaper, and/or less cumbersome in 8 out of the 19 cities measured in both 2008 and 2011. Courts in these cities implemented administrative or legal reforms to reduce the time or cost to resolve a commercial dispute. In Vranje (Serbia), manually-kept court records and paper files were replaced by electronic files that can be accessed online. Moreover, a computerized system randomly assigns court cases to judges, thereby eliminating opportunities for neglect or corruption. As a result, the judgment period in Vranje fell from 495 days in 2008 to 135 days in 2011. In Albania, a presidential decree added to the numbers of judges in courts. With more staff at work, filing and judgment times fell by 40 or more days in Shkodra and Vlora. Courts here now issue a ruling in a little over 4 months. Moreover, bailiff tariffs were reduced from 7% of claim value to 2%. Meanwhile, FYR Macedonia made enforcing contracts easier by setting deadlines for the payment of court fees, adjusting monetary thresholds for assigning case jurisdiction, and introducing a small claims tribunal.

## COMPARING BUSINESS REGULATIONS ACROSS 22 CITIES IN SOUTH EAST EUROPE

### STARTING A BUSINESS

Skopje (FYR Macedonia) is the world's 5th top performer in this area. All an entrepreneur needs to do to set up a business here is spend 3 days and a little over US\$ 100. In cities like Skopje, where one-stop shops have been set up and are fully operational, starting a business can be done quickly and efficiently. However, the process is considerably slower in cities where the entrepreneur needs to register separately for tax, social contributions, health insurance, and municipal permits. This is the case in Pristina (Kosovo), where it takes almost 2 months to start a business. In Mostar (Bosnia and Herzegovina), where the courts are in charge of business registration and where 8 post-incorporation

requirements are necessary, it can take as long as 50 days to set up a business. The cost differences within the region are also significant. The cost to open a business varies from 1.5% of income per capita in Niksic and Plevlja (Montenegro)—similar to Finland—to 31.4% in Tirana (Albania)—which is 5 times more than the EU average. Variations stem from different fees levied by the municipal governments. Some, such as Pristina and Prizren (Kosovo), charge EUR 525 and EUR 400, respectively, just for the municipal permit. In 12 out of the 22 cities measured, entrepreneurs are also required to set aside a minimum amount of capital before they start operating. FYR Macedonia is the only economy to have abolished the minimum capital requirement all together, while Albania and Montenegro charge only nominal amounts (equivalent to US\$ 1).

### DEALING WITH CONSTRUCTION PERMITS

Dealing with construction permits can be difficult and expensive in South East Europe. On average, a construction company would spend 223 days and more than 1,100% of the income per capita to comply with all requirements to build a warehouse. Compare this to the EU, where a construction company spends one month less and only 77% of income per capita. While the overall policy-setting authority lies with the national governments, implementation of regulations at the local level varies significantly. Local governments have the authority to administer several procedures and levy the associated taxes and fees. The number of procedures to deal with construction permits varies from 15 in Skopje (FYR Macedonia) and Pljevlja (Montenegro) to 30 in Chisinau (Moldova). In Chisinau, an entrepreneur has to go through no less than 18 pre-construction requirements—such as location clearances and technical evaluations. As also observed in the 2008 report, dealing with construction permits is fastest in Bitola (FYR Macedonia)—just 3 months. It is slowest in Mostar (Bosnia

and Herzegovina)—a year and a half. The cost varies from 110% of income per capita (US\$ 1,752) in Balti (Moldova) to a prohibitive 2,132% of income per capita (US\$ 139,650) in Podgorica (Montenegro). In most economies, the largest portion of the overall cost is spent on building permit fees and associated costs. In the Serbian cities, obtaining a building permit constitutes, on average, 76% of the overall cost (the equivalent of US\$ 83,278). The same permit costs significantly less in Balti (Moldova), where it constitutes 28% of the overall cost (the equivalent of US\$ 439). In Podgorica (Montenegro), investors must pay an urban development fee, which accounts for almost three quarters of the overall cost (the equivalent of US\$ 100,221).

### REGISTERING PROPERTY

Across the 22 cities, an entrepreneur would have to go, on average, through 6 procedures, wait 48 days, and pay 2.85% of the property value to transfer a property title. Within the region, the time, cost, and requirements vary significantly. Registering property is easiest in Balti and Chisinau (Moldova), where it takes 5 procedures, 5 days and 0.9% of the property value to transfer a title. By contrast, the same process takes 8 procedures in Pristina (Kosovo) and almost 4 months in Mostar (Bosnia and Herzegovina). Differences appear mainly during the pre-registration phase. For example, in Mostar and Sarajevo (Bosnia and Herzegovina), both parties have to obtain a court extract authorizing the signatory to act on behalf of the company. In Pristina (Kosovo), in addition to the title deed, parties have to obtain and submit certified copies of their companies' business registrations and letters from the tax authority certifying that all property taxes have been paid before the lawyer can draft the sale and purchase agreement. Variations in time among cities stem mainly from the efficiency of the land registry in registering the new owner of the property. This ranges from 1 day in the Moldovan cities, if using the expedited option, to 85 days in Belgrade

(Serbia). The amount of property transfer taxes entrepreneurs have to pay varies greatly among the 22 cities measured—from a fixed fee of EUR 150 (US\$ 220) in Pristina (Kosovo) to 5% of the property value in Mostar and Sarajevo (Bosnia and Herzegovina).

### ENFORCING CONTRACTS

The most efficient court to resolve a commercial dispute in the region is in Zrenjanin (Serbia). At just 10 months from filing through enforcement, the process is as fast as in the United States. In Zrenjanin, information technology is used to assist judges with case registration and court management. Entrepreneurs can also choose to go through an alternative dispute resolution (ADR) system, which has lowered the number of pending cases in the commercial courts across Serbia. Meanwhile, in Mostar (Bosnia and Herzegovina), an entrepreneur has to wait more than 4 years to enforce a contract in court—similar to Kabul (Afghanistan), one of the slowest courts in the world. Delays are due to case backlog and an insufficient number of judges. As for expenses, the average litigation in South East Europe costs 32% of the claim value—one third more expensive than the EU average. Across the region, most litigation costs are regulated by law and fee schedules. The cost of enforcing a contract ranges from 21% of the value of the claim in Chisinau (Moldova)—similar to Australia—to 61% in Pristina and Prizren (Kosovo).

### LEARNING FROM EACH OTHER

While cooperation and the sharing of reform experiences may not have been a priority for the region's economies a decade ago, now it is the norm. Undoubtedly, the initial driver was the prospect of accession to the EU. While this is still the case, market realities are increasingly bringing cooperation to new levels. For example, as data was being collected for this study in late 2010, the railway companies of Croatia, Slovenia, and Serbia formed a new joint-stock company to

TABLE 1.3  
**Best practices in South East Europe, compared internationally**

	<b>Best-performing city in South East Europe (SEE)</b>	<b>Performance</b>	<b>Global rank</b> (183 economies) How SEE cities would compare globally
<b>Days to start a business</b>	Skopje (FYR Macedonia)	3 days	3
<b>Number of procedures to start a business</b>	Skopje (FYR Macedonia)	3 procedures	8
<b>Days to register property</b>	Balti and Chisinau (Moldova)	5 days	10
<b>Days to enforce a contract</b>	Tetovo (FYR Macedonia)	290 days	18
<b>Cost to start a business</b>	Niksic, Pljevlja (Montenegro)	1.5% of income per capita	18
<b>Cost to register property</b>	Prizren (Kosovo)	0.5% of the property value	19
<b>Days to deal with construction permits</b>	Bitola (FYR Macedonia)	96 days	27
<b>Cost to enforce a contract</b>	Chisinau (Moldova)	20.9% of the claim value	48
<b>Number of procedures to register property</b>	Balti and Chisinau (Moldova) Bitola, Skopje, and Tetovo (FYR Macedonia)	5 procedures	50
<b>Number of procedures to deal with construction permits</b>	Skopje (FYR Macedonia) Pljevlja (Montenegro)	15 procedures	67
<b>Cost to deal with construction permits</b>	Balti (Moldova)	110.2% of income per capita	74
Best practices for the 4 indicators measured <b>Hypothetical city in South East Europe</b>			<b>6</b>

Source: *Doing Business* database.

service the European Corridor 10 cargo route to Istanbul which, following the opening of the Bosphorus tunnel, will link Europe across Asia to China. Opportunities to strengthen the position of national economies by improved regional competitiveness lie in many other sectors as well. This type of economic cooperation may not attract the same level of media interest as the events of the 1990s but it bodes well for a more prosperous and stable future in South East Europe. An improving business environment is central to this perspective.

Benchmarking exercises like *Doing Business* inspire governments to reform commercial regulations. They point out potential challenges and identify where policy makers can look for good practices. Comparisons between cities within a single economy or region are even stronger drivers, as governments have a hard time explaining why doing business in their city may be more burdensome than in neighboring locations. The good news is that sharing a similar legal framework facilitates the implementation of existing good practices within a region. National governments can also use *Doing Business* data to monitor how changes in national regulations are

implemented by local authorities. In a world where locations compete against each other to attract investment, subnational *Doing Business* data allow local governments to review the conditions entrepreneurs face in their cities from a comparative perspective. Subnational data are now available for more than 300 cities in 38 economies around the world.

Reform-minded governments can use *Doing Business* indicators to motivate and sustain business reform efforts. There is no need to reinvent the wheel: it is sufficient to start by introducing business reforms successfully implemented in other places. In fact, cities in South East Europe have a lot to gain from adopting the best regulations and practices that are working elsewhere in the region. A hypothetical city adopting all the best practices identified in this report would rank 6th among 183 economies globally—similar to Denmark or Canada (table 1.3).


If the region's best practices were adopted, starting a business would take only 3 days, as it does in Skopje (FYR Macedonia) and Sweden. The region's best practices would mean that transferring a property title would require just 5 procedures over 5

days, as seen in Moldova and Australia. Meanwhile, the region's best practices for dealing with construction permits would require only 96 days—as seen in Bitola (FYR Macedonia) and the United Kingdom. Finally, resolving a commercial dispute in this hypothetical “best practice” city in South East Europe would cost the same as the EU average, while its duration would be 100 days faster than it is in Germany.

Payoffs from business reforms can be large. Saving time and money are often the immediate benefits for firms. For example, in Georgia, a 2009 survey found that its new start-up service center helped businesses save an average of 3.25% of profits—and this is just for registration services. For all businesses served, the direct and indirect savings amounted to US\$ 7.2 million.<sup>2</sup> In Mexico, local one stop shops (SARE) cut the time to start a business from 58 to 13 days. A recent study reports the payoffs: the number of registered Mexican businesses rose by 5%, employment increased by 2.8%, and prices fell by nearly 1% because of the competition from new entrants.<sup>3</sup>

Consistent reformers follow a long-term agenda and continually push for-

ward. The top-ranked economy on the ease of doing business, Singapore, introduces business reforms every year. Cumulative business reforms across a range of topics produce the best results. Cooperation across different parts of the bureaucracy, at both local and national level, is necessary for wide-ranging reforms. Political will and vision coming from a reform champion—whether the prime minister, minister, or mayor—is central to success. Moreover, consistent reformers are inclusive—involving all relevant actors and institutionalizing the reform effort. They also stay focused by setting specific goals and regularly monitoring progress.

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1. The one-stop shop project in FYR Macedonia is going through a second stage that aims to unify business registration and employee registration for social contributions. The second phase is already being implemented through a pilot project in Skopje and is expected to cover the entire country by the end of 2011.
  2. World Bank 2010. *Doing Business 2011: Making a Difference for Entrepreneurs*. Washington, D.C.: World Bank Group.
  3. Bruhn, Miriam. 2008. "License to Sell: The Effect of Business Registration Reform on Entrepreneurial Activity in Mexico." Policy Research Working Paper 4538. Washington, D.C.: World Bank.



# About *Doing Business* and *Doing Business in South East Europe 2011*

Governments committed to the economic health of their country and opportunities for its citizens focus on more than macroeconomic conditions. They also pay attention to the laws, regulations and institutional arrangements that shape daily economic activity.

The global financial crisis has renewed interest in good rules and regulation. In times of recession, effective business regulation and institutions can support economic adjustment. Easy entry and exit of firms, and flexibility in redeploying resources, make it easier to stop doing things for which demand has weakened and to start doing new things. Clarification of property rights and strengthening of market infrastructure (such as credit information and collateral systems) can contribute to confidence as investors and entrepreneurs look to rebuild.

Until recently, however, there were no globally available indicator sets for monitoring such microeconomic factors and analyzing their relevance. The first efforts, in the 1980s, drew on perceptions data from expert or business surveys. Such surveys are useful gauges of economic and policy conditions. But their reliance on perceptions and their incomplete coverage of poor countries constrain their usefulness for analysis.

The *Doing Business* project, initiated 9 years ago, goes one step further. It looks at domestic small and medium-size companies and measures the regulations ap-

plying to them through their life cycle. *Doing Business* and the standard cost model initially developed and applied in the Netherlands are, for the present, the only standard tools used across a broad range of jurisdictions to measure the impact of government rule-making on the cost of doing business.<sup>1</sup>

The first *Doing Business* report, published in 2003, covered 5 indicator sets and 133 economies. *Doing Business 2011* covers 11 indicator sets and 183 economies. Nine topics are included in the aggregate ranking on the ease of doing business. The project has benefited from feedback from governments, academics, practitioners and reviewers.<sup>2</sup> The initial goal remains: to provide an objective basis for understanding and improving the regulatory environment for business.

## WHAT DOING BUSINESS IN SOUTH EAST EUROPE 2011 COVERS

*Doing Business in South East Europe 2011* provides a quantitative measure of the national and local regulations for 4 *Doing Business* indicators: starting a business, dealing with construction permits, registering property, and enforcing contracts—as they apply to domestic small and medium-size enterprises.

A fundamental premise of *Doing Business* is that economic activity requires good rules. These include rules that establish and clarify property rights and reduce the costs of resolving disputes, rules that increase the predictability of economic interactions and rules that provide contractual partners with core protections against abuse. The objective is: regulations designed to be efficient in their implementation, to be accessible to all who need to use them and to be simple in their implementation. Accordingly, some *Doing Business* indicators give a higher score for more regulation, such as stricter disclosure requirements in related-party transactions. Some give a higher score for a simplified way of implementing existing regulation, such as completing business start-up

formalities in a one-stop shop.

*Doing Business in South East Europe 2011* encompasses 2 types of data. The first come from readings of laws and regulations. The second are time and motion indicators that measure the efficiency in achieving a regulatory goal (such as granting the legal identity of a business). Within the time and motion indicators, cost estimates are recorded from official fee schedules where applicable. Here, *Doing Business* builds on Hernando de Soto's pioneering work in applying the time and motion approach first used by Frederick Taylor to revolutionize the production of the Model T Ford. De Soto used the approach in the 1980s to show the obstacles to setting up a garment factory on the outskirts of Lima, Peru.<sup>3</sup>

## WHAT DOING BUSINESS IN SOUTH EAST EUROPE 2011 DOES NOT COVER

Just as important as knowing what *Doing Business in South East Europe 2011* does is to know what it does not do—to understand what limitations must be kept in mind in interpreting the data.

### LIMITED IN SCOPE

*Doing Business in South East Europe 2011* focuses on four topics, with the specific aim of measuring the regulation and red tape relevant to the life cycle of a domestic small to medium-size firm. Accordingly:

- *Doing Business in South East Europe 2011* does not measure all 11 indicators covered in the global *Doing Business* report. The report covers only those 4 areas of business regulation that are the provenance of state and municipal governments and where local differences exist—starting a business, dealing with construction permits, registering property and enforcing contracts.
- *Doing Business in South East Europe 2011* does not measure all aspects of the business environment that matter to firms or investors—or all factors

that affect competitiveness. It does not, for example, measure security, macroeconomic stability, corruption, the labor skills of the population, the underlying strength of institutions or the quality of infrastructure. Nor does it focus on regulations specific to foreign investment.

- *Doing Business in South East Europe 2011* does not assess the strength of the financial system or market regulations, both important factors in understanding some of the underlying causes of the global financial crisis.
- *Doing Business in South East Europe 2011* does not cover all regulations, or all regulatory goals, in any city. As economies and technology advance, more areas of economic activity are being regulated. For example, the European Union's body of laws (*acquis*) has now grown to more than 14,000 rule sets. *Doing Business in South East Europe 2011* measures just 4 phases of a company's life cycle, through 4 specific indicators. The indicator sets also do not cover all aspects of regulation in the particular area. For example, the indicators on starting a business do not cover all aspects of commercial legislation.

#### BASED ON STANDARDIZED CASE SCENARIOS

The indicators analyzed in *Doing Business in South East Europe 2011* are built on the basis of standardized case scenarios with specific assumptions, such as that the business is located in one of the 22 cities in South East Europe measured in the report. Economic indicators commonly make limiting assumptions of this kind. Inflation statistics, for example, are often based on prices of consumer goods in a few urban areas. Such assumptions allow global coverage and enhance comparability, but they inevitably come at the expense of generality.

In areas where regulation is complex and highly differentiated, the standardized case used to construct each *Doing Business in South East Europe 2011* indicator needs to be carefully defined. Where relevant, the standardized case

assumes a limited liability company. This choice is in part empirical: private, limited liability companies are the most prevalent business form in most economies around the world. The choice also reflects one focus of *Doing Business*: expanding opportunities for entrepreneurship. Investors are encouraged to venture into business when potential losses are limited to their capital participation.

#### FOCUSED ON THE FORMAL SECTOR

In constructing the indicators, *Doing Business in South East Europe 2011* assumes that entrepreneurs are knowledgeable about all regulations in place and comply with them. In practice, entrepreneurs may spend considerable time finding out where to go and what documents to submit. Or they may avoid legally required procedures altogether—by not registering for social security, for example.

Where regulation is particularly onerous, levels of informality are higher. Informality comes at a cost: firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers—and their workers remain outside the protections of labor law.<sup>4</sup> *Doing Business* measures one set of factors that help explain the occurrence of informality and give policy makers insights into potential areas of reform. Gaining a fuller understanding of the broader business environment, and a broader perspective on policy challenges, requires combining insights from *Doing Business* with data from other sources, such as the World Bank Enterprise Surveys.<sup>5</sup>

#### WHY THIS FOCUS

*Doing Business* functions as a kind of cholesterol test for the regulatory environment for domestic businesses. A cholesterol test does not tell us everything about the state of our health. But it does measure something important for our health. And it puts us on watch to change behaviors in ways that will improve not only our cholesterol rating but also our

overall health.

One way to test whether *Doing Business* serves as a proxy for the broader business environment and for competitiveness is to look at correlations between the *Doing Business* rankings and other major economic benchmarks. The indicator set closest to *Doing Business* in what it measures is the Organization for Economic Co-operation and Development's indicators of product market regulation; the correlation here is 0.72. The World Economic Forum's Global Competitiveness Index and IMD's World Competitiveness Yearbook are broader in scope, but these too are strongly correlated with *Doing Business* (0.79 and 0.64, respectively).<sup>6</sup>

A bigger question is whether the issues on which *Doing Business* focuses matter for development and poverty reduction. The World Bank study *Voices of the Poor* asked 60,000 poor people around the world how they thought they might escape poverty.<sup>7</sup> The answers were unequivocal: women and men alike pin their hopes above all on income from their own business or wages earned in employment. Enabling growth—and ensuring that poor people can participate in its benefits—requires an environment where new entrants with drive and good ideas, regardless of their gender or ethnic origin, can get started in business and where good firms can invest and grow, generating more jobs.

Small and medium-size enterprises are key drivers of competition, growth and job creation, particularly in developing countries. But in these economies up to 80% of economic activity takes place in the informal sector. Firms may be prevented from entering the formal sector by excessive bureaucracy and regulation.

Where regulation is burdensome and competition limited, success tends to depend more on whom you know than on what you can do. But where regulation is transparent, efficient and implemented in a simple way, it becomes easier for any aspiring entrepreneurs, regardless of their connections, to operate within the rule of law and to benefit

from the opportunities and protections that the law provides.

In this sense *Doing Business* values good rules as a key to social inclusion. It also provides a basis for studying effects of regulations and their application. For example, *Doing Business 2004* found that faster contract enforcement was associated with perceptions of greater judicial fairness—suggesting that justice delayed is justice denied.<sup>8</sup>

In the context of the global crisis policymakers continue to face particular challenges. Both developed and developing economies are seeing the impact of the financial crisis flowing through to the real economy, with rising unemployment and income loss. The foremost challenge for many governments is to create new jobs and economic opportunities. But many have limited fiscal space for publicly funded activities such as infrastructure investment or for the provision of publicly funded safety nets and social services. Reforms aimed at creating a better investment climate, including reforms of business regulation, can be beneficial for several reasons. Flexible regulation and effective institutions, including efficient processes for starting a business and efficient insolvency or bankruptcy systems, can facilitate reallocation of labor and capital. As businesses rebuild and start to create new jobs, this helps to lay the groundwork for countries' economic recovery. And regulatory institutions and processes that are streamlined and accessible can help ensure that, as businesses rebuild, barriers between the informal and formal sectors are lowered, creating more opportunities for the poor.

### DOING BUSINESS IN SOUTH EAST EUROPE 2011 AS A BENCHMARKING EXERCISE

*Doing Business in South East Europe 2011*, in capturing some key dimensions of regulatory regimes, can be useful for benchmarking. Any benchmarking—for individuals, firms or economies—is necessarily partial: it is valid and useful if

it helps sharpen judgment, less so if it substitutes for judgment.

*Doing Business in South East Europe 2011* provides 2 takes on the data it collects: it presents “absolute” indicators for each city for each of the 4 regulatory topics it addresses, and it provides rankings of cities by indicator. Judgment is required in interpreting these measures for any city and in determining a sensible and politically feasible path for reform.

Reviewing the *Doing Business* rankings in isolation may show unexpected results. Some cities may rank unexpectedly high on some indicators. And some cities that have had rapid growth or attracted a great deal of investment may rank lower than others that appear to be less dynamic.

But for reform-minded governments, how much the regulatory environment for local entrepreneurs improves matters more than their relative ranking. As economies develop, they strengthen and add to regulations to protect investor and property rights. Meanwhile, they find more efficient ways to implement existing regulations and cut outdated ones. One finding of *Doing Business*: dynamic and growing economies continually reform and update their regulations and their way of implementing them, while many poor economies still work with regulatory systems dating to the late 1800s.

### DOING BUSINESS—A USER'S GUIDE

Quantitative data and benchmarking can be useful in stimulating debate about policy, both by exposing potential challenges and by identifying where policy makers might look for lessons and good practices. These data also provide a basis for analyzing how different policy approaches—and different policy reforms—contribute to desired outcomes such as competitiveness, growth and greater employment and incomes.

Eight years of *Doing Business* data have enabled a growing body of research on how performance on *Doing Busi-*

*ness* indicators—and reforms relevant to those indicators—relate to desired social and economic outcomes. Some 656 articles have been published in peer-reviewed academic journals, and about 2,060 working papers are available through Google Scholar.<sup>9</sup> Among the findings:

- Lower barriers to start-up are associated with a smaller informal sector.<sup>10</sup>
- Lower costs of entry encourage entrepreneurship, enhance firm productivity and reduce corruption.<sup>11</sup>
- Simpler start-up translates into greater employment opportunities.<sup>12</sup>

The quality of a country's contracting environment is a source of comparative advantage in trade patterns. Countries with good contract enforcement specialize in industries where relationship-specific investments are most important.<sup>13</sup>

Greater information sharing through credit bureaus is associated with higher bank profitability and lower bank risk.<sup>14</sup>

### HOW DO GOVERNMENTS USE DOING BUSINESS?

A common first reaction is to question the quality and relevance of the *Doing Business* data and how the results are calculated. Yet the debate typically proceeds to a deeper discussion exploring the relevance of the data to the economy and areas where reform might make sense.

Most reformers start out by seeking examples, and *Doing Business* helps in this (box 1.1). For example, Saudi Arabia used the company law of France as a model for revising its own. Many countries in Africa look to Mauritius—the region's strongest performer on *Doing Business* indicators—as a source of good practices for reform. In the words of Luis Guillermo Plata, the former minister of commerce, industry and tourism of Colombia,

*It's not like baking a cake where you follow the recipe. No. We are all different. But we can take certain things, certain key les-*

sons, and apply those lessons and see how they work in our environment.

Over the past 8 years there has been much activity by governments in reforming the regulatory environment for domestic businesses. Most reforms relating to *Doing Business* topics were nested in broader programs of reform aimed at enhancing economic competitiveness. In structuring their reform programs for the business environment, governments use multiple data sources and indicators. And reformers respond to many stakeholders and interest groups, all of whom bring important issues and concerns into the reform debate. World Bank Group dialogue with governments on the investment climate is designed to encourage critical use of the data, sharpening judgment, avoiding a narrow focus on improving *Doing Business* rankings and encouraging broad-based reforms that enhance the investment climate.

## METHODOLOGY AND DATA

*Doing Business in South East Europe 2011* covers 22 cities. The data are based on national and local laws and regulations as well as administrative requirements. (For a detailed explanation of the *Doing Business in South East Europe 2011* methodology, see Data notes).

### INFORMATION SOURCES FOR THE DATA

Most of the indicators are based on laws and regulations. In addition, most of the cost indicators are backed by official fee schedules. *Doing Business* respondents both fill out written surveys and provide references to the relevant laws, regulations and fee schedules, aiding data checking and quality assurance.

For some indicators part of the cost component (where fee schedules are lacking) and the time component are based on actual practice rather than the law on the books. This introduces a degree of subjectivity. The *Doing Business* approach has therefore been to work with legal practitioners or professionals who regularly undertake the transac-

tions involved. Following the standard methodological approach for time and motion studies, *Doing Business* breaks down each process or transaction, such as starting and legally operating a business, into separate steps to ensure a better estimate of time. The time estimate for each step is given by practitioners with significant and routine experience in the transaction.

The *Doing Business* approach to data collection contrasts with that of enterprise or firm surveys, which capture often one-time perceptions and experiences of businesses. A corporate lawyer registering 100–150 businesses a year will be more familiar with the process than an entrepreneur, who will register a business only once or maybe twice. A bankruptcy judge deciding dozens of cases a year will have more insight into bankruptcy than a company that may undergo the process.

### DEVELOPMENT OF THE METHODOLOGY

The methodology for calculating each indicator is transparent, objective and easily replicable. Leading academics collaborate in the development of the indicators, ensuring academic rigor. Eight of the background papers underlying the indicators have been published in leading economic journals.

*Doing Business* uses a simple averaging approach for weighting sub-indicators and calculating rankings. Other approaches were explored, including using principal components and unobserved components. The principal components and unobserved components approaches turn out to yield results nearly identical to those of simple averaging. The tests show that each set of indicators provide sufficiently broad coverage across topics. Therefore, the simple averaging approach is used.

### IMPROVEMENTS TO THE METHODOLOGY AND DATA REVISIONS

The methodology has undergone continual improvement over the years. Changes have been made mainly in response to country suggestions. In accordance with the *Doing Business* methodology, these changes have been incorporated into the *Doing Business in South East Europe 2011*.

For starting a business, for example, the minimum capital requirement can be an obstacle for potential entrepreneurs. Initially, *Doing Business* measured the required minimum capital regardless of whether it had to be paid up front or not. In many economies only part of the minimum capital has to be paid up front. To reflect the actual potential barrier to entry, the paid-in minimum capital has been used since 2004.

All changes in methodology are explained in the Data notes section of this report as well as on the *Doing Business* website. In addition, data time series for each indicator and city are available on the website. The website also makes available all original data sets used for background papers.

Information on data corrections is provided in the Data notes and on the website. A transparent complaint procedure allows anyone to challenge the data. If errors are confirmed after a data verification process, they are expeditiously corrected.

1. The standard cost model is a quantitative methodology for determining the administrative burdens that regulation imposes on businesses. The method can be used to measure the effect of a single law or of selected areas of legislation or to perform a baseline measurement of all legislation in a country.
2. This has included a review by the World Bank Independent Evaluation Group (2008) as well as ongoing input from the International Tax Dialogue.
3. De Soto, Hernando. 2000. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Basic Books.

4. Schneider, Friedrich. 2005. "The Informal Sector in 145 Countries." Department of Economics, University Linz.
5. <http://www.enterprisesurveys.org>
6. The World Economic Forum's Global Competitiveness Report uses part of the *Doing Business* data sets on starting a business, employing workers, protecting investors and getting credit (legal rights).
7. Narayan, Deepa, Robert Chambers, Meer Kaul Shah and Patti Petesh. 2000. *Voices of the Poor: Crying Out for Change*. Washington, DC: World Bank.
8. World Bank. 2003. *Doing Business in 2004: Understanding Regulation*. Washington, DC: World Bank Group.
9. <http://scholar.google.com>
10. For example, Masatlioglu, Yusufcan, and Jamele Rigolini. 2008. "Informality Traps." *B.E. Journal of Economic Analysis & Policy* 8 (1); Kaplan, David, Eduardo Piedra and Enrique Seira. 2007. "Entry Regulation and Business Start-Ups: Evidence from Mexico." Policy Research Working Paper 4322, World Bank, Washington, DC.; Ardagna, Silvia, and Annamaria Lusardi. 2008. "Explaining International Differences in Entrepreneurship: The Role of Individual Characteristics and Regulatory Constraints." NBER Working Paper 14012, National Bureau of Economic Research, Cambridge, MA.
11. For example, Alesina, Alberto, Silvia Ardagna, Giuseppe Nicoletti and Fabio Schiantarelli. 2005. "Regulation and Investment." *Journal of the European Economic Association* 3 (4): 791–825; Perotti, Enrico, and Paolo Volpin. 2004. "Lobbying on Entry." CEPR Discussion Paper 4519, Centre for Economic Policy Research, London; Fisman, Raymond, and Virginia Sarria-Allende. 2004. "Regulation of Entry and the Distortion of Industrial Organization." NBER Working Paper 10929, National Bureau of Economic Research, Cambridge, MA; Antunes, Antonio, and Tiago Cavalcanti. 2007. "Start Up Costs, Limited Enforcement, and the Hidden Economy." *European Economic Review* 51 (1): 203–24; Djankov, Simeon, Caroline Freund and Cong S. Pham. 2010. "Trading on Time." *Review of Economics and Statistics* 92 (1): 166–73.
12. For example, Freund, Caroline, and Bine-waree Bolaky. 2008. "Trade, Regulations and Income." *Journal of Development Economics* 87: 309–21; Chang, Roberto, Linda Kaltani and Norman Loayza. 2009. "Openness Can Be Good for Growth: The Role of Policy Complementarities." *Journal of Development Economics* 90: 33–49; Helpman, Elhanan, Marc Melitz and Yona Rubinstein. 2008. "Estimating Trade Flows: Trading Partners and Trading Volumes." *Quarterly Journal of Economics* 123 (2): 441–87.
13. Nunn, Nathan. 2007. "Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade." *Quarterly Journal of Economics* 122 (2): 569–600.
14. Houston, Joel, Chen Lin, Ping Lin and Yue Ma. 2010. "Creditor Rights, Information Sharing, and Bank Risk Taking." *Journal of Financial Economics* 96 (3): 485–512.

# Starting a business

Ilija from Skopje (FYR Macedonia) and Agon from Pristina (Kosovo) are computer science graduates who have been working together at a technology company in Germany for the past 5 years. With their accumulated savings, business relationships, and roster of potential clients, they are contemplating returning to their homelands to jointly start up a consulting company. Their first step is to decide where to locate their headquarters and register their new business. In Skopje (FYR Macedonia), they can start operating their company in just 3 days—which is faster than all European Union member states—while in Pristina (Kosovo) they would need to wait 2 months. Time being of essence, their choice is not hard to make.

Enabling easier, faster, and more affordable business entry is essential for private sector development. In some economies, the process is straightforward and inexpensive, while in others it is so cumbersome and time-consuming that entrepreneurs either have to bribe officials to speed up the process, operate their businesses informally, or go somewhere else. Formal operations offer several advantages. For entrepreneurs, starting a limited liability company helps protect their personal assets—only their investments are at risk. And formal companies tend to have greater access to credit, which can be critical for growth. Registered companies also have an easier time attracting trading partners in for-

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	Skopje <i>FYR Macedonia (easiest)</i>	12	Uzice <i>Serbia</i>
2	Bitola <i>FYR Macedonia</i>	13	Balti <i>Moldova</i>
3	Tetovo <i>FYR Macedonia</i>	14	Vranje <i>Serbia</i>
4	Pljevlja <i>Montenegro</i>	14	Zrenjanin <i>Serbia</i>
5	Niksic <i>Montenegro</i>	16	Krusevac <i>Serbia</i>
6	Podgorica <i>Montenegro</i>	17	Chisinau <i>Moldova</i>
7	Vlora <i>Albania</i>	18	Banja Luka <i>Bosnia and Herzegovina</i>
8	Shkodra <i>Albania</i>	19	Sarajevo <i>Bosnia and Herzegovina</i>
9	Durres <i>Albania</i>	20	Mostar <i>Bosnia and Herzegovina</i>
10	Tirana <i>Albania</i>	21	Prizren <i>Kosovo</i>
11	Belgrade <i>Serbia</i>	22	Pristina <i>Kosovo (most difficult)</i>

Note: Rankings are based on the average city percentile rankings on the procedures, time, cost, and paid-in minimum capital to start a business. See Data notes for details.

Source: Doing Business database.

eign markets. Eventually, more formally registered enterprises means more tax revenue in government accounts.<sup>1</sup>

Research shows that well-designed business regulations can reduce informality and boost productivity. Simply put, when business entry is faster and less costly, more firms enter the formal market.<sup>2</sup> In Mexico, for example, the number of new firms grew by 5% and employment increased by 2.8% after a one-stop shop was introduced to facilitate business registration.<sup>3</sup> Similarly, the

introduction of efficient, one-stop shops in 6 Colombian cities increased registrations by 5.2%.<sup>4</sup> On the other hand, heavier regulation of business entry is associated with a proportionally larger informal sector.<sup>5</sup>

*Doing Business* measures the number of procedures, time, and cost for a small to medium-size firm to start up and operate formally (figure 2.1). The number of procedures shows how many separate interactions an entrepreneur is required to have with third parties.

FIGURE 2.1  
What is the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?

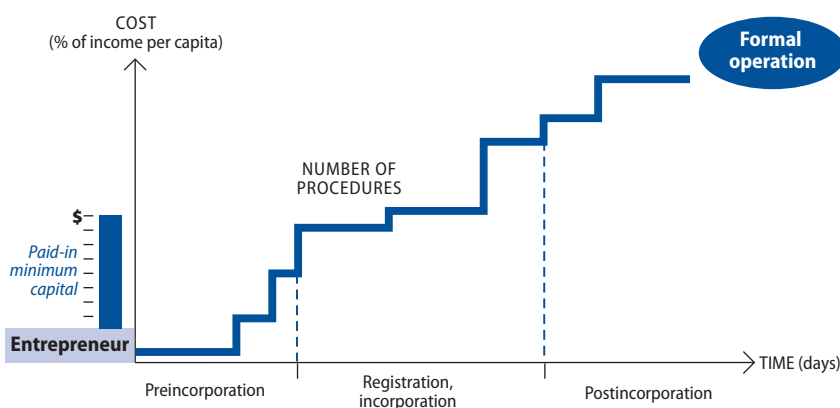
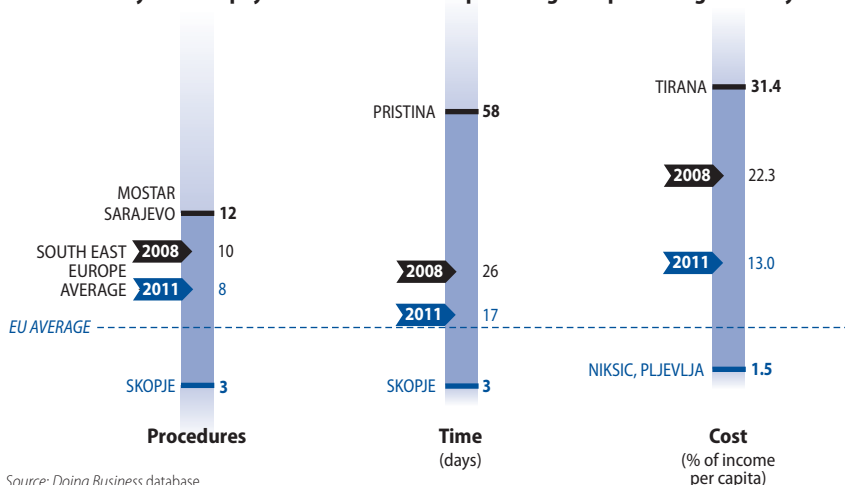


FIGURE 2.2

**Business entry reforms pay off—South East Europe averages improved significantly**



Business-entry requirements go beyond simple incorporation to include the registration of a business name; registration with tax authorities; registration with statistical, social security, and pension administrations; and registration with local authorities.<sup>6</sup>

Globally, New Zealand leads the *Doing Business* ranking in starting a business. An entrepreneur there simply goes online, registers a new business, and uses a credit card to pay the equivalent of US\$ 125—that is, 0.4% of New Zealand’s income per capita. Other economies are not far behind—including Georgia and FYR Macedonia in Eastern Europe, where it takes only 3 procedures and 3 days to start a business.

Within South East Europe, there is a great deal of variation regarding the ease of starting a business—especially at the economy level. Differences in national regulation are noticeable. Within economies, variations stem mainly from municipal fee schedules and administrative efficiency levels. Recently, the gap among economies has widened due to the fast pace of business reforms that some governments have implemented during the past 3 years. The net result of these reforms has made starting a business easier in the region. Specifically, since January 2008,<sup>7</sup> the average time to start a business decreased from 26 to 17 days, the average cost was reduced from 22% to 13% of income per capita,

while the average number of procedures dropped from 10 to 8 in the region. Overall, the region still lags behind the European Union (EU) average on the ease of starting a business (figure 2.2), but it is catching up fast.

Within the region, starting a business is easiest in Skopje (FYR Macedonia)—which would rank 5<sup>th</sup> among the 183 economies measured by *Doing Business*—while it is most difficult in Pristina (Kosovo) (table 2.1).

In the region, pre-registration steps and the act of business registration generally require dealings with central business registries. This is not the case in the 3 cities measured in Bosnia and

Herzegovina where registration requires visits to the municipal court (as in Mostar and Sarajevo) or the district commercial court (Banja Luka). Next come the post-registration procedures, which vary greatly among the cities measured. For instance, in Skopje (FYR Macedonia), there is only 1 post-registration step (making a company seal), while in Mostar and Sarajevo, 8 such steps are required—including the buying of a company stamp, obtaining municipal approval on intended activities, notifying the cantonal inspection authorities on the start of business operations, obtaining a tax identification number, enrolling employees in pension insurance and health insurance, and adopting a rule book on employee regulations (figure 2.3).

In cities where one-stop shops have been set up and are fully operational, the time spent is significantly lower (figure 2.4). The one-stop shop in Skopje (FYR Macedonia) decreased the time to start a business from 12 days in 2008 to just 3 days by eliminating 5 procedures.<sup>8</sup> Now, entrepreneurs can register employees with the Employment Agency (EA), the Health Insurance Fund (HIF), and the Pension Insurance Fund (PIF) at the time of incorporation. In the other 2 Macedonian cities, Bitola and Tetovo, registrations with the EA, HIF, and PIF

FIGURE 2.3

**Time to start a business—3 days in Skopje, 50 days in Sarajevo**

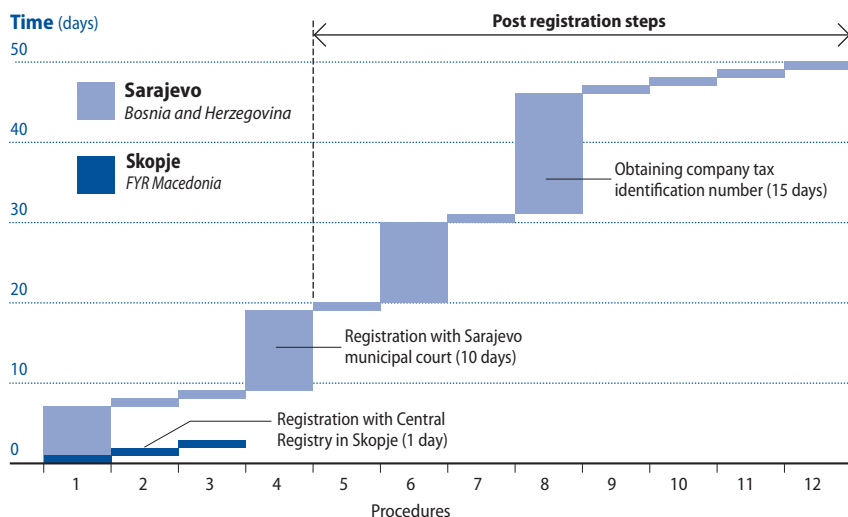
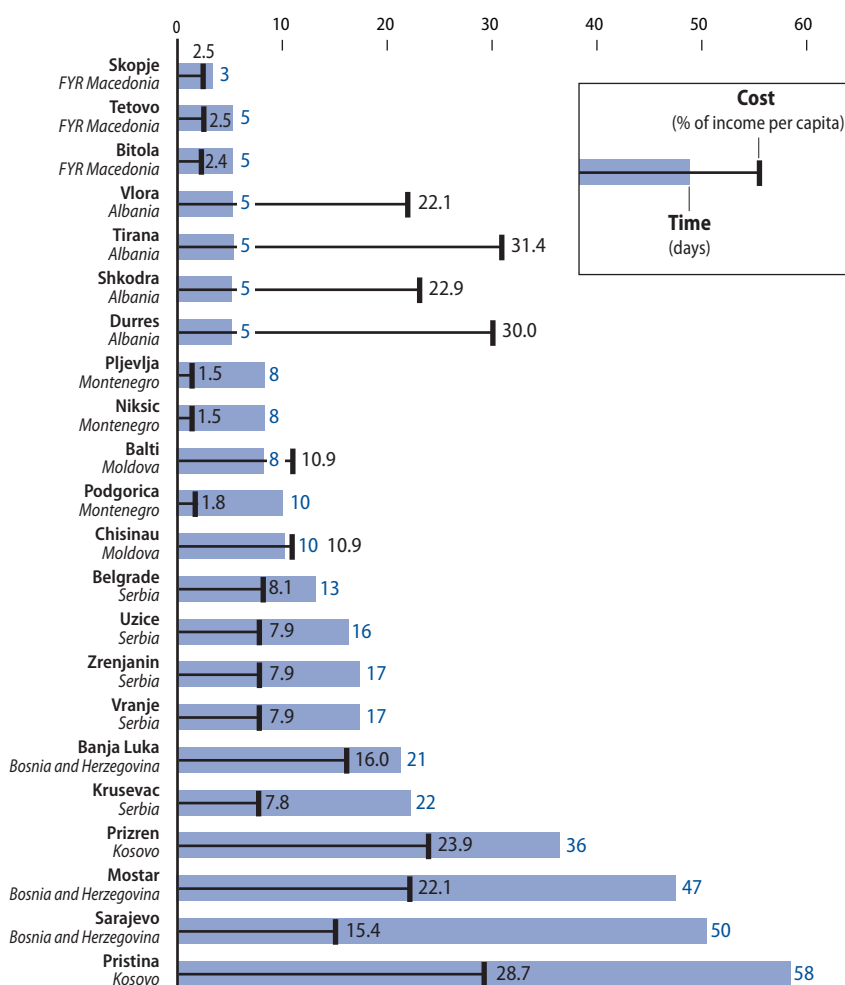


FIGURE 2.4

**National laws drive variations in time, while local regulations determine costs to start a business among economies in South East Europe**



Source: Doing Business database.

have been merged, but cannot yet be done at the time of registration. In 2007, Albania was one of the first economies in the region to introduce one-stop shops throughout the country. As a result, start-up times have decreased significantly since then. More recently, Albania removed the requirement to register with local chambers of commerce. Yet companies still have to register with municipal tax bureaus.

Montenegro and Serbia have reformed by merging procedures. In all Montenegrin cities, a statistical number is now obtained from the Company Registry at the time of registration. Before, the entrepreneurs had to visit the Statistical Office of Montenegro to get the number. In addition, a unified taxpayer

registration has been introduced. This eliminates the need to register separately for personal income tax, social contributions, and health insurance. The results are evident: business start-up now averages 9 days—twice as fast as before the reforms. In Belgrade (Serbia), registration with various agencies has been consolidated under one roof. The registration certificate, tax identification number, pension fund certificate, and health fund certificate are all obtained at the Business Registers Agency (SBRA) in Belgrade. Other Serbian cities measured by this report still require pension fund and health fund confirmations to be obtained separately. Nevertheless, the time to start a business in Serbia has decreased in all cities—most notably in

Zrenjanin, where it fell from 37 days in 2008 to just 17 days in 2011.

In Pristina and Prizren (Kosovo), the Business Registration Agency is functional, but entrepreneurs have to obtain a separate business permit from the municipality, a fiscal number from the Tax Administration, Value Added Tax (VAT) registration, and sign employees up for the pension scheme. In Bosnia and Herzegovina, company registrations are completed through the courts and there are several post-registration procedures that are not required elsewhere (see the example of Sarajevo in figure 2.3). In Mostar, the process takes 47 days, while in Sarajevo, it takes 50 days—one of the longest delays in the region. Yet there's good news within Bosnia and Herzegovina: the time to open a business in Banja Luka decreased by 33 days since 2008. A utilization permit from the Ministry of Trade is no longer required, a step that previously took 2 weeks. In addition, Banja Luka's business registration was moved to be under the auspices of the newly established District Commercial Court. As a result, business registration now takes only 7 days—compared to the 20 days it took previously. Finally, employee enrollment with the health insurance fund and the pension fund was unified.

In Chisinau and Balti (Moldova), unifying business registration with other procedures is still underway, but positive steps have been taken to reduce the overall start-up time. The 2007 Law on Limited Liability Companies set statutory time limits for business registration. As a result, the time to obtain a registration certificate was reduced from 15 to 5 days. Subsequently, in 2009, an expedited company registration service was introduced. For an additional fee, an entrepreneur can now obtain a company registration certificate within 24 hours. Furthermore, a notary no longer needs to certify the bank account signature cards—a procedure that was still required back in 2008.

The cost to start a business is another significant variable among the cities measured. The regional average of

13% of income per capita is equivalent to US\$ 536. Costs vary from just 1.5% of income per capita in Plevlja (Montenegro)—similar to the costs seen in Luxembourg or Romania—to a more prohibitive 31.4% of income per capita in Tirana (Albania) (figure 2.4). Pristina and Prizren (Kosovo), which were the most expensive cities for start-ups back in 2008, helped entrepreneurs by cutting municipal permit fees from EUR 1,000 to EUR 525 in Pristina and from EUR 1,000 to EUR 400 in Prizren. The Montenegrin cities went one step further and eliminated the requirement to obtain a municipal license altogether—significantly lowering start-up costs. Now, companies simply need to report their activities to the municipality. In some cities, the process has become slightly more expensive since 2008. In Serbia, a new law on court fees, introduced in May 2009, increased the fee for notarizing the memorandum of association and the lease contract in all cities. Companies with a start-up capital of more than RSD 1 million (US\$ 15,500) now have to pay 30% more than they did back in 2008.

The minimum capital requirement is another burden for companies—4 out of the 7 economies in South East Europe require companies to set aside a significant amount of capital before they can start operating. In Kosovo, this is a prohibitive 112% of income per capita. It is 30% in Bosnia and Herzegovina, 12% in Moldova, and 6% in Serbia. FYR Macedonia is the only economy to have abolished the minimum capital requirement, while Albania and Montenegro impose nominal amounts (approximately US\$ 1).

Some governments, such as Kosovo's, have tried to reduce the minimum capital requirement in recent years. In 2008, Kosovo's parliament adopted the Law on Business Organization. The law was enacted by UNMIK<sup>9</sup> Regulation No. 2008/26 which introduced references to the previous UNMIK Regulation No. 2001/6. On paper, the law decreased the minimum capital requirement from EUR 2,500 to EUR 1,000. However, there is confusion regarding which law sets the

TABLE 2.2  
Who made it easier to start a business since 2008?

Economy	City	Created or improved one-stop shops	Eliminated municipal or entity permits	Merged or simplified post-registration procedures*	Made registration with chambers of commerce optional	Eliminated permits or decreased their fees
Albania	Shkodra	✓			✓	
	Tirana	✓			✓	
	Vlora	✓			✓	
Bosnia and Herzegovina	Banja Luka		✓			✓
	Mostar		✓			✓
	Sarajevo		✓			✓
Kosovo	Pristina			X		✓
	Prizren			X		✓
FYR Macedonia	Bitola	✓		✓		✓
	Skopje	✓		✓		✓
Moldova	Chisinau			✓		
Montenegro	Niksic		✓	✓		✓
	Pljevlja		✓	✓		✓
	Podgorica		✓	✓		✓
Serbia	Belgrade	✓		✓		
	Krusevac	✓		✓		
	Uzice	✓		✓		
	Zrenjanin	✓		✓		

✓ *Doing Business* reform making it easier to start a business

X *Doing Business* reform making it more difficult to start a business

\* registration for tax, social security, pension fund, and health fund.

Note: This table records all *Doing Business* reforms that occurred between January 2008 and January 2011.

Source: *Doing Business* database.

minimum capital requirement. While some say it is the Law on Business Organization, adopted by Kosovo's parliament, others believe it is still the provisions in UNMIK Regulation 2001/6.<sup>10</sup>

Starting a business has become easier globally. In the past 7 years, *Doing Business* recorded 296 business registration reforms in 140 economies. Eastern Europe and Central Asia and Sub-Saharan Africa have been the most active regions in start-up reforms.<sup>11</sup> In South East Europe, between January 2008 (the time of the first *Doing Business in South East Europe* report) and January 2011, all 19 cities measured for the second time made the business start-up process easier (table 2.2). The most popular business reforms among central governments remain the establishment of one-stop shops and unifying social security, health fund, and pension fund registrations. In addition, several local governments have reduced fees. The results are striking. If

a city were to adopt the best practices already in place elsewhere in South East Europe, it would rank 5<sup>th</sup> on the ease of starting a business globally—ahead of the United States and all European Union member states.

## WHAT TO REFORM

*Doing Business in South East Europe 2008* recommended the elimination of the minimum capital requirement and operating permits. It also recommended the introduction of one-stop shops. These reform recommendations remain valid for a number of cities.

## CONSOLIDATE GOVERNMENT APPROVALS AT A SINGLE ACCESS POINT

Having to deal with multiple government agencies slows down business registrations significantly. Merging company registration with tax registration is a good starting point since both processes

typically require similar information. Almost half of the cities measured in South East Europe have already taken such a step. Cities in Montenegro are in the process of merging business registration with tax registration. Others should follow suit.

Integrating all procedures within a one-stop shop would be the next big step. Some cities—like those in Albania—have already done so. The “single window” one-stop shops established in all Albanian cities enable entrepreneurs to complete company, tax, social insurance, health insurance, and labor directorate registrations using a single application procedure. In Skopje (FYR Macedonia), the Central Registry (established in 2006) allows entrepreneurs to complete company, tax, statistics, and social fund registrations and then publish the notice of the company’s establishment on the registry’s website. Neighbors should take note of this streamlined process.

### **SIMPLIFY REGISTRATIONS WITH MUNICIPAL AUTHORITIES**

Currently, 19 of the 22 cities measured in South East Europe require interactions with municipal authorities to start a business. In fact, all cities in Albania, Moldova, and Serbia require entrepreneurs to register for local taxes before they can start operating their businesses. In Pristina and Prizren (Kosovo), municipal work permits are mandatory. In Mostar and Sarajevo (Bosnia and Herzegovina), entrepreneurs have to deal with the municipal authorities on 2 occasions—first to obtain a resolution on their intended activities and then again at the start of operations. Municipal registrations are associated with heavier administrative burdens on companies and additional costs—in many cities, municipal fees constitute the largest portion of total costs to start a business. Cities in FYR Macedonia are the only ones to have completely eliminated registration with municipal authorities. Others should consider the same path.

In principle, the purpose of licenses and permits should be to protect pub-

lic health, safety, and the environment. Local governments that require operating permits indiscriminately are not meeting this objective. Such permits should be eliminated for companies that do not pose a direct threat to public health, safety, or the environment. Alternatively, operating permits could be replaced with a system based on self-regulation: after a business starts up, government inspections could verify that the business is in compliance with operating norms. To avoid possible abuses, clear guidelines and requirements for such inspections should be made publicly available.

### **PROMOTE THE USE OF ELECTRONIC SERVICES**

Technology can improve the efficiency of services and the accountability of public officials. In the past 7 years, 54 economies have introduced information and communication technology in their business start-up process. And the results are promising. When Mauritius introduced a computerized system for business registration in 2006, the time required for registration fell by 80%. Singapore’s online registration system saves businesses an estimated US\$ 42 million annually.<sup>12</sup>

Most of the central registries in the South East Europe region already have websites in place and offer application forms online. Some of them, such as FYR Macedonia and Moldova, offer online name reservations for companies as well. The efforts should continue—with on-line business registration as the ultimate goal.

### **INTRODUCE A SINGLE TAX AND BUSINESS IDENTIFICATION NUMBER**

Having separate identification numbers for different governmental agencies increases the administrative burden. In Pristina and Prizren (Kosovo), entrepreneurs have to obtain a business registration number separate from the tax numbers (fiscal tax number, VAT number, and pension scheme number). In Banja Luka (Bosnia and Herzegovina), a statistical number has to be obtained from the Institute of Statistics in addition to the registration number obtained from the

courts. The requirements are similar in cities in Montenegro and Moldova.

Switching to a single identification number to be used for all government interactions—including interactions with all tax authorities—would expedite business registration and facilitate tax administration. Entrepreneurs and governments would save valuable time. Several cities in the region—including those in Albania and FYR Macedonia—have already consolidated the various identification numbers into one. Other cities should look to their positive examples.

### **ABOLISH THE COMPANY SEAL**

In 20 out of the 22 cities measured in South East Europe, having a company seal is either legally required or still a common practice. In the past, official seals may have been the only means to authenticate legal documents, but they are increasingly irrelevant in modern times. For one thing, seals may be easily forged. Furthermore, most documents are sent electronically. Around the globe, more than 100 economies have regulations allowing electronic signatures. Such signatures eliminate the cost of getting a seal, make it more difficult to forge signatures, and expedite transfer of documents. Economies in South East Europe should also eliminate seal requirements, if they have not already done so. Those economies where the seal is not required by law but remains a common practice should launch communication campaigns to inform the private sector of more modern practices.

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4. Cardenas, Mauricio, and Sandra Rozo. 2007. “La informalidad empresarial y sus consecuencias: ¿Son los CAE una solución?” Documento de Trabajo 38, Fedesarrollo. Bogotá, Colombia.
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  6. The World Bank Group, Investment Climate Advisory Services, “Business Entry,” accessed March 15, 2011, <http://www.wbginvestmentclimate.org>.
  7. This is when data were collected for *Doing Business in South East Europe 2008*.
  8. The one-stop shop project in FYR Macedonia is going through a second stage that aims to unify business registration and employee registration for social contributions. The second phase is already being implemented through a pilot project in Skopje and is expected to cover the entire country by the end of 2011.
  9. UNMIK refers to the United Nations Mission in Kosovo.
  10. UNMIK Regulation No. 2008/26 promulgated Law on Business Organizations in May 27, 2008, at a time when the Special Representative of the Secretary-General still had the authority to promulgate the law effective. However, UNMIK Regulation No. 2008/26 also changed the final text of the law, namely Article 236.2. According to the change: “Any of the provisions in Regulation 2001/6 and Administrative Direction 2002/22 so referred to shall remain in force and supersede any provision of the present Law inconsistent with Regulation 2001/6 and Administrative Direction 2002/22.” Please see Regulation No. 2008/26 at: [http://www.unmikonline.org/regulations/unmikgazette/02english/E2008regs/RE2008\\_26.pdf](http://www.unmikonline.org/regulations/unmikgazette/02english/E2008regs/RE2008_26.pdf).
  11. World Bank. 2010. *Doing Business in 2011: Making a Difference for Entrepreneurs*. Washington, D.C.: World Bank Group.
  12. World Bank conference, “The Singapore Experience: Ingredients for Successful Nation-Wide eTransformation.” Singapore. September 30, 2009.

# Dealing with construction permits

Maja owns several clothing stores in Uzice (Serbia). She is looking to expand her clothing line to Krusevac. In order to do so, she will need to build a warehouse in Krusevac to store her merchandise. After gathering information on the requirements to deal with construction permits, she has second thoughts. The hassle and expense to obtain the approvals, clearances, and permits in Krusevac are making her explore alternate locations within Serbia.

Regulation of construction is critical in ensuring public protection and safety. However, it is important to find the right balance between safety and efficiency. Smart regulations ensure both public safety and revenue for the government, while making the process easier for entrepreneurs. A complex and confusing regulatory framework hurts business and can be a seedbed for corruption. Instead of promoting public safety, overly rigid rules and regulations may push construction into the informal economy, undermining the intent. An estimated 60 to 80% of construction projects in developing economies are undertaken without permits because the permit approval process is too complex or its oversight is too lax.<sup>1</sup>

*Doing Business* measures the number of procedures, time, and cost for a small to medium-size construction business to obtain all necessary approvals to build a simple commercial warehouse and connect it to basic utility services

TABLE 3.1  
Where is it easy to deal with construction permits—and where not?

RANK	City <i>Economy</i>	RANK	City <i>Economy</i>
1	Niksic <i>Montenegro (easiest)</i>	12	Bitola <i>FYR Macedonia</i>
2	Skopje <i>FYR Macedonia</i>	13	Mostar <i>Bosnia and Herzegovina</i>
3	Banja Luka <i>Bosnia and Herzegovina</i>	13	Vranje <i>Serbia</i>
3	Shkodra <i>Albania</i>	13	Zrenjanin <i>Serbia</i>
3	Tetovo <i>FYR Macedonia</i>	16	Uzice <i>Serbia</i>
6	Pljevlja <i>Montenegro</i>	17	Pristina <i>Kosovo</i>
6	Prizren <i>Kosovo</i>	18	Podgorica <i>Montenegro</i>
8	Balti <i>Moldova</i>	19	Chisinau <i>Moldova</i>
9	Sarajevo <i>Bosnia and Herzegovina</i>	20	Krusevac <i>Serbia</i>
9	Vlora <i>Albania</i>	21	Belgrade <i>Serbia (most difficult)</i>
11	Durres <i>Albania</i>	22	Tirana <i>Albania (no practice)</i>

Note: Rankings are based on the average city percentile rankings on the procedures, time, and cost to deal with construction permits. See Data notes for details.  
Source: *Doing Business* database.

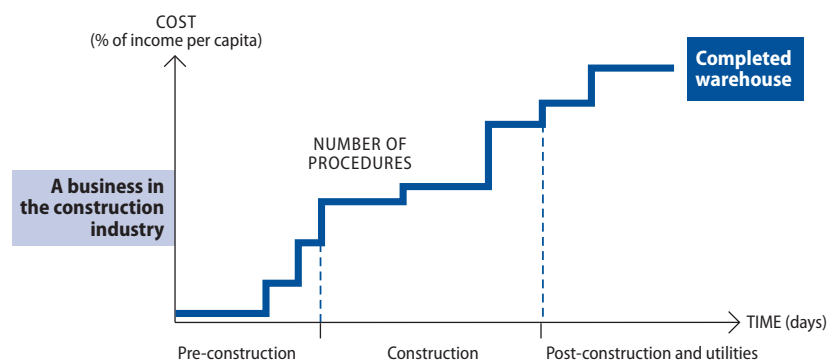
(figure 3.1). Such indicators can be telling. A recent competitiveness report by the consulting firm KPMG indicated that construction costs and permitting processes were among the top 20 factors determining the location of start-ups in the United States.<sup>2</sup>

Dealing with construction permits can be difficult and expensive in South East Europe. On average, a construction company would spend 223 days and more than 1,100% of income per capita to complete the 20 requirements to build a warehouse in the region. South East

Europe comes close to the EU average of 17 procedures and 200 days. However, in terms of costs, the region is almost 15 times as expensive as the average EU country, relative to average incomes per capita.

Across the region, dealing with construction permits is easiest in Niksic (Montenegro) and most difficult in Belgrade (Serbia). Meanwhile, in Tirana (Albania), no permit has been issued since 2009 (table 3.1).<sup>3</sup> Globally, Niksic would rank 105th—same as the Netherlands—while Belgrade would take 179th

FIGURE 3.1  
What is the time, cost and number of procedures to comply with formalities to build a warehouse?



place—between Ukraine and the Russian Federation—out of the 183 economies measured by *Doing Business*. In Hong Kong SAR (China), the global best performer for this indicator, a construction company spends only 67 days and 19.4% of income per capita on 7 procedures.

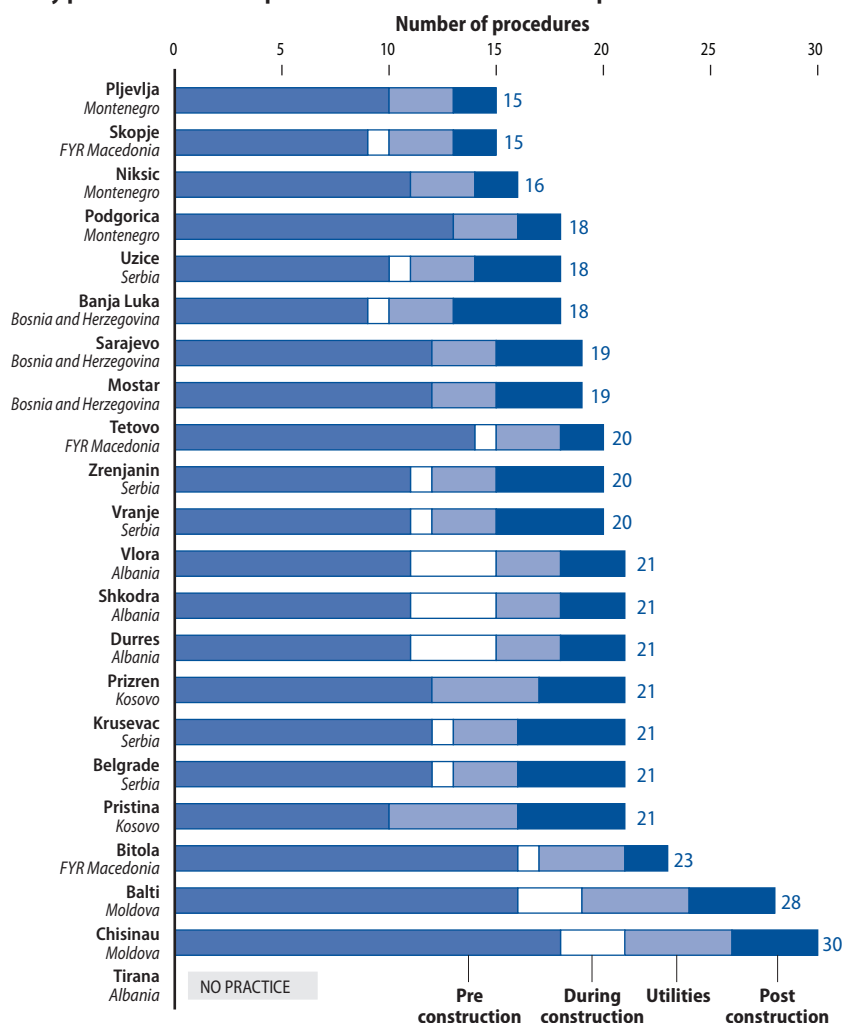
The number of steps required to deal with construction permits ranges from 15 in both Plevlja (Montenegro) and Skopje (FYR Macedonia) to 30 in Chisinau (Moldova). On average, a construction company must complete 12 pre-construction procedures, 1 procedure during the construction phase, 3 procedures to obtain utility connections, and 4 post-construction procedures (figure 3.2).

Across the region, at least 9 or more approvals are required before construction can even commence. In Chisinau (Moldova), a building company must go through 18 pre-construction steps—the highest in the region—visiting 14 different agencies and public utility providers. These include multiple visits to the Fire Department, the Health Department, and the Environmental Protection Agency; separate visits to 6 utility companies; and visits to the Municipality, City Planning Services Agency, Road Inspectorate, and the State Service for Verification and Expertise of Projects in Construction. Meanwhile, in Banja Luka (Bosnia and Herzegovina), only 9 pre-construction steps are required. Since the enactment of the Law on Construction and Urban Planning in May 2010, building companies in the Republika Srpska entity are no longer required to obtain preliminary consents from utility providers.

The number of procedures required during the construction phase also varies within the region. In Albania’s cities, 4 on-site inspections are conducted by the municipal Construction Inspectorate. Similarly in Balti and Chisinau (Moldova), 3 such inspections are required by the State Construction Inspectorate. Meanwhile, in FYR Macedonia, the 2009 Law on Construction—amended in 2010<sup>4</sup>—reduced construction-phase requirements by shifting the responsibil-

FIGURE 3.2

Many pre-construction requirements across South East Europe



Source: *Doing Business* database.

ity for building supervision from public enforcement agencies to certified engineers.<sup>5</sup> This resulted in the elimination of 5 on-site inspections in Skopje previously performed by the State Inspectorate for Construction and Urban Works. Today, a construction company must hire a private certified engineer who oversees the construction from beginning to end, performs the technical inspection after construction, and prepares the final compliance report.

In the majority of cities, in addition to getting utility connections and registering the building with cadastre, the post-construction phase includes obtaining an occupancy permit. FYR Macedonia is the exception because the occupancy permit requirement for com-

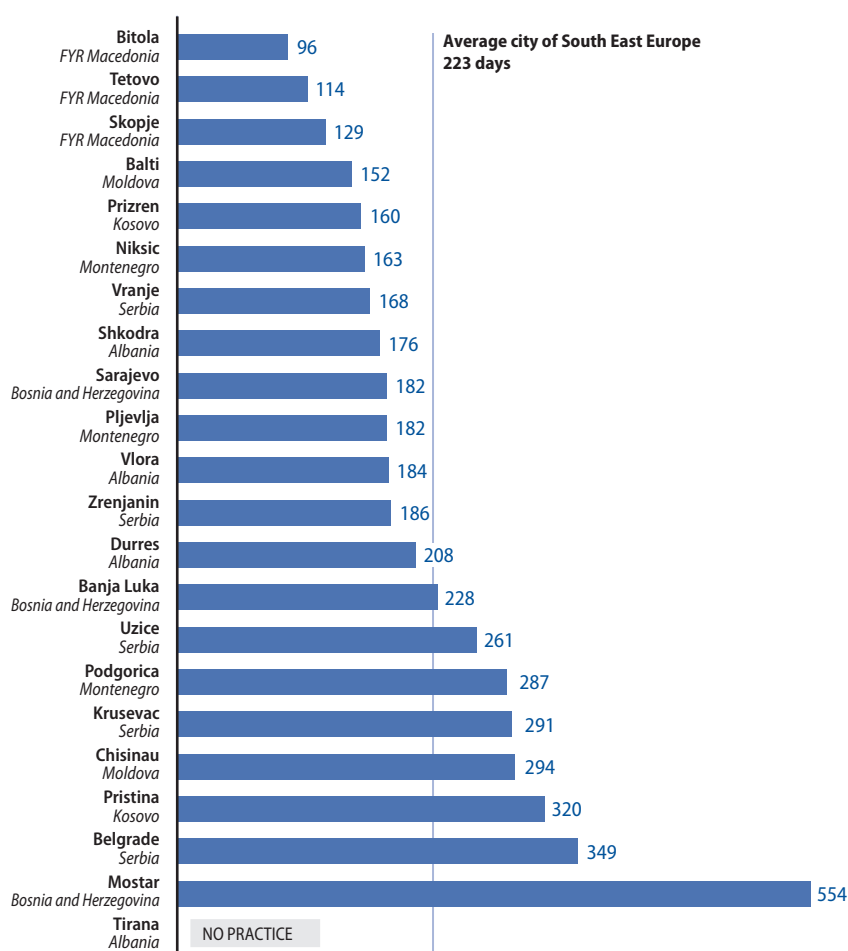
mercial buildings is no longer required. Instead, certified supervisory engineers prepare technical reports in which they determine if buildings are in compliance with construction permits.

The time needed to deal with construction permits in South East Europe varies from 3 months in Bitola (FYR Macedonia) to a year and a half in Mostar (Bosnia and Herzegovina) (figure 3.3). Most variations stem from differences in the pre-construction and post-construction phases. On average, it takes 119 days before the construction can start in the region. However, a construction company in Skopje (FYR Macedonia) may obtain a building permit in 72 days while one in Belgrade (Serbia) may spend 248 days on the same

FIGURE 3.3

**Big range in the time spent on dealing with construction permits**

(days)



Source: Doing Business database.

step. Similarly, in the post-construction phase, receiving the final inspection of the warehouse, obtaining an occupancy report, and registering the property in the cadastre can take as little as 33 days in Balti (Moldova) and as long as 205 days in Pristina (Kosovo).

Although construction regulations are national in most economies in the region, differences in implementation at the local level exist. For instance, in Vranje (Serbia), once all necessary clearances are obtained, it takes the municipal authorities 8 days to issue the permit, while in Belgrade, the local Secretariat for Urban Planning and Construction may take 15 times longer due to a significant administrative backlog. Similarly in Niksic (Montenegro), obtaining the municipal consent on urban development

and technical requirements of a building area may take 30 days while the same process may take 60 days in Podgorica (also Montenegro) because it has not completed an update of its spatial maps and plans.

South East Europe is one of the most expensive regions in the world for construction permits—the average cost runs 1,134% of income per capita. Balti and Chisinau (Moldova) stand out as the least expensive; they cost 110% and 121% of income per capita, respectively. Vranje (Serbia) and Podgorica (Montenegro) are the most expensive at 2,099% and 2,132% of income per capita, respectively. They would rank among the 11 most expensive locations globally—comparable to India (figure 3.4).

In most economies, the largest por-

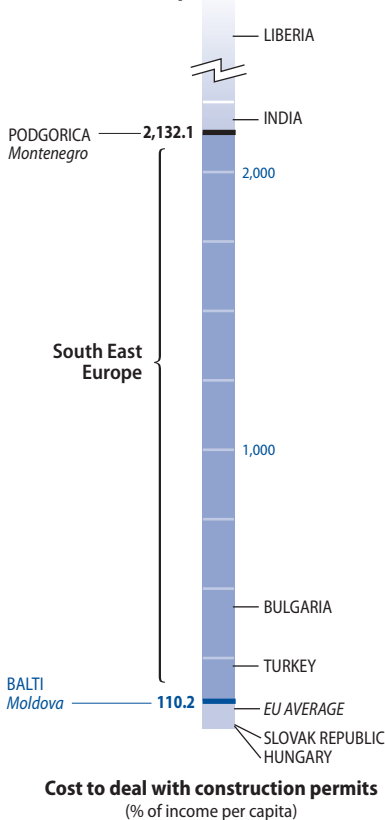
tion of the overall cost is spent on building permit fees and associated taxes. In the Serbian cities, obtaining a building permit amounts to, on average, 76% of the overall cost (the equivalent of US\$ 83,278). In FYR Macedonia and Montenegro, construction companies also must pay an urban development tax before obtaining a building permit. In Podgorica (Montenegro), this tax accounts for almost 75% of the overall cost (the equivalent of US\$ 100,221).

Inspection costs vary. Across all cities in Serbia, the cost of hiring a licensed expert to oversee construction is 111% of income per capita (US\$ 6,625). In addition, receiving a final inspection before obtaining a usage permit varies from US\$ 2 in Belgrade to US\$ 3,096 in Vranje. In Pristina and Prizren (Kosovo), inspections costs are significantly less—US\$ 15 and US\$ 22, respectively. In Moldova inspections are free of charge.

In 2009/2010, 19 economies around the world made it easier to deal with construction permits, according to *Doing Business 2011*. Eastern Europe and Central Asia, as well as Sub-Saharan Africa have been the most active regions in reforming construction permitting in the past 6 years. Specifically, 20 economies in Eastern Europe and Central Asia implemented 33 new regulations—mainly to revamp outdated construction formalities, such as those from the Soviet Union era. These changes reduced the average time for dealing with construction formalities by 30 days—from 280 to 250 days.<sup>6</sup> Georgia accomplished the most remarkable set of construction reforms in recent years. Georgia's government overhauled its construction permitting system from 2005 to 2009 by creating a one-stop shop and gradually consolidating 25 procedures into just 10. This reduced the time to deal with construction permits from 195 days to 98 days. After 6 years of steady improvements, Georgia has one of the world's most efficient permitting systems for new construction.

In South East Europe, 9 out of the 19 cities measured in 2008 have benefited from reforms—including the digitiza-

FIGURE 3.4  
Expensive construction formalities in South East Europe



Source: Doing Business database.

tion of cadastre records, enactment of new construction laws, and streamlining of inspection processes (table 3.2). For example, in Bosnia and Herzegovina, the digitalization of the cadastre and land registry in Banja Luka decreased the time to register a completed building with these agencies from 120 days in 2008 to 70 days in 2011. Similarly, a construction company in Sarajevo now spends only 16 days to register a building in the land registry and cadastre—10 months less than in 2008.<sup>7</sup>

Economies that reformed their construction laws streamlined procedures in the pre- and post-construction phases. In Montenegro, the new Law on Urban Development and Construction, enacted in August 2008, requires construction companies to obtain urban development and technical requirements from the municipality. This replaced the need to enter into time-consuming procedure for obtaining a land use permit as a pre-

TABLE 3.2  
Who made it easier to deal with construction permits since 2008?

Economy	City	Digitized Cadastre and Land Registry	Adopted and implemented new construction law	Shifted responsibility for quality control to private professionals
Bosnia and Herzegovina	Banja Luka	✓	✓	
	Mostar	✓		
	Sarajevo	✓		
FYR Macedonia	Skopje		✓	✓
	Niksic		✓	
Montenegro	Pljevlja		✓	
	Podgorica		✓	
Serbia	Belgrade		✗	
	Uzice		✓	
	Vranje		✓	

✓ Doing Business reform making it easier to deal with construction permits

✗ Doing Business reform making it more difficult to deal with construction permits

Note: This table records all Doing Business reforms that occurred between January 2008 and January 2011.

Source: Doing Business database.

condition for entering the design phase. This process is done at the stage of issuance of building permit while at the pre-design stage it is sufficient to follow the urban-technical conditions for that particular area contained in the general spatial plan. Also, Montenegro's new law no longer requires obtaining an official consent from the Ministry of Economic Development—saving construction companies 30 days and EUR 240 (US\$ 330), on average. In Banja Luka (Bosnia and Herzegovina), a new Law on Construction and Urban Planning was adopted by the Republika Srpska parliament in June 2010. As a result, obtaining pre-construction clearances from utility providers is no longer required if construction already has an approved urban plan. In accordance with the EU-wide trend to shift, where appropriate, control and inspection activities from government authorities to licensed professionals, the new construction law in FYR Macedonia simplified the review and approval process for low-risk buildings. As a result, the time to deal with construction permits in Skopje decreased by more than two months as 6 procedures were eliminated. Meanwhile, in Serbia, the 2009 Law on Planning and Construction simplified procedures for the issu-

ance of construction permits and made them transferable. The impact of the new law varies across cities. In Uzice and Vranje, the reform decreased the time to obtain a building permit by 5 months and 3 months, respectively. On the other hand, in Belgrade, the time required has increased by 5 months since 2008. The greatest challenge in the implementation of the 2009 law is applying its provisions regarding the conversion of “rights of use” into ownership rights. The new law mandates that conversions are executed after following a procedure involving the public real estate registry. However, the public real estate registries have been reluctant to interpret the legal provisions governing rights’ conversions<sup>8</sup>.

Additional reforms are under way throughout the region. In Moldova, the Law for Authorizing the Execution of Construction Works, adopted in July 2010, introduces statutory time limits for project approvals and consolidates project clearances. The subsequent implementation process is expected to make dealing with construction permits less burdensome and more efficient. In FYR Macedonia, where 98% of territory is now covered by the new Real Estate Cadastre,<sup>9</sup> the digitalization of cadastre maps is under way. In Serbia, a pilot

project for 14 cities—including Uzice and Zrenjanin—will build the technical capacity to estimate the market value of land and upgrade the local Geographic Information System (GIS), which captures and stores land information in a digital format. In Albania, the new Law on Territorial Planning was adopted by the parliament in 2009. Once it enters into force in September 2011, it is expected to professionalize the structure of the Territorial Adjustment Council (TAC)—the main authority in charge of issuing building permits in Tirana. Due to the current political composition of the TAC, no construction permits have been issued since April 2009. As a result, Tirana appears as ‘no practice’ for dealing with construction permits according to *Doing Business* methodology.<sup>10</sup>

Cities in South East Europe can gain from adopting the best regulations and practices that already exist within the region. If a hypothetical city were to adopt all the region’s best practices to deal with construction permits, it would rank 40th globally—ahead of Belgium, 124 places higher than the average city in the region.

## WHAT TO REFORM

*Doing Business in South East Europe 2008* recommended: (a) consolidating project clearances; (b) making the permitting process transparent; (c) providing on-the-job training to spatial planning office staff; (d) streamlining licensing applications via technology; and (e) creating, regularly updating, and digitizing zoning maps. These recommendations are still valid for most cities. Additional recommendations also apply.

### CONSIDER REDUCTION IN COST OF BUILDING PERMITS

The cost of dealing with construction permits in some of the region’s economies is highly prohibitive. Building permit fees represent, on average, 72% of the total cost of dealing with construction permits in South East Europe. While building permit fees may be regarded

as an important source of revenue, excessively high costs can discourage constructors from following the formal procedures and can lead to illegal constructions. For this reason, building permit fees should be based on cost recovery for the service provided, rather than be treated as a source of revenue generation. Among the regions’ economies, Moldova provides a good example by offering an affordable building permit. Neighboring economies should learn from Moldova’s good practice.

### CONTINUE CONSOLIDATING PRE-CONSTRUCTION CLEARANCES

Before applying for a building permit, construction companies in Chisinau (Moldova) need to obtain multiple clearances from the Fire Department, Sanitary Authorities, and Environmental Protection Agencies. First, before finalizing the construction-design documentation for even simple projects, construction companies have to obtain location approvals from each of the agencies. After the final designs are in place, these agencies must issue a second approval. The situation is not much different in other cities. In Belgrade (Serbia) and Pristina (Kosovo), 6 and 5 initial approvals are required, respectively. Having all agencies issue a single clearance from a centralized location—a one-stop shop—could be a good solution moving forward. However, convincing each agency to send a permanent representative with decision-making authority to a one-stop shop is challenging. Alternatively, agency representatives could work at the one-stop shop on certain days of the week.

In 2005, Georgia established a one-stop shop that successfully consolidated clearances by several agencies—such as the Ministry of Culture, the Ministry of Environmental Protection, and utility providers—into 1 approval. In 2009, the United Arab Emirates introduced online clearances from utility providers. In the past, builders in Dubai were required to obtain “No Objection Certificates” (similar to technical conditions) from various agencies based on their designs. A

commercial warehouse required 5 such certificates from different utility providers. Nowadays, contractors file for the “No Objection Certificates” online and receive notification that their designs have been approved electronically. The introduction of online clearances reduced the time to deal with construction permits by 2 weeks. Cities in South East Europe could learn from these positive examples.

### ENFORCE STATUTORY TIME LIMITS FOR PERMIT APPROVALS

A study in the United States estimates that accelerating permit approvals by 3 months in a 22-month project cycle could increase construction spending by 5.7% and property-tax revenue for local governments by 16%.<sup>11</sup> As such, governments should have a strong interest in accelerating permit approvals. Some economies in the region have tried to make the process faster by introducing statutory time limits. In Montenegro, the 2008 Law on Urban Development and Construction mandates a 15-day statutory limit for building permit issuance. In Niksic, the statutory time limit is strictly enforced and is working well. This is not the case in Pljevlja and Podgorica, where it takes twice as long to issue the building permit today. Changes in national law alone are not sufficient. They must be followed by effective implementation at the local level. South East Europe should work on enforcing statutory time limits for approvals.

### INTRODUCE RISK-BASED APPROVALS

Smart regulations should ensure safety while encouraging efficiency. Many inspections, clearances, and consultations should be in place to guarantee public safety. At the same time, authorities should take the time to assess the risk of different projects and come up with risk-based rules to deal with clearances and approvals. In other words, all building projects should not be treated equally: it is not efficient. Complex and risky structures must have stricter standards than 2-story commercial warehouses. Requiring less documentation

for low-risk buildings can speed up the approval process. This saves time for both entrepreneurs and authorities and allows them to use their resources more efficiently.<sup>12</sup>

Worldwide, 84 economies—including Belarus, Canada, Colombia, and Germany—provide fast-track application processes for small commercial buildings. For example, Kazakhstan offers fast-track approval procedures for smaller projects (under 1,000 square meters). Similar initiatives are appearing in South East Europe. For example, in Montenegro, a 2008 construction law shifted smaller projects (under 3,000 square meters) to be overseen by municipal governments. Meanwhile, Montenegro's medium- to large-scale projects are still reviewed by the central government (through the Ministry of Economic Development). More economies should introduce risk-based approvals to improve efficiency while preserving public safety.

### SHIFT RESPONSIBILITY FOR QUALITY CONTROL TO PRIVATE PROFESSIONALS

In all cities in Albania, 4 inspections are mandatory during the construction of all projects. A final inspection is performed once the buildings are complete. Similarly, in Chisinau (Moldova), construction companies must receive 3 on-site inspections during construction and 2 more before obtaining the occupancy permit. This can produce large backlogs in municipal inspectorates. As a result, some inspections may be delayed or skipped.

Shifting responsibility for inspection to private professionals is an alternative. The Czech Republic has adopted this method by creating a new and independent profession: authorized inspectors. This has sped up the process by 5 weeks. FYR Macedonia is following international best practices by shifting responsibilities from public enforcement agencies to certified engineers. Other economies should follow suit.

### INTRODUCE MODERN BUILDING CODES

Building codes establish common standards for public health and safety, fire protection, structural efficiency, and environmental integrity. Building codes are important for ensuring a level playing field and legal certainty for building practitioners and developers. Globally, 43 economies have adopted uniform construction rules.<sup>13</sup> The best-practice codes encourage innovation and speed up the process of design reviews by the relevant authorities. These were important drivers in Australia's and New Zealand's building permit reforms which developed "performance" and "objective based" codes. In other words, the new codes' requirements specify the desired technical outcome rather than the specific way this outcome should be achieved.

When regulations are not organized and applied coherently, builders and authorities may become confused about how to proceed. This often leads to delays, uncertainty, and disputes. However, if provisions are too precise, it is more difficult to keep regulations up-to-date. In transitional economies, updates may be a particular challenge. For example, construction standards in Ukraine still refer to outdated "SNIP" building code, which tends to be overly prescriptive and not up-to-date with new building technologies and techniques. As such, regulations and technical standards are hard to comply with in a consistent way. The same is true for several economies in South East Europe. For example, technical requirements that apply to buildings and other construction works are currently stated in the so-called "Rulebooks"<sup>14</sup> that refer to the obsolete Yugoslavian standards.

The experience of best-practice countries—such as the United Kingdom, Canada, New Zealand and Colombia—suggest that it takes 10 to 15 years to carry out a significant overhaul of construction-permitting systems and develop new building codes. Countries in South East Europe can avoid drafting new building codes and leverage the experience of the EN Eurocodes—a series of Eu-

ropean standards providing a common approach for the design of buildings and other construction products.<sup>15</sup> This could help South East Europe's economies (a) improve the transparency and predictability of their construction permitting processes, (b) establish responsibility and liability of construction practitioners, and (c) comply with EU standards and (d) help their EU-integration agendas.

1. Moullier, Thomas. 2009. "Reforming Building Permits; Why Is It Important and What Can IFC Really Do?" International Finance Corporation. Washington, DC: World Bank Group.
2. KPMG. 2009. "Competitive Alternatives: KPMG's Guide to International Business Location." <http://www.competitivealternatives.com>.
3. According to the *Doing Business* methodology, Tirana (Albania) is classified as "NO PRACTICE" since no construction permit has been issued since 2009.
4. The 2009 Law on Construction in FYR Macedonia was last amended in February 2011. The results of the February 2011 amendment are not captured in *Doing Business in South East Europe 2011* because it uses data current as of January 2011.
5. Municipal construction inspectors can exercise supervision in any phase of construction, but there is no legal obligation to perform inspections.
6. World Bank. 2010. *Doing Business in 2011: Making a Difference for Entrepreneurs*. Washington, D.C.: World Bank Group.
7. In Sarajevo, both the land registry and cadastre are available in digital format. In Mostar, 95% of all books in cadastre are in digital form, while the land registry still deals with requests from 2008. In Banja Luka, close to 80% of the cadastre and 90% of the land registry books are in digital form.
8. "Right of use" is the relict of Yugoslavian legal infrastructure in Serbia. It was the only legal title over construction land. At the time of the enactment of the new Law on Planning and Construction, the majority of the construction land in Serbia was owned by the Republic of Serbia, while the "right of use" was registered in favor of various entities. The "right of use" types vary depending on many factors—such as if the land is developed

or not, if it has been nationalized or assigned, or if the owners were compensated or not. Variations in the “right of use” imply that a variety of situations arise in the conversion process.

9. World Bank, Real Estate Cadastre & Registration project, FYR Macedonia. <http://go.worldbank.org/BE17FKNCE0>
10. Tirana’s Territorial Adjustment Council by law consists of the following 9 members: the mayor, 3 members proposed by the majority party of the municipal council, 3 members proposed by the minority party of the municipal council, 1 representative from the Ministry of Urban Planning, and 1 representative chosen by 3/5 of the votes of the municipal council.
11. PricewaterhouseCoopers. 2005. “The Economic Impact of Accelerating Permit Processes on Local Development and Government Revenues.” Report prepared for the American Institute of Architects, Washington, D.C.
12. World Bank. 2010. *Doing Business in 2011: Making a Difference for Entrepreneurs*. Washington, D.C.: World Bank Group.
13. Ibid.
14. Bylaws of the Construction Law and the Law on Spatial and Urban Planning.
15. Eurocodes EN 1990 to EN 1998.

# Registering property

Alma from Mostar (Bosnia and Herzegovina) is a postal worker, but her passion has always been cooking—the love and skill for which she inherited from her grandmother. For years Alma dreamed of opening a small restaurant and being “her own boss.” When she heard that the owner of a neighborhood restaurant passed away and his children wanted to sell the premises, Alma saw this as her opportunity to make a dream come true. She had savings that could just about cover the asking price for the property she wanted to purchase. However, when she found out that she would have to pay an additional 5% of its value in order to formally register the property under her name, Alma’s resolve vanished. If Alma lived in Pristina (Kosovo), her dream could have come with a lower price tag attached to it. Property-title transfers in Pristina cost just 0.6% of the property value—a tenth of the cost found in Mostar.

Easy and affordable property transfers can help a local economy develop and grow. Possessing formal land titles allows entrepreneurs to use land as collateral, thus increasing credit supply—which can lead to more investment and economic growth. Recent studies by the World Bank show that 95% of commercial bank loans to businesses in Zambia, 80% in Indonesia, and 75% in Uganda are secured by land.<sup>1</sup> Property registration also benefits governments, as more registered properties translates

TABLE 4.1  
Where is it easy to register property—and where not?

RANK	City Economy	RANK	City Economy
1	Balti Moldova (easiest)	10	Vlora Albania
1	Chisinau Moldova (easiest)	13	Durres Albania
3	Bitola FYR Macedonia	14	Prizren Kosovo
4	Pljevlja Montenegro	15	Skopje FYR Macedonia
5	Vranje Serbia	16	Belgrade Serbia
6	Niksic Montenegro	16	Tirana Albania
6	Tetovo FYR Macedonia	18	Pristina Kosovo
6	Zrenjanin Serbia	19	Sarajevo Bosnia and Herzegovina
9	Shkoder Albania	20	Podgorica Montenegro
10	Krusevac Serbia	21	Banja Luka Bosnia and Herzegovina
10	Uzice Serbia	22	Mostar Bosnia and Herzegovina (most difficult)

Note: Rankings are based on the average city percentile rankings on the procedures, time and cost to register property. See Data Notes for details.

Source: *Doing Business* database.

into greater tax revenues.

*Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the title to the buyer’s name. The transaction is considered complete when the purchasing company can use the property as collateral for new loans or, if necessary, sell it to another business (figure 4.1).

Governments around the world have realized that facilitating property transfers contributes to economic growth

and generates revenues. In fact, over the past 6 years, *Doing Business* has recorded 146 property-registration reforms across 104 economies. Over this 6-year period, the average time to transfer property fell by 38% and the cost fell by 10% around the world.<sup>2</sup>

The economies of South East Europe have also made recent registration reforms—perhaps fuelled by their efforts to join the European Union (EU). Since 2008 the average time to register property in South East Europe fell by more

FIGURE 4.1  
What is the time, cost and number of procedures required to transfer a property between 2 local companies?

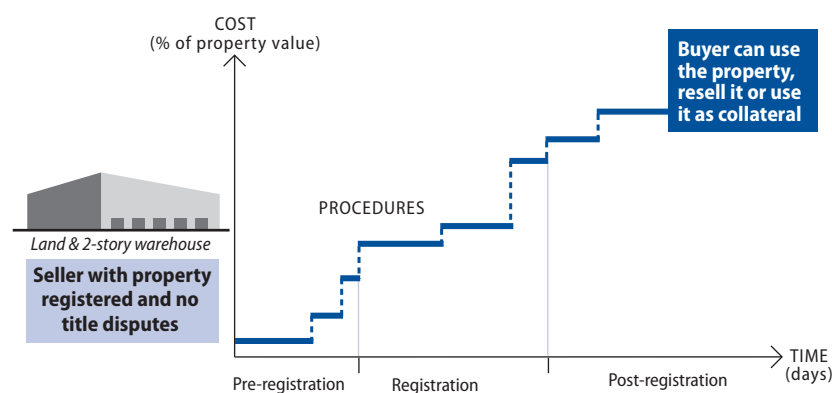
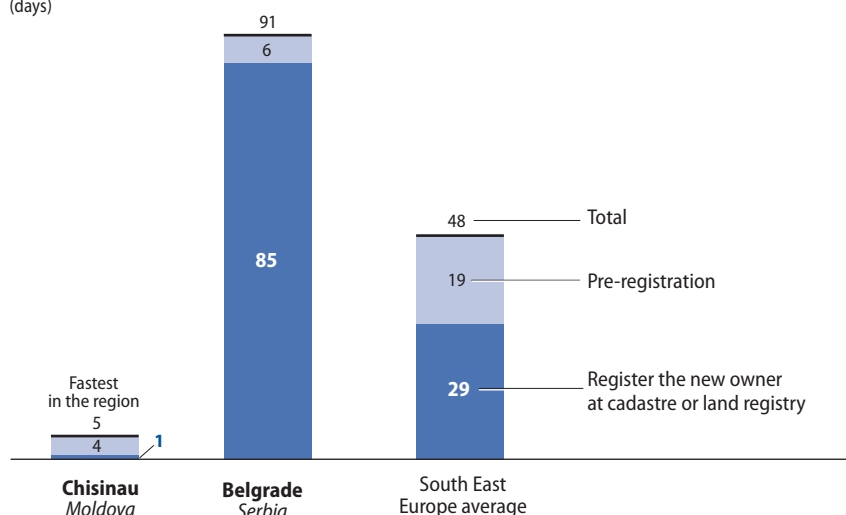


FIGURE 4.2

**Time to register property varies greatly across the region**

(days)



Source: Doing Business database.

than a month, while the average cost fell by 0.3% of the property value.

Registering property in the region now requires an average of 6 procedures, 48 days, and a cost equivalent to 2.9% of the value of the property. Yet the region still needs to reform more to catch up with EU member states—such as Lithuania, where property registration requires just 3 procedures, 3 days, and a cost equivalent to 0.8% of the property value.

To facilitate property registration across South East Europe, local policymakers need not look far. If a city in South East Europe were to adopt the good practices already in place in Moldova (where property registration takes 5 days), in FYR Macedonia (where it takes 5 procedures) and in Prizren, Kosovo (where it costs 0.5% of the property value), this hypothetical city would rank 17<sup>th</sup> out of the 183 economies measured by *Doing Business*—ahead of all but 3 of the 26 EU member states.

Although South East Europe's economies share a similar regulatory framework for property registrations (note that 5 out of the 7 economies measured were part of former Yugoslavia), the time, cost, and number of procedures vary widely due to different local administrative practices and taxes. For example, in the Moldovan cities, property registra-

tions involve 5 procedures over 5 days at a cost of 0.9% of the property value. Meanwhile, in the city of Mostar (Bosnia and Herzegovina), the process involves 7 procedures over 117 days at a cost of 5.5% of the property value (table 4.1).

The process of registering property in the region generally follows 4 distinct phases: (1) obtaining the documents necessary to draft the sale and purchase agreement (including title deed and land map, certification of business registration and authorized signatories, and a confirmation that property taxes have been paid), (2) signing and notarizing the sale and purchase agreement, (3) assessing and paying the property transfer tax, and (4) registering the new owner at the lands registry authority. Despite following these same general processes, the number of procedures in the region ranges from 5—in Moldova and FYR Macedonia—to 8—in Pristina (Kosovo). The differences appear mainly in the first phase, obtaining the certificates and clearances necessary to draft the sale and purchase agreements. In Albania, for example, entrepreneurs have to go through 3 procedures in order to ensure that the property is free from any disputes and encumbrances. In Mostar and Sarajevo (Bosnia and Herzegovina), both parties have to obtain a court extract authoriz-

ing the signatory to act on behalf of the company. In Pristina (Kosovo), in addition to the title deed, parties have to obtain certified copies of their companies' business registration and a letter from the tax authority certifying that all property taxes have been paid before the lawyer can draft the sale and purchase agreement.

Efforts are underway to cut down the number of procedures. For example, in Banja Luka (Bosnia and Herzegovina), authorities eliminated the need for signatory authorizations, tax clearances, on-site evaluation of properties, and checks with the municipality to see whether the property is part of any municipal construction plan. That reduced the number of procedures required in Banja Luka from 11 in 2008 to 7 today—while the total time fell from 190 to 103 days over the same period. Similarly, Moldova no longer requires the submission of a cadastral sketch for all properties already registered with the cadastre—decreasing the total time to register property from 48 days in 2008 to just 5 days today. In FYR Macedonia, information on land encumbrances was transferred from the first instance courts to the cadastre registry. Now both the title deed and non-encumbrance certificate can be obtained at the same time from the same institution—eliminating 1 procedure from the process.

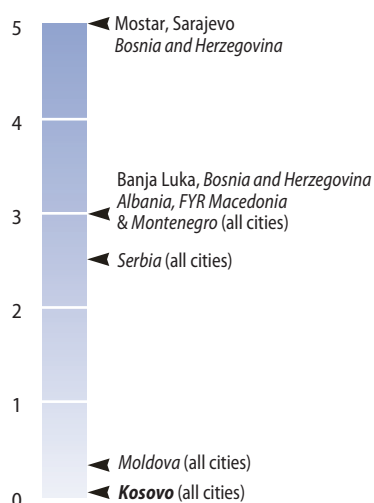
The largest regional variation is seen in the total time needed to register property. It ranges from just 5 days in Chisinau and Balti (Moldova) to almost 4 months in Mostar (Bosnia and Herzegovina). The efficiency of the land registry in registering the new owner of the property explains most of the variation. While this procedure takes just 1 day in the Moldovan cities, it takes 85 days in Belgrade (Serbia) (figure 4.2).

Digitizing land registry and cadastre records has sped up property registrations in recent years. Bosnia and Herzegovina has benefited from the introduction of the Land Administration Project in 2006 which, among other things, aims to fully digitize land registry

FIGURE 4.3

### Fixed property transfer fees in Kosovo make registering property affordable

**Property transfer tax**  
(% of property value)



Source: Doing Business database.

and cadastre books. Within Bosnia and Herzegovina, the project is in various stages of implementation: Sarajevo has digitized all land registry and cadastre books, while Banja Luka and Mostar have digitized 80% and 95% of their cadastre content, respectively. This reform eliminated delays and the total number of days it takes to register property

drooped accordingly. In Sarajevo, 90% of the delay to register property was eliminated—compare the 331 days required to register property in 2008 to 33 days today. In Banja Luka, the time to register the new owner at both the land registry and cadastre fell from 145 days in 2008 to 95 days today. Meanwhile, in Mostar, the time to register property at these two institutions fell from 105 days in 2008 to 71 days today. Meanwhile, Moldova is also in the process of digitizing the land registry records. In Serbia, efforts are underway to transfer land records from the court-based land registries to the cadastre. At the same time, cadastre maps are being digitized. As a result, the time to register property decreased by 30 days in Zrenjanin, 25 days in Vranje, 20 days in Belgrade, and 17 days in Uzice since 2008. In FYR Macedonia, over 98% of the territory is covered by the land cadastre<sup>3</sup> and digitization of cadastre maps is expected to be completed in the next couple of years.

Introducing statutory time limits for the issuance of title deeds and the registration of changes in ownership is another important reform. In Albania, a newly introduced statutory time limit for the Immovable Property Registration Of-

fice decreased the time to register property by 9 days in Tirana and by 12 days in Vlora. Hiring additional staff can have a similar effect: when the cadastre staff was increased in Skopje, the time to register the new owner fell by over a month (from 98 days in 2008 to 58 days today).

Cost is another important variable. In the region, the cost to register property ranges from 0.5% of the property value in Prizren to 5.5% of the property value in Mostar. The bulk of the cost across the region is the property transfer tax. The property transfer taxes seen in the 22 cities of South East Europe range from a flat rate of EUR 150 (0.1% of the property value)—in Pristina (Kosovo)—to 5% of the property value—in Mostar and Sarajevo (Bosnia and Herzegovina) (figure 4.3). The remaining costs are notary fees, court fees, and administrative taxes at the land registry and cadastre.

In Bosnia and Herzegovina, notary fees have increased in recent years, but court taxes and some administrative fees decreased, so there were no significant changes in the total cost of registering property. Similarly, court taxes in Serbia decreased, but cadastre fees were increased for almost the same amount. With Montenegro's 2010 Law on Business Environment Improvement, fees for notarizing agreements were lowered from EUR 300 (US\$ 416) in 2008 to EUR 10 (US\$ 14) today, regardless of the value of the contract.

Overall, reforms aimed at facilitating property registration resulted in both time and cost savings for entrepreneurs in 12 out of the 19 cities measured in 2008 and again in 2011. As discussed above, reforms included: eliminating pre-sale certificates and clearances, digitizing land records, introducing statutory time limits, decreasing fees, and increasing the capacity of land registry and cadastre offices (table 4.2). Additional reforms are ongoing throughout the region. However, governments can do more to make property transfers easier—and thus boost the formalization and security of property titles and help increase the availability of credit.

TABLE 4.2

### Who made it easier to register property since 2008?

Economy	City	Eliminated requirements for pre-sale certificates and clearances	Digitized Land Registry/Cadastre	Improved efficiency of Cadastre through regulatory and administrative changes
Albania	Tirana			✓
	Vlora			✓
Bosnia and Herzegovina	Banja Luka	✓	✓	
	Mostar		✓	
	Sarajevo		✓	
FYR Macedonia	Bitola	✓		
	Skopje	✓		✓
Moldova	Chisinau	✓		
Serbia	Uzice			✓
	Zrenjanin			✓
	Belgrade			✓
	Vranje			✓

✓ Doing Business reform making it easier to register property

Note: This table records all Doing Business reforms that occurred between January 2008 and January 2011.

Source: Doing Business database.

## WHAT TO REFORM?

*Doing Business in South East Europe 2008* recommended (a) eliminating pre-sale certificates and clearances, (b) reducing the property transfer tax and introducing fixed fees, (c) taking property registration out of the courts, (d) introducing expedited procedures, and (e) making the use of notaries optional. While a number of cities have made positive strides by introducing and implementing some of these reforms, the recommendations remain valid for many others. Additionally, economies in the region could benefit from the following business reforms.

### LINK GOVERNMENT AGENCIES AND MAKE DOCUMENTS AVAILABLE ONLINE

The real estate management authority (e.g., the cadastre or land registry) could act as a hub for all property-related information. For example, it could be linked with the tax authority, the company registry, and the courts. This could allow buyers and sellers to easily check if property taxes have been paid, if the companies involved are properly registered, who the authorized signatory is, and if the land is encumbered by any disputes. It could eliminate the need to obtain these same documents by visiting separate government agencies and, thus, reduce the number of procedures to register property. Additionally, this information could be available online for more convenient access. Over 25 economies around the world—including Australia, Canada, and Latvia—make this information available on the internet for everyone.<sup>4</sup> The region's economies could follow suit.

### INTRODUCE FIXED PROPERTY TRANSFER FEES

The property transfer tax represents the bulk of the total cost of property registration in South East Europe. As such, replacing the percentage-based transfer tax (currently applied in most of the cities measured) with a flat rate could make property transfer more affordable and encourage formal changes of ownership.

Moreover, a fixed fee would discourage entrepreneurs from reporting an undervalued price of the property transaction.

Flat rates can translate into more revenue for the government. For example, in 2007, the Arab Republic of Egypt introduced a low, fixed, stamp-duty—replacing the 3% registration fee. This led to a boom of property registrations that increased government revenues by 39% in the 6 months after the reform.<sup>5</sup> The region's economies could benefit from a similar reform.

### PROVIDE STANDARDIZED SALE AND PURCHASE AGREEMENTS

Entrepreneurs in all 7 South East Europe economies still seem to prefer having a lawyer draft sale and purchase agreements for properties, while governments still require that such contracts are authenticated by notaries. It could be more convenient for parties to use standardized contracts downloaded from the internet or obtained at the registry. Standardized contracts reduce the potential for mistakes and irregularities while eliminating back-and-forth between the property registrar and entrepreneur. As a result, property transfers are faster. Also, filling out a standardized sale and purchase agreement and signing it on the spot—at the registry—would eliminate the need for notarization. Eliminating the need for notarization would reduce both the cost and time to register property.

Georgia successfully made notary involvement optional; parties only need to sign the agreement in person at the registry.<sup>6</sup> Similarly, Thailand provides standardized contracts at the registry, where parties simply fill them out and submit them on the spot.<sup>7</sup> Montenegro introduced standardized sale and purchase agreements, which can be downloaded from the website of its Real Estate Administration Agency. Unfortunately, entrepreneurs in Montenegro are still not comfortable using them. This indicates that such reform efforts should be supported by awareness-raising campaigns to publicize the availability of the service as a legitimate and secure alternative for property transactions.

### PUBLICIZE AND COMMUNICATE THE BENEFITS OF BUSINESS REFORMS

As the above example from Montenegro shows, a good communication strategy is an essential part of any successful reform process. It helps raise awareness about regulatory improvements, inform the public about reform benefits, and reduce legal uncertainty. Many reformers are bad marketers. For example, El Salvador first established a one-stop shop in 1999, but local entrepreneurs thought it was only for foreigners. A lesson was learned. The second time around, the president himself inaugurated the improved one-stop shop and widespread media coverage ensured that everyone knew about the new system. South East Europe would benefit from more public service campaigns as reforms are implemented.

### REPLACE ON-SITE PROPERTY INSPECTIONS WITH ASSESSMENTS BASED ON A STANDARDIZED SCHEDULE OF PROPERTY VALUES

Out of the 22 cities measured in this year's *Doing Business in South East Europe* report, Mostar and Sarajevo (Bosnia and Herzegovina) are the only 2 that still require on-site inspections for assessing the value of the property. Instead of time-consuming and costly physical inspections, these 2 cities could introduce standardized schedules of property values based on the location, size, and/or level of development of properties. In Banja Luka (Bosnia and Herzegovina), for example, such inspections were eliminated and property values are calculated based on the municipal assessment of the average price per square meter in a particular zone. This saves entrepreneurs time transferring property, while freeing up the staff of the revenue authority for other important work.

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1. Data are from World Bank Enterprise Surveys conducted in 2006/07. <http://www.enterprisesurveys.org>.
  2. World Bank. 2010. *Doing Business 2011: Making a Difference for Entrepreneurs*. Washington, D.C.: World Bank Group.
  3. World Bank, Real Estate Cadastre & Registration project, FYR Macedonia. <http://go.worldbank.org/BE17FKNCE0>.
  4. World Bank. 2009. *Doing Business 2010: Reforming through Difficult Times*. Washington, D.C.: World Bank Group.
  5. World Bank. 2007. *Doing Business in Egypt 2008*. Washington, D.C.: World Bank Group.
  6. World Bank. 2007. *Doing Business 2008*. Washington, D.C.: World Bank Group.
  7. World Bank. 2006. *Doing Business in 2006: Creating Jobs*. Washington, D.C.: World Bank Group.

# Enforcing contracts

Businesses worldwide continue to face challenges as a result of the global financial crisis—and are more concerned than ever about recovering losses fast. In the past 2 years, more disputes involving property rights, supply contracts, and banking transactions ended up in court—increasing caseloads and backlogs. In Montenegro, the commercial court of Podgorica saw a nearly 300% jump in its caseload in 2009.<sup>1</sup> In Serbia, 17 commercial courts together saw incoming cases grow 22% in 2009—more than 3 times the 7% annual increase seen in 2007 and 2008.<sup>2</sup> The Belgrade commercial court outpaced other courts in Serbia with incoming cases increasing 40% in 2009 compared to the year before.

Commercial justice matters to businesses. Efficient courts provide mechanisms to enforce contractual obligations. As a result, efficient courts encourage commercial trust and help boost economic activity. “[The courts] define the rules by which markets function, and they provide a means to resolve disputes, protect economic and social rights, and hold governments accountable for their actions,” summarizes a study of judicial systems in transition economies.<sup>3</sup> Another recent study finds that efficient contract enforcement is associated with greater access to credit for firms.<sup>4</sup> In sum, improving court functions is vital to sustaining a healthy, stable economy—especially during a credit crunch.

*Doing Business* measures the time,

TABLE 5.1  
Where is it easy to enforce a contract—and where not?

RANK	City <i>Economy</i>	RANK	City <i>Economy</i>
1	Zrenjanin <i>Serbia (easiest)</i>	11	Belgrade <i>Serbia</i>
2	Chisinau <i>Moldova</i>	11	Krusevac <i>Serbia</i>
3	Tetovo <i>FYR Macedonia</i>	14	Durres <i>Albania</i>
4	Balti <i>Moldova</i>	15	Banja Luka <i>Bosnia and Herzegovina</i>
5	Bitola <i>FYR Macedonia</i>	16	Podgorica <i>Montenegro</i>
6	Uzice <i>Serbia</i>	17	Niksic <i>Montenegro</i>
7	Vranje <i>Serbia</i>	18	Tirana <i>Albania</i>
7	Pljevlja <i>Montenegro</i>	19	Sarajevo <i>Bosnia and Herzegovina</i>
9	Skopje <i>FYR Macedonia</i>	20	Mostar <i>Bosnia and Herzegovina</i>
10	Vlora <i>Albania</i>	21	Pristina <i>Kosovo</i>
11	Shkodra <i>Albania</i>	22	Prizren <i>Kosovo (most difficult)</i>

Note: Rankings are based on the average city percentile rankings on the procedures, time, and cost to resolve a commercial dispute through the courts. See Data notes for details.

Source: *Doing Business* database.

cost, and number of procedures to resolve a commercial lawsuit between 2 domestic businesses. Measurements are based on a dispute involving the breach of a sales contract worth twice the average income per capita of the economy. The case is disputed on the merits and the court hears an expert on the quality of the goods sold. This distinguishes the case from simple debt collection (figure 5.1). Three years ago, *Doing Business in South East Europe 2008* assessed the ease of enforcing contracts in 22 cities. This year, *Doing Business in South East Europe*

2011 updates the benchmark for 18 of those 22 cities and adds 4 new locations.<sup>5</sup>

Across the 22 cities, enforcing a contract takes, on average, 521 days—almost a year and a half—and costs 31.8% of the claim value. This is faster than the European Union (EU) average time of 549 days, but more expensive than the EU average cost of 20.7% of the claim value.

Within the region, the amount of time and money spent to enforce a contract varies widely (table 5.1). In Zrenjanin (Serbia), the top-ranked city,

FIGURE 5.1

What is the time, cost, and number of procedures to resolve a commercial dispute through the courts

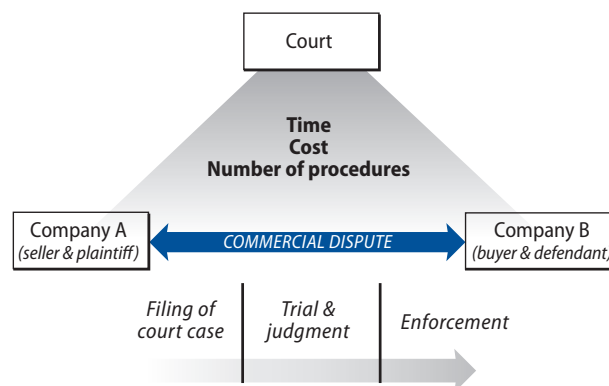
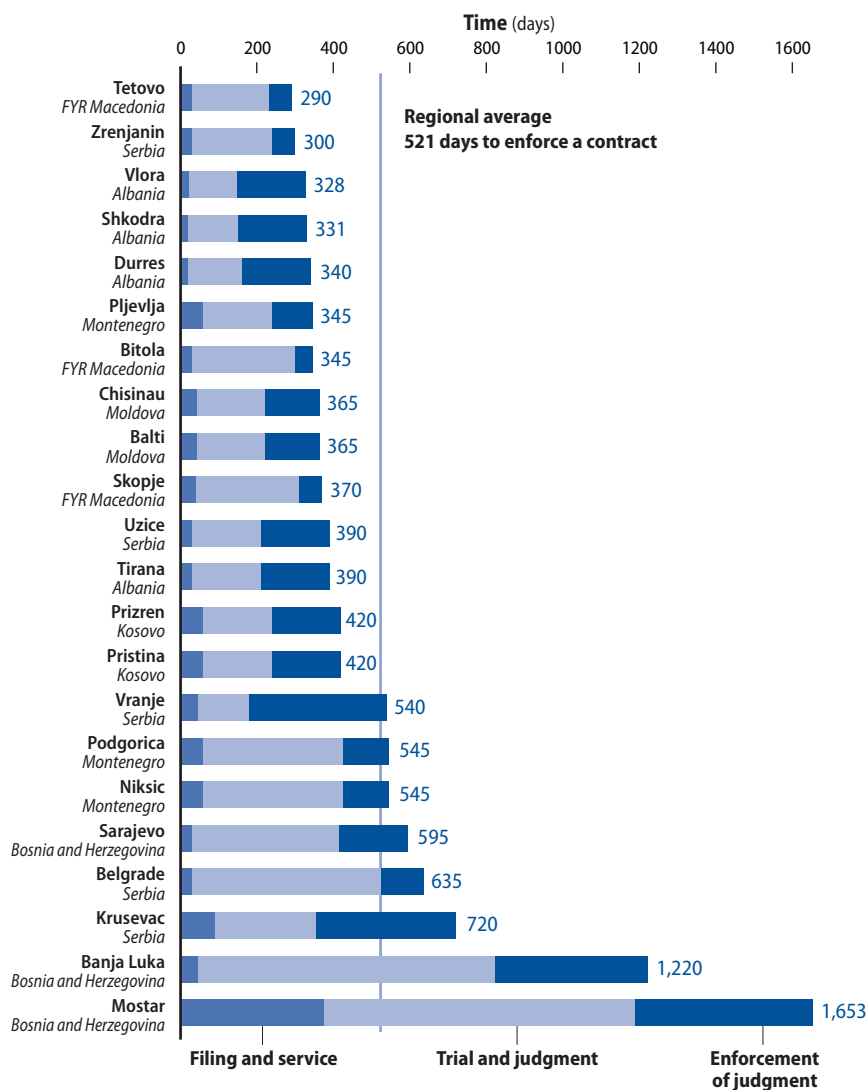


FIGURE 5.2

**Courts in Tetovo and Zrenjanin are the fastest in the region to enforce a contract**



Source: Doing Business database.

enforcing contracts takes 300 days—less than a year—and costs 25.2% of the claim value. To compare, in Banja Luka (Bosnia and Herzegovina), it takes 4 times longer—almost 3 and a half years—whereas in Pristina and Prizren (Kosovo) it is twice as expensive at 61.2% of the claim value.

The enforcing contracts indicator tracks the time needed to resolve a commercial dispute through 3 stages of litigation: filing and service, trial and judgment, and enforcement. The time needed to enforce a contract among the 22 cities measured varies from just 290 days in Tetovo (FYR Macedonia)—where it is 10 days faster than in the United States—to

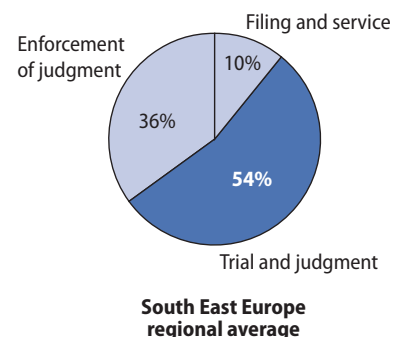
1,653 days in Mostar (Bosnia and Herzegovina)—one of the longest times among the 183 economies measured by *Doing Business* (figure 5.2).

The first phase, the filing and service period, spans from the plaintiff’s decision to file a claim to the defendant’s official notification—and it includes the time it takes for a court order to attach defendant’s movable assets. In most of the regions’ economies, the process of filing a claim before the courts is around a month. But in Kosovo and Montenegro the average time is 60 days and in Krusevac (Serbia) it is 90 days. Back in 2008, the time for filing and service was 30 days in Krusevac, but a judicial re-

FIGURE 5.3

**Time spent on trial and judgment accounts for the bulk of delays**

Share of total time to enforce a contract (%)



South East Europe regional average

Source: Doing Business database.

form reorganized courts and reduced the number of judges in 2009.<sup>6</sup> As a result, cases take much longer to get assigned. Insufficient judicial personnel has had even greater consequences in other cities. For instance, filing a claim in Mostar (Bosnia and Herzegovina) takes 375 days—over a year. There are only 2 members of the court staff to complete the process of attaching defendants’ goods in the municipal court. As a consequence, the backlog of unresolved cases has increased significantly since 2008.

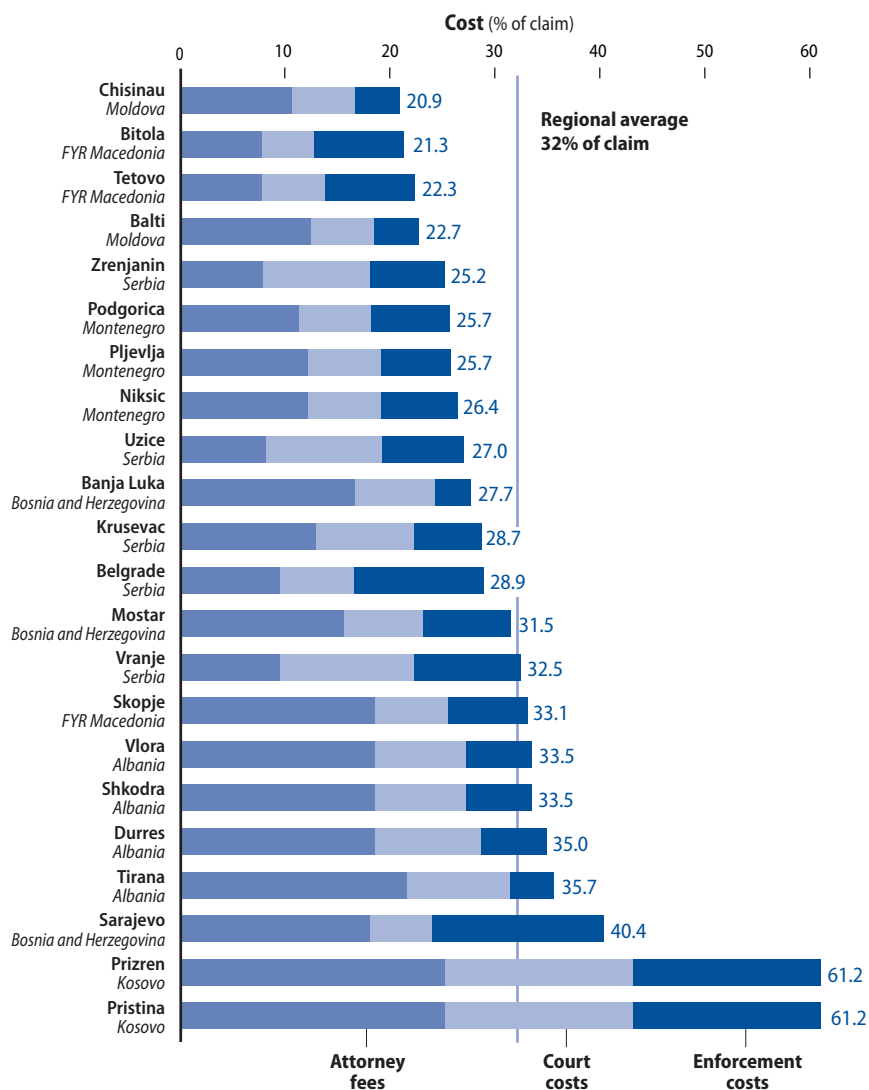
Once a defendant is served with process, the trial and judgment phase begins. This second phase accounts, on average, for 54% of the total time to enforce a contract. It is the main causes of delays and differences among cities in the region (figure 5.3). It is also where we observe some successful reforms. For example, back in 2008, the courts in Vlora and Shkodra (Albania) were issuing judgments in 165 and 180 days, respectively. Thanks to an administrative reform that brought in more judges starting in 2008, the court of Vlora reduced its judgment period by 40 days and the court of Shkodra by 50 days in 2011.<sup>7</sup> Meanwhile, entrepreneurs in Banja Luka and Mostar (Bosnia and Herzegovina) have to wait more than 2 years for a judicial decision (776 and 813 days, respectively). “The Commercial Department of Mostar’s Municipal Court has only 3 judges,” explains Marin Zadric, the

president of Mostar's Municipal Court. "In 2010, the Commercial Department received 1,263 claims. Although the required norm per judge is 240 cases per year, they disposed of more than 400 cases each, with 93% of all final decisions successful. In order for the court to be more effective, 2 additional judges should be hired," Zadic concludes.

The third and final phase is the enforcement of the judgement—including the sale of the attached goods through public auction. The average time to enforce a judicial decision in the region is 6 months. But in some cities, it can be much faster. Most notably, within FYR Macedonia—where private bailiffs are responsible for enforcement—the final phase takes only 45 days in Bitola and 2 months in Tetovo and Skopje. In places where enforcement is carried out by public officials, delays are often due to the lack of judges available. For example, in Krusevac and Vranje (Serbia), enforcement now takes 1 year—compared to 2 to 3 months back in 2008. As mentioned above, the judicial reform that reorganized the courts in these Serbian cities reduced the number of judges. This led to backlogs in not just the first phase (filing and service) but the final phase (enforcement of judgment) as well. "One enforcement judge might have 30,000 cases assigned to him for enforcement because he is covering a whole region, not just the city," explains Goran, a lawyer from Krusevac. "Before, there were at least 2 enforcement judges and now enforcement is the biggest problem," Goran says. Still there is hope. A future judicial reform introducing private bailiffs is planned in Serbia, but no law has been passed yet.<sup>8</sup>

Litigation costs, which tend to be regulated by laws or court rules, also vary considerably across the region. The expense required to enforce a contract ranges from 20.9% of the value of the claim in Chisinau (Moldova)—similar to Australia—to 61.2% of the claim value in both Pristina and Prizren (Kosovo)—which are among the most expensive locations for court

FIGURE 5.4

**Attorney fees account for the biggest share of costs**

Source: Doing Business database.

disputes in the world, similar to Bangladesh (figure 5.4). There are 3 main cost components: attorney fees, court fees, and enforcement costs.

In most cities in the region, litigants have to spend the most on attorney fees. On average, attorney fees in the region constitute almost half of the total cost and vary considerably. At the lower end, attorney fees in Bosnia and Herzegovina, FYR Macedonia, Moldova, Montenegro, and Serbia vary from 7.7% to 18.6% of claim value. Meanwhile, in Albania and Kosovo, attorney fees range from 18.5% to 25.2% of the claim value.

Court fees are also significant contributors to the cost of enforcing con-

tracts. They vary among cities due to different fee schedules and experts' fees. Court fees account for just 5% of the claim value in Bitola (FYR Macedonia) but they cost 18% of the claim value in Pristina and Prizren (Kosovo). Court fees in Bitola have fallen from 6.9% to 5% of the claim value since 2008.

Finally, enforcement costs are also important. They vary from just 3.4% of the claim value in Banja Luka (Bosnia and Herzegovina) to 18% in Pristina and Prizren (Kosovo). In Banja Luka, enforcement costs for commercial disputes were decreased by 7% in 2009.<sup>9</sup> In Albania, the official state bailiff tariffs, which constitute a portion of enforce-

TABLE 5.2  
Who made it easier to enforce a contract since 2008?

	More judges	Reduced fees	Law on courts reform/court efficiency	Code of Civil Procedure reform	Court computerization	Court reorganization
Banja Luka Bosnia and Herzegovina		✓	✓			
Vlora Albania	✓	✓				
Shkodra Albania	✓	✓				
Tirana Albania	✓	✓				
Skopje FYR Macedonia			✓	✓		
Bitola FYR Macedonia				✓		
Vranje Serbia					✓	✗
Chisinau Moldova				✓		
Krusevac Serbia						✗

✓ *Doing Business* reform making it easier to enforce a contract

✗ *Doing Business* reform making it more difficult to enforce a contract

Note: This table records all *Doing Business* reforms that occurred between January 2008 and January 2011.

Source: *Doing Business* database.

ment costs, fell from 7% to just 2% of the claim value in 2009.<sup>10</sup>

In South East Europe, the number of procedural steps required to enforce a contract varies from 31 in Chisinau (Moldova)—similar to the European Union average—to 54 in Prizren (Kosovo). Some might argue that more formal procedures in dispute resolution ensure that due process is followed in the pursuit of justice. Yet the evidence shows the contrary. The more complex the procedures to resolve disputes, the less likely firms are to report that judges are impartial and court decisions fair.<sup>11</sup>

Running an efficient court system is not an easy task; it poses a continuous challenge to even the most industrialized countries. Many cities in South East Europe have benefited from reform efforts aimed at increasing court efficiency. For example, the 7 top-ranked cities have specialized commercial courts. In addition, in Zrenjanin (Serbia), information technology is used to assist judges with case

registration and court management. Also, entrepreneurs can go through an alternative dispute resolution system, where voluntary mediation and arbitration are allowed.<sup>12</sup> The use of alternative dispute resolution systems in Zrenjanin and other Serbian cities has lowered the number of pending claims in the commercial courts.<sup>13</sup> Alternative dispute resolution systems have also been adopted in Albania, Bosnia and Herzegovina, FYR Macedonia, and Montenegro, but local lawyers concur that in practice, out-of-court mechanisms are not used very often.

All told, 8 of the 19 cities measured 3 years ago have implemented positive administrative or legal reforms to reduce the time or cost to solve a commercial dispute (table 5.2).

Banja Luka (Bosnia and Herzegovina) deserves special mention for recent improvements in contract enforcement. In *Doing Business in South East Europe 2008*, Banja Luka was ranked last in the region on the ease of enforcing a con-

tract. This year, Banja Luka ranked 15<sup>th</sup> out of 22 cities. The Law on Changes of the Law on Courts gives jurisdiction over commercial claims to the city's district commercial court—decreasing the filing period from 6 months to just a month and a half.<sup>14</sup> Moreover, positive administrative changes have reduced the enforcement period from 600 days to less than 400 days.<sup>15</sup> At the same time, due to changes in the Law on Court Fees in 2009, court and enforcement fees were decreased by 6% and 7% of the claim value, respectively—reducing the total cost to enforce a contract from 41% of the claim value in 2008 to 28% today.

Elsewhere, reforms also yielded positive results. For example, increasing the number of judges sped up judgments in the Albanian cities of Shkodra and Vlora. Specifically, comparing 2008 to 2011, the length of the judgment period fell from 180 to 130 days in Shkodra and from 165 to 125 days in Vlora. Meanwhile, bailiff tariffs were reduced from 7% to 2% of the claim value throughout Albania. In Vranje (Serbia), electronic files (accessible on-line) effectively replaced manually-kept registry books and paper files in 2008. Moreover, a computerized system randomly assigns court cases among judges, thereby eliminating opportunities for neglect or corruption. As a result, the judgment period was reduced by one year, from 495 to 135 days.<sup>16</sup> FYR Macedonia eased the process of enforcing contracts by setting deadlines for the payment of court fees, adjusting monetary thresholds for assigning case jurisdiction, and introducing a small claims tribunal.

## WHAT TO REFORM?

*Doing Business in South East Europe 2008* recommended the introduction of case management systems, the improvement of enforcement laws and introducing court administrative reforms. While cities such as Banja Luka (Bosnia and Herzegovina) and Vranje (Serbia) have

implemented some of these recommendations, there is still room for improvement. In addition, South East Europe can benefit from additional reforms, discussed below.

### **SET UP SPECIALIZED COMMERCIAL COURTS OR COMMERCIAL SECTIONS WITHIN GENERAL JURISDICTION COURTS IN CITIES BEYOND THE CAPITALS**

Specialized commercial courts already exist in most economies in South East Europe—except Montenegro and Albania. Nevertheless, litigants from Prizren (Kosovo) have to travel to the commercial court in Pristina and litigants from Balti (Moldova) have to travel to the specialized court in Chisinau. Meanwhile, in Montenegro, lawyers from Pljevlja have to travel to the court of Bijelo Polje while lawyers from Niksic must travel to Podgorica. This is inefficient.

Specialized commercial courts or sections within courts allow for specialized resources—i.e., well trained personnel and targeted infrastructure. Allowing judges to become experts on commercial matters tends to speed up commercial contract enforcement as they grow accustomed to the specific issues and terminology of commercial cases.

### **EXTEND THE USE OF TECHNOLOGY**

Using technology to track court processes makes managing cases easier and faster. Technology also increases transparency and limits the opportunities for corruption. Automating court processes can also prevent the loss, destruction, or concealing of court records.<sup>17</sup>

Electronic systems have already improved the efficiency of some of the region's courts, making the work of judges and staff easier. For example, in Vranje (Serbia) computerizing the court led to a significant drop in judgment time, as noted above. In Moldova, courts were computerized while websites and audio recording equipment were introduced in 2008. Court administrators themselves reported that the changes made Moldova's courts' work faster, easier, and more efficient.<sup>18</sup> Meanwhile, Bulgaria's

supreme courts computerized their court records system in 2006, enabling litigants to access court documents and track a case to completion.<sup>19</sup> All Bulgaria's supreme court judgments have been accessible online since October 2008.

Allowing litigants to file commercial complaints electronically, as seen in the United Kingdom, can also save time. But note that simply introducing information technology may not be enough to solve underlying procedural inefficiencies. A thorough overhaul of court processes may be necessary.

### **INCREASE THE CAPACITY OF COURTS AND PROMOTE ALTERNATIVE DISPUTE RESOLUTION MECHANISMS**

Courts in Banja Luka and Mostar (Bosnia and Herzegovina) as well as Pristina and Prizren (Kosovo) are experiencing a significant backlog of cases, a continuous flow of new claims, and an inadequate number of judges compared to the number of claims filed. Also, due to court reorganization, in Krusevac (Serbia), judgment and enforcement times increased significantly in recent years. There are simply not enough judges on hand. On the other hand, in Albania, a presidential decree increased the numbers of judges—thus speeding up filings and judgments in Durres, Shkodra, and Vlora. Other cities should follow suit by increasing their courts' capacity.

Another mechanism to have faster access to justice is to promote alternative dispute resolution mechanisms—such as court-annexed or court-referred mediation. These alternatives are considered successful in bringing parties to the table and resolving many cases amicably, in less time, and for less money. For example, Serbia implemented court-annexed mediation with positive results. In September 2010, mediation centers were set up in Bosnia and Herzegovina within both the Sarajevo Municipal Court and the Banja Luka Basic Court. Other economies—such as Albania, FYR Macedo-

nia, and Montenegro—have introduced mediation, but they should do more to promote its use since entrepreneurs from these economies do not often use this mechanism.

### **MEASURE COURT PERFORMANCE**

Measuring the performance of courts and individual judges can increase efficiency. Assessments of performance can help personnel set concrete targets and evaluate a court's progress toward its goals. Assessments also help set budgets and motivate staff to improve.<sup>20</sup> What gets measured can include user satisfaction, costs, timeliness, and clearance rates.<sup>21</sup> Economies such as Australia, Singapore and the United States have been effectively measuring judicial performance since the late 1990s.<sup>22</sup> Other countries started more recently.

Positive examples abound. In 2005, for example, the Netherlands introduced an innovative system to tie court performance to budget allocation. The new system measures the output of the courts—i.e., the number of cases resolved in each case category—and the Ministry of Justice then allocates a budget to each court based on output. Any operating surplus can be added to a court's future budget, providing the court with financial incentives to improve efficiency. Besides output, the Dutch system also evaluates judicial quality (which includes the quality of judicial decisions), the timeliness of proceedings, the degree to which court officials treat the parties with due respect, and the expertise, independence and impartiality of judges.<sup>23</sup> South East Europe could benefit from a similar measure.

1. Data source: Commercial Court of Podgorica (2009).
2. Data source: Commercial Courts of Serbia. <http://www.portal.sud.rs>.
3. Anderson James H., David S. Bernstein, and Cheryl W. Gray. 2005. *Judicial Systems in Transition Economies: Assessing the Past, Looking to the Future*. Washington, DC: World Bank. Available

- at <http://siteresources.worldbank.org/INTECA/Resources/complete.pdf>.
4. Bae, Kee-Hong, and Vidhan K. Goyal. 2009. "Creditor Rights, Enforcement, and Bank Loans." *Journal of Finance* 64 (2): 823–60. Bae and Goyal show that "banks respond to poor enforceability of contracts by reducing loan amounts, shortening loan maturities, and increasing loan spreads."
  5. Osijek, Sibenik, Varazdin, and Zagreb (Croatia) are not included in this report. Durres (Albania), Tetovo (FYR Macedonia), and Balti and Chisinau (Moldova) were added.
  6. Law on Court Organization (Official Gazette of Republika Srpska, No. 104/2009, 14/12/2009, 22/12/2009).
  7. Presidential Decree No. 6265 issued on September 16, 2009. This decree assigns 19 judges to Shkodra district court and 18 judges to Vlora district court. The decree can be found at <http://www.president.al/shqip/info.asp?id=5315>.
  8. More information about this judicial reform can be found at <http://serbi-amdtf.org/Lists/Justice%20Sector%20Reforms%20in%20Serbia/AllItems.aspx>.
  9. In 2009, Law on Changes of Court Fees in Republika Srpska (Official Gazette of Republika Srpska, No. 49/2009).
  10. The 7% tariff was decreased to 2% by the new ministerial order No. 1240/4 dated September 15, 2009. The order can be found at: <http://www.qpz.gov.al/doc.jsp?doc=docs/Udhezim%20Nr%201240-4%20Dat%20C3%AB%2015-09-2009.htm>.
  11. Based on the analysis of the *Doing Business 2005* indicators, with indicators of judicial impartiality 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 Environment Survey*. Washington, D.C.: World Bank Group.
  12. The Arbitration Center within the Serbian Chamber of Commerce is an institution which offers arbitraton services.
  13. International Finance Corporation. 2010. *Alternative Dispute Resolution Program (ADR) in The Western Balkans: Giving Mediation a Chance*. Belgrade, Serbia. The Alternative Dispute Resolution program was started by the International Finance Corporation (IFC) in 2003 with the goal of providing companies in Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro, and Serbia with a quicker and cheaper option for resolving commercial disputes: mediation.
  14. Law on Changes of the Law on Courts (Official Gazette of Republika Srpska, No. 116/09) delayed the start of work of the District Commercial Courts from January 1st, 2010 to May 1st, 2010, which is also the date when District Commercial Courts took over jurisdiction over commercial claims from the Basic Court of Banja Luka.
  15. With the new law, enforcement of judgment is faster if the defendant has property which can be confiscated and against which the plaintiff can charge his claim. Article 182 of the Law allows a court to make a final judgment even without the defendant's presence. The defendant has 30 days to appeal the court's decision.
  16. As part of its court reform project, U.S. Agency for International Development provided Serbian Commercial Courts with modern computer equipment and software—including over 500 workstations, 300 printers, and 39 servers. More information regarding this reform at: <http://serbia.usaid.gov/code/navigate.php?Id=538>.
  17. Mary Noel Pepys. 2003. "Corruption and the Justice Sector." U.S. Agency for International Development and Management Systems International. Washington, D.C. <http://www.usaid.gov/>.
  18. Millennium Partners, "The Moldova Governance Threshold Country Program (MCC)/ U.S. Agency for International Development (USAID)," <http://www.millenniumpartners.org>. See also USAID (2010).
  19. See Pepys (2003) and Supreme Administrative Court of the Republic of Bulgaria, <http://www.sac.government.bg/>.
  20. National Center for State Courts. 2005a. "CourTools: Giving Courts the Tools to Measure Success." Williamsburg, VA. <http://www.ncsconline.org/>.
  21. National Center for State Courts. 2005b. "CourTools: Trial Court Performance Measures." Williamsburg, VA. <http://www.ncsconline.org/>.
  22. For the United States, see website of the National Center for State Courts (<http://www.ncsconline.org/>) and North Carolina Court System, "Court Performance Management System," <http://www.nc-courts.org/>.
  23. Albers, Pim. 2009. "Justice Sector Performance Measurement: Experiences from the Netherlands." Available at <http://serbi-amdtf.org/>.

# Data notes

## ECONOMY CHARACTERISTICS

### GROSS NATIONAL INCOME (GNI) PER CAPITA

*Doing Business in South East Europe 2011* reports 2009 income per capita as published in the World Bank's *World Development Indicators 2009*. Income is calculated using the Atlas method (current US\$). For cost indicators expressed as a percentage of income per capita, 2009 GNI in local currency units is used as the denominator.

	GNI per capita, 2009 (US\$)	Exchange rate (per US\$)
Albania	3,950	89.42 ALL
Bosnia and Herzegovina	4,700	1.39 BAM
Kosovo	3,240	0.69 EUR
FYR Macedonia	4,400	44.14 MKD
Moldova	1,590	11.39 MDL
Montenegro	6,550	0.72 EUR
Serbia	5,990	64.59 RSD

### REGION AND INCOME GROUP

*Doing Business* uses the World Bank regional and income group classifications available at <http://www.worldbank.org/data/countryclass>.

The indicators presented and analyzed in *Doing Business in South East Europe 2011* measure business 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, to construct a warehouse or to register and transfer commercial property. Second, they gauge regulatory outcomes, such as the time and cost to enforce a contract. For details on how the rankings on these indicators are constructed, see Rankings at the end of this section.

In this project, *Doing Business* indicators have been created for 22 South East European cities—the complete list is available on page 52. The data for all sets of indicators in *Doing Business in South East Europe 2011* are as of January 2011.

## METHODOLOGY

The *Doing Business in South East Europe 2011* data are collected in a standardized way following the methodology developed by the *Doing Business* team. To start, the *Doing Business* team, with academic advisers, designs a survey. The survey uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Then the survey is customized to the

particular case of each economy in South East Europe. Surveys are administered through more than 200 local experts, including lawyers, business consultants, architects, engineers, government officials and other professionals routinely administering or advising on legal and regulatory requirements. These experts have several rounds of interaction with the *Doing Business in South East Europe 2011* team, through face-to-face interviews, conference calls and written correspondence. The data from surveys are subjected to numerous tests for robustness, which lead to revisions or expansions of the information collected.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing 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 and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to doing business but also identify their source and point to what might be reformed.

## LIMITS TO WHAT IS MEASURED

The *Doing Business* methodology applied to *Doing Business in South East Europe 2011* has 4 limitations that should be considered when interpreting the data. First, the data often focus on a specific business form—generally a limited liability company of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Second, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters. Third, 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* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business in South East Europe 2011* would differ from the perceptions of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

## STARTING A BUSINESS

*Doing Business in South East Europe 2011* records all procedures that are officially required for an entrepreneur to start up and formally operate a 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, notaries, 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 economies, 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 selected 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 2009, paid in cash.
- Performs general industrial or com-

TABLE 6.1

### What do the starting a business indicators measure?

#### Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city
- Postregistration (for example, social security registration, company seal)

#### Time required to complete each procedure (calendar days)

- 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 (% of income per capita)

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

#### Paid-in minimum capital (% of income per capita)

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

Source: *Doing Business* database.

mercial 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. Each electronic procedure is counted separately. If 2 procedures can be completed through the same website but require separate filings, they are counted as 2 procedures.

Both pre- and post-incorporation procedures that are officially required for an entrepreneur to formally operate a business are recorded (table 6.1).

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 busi-

nesses 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 and notaries 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 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 economy'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 economies 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 Italy in June 2009, the minimum capital requirement for limited liability companies was €10,000, of which at least €2,500 was payable before registration. The paid-in minimum capital recorded for Italy is therefore €2,500 or 9.7% of income per capita. In Mexico the minimum capital requirement was 50,000 pesos, of which one-fifth needed to be paid before registration. The paid-in minimum capital recorded for Mexico is therefore 10,000 pesos or 8.9% of income per capita.

*The data details on starting a business can be found for each economy at <http://www.doingbusiness.org> by selecting the economy in the drop-down list. This methodology was developed in Djankov, Simeon, Rafael la Porta, Florencio López-de-Silanes and Andrei Schleifer. 2002. "The Regulation of Entry." *Quarterly Journal of Economics* 117(1):1-37, and is adopted here with minor changes.*

## DEALING WITH CONSTRUCTION PERMITS

*Doing Business in South East Europe 2011* 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 in South East Europe 2011* also records procedures for obtaining connections for electricity, water, sewerage, and a fixed land line. Procedures necessary to register the property so that it can be used as collateral or transferred to another entity 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 economies, several assumptions about the business, the warehouse project and the utility connections are used.

## ASSUMPTIONS ABOUT THE CONSTRUCTION COMPANY

The business (BuildCo):

- Is a limited liability company.
- Operates in the selected cities.
- 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 60 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

TABLE 6.2

**What do the dealing with construction permits indicators measure?****Procedures to legally build a warehouse (number)**

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

**Time required to complete each procedure (calendar days)**

- 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 (% of income per capita)**

Official costs only, no bribes

Source: *Doing Business* database.

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**

The warehouse:

- 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.
- 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 selected city (that is, on the fringes of the city but still within its official limits).
- It is not located in a special economic or industrial zone. The zoning requirements for warehouses are met by building in an area where similar warehouses can be found.
- 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 (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.
- 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).

**ASSUMPTIONS ABOUT THE UTILITY CONNECTIONS**

The electricity connection:

- Is 10 meters (32 feet, 10 inches) from the main electricity network.
- Is a medium-tension, 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) connection. Three-phase service is available in the construction area.
- Will be delivered by an overhead service, unless overhead service is not available in the periurban area.
- Consists of a simple hookup unless installation of a private substation (transformer) or extension of network is required.
- Requires the installation of only one electricity meter.

BuildCo is assumed to have a licensed electrician on its team to complete the internal wiring for the warehouse.

The water and sewerage connection:

- Is 10 meters (32 feet, 10 inches) from the existing water source and sewer tap.
- Does not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Has an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day.
- Has a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.

The telephone connection:

- Is 10 meters (32 feet, 10 inches) from the main telephone network.
- Is a fixed land line.

**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 telephone 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 (table 6.2).

**TIME**

Time is recorded in calendar days. The measure captures the median duration that local experts indicate is necessary to complete the procedure in practice. 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). 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 economy'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 inspection before, during and after construction; getting utility connections; and registering the warehouse property. Nonrecurring taxes required for the completion of the warehouse project are also 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.

*The data details on dealing with construction permits can be found for each economy at <http://www.doingbusiness.org> by selecting the economy in the drop-down list.*

**REGISTERING PROPERTY**

*Doing Business in South East Europe 2011* records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding its business, as collateral in taking new loans or, if necessary, sell to another business. The process starts with obtaining the necessary documents, such as a copy of the seller's title if necessary, and conducting due diligence if required. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it.

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 economies, 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 selected cities.
- 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,

TABLE 6.3

**What do the registering property indicators measure?****Procedures to legally transfer title on immovable property (number)**

- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Postregistration (for example, transactions with the local authority, tax authority or cadastre)

**Time required to complete each procedure (calendar days)**

- 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 (% of property value)**

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

Source: *Doing Business* database.

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.

## 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 6.3).

## 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 (that is, simultaneous procedures start on consecutive days). 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 reported value is used.

*The data details on registering property can be found for each economy at <http://www.doingbusiness.org> by selecting the economy in the drop-down list.*

## 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 by judges.

## ASSUMPTIONS ABOUT THE CASE

- The value of the claim equals 200% of the economy's income per capita.
- The dispute concerns a lawful transaction between 2 businesses (Seller and Buyer), located in the selected city. Seller sells goods worth 200% of the economy's income per capita to Buyer. After Seller delivers the goods to Buyer, Buyer refuses to 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 economy'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 selected city with jurisdiction over commercial cases worth 200% of income per capita decides the dispute.
- Seller attaches Buyer's movable assets (for example, office equipment and vehicles) before obtaining a judgment because Seller fears that Buyer may become insolvent.
- An expert opinion is given on the quality of the delivered goods. If it is standard practice in the economy for each party to call its own expert witness, the parties each call one expert witness. If it is standard practice for the judge to appoint an independent expert, 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.

TABLE 6.4

### What do the enforcing contracts indicators measure?

#### Procedures to enforce a contract (number)

- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

#### Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

#### Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs

Source: *Doing Business* database.

- 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 and vehicles).

## PROCEDURES

The list of procedural steps compiled for each economy traces the chronology of a commercial dispute before the relevant court. A procedure is defined as any interaction, required by law or commonly used in practice, between the parties or between them and the judge or court officer. This includes steps to file and serve the case, steps for trial and judgment and steps necessary to enforce the judgment (table 6.4).

The survey allows respondents to record procedures that exist in civil law but not common law jurisdictions and vice versa. For example, in civil law countries the judge can appoint an independent expert, while in common law countries each party submits a list of expert witnesses to the court. To indicate overall efficiency, 1 procedure is subtracted from the total number for economies that have specialized commercial courts, and 1 procedure for economies that allow electronic filing of court cases. Some procedural steps that take place simultaneously with or are included in other procedural steps are not counted in the total number of procedures.

## TIME

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

## COST

Costs recorded as a percentage of the claim, assumed to be equivalent to 200% of income per capita. No bribes are recorded. Three types of costs are recorded: court costs, enforcement costs and average attorney fees.

Court costs include all court costs and expert fees that Seller (plaintiff) must advance to the court, regardless of the final cost to Seller. Expert fees, if required by law or commonly used in practice, are included in court costs. Enforcement costs are all costs that Seller (plaintiff) must advance to enforce the judgment through a public sale of Buyer's movable assets, regardless of the final cost to Seller. Average attorney fees are the fees that Seller (plaintiff) must advance to a local attorney to represent Seller in the standardized case.

*The data details on enforcing contracts can be found for each economy at <http://www.doingbusiness.org> by selecting the economy in the drop-down list. This methodology was developed in Djankov, La Porta, López-de-Silanes and Shleifer. 2003. "Courts". *Quarterly Journal of Economics* 118 (2): 453-517; and is adopted here with minor changes.*

## RANKINGS

The ranking on each topic is the simple average of the percentile rankings on its component indicators. The ease of starting a business is a simple average of the city percentile rankings on the procedures, time, cost (% of income per capita), and paid-in minimum capital to start a business. The ease of dealing with construction permits is a simple average of the city percentile rankings on the number of procedures, and the associated time and cost (% of income per capita) to deal with construction permits. The ease of registering property is a simple average of the city percentile rankings on the number of procedures, and the associated time and cost (% of the property value) to register property. The ease of enforcing contracts is

a simple average of the city percentile rankings on the procedures, time, and cost (% of claim value) to resolve a commercial dispute through the courts.

The rankings are limited in scope. They do not account for an economy's proximity to large markets, the quality of its infrastructure services (other than services related to construction permits), 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 context of an economy. The *Doing Business* indicators provide a new empirical data set that may improve understanding of these issues.

# City tables

**Durres, Albania**

<b>Starting a business</b> (rank)	9	<b>Registering property</b> (rank)	13
Procedures (number)	5	Procedures (number)	6
Time (days)	5	Time (days)	27
Cost (% of income per capita)	30.0	Cost (% of the property value)	3.4
Paid-in minimum capital (% of income per capita)	0.0		
		<b>Enforcing contracts</b> (rank)	14
<b>Dealing with construction permits</b> (rank)	11	Procedures (number)	39
Procedures (number)	21	Time (days)	340
Time (days)	208	Cost (% of claim)	35.0
Cost (% of income per capita)	422.6		

**Shkodra, Albania**

<b>Starting a business</b> (rank)	8	<b>Registering property</b> (rank)	9
Procedures (number)	5	Procedures (number)	6
Time (days)	5	Time (days)	24
Cost (% of income per capita)	22.9	Cost (% of the property value)	3.4
Paid-in minimum capital (% of income per capita)	0.0		
		<b>Enforcing contracts</b> (rank)	11
<b>Dealing with construction permits</b> (rank)	3	Procedures (number)	39
Procedures (number)	21	Time (days)	331
Time (days)	176	Cost (% of claim)	33.5
Cost (% of income per capita)	382.7		

**Tirana, Albania**

<b>Starting a business</b> (rank)	10	<b>Registering property</b> (rank)	16
Procedures (number)	5	Procedures (number)	6
Time (days)	5	Time (days)	33
Cost (% of income per capita)	31.4	Cost (% of the property value)	3.4
Paid-in minimum capital (% of income per capita)	0.0		
		<b>Enforcing contracts</b> (rank)	18
<b>Dealing with construction permits</b> (rank)	22	Procedures (number)	39
Procedures (number)	NO PRACTICE	Time (days)	390
Time (days)	NO PRACTICE	Cost (% of claim)	35.7
Cost (% of income per capita)	NO PRACTICE		

**Vlora, Albania**

<b>Starting a business</b> (rank)	7	<b>Registering property</b> (rank)	10
Procedures (number)	5	Procedures (number)	6
Time (days)	5	Time (days)	25
Cost (% of income per capita)	22.1	Cost (% of the property value)	3.4
Paid-in minimum capital (% of income per capita)	0.0		
		<b>Enforcing contracts</b> (rank)	10
<b>Dealing with construction permits</b> (rank)	9	Procedures (number)	39
Procedures (number)	21	Time (days)	328
Time (days)	184	Cost (% of claim)	33.5
Cost (% of income per capita)	385.9		

**Banja Luka, Bosnia and Herzegovina**

<b>Starting a business</b> (rank)	18	<b>Registering property</b> (rank)	21
Procedures (number)	10	Procedures (number)	7
Time (days)	21	Time (days)	103
Cost (% of income per capita)	16.0	Cost (% of the property value)	3.2
Paid-in minimum capital (% of income per capita)	30.5		
		<b>Enforcing contracts</b> (rank)	15
<b>Dealing with construction permits</b> (rank)	3	Procedures (number)	37
Procedures (number)	18	Time (days)	1,220
Time (days)	228	Cost (% of claim)	27.7
Cost (% of income per capita)	415.3		

**Mostar, Bosnia and Herzegovina**

<b>Starting a business</b> (rank)	20	<b>Registering property</b> (rank)	22
Procedures (number)	12	Procedures (number)	7
Time (days)	47	Time (days)	117
Cost (% of income per capita)	22.1	Cost (% of the property value)	5.5
Paid-in minimum capital (% of income per capita)	30.5		
		<b>Enforcing contracts</b> (rank)	20
<b>Dealing with construction permits</b> (rank)	13	Procedures (number)	38
Procedures (number)	19	Time (days)	1,653
Time (days)	554	Cost (% of claim)	31.5
Cost (% of income per capita)	842.1		

**Sarajevo, Bosnia and Herzegovina**

<b>Starting a business</b> (rank)	19	<b>Registering property</b> (rank)	19
Procedures (number)	12	Procedures (number)	7
Time (days)	50	Time (days)	33
Cost (% of income per capita)	15.4	Cost (% of the property value)	5.3
Paid-in minimum capital (% of income per capita)	30.5		
		<b>Enforcing contracts</b> (rank)	19
<b>Dealing with construction permits</b> (rank)	9	Procedures (number)	37
Procedures (number)	19	Time (days)	595
Time (days)	182	Cost (% of claim)	40.4
Cost (% of income per capita)	1,166.5		

**Pristina, Kosovo**

<b>Starting a business</b> (rank)	22	<b>Registering property</b> (rank)	18
Procedures (number)	10	Procedures (number)	8
Time (days)	58	Time (days)	33
Cost (% of income per capita)	28.7	Cost (% of the property value)	0.6
Paid-in minimum capital (% of income per capita)	112.4		
		<b>Enforcing contracts</b> (rank)	21
<b>Dealing with construction permits</b> (rank)	17	Procedures (number)	53
Procedures (number)	21	Time (days)	420
Time (days)	320	Cost (% of claim)	61.2
Cost (% of income per capita)	856.5		

**Prizren, Kosovo**

<b>Starting a business</b> (rank)	21	<b>Registering property</b> (rank)	14
Procedures (number)	11	Procedures (number)	7
Time (days)	36	Time (days)	36
Cost (% of income per capita)	23.9	Cost (% of the property value)	0.5
Paid-in minimum capital (% of income per capita)	112.4		
		<b>Enforcing contracts</b> (rank)	22
<b>Dealing with construction permits</b> (rank)	6	Procedures (number)	54
Procedures (number)	21	Time (days)	420
Time (days)	160	Cost (% of claim)	61.2
Cost (% of income per capita)	743.9		

**Bitola, FYR Macedonia**

<b>Starting a business</b> (rank)	2	<b>Registering property</b> (rank)	3
Procedures (number)	5	Procedures (number)	5
Time (days)	5	Time (days)	22
Cost (% of income per capita)	2.4	Cost (% of the property value)	3.1
Paid-in minimum capital (% of income per capita)	0.0		
		<b>Enforcing contracts</b> (rank)	5
<b>Dealing with construction permits</b> (rank)	12	Procedures (number)	37
Procedures (number)	23	Time (days)	345
Time (days)	96	Cost (% of claim)	21.3
Cost (% of income per capita)	1,308.4		

**Skopje, FYR Macedonia**

<b>Starting a business</b> (rank)	1	<b>Registering property</b> (rank)	15
Procedures (number)	3	Procedures (number)	5
Time (days)	3	Time (days)	58
Cost (% of income per capita)	2.5	Cost (% of the property value)	3.1
Paid-in minimum capital (% of income per capita)	0.0		
		<b>Enforcing contracts</b> (rank)	9
<b>Dealing with construction permits</b> (rank)	2	Procedures (number)	37
Procedures (number)	15	Time (days)	370
Time (days)	129	Cost (% of claim)	33.1
Cost (% of income per capita)	1,792.3		

**Tetovo, FYR Macedonia**

<b>Starting a business</b> (rank)	3	<b>Registering property</b> (rank)	6
Procedures (number)	5	Procedures (number)	5
Time (days)	5	Time (days)	43
Cost (% of income per capita)	2.5	Cost (% of the property value)	3.1
Paid-in minimum capital (% of income per capita)	0.0		
		<b>Enforcing contracts</b> (rank)	3
<b>Dealing with construction permits</b> (rank)	3	Procedures (number)	37
Procedures (number)	20	Time (days)	290
Time (days)	114	Cost (% of claim)	22.3
Cost (% of income per capita)	1,253.1		

**Balti, Moldova**

<b>Starting a business</b> (rank)	13	<b>Registering property</b> (rank)	1
Procedures (number)	8	Procedures (number)	5
Time (days)	8	Time (days)	5
Cost (% of income per capita)	10.9	Cost (% of the property value)	0.9
Paid-in minimum capital (% of income per capita)	11.9		
		<b>Enforcing contracts</b> (rank)	4
<b>Dealing with construction permits</b> (rank)	8	Procedures (number)	32
Procedures (number)	28	Time (days)	365
Time (days)	152	Cost (% of claim)	22.7
Cost (% of income per capita)	110.2		

**Chisinau, Moldova**

<b>Starting a business</b> (rank)	17	<b>Registering property</b> (rank)	1
Procedures (number)	8	Procedures (number)	5
Time (days)	10	Time (days)	5
Cost (% of income per capita)	10.9	Cost (% of the property value)	0.9
Paid-in minimum capital (% of income per capita)	11.9		
		<b>Enforcing contracts</b> (rank)	2
<b>Dealing with construction permits</b> (rank)	19	Procedures (number)	31
Procedures (number)	30	Time (days)	365
Time (days)	294	Cost (% of claim)	20.9
Cost (% of income per capita)	120.9		

**Niksic, Montenegro**

<b>Starting a business</b> (rank)	5	<b>Registering property</b> (rank)	6
Procedures (number)	7	Procedures (number)	6
Time (days)	8	Time (days)	34
Cost (% of income per capita)	1.5	Cost (% of the property value)	3.1
Paid-in minimum capital (% of income per capita)	0.0		
		<b>Enforcing contracts</b> (rank)	17
<b>Dealing with construction permits</b> (rank)	1	Procedures (number)	50
Procedures (number)	16	Time (days)	545
Time (days)	163	Cost (% of claim)	26.4
Cost (% of income per capita)	978.2		

**Pljevlja, Montenegro**

<b>Starting a business</b> (rank)	4	<b>Registering property</b> (rank)	4
Procedures (number)	7	Procedures (number)	6
Time (days)	8	Time (days)	18
Cost (% of income per capita)	1.5	Cost (% of the property value)	3.1
Paid-in minimum capital (% of income per capita)	0.0		
		<b>Enforcing contracts</b> (rank)	7
<b>Dealing with construction permits</b> (rank)	6	Procedures (number)	50
Procedures (number)	15	Time (days)	345
Time (days)	182	Cost (% of claim)	25.7
Cost (% of income per capita)	1,738.5		

**Podgorica, Montenegro**

<b>Starting a business</b> (rank)	6	<b>Registering property</b> (rank)	20
Procedures (number)	7	Procedures (number)	7
Time (days)	10	Time (days)	71
Cost (% of income per capita)	1.8	Cost (% of the property value)	3.1
Paid-in minimum capital (% of income per capita)	0.0		
		<b>Enforcing contracts</b> (rank)	16
<b>Dealing with construction permits</b> (rank)	18	Procedures (number)	49
Procedures (number)	18	Time (days)	545
Time (days)	287	Cost (% of claim)	25.7
Cost (% of income per capita)	2,132.1		

**Belgrade, Serbia**

<b>Starting a business</b> (rank)	11	<b>Registering property</b> (rank)	16
Procedures (number)	7	Procedures (number)	6
Time (days)	13	Time (days)	91
Cost (% of income per capita)	8.1	Cost (% of the property value)	2.7
Paid-in minimum capital (% of income per capita)	6.0		
		<b>Enforcing contracts</b> (rank)	11
<b>Dealing with construction permits</b> (rank)	21	Procedures (number)	36
Procedures (number)	21	Time (days)	635
Time (days)	349	Cost (% of claim)	28.9
Cost (% of income per capita)	1,782.2		

**Krusevac, Serbia**

<b>Starting a business</b> (rank)	16	<b>Registering property</b> (rank)	10
Procedures (number)	9	Procedures (number)	6
Time (days)	22	Time (days)	74
Cost (% of income per capita)	7.8	Cost (% of the property value)	2.7
Paid-in minimum capital (% of income per capita)	6.0		
		<b>Enforcing contracts</b> (rank)	11
<b>Dealing with construction permits</b> (rank)	20	Procedures (number)	36
Procedures (number)	21	Time (days)	720
Time (days)	291	Cost (% of claim)	28.7
Cost (% of income per capita)	1,744.4		

**Uzice, Serbia**

<b>Starting a business</b> (rank)	12	<b>Registering property</b> (rank)	10
Procedures (number)	9	Procedures (number)	6
Time (days)	16	Time (days)	74
Cost (% of income per capita)	7.9	Cost (% of the property value)	2.7
Paid-in minimum capital (% of income per capita)	6.0		
		<b>Enforcing contracts</b> (rank)	6
<b>Dealing with construction permits</b> (rank)	16	Procedures (number)	36
Procedures (number)	18	Time (days)	390
Time (days)	261	Cost (% of claim)	27.0
Cost (% of income per capita)	1,804.0		

**Vranje, Serbia**

<b>Starting a business</b> (rank)	14	<b>Registering property</b> (rank)	5
Procedures (number)	9	Procedures (number)	6
Time (days)	17	Time (days)	59
Cost (% of income per capita)	7.9	Cost (% of the property value)	2.7
Paid-in minimum capital (% of income per capita)	6.0		
		<b>Enforcing contracts</b> (rank)	7
<b>Dealing with construction permits</b> (rank)	13	Procedures (number)	36
Procedures (number)	20	Time (days)	540
Time (days)	168	Cost (% of claim)	32.5
Cost (% of income per capita)	2,098.9		

**Zrenjanin, Serbia**

<b>Starting a business</b> (rank)	14	<b>Registering property</b> (rank)	6
Procedures (number)	9	Procedures (number)	6
Time (days)	17	Time (days)	70
Cost (% of income per capita)	7.9	Cost (% of the property value)	2.7
Paid-in minimum capital (% of income per capita)	6.0		
		<b>Enforcing contracts</b> (rank)	1
<b>Dealing with construction permits</b> (rank)	13	Procedures (number)	36
Procedures (number)	20	Time (days)	300
Time (days)	186	Cost (% of claim)	25.2
Cost (% of income per capita)	1,741.4		

# Doing Business indicators

Starting a business						
	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in minimum capital (% of income per capita)	Ease of starting a business (rank)	
Durres <i>Albania</i>	5	5	30.0	0.0	9	
Shkodra <i>Albania</i>	5	5	22.9	0.0	8	
Tirana <i>Albania</i>	5	5	31.4	0.0	10	
Vlora <i>Albania</i>	5	5	22.1	0.0	7	
Banja Luka <i>Bosnia and Herzegovina</i>	10	21	16.0	30.5	18	
Mostar <i>Bosnia and Herzegovina</i>	12	47	22.1	30.5	20	
Sarajevo <i>Bosnia and Herzegovina</i>	12	50	15.4	30.5	19	
Pristina <i>Kosovo</i>	10	58	28.7	112.4	22	
Prizren <i>Kosovo</i>	11	36	23.9	112.4	21	
Bitola <i>FYR Macedonia</i>	5	5	2.4	0.0	2	
Skopje <i>FYR Macedonia</i>	3	3	2.5	0.0	1	
Tetovo <i>FYR Macedonia</i>	5	5	2.5	0.0	3	
Balti <i>Moldova</i>	8	8	10.9	11.9	13	
Chisinau <i>Moldova</i>	8	10	10.9	11.9	17	
Niksic <i>Montenegro</i>	7	8	1.5	0.0	5	
Pijevlja <i>Montenegro</i>	7	8	1.5	0.0	4	
Podgorica <i>Montenegro</i>	7	10	1.8	0.0	6	
Belgrade <i>Serbia</i>	7	13	8.1	6.0	11	
Krusevac <i>Serbia</i>	9	22	7.8	6.0	16	
Uzice <i>Serbia</i>	9	16	7.9	6.0	12	
Vranje <i>Serbia</i>	9	17	7.9	6.0	14	
Zrenjanin <i>Serbia</i>	9	17	7.9	6.0	14	

Dealing with construction permits			
Procedures (number)	Time (days)	Cost (% of income per capita)	Ease of dealing with construction permits (rank)
21	208	422.6	11
21	176	382.7	3
NO PRACTICE	NO PRACTICE	NO PRACTICE	22
21	184	385.9	9
18	228	415.3	3
19	554	842.1	13
19	182	1,166.5	9
21	320	856.5	17
21	160	743.9	6
23	96	1,308.4	12
15	129	1,792.3	2
20	114	1,253.1	3
28	152	110.2	8
30	294	120.9	19
16	163	978.2	1
15	182	1,738.5	6
18	287	2,132.1	18
21	349	1,782.2	21
21	291	1,744.4	20
18	261	1,804.0	16
20	168	2,098.9	13
20	186	1,741.4	13

## Registering property

	Procedures (number)	Time (days)	Cost (% of property value)	Ease of registering property (rank)
Durres <i>Albania</i>	6	27	3.4	13
Shkodra <i>Albania</i>	6	24	3.4	9
Tirana <i>Albania</i>	6	33	3.4	16
Vlora <i>Albania</i>	6	25	3.4	10
Banja Luka <i>Bosnia and Herzegovina</i>	7	103	3.2	21
Mostar <i>Bosnia and Herzegovina</i>	7	117	5.5	22
Sarajevo <i>Bosnia and Herzegovina</i>	7	33	5.3	19
Pristina <i>Kosovo</i>	8	33	0.6	18
Prizren <i>Kosovo</i>	7	36	0.5	14
Bitola <i>FYR Macedonia</i>	5	22	3.1	3
Skopje <i>FYR Macedonia</i>	5	58	3.1	15
Tetovo <i>FYR Macedonia</i>	5	43	3.1	6
Balti <i>Moldova</i>	5	5	0.9	1
Chisinau <i>Moldova</i>	5	5	0.9	1
Niksic <i>Montenegro</i>	6	34	3.1	6
Pljevlja <i>Montenegro</i>	6	18	3.1	4
Podgorica <i>Montenegro</i>	7	71	3.1	20
Belgrade <i>Serbia</i>	6	91	2.7	16
Krusevac <i>Serbia</i>	6	74	2.7	10
Uzice <i>Serbia</i>	6	74	2.7	10
Vranje <i>Serbia</i>	6	59	2.7	5
Zrenjanin <i>Serbia</i>	6	70	2.7	6

## Enforcing contracts

	Procedures (number)	Time (days)	Cost (% of claim)	Ease of enforcing contracts (rank)
	39	340	35.0	14
	39	331	33.5	11
	39	390	35.7	18
	39	328	33.5	10
	37	1,220	27.7	15
	38	1,653	31.5	20
	37	595	40.4	19
	53	420	61.2	21
	54	420	61.2	22
	37	345	21.3	5
	37	370	33.1	9
	37	290	22.3	3
	32	365	22.7	4
	31	365	20.9	2
	50	545	26.4	17
	50	345	25.7	7
	49	545	25.7	16
	36	635	28.9	11
	36	720	28.7	11
	36	390	27.0	6
	36	540	32.5	7
	36	300	25.2	1

# List of procedures

Starting a business

Dealing with  
construction permits

Registering property

## LIST OF PROCEDURES

**Starting a business****Durres, Albania***Standard company legal form: Limited Liability Company (LLC)**Minimum capital requirement: ALL 100 (US\$ 1)**Data as of: January 2011***Procedure 1. Search and reserve a unique company name****Time:** 1 day**Cost:** ALL 100**Comments:** Entrepreneurs can reserve a company name at the National Registration Center (NRC) local office in Durres. Efforts are under way to enable entrepreneurs to do the reservation online. After receiving the application, NRC issues a name reservation certificate. The name reservation form can be downloaded from the NRC website at: [http://www.qkr.gov.al/nrc/Forms\\_for\\_name\\_reservation.aspx](http://www.qkr.gov.al/nrc/Forms_for_name_reservation.aspx).**Procedure 2. Notarize the incorporation documents****Time:** 1 day**Cost:** ALL 8,700 (ALL 2,700 for articles of incorporation + ALL 2,700 for statute + ALL 3,300 for special proxy to an attorney)**Procedure 3. Request and obtain Business Registration Certificate and a Unique Business Identification Number from NRC****Time:** 1 day**Cost:** ALL 100**Comments:** The NRC is the new central public institution which functions as a single window where the entrepreneur can complete company registration, tax registration, social insurance, health insurance and labor directorate registration using a single application procedure (based on Article 59 of the Law No. 9723 "on National Registration Center").**Procedure 4. Obtain Business Registration Certificate from the Municipality****Time:** 1 day**Cost:** ALL 93,120**Comments:** Local tariffs and fees are set by Decision No. 195 of the Municipal Council ("Municipal tariffs and fees in the city of Durres") dated January 18, 2010, and they are as follows:

- Registration fee: ALL 15,000 (paid only once at registration);
- Street lighting fee: ALL 3,000 (paid annually);
- Cleaning fee: ALL 70,000 (paid annually);
- Green tax: ALL 5,000 (paid annually);
- Billboard fee: ALL 120 (paid annually).

**Procedure 5. Make a company seal****Time:** 1 day**Cost:** ALL 4,000 (ALL 3,000 to ALL 5,000)

## STARTING A BUSINESS

**Shkodra, Albania***Standard company legal form: Limited Liability Company (LLC)**Minimum capital requirement: ALL 100 (US\$ 1)**Data as of: January 2011***Procedure 1. Search and reserve a unique company name****Time:** 1 day**Cost:** ALL 100**Comments:** Entrepreneurs can reserve a company name at the National Registration Center (NRC) local office in Shkodra. Efforts are under way to enable entrepreneurs to do the reservation online. After receiving the application, NRC issues a name reservation certificate. The name reservation form can be downloaded from the NRC website at: [http://www.qkr.gov.al/nrc/Forms\\_for\\_name\\_reservation.aspx](http://www.qkr.gov.al/nrc/Forms_for_name_reservation.aspx).**Procedure 2. Notarize the incorporation documents****Time:** 1 day**Cost:** ALL 8,700 (ALL 2,700 for articles of incorporation + ALL 2,700 for statute + ALL 3,300 for special proxy to an attorney)**Procedure 3. Request and obtain Business Registration Certificate and a Unique Business Identification Number from NRC****Time:** 1 day**Cost:** ALL 100**Comments:** The NRC is the new central public institution which functions as a single window where the entrepreneur can complete company registration, tax registration, social insurance, health insurance and labor directorate registration using a single application procedure (based on Article 59 of the Law No. 9723 "on National Registration Center").**Procedure 4. Obtain Business Registration Certificate from the Municipal Tax Office****Time:** 1 day**Cost:** ALL 68,120**Comments:** The 2010 Municipal Fee Schedule sets the municipal fees and taxes as follows:

- City cleaning fee: ALL 60,000;
- Billboard fee: ALL 120;
- Street lighting fee: ALL 4,000;
- Green tax: ALL 4,000.

**Procedure 5. Make a company seal****Time:** 1 day**Cost:** ALL 4,000 (ALL 3,000 to ALL 5,000)

## STARTING A BUSINESS

**Tirana, Albania***Standard company legal form: Limited Liability Company (LLC)**Minimum capital requirement: ALL 100 (US\$ 1)**Data as of: January 2011***Procedure 1. Search and reserve a unique company name****Time:** 1 day**Cost:** ALL 100**Comments:** Entrepreneurs can reserve a company name at the National Registration Center (NRC) local office in Tirana. Efforts are under way to enable entrepreneurs to do the reservation online. After receiving the application, NRC issues a name reservation certificate. The name reservation form can be downloaded from the NRC website at: [http://www.qkr.gov.al/nrc/Forms\\_for\\_name\\_reservation.aspx](http://www.qkr.gov.al/nrc/Forms_for_name_reservation.aspx).**Procedure 2. Notarize the incorporation documents****Time:** 1 day**Cost:** ALL 8,700 (ALL 2,700 for articles of incorporation + ALL 2,700 for statute + ALL 3,300 for special proxy to an attorney)**Procedure 3. Request and obtain Business Registration Certificate and a Unique Business Identification Number from NRC****Time:** 1 day**Cost:** ALL 100**Comments:** The NRC is the new central public institution which functions as a single window where the entrepreneur can complete company registration, tax registration, social insurance, health insurance and labor directorate registration using a single application procedure (based on Article 59 of the Law No. 9723 "on National Registration Center").**Procedure 4. Register with the Municipal Sector for Taxpayer Services, Assistance and Registration****Time:** 1 day**Cost:** ALL 98,120 (ALL 85,000 for city cleaning fee + ALL 13,000 for a green tax + ALL 120 for billboard fee)**Procedure 5. Make a company seal****Time:** 1 day**Cost:** ALL 4,000 (ALL 3,000 to ALL 5,000)

## STARTING A BUSINESS

**Vlora, Albania**

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: ALL 100 (US\$ 1)

Data as of: January 2011

**Procedure 1. Search and reserve a unique company name**

**Time:** 1 day

**Cost:** ALL 100

**Comments:** Entrepreneurs can reserve a company name at the National Registration Center (NRC) local office in Vlora. Efforts are under way to enable entrepreneurs to do the reservation online. After receiving the application, NRC issues a name reservation certificate. The name reservation form can be downloaded from the NRC website at: [http://www.qkr.gov.al/nrc/Forms\\_for\\_name\\_reservation.aspx](http://www.qkr.gov.al/nrc/Forms_for_name_reservation.aspx).

**Procedure 2. Notarize the incorporation documents**

**Time:** 1 day

**Cost:** ALL 8,700 (ALL 2,700 for articles of incorporation + ALL 2,700 for statute + ALL 3,300 for special proxy to an attorney)

**Procedure 3. Request and obtain Business Registration Certificate and a Unique Business Identification Number from NRC**

**Time:** 1 day

**Cost:** ALL 100

**Comments:** The NRC is the new central public institution which functions as a single window where the entrepreneur can complete company registration, tax registration, social insurance, health insurance and labor directorate registration using a single application procedure (based on Article 59 of the Law No. 9723 "on National Registration Center").

**Procedure 4. Obtain Business Registration Certificate from the Municipal Tax Directorate**

**Time:** 1 day

**Cost:** ALL 65,120

**Comments:** Local tariffs and fees are set by Decision No. 62 of the Vlora Municipal Council ("Municipal tariffs and fees in the city of Vlora") dated November 26, 2009, and they are as follows:

- Registration fee: ALL 10,000 (paid only once);
- City cleaning fee: ALL 50,000 (paid annually);
- Street lighting fee and green tax: ALL 5,000 (paid annually);
- Billboard fee: ALL 120 (paid annually).

**Procedure 5. Make a company seal**

**Time:** 1 day

**Cost:** ALL 4,000 (ALL 3,000 to ALL 5,000)

## STARTING A BUSINESS

**Banja Luka, Bosnia and Herzegovina**

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: BAM 2,000 (US\$ 1,434)

Data as of: January 2011

**Procedure 1. Stipulate a founding act and have it notarized**

**Time:** 2 days

**Cost:** BAM 335 (BAM 300 for founding act stipulation + BAM 15 for court registration + BAM 20 for notarization of the proof of occupancy of office space)

**Comments:** The Law on Notaries requires all documentation needed for registration of a company to be prepared and certified by a notary. To stipulate the founding acts, company representative(s) needs to submit a copy of his identification card with suggestion of the name of the company to the notary who verifies its availability at a competent court. Notary submits request to register the company at the court and stipulates company founding act. Notarized copy of the proof of occupancy of office space is not required by law. However, in practice the proof of occupancy gives a greater degree of legitimacy to the newly founded company and the tax administration office sometimes asks for it when issuing the company identification number. After notarizing the proof of occupancy, the notary retains one copy of the document while the company representative keeps the original.

**Procedure 2. Obtain a statement from a commercial bank that full amount of the capital has been paid; pay registration fee to the bank account of the District Commercial Court**

**Time:** 1 day

**Cost:** BAM 500 (BAM 450 for registration + BAM 50 for advertising in the Official Gazette)

**Comments:** The founder should pay at least half of the minimum capital requirement (BAM 1,000 of BAM 2,000) to a temporary account at one of the local banks, which will subsequently be transferred to the company's permanent banking account within two years of operation.

**Procedure 3. Court registration with the District Commercial Court**

**Time:** 7 days

**Cost:** No cost

**Comments:** In order to register the company with the District Commercial Court, it is necessary to submit the following documents:

- Registration form;
- Four copies of the advertising form;
- Notarized company's founding acts;
- Decision on naming a member of the board of directors;
- Certificate of payment of the minimal capital requirement;
- Notarized copy of the personal identification card of company's representative;
- Notarized signature of company's representative;
- Proof of payment of court fees.

Membership at the Republika Srpska Chamber of Commerce is mandatory and automatic after registration with the District Commercial Court. Companies founded in 2009 and 2010 are waived from paying the membership fee for the year they were founded. Membership fees are decided by the Chamber of Commerce with a clause that annual membership fee for the current year cannot be greater than 0.03% of the overall annual turnover in the previous year nor smaller than BAM 20 per month. Details relating to membership fees of the Republika Srpska Chamber of Commerce can be found at the following web-site: <http://www.komors.ba/2/index.php/pg/0.html>.

**Procedure 4. Buy a company stamp**

**Time:** 1 day

**Cost:** BAM 40

**Comments:** In Banja Luka, there are several private workshops that specialize in making company stamps. In order to have a company stamp made, it is necessary to bring the court registration of the company which proves the ownership and company's representation rights. Details on the shape, size and sign of the stamp are specified in the company founding acts.

**Procedure 5. Request and obtain resolution on intended activities (work permit) with the competent municipality**

**Time:** 4 days

**Cost:** BAM 102

**Comments:** This certificate has to be obtained only in cases where a commercial entity may actively engage in commercial, hospitality and/or tourism-related activities. It is necessary to fill out the application form (available on the web site of Banja Luka municipality: [http://www2.banjaluka.rs.ba/static/uploads/service/forms/ASBL-OB-02-01\\_.pdf](http://www2.banjaluka.rs.ba/static/uploads/service/forms/ASBL-OB-02-01_.pdf)). For entities planning to engage in commercial activities, the ASBL-OB-02/21 form has to be filled out (<http://www2.banjaluka.rs.ba/static/uploads/ASBL-OB-02-21.pdf>). For entities planning to engage in hospitality activities, the ASBL-OB-02/20 form has to be filled out (<http://www2.banjaluka.rs.ba/static/uploads/ASBL-OB-02-20.pdf>). For entities planning to engage in tourism-related activities, the ASBL-OB-02/26 form has to be filled out (<http://www2.banjaluka.rs.ba/static/uploads/ASBL-OB-02-26.pdf>).

In addition, the following documents need to be submitted:

- Proof of company's court registration;
- Notarized statement by the company's director that all conditions to actively engage in commercial/hospitality/tourism-related activities have been fulfilled.

**Procedure 6. Request and obtain company identification number with the competent tax administration office**

**Time:** 3 days

**Cost:** BAM 2

**Comments:** According to Article 15 of Rules on Registration and Identification of Taxpayers, all commercial entities have to obtain a company identification number within 5 days from company's court registration. Apart from filing out a request to obtain identification number at a competent tax administration authority (<http://www.poreskaupravar.org/Documents/Obrasci/PR-1.pdf>), the newly founded company has to submit the following:

- Copy of company's court registration;
- Notarized proof of occupancy of office space;
- Copy of the company director's personal identification card.

#### Procedure 7\*. Request and obtain statistical number from the Institute of Statistics, Republika Srpska

**Time:** 2 days

**Cost:** BAM 70

**Comments:** In order to obtain a statistical number, company representatives will have to submit the following documents:

- Notarized copy of company's court registration;
- Notarized copy of company's founding acts (Form RJR-1);
- Proof of payment of administrative fees in the amount of BAM 70.

#### Procedure 8. Open a company account at a commercial bank

**Time:** 1 day

**Cost:** No cost

**Comments:** The newly founded company closes the temporary account where it has deposited a minimum capital requirement and opens up a permanent company account at a commercial bank. It is necessary to fill out a request to open a new bank account and submit a copy of company's registration at the court, statistical number and company identification number.

#### Procedure 9. Enroll employees in Pension and Health Insurance Funds with the tax administration office

**Time:** 1 day

**Cost:** No cost

**Comments:** The following documentation is needed:

- Copy of the employees contracts and work booklet;
- Employees' identification cards;
- Copy of the company's court registration.

Application form to register employees for Pension and Health Insurance is free and can be obtained from the tax administration office or from their web site: <http://www.poreskaupravar.org/SiteCir/Obrasci.aspx>.

#### Procedure 10\*. Adopt a Rulebook on matters of salary, work organization, discipline, and other employee regulations

**Time:** 1 day

**Cost:** No cost (BAM 250 is the minimum cost if made by a lawyer, depending on complexity)

**Comments:** This procedure applies to employers who hire more than 15 workers. According to the Republika Srpska Labor law, the company's body authorized to issue internal regulations (usually board of directors) has to adopt and publicly display the Rulebook. It is not required to publish the Rulebook as long as all company's employees have equal access to it and the book is advertised in the common areas of the company.

\*This procedure can be completed simultaneously with previous procedure.

#### STARTING A BUSINESS

##### Mostar, Bosnia and Herzegovina

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: BAM 2,000 (US\$ 1,434)*

*Data as of: January 2011*

#### Procedure 1. Stipulate a founding act and have it notarized

**Time:** 4 days

**Cost:** BAM 335 (BAM 300 to stipulate founding acts + BAM 15 for court registration + BAM 20 to notarize a proof of occupancy of the office space)

**Comments:** In order to have the founding act stipulated by the notary, it is necessary to submit copy of personal identification card and suggestions of names of individuals who will be representing the company. Notarized copy of the proof of occupancy of an office space is not required by law. However, in practice this proof gives a greater degree of legitimacy to the newly founded company. After notarizing the proof of occupancy, the notary retains one copy of the document while the company keeps the original.

#### Procedure 2. Obtain a statement from a commercial bank that full amount of the capital has been deposited; pay court registration fee to the bank account of the municipal court and fee for approval of intended activities to the bank account of the municipality

**Time:** 1 day

**Cost:** BAM 1,055 (BAM 405 for registration + BAM 150 for advertising fee in the Official Gazette + BAM 500 to obtain municipal approval of company's intended activities)

**Comments:** The founder should pay at least the minimum capital amount of BAM 2,000 to a temporary account at one of the local banks. The amount is to be subsequently transferred to the company's permanent transaction account after the start of operations. Companies are also required to pay the fee of BAM 500 to the municipal bank account for approval of intended activities.

#### Procedure 3\*. Obtain a statement from the tax authorities that the founders have no unpaid taxes

**Time:** 1 day

**Cost:** BAM 15

#### Procedure 4. Court registration with the Municipal Court

**Time:** 21 days

**Cost:** No cost

**Comments:** In order to register, the company's representative will have to submit following documents to the municipal court:

- Registration form (obtained from the court);
- Four copies of the advertising form;
- Notarized company's founding acts;
- Decision on naming a member of the board of directors representing the company;
- Certificate of payment of minimal capital requirement;
- Copy of personal identification card of company's representative;
- Notarized signature of company's representative;
- Proof of payment of court fee to advertise company's registration in Official Gazette;
- Proof that company's founders do not have outstanding debt obligations.

Companies voluntarily register for a membership at commercial chambers on cantonal and entity level. Membership fees are as following:

- Entity level (Chamber of Commerce of Federation of Bosnia and Herzegovina): the company may choose one of two options (a) a fee of 0.7% of the company's gross paid salaries for all employees; or (b) a fee based on the number of employees, (e.g., BAM 150 for 31–50 employees).

- Cantonal (Chamber of Commerce of Hercegovacko-Neretvanski Canton): membership fee cannot exceed 0,05% of a total annual income which the member has earned in previous year nor be smaller than BAM 20 per month. Fees are to be paid at the end of the month for the membership for the preceding month.

#### Procedure 5. Buy a company stamp

**Time:** 1 day

**Cost:** BAM 40

**Comments:** In Mostar, there are several private workshops which specialize in making company stamps. To have the stamp made, it is necessary to present court registration of the company which proves the ownership structure and right to represent the company. Details on the shape, size and sign of the stamp are specified in the founding acts of the company.

#### Procedure 6. Request and obtain municipal approval on intended activities

**Time:** 10 days

**Cost:** No cost (cost paid in procedure 2)

**Comments:** Company founder goes to the municipality, fills out a request form (available at municipality) and attaches all required documents (proof of company's court registration, statement confirming that all business premises fulfill conditions mandated by the law, and notification about the date when the company will start with operations) and the proof of payment of the administrative fee of BAM 500 paid in the local bank.

### Procedure 7. Notify the cantonal inspection authority of the start of company's activity

**Time:** 1 day

**Cost:** No cost

**Comments:** Company is required to submit (in person or by mail), at least 5 days before start of work, following documents in 2 copies:

- Company's court registration;
- Statement that all conditions of the working premises required by the law have been fulfilled;
- Notification of the date when the company will start with operations;
- Municipal approval of intended activities.

Inspection authority is required by law to inspect business premises within 30 days after receiving company's notification. Companies are allowed to start with work immediately on the date indicated in the notification submitted to the cantonal inspection authority and do not need to wait for the inspection commission to come. By law, there is no fee associated with this procedure and no confirmation is to be received from the cantonal inspection authority.

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

**Time:** 4 days

**Cost:** No cost

**Comments:** Newly adopted Rulebook (as published in the OG FBiH 02/10) regulates new tax registration procedures that streamline the process for legal entities. In accordance with the new Article 8a of this Rulebook, respective court and tax administration initiate tax registration by mutual official correspondence and legal entities are only obliged to submit required documents (copy of court registry, 2 copies of application form including company stamp, and copies of ID cards) after the court registration is completed. This Rulebook does not require submission of following documents (as previously requested): 1) contract on the lease of the business premises and 2) resolution of the competent municipality on the intended activities.

### Procedure 9. Open a company account at a commercial bank

**Time:** 1 day

**Cost:** No cost

**Comments:** The newly founded company closes the temporary account where it has deposited the minimum capital requirement and transfers the funds to a permanent company account opened at a commercial bank. To open the permanent account the following should be submitted:

- Copy of company's court registration;
- Statistical number;
- Company's Identification Number;
- Bank account application form.

### Procedure 10. Enroll employees in Pension Insurance with the Pension Insurance Institute (Zavod za penziono osiguranje)

**Time:** 1 day

**Cost:** BAM 1 (application form)

**Comments:** The following documents are needed:

- Copy of employees contracts;
- Copy of the company's court registration;
- Form M2;
- Employees Work Booklets.

### Procedure 11. Enroll employees in Health Insurance with the Health Insurance Institute (Zavod za zdravstveno osiguranje)

**Time:** 1 day

**Cost:** BAM 1 (application form)

**Comments:** The following documents are needed for application purposes:

- Application for pension insurance;
- Application for health insurance (Form Z01);
- Employees' identification cards;
- Employees Health Booklets.

### Procedure 12\*. Adopt a Rulebook on matters of salary, work organization, discipline, and other employee regulations

**Time:** 1 day

**Cost:** No cost (BAM 250 is the minimum cost if made by a lawyer, depending on complexity)

**Comments:** The procedure applies to companies that hire more than 15 workers. Company's representative authorized to issue internal regulations shall pass the Rulebook. It is not required to publish the Rulebook as long as all company's employees have equal access to it and the book is advertised in the common areas of the company.

\*This procedure can be completed simultaneously with previous procedure.

## STARTING A BUSINESS

### Sarajevo, Bosnia and Herzegovina

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: BAM 2,000 (US\$ 1,434)*

*Data as of: January 2011*

### Procedure 1. Stipulate a founding act and have it notarized

**Time:** 7 days

**Cost:** BAM 400

**Comments:** In order to have the founding acts stipulated by the notary, it is necessary to submit a copy of personal identification card, names of individuals who will be representing the company and the proof of occupancy of the office space. After notarizing the proof of occupancy, the notary retains one copy of the document while the company keeps the original.

### Procedure 2. Obtain a statement from a commercial bank that full amount of the minimum capital has been deposited

**Time:** 1 day

**Cost:** No cost

**Comments:** The founder should pay the amount of the capital to a temporary bank account. The funds are to be subsequently transferred to a permanent company transaction account once the company starts with operations.

### Procedure 3. Obtain a statement from the tax authorities that the founders have no unpaid taxes

**Time:** 1 day

**Cost:** No cost

### Procedure 4. Court registration with the Municipal Court

**Time:** 10 days

**Cost:** BAM 555 (BAM 405 for registration fee + BAM 150 for publishing fee)

**Comments:** Companies voluntarily register for a membership at commercial chambers on the cantonal and entity level. Membership fees are as following:

- Entity level (Chamber of Commerce of Federation of Bosnia and Herzegovina): the company may choose one of two options (a) a fee of 0.7% of the company's gross paid salaries for all employees; or (b) a fee based on the number of employees, (e.g., BAM 150 for 31–50 employees).

- Cantonal (Chamber of Commerce of Sarajevo Canton): membership fee is based on the number of employees (BAM 3.5 per employee) but it cannot be smaller than BAM 30 per month. Fees are to be paid at the end of the month for the membership for the preceding month.

### Procedure 5. Buy a company stamp

**Time:** 1 day

**Cost:** BAM 40

**Comments:** In Sarajevo, there are several private workshops which specialize in making company stamps. To have the stamp made, it is necessary to present court registration of the company which proves the ownership structure and right to represent the company. Details on the shape, size and sign of the stamp are specified in the founding acts of the company.

### Procedure 6. Request and obtain municipal approval on intended activities

**Time:** 10 days

**Cost:** BAM 10

**Comments:** Company founder goes to the municipality, fills out a request form (available at municipality) and attaches all required documents (proof of company's court registration, statement confirming that all business premises fulfill conditions mandated by the law, and notification about the date when the company will start with operations) and the proof of payment of the administrative fee of BAM 10 paid at the municipality.

### Procedure 7. Notify the cantonal inspection authority of the start of company's activity

**Time:** 1 day

**Cost:** BAM 2 (administrative fee)

**Comments:** Company is required to submit (in person or by mail), at least 5 days before start of work, following documents in 2 copies:

- Company's court registration;
- Statement that all conditions of the working premises required by the law have been fulfilled;
- Notification of the date when the company will start with operations;
- Municipal approval of intended activities.

Inspection authority is required by law to inspect business premises within 30 days after receiving company's notification. Companies are allowed to start with work immediately on the date indicated in the notification submitted to the cantonal inspection authority and does not need to wait for the inspection commission to come.

By law, there is no fee associated with this procedure and no confirmation is to be received from the cantonal inspection authority. Some municipalities in Sarajevo may charge small administrative fees. For example, companies registered in municipality Novo Sarajevo will have to buy a tax stamp (available at any postal service office) and attach it to other documents to be sent to municipality. In other municipalities, this procedure is free.

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

**Time:** 15 days

**Cost:** No cost

**Comments:** Newly adopted Rulebook (as published in the OG FBiH 02/10) regulates new tax registration procedures that streamline the process for legal entities. In accordance with the new Article 8a of this Rulebook, respective court and tax administration initiate tax registration by mutual official correspondence and legal entities are only obliged to submit required documents (copy of court registry, 2 copies of application form including company's stamp, and copies of ID cards) after the court registration is completed. This Rulebook does not require submission of following documents (as previously requested): 1) contract on the lease of the business premises and 2) resolution of the competent municipality on the intended activities.

### Procedure 9. Open a company account at a commercial bank

**Time:** 1 day

**Cost:** No cost

**Comments:** The newly founded company closes the temporary account where it has deposited the minimum capital requirement and transfers the funds to a permanent company account opened at a commercial bank. To open the permanent account the following documents should be submitted:

- Copy of company's court registration;
- Statistical number;
- Company identification number;
- Bank account application form.

### Procedure 10. Enroll employees in Pension Insurance with the Pension Insurance Institute (Zavod za penziono osiguranje)

**Time:** 1 day

**Cost:** BAM 1 (application form)

**Comments:** The following documents are needed:

- Copy of employees contracts;
- Copy of the company's court registration;
- Form M2;
- Employees Work Booklets.

### Procedure 11. Enroll employees in Health Insurance with the Health Insurance Institute (Zavod za zdravstveno osiguranje)

**Time:** 1 day

**Cost:** BAM 1 (application form)

**Comments:** The following documents are needed for application purposes:

- Application for pension insurance;
- Application for health insurance (Form Z01);
- Employees' identification cards;
- Employees Health Booklets.

### Procedure 12\*. Adopt a Rulebook on matters of salary, work organization, discipline, and other employee regulations

**Time:** 1 day

**Cost:** No cost (BAM 250 is the minimum cost if made by a lawyer, depending on complexity)

**Comments:** The procedure applies to companies that hire more than 15 workers. Company's representative authorized to issue internal regulations shall pass the Rulebook. It is not required to publish the Rulebook as long as all company's employees have equal access to it and the book is advertised in the common areas of the company.

\*This procedure can be completed simultaneously with previous procedure.

## STARTING A BUSINESS

### Pristina, Kosovo

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: EUR 2,500 (US\$ 3,543)*

*Data as of: January 2011*

### Procedure 1. Open a bank account and deposit the minimum chartered capital

**Time:** 1 day

**Cost:** EUR 5

**Comments:** Within 14 days from the day of incorporation, the company needs to submit proof of depositing the minimum capital to the Kosovo Business Registration Agency (KBRA).

### Procedure 2. Request and obtain the Business Certificate and the 'Business Information' document from the Kosovo Business Registration Agency (KBRA)

**Time:** 10 days

**Cost:** No cost

**Comments:** In order to complete the registration process, the following documents should be submitted to KBRA:

- Business registration form—can be downloaded from the website at [www.arbk.org](http://www.arbk.org);
- Statute of company;
- Title certificate or lease contract;
- Copies of ID cards of all shareholders;
- A resolution showing the decision to establish a business in Kosovo.

There is no requirement to reserve the company name prior to registration. Business names can be duplicates. It is enough to include the name of the business in the registration form.

### Procedure 3. Pay business registration fee at a bank

**Time:** 1 day

**Cost:** EUR 24

### Procedure 4. Make a company seal

**Time:** 1 day

**Cost:** EUR 35 (EUR 20 to EUR 50)

**Comments:** The seal is not legally required. However, the majority of businesses make a seal and use it in their interaction with authorities. Cost is between EUR 20 and EUR 50.

### Procedure 5. Request and obtain a municipal business permit

**Time:** 30 days

**Cost:** No cost (cost paid in procedure 6)

**Comments:** The municipal permit fee is paid annually. The cost depends on the commercial activity and ranges between EUR 50 and EUR 1,000.

### Procedure 6\*. Request and obtain inspection from the Municipal Technical Committee

**Time:** 5 days

**Cost:** EUR 575 (EUR 525 for municipal business permit + EUR 50 for inspection)

**Comments:** After obtaining the Business Registration Certificate from KBRA, the party must request the Municipal Technical Committee to inspect sanitary conditions and safety of the premises.

### Procedure 7. Request and obtain a fiscal number from the Tax Administration of Kosovo (TAK) at the Ministry of Economy and Finance (MEF)

**Time:** 7 days

**Cost:** No cost

**Comments:** Within 15 days, all business organizations registered with KBRA must apply for a fiscal number at TAK before beginning any economic activity.

The following documents should be submitted:

- Business Certificate;
- 'Business Information' document;
- Copy of ID card of the owner or authorized person of the company;
- The bank account history in the last 6 months;
- Fiscal number application form, which can be obtained from the TAK office or downloaded from: <http://www.atk-ks.org/nr-fiskal>.

According to article 5, paragraph 3 of Administrative Instruction No. 07/2009 on Registration, Deregistration and Issuance of Fiscal Number, TAK must make a decision on whether to issue a fiscal number within 10 working days after receiving the application. In practice, it takes around 7 calendar days to issue the fiscal number.

### Procedure 8\*. Receive inspection of the business premise from the Tax Administration of Kosovo (TAK)

**Time:** 1 day

**Cost:** No cost

**Comments:** TAK may conduct a visit to the business premise to inspect the site prior to issuing a fiscal number. The entrepreneur must be present at the site when the inspection is conducted.

### Procedure 9. Register the company for Value Added Tax (VAT) with the Tax Administration of Kosovo (TAK) at the Ministry of Economy and Finance (MEF)

**Time:** 7 days

**Cost:** No cost

**Comments:** The Value Added Tax application is required only for companies with a yearly turnover larger than EUR 50,000. The VAT registration form can be obtained from TAK offices or downloaded from the following internet link: [http://apps.atk-ks.org/edeclarations/PDFTemplates/FRTVSH\\_sq-AL.pdf](http://apps.atk-ks.org/edeclarations/PDFTemplates/FRTVSH_sq-AL.pdf). A VAT Registration Certificate will be issued showing the business name, the Business Registration Number (BRN) and the principal address of the business.

### Procedure 10. Register employees for the Pension Fund with the Tax Administration of Kosovo (TAK) at the Ministry of Economy and Finance (MEF)

**Time:** 1 day

**Cost:** No cost

**Comments:** Registering employees for the Pension Fund requires submission of the following documents:

- Business Registration Certificate;
- Copy of ID cards of all employees;
- Registration Form.

\*This procedure can be completed simultaneously with previous procedure.

## STARTING A BUSINESS

### Prizren, Kosovo

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: EUR 2,500 (US\$ 3,543)*

*Data as of: January 2011*

### Procedure 1. Open a bank account, deposit the minimum chartered capital, and pay business registration fee

**Time:** 1 day

**Cost:** EUR 23 (EUR 10 for registration fee + EUR 10 for statute registration fee + EUR 2 for Business Certificate fee + EUR 1 for bank transaction fee)

**Comments:** Within 14 days from the day of incorporation, the company needs to submit proof of depositing the minimum capital to the Kosovo Business Registration Agency (KBRA).

### Procedure 2. Request and obtain the Business Certificate and the 'Business Information' document at the Kosovo Business Registration Agency (KBRA)

**Time:** 10 days

**Cost:** EUR 3 (travel expense to Pristina)

**Comments:** Business registration can only be done at the KBRA office in Pristina. As of now, KBRA does not have any office in Prizren. There are plans to open such offices in several centers throughout Kosovo.

In order to complete the registration process, the following documents should be submitted to KBRA:

- Business registration form—can be downloaded from the website at [www.arbk.org](http://www.arbk.org);
- Statute of company;
- Title certificate or lease contract;
- Copies of ID cards of all shareholders;
- A resolution showing the decision to establish a business in Kosovo.

There is no requirement to reserve the company name prior to registration. Business names can be duplicates. It is enough to include the name of the business in the registration form.

### Procedure 3. Make a company seal

**Time:** 1 day

**Cost:** EUR 30 (EUR 15 to EUR 45)

**Comments:** The seal is not legally required. However, the majority of businesses make a seal and use it in their interactions with authorities. Cost varies between EUR 15 and EUR 45.

### Procedure 4. Request and obtain a confirmation letter proving that property tax in the leased premises has been paid

**Time:** 1 day

**Cost:** No cost

**Comments:** The confirmation letter is issued by the Municipal Directorate of Finance and Economy (MDFE).

### Procedure 5. Request a municipal business permit and obtain invoice for permit fee

**Time:** 1 day

**Cost:** EUR 30 (application fee)

**Comments:** Business permit request is made at the Municipal Directorate of Finance and Economy (MDFE). MDFE issues an invoice with the business permit annual fee to be paid at a local bank. Based on a Municipal Assembly decision on June 18, 2009 about "the Municipal Fees, Taxes, and Fines", the business permit application fee is EUR 30.

### Procedure 6\*. Request consent from the Municipal Inspectorate

**Time:** 1 day

**Cost:** EUR 45 (EUR 15 for each inspector)

**Comments:** Municipal Inspectorate sends a team of 3 inspectors/ experts to the business premises: sanitary inspector, trade inspector, and a sector inspector specialized in the type of business the company plans to perform. Based on a Municipal Assembly decision issued on June 18, 2009, about "the Municipal Fees, Taxes, and Fines", the inspection cost is EUR 45 or EUR 15 for each inspector.

**Procedure 7\*. Pay annual business permit fee at a local bank****Time:** 1 day**Cost:** EUR 401 (EUR 400 for business permit fee + EUR 1 for bank transaction fee)**Comments:** Based on a Municipal Assembly decision on June 18, 2009 about "the Municipal Fees, Taxes, and Fines", the annual business permit fee for limited liability companies (classified under municipal category B) is EUR 400.**Procedure 8. Receive inspection by the Municipal Inspectorate and obtain business permit****Time:** 7 days**Cost:** No cost**Comments:** Inspectors cited in Procedure 6 perform an inspection of the business premises and approve the business permit.**Procedure 9. Request and obtain a fiscal number from the Tax Administration of Kosovo (TAK) at the Ministry of Economy and Finance (MEF)****Time:** 10 days**Cost:** No cost**Comments:** Within 15 days, all business organizations registered with KBRA must apply for a fiscal number at TAK before beginning any economic activity.

The following documents should be submitted:

- Business Certificate;
- 'Business Information' document;
- Copy of ID card of the owner or authorized person of the company;
- The bank account history in the last 6 months;
- Fiscal number application form, which can be obtained from the TAK office or downloaded from: <http://www.atk-ks.org/nr-fiskal>.

According to article 5, paragraph 3 of Administrative Instruction No. 07/2009 on Registration, Deregistration and Issuance of Fiscal Number, TAK must make a decision on whether to issue a fiscal number within 10 working days after receiving the application. In practice, it takes around 7 calendar days to issue the fiscal number.

**Procedure 10. Register the company for Value Added Tax (VAT) with the Tax Administration of Kosovo (TAK) at the Ministry of Economy and Finance (MEF)****Time:** 2 days**Cost:** No cost

**Comments:** The Value Added Tax application is required only for companies with a yearly turnover larger than EUR 50,000. The VAT registration form can be obtained from TAK offices or downloaded from the following internet link: [http://apps.atk-ks.org/edeclarations/PDFTemplates/FRTVSH\\_sq-AL.pdf](http://apps.atk-ks.org/edeclarations/PDFTemplates/FRTVSH_sq-AL.pdf). A VAT Registration Certificate will be issued showing the business name, the Business Registration Number (BRN) and the principal address of the business.

**Procedure 11. Register employees for the Pension Fund with the Tax Administration of Kosovo (TAK) at the Ministry of Economy and Finance (MEF)****Time:** 1 day**Cost:** No cost**Comments:** Registering employees for the Pension Fund requires submission of the following documents:

- Business Registration Certificate;
- Copy of ID cards of all employees;
- Registration Form.

\*This procedure can be completed simultaneously with previous procedure.

## STARTING A BUSINESS

**Bitola, FYR Macedonia***Standard company legal form: Limited Liability Company (LLC)**Minimum capital requirement: none**Data as of: January 2011***Procedure 1. Notarize incorporation documents****Time:** 1 day**Cost:** MKD 1,050 (MKD 500 for notarizing the articles of incorporation—MKD 100 per signature for 5 co-founders + MKD 250 for court tax + MKD 300 for notarizing the signature specimen of the manager—MKD 150 per copy)

**Comments:** To register a limited liability company (LLC) articles of incorporation and signature specimen of the manager need to be notarized. Following the amendments to the Trade Company Law from 2008 and 2010, it is no longer necessary to notarize the statements based on articles 29, 32 and 183 of the Law. The company founders must pay for two notarized copies of the signature specimen of the manager: one for their own and another filed with the notary.

**Procedure 2. Procure extract of criminal record from the local Primary Court confirming that the manager is eligible to run the company****Time:** 1 day**Cost:** MKD 400

**Comments:** Although there is no legal basis for submitting the extract in practice, this document is still required. The competent authority for issuing the extract is the Primary Court of the municipality listed as the manager's residence.

**Procedure 3. Register company with the Central Registry****Time:** 1 day**Cost:** MKD 2,399

**Comments:** The company founders can prepare the registration documents by themselves. The company registration form can be downloaded from the Central Registry website ([www.crm.com.mk](http://www.crm.com.mk)). The uniqueness of the company name can also be verified online. The one-stop shop system became effective on January 1, 2006. The procedure at the Central Registry covers:

- Registration of the company in the Trade Register;
- Providing the company with a unique identification number;
- Opening the bank account for the company;
- Providing the company with a unique tax number;
- Publishing the company's creation notice on the website of the Central Registry ([www.crm.com.mk](http://www.crm.com.mk)).

**Procedure 4. Make a company seal****Time:** 1 day**Cost:** MKD 900 (MKD 200 to MKD 2,000)

**Comments:** The fee may vary from MKD 200 to MKD 2,000 depending on the type and quality of the material for the seal. The company certificate of registration is required.

**Procedure 5. Register employees at the Employment Agency****Time:** 1 day**Cost:** No cost

**Comments:** Employees can be registered at the Employment Agency by submitting forms M1 and M2 that can be downloaded from the website of the Employment Agency. With the integration of collecting social contributions and personal income tax through the Public Revenue Office in January 2009, employee data is automatically transferred to the Health Insurance Fund and the Pension Fund and it is not necessary to register employees with these institutions separately. It is expected that in 2011 it would be possible to register the first employees with the Employment Agency through the Central Registry at the time of registration.

## STARTING A BUSINESS

**Skopje, FYR Macedonia**

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: none

Data as of: January 2011

**Procedure 1. Notarize incorporation documents**

**Time:** 1 day

**Cost:** MKD 1,050 (MKD 500 for notarizing the articles of incorporation—MKD 100 per signature for 5 co-founders + MKD 250 for court tax + MKD 300 for notarizing the signature specimen of the manager—MKD 150 per copy)

**Comments:** To register a limited liability company (LLC) articles of incorporation and signature specimen of the manager need to be notarized. Following the amendments to the Trade Company Law from 2008 and 2010, it is no longer necessary to notarize the statements based on articles 29, 32 and 183 of the Law. The company founders must pay for two notarized copies of the signature specimen of the manager: one for their own and another filed with the notary.

**Procedure 2. Register company with the Central Registry**

**Time:** 1 day

**Cost:** MKD 2,399

**Comments:** The company founders can prepare registration documents themselves. A one-stop shop system was implemented on January 1, 2006. The Central Registry of FYR Macedonia is the single institution for registering LLCs and other forms of trade companies, foreign representative offices, and other entities. The registration process includes the following:

- Registration of the company with the Trade Register;
- Providing a statistical number;
- Opening the bank account for the company;
- Registering the company in the Public Revenue Office—Tax Office;
- Publishing the company formation notice on the Central Registry's website ([www.crm.com.mk](http://www.crm.com.mk)).

With the amendments on the Law on One Stop Shop (Official Gazette 150/2007 from 12.12.2007) connection is now established between the Central Registry and the Employment Agency. Registration of first employment of directors with the Employment Agency and registration of employees with the Social Fund can now be done at the time of registration. As of now, the process has been streamlined only in Skopje. Other cities are to follow.

**Procedure 3. Make a company seal**

**Time:** 1 day

**Cost:** MKD 1,400 (MKD 400 to MKD 2,400)

**Comments:** The fee to make a company seal may vary from MKD 400 MKD 2,400, depending on the type and quality of the seal's material. The company certificate of registration is required to process the request.

## STARTING A BUSINESS

**Tetovo, FYR Macedonia**

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: none

Data as of: January 2011

**Procedure 1. Notarize incorporation documents**

**Time:** 1 day

**Cost:** MKD 1,050 (MKD 500 for notarizing the articles of incorporation—MKD 100 per signature for 5 co-founders + MKD 250 for court tax + MKD 300 for notarizing the signature specimen of the manager—MKD 150 per copy)

**Comments:** To register a limited liability company (LLC) articles of incorporation and signature specimen of the manager need to be notarized. Following the amendments to the Trade Company Law from 2008 and 2010, it is no longer necessary to notarize the statements based on articles 29, 32 and 183 of the Law. The company founders must pay for two notarized copies of the signature specimen of the manager: one for their own and another filed with the notary.

**Procedure 2. Procure extract of criminal record from the local Primary Court confirming that the manager is eligible to run the company**

**Time:** 1 day

**Cost:** MKD 400

**Comments:** Although there is no legal basis for submitting the extract in practice, this document is still required. The competent authority for issuing the extract is the Primary Court of the municipality listed as the manager's residence.

**Procedure 3. Register company with the Central Registry**

**Time:** 1 day

**Cost:** MKD 2,399

**Comments:** The company founders can prepare the registration documents by themselves. The company registration form can be downloaded from the Central Registry website ([www.crm.com.mk](http://www.crm.com.mk)). The uniqueness of the company name can also be verified online. The one-stop shop system became effective on January 1, 2006. The procedure at the Central Registry covers:

- Registration of the company in the Trade Register;
- Providing the company with a unique identification number;
- Opening the bank account for the company;
- Providing the company with a unique tax number;
- Publishing the company's creation notice on the website of the Central Registry ([www.crm.com.mk](http://www.crm.com.mk)).

**Procedure 4. Make a company seal**

**Time:** 1 day

**Cost:** MKD 1,100 (MKD 400 to MKD 2,000)

**Comments:** The fee may vary from MKD 400 to MKD 2,000 depending on the type and quality of the material for the seal. The company certificate of registration is required.

**Procedure 5. Register employees at the Employment Agency**

**Time:** 1 day

**Cost:** No cost

**Comments:** Employees can be registered at the Employment Agency by submitting forms M1 and M2 that can be downloaded from the website of the Employment Agency. With the integration of collecting social contributions and personal income tax through the Public Revenue Office in January 2009, employee data is automatically transferred to the Health Insurance Fund and the Pension Fund and it is not necessary to register employees with these institutions separately. It is expected that in 2011 it would be possible to register the first employees with the Employment Agency through the Central Registry at the time of registration.

## STARTING A BUSINESS

**Balti, Moldova**

Standard company legal form: Limited Liability Company (LLC)

Minimum capital requirement: MDL 2,160 (US\$ 190)

Data as of: January 2011

**Procedure 1. File all the documents for the registration of the company with the local branch of the State Registration Chamber (SRC) and obtain IDNO number**

**Time:** 1 day (expedited service)

**Cost:** MDL 1,981 (see comments)

**Comments:** The official term for company registration is 5 working days. However, an expedited option is available in which company registration can be completed within 24 hours.

The fee schedule for registering companies with the State Registration Chamber under the expedited procedure is:

- State registration: MDL 1000;
- Incorporation document preparation (editing): MDL 432;
- Name verification: MDL 39;
- Company name approval at the National Centre for Terminology: MDL 20;
- Certification of signatures by the State Registrar: MDL 10;
- Publication in the Official Gazette: MDL 54;
- Extract (for permanent bank account): MDL 252;
- Company stamp: MDL 150;

- i. Stamp sketches: MDL 15;
  - j. License fee (authorization for stamp manufacturing): MDL 9.
- The following documents must be submitted to SRC in order to register a limited liability company:

- a. Filled application form (template provided by SRC);
- b. Decision on incorporation of the company approved by founder/s;
- c. Incorporation documents;
- d. Document confirming payment of applicable registration fees.

Law No. 184/15.07.2010 eliminated the requirement to present a document confirming payment of share capital.

A Unique State Identification Number (IDNO) is attributed to each legal entity at the date of its registration. It is inserted in the Registration Certificate and in the constitutive act.

### Procedure 2\*. Open a temporary bank account and deposit at least 40% of the registered capital of the company, and pay the registration fee

**Time:** 1 day

**Cost:** No cost

**Comments:** At registration, at least 40% of each founder's declared contribution to company capital should be paid in. The other 60% must be paid within 6 months of registration. Law No. 135/14.06.2007 on limited liability companies sets the minimum capital requirement at MDL 5,400. Payment of minimum capital requirement is a prerequisite for the establishment of a company (Article 110 of the Civil Code).

### Procedure 3\*. Obtain Registration Certificate and an official company stamp from the local branch of the State Registration Chamber (SRC)

**Time:** 1 day

**Cost:** No cost (cost paid in procedure 1)

**Comments:** SRC will issue the official stamp along with the registration certificate, after verifying the identity of company's founders.

### Procedure 4. Register with the local Tax Inspectorate of the Ministry of Finance

**Time:** 1 day

**Cost:** No cost

**Comments:** Newly registered companies should register with the Tax Inspectorate. Upon presenting the Company Registration Certificate, the Inspectorate will register the company and assign it a tax identification number. Only companies that intend to sell VAT-taxable goods and services for an amount exceeding MDL 600,000 during 12 consecutive months must obtain a VAT code.

### Procedure 5. Register the company with the local Bureau of Statistics

**Time:** 1 day

**Cost:** No cost

**Comments:** After the registration is completed, the company must register with the local office of Bureau of Statistics, which will assign the company a statistical code. This code will be assigned according to the activities established in the company's constitutive act and according to the company's territorial location.

Law No. 127/18.06.2010 introduced the principle of "one stop shop" under which the State Registration Chamber facilitates the registration of the company with the National Bureau of Statistics, Social Security and Medical Insurance. In practice, entrepreneurs still file their application in person because there are penalties for failure to register. The "one stop shop" is still in the process of implementation and is not fully functional.

### Procedure 6. Convert the company's temporary bank account to a permanent one

**Time:** 1 day

**Cost:** No cost

**Comments:** To convert the company's temporary bank account to a permanent account, the founder must present to the bank:

- a. Copy of the certificate of registration;
- b. Copy of incorporation documents;
- c. Copies of identification cards of company founders;
- d. Notarized signature cards.

### Procedure 7. Register the company with the local office of the National Social Security Fund (NSSF)

**Time:** 1 day

**Cost:** No cost

**Comments:** Every company should receive an individual social security number for each employee. The Law of the Republic of Moldova No. 383-XV (of November 11, 2004), "On the State Social Security Budget 2005," states that the company must complete a questionnaire for each employee and to present it, along with the copy of the employee's identification card, to NSSF within 10 days of signing of the labor contract. Later, the company should present the report every 3 months to the National Social Security Fund.

Regarding the "one stop shop" principle, the same comment as in procedure 5 applies.

### Procedure 8. Register the company with the local office of the National Medical Insurance Company (NMIC)

**Time:** 1 day

**Cost:** No cost

**Comments:** After registering with the State Registration Chamber, the company must register with the local office of NMIC within 10 days. The medical insurance agreement must be concluded. The company must submit monthly reports on the calculation and the transfer of compulsory insurance payments to the Tax Inspectorate.

Regarding the "one stop shop" principle, the same comment as in procedure 5 applies.

\*This procedure can be completed simultaneously with previous procedure.

## STARTING A BUSINESS

### Chisinau, Moldova

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: MDL 2,160 (US\$ 190)*

*Data as of: January 2011*

### Procedure 1. File all the documents for the registration of the company with the local branch of the State Registration Chamber (SRC) and obtain IDNO number

**Time:** 1 day (expedited service)

**Cost:** MDL 1,981 (see comments)

**Comments:** The official term for company registration is 5 working days. However, an expedited option is available in which company registration can be completed within 24 hours.

The fee schedule for registering companies with the State Registration Chamber under the expedited procedure is:

- a. State registration: MDL 1000;
- b. Incorporation document preparation (editing): MDL 432;
- c. Name verification: MDL 39;
- d. Company name approval at the National Centre for Terminology: MDL 20;
- e. Certification of signatures by the State Registrar: MDL 10;
- f. Publication in the Official Gazette: MDL 54;
- g. Extract (for permanent bank account): MDL 252;
- h. Company stamp: MDL 150;
- i. Stamp sketches: MDL 15;
- j. License fee (authorization for stamp manufacturing): MDL 9.

The following documents must be submitted to SRC in order to register a limited liability company:

- a. Filled application form (template provided by SRC);
- b. Decision on incorporation of the company approved by founder/s;
- c. Incorporation documents;
- d. Document confirming payment of applicable registration fees.

Law No. 184/15.07.2010 eliminated the requirement to present a document confirming payment of share capital.

A Unique State Identification Number (IDNO) is attributed to each legal entity at the date of its registration. It is inserted in the Registration Certificate and in the constitutive act.

**Procedure 2\*. Open a temporary bank account and deposit at least 40% of the registered capital of the company, and pay the registration fee****Time:** 1 day**Cost:** No cost

**Comments:** At registration, at least 40% of each founder's declared contribution to company capital should be paid in. The other 60% must be paid within 6 months of registration. Law No. 135/14.06.2007 on limited liability companies sets the minimum capital requirement at MDL 5,400. Payment of minimum capital requirement is a prerequisite for the establishment of a company (Article 110 of the Civil Code).

**Procedure 3\*. Obtain Registration Certificate and an official company stamp from the local branch of the State Registration Chamber (SRC)****Time:** 1 day**Cost:** No cost (cost paid in procedure 1)

**Comments:** SRC will issue the official stamp along with the registration certificate, after verifying the identity of company's founders.

**Procedure 4. Register with the local Tax Inspectorate of the Ministry of Finance****Time:** 2 days (1-3 days)**Cost:** No cost

**Comments:** Newly registered companies should register with the Tax Inspectorate. Upon presenting the Company Registration Certificate, the Inspectorate will register the company and assign it a tax identification number. Only companies that intend to sell VAT-taxable goods and services for an amount exceeding MDL 600,000 during 12 consecutive months must obtain a VAT code.

**Procedure 5. Register the company with the National Bureau of Statistics (NBS)****Time:** 1 day**Cost:** No cost

**Comments:** After the registration is completed, the company must register with NBS, which will assign the company a statistical code. This code will be assigned according to the activities established in the company's constitutive act and according to the company's territorial location.

Law No. 127/18.06.2010 introduced the principle of "one stop shop" under which the State Registration Chamber facilitates the registration of the company with NBS, Social Security, and Medical Insurance. In practice, entrepreneurs still file their application in person because there are penalties for failure to register. The "one stop shop" is still in the process of implementation and is not fully functional.

**Procedure 6. Convert the company's temporary bank account to a permanent one****Time:** 1 day**Cost:** No cost

**Comments:** To convert the company's temporary bank account to a permanent account, the founder must present to the bank:

- Copy of certificate of registration;
- Copy of incorporation documents;
- Copies of identification cards of company founders;
- Notarized signature cards.

**Procedure 7. Register the company with the National Social Security Fund (NSSF)****Time:** 1 day**Cost:** No cost

**Comments:** Every company should receive an individual social security number for each employee. The Law of the Republic of Moldova No. 383-XV (of November 11, 2004), "On the State Social Security Budget 2005," states that the company must complete a questionnaire for each employee and to present it, along with the copy of the employee's identification card, to NSSF within 10 days of signing of the labor contract. Later, the company should present the report every 3 months to the National Social Security Fund.

Regarding the "one stop shop" principle, the same comment as in procedure 5 applies.

**Procedure 8. Register the company with the National Medical Insurance Company (NMIC)****Time:** 2 days**Cost:** No cost

**Comments:** After registering with the State Registration Chamber, the company must register with the local office of NMIC within 10 days. The medical insurance agreement must be concluded. The company must submit monthly reports on the calculation and the transfer of compulsory insurance payments to the Tax Inspectorate.

Regarding the "one stop shop" principle, the same comment as in procedure 5 applies.

\*This procedure can be completed simultaneously with previous procedure.

**STARTING A BUSINESS****Niksic, Montenegro**

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: EUR 1 (US\$ 1.4)*

*Data as of: January 2011*

**Procedure 1. Notarize company's incorporation act at the Primary Court****Time:** 1 day**Cost:** EUR 12 (EUR 2 for request + EUR 10 for notarization)

**Comments:** Montenegro does not have public notaries yet, but the profession is expected to develop soon. It is required that documents are notarized by the courts. In accordance with the Law on Improvement of the Business Environment from July 2010 (Official Gazette No. 40/10), the fee for notarizing contracts has been decreased to EUR 10 for all documents regardless of the number of pages and signatories.

**Procedure 2. Register the company at the Central Registry of the Commercial Court (CRCC) and obtain a statistical number****Time:** 2 days**Cost:** EUR 28 (EUR 10 for registration + EUR 12 for publication fee + EUR 6 for travel expenses to Podgorica)

**Comments:** The only registry in Montenegro is in Podgorica (in the Commercial Court building). The registry is computerized. The registration form can be downloaded from CRCC website (<http://www.crps.me/index.php/en/law-and-regulations>). CRCC prepares the text for the announcement of the incorporation of the company. CRCC also estimates the publication fee (based on the length of the notice) and sends all notices to the Official Gazette, which publishes them in the upcoming issue (usually after 10-15 days). Subsequent procedures do not depend on the announcement, so the client can continue to incorporate the company regardless of the publication date. Since April 2010, companies can obtain a statistical number at the time of company registration.

**Procedure 3. Make a company seal****Time:** 1 day**Cost:** EUR 30

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

**Procedure 4. Open a bank account****Time:** 1 day**Cost:** No cost

**Comments:** Opening a bank account is a prerequisite for tax registration.

**Procedure 5. Report company activity to the Municipal Secretariat for Economy and Finance (MSEF)****Time:** 1 day**Cost:** EUR 2

**Comments:** With the introduction of the Law on Domestic Trade in 2008, companies are no longer required to obtain an operation license, but only to report their activity and location to MSEF.

### Procedure 6. General tax registration of the company with the municipal tax administration

**Time:** 1 day

**Cost:** No cost

**Comments:** In accordance with the Rulebook for the form and content of the single application form for registering taxpayers, social contributions beneficiaries and the insured, which became effective on March 1, 2010, registration of employees with the Employment Bureau, Pension Fund, Health Fund, and registration for income tax was unified in one form (JPR) and one procedure that can be completed at the local Tax Administration office in one day at no cost. The following documents should be submitted:

- Application form;
- Copy of Company Registration Certificate;
- Company identification number;
- Proof of an existing company bank account;
- Proof that company activity is reported to municipal authorities;
- Identification documents of company managers and employees.

The tax number always matches the company's ID number. A tax inspection is not required prior to issuing the tax number.

### Procedure 7. Register company for value added tax (VAT)

**Time:** 1 day

**Cost:** No cost

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

#### STARTING A BUSINESS

### Pljevlja, Montenegro

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: EUR 1 (US\$ 1.4)*

*Data as of: January 2011*

### Procedure 1. Notarize company's incorporation act at the Primary Court

**Time:** 1 day

**Cost:** EUR 12 (EUR 2 for request + EUR 10 for notarization)

**Comments:** Montenegro does not have public notaries yet, but the profession is expected to develop soon. It is required that documents are notarized by the courts. In accordance with the Law on Improvement of the Business Environment from July 2010 (Official Gazette No. 40/10), the fee for notarizing contracts has been decreased to EUR 10 for all documents regardless of the number of pages and signatories.

### Procedure 2. Register the company at the Central Registry of the Commercial Court (CRCC) and obtain a statistical number

**Time:** 2 days

**Cost:** EUR 37 (EUR 10 for registration + EUR 12 for publication fee + EUR 15 for travel expenses to Podgorica)

**Comments:** The only registry in Montenegro is in Podgorica (in the Commercial Court building). The registry is computerized. The registration form can be downloaded from CRCC website (<http://www.crps.me/index.php/en/law-and-regulations>). CRCC prepares the text for the announcement of the incorporation of the company. CRCC also estimates the publication fee (based on the length of the notice) and sends all notices to the Official Gazette, which publishes them in the upcoming issue (usually after 10-15 days). Subsequent procedures do not depend on the announcement, so the client can continue to incorporate the company regardless of the publication date. Since April 2010, companies can obtain a statistical number at the time of company registration.

### Procedure 3. Make a company seal

**Time:** 1 day

**Cost:** EUR 20

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

### Procedure 4. Open a bank account

**Time:** 1 day

**Cost:** No cost

**Comments:** Opening a bank account is a prerequisite for tax registration.

### Procedure 5. Report company activity to the Municipal Secretariat for Economy and Finance (MSEF)

**Time:** 1 day

**Cost:** EUR 2

**Comments:** With the introduction of the Law on Domestic Trade in 2008, companies are no longer required to obtain an operation license, but only to report their activity and location to MSEF.

### Procedure 6. General tax registration of the company with the municipal tax administration

**Time:** 1 day

**Cost:** No cost

**Comments:** In accordance with the Rulebook for the form and content of the single application form for registering taxpayers, social contributions beneficiaries and the insured, which became effective on March 1, 2010, registration of employees with the Employment Bureau, Pension Fund, Health Fund, and registration for income tax was unified in one form (JPR) and one procedure that can be completed at the local Tax Administration office in one day at no cost. The following documents should be submitted:

- Application form;
- Copy of Company Registration Certificate;
- Company identification number;
- Proof of an existing company bank account;
- Proof that company activity is reported to municipal authorities;
- Identification documents of company managers and employees.

The tax number always matches the company's ID number. A tax inspection is not required prior to issuing the tax number.

### Procedure 7. Register company for value added tax (VAT)

**Time:** 1 day

**Cost:** No cost

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

#### STARTING A BUSINESS

### Podgorica, Montenegro

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: EUR 1 (US\$ 1.4)*

*Data as of: January 2011*

### Procedure 1. Certify the company's founding agreements

**Time:** 1 day

**Cost:** EUR 21 (EUR 13 for court + EUR 2 per document)

**Comments:** The Republic of Montenegro still has no public notaries, but the profession is expected to develop soon. According to the new changes of the Law on Companies (Official Gazette of Montenegro nos. 6/02, 17/07 & 80/08), lawyers are no longer authorized to do the certification of corporate documents. The applicant certifies company documents at the basic court and copies at municipalities. Certification fees vary depending on the number of pages and documents.

### Procedure 2. Register the company at the Central Registry of the Commercial Court (CRCC) and obtain a statistical number

**Time:** 2 days

**Cost:** EUR 22 (EUR 10 for registration fee + EUR 12 for publication 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 applicant checks the company name online and then comes to the registry located at the commercial court with completed documents and register the name and company. At the registry a counter exist for LLC registration and payment of relevant fees can be done at the same place.

The Company Registry prepares text for the announcement of 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 the upcoming issue. Publication lead time is 10–15 days. Subsequent procedures do not depend on the announcement, so the client can continue to incorporate the company regardless of the publication date.

Required documents for registration are:

- a. Foundation act;
- b. Statute;
- c. List of founders, members of a company, managers and members of the board of directors, if they are appointed;
- d. Name of the executive director;
- e. Name of the company, address of the company's headquarters and address for receiving official correspondence, if they are different;
- f. Persons authorized to represent the company and information if the representation is collective or individual;
- g. Written consent of the members of board of director for their appointment, if they have been appointed;
- h. Receipt confirming payment of registration fee.

### Procedure 3. Make a company seal

**Time:** 1 day

**Cost:** EUR 35 (EUR 30 to EUR 40)

**Comments:** The company seal is a core instrument in the 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 4. Open a bank account

**Time:** 1 day

**Cost:** No cost

**Comments:** Opening a bank account is a prerequisite for tax registration.

### Procedure 5. Register the company with the tax authorities, Employment Bureau, Health Fund and Pension Disability Fund

**Time:** 3 days

**Cost:** No cost

**Comments:** A single registration form is submitted to the tax authorities in order to register the company at:

- a. The taxpayers office;
- b. The Employment Bureau;
- c. The Health Fund;
- d. The Pension Disability Fund.

This single registration form replaces 16 different application forms that previously should have been filed with 4 different authorities. Consolidation of registrations, pursuant to new Rulebook is in place as of 1 March 2010. If the application form is completed correctly, the company tax number and VAT number certificate are issued in 2-3 days. The tax number always matches the company number. A tax inspection is not required before issuing the number.

### Procedure 6. Register company for value added tax (VAT)

**Time:** 1 day

**Cost:** No cost

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

### Procedure 7. Notify the competent inspection authority and the municipal authority in charge of economic affairs

**Time:** 1 day

**Cost:** EUR 8

**Comments:** New reforms have abolished the requirement of a municipal business license and made a notification sufficient. If the company is engaged in trade, it pays the administrative fee in the amount of EUR 8 within the municipal authority in charge of economic affairs.

## STARTING A BUSINESS

### Belgrade, Serbia

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: RSD 23,068 (US\$ 357)*

*Data as of: January 2011*

### Procedure 1. Notarize the memorandum of association and lease contract at the Basic Court

**Time:** 1 day

**Cost:** RSD 22,503 (see comments)

**Comments:** The notarization cost depends on the amount of capital and the value of the lease. The promoters must notarize at least four copies of the memorandum of association and the lease contract.

As of July 2009, the Law on Court Taxes established a new fee schedule based on the incorporation contract value (start-up capital):

- a. Incorporation contract value of up to RSD 10,000: RSD 980;
- b. From RSD 10,001 to RSD 100,000: RSD 980 plus 1% of contract value;
- c. From RSD 100,001 to RSD 1,000,000: RSD 2,900 plus 0.5% of contract value;
- d. Over RSD 1,000,000: RSD 12,600 plus 0.25% of contract value;

Note that the fee will not exceed RSD 39,000.

In addition, the promoter will be assessed miscellaneous fees to notarize the lease contract and the memorandum of association:

- a. Notarization request: RSD 70 (applies to one or several documents);
- b. Notarization of signature specimen with competent court: RSD 160 per signature;
- c. Signature verification of proxy (power of attorney): RSD 560.

### Procedure 2. Open a temporary bank account; pay founding deposit or its part and all other fees

**Time:** 1 day

**Cost:** No cost

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

### Procedure 3. Apply and obtain Registration Certificate, tax identification number, pension fund (PIO Fund) and Health Fund certificates, certify the signatures (three copies) for opening bank account and register the employment contracts with the Employment Organization at the Serbian Business Registers Agency (SBRA)

**Time:** 3 days

**Cost:** RSD 5,750 (RSD 4,000 for application form + RSD 1,750 for the registration number and the code of the Republic Statistical Agency)

**Comments:** Under the Business Registration Law (effective July 2004), the company registration was transferred from the commercial courts to the Serbian Business Registers Agency (SBRA). Instead of two separate procedures, the SBRA now issues the registration number and code of the Republic Statistical Agency (RSA) simultaneously with the Registration Certificate. The Registry also administers the registration with the tax authority and issues the Tax Identification Number (TIN). The local authority will require certain documentation from the company but only after the company is validly registered. Registration for pension fund (PIO Fund) and Health Fund, certification of the signatures (three copies) for opening bank account and registering the employment contracts with the Employment Organization are also done at SBRA.

The company can obtain all forms on-line. The required forms for the establishment of a company are:

- a. Company registration request and application form (downloaded from the SBRA website—[www.apr.gov.rs](http://www.apr.gov.rs)—free of charge);
- b. Request for opening an account and request for transfer of money from a temporary bank account to a company permanent account (requests are obtained from a commercial bank free of charge);
- c. Tax identification number (TIN) application form—Form JRPPS-2 (downloaded from the SBRA website free of charge);
- d. Registration of lease questionnaire (obtained from the Tax Administration free of charge);

e. VAT Form (downloaded from the Tax Administration website—www.poreskauprava.gov.rs—free of charge);

f. Health Fund form OPD and Form M (obtained from the Post Office).

To register a company, the applicant must also submit additional documents:

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

SBRA examines the request to determine whether it complies with current legislation and whether these documents are attached. The Registry publishes the company registration on the Internet.

#### Procedure 4. Open a permanent business account with a commercial bank

**Time:** 1 day

**Cost:** RSD 400 (signature notarization and tax)

**Comments:** The documentation for setting up a permanent business account with the commercial bank varies from bank to bank. The following documents are generally submitted:

- 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 Identification Number (residents only);
- The bank-provided specimen card for legal entities (original);
- Copy of identification cards of the founders;
- Copy of incorporation deed.

At this point, the founders convert the personal bank account into the company's bank account and deposit the minimum capital. 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.

The new Law on the Prevention of Money Laundering and Financing of Terrorism ("Zakon o sprecaivanju pranja novca i finansiranju terorizma" Official Gazette of the RS", No. 20/2009 and 72/2009) provides that, in order to open a permanent account, the relevant bank must verify the chain of ownership of a company, as well as all persons and entities holding 25% or more of the capital of the company's shareholders/members.

#### Procedure 5. Make a stamp and a seal

**Time:** 1 day

**Cost:** RSD 2,500 (RSD 1,500 to RSD 4,000)

**Comments:** Companies can obtain a company stamp and a seal in 1–2 days for a fee of RSD 1,500 to RSD 4,000, depending on the number of words, design, and the like. Before making the stamp and the seal, the stamp maker must receive a copy of the registration ruling.

#### Procedure 6. Register with local tax authority

**Time:** 5 days

**Cost:** No cost

**Comments:** Upon receiving the Tax Identification Number, the company's representative must register with the local tax authority by submitting the following documents:

- SBRA Registration Certificate (copy);
- Tax Identification Number Certificate (copy);
- Employment contract of the general manager or company founder;

d. Completed VAT registration form. Note that according to the amendment to the Law on Value Added Tax adopted on June 30, 2007, the total (generated or projected) turnover which will oblige a company to submit a completed VAT registration form is increased from RSD 2 million (approx. EUR 20,000) to RSD 4 million (approx. EUR 40,000);

e. Certified OP form;

f. Statement on employed workers;

g. Certified lists of taxpayer real estate, motor vehicles, and aircrafts;

h. List of all stores and numbers of fiscal cash registers;

i. Agreement concluded with the bookkeeping agency;

j. Copy of the agreement on opening of permanent bank account and a copy of specimen card.

Depending on the local tax authority, some or all of the above documents must be submitted to the tax authority no later than 10–15 days after obtaining the Personal Tax Number.

#### Procedure 7. Register the employment contracts with the Employment Organization/Fund

**Time:** 1 day

**Cost:** No cost

**Comments:** Company founders must submit and certify the following:

- Application for insurance (the new Form M1);
- Application for insurance and establishment of employment (the old Form M1);
- Application on vacancy for working place along with the employee's medical-care booklet (Form E1);
- Application for establishing or terminating employment (Form E3);
- Application on beginning/ending/changing the terms of the payers of the contributions (Form ROD 1);
- Employees' identity cards and employment contracts;
- Copy of the SBRA Registration Certificate.

#### STARTING A BUSINESS

##### Krusevac, Serbia

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: RSD 23,068 (US\$ 357)*

*Data as of: January 2011*

#### Procedure 1. Notarize the memorandum of association and lease contract at the Basic Court

**Time:** 1 day

**Cost:** RSD 22,503 (see comments)

**Comments:** The notarization cost depends on the amount of capital and the value of the lease. The promoters must notarize at least four copies of the memorandum of association and the lease contract.

As of July 2009, the Law on Court Taxes established a new fee schedule based on the incorporation contract value (start-up capital):

- Incorporation contract value of up to RSD 10,000: RSD 980;
  - From RSD 10,001 to RSD 100,000: RSD 980 plus 1% of contract value;
  - From RSD 100,001 to RSD 1,000,000: RSD 2,900 plus 0.5% of contract value;
  - Over RSD 1,000,000: RSD 12,600 plus 0.25% of contract value;
- Note that the fee will not exceed RSD 39,000.

In addition, the promoter will be assessed miscellaneous fees to notarize the lease contract and the memorandum of association:

- Notarization request: RSD 70 (applies to one or several documents);
- Notarization of signature specimen with competent court: RSD 160 per signature;
- Signature verification of proxy (power of attorney): RSD 560.

#### Procedure 2. Open a temporary bank account; pay founding deposit or its part and all other fees

**Time:** 1 day

**Cost:** No cost

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

### Procedure 3. Apply and obtain Registration Certificate, tax identification number and certify the signatures (three copies) for opening bank account at the Serbian Business Registers Agency (SBRA)

**Time:** 7 days

**Cost:** RSD 5,750 (RSD 4,000 for application form + RSD 1,750 for the registration number and the code of the Republic Statistical Agency)

**Comments:** Under the Business Registration Law (effective July 2004), the company registration was transferred from the commercial courts to the Serbian Business Registers Agency (SBRA). Instead of two separate procedures, the SBRA now issues the registration number and code of the Republic Statistical Agency (RSA) simultaneously with the Registration Certificate. The Registry also administers the registration with the tax authority and issues the Tax Identification Number (TIN) as well as the registration for pension fund (PIO Fund) and Health Fund. Unlike in Belgrade, in other cities entrepreneurs still have to obtain confirmations from the Pension Fund and the Health Fund.

The company can obtain all forms on-line. The required forms for the establishment of a company are:

- Company registration request and application form (downloaded from the SBRA website—[www.apr.gov.rs](http://www.apr.gov.rs)—free of charge);
- Request for opening an account and request for transfer of money from a temporary bank account to a company permanent account (requests are obtained from a commercial bank free of charge);
- Tax identification number (TIN) application form—Form JRPPS-2 (downloaded from the SBRA website free of charge);
- Registration of lease questionnaire (obtained from the Tax Administration free of charge);
- VAT Form (downloaded from the Tax Administration website—[www.poreskauprava.gov.rs](http://www.poreskauprava.gov.rs)—free of charge);
- Health Fund form OPD and Form M (obtained from the Post Office).

To register a company, the applicant must also submit additional documents:

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

SBRA examines the request to determine whether it complies with current legislation and whether these documents are attached. The Registry publishes the company registration on the Internet.

### Procedure 4. Open a permanent business account with a commercial bank

**Time:** 1 day

**Cost:** No cost

**Comments:** The documentation for setting up a permanent business account with the commercial bank varies from bank to bank. The following documents are generally submitted:

- 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 Identification Number (residents only);
- The bank-provided specimen card for legal entities (original);
- Copy of identification cards of the founders;
- Copy of incorporation deed.

At this point, the founders convert the personal bank account into the company's bank account and deposit the minimum capital. 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.

The new Law on the Prevention of Money Laundering and Financing of Terrorism ("Zakon o sprečavanju pranja novca i finansiranju terorizma" Official Gazette of the RS", No. 20/2009 and 72/2009) provides that, in order to open a permanent account, the relevant bank must verify the chain of ownership of a company, as well as all persons and entities holding 25% or more of the capital of the company's shareholders/members.

### Procedure 5. Make stamp and seal

**Time:** 1 day

**Cost:** RSD 2,000

**Comments:** Cost depends on number of words, design, etc. The stamp maker must have a copy of the registration decision.

### Procedure 6. Register with local tax authority

**Time:** 7 days

**Cost:** No cost

**Comments:** Upon receiving the Tax Identification Number, the company's representative must register with the local tax authority by submitting the following documents:

- SBRA Registration Certificate (copy);
- Tax Identification Number Certificate (copy);
- Employment contract of the general manager or company founder;
- Completed VAT registration form. Note that according to the amendment to the Law on Value Added Tax adopted on June 30, 2007, the total (generated or projected) turnover which will oblige a company to submit a completed VAT registration form is increased from RSD 2 million (approx. EUR 20,000) to RSD 4 million (approx. EUR 40,000);
- Certified OP form;
- Statement on employed workers;
- Certified lists of taxpayer real estate, motor vehicles, and aircrafts;
- List of all stores and numbers of fiscal cash registers;
- Agreement concluded with the bookkeeping agency;
- Copy of the agreement on opening of permanent bank account and a copy of specimen card.

Depending on the local tax authority, some or all of the above documents must be submitted to the tax authority no later than 10–15 days after obtaining the Personal Tax Number.

### Procedure 7. Register the employment contracts with the Employment Organization/Fund

**Time:** 1 day

**Cost:** No cost

**Comments:** Company founders must submit and certify the following:

- Application for insurance (the new Form M1);
- Application for insurance and establishment of employment (the old Form M1);
- Application on vacancy for working place along with the employee's medical-care booklet (Form E1);
- Application for establishing or terminating employment (Form E3);
- Application on beginning/ending/changing the terms of the payers of the contributions (Form ROD 1);
- Employees' identity cards and employment contracts;
- Copy of the SBRA Registration Certificate.

### Procedure 8. Obtain confirmation from Pension Fund

**Time:** 2 days

**Cost:** No cost

**Comments:** In order to obtain confirmation from Pension Fund, founders must submit the following documents:

- Application for insurance (Form M1);
- Application for personal taxpayer's number of contribution payers (Form M4);
- Form E1, E3 and employment contract.

If request to obtain confirmation from Pension Fund is not submitted within 8 days from the start of employment, it is also necessary to submit a statement that explains reasons for late submission. The personal taxpayer's number will be issued within 24 hours and it is necessary to come to the Pension Fund twice.

### Procedure 9. Obtain confirmation from Health Fund

**Time:** 1 day

**Cost:** No cost

**Comments:** In order to obtain confirmation from Health Fund, company will have to submit the following documents:

- Employees' identity and health cards and employment contracts;
- Application of insurance and Application for establishing employment (M1 and M2);
- Application on beginning/ending/changing the terms of the payers of the contributions (ROD 1);
- List of all issued health cards in the company.

#### STARTING A BUSINESS

#### Uzice, Serbia

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: RSD 23,068 (US\$ 357)*

*Data as of: January 2011*

### Procedure 1. Notarize the memorandum of association and lease contract at the Basic Court

**Time:** 1 day

**Cost:** RSD 22,503 (see comments)

**Comments:** The notarization cost depends on the amount of capital and the value of the lease. The promoters must notarize at least four copies of the memorandum of association and the lease contract.

As of July 2009, the Law on Court Taxes established a new fee schedule based on the incorporation contract value (start-up capital):

- Incorporation contract value of up to RSD 10,000: RSD 980;
- From RSD 10,001 to RSD 100,000: RSD 980 plus 1% of contract value;
- From RSD 100,001 to RSD 1,000,000: RSD 2,900 plus 0.5% of contract value;
- Over RSD 1,000,000: RSD 12,600 plus 0.25% of contract value;

Note that the fee will not exceed RSD 39,000.

In addition, the promoter will be assessed miscellaneous fees to notarize the lease contract and the memorandum of association:

- Notarization request: RSD 70 (applies to one or several documents);
- Notarization of signature specimen with competent court: RSD 160 per signature;
- Signature verification of proxy (power of attorney): RSD 560.

### Procedure 2. Open a temporary bank account; pay founding deposit or its part and all other fees

**Time:** 1 day

**Cost:** No cost

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

### Procedure 3. Apply and obtain Registration Certificate, tax identification number and certify the signatures (three copies) for opening bank account at the Serbian Business Registers Agency (SBRA)

**Time:** 1 day

**Cost:** RSD 5,750 (RSD 4,000 for application form + RSD 1,750 for the registration number and the code of the Republic Statistical Agency)

**Comments:** Under the Business Registration Law (effective July 2004), the company registration was transferred from the commercial courts to the Serbian Business Registers Agency (SBRA). Instead of two separate procedures, the SBRA now issues the registration number and code of the Republic Statistical Agency (RSA) simultaneously with the Registration Certificate. The Registry also administers the registration with the tax authority and issues the Tax Identification Number (TIN) as well as the registration for pension fund (PIO Fund) and Health Fund. Unlike in Belgrade, in other cities entrepreneurs still have to obtain confirmations from the Pension Fund and the Health Fund.

The company can obtain all forms on-line. The required forms for the establishment of a company are:

- Company registration request and application form (downloaded from the SBRA website—[www.apr.gov.rs](http://www.apr.gov.rs)—free of charge);
- Request for opening an account and request for transfer of money from a temporary bank account to a company permanent account (requests are obtained from a commercial bank free of charge);
- Tax identification number (TIN) application form—Form JRPPS-2 (downloaded from the SBRA website free of charge);
- Registration of lease questionnaire (obtained from the Tax Administration free of charge);
- VAT Form (downloaded from the Tax Administration website—[www.poreskauprava.gov.rs](http://www.poreskauprava.gov.rs)—free of charge);
- Health Fund form OPD and Form M (obtained from the Post Office).

To register a company, the applicant must also submit additional documents:

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

SBRA examines the request to determine whether it complies with current legislation and whether these documents are attached. The Registry publishes the company registration on the Internet.

### Procedure 4. 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 the commercial bank varies from bank to bank. The following documents are generally submitted:

- 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 Identification Number (residents only);
- The bank-provided specimen card for legal entities (original);
- Copy of identification cards of the founders;
- Copy of incorporation deed.

At this point, the founders convert the personal bank account into the company's bank account and deposit the minimum capital. 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.

The new Law on the Prevention of Money Laundering and Financing of Terrorism ("Zakon o sprečavanju pranja novca i finansiranja terorizma" Official Gazette of the RS", No. 20/2009 and 72/2009) provides that, in order to open a permanent account, the relevant bank must verify the chain of ownership of a company, as well as all persons and entities holding 25% or more of the capital of the company's shareholders/members.

### Procedure 5. Make stamp and seal

**Time:** 1 day

**Cost:** RSD 2,500

**Comments:** Cost depends on number of words, design, etc. The stamp maker must have a copy of the registration decision.

## Procedure 6. Register with local tax authority

**Time:** 7 days

**Cost:** No cost

**Comments:** Upon receiving the Tax Identification Number, the company's representative must register with the local tax authority by submitting the following documents:

- a. SBRA Registration Certificate (copy);
- b. Tax Identification Number Certificate (copy);
- c. Employment contract of the general manager or company founder;
- d. Completed VAT registration form. Note that according to the amendment to the Law on Value Added Tax adopted on June 30, 2007, the total (generated or projected) turnover which will oblige a company to submit a completed VAT registration form is increased from RSD 2 million (approx. EUR 20,000) to RSD 4 million (approx. EUR 40,000);
- e. Certified OP form;
- f. Statement on employed workers;
- g. Certified lists of taxpayer real estate, motor vehicles, and aircrafts;
- h. List of all stores and numbers of fiscal cash registers;
- i. Agreement concluded with the bookkeeping agency;
- j. Copy of the agreement on opening of permanent bank account and a copy of specimen card.

Depending on the local tax authority, some or all of the above documents must be submitted to the tax authority no later than 10–15 days after obtaining the Personal Tax Number.

## Procedure 7. Register the employment contracts with the Employment Organization/Fund

**Time:** 1 day

**Cost:** No cost

**Comments:** Company founders must submit and certify the following:

- a. Application for insurance (the new Form M1);
- b. Application for insurance and establishment of employment (the old Form M1);
- c. Application on vacancy for working place along with the employee's medical-care booklet (Form E1);
- d. Application for establishing or terminating employment (Form E3);
5. Application on beginning/ending/changing the terms of the payers of the contributions (Form ROD 1);
6. Employees' identity cards and employment contracts;
7. Copy of the SBRA Registration Certificate.

## Procedure 8. Obtain confirmation from Pension Fund

**Time:** 2 days

**Cost:** No cost

**Comments:** In order to obtain confirmation from Pension Fund, founders must submit the following documents:

1. Application for insurance (Form M1);
2. Application for personal taxpayer's number of contribution payers (Form M4);
3. Form E1, E3 and employment contract.

If request to obtain confirmation from Pension Fund is not submitted within 8 days from the start of employment, it is also necessary to submit a statement that explains reasons for late submission. The personal taxpayer's number will be issued within 24 hours and it is necessary to come to the Pension Fund twice.

## Procedure 9. Obtain confirmation from Health Fund

**Time:** 1 day

**Cost:** No cost

**Comments:** In order to obtain confirmation from Health Fund, company will have to submit the following documents:

- a. Employees' identity and health cards and employment contracts;
- b. Application of insurance and Application for establishing employment (M1 and M2);
- c. Application on beginning/ending/changing the terms of the payers of the contributions (ROD 1);
- d. List of all issued health cards in the company.

## STARTING A BUSINESS

### Vranje, Serbia

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: RSD 23,068 (US\$ 357)*

*Data as of: January 2011*

## Procedure 1. Notarize the memorandum of association and lease contract at the Basic Court

**Time:** 1 day

**Cost:** RSD 22,503 (see comments)

**Comments:** The notarization cost depends on the amount of capital and the value of the lease. The promoters must notarize at least four copies of the memorandum of association and the lease contract.

As of July 2009, the Law on Court Taxes established a new fee schedule based on the incorporation contract value (start-up capital):

- a. Incorporation contract value of up to RSD 10,000: RSD 980;
- b. From RSD 10,001 to RSD 100,000: RSD 980 plus 1% of contract value;
- c. From RSD 100,001 to RSD 1,000,000: RSD 2,900 plus 0.5% of contract value;
- d. Over RSD 1,000,000: RSD 12,600 plus 0.25% of contract value;

Note that the fee will not exceed RSD 39,000.

In addition, the promoter will be assessed miscellaneous fees to notarize the lease contract and the memorandum of association:

- a. Notarization request: RSD 70 (applies to one or several documents);
- b. Notarization of signature specimen with competent court: RSD 160 per signature;
- c. Signature verification of proxy (power of attorney): RSD 560.

## Procedure 2. Open a temporary bank account; pay founding deposit or its part and all other fees

**Time:** 1 day

**Cost:** No cost

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

## Procedure 3. Apply and obtain Registration Certificate, tax identification number and certify the signatures (three copies) for opening bank account at the Serbian Business Registers Agency (SBRA)

**Time:** 2 days

**Cost:** RSD 5,750 (RSD 4,000 for application form + RSD 1,750 for the registration number and the code of the Republic Statistical Agency)

**Comments:** Under the Business Registration Law (effective July 2004), the company registration was transferred from the commercial courts to the Serbian Business Registers Agency (SBRA). Instead of two separate procedures, the SBRA now issues the registration number and code of the Republic Statistical Agency (RSA) simultaneously with the Registration Certificate. The Registry also administers the registration with the tax authority and issues the Tax Identification Number (TIN) as well as the registration for pension fund (PIO Fund) and Health Fund. Unlike in Belgrade, in other cities entrepreneurs still have to obtain confirmations from the Pension Fund and the Health Fund.

The company can obtain all forms on-line. The required forms for the establishment of a company are:

- a. Company registration request and application form (downloaded from the SBRA website—[www.apr.gov.rs](http://www.apr.gov.rs)—free of charge);
- b. Request for opening an account and request for transfer of money from a temporary bank account to a company permanent account (requests are obtained from a commercial bank free of charge);
- c. Tax identification number (TIN) application form—Form JRPPS-2 (downloaded from the SBRA website free of charge);
- d. Registration of lease questionnaire (obtained from the Tax Administration free of charge);
- e. VAT Form (downloaded from the Tax Administration website—[www.poreskauprava.gov.rs](http://www.poreskauprava.gov.rs)—free of charge);
- f. Health Fund form OPD and Form M (obtained from the Post Office).

To register a company, the applicant must also submit additional documents:

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

SBRA examines the request to determine whether it complies with current legislation and whether these documents are attached. The Registry publishes the company registration on the Internet.

#### Procedure 4. 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 the commercial bank varies from bank to bank. The following documents are generally submitted:

- a. Original or certified copy of the company's registration with the SBRA (evidence of the company identification number and other relevant data);
- b. Application for opening the permanent account;
- c. Contract for depositing funds;
- d. Tax Identification Number (residents only);
- e. The bank-provided specimen card for legal entities (original);
- f. Copy of Identification Cards of the founders;
- g. Copy of incorporation deed.

At this point, the founders convert the personal bank account into the company's bank account and deposit the minimum capital. 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.

The new Law on the Prevention of Money Laundering and Financing of Terrorism ("Zakon o sprečavanju pranja novca i finansiranju terorizma" Official Gazette of the RS", No. 20/2009 and 72/2009) provides that, in order to open a permanent account, the relevant bank must verify the chain of ownership of a company, as well as all persons and entities holding 25% or more of the capital of the company's shareholders/members.

#### Procedure 5. Make stamp and seal

**Time:** 1 day

**Cost:** RSD 2,500

**Comments:** Cost depends on number of words, design, etc. The stamp maker must have a copy of the registration decision.

#### Procedure 6. Register with local tax authority

**Time:** 7 days

**Cost:** No cost

**Comments:** Upon receiving the Tax Identification Number, the company's representative must register with the local tax authority by submitting the following documents:

- a. SBRA Registration Certificate (copy);
- b. Tax Identification Number Certificate (copy);
- c. Employment contract of the general manager or company founder;
- d. Completed VAT registration form. Note that according to the amendment to the Law on Value Added Tax adopted on June 30, 2007, the total (generated or projected) turnover which will oblige a company to submit a completed VAT registration form is increased from RSD 2 million (approx. EUR 20,000) to RSD 4 million (approx. EUR 40,000);
- e. Certified OP form;
- f. Statement on employed workers;
- g. Certified lists of taxpayer real estate, motor vehicles, and aircrafts;

- h. List of all stores and numbers of fiscal cash registers;
- i. Agreement concluded with the bookkeeping agency;
- j. Copy of the agreement on opening of permanent bank account and a copy of specimen card.

Depending on the local tax authority, some or all of the above documents must be submitted to the tax authority no later than 10–15 days after obtaining the Personal Tax Number.

#### Procedure 7. Register the employment contracts with the Employment Organization/Fund

**Time:** 1 day

**Cost:** No cost

**Comments:** Company founders must submit and certify the following:

- a. Application for insurance (the new Form M1);
- b. Application for insurance and establishment of employment (the old Form M1);
- c. Application on vacancy for working place along with the employee's medical-care booklet (Form E1);
- d. Application for establishing or terminating employment (Form E3);
- e. Application on beginning/ending/changing the terms of the payers of the contributions (Form ROD 1);
- f. Employees' identity cards and employment contracts;
- g. Copy of the SBRA Registration Certificate.

#### Procedure 8. Obtain confirmation from Pension Fund

**Time:** 2 days

**Cost:** No cost

**Comments:** In order to obtain confirmation from Pension Fund, founders must submit the following documents:

- a. Application for insurance (Form M1);
- b. Application for personal taxpayer's number of contribution payers (Form M4);
- c. Form E1, E3 and employment contract.

If request to obtain confirmation from Pension Fund is not submitted within 8 days from the start of employment, it is also necessary to submit a statement that explains reasons for late submission. The personal taxpayer's number will be issued within 24 hours and it is necessary to come to the Pension Fund twice.

#### Procedure 9. Obtain confirmation from Health Fund

**Time:** 1 day

**Cost:** No cost

**Comments:** In order to obtain confirmation from Health Fund, company will have to submit the following documents:

- a. Employees' identity and health cards and employment contracts;
- b. Application of insurance and Application for establishing employment (M1 and M2);
- c. Application on beginning/ending/changing the terms of the payers of the contributions (ROD 1);
- d. List of all issued health cards in the company.

### STARTING A BUSINESS

#### Zrenjanin, Serbia

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: RSD 23,068 (US\$ 357)*

*Data as of: January 2011*

#### Procedure 1. Notarize the memorandum of association and lease contract at the Basic Court

**Time:** 1 day

**Cost:** RSD 22,503 (see comments)

**Comments:** The notarization cost depends on the amount of capital and the value of the lease. The promoters must notarize at least four copies of the memorandum of association and the lease contract.

As of July 2009, the Law on Court Taxes established a new fee schedule based on the incorporation contract value (start-up capital):

- a. Incorporation contract value of up to RSD 10,000: RSD 980;
- b. From RSD 10,001 to RSD 100,000: RSD 980 plus 1% of contract value;
- c. From RSD 100,001 to RSD 1,000,000: RSD 2,900 plus 0.5% of contract value;

d. Over RSD 1,000,000: RSD 12,600 plus 0.25% of contract value;

Note that the fee will not exceed RSD 39,000.

In addition, the promoter will be assessed miscellaneous fees to notarize the lease contract and the memorandum of association:

- a. Notarization request: RSD 70 (applies to one or several documents);
- b. Notarization of signature specimen with competent court: RSD 160 per signature;
- c. Signature verification of proxy (power of attorney): RSD 560.

### Procedure 2. Open a temporary bank account; pay founding deposit or its part and all other fees

**Time:** 1 day

**Cost:** No cost

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

### Procedure 3. Apply and obtain Registration Certificate, tax identification number and certify the signatures (three copies) for opening bank account at the Serbian Business Registers Agency (SBRA)

**Time:** 3 days

**Cost:** RSD 5,750 (RSD 4,000 for application form + RSD 1,750 for the registration number and the code of the Republic Statistical Agency)

**Comments:** Under the Business Registration Law (effective July 2004), the company registration was transferred from the commercial courts to the Serbian Business Registers Agency (SBRA). Instead of two separate procedures, the SBRA now issues the registration number and code of the Republic Statistical Agency (RSA) simultaneously with the Registration Certificate. The Registry also administers the registration with the tax authority and issues the Tax Identification Number (TIN) as well as the registration for pension fund (PIO Fund) and Health Fund. Unlike in Belgrade, in other cities entrepreneurs still have to obtain confirmations from the Pension Fund and the Health Fund.

The company can obtain all forms on-line. The required forms for the establishment of a company are:

- a. Company registration request and application form (downloaded from the SBRA website—[www.apr.gov.rs](http://www.apr.gov.rs)—free of charge);
- b. Request for opening an account and request for transfer of money from a temporary bank account to a company permanent account (requests are obtained from a commercial bank free of charge);
- c. Tax identification number (TIN) application form—Form JRPPS-2 (downloaded from the SBRA website free of charge);
- d. Registration of lease questionnaire (obtained from the Tax Administration free of charge);
- e. VAT Form (downloaded from the Tax Administration website—[www.poreskauprava.gov.rs](http://www.poreskauprava.gov.rs)—free of charge);
- f. Health Fund form OPD and Form M (obtained from the Post Office).

To register a company, the applicant must also submit additional documents:

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

SBRA examines the request to determine whether it complies with current legislation and whether these documents are attached. The Registry publishes the company registration on the Internet.

### Procedure 4. 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 the commercial bank varies from bank to bank. The following documents are generally submitted:

- a. Original or certified copy of the company's registration with the SBRA (evidence of the company identification number and other relevant data);
- b. Application for opening the permanent account;
- c. Contract for depositing funds;
- d. Tax Identification Number (residents only);
- e. The bank-provided specimen card for legal entities (original);
- f. Copy of Identification Cards of the founders;
- g. Copy of incorporation deed.

At this point, the founders convert the personal bank account into the company's bank account and deposit the minimum capital. 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.

The new Law on the Prevention of Money Laundering and Financing of Terrorism ("Zakon o sprečavanju pranja novca i finansiranju terorizma" Official Gazette of the RS", No. 20/2009 and 72/2009) provides that, in order to open a permanent account, the relevant bank must verify the chain of ownership of a company, as well as all persons and entities holding 25% or more of the capital of the company's shareholders/members.

### Procedure 5. Make stamp and seal

**Time:** 1 day

**Cost:** RSD 2,500

**Comments:** Cost depends on number of words, design, etc. The stamp maker must have a copy of the registration decision.

### Procedure 6. Register with local tax authority

**Time:** 7 days

**Cost:** No cost

**Comments:** Upon receiving the Tax Identification Number, the company's representative must register with the local tax authority by submitting the following documents:

- a. SBRA Registration Certificate (copy);
- b. Tax Identification Number Certificate (copy);
- c. Employment contract of the general manager or company founder;
- d. Completed VAT registration form. Note that according to the amendment to the Law on Value Added Tax adopted on June 30, 2007, the total (generated or projected) turnover which will oblige a company to submit a completed VAT registration form is increased from RSD 2 million (approx. EUR 20,000) to RSD 4 million (approx. EUR 40,000);
- e. Certified OP form;
- f. Statement on employed workers;
- g. Certified lists of taxpayer real estate, motor vehicles, and aircrafts;
- h. List of all stores and numbers of fiscal cash registers;
- i. Agreement concluded with the bookkeeping agency;
- j. Copy of the agreement on opening of permanent bank account and a copy of specimen card.

Depending on the local tax authority, some or all of the above documents must be submitted to the tax authority no later than 10–15 days after obtaining the Personal Tax Number.

### Procedure 7. Register the employment contracts with the Employment Organization/Fund

**Time:** 1 day

**Cost:** No cost

**Comments:** Company founders must submit and certify the following:

- a. Application for insurance (the new Form M1);
- b. Application for insurance and establishment of employment (the old Form M1);
- c. Application on vacancy for working place along with the employee's medical-care booklet (Form E1);
- d. Application for establishing or terminating employment (Form E3);

- e. Application on beginning/ending/changing the terms of the payers of the contributions (Form ROD 1);
- f. Employees' identity cards and employment contracts;
- g. Copy of the SBRA Registration Certificate.

#### Procedure 8. Obtain confirmation from Pension Fund

**Time:** 1 day

**Cost:** No cost

**Comments:** In order to obtain confirmation from Pension Fund, founders must submit the following documents:

- a. Application for insurance (Form M1);
- b. Application for personal taxpayer's number of contribution payers (Form M4);
- c. Form E1, E3 and employment contract.

If request to obtain confirmation from Pension Fund is not submitted within 8 days from the start of employment, it is also necessary to submit a statement that explains reasons for late submission. The personal taxpayer's number will be issued within 24 hours and it is necessary to come to the Pension Fund twice.

#### Procedure 9. Obtain confirmation from Health Fund

**Time:** 1 day

**Cost:** No cost

**Comments:** In order to obtain confirmation from Health Fund, company will have to submit the following documents:

- a. Employees' identity and health cards and employment contracts;
- b. Application of insurance and Application for establishing employment (M1 and M2);
- c. Application on beginning/ending/changing the terms of the payers of the contributions (ROD 1);
- d. List of all issued health cards in the company.

### LIST OF PROCEDURES

## Dealing with construction permits

### Durres, Albania

Warehouse Value: ALL 40,000,000 (US\$ 447,337)

Data as of: January 2011

#### Procedure 1. Request and obtain a recent property ownership certificate and a copy of the land plot map from the Immovable Property Registration Office (IPRO)

**Time:** 10 days

**Cost:** ALL 1,020 (ALL 400 for ownership certificate + ALL 400 for map + ALL 100 service fee + ALL 120 mailing fee)

**Comments:** These documents are used to verify property ownership and are required when BuildCo applies for the "building land" permit (this is an application to make the land plot buildable). All documents have to be no older than 3 months and they need to show the size of the land surface in square meters.

The application is done at the IPRO in Durres. The legal IPRO deadline to provide the documents is set by Order No. 861 dated June 3, 2010 issued by the Head of IPRO.

#### Procedure 2\*. Request and obtain extract of master plan and general plan of the plot from the municipal Urban Planning Department

**Time:** 25 days

**Cost:** ALL 3,000

**Comments:** The master and general plans of the plot are issued by the Urban Planning Department. The general plan is a topographic map of the situation of the existing property, while the master plan is a plan of the proposed development. The fee covers both plans. Master plan is obtained in order to analyze the buildings (existing and planned) and the surrounding areas of the land plot. Article 36 of the Law 8405 on Urban Planning states that all regional plans, master plans, general regulatory plans and partial urban studies, drafted by legally authorized institutions, have to be submitted to the technical secretary of the Territorial Adjustment Council (TAC) of the municipality within 15 business days. The plans have to be published for interested parties no later than 30 business days from the day received by TAC.

#### Procedure 3\*. Request and obtain document attesting that the firm has no unpaid taxes or fees from the municipal tax office

**Time:** 2 days

**Cost:** No cost

#### Procedure 4\*. Request and obtain opinion of the municipal Urban Planning Department

**Time:** 10 days

**Cost:** No cost

**Comments:** The opinion from the municipal Urban Planning Department is required at the moment BuildCo applies for the building permit.

#### Procedure 5\*. Request and obtain updated information on the closest connection point to the water network from the local water authority (Ndërmarrja e Ujësjellësit dhe Kanalizimeve Sh.A. Durrës)

**Time:** 7 days

**Cost:** ALL 2,200

**Comments:** The local water authority approves the project and provides information to BuildCo on the closest connection point to the water network.

#### Procedure 6\*. Request and obtain environmental approval from the Regional Agency of Environmental Protection (Agjencia Rajonale e Ruajtjes së Mjedisit-ARM)

**Time:** 10 days

**Cost:** ALL 2,000

**Comments:** According to Law No. 8934 on Environmental Protection, all local approval requests are managed by the Regional Environmental Agencies in collaboration with municipal authorities. The fee for this procedure is set by Order No. 5 issued by the Minister of Environment, Forestry, and Water Administration on December 28, 2007.

#### Procedure 7\*. Request and obtain updated information on the closest connection point to the electricity grid from the electricity distributor (CEZ Shpërndarje Sh. A. Durrës)

**Time:** 3 days

**Cost:** ALL 500

#### Procedure 8\*. Request and obtain Fire and Rescue Department approval (Policia e Mbrojtjes nga Zjarri dhe Shpëtimet - PMNZSH)

**Time:** 20 days

**Cost:** ALL 10,000

**Comments:** The fee for investments between ALL 20 million and ALL 50 million is ALL 10,000. Fees are set by Decision No. 285 "Regarding Fire Department fees" dated June 27, 2002.

#### Procedure 9. Request and obtain "buildable land" permit from the Technical Council of the municipal Urban Department (Këshilli Teknik) and the municipal Territorial Adjustment Council (TAC)

**Time:** 59 days (10 days at Technical Council and 49 days at TAC)

**Cost:** No cost

**Comments:** The Technical Council convenes and checks all documentation submitted by BuildCo. Article 45 of the Law 8405 on Urban Planning states that the Technical Council checks all documents and informs the applicant of their receipt within 5 business days. The Council informs the applicant of approval or rejection of the application within 35 business days. If approved, the application is put forth for approval at the upcoming meeting of TAC. TAC is supposed to meet every 30 days. Article 45 of the Law 8405 on Urban Planning states that the "buildable land" permit is valid for 6 months, within which period BuildCo has to submit the application for building permit. If this deadline is passed, the "buildable land" permit becomes invalid and BuildCo has to reapply.

### Procedure 10. Apply and obtain building permit from the municipal Territorial Adjustment Council (TAC)

**Time:** 30 days

**Cost:** No cost

**Comments:** Article 50 of the Law 8405 on Urban Planning states that municipal TAC has to approve or reject the building permit request within 45 business days from the moment of application. Durres is a category I municipality. By law, category I municipal TAC consists of the following 15 members:

- Mayor;
- Head of Urban Planning Department;
- Head of Cadastre;
- Inspector from the municipal Urban Inspectorate (UI) delegated by the chief inspector of UI;
- Head of Legal Department;
- Head of Public Infrastructure Department;
- Inspector from the Regional Environmental Protection Agency;
- Landscape specialist;
- Three urban specialists or architects appointed by Municipal Council;
- Two urban specialists or architects, one construction specialist and one structural engineer appointed by the prefecture.

### Procedure 11\*. Pay building permit fees at a commercial bank or post office

**Time:** 1 day

**Cost:** ALL 1,200,000 (3% of investment value)

**Comments:** According to law, the minimum building permit fee is 1% of the total investment value. This amount is deposited to the fund that finances urban studies. 2% of the total investment value is charged by the municipality as infrastructural impact tax. The building permit fees can be paid at a local bank or through the postal service.

### Procedure 12. Request inspection of property boundaries by licensed surveyor

**Time:** 1 day

**Cost:** ALL 10,000

**Comments:** This inspection is performed by a licensed surveyor.

### Procedure 13. Request inspection of construction foundations

**Time:** 1 day

**Cost:** ALL 10,000

**Comments:** The cost for this inspection is set by the Municipal Fee Schedule. The inspection has to take place within 25 days of submitting the request. Construction work is not disrupted during the inspection.

### Procedure 14. Request on-site inspection of the completed construction skeleton

**Time:** 1 day

**Cost:** ALL 20,000

**Comments:** The cost for this inspection is set by the Municipal Fee Schedule. The inspection has to take place within 25 days of submitting the request. Construction work is not disrupted during the inspection.

### Procedure 15. Request on-site inspection of the adjustment of the surroundings of the building according to the initial drawings

**Time:** 1 day

**Cost:** No cost

**Comments:** The inspection has to take place within 25 days of submitting the request. Construction work is not disrupted during the inspection.

### Procedure 16\*. Request connection and connect to electrical power grid (CEZ Shpërndarje sh.a. Durrës)

**Time:** 30 days

**Cost:** ALL 40,000

**Comments:** When requesting to connect to the electrical power grid, BuildCo submits the following documents:

- Filled out application form;

- Certificate showing BuildCo has no unpaid bills from previous dealings with the electricity provider (if any);
- Building permit;
- Property registration certificate;
- General plan and project plan at scale 1:1000 (format A3);
- Copy of license of the electrical engineer who performed electrical installation.

### Procedure 17\*. Request connection and connect to water and sewage services (Ndërmarrja e Ujësjellësit dhe Kanalizimeve Sh.A. Durrës)

**Time:** 20 days

**Cost:** ALL 20,580

### Procedure 18\*. Request connection and connect to telecommunications network (ALBtelecom)

**Time:** 25 days

**Cost:** ALL 4,800

**Comments:** Land line connection costs can be found at the ALBtelecom website: ([http://www.albtelecom.al/web/page\\_alb.aspx?id=658](http://www.albtelecom.al/web/page_alb.aspx?id=658)).

### Procedure 19. Receive inspection and obtain compliance report

**Time:** 3 days

**Cost:** ALL 48,000 (0.12% of the investment value)

**Comments:** This procedure is performed by a private licensed compliance inspector. BuildCo submits all documentation to the inspector who performs the inspection, drafts the compliance report, which BuildCo submits to the municipal Urban Planning Department. Compliance report fees are regulated by Decision No. 444 issued by the Council of Ministers on September 5, 1994. Private entities cannot charge more than the rates published in the schedule below:

Investment value: ..... Fee as % of the investment value:

ALL 1 to ALL 2 million ..... 0.85%

ALL 2 million to ALL 2.5 million ..... 0.5%

ALL 2.5 million to ALL 5 million ..... 0.45%

ALL 5 million to ALL 7.5 million ..... 0.3%

ALL 7.5 million to ALL 10 million ..... 0.25%

ALL 10 million to ALL 20 million ..... 0.22%

ALL 20 million to ALL 30 million ..... 0.15%

ALL 30 million and above ..... 0.12%

### Procedure 20. Request and obtain occupancy permit

**Time:** 30 days

**Cost:** ALL 117,054 (ALL 30 per cubic meter)

**Comments:** BuildCo submits the occupancy permit application accompanied by the compliance report and other necessary documentation.

### Procedure 21. Register property with the Immovable Property Registration Office (IPRO)

**Time:** 25 days

**Cost:** ALL 3,420 (ALL 3,000 registration fee + ALL 300 service fee + ALL 120 mailing fee)

**Comments:** After obtaining the occupancy permit, all documentation is submitted to IPRO for property registration. Documents include the building permit and all inspection reports.

\*This procedure can be completed simultaneously with previous procedure.

## DEALING WITH CONSTRUCTION PERMITS

**Shkodra, Albania**

Warehouse Value: ALL 40,000,000 (US\$ 447,337)

Data as of: January 2011

**Procedure 1. Request and obtain a recent property ownership certificate and a copy of the land plot map from the Immovable Property Registration Office (IPRO)****Time:** 7 days**Cost:** ALL 1,020 (ALL 400 for ownership certificate + ALL 400 for map + ALL 100 service fee + ALL 120 mailing fee)**Comments:** These documents are used to verify property ownership and are required when BuildCo applies for the "building land" permit (this is an application to make the land plot buildable). All documents have to be no older than 3 months and they need to show the size of the land surface in square meters.

The application is done at the IPRO in Shkodra. The legal IPRO deadline to provide the documents is set by Order No. 861 dated June 3, 2010 issued by the Head of IPRO.

**Procedure 2\*. Request and obtain extract of master plan and general plan of the plot from the municipal Urban Planning Department****Time:** 23 days**Cost:** No cost**Comments:** The master and general plans of the plot are issued by the Urban Planning Department. The general plan is a topographic map of the situation of the existing property, while the master plan is a plan of the proposed development. Master plan is obtained in order to analyze the buildings (existing and planned) and the surrounding areas of the land plot. Article 36 of the Law 8405 on Urban Planning states that all regional plans, master plans, general regulatory plans and partial urban studies, drafted by legally authorized institutions, have to be submitted to the technical secretary of the Territorial Adjustment Council (TAC) of the municipality within 15 business days. The plans have to be published for interested parties no later than 30 business days from the day received by TAC.**Procedure 3\*. Request and obtain document attesting that the firm has no unpaid taxes or fees from the municipal tax office****Time:** 2 days**Cost:** No cost**Procedure 4\*. Request and obtain opinion of the municipal Urban Planning Department****Time:** 3 days**Cost:** No cost**Comments:** The opinion from the municipal Urban Planning Department is required at the moment BuildCo applies for the building permit.**Procedure 5\*. Request and obtain updated information on the closest connection point to the water network from the local water authority (Ndërmarrja e Ujësjellësit dhe Kanalizimeve Sh.A. Shkodër)****Time:** 3 days**Cost:** No cost**Comments:** The local water authority approves the project and provides information on the closest connection point to the water network to BuildCo.**Procedure 6\*. Request and obtain environmental approval from the Regional Agency of Environmental Protection (Agjencia Rajonale e Ruajtjes së Mjedisit-ARM)****Time:** 3 days**Cost:** ALL 2,000**Comments:** According to Law No. 8934 on Environmental Protection, all local approval requests are managed by the Regional Environmental Agencies in collaboration with municipal authorities. The fee for this procedure is set by Order No. 5 issued by the Minister of Environment, Forestry, and Water Administration on December 28, 2007.**Procedure 7\*. Request and obtain updated information on the closest connection point to the electricity grid from the electricity distributor (CEZ Shpërndarje Sh. A. Shkodër)****Time:** 5 days**Cost:** ALL 500**Procedure 8\*. Request and obtain Fire and Rescue Department approval (Policia e Mbrojtjes nga Zjarri dhe Shpëtimit - PMNZSH)****Time:** 15 days**Cost:** ALL 10,000**Comments:** The fee for investments between ALL 20 million and ALL 50 million is ALL 10,000. Fees are set by Decision No. 285 "Regarding Fire Department fees" dated June 27, 2002.**Procedure 9. Request and obtain "buildable land" permit from the Technical Council of the municipal Urban Department (Këshilli Teknik) and the municipal Territorial Adjustment Council (TAC)****Time:** 45 days**Cost:** No cost**Comments:** The Technical Council convenes and checks all documentation submitted by BuildCo. Article 45 of the Law 8405 on Urban Planning states that the Technical Council checks all documents and informs the applicant of their receipt within 5 business days. The Council informs the applicant of approval or rejection of the application within 35 business days. If approved, the application is put forth for approval at the upcoming meeting of TAC. TAC is supposed to meet every 30 days. Article 45 of the Law 8405 on Urban Planning states that the "buildable land" permit is valid for 6 months, within which period BuildCo has to submit the application for building permit. If this deadline is passed, the "buildable land" permit becomes invalid and BuildCo has to reapply.**Procedure 10. Apply and obtain building permit from the municipal Territorial Adjustment Council (TAC)****Time:** 30 days**Cost:** No cost**Comments:** Article 50 of the Law 8405 on Urban Planning states that municipal TAC has to approve or reject the building permit request within 45 business days from the moment of application. Shkodra is a category I municipality. By law, category I municipal TAC consists of the following 15 members:

- Mayor;
- Head of Urban Planning Department;
- Head of Cadastre;
- Inspector from the municipal Urban Inspectorate (UI) delegated by the chief inspector of UI;
- Head of Legal Department;
- Head of Public Infrastructure Department;
- Inspector from the Regional Environmental Protection Agency;
- Landscape specialist;
- Three urban specialists or architects appointed by Municipal Council;
- Two urban specialists or architects, one construction specialist and one structural engineer appointed by the prefecture.

**Procedure 11\*. Pay building permit fees at a commercial bank or post office****Time:** 1 day**Cost:** ALL 1,200,000 (3% of investment value)**Comments:** According to law, the minimum building permit fee is 1% of the total investment value. This amount is deposited to the fund that finances urban studies. 2% of the total investment value is charged by the municipality as infrastructural impact tax. The building permit fees can be paid at a local bank or through the postal service.**Procedure 12. Request inspection of property boundaries by licensed surveyor****Time:** 1 day**Cost:** ALL 3,000**Comments:** This inspection is performed by a licensed surveyor.

**Procedure 13. Request inspection of construction foundations**

**Time:** 1 day  
**Cost:** ALL 3,000

**Procedure 14. Request on-site inspection of the completed construction skeleton**

**Time:** 1 day  
**Cost:** ALL 3,000

**Procedure 15. Request on-site inspection of the adjustment of the surroundings of the building according to the initial drawings**

**Time:** 1 day  
**Cost:** ALL 3,000

**Procedure 16\*. Request connection and connect to electrical power grid (CEZ Shpërndarje sh.a. Shkodër)**

**Time:** 25 days  
**Cost:** ALL 40,000

**Comments:** When requesting to connect to electrical power grid, BuildCo submits the following documents:

- Filled out application form;
- Certificate showing BuildCo has no unpaid bills from previous dealings with the electricity provider (if any);
- Building permit;
- Property registration certificate;
- General plan and project plan at scale 1:1000 (format A3);
- Copy of license of the electrical engineer who performed electrical installation.

**Procedure 17\*. Request connection and connect to water and sewage services (Ndërmarrja e Ujësjellësit dhe Kanalizimeve Sh.A. Shkodër)**

**Time:** 14 days  
**Cost:** ALL 25,000

**Procedure 18\*. Request connection and connect to telecommunications network (ALBtelecom)**

**Time:** 10 days  
**Cost:** ALL 4,800

**Comments:** Land line connection costs can be found at the ALBtelecom website ([http://www.albtelecom.al/web/page\\_alb.aspx?id=658](http://www.albtelecom.al/web/page_alb.aspx?id=658)).

**Procedure 19. Receive inspection and obtain compliance report**

**Time:** 3 days  
**Cost:** ALL 48,000 (0.12% of the investment value)

**Comments:** This procedure is performed by a private licensed compliance inspector. BuildCo submits all documentation to the inspector who performs the inspection, drafts the compliance report, which BuildCo submits to the municipal Urban Planning Department. Compliance report fees are regulated by Decision No. 444 issued by the Council of Ministers on September 5, 1994. Private entities cannot charge more than the rates published in the schedule below:

Investment value: ..... Fee as % of the investment value:

ALL 1 to ALL 2 million	.....	0.85%
ALL 2 million to ALL 2.5 million	.....	0.5%
ALL 2.5 million to ALL 5 million	.....	0.45%
ALL 5 million to ALL 7.5 million	.....	0.3%
ALL 7.5 million to ALL 10 million	.....	0.25%
ALL 10 million to ALL 20 million	.....	0.22%
ALL 20 million to ALL 30 million	.....	0.15%
ALL 30 million and above	.....	0.12%

**Procedure 20. Request and obtain occupancy permit**

**Time:** 30 days  
**Cost:** ALL 5,000

**Comments:** BuildCo submits the occupancy permit application accompanied by the compliance report and other necessary documentation.

**Procedure 21. Register property with the Immovable Property Registration Office (IPRO)**

**Time:** 15 days  
**Cost:** ALL 3,420 (ALL 3,000 registration fee + ALL 300 service fee + ALL 120 mailing fee)

**Comments:** After obtaining the occupancy permit, all documentation is submitted to IPRO for property registration. Documents include the building permit and all inspection reports.

\*This procedure can be completed simultaneously with previous procedure.

## DEALING WITH CONSTRUCTION PERMITS

**Vlora, Albania**

Warehouse Value: ALL 40,000,000 (US\$ 447,337)

Data as of: January 2011

**Procedure 1. Request and obtain a recent property ownership certificate and a copy of the land plot map from the Immovable Property Registration Office (IPRO)**

**Time:** 11 days  
**Cost:** ALL 1,020 (ALL 400 for ownership certificate + ALL 400 for map + ALL 100 service fee + ALL 120 mailing fee)

**Comments:** These documents are used to verify property ownership and are required when BuildCo applies for the "building land" permit (this is an application to make the land plot buildable). All documents have to be no older than 3 months and they need to show the size of the land surface in square meters.

The application is done at the IPRO in Vlora. The legal IPRO deadline to provide the documents is set by Order No. 861 dated June 3, 2010 issued by the Head of IPRO.

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

**Time:** 23 days  
**Cost:** ALL 12,000

**Comments:** The master and general plans of the plot are issued by the Urban Planning Department. The general plan is a topographic map of the situation of the existing property, while the master plan is a plan of the proposed development. Master plan is obtained in order to analyze the buildings (existing and planned) and surrounding areas of the land plot. Article 36 of the Law 8405 on Urban Planning states that all regional plans, master plans, general regulatory plans and partial urban studies, drafted by legally authorized institutions, have to be submitted to the technical secretary of the Territorial Adjustment Council (TAC) of the municipality within 15 business days. The plans have to be published for interested parties no later than 30 business days from the day received by TAC.

**Procedure 3\*. Request and obtain document attesting that the firm has no unpaid taxes or fees from the municipal tax office**

**Time:** 2 days  
**Cost:** ALL 100

**Procedure 4\*. Request and obtain opinion of the municipal Urban Planning Department**

**Time:** 7 days  
**Cost:** No cost

**Comments:** The opinion from the municipal Urban Planning Department is required at the moment BuildCo applies for the building permit.

**Procedure 5\*. Request and obtain updated information on the closest connection point to the water network from the local water authority (Ndërmarrja e Ujësjellësit dhe Kanalizimeve Sh.A. Vlorë)**

**Time:** 3 days  
**Cost:** ALL 2,000

**Comments:** The local water authority approves the project and provides information on the closest connection point to the water network to BuildCo.

### Procedure 6\*. Request and obtain environmental approval from the Regional Agency of Environmental Protection (Agjencia Rajonale e Ruajtjes së Mjedisit–ARM)

**Time:** 4 days

**Cost:** ALL 2,000

**Comments:** According to Law No. 8934 on Environmental Protection, all local approval requests are managed by the Regional Environmental Agencies in collaboration with municipal authorities. The fee for this procedure is set by Order No. 5 issued by the Minister of Environment, Forestry, and Water Administration on December 28, 2007.

### Procedure 7\*. Request and obtain updated information on the closest connection point to the electricity grid from the electricity distributor (CEZ Shpërndarje Sh. A. Vlorë)

**Time:** 5 days

**Cost:** ALL 500

### Procedure 8\*. Request and obtain Fire and Rescue Department approval (Policia e Mbrojtjes nga Zjarri dhe Shpëtimit - PMNZSH)

**Time:** 15 days

**Cost:** ALL 10,000

**Comments:** The fee for investments between ALL 20 million and ALL 50 million is ALL 10,000. Fees are set by Decision No. 285 "Regarding Fire Department fees" dated June 27, 2002.

### Procedure 9. Request and obtain "buildable land" permit from the Technical Council of the municipal Urban Department (Këshilli Teknik) and the municipal Territorial Adjustment Council (TAC)

**Time:** 45 days

**Cost:** No cost

**Comments:** The Technical Council convenes and checks all documentation submitted by BuildCo. Article 45 of the Law 8405 on Urban Planning states that the Technical Council checks all documents and informs the applicant of their receipt within 5 business days. The Council informs the applicant of approval or rejection of the application within 35 business days. If approved, the application is put forth for approval at the upcoming meeting of TAC. TAC is supposed to meet every 30 days. Article 45 of the Law 8405 on Urban Planning states that the "buildable land" permit is valid for 6 months, within which period BuildCo has to submit the application for building permit. If this deadline is passed, the "buildable land" permit becomes invalid and BuildCo has to reapply.

### Procedure 10. Apply and obtain building permit from the municipal Territorial Adjustment Council (TAC)

**Time:** 30 days

**Cost:** No cost

**Comments:** Article 50 of the Law 8405 on Urban Planning states that municipal TAC has to approve or reject the building permit request within 45 business days from the moment of application. Vloora is a category I municipality. By law, category I municipal TAC consists of the following 15 members:

- a. Mayor;
- b. Head of Urban Planning Department;
- c. Head of Cadastre;
- d. Inspector from the municipal Urban Inspectorate (UI) delegated by the chief inspector of UI;
- e. Head of Legal Department;
- f. Head of Public Infrastructure Department;
- g. Inspector from the Regional Environmental Protection Agency;
- h. Landscape specialist;
- i. Three urban specialists or architects appointed by Municipal Council;
- j. Two urban specialists or architects, one construction specialist and one structural engineer appointed by the prefecture.

### Procedure 11\*. Pay building permit fees at a commercial bank or post office

**Time:** 1 day

**Cost:** ALL 1,200,000 (3% of investment value)

**Comments:** According to law, the minimal building permit fee is 1% of the total investment value. This amount is deposited to the fund that finances urban studies. 2% of the total investment value is charged by the municipality as infrastructural impact tax. The building permit fees can be paid at a local bank or through the postal service.

### Procedure 12. Request inspection of property boundaries by licensed surveyor

**Time:** 1 day

**Cost:** ALL 3,000

**Comments:** This inspection is performed by a licensed surveyor.

### Procedure 13. Request inspection of construction foundations

**Time:** 1 day

**Cost:** ALL 3,000

**Comments:** Inspection is performed within 20 business days of request receipt. Construction work is not disrupted while inspectors go on the ground. The request for such inspection is accompanied by a copy of the building permit and a copy of the project plan.

### Procedure 14. Request on-site inspection of the completed construction skeleton

**Time:** 1 day

**Cost:** ALL 3,000 (ALL 1,500 per floor)

**Comments:** Inspection is performed within 20 business days of request receipt. Construction work is not disrupted while inspectors go on the ground. The request for such inspection is accompanied by a copy of the building permit and a copy of the project plan.

### Procedure 15. Request on-site inspection of the adjustment of the surroundings of the building according to the initial drawings

**Time:** 1 day

**Cost:** ALL 3,000

**Comments:** Inspection is performed within 20 business days of request receipt. Construction work is not disrupted while inspectors go on the ground. The request for such inspection is accompanied by a copy of the building permit and a copy of the project plan.

### Procedure 16\*. Request connection and connect to electrical power grid (CEZ Shpërndarje Sh.A. Vlorë)

**Time:** 25 days

**Cost:** ALL 40,000

**Comments:** When requesting to connect to electrical power grid, BuildCo submits the following documents:

- a. Filled out application form;
- b. Certificate showing BuildCo has no unpaid bills from previous dealings with the electricity provider (if any);
- c. Building permit;
- d. Property registration certificate;
- e. General plan and project plan at scale 1:1000 (format A3);
- f. Copy of license of the electrical engineer who performed electrical installation.

### Procedure 17\*. Request connection and connect to water and sewage services (Ndërmarrja e Ujësjellësit dhe Kanalizimeve Sh.A. Vlorë)

**Time:** 25 days

**Cost:** ALL 22,000

### Procedure 18\*. Request connection and connect to telecommunications network (ALBtelecom)

**Time:** 7 days

**Cost:** ALL 4,800

**Comments:** Land line connection costs can be found at the ALBtelecom website ([http://www.albtelecom.al/web/page\\_alb.aspx?id=658](http://www.albtelecom.al/web/page_alb.aspx?id=658)).

**Procedure 19. Receive inspection and obtain compliance report****Time:** 4 days**Cost:** ALL 48,000 (0.12% of the investment value)

**Comments:** This procedure is performed by a private licensed compliance inspector. BuildCo submits all documentation to the inspector who performs the inspection, drafts the compliance report, which BuildCo submits to the municipal Urban Planning Department. Compliance report fees are regulated by Decision No. 444 issued by the Council of Ministers on September 5, 1994. Private entities cannot charge more than the rates published in the schedule below:

Investment value: ..... Fee as % of the investment value:

ALL 1 to ALL 2 million ..... 0.85%

ALL 2 million to ALL 2.5 million ..... 0.5%

ALL 2.5 million to ALL 5 million ..... 0.45%

ALL 5 million to ALL 7.5 million ..... 0.3%

ALL 7.5 million to ALL 10 million ..... 0.25%

ALL 10 million to ALL 20 million ..... 0.22%

ALL 20 million to ALL 30 million ..... 0.15%

ALL 30 million and above ..... 0.12%

**Procedure 20. Request and obtain occupancy permit****Time:** 30 days**Cost:** ALL 5,000

**Comments:** BuildCo submits the occupancy permit application accompanied by the compliance report and other necessary documentation.

**Procedure 21. Register property with the Immovable Property Registration Office (IPRO)****Time:** 21 days**Cost:** ALL 3,420 (ALL 3,000 registration fee + ALL 300 service fee + ALL 120 mailing fee)

**Comments:** After obtaining the occupancy permit, all documentation is submitted to IPRO for property registration. Documents include the building permit and all inspection reports.

\*This procedure can be completed simultaneously with previous procedure.

**DEALING WITH CONSTRUCTION PERMITS****Banja Luka, Bosnia and Herzegovina**

Warehouse Value: BAM 1,013,350 (US\$ 726,607)

Data as of: January 2011

**Procedure 1. Obtain cadastre extract showing status of the land plot from the Republic Administration for Geodetic and Property Affairs****Time:** 1 day**Cost:** BAM 27 (BAM 10 for cadastre extract+ BAM 10 for the land occupation certificate + BAM 7 per number of registered properties)

**Comments:** BuildCo must submit a request form available at the municipality. If the cadastre extract has already been digitized, this procedure may be done in one day (30 minutes). More than two thirds of all properties registered in cadastre are now in digital form. However, if a particular property's cadastre extract is not digitized, cadastre extract may be obtained within 7 days.

**Procedure 2\*. Obtain extract from the land registry book showing proper registration at the Land Registry Department at the District Court Banja Luka****Time:** 1 day**Cost:** BAM 10

**Comments:** BuildCo has to know the number of the property in cadastre. If the property's land registry extract has already been digitized, this procedure may be done in 1 day (30 minutes). However, if the property's land registry extract is not digitized, extract may be obtained within 7 days. More than 90% of all properties registered in the land registry are now in digital form.

**Procedure 3. Obtain urban planning consent (location permit) from the municipal Department of Construction and Urban Planning****Time:** 25 days**Cost:** BAM 1,524 (BAM 1,500 to have urban planning documents made + BAM 22 for land registry extract+ BAM 2 for administrative fee)

**Comments:** BuildCo must hire a private bureau that specializes in construction planning to create an Urban Planning Certificate and have it submitted to municipal Department of Construction and Urban Planning for approval. Law on Urban Planning and Construction states that, if the property is being built in the zone for which planning documentation has already been done (meaning that there are similar constructions in its vicinity), preliminary verifications from utility companies have already been obtained. Before submitting all the documentation to the Department of Construction and Urban Planning, private bureau consults with the Center for Permits at the Municipal Court in order to find out about all the necessary documentation to obtain urban planning consent. It is necessary to fill out and submit a Request for Urban Consent that can be obtained in the Administrative Services Department of the municipality or downloaded from Department's web site: [http://www2.banjaluka.rs.ba/static/uploads/service/forms/ASBL-OB-03-03\\_.pdf](http://www2.banjaluka.rs.ba/static/uploads/service/forms/ASBL-OB-03-03_.pdf). Apart from the request form, bureau will ask BuildCo to provide a copy of the cadastre extract (which cannot be older than six months) and project construction design plan.

**Procedure 4\*. Obtain preliminary verification of study on fire and explosion prevention from the Public Safety Department at Ministry of Internal Affairs****Time:** 10 days**Cost:** BAM 200

**Comments:** BuildCo must submit a complete description of the main project plan describing all construction phases of the project.

**Procedure 5. Obtain validation of the technical audit of the main project from the Construction Institute of Banja Luka****Time:** 15 days**Cost:** BAM 2,459 (BAM 1.64 per square meter of the land and building for technical audit of the project + 0.15% of the overall value of the land and building for the technical audit of property's surroundings)

**Comments:** BuildCo must undergo a technical audit that shows that the project was designed in accordance with the conditions stated in the location permit and provisions of the Law on Urban Planning and Construction. All objects bigger than 400 square meters have to undergo a technical audit. The auditing entity must have at least one engineer who has passed the state exam and has 5 years of working experience. The signature of an authorized auditor is required to confirm that the project has been revised in its entirety and is in compliance with the law. No individual who takes part in preparation of documents for the location permit can be part of the auditing entity. Cost of the audit is paid at the Construction Institute of Banja Luka.

**Procedure 6\*. Pay the rent and cadastre fee at a commercial bank on the account of municipal Department of Construction and Urban Planning****Time:** 1 day**Cost:** BAM 16,059 (BAM 10.01 per square meter of the land and building for the rent fee + 0.3% of the overall value of the land and building for the cadastre fee)

**Comments:** In order to calculate the cost of the rent and cadastre fee, BuildCo must fill out a form obtained on the following web site: [http://www2.banjaluka.rs.ba/static/uploads/service/forms/ASBL-OB-03-16\\_.pdf](http://www2.banjaluka.rs.ba/static/uploads/service/forms/ASBL-OB-03-16_.pdf).

**Procedure 7. Apply for building permit with the municipal Department of Construction and Urban Planning****Time:** 25 days**Cost:** BAM 102 (BAM 2 for administrative fee + BAM 100 for building permit)

**Comments:** BuildCo must submit a request for the building permit to the Department of Construction and Urban Planning. The request form can be found on the following web-site: [http://www2.banjaluka.rs.ba/static/uploads/service/forms/ASBL-OB-03-02\\_.pdf](http://www2.banjaluka.rs.ba/static/uploads/service/forms/ASBL-OB-03-02_.pdf).

Along with the form, BuildCo needs to submit the following documents:

- Cadastre extract;
- Proof of payment for purchase of the construction land;
- Proof of rent payments and cadastre fee;
- Land registry extract as a proof of ownership or occupancy;
- Certificate of undergoing technical audit of project documentation;

- f. Construction planning project (two copies);
- g. Location permit including Book 1 (Architecture project) and Book 2 (Building project).

### Procedure 8. Request marking out of the land plot at the Construction Institute of Banja Luka

**Time:** 9 days

**Cost:** BAM 400

**Comments:** The Construction Institute issues a certificate that proves that the land plot has been marked out and submits it to the municipal Department of Construction and Urban Planning along with the building permit and the urban planning consent issued by the same authority.

### Procedure 9. Notify the municipality about the commencement of works and compliance with safety standards at the Inspectorate of Republika Srpska

**Time:** 1 day

**Cost:** No cost

**Comments:** BuildCo must notify the Inspectorate of Republika Srpska of the start of construction and compliance with safety of construction site no later than 7 days before the start of construction. Inspectorate's officers inspect the construction site and issue a Certificate of Compliance.

BuildCo also has to submit the following documents:

- a. Copy of the building permit;
- b. Construction site organizational scheme;
- c. Certificate of naming supervisory body of the construction site (BuildCo names the supervisory body);
- d. Construction site safety certificate.

### Procedure 10. Receive control of construction foundations from the Construction Institute, Banja Luka

**Time:** 8 days

**Cost:** BAM 200

**Comments:** After marking out the land plot, the municipal inspector from the Department of Construction and Urban Planning checks if the construction's foundations have been properly built. If he finds any errors, responsibility is assumed by the institution that marked out the land plot (Construction Institute of Banja Luka). BuildCo's representative has to accompany the inspector. After the inspector issues a Certificate of Foundation's Audit, he submits it to the Department of Construction and Urban Planning.

### Procedure 11. Request telephone line connection at Telekom Srpske

**Time:** 10 days

**Cost:** No cost

**Comments:** BuildCo must contact Telekom Srpske to obtain a phone line connection. Apart from submitting the request form, BuildCo should provide following documents:

- a. Building permit;
- b. BuildCo's company identification number;
- c. Proof of BuildCo's court registration;
- d. BuildCo's bank account number;
- e. Land registry extract.

### Procedure 12\*. Request water and sewage connection from Vodovod Banja Luka

**Time:** 20 days

**Cost:** BAM 200

**Comments:** BuildCo must contact Vodovod Banja Luka to obtain water and sewage connection. Request should include:

- a. Building permit;
- b. Land registry extract;
- c. BuildCo's court registration;
- d. BuildCo's company identification number;
- e. Cadastre extract.

### Procedure 13\*. Request electricity connection at ZP Elektrokrajina Banja Luka

**Time:** 20 days

**Cost:** BAM 375

**Comments:** BuildCo must contact ZP Elektrokrajina to obtain an electrical connection. The request should include:

- a. Building permit;
- b. Land registry extract;
- c. BuildCo's court registration;
- d. BuildCo's company identification number;
- e. Cadastre extract.

### Procedure 14. Request issuance of the building usage permit from the municipal Department of Construction and Urban Planning

**Time:** 46 days

**Cost:** BAM 32 (BAM 2 for the request form + BAM 30 for the permit)

**Comments:** BuildCo must submit a request for the building usage permit. The request form can be downloaded here: [http://www2.banjaluca.rs.ba/static/uploads/service/forms/ASBL-OB-03-01\\_.pdf](http://www2.banjaluca.rs.ba/static/uploads/service/forms/ASBL-OB-03-01_.pdf).

Other required documents include:

- a. Building permit (copy);
- b. Cadastre extract (copy);
- c. Exact plan of the final building position;
- d. Written statements from each contractor stating the work has been properly performed according to the project design and future maintenance plans;
- e. Written report (by the construction supervisor) that all materials were of standard quality (certified as such by the suppliers);
- f. Construction diary and construction book;
- g. Book of all relevant inspections;
- h. Certificate on marked-out land plot.

Upon submitting request to obtain building usage permit, BuildCo has to receive technical inspection. The building usage permit is issued upon completion of technical inspection. By law, the Construction Institute should perform technical inspection within 15 days of receiving a duly submitted request for a building usage permit. The relevant municipal department must appoint an independent professional inspection board for a technical inspection within 8 days of receiving the duly submitted request for issuance of a building usage permit. In practice, it takes longer.

### Procedure 15\*. Receive technical inspection from the Construction Institute of Banja Luka

**Time:** 1 day

**Cost:** BAM 5,058 (BAM 2.2 per square meter of the land and building for the technical inspection + 0.79% of the overall value of the surrounding land not including the building for the technical inspection of property's surroundings)

**Comments:** No later than the inspection date, BuildCo must present the following documentation to the board:

- a. Excerpt from the Commercial Court Register, showing that BuildCo is properly registered;
- b. Details on the each work phase of the construction;
- c. Building permit (copy);
- d. Performance reports verified by the designer of the main project plan to validate compliance with the main project plan as well as terms and conditions specified in the building permit;
- e. Construction diary and construction book;
- f. Proof of testing the quality of materials and equipment received from suppliers at the time of purchase;
- g. Construction mark-out plan and minutes on the performed mark out;
- h. Construction-site organization scheme;
- i. Decision on the appointed construction engineers and the supervisors;
- j. Cadastre extract.

The number of board members appointed depends on the type and the complexity of the building; the board will consist of one professional for each type of construction work to be inspected (architectural/engineering, electrical, mechanical, water and sewage system, and so forth). After drawing up a protocol, signed by the president and each board member, the inspection board must forward the signed protocol to the Department of Construction and Urban Planning within 8 days of performing the site inspection. If the protocol states that the building is defective

and that the defective parts need to be removed, the municipality will set a deadline of up to 90 days to remedy defects. The building cannot be registered in the land registry if the building usage permit has not been issued.

### Procedure 16. Obtain geodetic image of the property site from a private geodetic firm

**Time:** 5 days

**Cost:** BAM 400

**Comments:** Before registering the building into the cadastre, BuildCo needs to obtain a new geodetic image of the plot in order to show that there was no additional construction on the site except what is agreed in the urban planning consent.

### Procedure 17. Register the building into cadastre book at the Republic Administration for Geodetic and Property Affairs

**Time:** 25 days

**Cost:** BAM 145.4 (BAM 96 for the maintenance of cadastre + BAM 9 for cadastre network usage + BAM 40.4 for making of the new property occupancy certificate)

**Comments:** BuildCo needs to submit a request to register the building in the cadastre books at the Republic Administration for Geodetic and Property Affairs along with the following documents:

- Building usage permit;
- Copy of the cadastre plan;
- Construction permit;
- Certificate showing marking out of the property construction site.

### Procedure 18. Register the building in the land registry books with the Land Registry Department at the District Court Banja Luka

**Time:** 45 days

**Cost:** BAM 30

**Comments:** BuildCo has to submit a request to register the property into the land registry books. The registration request form can be found here: [http://www.osnovnisudbl.org/Libraries/%d0%94%d0%be%d0%ba%d1%83%d0%bc%d0%b5%d0%bd%d1%82%d0%b8/Zajtjev\\_za\\_uknjizbu\\_objektas\\_CIR.sflb.ash](http://www.osnovnisudbl.org/Libraries/%d0%94%d0%be%d0%ba%d1%83%d0%bc%d0%b5%d0%bd%d1%82%d0%b8/Zajtjev_za_uknjizbu_objektas_CIR.sflb.ash).

Apart from the registration request form, BuildCo has to submit the following documents:

- Purchasing agreement of the land or other document as a proof of ownership;
- Building usage permit;
- Rent and shelter fee payment certificate;
- Payment of BAM 30 for administrative expenses.

The private geodetic bureau submits the newly created geodetic image of the plot-land and a ground-plan of the building to the municipal Department of Construction and Urban Planning. The Department of Construction and Urban Planning then forwards documents to the land registry.

\*This procedure can be completed simultaneously with previous procedure.

## DEALING WITH CONSTRUCTION PERMITS

### Mostar, Bosnia and Herzegovina

Warehouse Value: BAM 1,013,350 (US\$ 726,607)

Data as of: January 2011

### Procedure 1. Obtain cadastre extract showing status of the land plot from the municipal Cadastre Department

**Time:** 3 days

**Cost:** BAM 35

**Comments:** BuildCo must submit a registration request form available at the municipality.

### Procedure 2\*. Obtain extract from the land registry book showing proper registration from the Land Registry Department with the District Court in Mostar

**Time:** 13 days

**Cost:** BAM 10

**Comments:** BuildCo has to know the number of the property in cadastre registry.

### Procedure 3. Obtain urban planning consent from the municipal Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 15 days

**Cost:** BAM 3,300 (BAM 2.5 per square meter of the land and building to have urban and development consent documentation prepared + BAM 50 for a fee to request issuance of urban consent)

**Comments:** In order to obtain urban planning consent, BuildCo submits a request to the municipal Department for Spatial Planning, Urbanism and Communal Matters with the following documents:

- Reason for the request, including the project information and documentation required for the assessment by the Department for Spatial Planning, Urbanism and Communal Matters;
- Preliminary project design in 2 copies (or project proposal/sketch, depending on the level of construction's complexity);
- General schemes for power, heating and telecommunication installations, fire prevention and security systems, water supply and sewage systems;
- Extract from the cadastre plan, showing the right to build and ownership of the land plot (not older than 6 months);
- Extract from the land registry book, showing BuildCo's proper court registration. Once issued, the urban planning consent is effective for a year, during which time BuildCo needs to submit a construction permit request.

### Procedure 4. Obtain preliminary verification of the heating and electricity installations from Elektroprivreda

**Time:** 30 days

**Cost:** BAM 40

**Comments:** BuildCo must submit to Elektroprivreda the description of the main project plan, which consists of the following documents:

- Book 1 (Architecture project) and Book 2 (Building project);
- Description of the main project plan, which consists of a preliminary consent on electrical installation;
- Land registry extract to prove ownership of the property;
- Consent from the Urban Planning Department already containing cadastre extract;
- Original construction project sketch of electrical installations.

### Procedure 5\*. Obtain preliminary verification of water supply and sewage system projects from JP Vodovod Mostar

**Time:** 15 days

**Cost:** BAM 40

**Comments:** BuildCo must submit the following documents to JP Vodovod Mostar:

- Description of the main project plan;
- Request for a preliminary consent for water and sewage installations;
- Land registry extract as a proof of ownership of the property;
- Urban planning consent from the Urban Planning Department which already contains cadastre extract.

### Procedure 6\*. Obtain preliminary verification of the telecommunication installations from BH Telekom

**Time:** 40 days

**Cost:** BAM 70

**Comments:** BuildCo must submit to BH Telekom or HT Mostar the description of the main project plan, which consists of the following documents:

- Preliminary consent on telecommunication installation;
- Land registry extract to prove ownership of the property;
- Urban consent from the municipal Department for Spatial Planning, Urbanism and Communal Matters, which already contains cadastre extract and the original construction project sketch.

### Procedure 7\*. Obtain preliminary verification of Study on Fire and Explosion Prevention from the Public Safety Department at the Ministry of Internal Affairs

**Time:** 7 days

**Cost:** BAM 50

**Comments:** BuildCo must submit the complete description of the main project plan describing all construction phases to the Public Safety Department at the Ministry of Internal Affairs.

### Procedure 8. Obtain validation of the technical audit of the main project from a private geodetic firm

**Time:** 10 days

**Cost:** BAM 3,902 (BAM 3 per square meter of the land and building for the technical audit of the main project)

**Comments:** BuildCo must undergo a technical audit, showing that the project was designed in compliance with the urban planning consent and the provisions of the Law on Spatial Planning. The auditing entity must have at least one engineer who passed the state exam and has 5 years of experience. The signature of an authorised auditor is required to confirm that the project has been revised in its entirety and in compliance with the law.

### Procedure 9\*. Pay the rent fee and shelter construction fee at a commercial bank on the account of the municipal Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 1 day

**Cost:** BAM 40,425 (BAM 23.29 per square meter of the land and building for the rent fee + 1% of the overall value of the land and building for the shelter fee)

### Procedure 10. Apply for building permit with the municipal Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 15 days

**Cost:** BAM 200

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

- Valid urban planning consent;
- Cadastral extract;
- Proof of payment for purchase of the construction land;
- Proof of rent payment and shelter fee;
- Consents obtained during the issuing of the urban planning permit;
- Verified development project (two copies);
- Consents for the project documentations (Project Books 1 and 2, including the preliminary verifications applied for in Procedures 4 to 7).

### Procedure 11. Request marking out of the land plot from the municipal Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 15 days

**Cost:** BAM 50

**Comments:** The request for marking out of the land plot must be submitted to the municipal Department for Spatial Planning, Urbanism and Communal Matters, with the building permit and the urban planning consent. The municipal authorities mark out the land plot.

### Procedure 12. Notify the municipality about the commencement of works at the municipal Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 1 day

**Cost:** BAM 10

**Comments:** BuildCo must notify the municipal Department for Spatial Planning, Urbanism and Communal Matters of the start of construction no later than 8 days before work begins.

### Procedure 13. Request telephone line connection at BH Telekom

**Time:** 7 days

**Cost:** BAM 150

**Comments:** BuildCo must contact BH Telekom to obtain a telephone line connection. The request should include the preliminary verification of the phone installation and a building permit.

### Procedure 14\*. Request water and sewage connection at JP Vodovod Mostar

**Time:** 10 days

**Cost:** BAM 150

**Comments:** BuildCo must contact JP Vodovod Mostar to obtain water and sewage connection. The request should include the preliminary verification of water installations and a building permit.

### Procedure 15\*. Request electricity connection at Elektroprivreda

**Time:** 10 days

**Cost:** BAM 2,000

**Comments:** BuildCo must contact Elektroprivreda to obtain an electrical connection. The request should include a building permit and a preliminary verification of electrical installations.

### Procedure 16. Request issuance of the building usage permit from the municipal Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 30 days

**Cost:** BAM 4,602 (BAM 3.5 per square meter for technical inspection + BAM 50 for an administrative fee to have building usage permit issued)

**Comments:** BuildCo must submit a request for the building usage permit with the following documents:

- Building permit (copy);
- Cadastral plan (copy), including an exact plan of the marked final building position;
- Written statements from each contractor, stating the work has been properly performed according to the project design and future maintenance plans;
- Written report (by the construction supervisor) that all materials were of standard quality (certified as such by the suppliers).

Upon submitting the request to obtain the building usage permit, BuildCo has to receive a technical inspection. The building usage permit is issued upon completion of the technical inspection. By law, the technical inspection should be performed within 15 days of receiving a duly submitted request for a building usage permit. After drawing up a protocol, signed by the president and each board member, the inspection board must forward the signed protocol to the Department for Spatial Planning, Urbanism and Communal Matters, within 8 days of performing the site inspection. If the protocol states that the building is defective and that the defective parts need to be removed, the municipality will set a deadline of up to 90 days for BuildCo to take action. In practice, it takes longer than the time limits set by law.

### Procedure 17\*. Receive technical inspection from the municipal Department of Construction and Urban Planning

**Time:** 1 day

**Cost:** No cost

**Comments:** No later than the inspection date, BuildCo must present the following documentation to the board:

- Excerpt from the Commercial Court Register, showing that BuildCo is properly registered;
- Details on each work phase of the construction;
- Building permit (copy);
- Performance reports verified by the designer of the main project plan to validate compliance with the main project plan as well as terms and conditions specified in the building permit;
- Construction diary and construction book;
- Proof of testing the quality of materials and equipment received from suppliers at the time of purchase;
- Construction mark-out plan and minutes on the performed mark out;
- Construction-site organization scheme;
- Decision on the appointed construction engineers and the supervisors;
- Cadastral plan.

The relevant municipal department must appoint an independent professional inspection board for a technical inspection within 8 days of receiving the request for issuance of a building usage permit. The number of board members appointed depends on the type and the complexity of the building; the board will consist of one professional for each type of construction work to be inspected (architectural/engineering, electrical, mechanical, water and sewage system, and so forth).

### Procedure 18. Register the building into cadastre books at the municipal Cadastre Department

**Time:** 30 days

**Cost:** BAM 135

**Comments:** BuildCo must submit a request to register the building in the cadastre books at the municipal Cadastre Office, along with a building usage permit, a building permit and a proof of marking out of the property construction site. During the technical review of the completed construction, the designated authority checks whether there have been any additional changes to the construction and whether the construction was built in accordance with urban planning consent. If there were any changes, it is necessary to obtain a new geodetic image of the plot.

### Procedure 19. Register the building into land registry books with the Land Registry Department at the District Court Mostar

**Time:** 370 days

**Cost:** BAM 27

**Comments:** BuildCo must submit a request to register the warehouse in the land registry books. The request form can be found on the following web site: <http://opsud-bihac.pravosudje.ba/vstv/faces/vijesti.jsp?id=19663>.

Other required documents include:

- Purchasing agreement or other document as a proof of building and land ownership;
- Building usage permit;
- Rent and shelter fee payment certificate;
- Payment of BAM 27 for administrative expenses.

Land Registry Department will register the property upon receiving the cadastre extract. Because of a great number of pending requests, registration in the land registry takes a long time. Currently, the Land Registry Department is working on requests from 2008.

\*This procedure can be completed simultaneously with previous procedure.

#### DEALING WITH CONSTRUCTION PERMITS

### Sarajevo, Bosnia and Herzegovina

Warehouse Value: BAM 1,013,350 (US\$ 726,607)

Data as of: January 2011

### Procedure 1. Obtain cadastre extract showing status of the land plot from the municipal Cadastre Department

**Time:** 1 day

**Cost:** BAM 15

**Comments:** BuildCo must submit a request form available at the municipality. Due to internal reorganization and automatization of cadastre books, cadastre extract can be obtained in 1 day, given that all cadastre books are in digital form.

### Procedure 2\*. Obtain extract from the land registry book showing proper registration from the municipal Land Registry Department

**Time:** 1 day

**Cost:** BAM 4

**Comments:** The extract is available from the Land Registry Department of the Municipal Court. The company representative must take a queue number at the office counter in the morning and make a written or oral request. The extract will be provided on the same day (usually within 1 hour).

### Procedure 3. Obtain urban planning consent from the municipal Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 30 days

**Cost:** BAM 30

**Comments:** BuildCo submits a request to the municipality for an urban planning consent with the following required documents:

- Reason for the request, including the project data and documentation required for the assessment by the municipal Department for Spatial Planning, Urbanism and Communal Matters;
- Program sketch;
- Preliminary (or first draft) project design, two examples (or depending on the level of construction complexity, project proposal or program sketch);
- General schemes for power installations, heating installations, fire prevention and security systems, water supply and sewage systems;
- Extract from the cadastre plan, showing right to build and ownership of plot (not older than 6 months);
- Extract from the land registry book, showing proper registration.

Once issued, the urban planning consent is effective for a year, during which time BuildCo may submit a construction permit request.

### Procedure 4. Obtain preliminary verification of the heating and electricity installations from Elektroprivreda

**Time:** 29 days

**Cost:** BAM 88

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

- Book 1, Architecture Project;
- Book 2, Building Project;
- Electrical installations (IT, lightning rod) and fire prevention technology;
- Heating installations (including pre-measurements and technical descriptions);
- Water supply and sewage system installations (including pre-measurements and technical descriptions);
- Information on the geotechnical and civil engineering aspects of the project;
- Study on waste management and environment protection;
- Study on fire and explosion prevention.

### Procedure 5\*. Obtain preliminary verification of water supply and sewage system projects from Vodovod i Kanalizacije

**Time:** 28 days

**Cost:** BAM 117

**Comments:** Apart from the request for a preliminary verification of water supply and sewage and all other preliminary verifications by utility providers, BuildCo must submit the description of the main project plan to the municipal water and sewage authority (Vodovod i Kanalizacija). All documents should be submitted in two copies (one for water supply authority, one for sewage authority).

### Procedure 6\*. Obtain preliminary verification of the telecommunication installations from BH Telekom

**Time:** 15 days

**Cost:** BAM 21

**Comments:** BuildCo must submit to BH Telekom the description of the main project plan, which consists of the following documents:

- Preliminary consent on telecommunication installation;
- Land registry extract to prove ownership of the property;
- Urban consent from the municipal Department for Spatial Planning, Urbanism and Communal Matters which already contains cadastre extract and the original construction project sketch.

### Procedure 7\*. Obtain preliminary verification of Study on Fire and Explosion Prevention from the Public Institute for Fire Protection

**Time:** 4 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 8. Obtain validation of the technical audit of the main project from the auditing entity

**Time:** 5 days

**Cost:** BAM 28,180

**Comments:** BuildCo must undergo a technical audit, showing that the project was designed in compliance with the urban planning consent and provisions of the Law on Spatial Planning. The auditing entity must have at least one engineer who passed the state exam and has 5 years of experience. The signature of an authorised auditor is required to confirm that the project has been revised in its entirety and in compliance with the Law. The total fee for technical audits varies across municipalities, according to municipal decisions on the fee schedule for the technical audit of construction.

### Procedure 9\*. Pay the rent fee and shelter construction fee at a commercial bank on the account of Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 1 day

**Cost:** BAM 38,487 (BAM 21.80 per square meter of the land and building for the rent fee + 1% of the overall value of the land and building for the shelter fee)

### Procedure 10. Apply for building permit with the municipal Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 30 days

**Cost:** No cost

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

- a. Valid urban planning consent;
- b. Cadastre extract: land plot and proof of right to build;
- c. Proof of payment for purchase of the construction land;
- d. Proof of rent payments and shelter fee;
- e. Consents obtained during the issuing of the urban planning permit;
- f. Consent for stated building and any other enclosures as requested by the authorities;
- g. Verified development project (two copies);
- h. Consents for 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 11. Request marking out of the land plot at the municipal Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 7 days

**Cost:** BAM 15

**Comments:** The request for marking out the land plot must be submitted to the municipal Department for Spatial Planning, Urbanism and Communal Matters, with the building permit and the urban planning consent. The municipal authorities mark out the land plot. The request fee depends on the annual municipal pricing decisions and on the on-site assessment.

### Procedure 12. Notify the municipality about the commencement of works at the Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 1 day

**Cost:** No cost

**Comments:** BuildCo must notify the municipal Department for Spatial Planning, Urbanism and Communal Matters, of the start of construction no later than 8 days before work begins.

### Procedure 13. Request telephone line connection at BH Telekom

**Time:** 13 days

**Cost:** BAM 60

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

### Procedure 14\*. Request water and sewage connection at Vodovod i Kanalizacije

**Time:** 30 days

**Cost:** BAM 500

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

### Procedure 15\*. Request electricity connection at Elektroprivreda

**Time:** 30 days

**Cost:** BAM 750

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

### Procedure 16. Request issuance of the building usage permit from the municipal Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 30 days

**Cost:** BAM 7,804

**Comments:** BuildCo must submit a request for the building usage permit with the following documents:

- a. Building permit (copy);
- b. Cadastre plan (copy), including an exact plan of the marked final building position;
- c. Written statements from each contractor, stating the work has been properly performed according to the project design and future maintenance plans;
- d. Written report (by the construction supervisor) that all materials were of standard quality (certified as such by the suppliers).

Upon submitting request to obtain the building usage permit, BuildCo has to receive a technical inspection. The building usage permit is issued upon completion of the technical inspection. By law, the technical inspection should be performed within 15 days of receiving a request for a building usage permit. After drawing up a protocol, signed by the president and each board member, the inspection board must forward the signed protocol to the municipal Department for Spatial Planning, Urbanism and Communal Matters, within 8 days of performing the site inspection. If the protocol states that the building is defective and that the defective parts need to be removed, the municipality will set a deadline of up to 90 days for BuildCo to take action. In practice, it takes longer than the time limits set by law.

### Procedure 17\*. Receive technical inspection from the municipal Department for Spatial Planning, Urbanism and Communal Matters

**Time:** 1 day

**Cost:** No cost

**Comments:** No later than the inspection date, BuildCo must present the following documentation to the board:

- a. Excerpt from the Commercial Court Register, showing that BuildCo is properly registered;
- b. Details on the each work phase of the construction;
- c. Building permit (copy);
- d. Performance reports verified by the designer of the main project plan to validate compliance with the main project plan as well as terms and conditions specified in the building permit;
- e. Construction diary and construction book;
- f. Proof of testing the quality of materials and equipment received from suppliers at the time of purchase;
- g. Construction mark-out plan and minutes on the performed mark out;
- h. Construction-site organization scheme;
- i. Decision on the appointed construction engineers and the supervisors;
- j. Cadastre plan.

The relevant municipal department must appoint an independent professional inspection board for a technical inspection within 8 days of receiving the duly submitted request for issuance of a building usage permit. The number of board members appointed depends on the type and the complexity of the building; the board will consist of one professional for each type of construction work to be inspected (architectural/engineering, electrical, mechanical, water and sewage system, and so forth).

### Procedure 18. Register the building into cadastre books at the municipal Cadastre Department

**Time:** 15 days

**Cost:** BAM 180

**Comments:** BuildCo must submit a request to register the building in the cadastre books at the municipal Cadastre Office. Along with the request, BuildCo must submit the building usage permit, the building permit, the certificate proving the marking out of the property construction site and other documents showing ownership over the property.

During the technical review of the completed construction, the designated authority checks whether there have been any additional changes in the construction and whether the construction was built in accordance with the urban planning consent. If there were any changes, it is necessary to obtain a new geodetic image of the plot. Upon registration of the property in the cadastre records, the cadastre forwards an extract to the Land Registry, which will serve for having the property registered in the land registry books.

### Procedure 19. Register the building into land registry books with the Land Registry Department at the District Court Sarajevo

**Time:** 1 day

**Cost:** BAM 60

**Comments:** BuildCo must submit a request to register the warehouse in the land registry books. The request form can be found in the Land Registry Department.

Other required documents include:

- Purchasing agreement or other document as a proof of building and land ownership;
- Building usage permit;
- Rent and shelter fee payment certificate;
- Payment of BAM 60 for administrative expenses.

The Land Registry office will register the property upon receiving the cadastre extract.

\*This procedure can be completed simultaneously with previous procedure.

#### DEALING WITH CONSTRUCTION PERMITS

##### Pristina, Kosovo

Warehouse Value: EUR 700,000 (US\$ 1,020,128)

Data as of: January 2011

### Procedure 1. Request and obtain the property certificate and a copy of land plot plan from the municipal Geodesy and Cadastral Directorate

**Time:** 2 days

**Cost:** EUR 8 (EUR 4 for ownership certificate + EUR 4 for a copy of the land plot plan)

**Comments:** Property certificates are valid for 180 days and will be required for the building permit application.

### Procedure 2. Request and obtain approval of compliance with urban and technical requirements from the Department of Urbanism, Construction, and Environmental Protection

**Time:** 30 days

**Cost:** EUR 10

**Comments:** Authorities verify if the building can be constructed in the specific area and if the building's design complies with the urban plan. In addition, the authorities analyze the building plans to assess the compliance with security and technical construction standards. The legal deadline for this procedure is 30 business days.

### Procedure 3. Request and obtain validation of the main project from the Department of Urbanism, Construction, and Environmental Protection

**Time:** 5 days

**Cost:** No cost

**Comments:** The Department verifies the main project plan and assesses the fees that need to be paid in order to obtain the building permit.

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

**Time:** 2 days

**Cost:** EUR 10

**Comments:** BuildCo presents the electrical plans for assessment of compliance with safety standards.

### Procedure 5. Request and obtain fire protection clearance from the Department of Emergencies and Civil Protection

**Time:** 15 days

**Cost:** EUR 50

**Comments:** BuildCo presents the emergency plans in case of fire for assessment of compliance with safety standards.

### Procedure 6. Request and obtain initial clearance from the water authority (Ujësjellësi Rajonal Prishtina)

**Time:** 2 days

**Cost:** No cost

**Comments:** BuildCo presents the water plans for assessment of compliance with safety standards. There is no charge for the clearance, but the total fee including the connection is EUR 181 (reflected in Procedure 11).

### Procedure 7. Pay municipal fees for the building permit at a commercial bank

**Time:** 1 day

**Cost:** EUR 13,007

### Procedure 8. Request and obtain building permit from the Department of Urbanism, Construction, and Environmental Protection

**Time:** 30 days

**Cost:** No cost

**Comments:** The applicant presents the receipt of payment and requests the building permit. Usually, applicants will have to wait between 20 to 35 days in order to receive the building permit.

### Procedure 9. Notify the Department of Urbanism, Construction, and Environmental Protection 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 unannounced to verify whether the construction is in accordance with the plan. Due to the volume of construction in Pristina, such visits are rare.

### Procedure 10. Receive on-site inspection by the municipal Technical Commission

**Time:** 1 day

**Cost:** No cost

### Procedure 11. Request connection and connect to water and sewage services (Ujësjellësi Rajonal Prishtina)

**Time:** 7 days

**Cost:** EUR 181

### Procedure 12\*. Request connection and connect to telecommunications network

**Time:** 5 days

**Cost:** EUR 31

### Procedure 13\*. Apply for electricity connection at KEK (Korporata Energjetike e Kosovës)

**Time:** 1 day

**Cost:** No cost

**Comments:** Applicants should apply in person. The forms are available on-line. The following documents should be attached to the application: electrical plan, construction permit and receipts stating the origin of materials.

### Procedure 14\*. Receive an inspection from KEK (Korporata Energjetike e Kosovës)

**Time:** 1 day

**Cost:** No cost

**Comments:** An inspector visits the property and assesses the connection costs. After the visit, the staff from KEK will prepare the "energy agreement". This document explains the required next steps and provides connection works' guidelines for the electrical contractor. KEK is unable to provide materials or workers for the connection. Therefore, the electrical contractor will lead the works under KEK's supervision.

### Procedure 15\*. Sign energy agreement with KEK and pay associated fees at a commercial bank

**Time:** 1 day

**Cost:** EUR 501 (EUR 500 connection fee + EUR 1 bank transaction fee)

**Comments:** The applicant pays the EUR 500 fee (for processing the technical documentation) at any commercial bank and EUR 1 (for bank transaction fee). Applicants have 4 days to request any amendment to the energy agreement.

**Procedure 16\*. Receive inspection by KEK of purchased equipment and connection works, external connection and installation of the meter****Time:** 21 days**Cost:** No cost**Comments:** Electricity starts to flow upon installation of the meter. All the connection related works will be performed by the electrical contractor under the supervision of KEK. The meter will be provided by KEK (usually applicants have to buy the meter and register it at KEK). For large construction projects, KEK provides the meter.**Procedure 17. Request technical approval of the building by the Municipal Technical Commission****Time:** 1 day**Cost:** EUR 30**Procedure 18. Receive technical approval of the building by the Municipal Technical Commission and obtain usage permit****Time:** 39 days**Cost:** EUR 10**Procedure 19. Register property at the municipal Geodesy and Cadastral Directorate****Time:** 165 days**Cost:** No cost**Procedure 20\*. Pay registration fee at a commercial bank****Time:** 1 day**Cost:** EUR 5,203 (EUR 4 for each square meter of construction + EUR 1 bank transaction fee)**Procedure 21\*. Receive inspection from the Geodesy and Cadastral Directorate of the Municipality****Time:** 1 day**Cost:** No cost

\*This procedure can be completed simultaneously with previous procedure.

## DEALING WITH CONSTRUCTION PERMITS

**Prizren, Kosovo***Warehouse Value: EUR 700,000 (US\$ 1,020,128)**Data as of: January 2011***Procedure 1. Request and obtain the property certificate and a copy of the land plot plan from the municipal Geodesy and Cadastral Directorate****Time:** 2 days**Cost:** EUR 7 (EUR 4 for ownership certificate + EUR 3 for a copy of the land plot plan)**Comments:** The property certificate and lot plan copy are valid for 180 days each. They are required when applying for building permit. If the lot plan copy is obtained in A3 format, the cost is EUR 10.**Procedure 2\*. Request and obtain a confirmation letter that there are no tax obligations from the municipal Finance and Economy Directorate****Time:** 1 day**Cost:** No cost**Procedure 3. Request urban and technical requirements approval****Time:** 1 day**Cost:** EUR 13 (EUR 0.5 for request + EUR 2.5 approval fee + EUR 10 inspection fee)**Comments:** The approval is valid for one year, within which period the applicant needs to obtain all the necessary permits and start construction.**Procedure 4. Receive on-site inspection by the municipal Technical Commission and obtain urban and technical requirements approval****Time:** 30 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 thereafter in order to obtain the building permit. The Technical Commission may also conduct other random visits during the construction to see whether the building is in compliance with the approved standards. Construction cannot start before the building permit has been obtained.**Procedure 5\*. Request and obtain initial clearance from the electricity authority KEK (Korporata Energjetike e Kosovës)****Time:** 2 days**Cost:** EUR 10**Comments:** BuildCo presents the electrical plans for assessment of compliance with safety standards.**Procedure 6\*. Request and obtain initial clearance from the water authority (Ujësjiellësi Rajonal Prizren)****Time:** 2 days**Cost:** No cost**Comments:** BuildCo presents the water plans for assessment of compliance with safety standards. There is no charge for the clearance, but the total fee including the connection is EUR 180 (reflected in Procedure 16).**Procedure 7\*. Request and obtain initial clearance from the postal and telecommunication authorities (Posta dhe Telekomunikacioni i Kosovës)****Time:** 2 days**Cost:** EUR 5**Procedure 8\*. Request and obtain fire protection clearance from the municipal Department of Emergencies (Ekoregjioni)****Time:** 15 days**Cost:** EUR 50**Comments:** BuildCo presents the emergency plans in case of fire for assessment of compliance with safety standards.**Procedure 9. Request and obtain validation of the technical audit of the main project from the municipal Directorate of Planning, Urbanism and Construction****Time:** 5 days**Cost:** No cost**Comments:** The Directorate verifies the main project plan and assesses the fees that need to be paid in order to obtain the building permit.**Procedure 10. Request and obtain the building permit from the municipal Directorate of Planning, Urbanism and Construction****Time:** 30 days**Cost:** EUR 10 (application fee)**Comments:** According to Law No. 2004/15 on Construction, the building permit is issued if all requirements stated in Article 33 of the law are complied with. The building permit is issued within 30 days from the application date.**Procedure 11\*. Pay municipal fees for the building permit at a commercial bank****Time:** 1 day**Cost:** EUR 15,607 (EUR 2 per cubic meter)**Comments:** According to the municipal schedule on fees, taxes, and fines for municipal services, the building permit fees are determined based on the following schedule:

- a. Zone I: EUR 3 per cubic meter;
- b. Zone II: EUR 2 per cubic meter;
- c. Zone III: EUR 1 per cubic meter.

**Procedure 12. Notify the municipal Directorate of Planning, Urbanism and Construction 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.**Procedure 13\*. Request connection and connect to electricity services from KEK (Korporata Energjetike e Kosovës)****Time:** 21 days**Cost:** No cost**Procedure 14\*. Receive an inspection from KEK (Korporata Energjetike e Kosovës)****Time:** 1 day**Cost:** No cost**Comments:** An inspector visits the property and assesses connection costs. After the visit, the staff from KEK will prepare the "energy agreement". This document explains the required next steps and provides connection works' guidelines for the electrical contractor. KEK is unable to provide materials or workers for the connection. Therefore, the electrical contractor will lead the works under KEK's supervision.**Procedure 15\*. Sign energy agreement and pay associated fees at a commercial bank****Time:** 1 day**Cost:** EUR 501 (EUR 500 connection fee + EUR 1 bank transaction fee)**Comments:** The applicant pays the EUR 500 fee (for processing the technical documentation) at any commercial bank and EUR 1 (for bank transaction fee). Applicants have 4 days to request any amendment to the energy agreement.**Procedure 16\*. Request connection and connect to water and sewage services****Time:** 7 days**Cost:** EUR 180**Procedure 17\*. Request connection and connect to telecommunications network****Time:** 5 days**Cost:** EUR 20**Procedure 18. Request technical approval of the building by the municipal Technical Commission and obtain usage permit****Time:** 10 days**Cost:** EUR 15**Procedure 19. Receive an inspection from the municipal Geodesy and Cadastral Directorate****Time:** 45 days**Cost:** No cost**Procedure 20. Register property with the municipal Geodesy and Cadastral Directorate****Time:** 15 days**Cost:** No cost**Procedure 21\*. Pay registration fee at a commercial bank****Time:** 1 day**Cost:** EUR 120**Comments:** The cost includes the fee to reflect changes in the city's urban plan (Procedure 20) as well as the cost of the inspection by the municipal Geodesy and Cadastral Directorate (Procedure 19).

\*This procedure can be completed simultaneously with previous procedure.

## DEALING WITH CONSTRUCTION PERMITS

**Bitola, FYR Macedonia***Warehouse Value: MKD 25,000,000 (US\$ 566,425)**Data as of: January 2011***Procedure 1. Obtain proof of ownership (title deed) from the local Cadastre office****Time:** 1 day**Cost:** MKD 175 (MKD 125 title deed + MKD 50 administrative tax)**Comments:** The company has to obtain proof of ownership of the property where the building will be located. This document is issued by the local Cadastre office no earlier than 6 months before construction begins.**Procedure 2\*. Obtain copy of cadastre plan from the local Cadastre office****Time:** 5 days**Cost:** MKD 215 (MKD 165 copy of cadastre plan + MKD 50 administrative tax)**Procedure 3. Obtain extract of detailed space plan from municipal Office of Urban Development and Spatial Planning****Time:** 3 days**Cost:** MKD 800 (MKD 750 extract + MKD 50 administrative tax)**Comments:** The request for the extract should be accompanied by the following documents: title deed and copy of the cadastre plan.**Procedure 4. Obtain Account of Numerical Data study (Elaborat od Numericki Podatoci) from a private cadastre office****Time:** 4 days**Cost:** MKD 3,500**Comments:** The fee for the study is MKD 3,500 if the cadastre plan and the detailed space plan are identical. If the plot needs to be divided or there is a road that cuts through the plot then the private company will measure the plot on-site and charge MKD 12.5 per square meter.**Procedure 5. Obtain information about underground terrain from electric grid company****Time:** 7 days**Cost:** No cost**Comments:** BuildCo obtains information about the location of underground electric cables under the plot. 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 and the extract of the detailed space plan should be submitted. The information is used for the creation of the main project plan.**Procedure 6\*. Obtain information about underground terrain from water company****Time:** 7 days**Cost:** MKD 1,000**Comments:** Information about the location of water pipes under the plot is obtained. The information should be obtained by the Office of Spatial Planning after the applicant submits the request for the location permit, but in practice entrepreneurs obtain the necessary documents themselves. The project design and the extract of the detailed space plan should be submitted. The information is used for the creation of the main project plan.**Procedure 7\*. Obtain information about underground terrain from sewage company****Time:** 7 days**Cost:** No cost**Comments:** Information about the location of sewage pipes under the plot is obtained. The information should be obtained by the Office of Spatial Planning after the applicant submits the request for the location permit, but in practice entrepreneurs obtain the necessary documents themselves. The project design and the extract of the detailed space plan should be submitted. The information is used for the creation of the main project plan.

### Procedure 8. Request and obtain location permit from the Office of Urban Development and Spatial Planning

**Time:** 25 days

**Cost:** MKD 2,050 (MKD 2,000 fee for location permit + MKD 50 administrative tax)

**Comments:** When requesting the location permit the following documents should be submitted: copy of the cadastre plan, extract from the detailed space plan, title deed, account of numerical data and the project design. Once the request is granted, the owners of the neighboring parcels are informed. If no complaints are filed within 8 days, the permit becomes effective. The fee for the location permit was increased in January 2010 as a result of the amendment of the Law on Administrative Taxes (Official Gazette No. 06/2010).

### Procedure 9. Obtain approval for connecting to power grid

**Time:** 7 days

**Cost:** No cost

**Comments:** Approval should be obtained by the Office of Spatial Planning after the applicant submits the request for building permit, but in practice entrepreneurs 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. The power grid approval is now free of charge.

### Procedure 10\*. Obtain approval for connecting to the water line (hydrotechnical conditions)

**Time:** 7 days

**Cost:** No cost

**Comments:** Approval should be obtained by the Office of Spatial Planning after the applicant submits the request for building permit, but in practice entrepreneurs 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 for connecting to the sewage line

**Time:** 7 days

**Cost:** MKD 1,000

**Comments:** Approval should be obtained by the Office of Spatial Planning after the applicant submits the request for building permit, but in practice entrepreneurs 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 project clearance from the local Office of Environmental Protection

**Time:** 3 days

**Cost:** MKD 250

**Comments:** Before a building permit can be issued, the investor is obliged to obtain project clearance from the local Office of Environmental Protection.

### Procedure 13. Request the building permit from the Office of Urban Development and Spatial Planning

**Time:** 20 days

**Cost:** MKD 2,050 (MKD 2,000 building permit + MKD 50 administrative tax)

**Comments:** The Law on Amendments and Modification of the Law on Spatial and Urban Planning was adopted on June 8, 2008, and enforced on June 16, 2008. Under these changes the authorized body must provide opinions from other state bodies within 5 days and issue the permit within 5 days after the documentation has been completed. The building permit requires the investor to start construction work within 6 months from the issuance date. In the case of a warehouse, according to Article 51 of the Law on Spatial and Urban Planning, the permit is issued by the authorized municipality. In practice the time-limits are not fully observed and it takes an average of 20 days to obtain the building permit. The request should be accompanied by the following documents: copy of the project design, the location permit, 4 copies of the main project plan, and the approvals from the relevant public institutions. 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. The building permit fee was increased in January 2010 following the amendments to the Law on Administrative Taxes (Official Gazette No. 06/2010).

### Procedure 14\*. Pay the municipal spatial planning and urban development fee in a bank

**Time:** 1 day

**Cost:** MKD 2,087,380 (MKD 3,150 urban development fee x 1,300.6 square meters x 0.5 warehouse coefficient + MKD 59.9 spatial planning fee (0.3% of average salary) x 650 square meters (base of warehouse))

**Comments:** The urban development fee for Zone II in Bitola is MKD 3,150 per square meter. The warehouse coefficient of 0.5 is in accordance with the Rulebook on assessing the communal fee. The fee for spatial planning is 0.3% of the average salary in FYR Macedonia.

### Procedure 15\*. Receive an on-site inspection by representatives from the Office of Urban Development and Spatial Planning

**Time:** 1 day

**Cost:** No cost

**Comments:** Once the Office of Urban Development and Spatial Planning receives the request for the building permit, they send a team to the site to verify that the plot is really suitable for construction.

### Procedure 16\*. Receive on-site inspection by geometric engineer and obtain protocol

**Time:** 2 days

**Cost:** MKD 21,250 (MKD 32 x 650 square meters base of building + MKD 450 administrative tax)

**Comments:** The municipal Office for Urban Development sends a geometric engineer to inspect the site and prepare the protocol. The protocol consists of information about the plot and the location of the building on the plot.

### Procedure 17. Hire a third party supervisor for the construction work

**Time:** 1 day

**Cost:** MKD 375,000 (1.5% of the property value)

**Comments:** Before construction starts BuildCo must hire a private company or engineer licensed to perform construction supervision. The supervisory organ would oversee construction from beginning to end, perform the technical inspection after construction, and prepare the final report. A company would usually charge between 1% and 2% of the value of the property for construction supervision.

### Procedure 18. Request and obtain connection to power grid

**Time:** 7 days

**Cost:** MKD 26,312

**Comments:** The applicant should submit the following documents along with the request: building permit, proof of payment of electricity bills, and project plans.

### Procedure 19\*. Request and obtain connection to water line

**Time:** 7 days

**Cost:** MKD 8,000

**Comments:** The connection is executed in accordance with the previously issued hydro-technical conditions.

### Procedure 20\*. Request and obtain connection to sewage line

**Time:** 7 days

**Cost:** MKD 10,000

### Procedure 21\*. Request and obtain connection to telecommunications network

**Time:** 7 days

**Cost:** MKD 1,463

**Comments:** The request for telephone services should include a copy of BuildCo's court registration. The connection fee for a PPTSN package is MKD 1,463.

### Procedure 22. Receive on-site technical inspection of finished building by a supervisory body and prepare the final inspection report

**Time:** 7 days

**Cost:** No cost (cost reflected in procedure 17)

**Comments:** In accordance with the amendment to the Construction Law dated September 20, 2010, buildings that belong to the third, fourth and fifth category can be used after a report on the finished technical inspection is prepared by a licensed supervisory engineer or company. An occupancy permit for this building is no longer required. The company that supervises the construction would usually charge between 1% and 2% of the value of the property to oversee construction from beginning to end and submit the final report.

### Procedure 23. Register the new building with the municipal Cadastre office

**Time:** 2 days

**Cost:** MKD 550 (MKD 500 registration fee + MKD 50 stamp duty)

\*This procedure can be completed simultaneously with previous procedure.

#### DEALING WITH CONSTRUCTION PERMITS

#### Skopje, FYR Macedonia

Warehouse Value: MKD 25,000,000 (US\$ 566,425)

Data as of: January 2011

### Procedure 1. Request and obtain proof of land ownership from the Real Estate Cadastre

**Time:** 1 day

**Cost:** MKD 175 (MKD 125 title deed + MKD 50 administrative tax)

**Comments:** BuildCo must obtain proof of ownership of the land where construction is to take place. This document must be obtained at least 6 months before the beginning of the process. The municipalities of Skopje update annually their tariff for fees associated with surveying and geodetic data for real estate. Obtaining proof of land ownership cost can vary from municipality to municipality. The average cost would be MKD 125 for one parcel. If the land includes more than one parcel, the cost would be MKD 125 for the first parcel and MKD 25 for each additional parcel.

### Procedure 2\*. Request and obtain the extract of detailed space plan from the municipal Office of Space Planning

**Time:** 6 days (1 day to submit the request + 5 days to obtain the extract)

**Cost:** MKD 1,050 (MKD 300 for request + MKD 750 for the extract of detailed space plan)

**Comments:** The requested extract of the detailed space plan is issued by the respective office of the municipality. Together with the request for obtaining an extract of the detailed space plan applicants have to submit the following documents: a proof of land ownership and extract from a cadastre plan obtained by the Real Estate Cadastre Agency. The extract of the detailed space plan is to be obtained within 5 working days after submitting the request.

### Procedure 3\*. Hire a private cadastre office and obtain Account of Numerical Data study (elaborat od numerichki podatoci)

**Time:** 1 day

**Cost:** MKD 6,000

**Comments:** The cost of this study ranges from MKD 6,000 to MKD 10,000. In Skopje there are a number of private cadastre offices that can be hired by BuildCo. The private cadastre office shall then obtain approval and certification of the Real Estate Cadastre Agency.

### Procedure 4. Request and obtain decision on conditions for construction (location permit) from the municipality

**Time:** 5 days

**Cost:** MKD 2,050

**Comments:** Under the new construction law, the authorized body for issuing decisions on construction conditions is the municipality, and in the case of projects of special importance to the country, the state body. The application for this document should be accompanied by proof of ownership, proof of a long-term lease of the land, an agreement for concession or other documents, and a geodetic study prepared by authorized specialists. The decision on conditions for construction is issued within 5 working days. The fee for the location permit was increased in January 2010 as a result of the amendment of the Law on Administrative Taxes (Official Gazette No. 06/2010).

### Procedure 5. Pay municipal tax, obtain proof of payment, and obtain relevant approvals

**Time:** 15 days

**Cost:** MKD 3,047,628 (see comments)

**Comments:** Before the building permit is issued, BuildCo must pay a fee for the preparation of the spatial plan and the urban plan. The applicant goes to the municipality to find out the fees to be paid and then goes to the bank to pay the fees. The fees are distributed as follows: 30% of these fees are revenue for the state budget, while the remaining 70% are revenue for the budget of the municipalities (60% of fees go to the city of Skopje, and 40% of fees go to the relevant municipality). The applicant then goes back to the Finance Department of the Skopje city that ensures that payments are in order, which usually takes about 2 days. After that, the applicant signs the contract with the city of Skopje, and the contract is signed by both the applicant and the Mayor.

Fees amount to 0.3% of the average salary (MKD 19,616) = MKD 58.84 x 1300.6 square meters (size of building). The other part of the fee is MKD 2,284.40 x 1300.6 square meters which is called 'communal tax' for the maintenance of existing infrastructure and development of new roads, social facilities such as schools and utilities. The tariff for communal tax depends on the zone where the construction is taking place. Skopje is divided in 4 zones, Zone 1 being the center of the city and Zone 4 being the periphery. For Zone 3, the total cost is: MKD 3,047,628.3

### Procedure 6. Request and obtain approval for construction (building permit) from the municipality

**Time:** 45 days

**Cost:** MKD 2,050

**Comments:** Law on amendments and modification of the Law on Spatial and Urban Planning was adopted on June 8, 2008 and enforced on June 16, 2008. Under these changes the authorized body must provide opinions from other state bodies within 5 days and issue the permit within 5 days after the documentation has been completed. The building permit requires the investor to start construction work within 6 months from the issuance date. In the case of a warehouse, according to Article 51 of Law on Spatial and Urban Planning the permit is issued by the authorized municipality. In practice, time-limits are not fully observed and it takes on average a month and a half to obtain the building permit.

The building permit fee was increased in January 2010 following the amendments to the Law on Administrative Taxes (Official Gazette No. 06/2010).

### Procedure 7\*. Request and obtain project clearance from the Fire Department

**Time:** 10 days

**Cost:** No cost

**Comments:** Project clearance from the Fire Department is processed simultaneously with the building permit. Private project companies, the so called 'Bureaus', can obtain project clearance from the Fire Department within 2-3 days. They charge on average MKD 15,000 for their services. However, this clearance can be obtained by BuildCo if it wishes so without any intermediaries.

### Procedure 8\*. Request and obtain project clearance from the Health Department

**Time:** 3 days

**Cost:** No cost

**Comments:** Project clearance from the Health Department is processed simultaneously with the building permit. Private project companies (so called 'Bureaus') can obtain project clearance from the Health Department within 2-3 days. They charge on average MKD 15,000 for their services. However, this clearance can be obtained by BuildCo if it wishes so without any intermediaries.

### Procedure 9\*. Request and obtain project clearance from the Environmental Department

**Time:** 2 days

**Cost:** No cost

**Comments:** Project clearance from the Environmental Department is processed simultaneously with the building permit.

### Procedure 10. Hire a third party supervisor for the construction work

**Time:** 1 day

**Cost:** MKD 375,000 (1.5% of the property value)

**Comments:** Before construction starts BuildCo must hire a private company or engineer licensed to perform construction supervision. The supervisory organ would oversee construction from beginning to end, perform the technical inspection after construction, and prepare the final report. A company would usually charge between 1% and 2% of the value of the property for construction supervision.

### Procedure 11. Request and obtain connection to power services

**Time:** 22 days

**Cost:** MKD 1,700

**Comments:** The applicant should include the following documents along with the request: the construction conditions, a request submitted to the electricity provider, proof of payment of electricity bills, and project plans.

### Procedure 12\*. Request and obtain water and sewage installation

**Time:** 15 days

**Cost:** MKD 43,219

**Comments:** To obtain a water and sewage installation, an application must be submitted along with the following documents:

1. Hydro-technical conditions issued by JP "Vodovod i Kanalizacija";
2. A directive from the construction company, issued by the State Committee for Urban, Communal, and Housing Works.

### Procedure 13\*. Request and obtain connection to telecommunication services

**Time:** 7 days

**Cost:** MKD 1,463

**Comments:** The request for telephone services should include a copy of BuildCo's court registration. Macedonian Telecommunication Company (MakTel) increased its annual fee for connecting to telephone. Provided the company chooses the PTSN package, the connection fee within the existing capacity is MKD 1,463 since January 2009. Following the deregulation of the fixed line market in 2008, increased competition made companies expedite the connection time.

### Procedure 14. Receive on-site technical inspection of finished building by a supervisory body and prepare the final inspection report

**Time:** 4 days

**Cost:** No cost (cost reflected in procedure 10)

**Comments:** In accordance with the amendment to the Construction Law dated September 20, 2010, buildings that belong to the third, fourth and fifth category can be occupied after a report on the finished technical inspection is prepared by a licensed supervisory engineer or company. An occupancy permit for these building is no longer required. It takes one day to perform the technical inspection and three days to draft and submit the final report. The company that supervises the construction would usually charge between 1% and 2% of the value of the property to oversee construction from beginning to end and submit the final report.

### Procedure 15. Register the warehouse with the Real Estate Registry

**Time:** 30 days

**Cost:** MKD 400 (MKD 350 registration fee + MKD 50 stamp duty)

**Comments:** Under the new Law on Real Estate Cadastre (Official gazette 40/2008), the process of registration of new buildings has become shorter. The new time-limits for complex cases was reduced from 60 to 3 days, and 30 to 1 day for simple cases. While resources are still insufficient and do not allow the registry to respect the time-limits fully, the average time to register a new building was reduced to 30 days.

\*This procedure can be completed simultaneously with previous procedure.

## DEALING WITH CONSTRUCTION PERMITS

### Tetovo, FYR Macedonia

*Warehouse Value: MKD 25,000,000 (US\$ 566,425)*

*Data as of: January 2011*

### Procedure 1. Obtain proof of ownership (title deed) from the local Cadastre office

**Time:** 1 day

**Cost:** MKD 175 (MKD 125 title deed + MKD 50 administrative tax)

**Comments:** The company has to obtain proof of ownership of the property where the building will be located. This document is issued by the local Cadastre office no earlier than 6 months before construction begins.

### Procedure 2\*. Obtain copy of cadastre plan from the local Cadastre office

**Time:** 4 days

**Cost:** MKD 215 (MKD 165 copy of cadastre plan + MKD 50 administrative tax)

### Procedure 3. Obtain extract of detailed space plan from municipal Office of Urban Development and Spatial Planning

**Time:** 7 days

**Cost:** MKD 800 (MKD 750 extract + MKD 50 administrative tax)

**Comments:** The request for the extract should be accompanied by the following documents: title deed and copy of the cadastre plan.

### Procedure 4. Obtain Account of Numerical Data study (Elaborat od Numerichki Podatoci) from a private cadastre office

**Time:** 5 days

**Cost:** MKD 8,000

### Procedure 5. Obtain information about underground terrain from power grid company

**Time:** 3 days

**Cost:** No cost

**Comments:** BuildCo obtains information about the location of underground electrical cables under the plot. The information should be obtained by the Office of Spatial Planning after the applicant submits the request for the location permit, but in practice the entrepreneurs obtain the necessary documents themselves. The project design and the extract of the detailed space plan should be submitted. The information is used for the creation of the main project plan.

### Procedure 6\*. Obtain information about underground terrain from water and sewage company

**Time:** 4 days

**Cost:** No cost

**Comments:** Information about the location of water and sewage pipes under the plot is obtained. The information should be obtained by the Office of Spatial Planning after the applicant submits the request for the location permit, but in practice the entrepreneurs obtain the necessary documents themselves. The project design and the extract of the detailed space plan should be submitted. The information is used for the creation of the main project plan.

### Procedure 7. Request and obtain location permit from Office of Urban Development and Spatial Planning

**Time:** 10 days

**Cost:** MKD 2,050 (MKD 2,000 fee for location permit + MKD 50 administrative tax)

**Comments:** When requesting the location permit the following documents should be submitted: copy of the cadastre plan, extract from the detailed space plan, title deed, account of numerical data and the project design. Once the request is granted, the owners of the neighboring parcels are informed. If no complaints are filed within 8 days, the permit becomes effective. The fee for the location permit was increased in January 2010 as a result of the amendment of the Law on Administrative Taxes (Official Gazette No. 06/2010).

### Procedure 8. Obtain approval for connecting to power grid

**Time:** 15 days

**Cost:** No cost

**Comments:** Approval should be obtained by the Office of Spatial Planning after the applicant submits the request for building permit, but in practice entrepreneurs obtain the 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 9\*. Obtain approval for connecting to the water and sewage line (hydrotechnical conditions)****Time:** 15 days**Cost:** MKD 1,500

**Comments:** Approval should be obtained by the Office of Spatial Planning after the applicant submits the request for building permit, but in practice entrepreneurs obtain the 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 10. Obtain project clearance from the local Office of Security and Protection****Time:** 3 days**Cost:** No cost

**Comments:** In accordance with the Law on Security and Protection, the Law on Firefighting and the letter of the Tetovo Office of Security and Protection dated November 29, 2010, BuildCo is obliged to obtain project clearance from the local Office of Security and Protection.

**Procedure 11\*. Obtain project clearance from the local Office of Environmental Protection****Time:** 3 days**Cost:** No cost

**Comments:** Before a building permit can be issued the investor is obliged to obtain project clearance from the local Office of Environmental Protection.

**Procedure 12. Request building permit from Office of Urban Development and Spatial Planning****Time:** 30 days**Cost:** MKD 2,050 (MKD 2,000 building permit + MKD 50 administrative tax)

**Comments:** The Law on Amendments and Modification of the Law on Spatial and Urban Planning was adopted on June 8, 2008, and enforced on June 16, 2008. Under these changes the authorized body must provide opinions from other state bodies within 5 days and issue the permit within 5 days after the documentation has been completed. The building permit requires the investor to start construction work within 6 months from the issuance date. In the case of a warehouse, according to Article 51 of Law on Spatial and Urban Planning the permit is issued by the authorized municipality. In practice the time-limits are not fully observed and it takes an average of 30 days to obtain the building permit. The request should be accompanied by the following documents: copy of the project design, the location permit, 4 copies of the main project plan, and the approvals from the relevant public institutions. 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. The building permit fee was increased in January 2010 following the amendment to the Law on Administrative Taxes (Official Gazette No. 06/2010).

**Procedure 13\*. Pay the municipal spatial planning and urban development fee in a bank****Time:** 1 day

**Cost:** MKD 1,976,179 (MKD 2,979 urban development fee x 1,300.6 square meters x 0.5 warehouse coefficient + MKD 59.9 spatial planning fee (0.3% of average salary) x 650 square meters (base of warehouse))

**Comments:** The urban development fee is assessed by the utility company Geoengineering. The fee for Zone II in Tetovo is MKD 2,979 per square meter times the warehouse coefficient of 0.5 in accordance with the Rulebook on assessing the communal fee. The fee for spatial planning is 0.3% of the average salary in FYR Macedonia.

**Procedure 14\*. Receive on-site inspection by geometric engineer and obtain protocol****Time:** 2 days

**Cost:** MKD 21,250 (MKD 32 x 650 square meters base of building + MKD 450 administrative tax)

**Comments:** The municipal Office for Urban Development sends a geometric engineer to inspect the site and prepare the protocol. The protocol consists of information about the plot and the location of the building on the plot. For buildings with a base smaller than 250 square meters, the protocol costs MKD 2,000. For bigger buildings the fee is MKD 32 per square meter of the base of the building.

**Procedure 15. Hire a third party supervisor for the construction work****Time:** 1 day**Cost:** MKD 375,000 (1.5% of the property value)

**Comments:** Before construction starts BuildCo must hire a private company or engineer licensed to perform construction supervision. The supervisory organ would oversee construction from beginning to end, perform the technical inspection after construction, and prepare the final report. A company would usually charge between 1% and 2% of the value of the property for construction supervision.

**Procedure 16. Request and obtain connection to power grid****Time:** 7 days**Cost:** MKD 26,312

**Comments:** The applicant should submit the following documents along with the request: building permit, proof of payment of electricity bills, and project plans.

**Procedure 17\*. Request and obtain connection to water and sewage line****Time:** 7 days**Cost:** MKD 18,000

**Comments:** The connection is executed in accordance with the previously issued hydrotechnical conditions.

**Procedure 18\*. Request and obtain connection to telecommunications network****Time:** 7 days**Cost:** MKD 1,463

**Comments:** The request for telephone services should include a copy of BuildCo's court registration. Macedonian Telecommunication Company (MakTel) increased its annual fee for connecting to telephone. Since January 2009 the connection fee within existing capacity is MKD 1,463 for a PTSN package.

**Procedure 19. Receive on-site technical inspection of finished building by a supervisory body and prepare the final inspection report****Time:** 7 days**Cost:** No cost (cost reflected in procedure 15)

**Comments:** In accordance with the amendment to the Construction Law dated September 20, 2010, buildings that belong to the third, fourth and fifth category can be used after a report on the finished technical inspection is prepared by a licensed supervisory engineer or company. An occupancy permit for these buildings is no longer required. The company that supervises the construction would usually charge between 1% and 2% of the value of the property to oversee construction from beginning to end and submit the final report.

**Procedure 20. Register the new building with the municipal Cadastre office****Time:** 15 days**Cost:** MKD 550 (MKD 500 registration + MKD 50 administrative tax)

\*This procedure can be completed simultaneously with previous procedure.

**DEALING WITH CONSTRUCTION PERMITS****Balti, Moldova**

Warehouse Value: MDL 6,519,887 (US\$ 572,623)

Data as of: January 2011

**Procedure 1. Request and obtain approval of project plans from the municipal One Stop Shop****Time:** 5 days**Cost:** MDL 1,000

**Comments:** The request, along with a proof of the legal status of the property and the design of the project to be built, is presented to the Department of Planning and Design within the municipal One Stop Shop. Based on the approval from the municipality, a complete set of city planning documentation is prepared. Depending on the location and the project design, a number of clearances and approvals need to be obtained in order to be included in the city planning documentation.

**Procedure 2\*. Request and obtain location clearance from the Fire Department****Time:** 4 days**Cost:** MDL 250**Comments:** This procedure is the first in a series of initial procedures that are done simultaneously.**Procedure 3\*. Request and obtain location clearance from the Center for Preventive Medicine****Time:** 14 days**Cost:** MDL 250**Procedure 4\*. Request and obtain location clearance from the Environmental Protection Agency****Time:** 10 days**Cost:** MDL 300**Procedure 5\*. Request and obtain technical conditions for electricity connection and street lighting from RED Nord****Time:** 7 days**Cost:** MDL 200**Comments:** By law, the approvals for connecting to utility networks, necessary to prepare the city planning documentation, should be issued free of charge by suppliers, no later than 20 working days after the request was made.**Procedure 6\*. Request and obtain technical conditions for water and industrial sewage system from Apa Canal****Time:** 14 days**Cost:** MDL 310**Comments:** After the application is submitted, it takes a week for it to be considered and another week for the beneficiary to receive an answer.**Procedure 7\*. Request and obtain technical conditions for telephone connection from MoldTelecom****Time:** 20 days**Cost:** MDL 136**Comments:** This procedure takes 7–30 days depending on the district where the plot is located. The technical conditions are valid for a year. Since 2006, MoldTelecom has started installing wireless telephone service under CDMA 2000. Many companies opt for this because of the low cost and speed of obtaining service.**Procedure 8\*. Request and obtain technical conditions for heating services from CET Nord****Time:** 7 days**Cost:** MDL 130**Comments:** State Service for Verification and Expertise of Projects in Construction will not issue its approval of the project without obtaining the technical specifications from CET Nord. This procedure is linked to fire safety regulations in effect during winter. In practice, connecting the CET Nord no longer happens. Most buildings are equipped with central heating.**Procedure 9\*. Request and obtain clearance from the municipal traffic police****Time:** 7 days**Cost:** MDL 300**Comments:** The applicant must contact the municipal traffic police if the building is less than 10 meters from an existing road.**Procedure 10\*. Request and obtain expertise clearance from the Fire Department****Time:** 7 days**Cost:** MDL 112**Comments:** The Fire Department must approve the completed set of designs and drawings after the conditions have been assigned. The clearance will be included in the city planning documentation. By law, the clearance should be issued within 5 days. In practice, it takes 7 days on average. The cost is not fixed by any law or government decision.**Procedure 11\*. Request and obtain expertise clearance from the Center for Preventive Medicine****Time:** 8 days**Cost:** MDL 310**Comments:** The Center for Preventive Medicine must approve the complete set of designs and drawings after the technical conditions have been assigned. The clearance will be included in the city planning documentation. By law, the clearance should be issued within 5 days. In practice, it takes 8 days on average. The cost is not fixed by any law or government decision.**Procedure 12\*. Request and obtain expertise clearance from the Environmental Protection Agency****Time:** 10 days**Cost:** MDL 500**Comments:** The Environmental Protection Agency will not issue any clearance unless the Fire Department and the Center for Preventive Medicine have previously issued their clearances. The clearance is usually issued in 7–15 days.**Procedure 13. Request and obtain a city planning certificate from the municipal One Stop Shop****Time:** 30 days**Cost:** MDL 50**Comments:** The certificate is prepared based on the urban planning documentation, which includes the clearances and approvals detailed above.**Procedure 14. Request and obtain expertise of project documents at the State Service for Verification and Expertise of Projects in Construction****Time:** 14 days**Cost:** MDL 3,200 (MDL 3,000 verification tax + MDL 200 travel costs)**Comments:** The State Service for Verification and Expertise of Projects in Construction is responsible for undertaking an internal verification of technical conditions with all the utility service providers. In addition to the charge for verification, applicants for Balti also pay for transport to Chisinau, where the Service is located.**Procedure 15. Request and obtain building permit from the municipal One Stop Shop****Time:** 30 days**Cost:** MDL 5,000**Comments:** The building permit is issued based on the application, enclosing the following documents:

- Extract from the register of immovable property issued by the cadastral office;
  - City planning certificate;
  - Project documentation;
  - Company registration certificate;
  - Contract for supervision signed by the applicant (beneficiary) and the architect.
- The issuer of the building permit sets the deadline for starting construction of up to 6 months from the date of its issuance.

**Procedure 16. Notify construction authorities of the start of construction****Time:** 1 day**Cost:** No cost**Comments:** At least 5 days before starting construction, the company must notify the authority (the State Construction Inspectorate) in writing. The written notification is submitted in person and must also be filed with the State Inspectorate of Construction. If construction begins without prior written notification, sanctions would be applied against the company. The construction period begins the day the permit is issued. Relevant authorities and ministries may require the company to provide valid proof of the legality of the start of construction work.**Procedure 17. Receive inspection on foundation works by the State Construction Inspectorate (1)****Time:** 1 day**Cost:** No cost

**Procedure 18. Receive inspection on structure works by the State Construction Inspectorate (2)****Time:** 1 day**Cost:** No cost**Procedure 19. Receive inspection of roofing by the State Construction Inspectorate (3)****Time:** 1 day**Cost:** No cost**Procedure 20. Request and connect to water and sewage services****Time:** 15 days**Cost:** MDL 1,000**Comments:** The applicant must extend the pipelines to the connection points (10 meters). The inspector visits the site, approves the connection by sealing it, and opens the water shafts.**Procedure 21\*. Request power connection services and sign contract with RED Nord****Time:** 7 days**Cost:** MDL 4,000**Comments:** The applicant must sign a contract with the electricity provider, which then conducts an inspection.**Procedure 22\*. Receive energo-inspection from RED Nord****Time:** 1 day**Cost:** No cost**Procedure 23\*. Connect to power services, RED Nord****Time:** 5 days**Cost:** No cost**Procedure 24\*. Request and connect to telephone services, MoldTelekom****Time:** 7 days**Cost:** MDL 1,900**Procedure 25. Receive final inspection by the Working Commission****Time:** 1 day**Cost:** No cost**Comments:** After the completion of construction, the company convenes the Working Commission to undertake the final inspection. The Commission consists of representatives from the water and sewage authority, the sanitary services, power services, and fire safety. At the final inspection, a representative of the local authority is also present.**Procedure 26. Request and obtain the act of completion of construction from the Working Commission****Time:** 25 days**Cost:** No cost**Procedure 27. Request and obtain the occupancy permit from the municipal One Stop Shop****Time:** 5 days**Cost:** No cost**Comments:** The agencies that issued the technical conditions (The Center for Preventive Medicine, the Fire Department and the Environmental Protection Agency) must also give their approval of the occupancy permit. The One Stop Shop coordinates with these agencies the signing of the occupancy permit.**Procedure 28. Register the building at the local Cadastre Office****Time:** 2 days (expedited option)**Cost:** MDL 1,000 (fee for expedited option)**Comments:** Seals are put on six copies of the blueprints; the company is given one copy.

\*This procedure can be completed simultaneously with previous procedure.

## DEALING WITH CONSTRUCTION PERMITS

**Chisinau, Moldova***Warehouse Value: MDL 6,519,887 (US\$ 572,623)**Data as of: January 2011***Procedure 1. Request and obtain project plans according to city planning documentation from the Design Institute of Moldova on Engineering and Research Works****Time:** 1 day**Cost:** MDL 1,500**Comments:** BuildCo hires a licensed design institute to prepare a complete set of city planning documents. It should contain technical conditions from many agencies (as mentioned below) and be submitted to the Design Institute for incorporation into the design documents.**Procedure 2\*. Request and obtain location clearance from the Fire Department****Time:** 7 days**Cost:** MDL 250**Comments:** Clearance from the Fire Department is needed for developing the city planning documentation. This procedure is the first in a series of initial procedures that are done simultaneously.**Procedure 3\*. Request and obtain location clearance from the Health Department****Time:** 30 days**Cost:** MDL 500**Comments:** Clearance from the Health Department is needed for developing the city planning documentation. Officially, this procedure should take no more than 10 days. However, in practice, it takes on average 30 days. The Law on Basic Principles for Entrepreneurial Activity, which took effect on July 11, 2007, eliminated this cost. The law states that all payments should be stated in a law. In practice, internal fees are charged.**Procedure 4\*. Request and obtain location clearance from the Environmental Protection Agency****Time:** 14 days**Cost:** MDL 500**Comments:** Clearance from the Ecological Services is needed for developing the city planning documentation. Although Cabinet Decision No. 920, dated August 30, 2005, stipulates a statutory time limit of 10 days, in practice, the process takes 14 days.**Procedure 5\*. Request and obtain technical conditions for electricity connection from Union Fenosa****Time:** 30 days**Cost:** No cost**Comments:** At this stage, BuildCo requests technical conditions. Due to a backlog at Union Fenosa caused by a massive number of small projects, the average time required to obtain the clearance is 30 days. Payment is made when concluding the agreement on electricity supply.**Procedure 6\*. Request and obtain technical conditions for electricity connection from public lighting service provider Lumteh****Time:** 30 days**Cost:** MDL 300**Comments:** Lumteh sometimes imposes additional costs for designing a public utility lighting network in the nearby area. The costs of this procedure could amount to up to 30% of the total design costs of a project. This procedure applies to both private and public projects.**Procedure 7\*. Request and obtain technical conditions for water and industrial sewage system from Apa Canal****Time:** 14 days**Cost:** MDL 343**Comments:** After the application is submitted, it takes a week for it to be considered and another week for the beneficiary to receive an answer.

**Procedure 8\*. Request and obtain technical conditions for sewage system from Exdrupo****Time:** 7 days**Cost:** MDL 200**Comments:** A separate specification is obtained from Exdrupo (the Urban Roads and Bridges Management Authority) on rainwater drainage.**Procedure 9\*. Request and obtain technical conditions for telephone connection from MoldTelecom****Time:** 7 days**Cost:** MDL 136**Comments:** This procedure takes 7–30 days depending on the district where the plot is located. The technical conditions are valid for a year. Since 2006, MoldTelecom has started installing wireless telephone service under CDMA 2000. Many companies opt for this because of the low cost and speed of obtaining service.**Procedure 10\*. Request and obtain technical conditions for heating services from Termokom****Time:** 14 days**Cost:** MDL 832**Comments:** State Service for Verification and Expertise of Projects in Construction will not issue its approval of the project without obtaining the technical specifications from Termokom. This procedure is linked to fire safety regulations in effect during winter.**Procedure 11\*. Request and obtain clearance from the Zoning and Road Construction Division of the municipality****Time:** 18 days**Cost:** MDL 600**Comments:** BuildCo must contact the Road Inspectorate if the building is less than 10 meters from an existing road. This authority has discretionary power and often requires other documents in addition to the ones publicly listed.**Procedure 12\*. Request and obtain expertise clearance from the Fire Department****Time:** 8 days**Cost:** No cost**Comments:** The Fire Department must approve the completed set of designs and drawings after the technical conditions have been assigned.**Procedure 13\*. Request and obtain expertise clearance from the Health Department****Time:** 21 days**Cost:** MDL 300**Comments:** The Health Department must approve the completed set of designs and drawings after the technical conditions have been assigned.**Procedure 14\*. Request and obtain expertise clearance from the Environmental Protection Agency****Time:** 30 days**Cost:** MDL 250**Comments:** The Environmental Protection Agency will not issue any clearance unless the Health and Fire Departments have previously issued their clearances. By law, this takes 30 days.**Procedure 15. Request and obtain a city planning certificate from the General Direction on Architecture, Urbanism and Land Relations, Municipal Council****Time:** 45 days**Cost:** MDL 23**Comments:** To obtain the city planning certificate, the applicant must pay a fee for a standard form at the local municipality and submit it to the local registrar along with a confirmation of payment. The local architectural authorities define the amount to be paid, based on the size of the plot declared by the applicant. In the case considered here, the cost is MDL 10 + MDL 0.01 per square meter, which is a total of MDL 23.**Procedure 16. Request and obtain expertise of project documents at the State Service for Verification and Expertise of Projects in Construction****Time:** 14 days**Cost:** MDL 3,000**Comments:** The State Service for Verification and Expertise of Projects in Construction is responsible for undertaking an internal verification of technical conditions with all the service providers.**Procedure 17. Request and obtain building permit from the local City Planning Services Agency****Time:** 45 days**Cost:** MDL 6,000**Comments:** The building permit is issued based on the application, enclosing the following documents:

- Extract from the Register of Immovable Property issued by the cadastral office;
- City planning certificate;
- Project documentation;
- Company registration certificate;
- Contract for supervision signed by the applicant (beneficiary) and the architect.

The City Planning Services Agency sets the deadline for starting construction of up to 6 months from the date of its issuance.

**Procedure 18. Notify the State Construction Inspectorate of the start of construction****Time:** 1 day**Cost:** No cost**Comments:** At least 5 days before starting construction, the company must notify the State Construction Inspectorate in writing. The written notification is submitted in person and must also be filed with the State Inspectorate of Construction. If construction begins without prior written notification, sanctions would be applied against the company. The construction period begins the day the permit is issued. Relevant authorities and ministries may require the company to provide valid proof of the legality of the start of construction work.**Procedure 19. Receive inspection on foundation works by the State Construction Inspectorate (1)****Time:** 1 day**Cost:** No cost**Procedure 20. Receive inspection on structure works by the State Construction Inspectorate (2)****Time:** 1 day**Cost:** No cost**Procedure 21. Receive inspection of roofings by the State Construction Inspectorate (3)****Time:** 1 day**Cost:** No cost**Procedure 22. Request and connect to water and sewage services****Time:** 22 days**Cost:** MDL 1,056**Comments:** The applicant must extend the pipelines to the connection points (10 meters). The inspector visits the site, approves the connection by sealing it, and opens the water shafts.**Procedure 23\*. Request power connection services and sign contract with Union Fenosa****Time:** 1 day**Cost:** MDL 4,620**Comments:** The applicant must sign a contract with the electricity provider, which then conducts an inspection.**Procedure 24\*. Receive inspection by the Working Commission****Time:** 10 days**Cost:** No cost

**Comments:** After the completion of construction, the company convenes the Working Commission, consisting of representatives from the water and sewage authority, Health Department, power services, and Fire Department. The final approval is made by the chair of commission, the investor's representative, and the local authority's representative. By law, the commission is to be created within 15 days. However, that time limit is not respected in practice.

#### Procedure 25\*. Connect to power services, Union Fenosa

**Time:** 11 days

**Cost:** No cost

#### Procedure 26\*. Request and connect to telephone services

**Time:** 30 days

**Cost:** MDL 900

#### Procedure 27. Receive final inspection by the State Construction Inspectorate and sign the Act of Completion of Construction

**Time:** 1 day

**Cost:** No cost

#### Procedure 28. Request and obtain the act of completion of construction from the Working Commission

**Time:** 30 days

**Cost:** No cost

#### Procedure 29. Request and receive the occupancy permit from the State Commission

**Time:** 60 days

**Cost:** MDL 330

**Comments:** The main authority in charge of issuing the occupancy permit is the Ministry of Construction; the chief architect has the definitive word on the decision. The other authorities that must sign the occupancy permit are the Health Department, the Bureau of Technical Inventory (BTI), and the Fire Department among others.

As a rule, the commission does not meet. Instead, the company must request the signatures on an individual basis. The agencies that issue technical conditions must also give their approval. According to Cabinet Decision No. 285, final approval is completed within 15 days of the guaranteed term provided in the contract, which could be 5 days or 60. On average, it takes 60 days to obtain the occupancy permit.

#### Procedure 30. Register the building at the Bureau of Technical Inventory (BTI)

**Time:** 18 days

**Cost:** MDL 250

**Comments:** Seals are put on 6 copies of the blueprints; the company is given 1 copy.

\*This procedure can be completed simultaneously with previous procedure.

#### DEALING WITH CONSTRUCTION PERMITS

##### Niksic, Montenegro

Warehouse Value: EUR 715,000 (US\$ 992,934)

Data as of: January 2011

#### Procedure 1. Obtain title deed and copy of site map from the local Real Estate Administration office

**Time:** 4 days

**Cost:** EUR 16 (EUR 5 national administrative tax for title deed + EUR 3 Real Estate Administration tax + EUR 3 per plot + EUR 5 national administrative tax for copy of site map)

**Comments:** The requests for both documents can be filed at the local Real Estate Administration at the same time.

#### Procedure 2. Obtain urban development and technical requirements from the municipality

**Time:** 30 days

**Cost:** EUR 62 (EUR 60 tax + EUR 2 request form)

**Comments:** According to the New Construction Law (2008), building companies do not need to go through a time-consuming procedure to obtain the decision on location as a precondition for entering the design phase. This process is done at the stage of issuance of building permit. At the pre-design stage it is sufficient to follow the urban-technical conditions for that particular area contained in the general or local spatial plan. The responsible authority for projects less than 3,000 square meters is the local government.

#### Procedure 3. Obtain main project study

**Time:** 30 days

**Cost:** EUR 10,405 (EUR 8 x 1,300.6 square meters)

**Comments:** BuildCo must hire a licensed design and engineering company to create the main project study. The cost is EUR 6 to EUR 10 per square meter.

#### Procedure 4. Obtain fire protection study

**Time:** 15 days

**Cost:** EUR 1,410 (EUR 500 for study + EUR 0.7 x 1,300.6 square meters for sprinkler installation project)

**Comments:** BuildCo must hire a private licensed company to create a fire protection study and sprinkler installation project. The study is later submitted to the Ministry of Interior for clearance. The sprinkler installation system is required for buildings over 400 square meters and industrial buildings. The study costs between EUR 300 and EUR 600 while the creation of the sprinkler installation project costs between EUR 0.6 and EUR 0.8 per square meter.

#### Procedure 5. Obtain clearance to connect to the power grid

**Time:** 15 days

**Cost:** No cost

**Comments:** Article 62 of the new Construction Law (2008) stipulates that the utility companies are required to issue any preliminary clearance to provide connection to their services before the design stage. It is assumed that the urban development plans and technical requirement plans bear all relevant information and are publicly available. However, in practice due to early stages of reform and lack of capacity of utility companies, builders still have to visit each authority separately.

#### Procedure 6\*. Obtain clearance to connect to the water and sewage line

**Time:** 10 days

**Cost:** EUR 897 (1,300.6 square meters x EUR 0.18 tax for clearance + 1,300.6 square meters x EUR 0.51 for hydro-technical conditions)

**Comments:** Article 62 of the new Construction Law (2008) stipulates that the utility companies are required to issue any preliminary clearance to provide connection to their services before the design stage. It is assumed that the urban development plans and technical requirement plans bear all relevant information and are publicly available. However, in practice due to early stages of reform and lack of capacity of utility companies, builders still have to visit each authority separately.

#### Procedure 7\*. Obtain clearance to connect to the 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 warehouse. Anything between 1,000- 3,000 square meters is EUR 340.

Article 62 of the new Construction Law (2008) stipulates that the utility companies are required to issue any preliminary clearance to provide connection to their services before the design stage. It is assumed that the urban development plans and technical requirement plans bear all relevant information and are publicly available. However, in practice due to early stages of reform and lack of capacity of utility companies, builders still have to visit each authority separately.

#### Procedure 8\*. Obtain traffic clearance from the municipal traffic administration

**Time:** 10 days

**Cost:** EUR 2

#### Procedure 9\*. Obtain fire prevention clearance from the Ministry of Interior

**Time:** 15 days

**Cost:** EUR 300

**Comments:** Previously obtained fire protection study is submitted to the Ministry of Interior in order to obtain clearance.

### Procedure 10\*. Pay the municipality tax (a compensation for using the city's land and the needed adjustments to city's spatial plan) to the local Secretariat for Urban Development

**Time:** 2 days

**Cost:** EUR 29,264 (EUR 50 per square meter for Zone III x 1,300.6 square meters - 50% discount for building a warehouse - 10% discount for paying the total amount at once)

**Comments:** Before the building permit is issued, the company must pay the so called "communal tax" 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 per square meter):

- a. ZONE I: ZONE A - EUR 152; ZONE B - EUR 132; ZONE C - EUR 112;
- b. ZONE II: EUR 82;
- c. ZONE III: EUR 50;
- d. ZONE IV: EUR 25.

For warehouses, only 50% of the fee is applied. The cost reflected here is for a warehouse in Zone III. The amount is to be paid in total before submitting the request for building permit. If the tax is paid at once, the amount due is discounted by 10%.

### Procedure 11. Obtain building permit from local Secretariat of Urban Development

**Time:** 15 days

**Cost:** EUR 715 (0.1% of the property value)

### Procedure 12. Obtain connection to power grid

**Time:** 20 days

**Cost:** EUR 300

### Procedure 13\*. Obtain connection to water and sewage line

**Time:** 10 days

**Cost:** EUR 200

### Procedure 14\*. Obtain connection to telecommunications network

**Time:** 5 days

**Cost:** EUR 80

### Procedure 15. Request occupancy permit from Secretariat for Urban Development and receive technical inspection

**Time:** 10 days

**Cost:** EUR 715 (0.1% of the property value)

**Comments:** After the Secretariat for Urban Development receives a request for issuing occupancy permit they will assemble a commission to perform the technical inspection of the building. The commission usually comprises licensed architects, construction engineers, and electrical engineers.

### Procedure 16. Obtain occupancy permit from the Secretariat for Urban Development

**Time:** 20 days

**Cost:** EUR 1,430 (0.2% of the property value)

\*This procedure can be completed simultaneously with previous procedure.

## DEALING WITH CONSTRUCTION PERMITS

### Pljevlja, Montenegro

Warehouse Value: EUR 715,000 (US\$ 992,934)

Data as of: January 2011

### Procedure 1. Obtain title deed and copy of site map from the local Real Estate Administration office

**Time:** 2 days

**Cost:** EUR 16 (EUR 5 national administrative tax for title deed + EUR 3 Real Estate Administration tax + EUR 3 per plot + EUR 5 national administrative tax for copy of site map)

**Comments:** The requests for both documents can be filed at the local Real Estate Administration office at the same time.

### Procedure 2. Obtain urban development and technical requirements from the municipality

**Time:** 15 days

**Cost:** EUR 62 (EUR 60 tax + EUR 2 request form)

**Comments:** According to the New Construction Law (2008), building companies do not need to go through time-consuming procedures to obtain the decision on location as a precondition for entering the design phase. This process is done at the stage of issuance of building permit. At the pre-design stage it is sufficient to follow the urban-technical conditions for that particular area contained in the general or local spatial plan. The responsible authority for projects less than 3,000 square meters is the local government.

### Procedure 3. Obtain main project study

**Time:** 45 days

**Cost:** EUR 10,405 (EUR 8 x 1,300.6 square meters)

**Comments:** BuildCo must hire a licensed design and engineering company to create the main project study. The cost is EUR 6 to EUR 10 per square meter.

### Procedure 4. Obtain fire protection study

**Time:** 15 days

**Cost:** EUR 1,410 (EUR 500 for study + EUR 0.7 x 1,300.6 square meters for sprinkler installation project)

**Comments:** BuildCo must hire a private licensed company to create a fire protection study and sprinkler installation project. The study is later submitted to the Ministry of Interior for clearance. The sprinkler installation system is required for buildings over 400 square meters and industrial buildings. The creation of the study costs between EUR 300 and EUR 600 while the creation of the sprinkler installation project costs between EUR 0.6 and EUR 0.8 per square meter.

### Procedure 5. Obtain clearance to connect to the power grid

**Time:** 30 days

**Cost:** No cost

**Comments:** Article 62 of the new Construction Law (2008) stipulates that the utility companies are required to issue any preliminary clearance to provide connection to their services before the design stage. It is assumed that the urban development plans and technical requirement plans bear all relevant information and are publicly available. However, in practice due to early stages of reform and lack of capacity of utility companies, builders still have to visit each authority separately. Since 2009, this clearance is issued free of charge.

### Procedure 6\*. Obtain clearance to connect to the water and sewage line

**Time:** 7 days

**Cost:** EUR 800 (EUR 350 hydro-technical conditions + EUR 450 approval)

**Comments:** Article 62 of the new Construction Law (2008) stipulates that the utility companies are required to issue any preliminary clearance to provide connection to their services before the design stage. It is assumed that the urban development plans and technical requirement plans bear all relevant information and are publicly available. However, in practice due to early stages of reform and lack of capacity of utility companies, builders still have to visit each authority separately.

### Procedure 7\*. Obtain clearance to connect to the telecommunications network

**Time:** 7 days

**Cost:** EUR 150

**Comments:** Article 62 of the new Construction Law (2008) stipulates that the utility companies are required to issue any preliminary clearance to provide connection to their services before the design stage. It is assumed that the urban development plans and technical requirement plans bear all relevant information and are publicly available. However, in practice due to early stages of reform and lack of capacity of utility companies, builders still have to visit each authority separately.

#### Procedure 8\*. Obtain fire prevention clearance from the Ministry of Interior office

**Time:** 15 days

**Cost:** EUR 300

**Comments:** Previously obtained fire protection study is submitted to Ministry of Interior in order to obtain clearance.

#### Procedure 9\*. Pay the municipality tax (a compensation for using the city's land and the needed adjustments to city's spatial plan) to the local Secretariat for Urban Development

**Time:** 2 days

**Cost:** EUR 62,584 ((500 square meters x EUR 68 x 0.95) + (500 square meters x EUR 68 x 0.9) + (300.6 square meters x EUR 68 x 0.75) - 20% discount for paying the total amount at once)

**Comments:** Before the building permit is issued, the company must pay the so called "communal tax" 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 per square meter are set at EUR 68 while the total amount depends on coefficients (K) that are set according to the size of the building as follows:

- a. For areas smaller than 500 square meters, K=1;
- b. For areas bigger than 500 square meters: 1) For the first 500 square meters, K=0.95; 2) For the second 500 square meters, K=0.9; 3) For every additional 500 square meters, K will decrease by 0.15.

The amount is to be paid in total before submitting the request for building permit. If the tax is paid at once, the total amount due is discounted by 20%.

#### Procedure 10. Obtain building permit from local Secretariat of Urban Development

**Time:** 30 days

**Cost:** EUR 3,575 (0.5% of the property value)

**Comments:** The building permit is issued by the local Secretariat for Urban Development. Although the Construction Law stipulates that building permits must be issued within 15 days, in practice it still takes 30 days.

#### Procedure 11. Obtain connection to power grid

**Time:** 15 days

**Cost:** EUR 300

#### Procedure 12\*. Obtain connection to water and sewage line

**Time:** 10 days

**Cost:** EUR 200

#### Procedure 13\*. Obtain connection to telecommunications network

**Time:** 3 days

**Cost:** EUR 50

#### Procedure 14. Request occupancy permit from the Secretariat for Urban Development and receive technical inspection

**Time:** 10 days

**Cost:** EUR 715 (0.1% of the property value)

**Comments:** After the Secretariat for Urban Development receives a request for issuing occupancy permit they will assemble a commission to perform the technical inspection of the building. The commission usually comprises licensed architects, construction engineers, and electrical engineers.

#### Procedure 15. Obtain occupancy permit from the Secretariat for Urban Development

**Time:** 20 days

**Cost:** EUR 1,430 (0.2% of the property value)

\*This procedure can be completed simultaneously with previous procedure.

## DEALING WITH CONSTRUCTION PERMITS

### Podgorica, Montenegro

Warehouse Value: EUR 715,000 (US\$ 992,934)

Data as of: January 2011

#### Procedure 1. Obtain proof of ownership from the Real Estate Administration

**Time:** 1 day

**Cost:** EUR 5

#### Procedure 2. Obtain a copy of the site map from the Real Estate Administration

**Time:** 2 days

**Cost:** EUR 8

**Comments:** It takes 2 days, as graphical database is not digital and analogue plans need drafting for each separate project.

#### Procedure 3. Obtain urban development and technical requirements from the municipality

**Time:** 60 days

**Cost:** EUR 150

**Comments:** According to the new Construction Law (2008), companies do not need to go through time-consuming procedures to obtain the decision on location as a precondition for entering the design phase. This process is done at the stage of issuance of building permit. At the pre-design stage it is sufficient to follow the urban-technical conditions for that particular area contained in the general or local spatial plan. However, Podgorica does not have a completely updated set of technical conditions, detailed spatial plans and maps yet. According to the implementation regulations there is a one year period for each local government to adopt its local detailed maps and plans. Thereafter, spatial plans, urban technical conditions, requests for issuance of construction permits, construction permits and commencement of construction works notices are to be published on the governmental web sites. The implementation period for all local authorities to introduce web-based platforms is also one year and has not expired yet.

The responsible authority for projects less than 3,000 square meters is the Municipality of Podgorica. This procedure takes on average 60 days.

According to the new Construction Law (2008) Article 88, the process of review of conceptual project and main project may be conducted by a business organization which is licensed and which meets the conditions referred to in Articles 83, 84 and 85 of the law. The review of the conceptual project and the main project must not be performed by a person who participated in producing such projects. Previously this function was performed by the Ministry of Economic Development.

#### Procedure 4. Obtain main project study

**Time:** 60 days

**Cost:** EUR 13,006 (EUR 10 x 1,300.6 square meters)

**Comments:** BuildCo must hire a licensed design and engineering company to create the main project study. The cost is between EUR 6 to EUR 10 per square meter.

#### Procedure 5. Obtain fire protection study

**Time:** 15 days

**Cost:** EUR 1,410 (EUR 500 for study + EUR 0.7 x 1,300.6 square meters for sprinkler installation project)

**Comments:** BuildCo must hire a private licensed company to create a fire protection study and sprinkler installation project. The study is later submitted to the Ministry of Interior for clearance. The sprinkler installation system is required for buildings over 400 square meters and industrial buildings. The creation of the study costs between EUR 300 and EUR 600 while the creation of the sprinkler installation project costs between EUR 0.6 and EUR 0.8 per square meter.

#### Procedure 6. Obtain clearance to connect to the electricity network

**Time:** 20 days

**Cost:** EUR 200 (EUR 50 for taxes + EUR 150 for service)

**Comments:** In Podgorica, BuildCo pays for the initial clearance from utility companies.

#### Procedure 7\*. Obtain clearance to connect to the water and sewerage network

**Time:** 16 days

**Cost:** EUR 234 (EUR 0.18 x 1,300.6 square meters)

**Comments:** Article 62 of the new Construction Law (2008) stipulates that the utility companies are required to issue any preliminary clearance to provide connection to their services before the design stage. It is assumed that the urban development plans and technical requirement plans bear all relevant information and are publicly available. However, in practice due to early stages of reform and lack of capacity of utility companies, builders still have to visit each authority separately.

#### Procedure 8\*. Obtain clearance to connect to the telecommunications network

**Time:** 15 days

**Cost:** EUR 340

**Comments:** According to municipal tariffs and fees the cost is calculated based on the total area of warehouse. Anything between 1,000- 3,000 square meters is EUR 340.

Article 62 of the new Construction Law (2008) stipulates that the utility companies are required to issue any preliminary clearance to provide connection to their services before the design stage. It is assumed that the urban development plans and technical requirement plans bear all relevant information and are publicly available. However, in practice due to early stages of reform and lack of capacity of utility companies, builders still have to visit each authority separately.

#### Procedure 9\*. Pay compensation for utilities provision on construction land

**Time:** 1 day

**Cost:** EUR 72,168 (EUR 65.28 x 1,300.6 square meters for Zone V - 15% discount for paying the total amount at once)

**Comments:** Before the building permit is issued, the company must pay the so called "communal tax" to the Agency for Construction and Development of Podgorica 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.

Fees are determined according to the following schedule (per square meter):

- a. ZONE I: EUR 191.87;
- b. ZONE II: EUR 125.6;
- c. ZONE III: EUR 103.28;
- d. ZONE IV: EUR 86.31;
- e. ZONE V: EUR 65.28;
- f. ZONE VI: EUR 22.17.

The cost reflected here is for a warehouse in Zone V. The amount is to be paid in total before submitting the request for building permit. If the tax is paid at once, the total amount is discounted by 15%.

#### Procedure 10\*. Obtain ecological approval from the Ministry for Tourism and Environmental Protection

**Time:** 30 days

**Cost:** EUR 7,150

#### Procedure 11\*. Obtain traffic approval from the municipality

**Time:** 10 days

**Cost:** EUR 3

#### Procedure 12. Obtain fire prevention approval

**Time:** 15 days

**Cost:** EUR 300

**Comments:** Under the Construction Law (2008) the Fire Authority must issue the approval within 6 days. However, in practice it still takes two weeks.

#### Procedure 13. Obtain a building permit from the Ministry of Economic Development

**Time:** 30 days

**Cost:** EUR 715 (0.1% of warehouse value of EUR 715,000)

**Comments:** Under the new Construction Law (2008), the deadline for issuance of a building permit is now 15 days. However, in practice, due to lack of adequate manpower and technology, it still takes 30 days. The Ministry of Economic Development is conducting a constant monitoring of the progress and helps applicants whose requests are not replied within the time-limit. Applicants can only file a complaint with the local government first, and then if there is no reaction, appeal to the local courts. In practice most companies prefer to wait rather than challenge the authorities.

The procedure for issuance of the building permit has been simplified. Various approvals and opinions from ministries and utilities companies that were, under the former law, required to be submitted before the issuance of the construction permit are no longer required. Moreover, the building permit may be issued based on the preliminary design, whereas the main design and its audit are required before the commencement of construction. This part also includes the review of location permit aspects. However, in practice most of the approvals and opinions are still required before the final decision on construction permit.

Building control process during construction has been amended as well. Under the Article 105, companies following the issuance of the building permit must notify the Construction Inspection within 7 days before the actual works begins. The notification can be done via email, provided there is a scanned copy of the building permit. Thereafter the Construction Inspectorate, which is a national entity, must publish the information on its website, including the schedule of inspections. It is most likely the inspections will take place at the foundation, structural and final stages of construction works. Inspections are risk-based. All inspections are registered in the construction site ledger.

#### Procedure 14. Obtain power connection

**Time:** 20 days

**Cost:** EUR 300

#### Procedure 15\*. Obtain water and sewerage connection

**Time:** 10 days

**Cost:** EUR 200

#### Procedure 16\*. Obtain telephone connection

**Time:** 7 days

**Cost:** EUR 80

#### Procedure 17. Request and receive technical inspection for building control from the Ministry of Economic Development

**Time:** 1 day

**Cost:** EUR 2,861 (EUR 2.20 x 1,300.6 square meters)

**Comments:** The Ministry of Economic Development nominates the members of the inspection panel, which includes experts from architecture, sewage/water, technical standards, electricity, etc. Additionally, the architects which designed the project must be part of the technical inspection. This came as a result of multiple copyright violations by various builders. The cost is paid for inspection services.

#### Procedure 18. Obtain building use permit from the Ministry of Economic Development

**Time:** 49 days

**Cost:** EUR 1,430 (0.2% x warehouse value of EUR 715,000)

**Comments:** All buildings must have a building use permit in order to be able to register with the respective agency. Before, however, buildings could be registered with only a building permit and without a building use permit. The building use permit must be issued within 7 days following the final report by the inspection. However, prior to that, the competent authority has 7 days to decide on the performance of the technical inspection. Thereafter, the inspector has another 7 days to submit the final report.

\*This procedure can be completed simultaneously with previous procedure.

#### DEALING WITH CONSTRUCTION PERMITS

##### Belgrade, Serbia

Warehouse Value: RSD 42,112,996 (US\$ 651,959)

Data as of: January 2011

#### Procedure 1. Request and obtain proof of ownership of the construction land from Republic Geodetic Authority

**Time:** 6 days

**Cost:** RSD 130

**Comments:** Proof of ownership is provided either by a competent municipal court (with a land register extract) or the Republic Geodetic Authority (an extract from the newly established cadastre).

#### Procedure 2\*. Request and obtain consent from electricity provider (Elektrodistribucija Beograd)

**Time:** 45 days

**Cost:** RSD 10,000

**Comments:** When obtaining the main construction project clearance from the electricity authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan. The main construction project plan has to be submitted to the electricity provider only when requesting a connection to the power supply. Apart from the request form, BuildCo needs to submit a copy of cadastre excerpt and the construction plan of the building as well as a proof of administrative tax payment.

### Procedure 3\*. Request and obtain consent from the water and sewerage authority (JKP Vodovod i Kanalizacija)

**Time:** 60 days

**Cost:** RSD 159,500 (RSD 70,500 for the preparation of the conditions regarding water and sewerage service + RSD 44,000 for issuance of the consent (clearance) + RSD 45,000 for a connection to the public electricity network)

**Comments:** When obtaining the main construction project clearance from the water authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 4\*. Request and obtain consent from the telecommunications authority (Telekom Srbija)

**Time:** 45 days

**Cost:** RSD 20,000

**Comments:** The telecommunications authority makes a list of conditions within 10 days from the day the application was submitted. After that, BuildCo prepares the relevant drawings and project designs according to the specified norms. The overall time has decreased from 60 days to 45 days because of the more efficient internal document processing. The time limit for issuing the technical project clearances from various authorities is 30 days, concurrently. However, in practice it takes much longer and requires various follow-ups by applicants.

### Procedure 5\*. Request and obtain consent from the heating authority

**Time:** 45 days

**Cost:** RSD 12,500

**Comments:** When obtaining the main construction project clearance from the heating authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 6\*. Request and obtain consent on requirements for fire prevention regulations from the Department of Fire Hazard Prevention and Safety Inspectorate at the Ministry of Interior Affairs

**Time:** 30 days

**Cost:** RSD 33,840

**Comments:** BuildCo has to obtain technical clearance from the Fire Hazard Prevention inspection. This means that when developing the main construction project plan, BuildCo has to comply with fire hazard prevention and safety standards and obtain the Study on Fire Hazard Prevention and Safety.

### Procedure 7\*. Request and obtain consent from the municipal traffic authority

**Time:** 60 days

**Cost:** RSD 5,900

**Comments:** When obtaining the main construction project clearance from the traffic authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 8. Request and obtain location permit from municipality

**Time:** 30 days

**Cost:** RSD 30,740

**Comments:** Along with the request form to obtain the permit, BuildCo will have to submit the following documents:

- Proof of ownership (excerpt from the land registry not older than six months and a proof that investor is registered as the owner of the property);
- Cadastre excerpt;
- Preliminary clearances from utility companies (water, electricity and heating providers);
- The main construction project plan that defines building location and the number of floors.

### Procedure 9\*. Request and obtain technical control of the main project from a licensed firm

**Time:** 10 days

**Cost:** RSD 92,071

**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. The main construction project must be certified and stamped to that effect.

### Procedure 10\*. Request and obtain main construction project clearance from the labor inspection of the Department for Safety at Work

**Time:** 60 days

**Cost:** RSD 5,900

**Comments:** In order to obtain project clearance from the labor inspection, BuildCo will have to obtain a study on safety of construction site and health of workers. This study can be obtained right before the start of construction. Competent authorities will have to be notified of the start of construction eight days before the start of construction.

### Procedure 11. Request and obtain building permit from municipality and pay compensation for land usage (city building land tax)

**Time:** 120 days

**Cost:** RSD 5,379,282

**Comments:** Along with the request form to obtain building permit, BuildCo will have to submit the following documents:

- Three copies of the main construction plan as proof of technical control of the main project;
- Proof of payment of shelter fee;
- Proof of payment of city building land tax;
- Urban consent along with the evidence of the ownership status or rental status of the building plot;
- All acquired clearances as well as the clearance on fire hazard prevention and safety.

### Procedure 12. Notify and obtain approval for commencement of construction work from municipal Department for Urbanism and Construction

**Time:** 1 day

**Cost:** No cost

**Comments:** According to Article 148 of the Law on Planning and Construction (Zakon o planiranju i izgradnji, Official Gazette 72/09), the investor informs the municipal department that issued the building permit as well as the construction inspection commission of the start of construction activities. The investor has to submit information on the construction company that will be engaged in construction works and timeline of construction activities. The start of construction activities must be reported to the municipality at least 8 days before commencement.

### Procedure 13. Nominate expert supervisor of the construction

**Time:** 1 day

**Cost:** RSD 455,000 (1% of building's overall value)

**Comments:** Expert supervision of the construction must be provided during the entire period of construction by a licensed independent engineer. This person cannot be affiliated with BuildCo. The expert supervisor visits the site once a week on average.

### Procedure 14\*. Request and obtain consent regarding the connection of the plot of land to the nearest public road from public roads authority (JP Putevi Srbije)

**Time:** 30 days

**Cost:** RSD 61,000

**Comments:** BuildCo must undertake this procedure should it require access to or use of the nearest public road.

### Procedure 15\*. Request and obtain consent regarding regulations on environmental protection from municipality

**Time:** 30 days

**Cost:** RSD 80,000

### Procedure 16\*. Request and obtain water and sewerage connection from municipal water and sewerage authority (JP Vodovod)

**Time:** 10 days

**Cost:** No cost

**Comments:** In order to obtain water and sewerage connection, BuildCo has to submit a request form for connection to water and sewerage installations along with the main construction plan which shows precise installation plans of the building. In order to receive a connection, there has to be a sewerage shaft and water-gage. BuildCo will also have to obtain clearances from all utility companies to ensure that no underground installations will be affected when connecting the building to the main water and sewerage installations.

### Procedure 17\*. Request and obtain electricity connection from municipal electricity provider (Elektrodistribucija Beograd)

**Time:** 7 days

**Cost:** RSD 508,200

**Comments:** Obtaining electricity connection is similar to obtaining water and sewerage connection, except that in case of obtaining electricity connection, Elektrodistribucija Beograd issues all necessary connection documents and performs all works in providing the connection.

### Procedure 18\*. Request and obtain phone connection from telecommunications authority (Telekom Srbija)

**Time:** 7 days

**Cost:** RSD 12,000

### Procedure 19. Request and obtain technical examination of the building from municipal Department of Urbanism and Construction

**Time:** 8 days

**Cost:** RSD 120 (administrative tax)

**Comments:** After all construction work has been completed, a municipal commission examines whether the constructed building complies with the issued building permit, all applicable laws and regulations, and technical standards. The municipality issues the use permit within 7 days after the commission responsible for the technical examination reports that the building is suitable for use.

The municipal commission does not issue the use permit if the building is not in compliance with technical standards and technical documentation. Instead, it orders BuildCo to correct all irregularities and, after re-examining the building, it issues the use permit. If the irregularities cannot be fixed and use of the building is dangerous, the commission orders the demolition of the building.

### Procedure 20. Request and obtain use permit from municipality

**Time:** 15 days

**Cost:** RSD 25,686

**Comments:** In order to submit a request to obtain the use permit, BuildCo will have to undergo technical examination of the building. With the request form for the use permit, BuildCo also needs to submit the following documents:

- a. Four copies of the technical examination form;
- b. Cadastre excerpt;
- c. Proof of payment of the municipal building land tax;
- d. Clearance from the Fire Hazard Prevention and Safety Inspectorate that ensures that the building complies with fire hazard prevention and safety standards.

### Procedure 21. Register the building at the Republic Geodetic Authority

**Time:** 45 days

**Cost:** RSD 4,000

**Comments:** BuildCo must submit a formal request to register the building along with the building permit and the use permit. If there is a cadastral register in the area where the warehouse was constructed, the company should register the building with the Republic Geodetic Authority (cadastral registry). Otherwise, the building should be registered in the land books.

\*This procedure can be completed simultaneously with previous procedure.

## DEALING WITH CONSTRUCTION PERMITS

### Krusevac, Serbia

*Warehouse Value: RSD 42,112,996 (US\$ 651,959)*

*Data as of: January 2011*

### Procedure 1. Request and obtain proof of ownership of the construction land from Republic Geodetic Authority

**Time:** 3 days

**Cost:** RSD 2,200

**Comments:** Proof of ownership is provided either by a competent municipal court (with a land register extract) or the Republic Geodetic Authority (an extract from the newly established cadastre).

### Procedure 2\*. Request and obtain consent from electricity provider (Elektrodistribucija Krusevac)

**Time:** 30 days

**Cost:** RSD 20,000

**Comments:** When obtaining the main construction project clearance from the electricity authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan. The main construction project plan has to be submitted to the electricity provider only when requesting a connection to the power supply. Apart from the request form, BuildCo needs to submit a copy of cadastre excerpt and the construction plan of the building as well as a proof of administrative tax payment.

### Procedure 3\*. Request and obtain consent from the water and sewerage authority (JKP Vodovod i Kanalizacija)

**Time:** 30 days

**Cost:** RSD 100,000

**Comments:** When obtaining the main construction project clearance from the water authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 4\*. Request and obtain consent from the telecommunications authority (Telekom Srbija)

**Time:** 60 days

**Cost:** RSD 16,000

**Comments:** When obtaining the main construction project clearance from the telecommunications authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 5\*. Request and obtain consent from the heating authority

**Time:** 3 days

**Cost:** RSD 16,000

**Comments:** When obtaining the main construction project clearance from the heating authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 6\*. Request and obtain consent on requirements for fire prevention regulations from the Department of Fire Hazard Prevention and Safety Inspectorate at the Ministry of Interior Affairs

**Time:** 7 days

**Cost:** RSD 51,000 (RSD 25,000 for administrative tax + RSD 26,000 to have construction plan design created)

**Comments:** BuildCo has to obtain technical clearance from the Fire Hazard Prevention inspection. This means that when developing the main construction project plan, BuildCo has to comply with fire hazard prevention and safety standards and obtain the Study on Fire Hazard Prevention and Safety.

### Procedure 7\*. Request and obtain consent from the municipal traffic authority

**Time:** 40 days

**Cost:** RSD 35,000

**Comments:** When obtaining the main construction project clearance from the traffic authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 8. Request and obtain location permit from municipality

**Time:** 30 days

**Cost:** RSD 35,000

**Comments:** Along with the request form to obtain location permit, BuildCo has to submit following documents:

- Proof of ownership (excerpt from the land registry not older than six months and a proof that investor is registered as the owner of the property);
- Excerpt from cadastre;
- Preliminary clearances from utility companies (water, electricity and heating providers);
- The main construction project plan that defines building location and the number of floors.

### Procedure 9\*. Request and obtain technical control of the main project from a licensed firm

**Time:** 3 days

**Cost:** RSD 40,000

**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 technical standards, and whether it has all necessary clearances. The main construction project must be certified and stamped to that effect.

### Procedure 10\*. Request and obtain main construction project clearance from the labor inspection of the Department for Safety at Work

**Time:** 1 day

**Cost:** RSD 10,000

**Comments:** In order to obtain project clearance from the labor inspection, BuildCo has to obtain a Study on Safety of Construction Site and Health of Workers. This study can be obtained right before the start of construction. Competent authorities will have to be notified of the start of construction 8 days before the start of construction.

### Procedure 11. Request and obtain building permit from municipality and pay compensation for land usage (city building land tax)

**Time:** 90 days

**Cost:** RSD 5,379,282

**Comments:** Along with the request form to obtain building permit, BuildCo has to submit the following documents:

- Three copies of the main construction plan as a proof of undergoing a technical control of the main project;
- Proof of payment of shelter fee;
- Proof of payment of city building land tax;
- Urban consent along with the evidence of the ownership status or rental status of the building plot;
- All acquired clearances as well as the clearance on fire hazard prevention and safety.

### Procedure 12. Notify and obtain approval for commencement of construction work from municipal Department for Urbanism and Construction

**Time:** 20 days

**Cost:** No cost

**Comments:** Article 148 of the Law on Planning and Construction from 2009 requires that the investor informs the municipal department that issued the building permit as well as the construction inspection commission of the start of construction activities at least 8 days before commencement of any works. The investor has to submit information on the construction company that will be engaged in construction works and timeline of construction activities.

### Procedure 13. Nominate expert supervisor of the construction

**Time:** 1 day

**Cost:** RSD 421,130 (1% of building's overall value)

**Comments:** Expert supervision of the construction must be provided during the entire period of construction by an independent licensed engineer. This person cannot be affiliated with BuildCo and visits the construction site once a week on average.

### Procedure 14\*. Request and obtain consent regarding the connection of the plot of land to the nearest public road from municipal Department of Urbanism and Construction and public roads authority

**Time:** 30 days

**Cost:** RSD 12,000

**Comments:** BuildCo must undertake this procedure should it require access to or use of the nearest public road.

### Procedure 15\*. Request and obtain consent regarding regulations on environmental protection from municipality

**Time:** 8 days

**Cost:** RSD 80,000

### Procedure 16\*. Request and obtain water and sewerage connection from municipal water and sewerage authority (JP Vodovod)

**Time:** 45 days

**Cost:** No cost

**Comments:** In order to obtain water and sewerage connection, BuildCo has to submit a request form for connection to water and sewerage installations along with the main construction plan which shows precise installation plans of the building. In order to receive a connection, there has to be a sewerage shaft and water-gage. BuildCo will also have to obtain clearances from all utility companies to ensure that no underground installations will be affected when connecting the building to the main water and sewerage installations.

### Procedure 17\*. Request and obtain electricity connection from municipal electricity provider (Elektrodistribucija Krusevac)

**Time:** 40 days

**Cost:** RSD 350,000

**Comments:** Obtaining electricity connection is similar to obtaining water and sewerage connection, except that in case of obtaining electricity connection, Elektrodistribucija Krusevac issues all necessary connection documents and performs all works in providing the connection.

### Procedure 18\*. Request and obtain phone connection from telecommunications authority (Telekom Srbija)

**Time:** 15 days

**Cost:** RSD 20,000

### Procedure 19. Request and obtain technical examination of the building from municipal Department of Urbanism and Construction

**Time:** 5 days

**Cost:** RSD 150,000

**Comments:** After all construction work has been completed, a municipal commission from the Department of Urbanism or the licensed firm which has not taken part in development of the main construction project, technical control of the main project, construction works and supervision of construction itself, examines whether the constructed building complies with the issued building permit, all applicable laws, regulations and technical standards. BuildCo submits a request to the competent municipality with suggestions on which licensed firm will assemble technical examination commission. Commission is comprised of several experts necessary to examine whether the building was built in compliance with urban development plans of the project.

Note: In this case, the commission from the municipal Department of Urbanism would classify the building's intended activities as commercial and take a note that its size is greater than 250 square meters, as required by municipal decision of city of Krusevac which simultaneously contradicts the Law on Planning and Construction.

### Procedure 20. Request and obtain use permit from municipality

**Time:** 30 days

**Cost:** RSD 1,800

**Comments:** In order to submit a request to obtain the use permit, BuildCo will have to undergo technical examination of the building. With the request form for the use permit, BuildCo also needs to submit the following documents:

- Four copies of technical examination form;
- Cadastre excerpt;
- Proof of payment of the municipal building land tax;
- Clearance from the Fire Hazard Prevention and Safety Inspectorate that ensures that the building complies with fire hazard prevention and safety standards.

### Procedure 21. Register the building at the Republic Geodetic Authority

**Time:** 5 days

**Cost:** RSD 10,000

**Comments:** BuildCo must submit a formal request to register the building along with the building permit and the use permit. If there is a cadastral register in the area where the warehouse was constructed, the company should register the building with the Republic Geodetic Authority (cadastral registry). Otherwise, the building should be registered in the land books.

\*This procedure can be completed simultaneously with previous procedure.

#### DEALING WITH CONSTRUCTION PERMITS

#### Uzice, Serbia

*Warehouse Value: RSD 42,112,996 (US\$ 651,959)*

*Data as of: January 2011*

### Procedure 1. Request and obtain proof of ownership of the construction land from Republic Geodetic Authority

**Time:** 1 day

**Cost:** RSD 1,694

**Comments:** Proof of ownership is provided either by a competent municipal court (with a land register extract) or the Republic Geodetic Authority (an extract from the newly established cadastre).

### Procedure 2\*. Request and obtain consent from electricity provider (Elektrodistribucija Uzice)

**Time:** 30 days

**Cost:** RSD 2,500

**Comments:** When obtaining the main construction project clearance from the electricity authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan. The main construction project plan has to be submitted to the electricity provider only when requesting a connection to the power supply. Apart from the request form, BuildCo needs to submit a copy of cadastre excerpt and the construction plan of the building as well as a proof of administrative tax payment.

### Procedure 3\*. Request and obtain consent from the water and sewerage authority (JKP Vodovod i Kanalizacija)

**Time:** 30 days

**Cost:** RSD 150,000

**Comments:** When obtaining the main construction project clearance from the water authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 4\*. Request and obtain consent from the telecommunications authority (Telekom Srbija)

**Time:** 15 days

**Cost:** RSD 11,900

**Comments:** When obtaining the main construction project clearance from the telecommunications authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 5\*. Request and obtain consent from the heating authority

**Time:** 8 days

**Cost:** RSD 380,000

**Comments:** When obtaining the main construction project clearance from the heating authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 6\*. Request and obtain consent on requirements for fire prevention regulations from the Department of Fire Hazard Prevention and Safety Inspectorate at the Ministry of Interior Affairs

**Time:** 7 days

**Cost:** RSD 50,000

**Comments:** BuildCo has to obtain technical clearance from the Fire Hazard Prevention inspection. This means that when developing the main construction project plan, BuildCo has to comply with fire hazard prevention and safety standards and obtain the Study on Fire Hazard Prevention and Safety.

### Procedure 7. Request and obtain location permit from municipality

**Time:** 7 days

**Cost:** RSD 1,500

**Comments:** Along with the request form to obtain location permit, BuildCo has to submit the following documents:

- Proof of ownership (excerpt from the land registry no older than six months and a proof that investor is registered as the owner of the property);
- Excerpt from cadastre;
- Preliminary clearances from utility companies (water, electrical and heating providers);
- The main construction project plan that defines building location and the number of floors.

### Procedure 8. Request and obtain main construction project clearance from the labor inspection of the Department for Safety at Work

**Time:** 7 days

**Cost:** RSD 1,500

**Comments:** In order to obtain project clearance from the labor inspection, BuildCo will have to obtain a Study on Safety of Construction Site and Health of Workers. This study can be obtained right before the start of construction. Competent authorities will have to be notified of the start of construction eight days before the start of construction.

### Procedure 9. Request and obtain building permit and pay compensation for land usage (city building land tax) from municipal Department for Urbanism and Construction

**Time:** 45 days

**Cost:** RSD 5,379,282

**Comments:** Along with the request form to obtain building permit, BuildCo has to submit the following documents:

- Three copies of the main construction plan as a proof of undergoing a technical control of the main project;
- Proof of payment of shelter fee;
- Proof of payment of city building land tax;
- Urban consent along with the evidence of the ownership status or rental status of the building plot;
- All acquired clearances as well as the clearance on fire hazard prevention and safety.

### Procedure 10. Notify and obtain approval for commencement of construction work from municipal Department for Urbanism and Construction

**Time:** 21 days

**Cost:** No cost

**Comments:** Article 148 of the Law on Planning and Construction from 2009 requires that the investor informs the municipal department that issued the building permit as well as the construction inspection commission of the start of construction activities at least 8 days before commencement of any works. The investor has to submit information on the construction company that will be engaged in construction works and timeline of construction activities.

### Procedure 11. Nominate expert supervisor of the construction

**Time:** 15 days

**Cost:** RSD 421,130 (1% of building's overall value)

**Comments:** Expert supervision of the construction must be provided during the entire period of construction by an independent licensed engineer. This person cannot be affiliated with BuildCo and visits the construction site once a week on average.

### Procedure 12\*. Request and obtain consent regarding regulations on environmental protection from municipality

**Time:** 80 days

**Cost:** RSD 60,000

### Procedure 13\*. Request and obtain water and sewerage connection from municipal water and sewerage authority (JKP Vodovod i Kanalizacija)

**Time:** 8 days

**Cost:** No cost

**Comments:** In order to obtain water and sewerage connection, BuildCo has to submit a request form for connection to water and sewerage installations along with the main construction plan which shows precise installation plans of the building. In order to receive a connection, there has to be a sewerage shaft and water-gage. BuildCo will also have to obtain clearances from all utility companies to ensure that no underground installations will be affected when connecting the building to the main water and sewerage installations.

### Procedure 14\*. Request and obtain electricity connection from municipal electricity provider (Elektrodistribucija Uzice)

**Time:** 8 days

**Cost:** RSD 400,000

**Comments:** Obtaining electricity connection is similar to obtaining water and sewerage connection, except that in case of obtaining electricity connection, Elektrodistribucija Uzice issues all necessary connection documents and performs all works in providing the connection.

### Procedure 15\*. Request and obtain phone connection from telecommunications authority (Telekom Srbija)

**Time:** 7 days

**Cost:** RSD 12,000

### Procedure 16. Request and obtain technical examination of the building from a commission of Higher Polytechnic School

**Time:** 1 day

**Cost:** RSD 25,000

### Procedure 17. Request and obtain use permit from municipal Department for Urbanism and Construction

**Time:** 60 days

**Cost:** RSD 80,000

**Comments:** In order to submit a request to obtain the use permit, BuildCo will have to undergo technical examination of the building. With the request form for the use permit, BuildCo also needs to submit the following documents:

- Four copies of technical examination form;
- Cadastral excerpt;
- Proof of payment of the municipal building land tax;
- Clearance from the Fire Hazard Prevention and Safety Inspectorate that ensures that the building complies with fire hazard prevention and safety standards.

### Procedure 18. Register the building at the Republic Geodetic Authority

**Time:** 7 days

**Cost:** RSD 3,466

**Comments:** BuildCo must submit a formal request to register the building along with the building permit and the use permit. If there is a cadastral register in the area where the warehouse was constructed, the company should register the building with the Republic Geodetic Authority (cadastral registry). Otherwise, the building should be registered in the land books.

\*This procedure can be completed simultaneously with previous procedure.

#### DEALING WITH CONSTRUCTION PERMITS

##### Vranje, Serbia

Warehouse Value: RSD 42,112,996 (US\$ 651,959)

Data as of: January 2011

### Procedure 1. Request and obtain proof of ownership of the construction land from Republic Geodetic Authority

**Time:** 2 days

**Cost:** RSD 1,200

**Comments:** Proof of ownership is provided either by a competent municipal court (with a land register extract) or the Republic Geodetic Authority (an extract from the newly established cadastre).

### Procedure 2\*. Request and obtain consent from electricity provider (Elektrodistribucija Vranje)

**Time:** 3 days

**Cost:** RSD 10,000

**Comments:** When obtaining the main construction project clearance from the electricity authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan. The main construction project plan has to be submitted to the electricity provider only when requesting a connection to the power supply. Apart from the request form, BuildCo needs to submit a copy of cadastre excerpt and the construction plan of the building as well as a proof of administrative tax payment.

### Procedure 3\*. Request and obtain consent from the water and sewerage authority (JKP Vodovod i Kanalizacija)

**Time:** 5 days

**Cost:** RSD 10,000

**Comments:** When obtaining the main construction project clearance from the water authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 4\*. Request and obtain consent from the telecommunications authority (Telekom Srbija)

**Time:** 5 days

**Cost:** RSD 380,000

**Comments:** When obtaining the main construction project clearance from the telecommunications authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 5\*. Request and obtain consent from the heating authority

**Time:** 15 days

**Cost:** RSD 300,000

**Comments:** When obtaining the main construction project clearance from the heating authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 6\*. Request and obtain consent on requirements for fire prevention regulations from the Department of Fire Hazard Prevention and Safety Inspectorate at the Ministry of Interior Affairs

**Time:** 30 days

**Cost:** RSD 38,000

**Comments:** BuildCo has to obtain technical clearance from the Fire Hazard Prevention inspection. This means that when developing the main construction project plan, BuildCo has to comply with fire hazard prevention and safety standards and obtain the Study on Fire Hazard Prevention and Safety.

### Procedure 7\*. Request and obtain consent from the municipal traffic authority

**Time:** 60 days

**Cost:** RSD 5,900

**Comments:** When obtaining the main construction project clearance from the traffic authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.

### Procedure 8. Request and obtain location permit from municipality

**Time:** 30 days

**Cost:** RSD 50,000

**Comments:** According to the Law on Planning and Construction, the municipal Secretariat on Urbanism and Property Affairs issues the location permit that states the main conditions relating to the property construction (minimal distance of the building from other buildings in its vicinity, number of floors, construction index, usage index, access to the public road, connectivity to utility infrastructure, vehicle

parking solution proposals etc.). The Secretariat can issue location permit only based on existing urban plans. Vranje is one of the cities with a General Urban Plan adopted by the Municipal Commission for Planning and Construction.

#### **Procedure 9\*. Request and obtain technical control of the main project from a licensed firm**

**Time:** 8 days

**Cost:** RSD 80,000

**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 technical standards, and whether it has all necessary clearances. The main construction project must be certified and stamped to that effect.

#### **Procedure 10. Request and obtain building permit from municipality and pay compensation for land usage (city building land tax)**

**Time:** 8 days

**Cost:** RSD 5,379,282

**Comments:** Along with the request form to obtain building permit, BuildCo has to submit the following documents:

- Three copies of the main construction plan as a proof of undergoing a technical control of the main project;
- Proof of payment of shelter fee;
- Proof of payment of city building land tax;
- Urban consent along with the evidence of the ownership status or rental status of the building plot;
- All acquired clearances as well as the clearance on fire hazard prevention and safety.

#### **Procedure 11. Notify and obtain approval for commencement of construction work from municipal Department for Urbanism and Construction**

**Time:** 8 days

**Cost:** No cost

**Comments:** Article 148 of the Law on Planning and Construction from 2009 requires that the investor informs the municipal department that issued the building permit as well as the construction inspection commission of the start of construction activities at least 8 days before commencement of any works. The investor has to submit information on the construction company that will be engaged in construction works and timeline of construction activities.

#### **Procedure 12. Nominate expert supervisor of the construction**

**Time:** 1 day

**Cost:** RSD 421,130 (1% of building's overall value)

**Comments:** Expert supervision of the construction must be provided during the entire period of construction by an independent licensed engineer. This person cannot be affiliated with BuildCo and visits the construction site once a week on average.

#### **Procedure 13\*. Request and obtain consent regarding the connection of the plot of land to the nearest public road from public roads authority (JP Putevi Srbije)**

**Time:** 30 days

**Cost:** RSD 500,000

**Comments:** BuildCo must undertake this procedure should it require access to or use of the nearest public road.

#### **Procedure 14\*. Request and obtain consent regarding regulations on environmental protection from municipality**

**Time:** 30 days

**Cost:** RSD 4,600

#### **Procedure 15\*. Request and obtain water and sewerage connection from municipal water and sewerage authority (JKP Vodovod i Kanalizacija)**

**Time:** 15 days

**Cost:** RSD 100,000

**Comments:** In order to obtain water and sewerage connection, BuildCo has to submit a request form for connection to water and sewerage installations along with the main construction plan which shows precise installation plans of the building. In order to receive a connection, there has to be a sewage shaft and water-gage. BuildCo will also have to obtain clearances from all utility companies to ensure that no underground installations will be affected when connecting the building to the main water and sewerage installations.

#### **Procedure 16\*. Request and obtain electricity connection from municipal electricity provider (Elektro distribucija Vranje)**

**Time:** 15 days

**Cost:** RSD 600,000

**Comments:** Obtaining electricity connection is similar to obtaining water and sewerage connection, except that in case of obtaining electricity connection, Elektro distribucija Vranje issues all necessary connection documents and performs all works in providing the connection.

#### **Procedure 17\*. Request and obtain phone connection from telecommunications authority (Telekom Srbija)**

**Time:** 10 days

**Cost:** RSD 10,000

#### **Procedure 18. Request and obtain technical examination of the building from a commission of Higher Polytechnic School**

**Time:** 7 days

**Cost:** RSD 200,000

#### **Procedure 19. Request and obtain use permit from municipality**

**Time:** 10 days

**Cost:** RSD 8,000

**Comments:** In order to submit a request to obtain the use permit, BuildCo will have to undergo technical examination of the building. With the request form for the use permit, BuildCo also needs to submit the following documents:

- Four copies of technical examination form;
- Cadastral excerpt;
- Proof of payment of the municipal building land tax;
- Clearance from the Fire Hazard Prevention and Safety Inspectorate that ensures that the building complies with fire hazard prevention and safety standards.

#### **Procedure 20. Register the building at the Republic Geodetic Authority**

**Time:** 7 days

**Cost:** RSD 23,000

**Comments:** BuildCo must submit a formal request to register the building along with the building permit and the use permit. If there is a cadastral register in the area where the warehouse was constructed, the company should register the building in the Republic Geodetic Authority (cadastral registry). Otherwise, the building should be registered in the land books.

\*This procedure can be completed simultaneously with previous procedure.

#### DEALING WITH CONSTRUCTION PERMITS

#### **Zrenjanin, Serbia**

*Warehouse Value: RSD 42,112,996 (US\$ 651,959)*

*Data as of: January 2011*

#### **Procedure 1. Request and obtain proof of ownership of the construction land from Republic Geodetic Authority**

**Time:** 10 days

**Cost:** RSD 1,500

**Comments:** Proof of ownership is provided either by a competent municipal court (with a land register extract) or the Republic Geodetic Authority (an extract from the newly established cadastre).

#### **Procedure 2\*. Request and obtain consent from electricity provider (Elektro distribucija Zrenjanin)**

**Time:** 60 days

**Cost:** RSD 10,000

**Procedure 3\*. Request and obtain consent from the water and sewerage authority (JKP Vodovod i Kanalizacija)****Time:** 3 days**Cost:** RSD 35,000**Comments:** When obtaining the main construction project clearance from the water authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.**Procedure 4\*. Request and obtain consent from the telecommunications authority (Telekom Srbija)****Time:** 20 days**Cost:** RSD 20,000**Comments:** When obtaining the main construction project clearance from the telecommunications authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.**Procedure 5\*. Request and obtain consent from the heating authority****Time:** 10 days**Cost:** RSD 70,000**Comments:** When obtaining the main construction project clearance from the heating authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.**Procedure 6\*. Request and obtain consent on requirements for fire prevention regulations from the Department of Fire Hazard Prevention and Safety Inspectorate at the Ministry of Interior Affairs****Time:** 7 days**Cost:** RSD 50,000**Comments:** BuildCo has to obtain technical clearance from the Fire Hazard Prevention inspection. This means that when developing the main construction project plan, BuildCo has to comply with fire hazard prevention and safety standards and obtain the Study on Fire Hazard Prevention and Safety.**Procedure 7\*. Request and obtain consent from the municipal traffic authority****Time:** 15 days**Cost:** RSD 6,000**Comments:** When obtaining the main construction project clearance from the traffic authority, the authority issues a set of conditions which have to be respected when developing the main construction project plan.**Procedure 8. Request and obtain location permit from municipality****Time:** 15 days**Cost:** RSD 9,000**Comments:** Along with the request form to obtain location permit, BuildCo has to submit the following documents:

- Proof of ownership (excerpt from the land registry not older than six months and a proof that investor is registered as the owner of the property);
- Excerpt from cadastre;
- Preliminary clearances from utility companies (water, electrical and heating providers);
- The main construction project plan that defines building location and the number of floors.

**Procedure 9\*. Request and obtain technical control of the main project from a licensed firm****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 technical standards, and whether it has all necessary clearances. The main construction project must be certified and stamped to that effect.**Procedure 10. Request and obtain building permit from municipality and pay compensation for land usage (city building land tax)****Time:** 20 days**Cost:** RSD 5,379,282**Comments:** Along with the request to obtain building permit, BuildCo has to submit the following documents:

- Three copies of the main construction plan as a proof of undergoing a technical control of the main project;
- Proof of payment of shelter fee;
- Proof of payment of city building land tax;
- Urban consent along with the evidence of the ownership status or rental status of the building plot;
- All acquired clearances as well as the clearance on fire hazard prevention and safety.

**Procedure 11. Notify and obtain approval for commencement of construction work from municipal Department for Urbanism and Construction****Time:** 8 days**Cost:** No cost**Comments:** Article 148 of the Law on Planning and Construction from 2009 requires that the investor informs the municipal department that issued the building permit as well as the construction inspection commission of the start of construction activities at least 8 days before commencement of any works. The investor has to submit information on the construction company that will be engaged in construction works and timeline of construction activities.**Procedure 12. Nominate expert supervisor of the construction****Time:** 5 days**Cost:** RSD 421,130 (1% of building's overall value)**Comments:** Expert supervision of the construction must be provided during the entire period of construction by an independent licensed engineer. This person cannot be affiliated with BuildCo and visits the construction site once a week on average.**Procedure 13\*. Request and obtain consent regarding the connection of the plot of land to the nearest public road from public roads authority (JP Putevi Srbije)****Time:** 30 days**Cost:** RSD 15,000**Comments:** BuildCo must undertake this procedure should it require access to or use of the nearest public road.**Procedure 14\*. Request and obtain consent regarding regulations on environmental protection from municipality****Time:** 10 days**Cost:** RSD 80,000**Procedure 15\*. Request and obtain water and sewerage connection from municipal water and sewage authority (JKP Vodovod i Kanalizacija)****Time:** 10 days**Cost:** RSD 100,000**Comments:** In order to obtain water and sewage connection, BuildCo has to submit a request form for connection to water and sewage installations along with the main construction plan which shows precise installation plans of the building. In order to receive a connection, there has to be a sewage shaft and water-gage. BuildCo will also have to obtain clearances from all utility companies to ensure that no underground installations will be affected when connecting the building to the main water and sewage installations.**Procedure 16\*. Request and obtain electricity connection from municipal electricity provider (Elektrodistribucija Zrenjanin)****Time:** 10 days**Cost:** RSD 500,000**Comments:** Obtaining electricity connection is similar to obtaining water and sewage connection, except that in case of obtaining electricity connection Elektro-distribucija Zrenjanin issues all necessary connection documents and performs all works in providing the connection.

**Procedure 17\*. Request and obtain phone connection from telecommunications authority (Telekom Srbija)**

**Time:** 10 days  
**Cost:** RSD 6,000

**Procedure 18. Request and obtain technical examination of the building from a commission of Higher Polytechnic School**

**Time:** 1 day  
**Cost:** RSD 9,000

**Procedure 19. Request and obtain use permit from municipality**

**Time:** 30 days  
**Cost:** RSD 120

**Comments:** In order to submit a request to obtain the use permit, BuildCo will have to undergo technical examination of the building. With the request form for the use permit, BuildCo also needs to submit the following documents:

- Four copies of technical examination form;
- Cadastral excerpt;
- Proof of payment of the municipal building land tax;
- Clearance from the Fire Hazard Prevention and Safety Inspectorate that ensures that the building complies with fire hazard prevention and safety standards.

**Procedure 20. Register the building at the Republic Geodetic Authority**

**Time:** 20 days  
**Cost:** RSD 6,000

**Comments:** BuildCo must submit a formal request to register the building along with the building permit and the use permit. If there is a cadastral register in the area where the warehouse was constructed, the company should register the building in the Republic Geodetic Authority (cadastral registry). Otherwise, the building should be registered in the land books.

\*This procedure can be completed simultaneously with previous procedure.

## LIST OF PROCEDURES

**Registering property****Durres, Albania**

Property value: ALL 17,660,061 (US\$ 197,500)

Data as of: January 2011

**Procedure 1. Seller obtains an Ownership Title Certificate with an accompanying map of the plot from the Immovable Property Registration Office (IPRO)**

**Time:** 10 days  
**Cost:** ALL 1,020 (ALL 400 Ownership Title Certificate + ALL 400 land map + ALL 100 service fee + ALL 120 mailing fee)

**Comments:** The seller files the required documents with the IPRO branch in Durres to obtain an updated Ownership Title Certificate with a layout or a record file. The Certificate includes the property number, cadastral area, name of owner, surface in square meters, building data (if there are any) and a special section certifying that the property is not subject to any dispute, lien, encumbrance, mortgage or lease agreement. The Certificate should be associated with the relevant map of the property. In order to avoid any possible dispute, a new certificate is strictly required for any kind of property transfer.

**Procedure 2\*. Buyer verifies Ownership Title Certificate at the IPRO**

**Time:** 5 days  
**Cost:** ALL 1,500 (ALL 550 for an updated record file + ALL 950 for an updated Ownership Title Certificate with a layout)

**Comments:** Buyer verifies the Ownership Title Certificate with the layout at the IPRO in Durres. This procedure is undertaken in order to avoid any possible frauds. The buyer ensures that the property is free of any dispute, lien, encumbrance, mortgage or any other property rights. Although not required by law, this procedure is common practice and deemed necessary, especially for properties with significant values.

**Procedure 3\*. Comparison of property map with the real situation and position of the land**

**Time:** 2 days  
**Cost:** ALL 41,805 (ALL 50 to ALL 100 per square meter)

**Comments:** This procedure prevents the buyer from any dispute with third parties caused from overlapping, borders misfit and land surface. Verification is performed by a private authorized expert (surveyor) at the buyer's expense. Such procedure is not mandatory, but it is considered necessary especially regarding properties with considerable economic value. The fee is between ALL 50 and ALL 100 per square meter of land.

**Procedure 4. Notarization of the sale and purchase contract by a notary public**

**Time:** 1 day  
**Cost:** ALL 24,862

**Comments:** The sale and purchase contract must be notarized by a notary public. The contract can be drafted by a notary public, lawyer, attorney at law, legal consultant or the parties themselves—Albanian law does not put any restrictions on the issue. In case the sale and purchase contract is not drafted by a lawyer, the notary public is held responsible for the terms and conditions provided therein. An updated Ownership Title Certificate of the property with a layout and an updated record file issued by the IPRO office in Durres is attached and is an integral part of the sale and purchase contract.

The fees applied are calculated according to the following schedule:

Value of real estate: . . . . .	Notary fees:
From ALL 100,000 to 3,000,000. . . . .	from ALL 3,500 to 7,000 ( fee is estimated proportionally)
From ALL 3,000,000 to 4,000,000. . . . .	from ALL 7,000 to 8,500
From ALL 4,000,000 to 6,000,000. . . . .	from ALL 8,500 to 10,000
From ALL 6,000,000 to 8,000,000. . . . .	from ALL 10,000 to 15,000
From ALL 8,000,000 to 10,000,000. . . . .	from ALL 15,000 to 18,000
From ALL 10,000,000 to 15,000,000 . . . . .	from ALL 18,000 to 23,000
From ALL 15,000,000 to 25,000,000 . . . . .	from ALL 23,000 to 30,000
From ALL 25,000,000 to 40,000,000 . . . . .	from ALL 30,000 to 35,000
From ALL 40,000,000 to 50,000,000 . . . . .	from ALL 35,000 to 40,000
From ALL 50,000,000 to 70,000,000 . . . . .	from ALL 40,000 to 50,000
From ALL 70,000,000 to 100,000,000 . . . . .	from ALL 50,000 to 100,000
Over ALL 100,000,000 . . . . .	up to ALL 150,000

**Procedure 5. Payment of transfer tax at a second-tier bank**

**Time:** 1 day  
**Cost:** ALL 529,802 (0.5% - 3% of the property value determined by Guidelines No. 9 (February 26, 2008) and No. 21 (February 26, 2009) issued jointly by the Minister of Finance and the Minister of Justice. The schedule is the following:

Value of real estate: . . . . .	Tax:
Up to ALL 2,000,000. . . . .	0.5% of the property value
from ALL 2,000,000 to 4,000,000 . . . . .	1% of the property value
from ALL 4,000,000 to 6,000,000 . . . . .	2% of the property value
over ALL 6,000,000 . . . . .	3% of the property value)

**Comments:** If the property is sold at a higher price than initially bought, the seller is subject to a capital gain tax of 10%.

**Procedure 6. Buyer applies for property registration at the IPRO**

**Time:** 15 days  
**Cost:** ALL 1,920 (ALL 1500 registration fee + ALL 300 service fee + ALL 120 mailing fee)

\*This procedure can be completed simultaneously with previous procedure.

## REGISTERING PROPERTY

**Shkodra, Albania**

Property value: ALL 17,660,061 (US\$ 197,500)

Data as of: January 2011

**Procedure 1. Seller obtains an Ownership Title Certificate with an accompanying map of the plot from the Immovable Property Registration Office (IPRO)****Time:** 7 days**Cost:** ALL 1,020 (ALL 400 Ownership Title Certificate + ALL 400 land map + ALL 100 service fee + ALL 120 mailing fee)

**Comments:** The seller files the required documents with the IPRO branch in Shkodra to obtain an updated Ownership Title Certificate with a layout or a record file. The Certificate includes the property number, cadastral area, name of owner, surface in square meters, building data (if there are any) and a special section certifying that the property is not subject to any dispute, lien, encumbrance, mortgage or lease agreement. The Certificate should be associated with the relevant map of the property. In order to avoid any possible dispute, a new certificate is strictly required for any kind of property transfer.

**Procedure 2\*. Buyer verifies Ownership Title Certificate at the IPRO****Time:** 5 days**Cost:** ALL 1,500 (ALL 550 for an updated record file + ALL 950 for an updated Ownership Title Certificate with a layout)

**Comments:** Buyer verifies the Ownership Title Certificate with the layout at the IPRO in Shkodra. This procedure is undertaken in order to avoid any possible frauds. The buyer ensures that the property is free of any dispute, lien, encumbrance, mortgage or any other property rights. Although not required by law, this procedure is common practice and deemed necessary, especially for properties with significant values.

**Procedure 3\*. Comparison of property map with the real situation and position of the land****Time:** 3 days**Cost:** ALL 41,805 (ALL 50 to ALL 100 per square meter)

**Comments:** This procedure prevents the buyer from any dispute with third parties caused from overlapping, borders misfit and land surface. Verification is performed by a private authorized expert (surveyor) at the buyer's expense. Such procedure is not mandatory, but it is considered necessary especially regarding properties with considerable economic value. The fee is between ALL 50 and ALL 100 per square meter of land.

**Procedure 4. Notarization of the sale and purchase contract by a notary public****Time:** 1 day**Cost:** ALL 24,862

**Comments:** The sale and purchase contract must be notarized by a notary public. The contract can be drafted by a notary public, lawyer, attorney at law, legal consultant or the parties themselves—Albanian law does not put any restrictions on the issue. In case the sale and purchase contract is not drafted by a lawyer, the notary public is held responsible for the terms and conditions provided therein. An updated Ownership Title Certificate of the property with a layout and an updated record file issued by the IPRO office in Shkodra is attached and is an integral part of the sale and purchase contract.

The fees applied are calculated according to the following schedule:

Value of real estate: ..... Notary fees:

From ALL 100,000 to 3,000,000 ..... from ALL 3,500 to 7,000 ( fee is estimated proportionally)

From ALL 3,000,000 to 4,000,000 ..... from ALL 7,000 to 8,500

From ALL 4,000,000 to 6,000,000 ..... from ALL 8,500 to 10,000

From ALL 6,000,000 to 8,000,000 ..... from ALL 10,000 to 15,000

From ALL 8,000,000 to 10,000,000 ..... from ALL 15,000 to 18,000

From ALL 10,000,000 to 15,000,000 ... from ALL 18,000 to 23,000

From ALL 15,000,000 to 25,000,000 ... from ALL 23,000 to 30,000

From ALL 25,000,000 to 40,000,000 ... from ALL 30,000 to 35,000

From ALL 40,000,000 to 50,000,000 ... from ALL 35,000 to 40,000

From ALL 50,000,000 to 70,000,000 ... from ALL 40,000 to 50,000

From ALL 70,000,000 to 100,000,000 .. from ALL 50,000 to 100,000

Over ALL 100,000,000 ..... up to ALL 150,000

**Procedure 5. Payment of transfer tax at a second-tier bank****Time:** 1 day

**Cost:** ALL 529,802 (0.5% - 3% of the property value determined by Guidelines No. 9 (February 26, 2008) and No. 21 (February 26, 2009) issued jointly by the Minister of Finance and the Minister of Justice. The schedule is the following:

Value of real estate: ..... Tax:

Up to ALL 2,000,000 ..... 0.5% of the property value

from ALL 2,000,000 to 4,000,000 ..... 1% of the property value

from ALL 4,000,000 to 6,000,000 ..... 2% of the property value

over ALL 6,000,000 ..... 3% of the property value)

**Comments:** If the property is sold at a higher price than initially bought, the seller is subject to a capital gain tax of 10%.

**Procedure 6. Buyer applies for property registration at the IPRO****Time:** 15 days**Cost:** ALL 1,920 (ALL 1500 registration fee + ALL 300 service fee + ALL 120 mailing fee)

\*This procedure can be completed simultaneously with previous procedure.

## REGISTERING PROPERTY

**Tirana, Albania**

Property value: ALL 17,660,061 (US\$ 197,500)

Data as of: January 2011

**Procedure 1. Seller obtains an Ownership Title Certificate with an accompanying map of the plot from the Immovable Property Registration Office (IPRO)****Time:** 10 days**Cost:** ALL 1,020 (ALL 400 Ownership Title Certificate + ALL 400 land map + ALL 100 service fee + ALL 120 mailing fee)

**Comments:** The seller files the required documents with the IPRO branch in Tirana to obtain an updated Ownership Title Certificate with a layout or a record file. The Certificate includes the property number, cadastral area, name of owner, surface in square meters, building data (if there are any) and a special section certifying that the property is not subject to any dispute, lien, encumbrance, mortgage or lease agreement. The Certificate should be associated with the relevant map of the property. In order to avoid any possible dispute, a new certificate is strictly required for any kind of property transfer.

**Procedure 2\*. Buyer verifies Ownership Title Certificate at the IPRO****Time:** 2 days**Cost:** ALL 1,500 (ALL 550 for an updated record file + ALL 950 for an updated Ownership Title Certificate with a layout)

**Comments:** Buyer verifies the Ownership Title Certificate with the layout at the IPRO in Tirana. This procedure is undertaken in order to avoid any possible frauds. The buyer ensures that the property is free of any dispute, lien, encumbrance, mortgage or any other property rights. Although not required by law, this procedure is common practice and deemed necessary, especially for properties with significant values.

**Procedure 3\*. Comparison of property map with the real situation and position of the land****Time:** 1 day**Cost:** ALL 41,805 (ALL 50 to ALL 100 per square meter)

**Comments:** This procedure prevents the buyer from any dispute with third parties caused from overlapping, borders misfit and land surface. Verification is performed by a private authorized expert (surveyor) at the buyer's expense. Such procedure is not mandatory, but it is considered necessary especially regarding properties with considerable economic value. The fee is between ALL 50 and ALL 100 per square meter of land.

**Procedure 4. Notarization of the sale and purchase contract by a notary public****Time:** 1 day**Cost:** ALL 24,862

**Comments:** The sale and purchase contract must be notarized by a notary public. The contract can be drafted by a notary public, lawyer, attorney at law, legal consultant or the parties themselves—Albanian law does not put any restrictions on the issue. In case the sale and purchase contract is not drafted by a lawyer, the notary public is held responsible for the terms and conditions provided therein. An updated Ownership Title Certificate of the property with a layout and an updated record file issued by the IPRO office in Tirana is attached and is an integral part of the sale and purchase contract.

The fees applied are calculated according to the following schedule:

Value of real estate: ..... Notary fees:  
 From ALL 100,000 to 3,000,000 ..... from ALL 3,500 to 7,000 ( fee is estimated proportionally)  
 From ALL 3,000,000 to 4,000,000 ..... from ALL 7,000 to 8,500  
 From ALL 4,000,000 to 6,000,000 ..... from ALL 8,500 to 10,000  
 From ALL 6,000,000 to 8,000,000 ..... from ALL 10,000 to 15,000  
 From ALL 8,000,000 to 10,000,000 ..... from ALL 15,000 to 18,000  
 From ALL 10,000,000 to 15,000,000 ... from ALL 18,000 to 23,000  
 From ALL 15,000,000 to 25,000,000 ... from ALL 23,000 to 30,000  
 From ALL 25,000,000 to 40,000,000 ... from ALL 30,000 to 35,000  
 From ALL 40,000,000 to 50,000,000 ... from ALL 35,000 to 40,000  
 From ALL 50,000,000 to 70,000,000 ... from ALL 40,000 to 50,000  
 From ALL 70,000,000 to 100,000,000 .. from ALL 50,000 to 100,000  
 Over ALL 100,000,000 ..... up to ALL 150,000

#### Procedure 5. Payment of transfer tax at a second-tier bank

**Time:** 1 day

**Cost:** ALL 529,802 (0.5% - 3% of the property value determined by Guidelines No. 9 (February 26, 2008) and No. 21 (February 26, 2009) issued jointly by the Minister of Finance and the Minister of Justice. The schedule is the following:

Value of real estate: ..... Tax:  
 Up to ALL 2,000,000 ..... 0.5% of the property value  
 from ALL 2,000,000 to 4,000,000 ..... 1% of the property value  
 from ALL 4,000,000 to 6,000,000 ..... 2% of the property value  
 over ALL 6,000,000 ..... 3% of the property value)

**Comments:** If the property is sold at a higher price than initially bought, the seller is subject to a capital gain tax of 10%.

#### Procedure 6. Buyer applies for property registration at the IPRO

**Time:** 21 days

**Cost:** ALL 1,920 (ALL 1500 registration fee + ALL 300 service fee + ALL 120 mailing fee)

\*This procedure can be completed simultaneously with previous procedure.

#### REGISTERING PROPERTY

#### Vlora, Albania

Property value: ALL 17,660,061 (US\$ 197,500)

Data as of: January 2011

#### Procedure 1. Seller obtains an Ownership Title Certificate with an accompanying map of the plot from the Immovable Property Registration Office (IPRO)

**Time:** 11 days

**Cost:** ALL 1,020 (ALL 400 Ownership Title Certificate + ALL 400 land map + ALL 100 service fee + ALL 120 mailing fee)

**Comments:** The seller files the required documents with the IPRO branch in Vlora to obtain an updated Ownership Title Certificate with a layout or a record file. The Certificate includes the property number, cadastral area, name of owner, surface in square meters, building data (if there are any) and a special section certifying that the property is not subject to any dispute, lien, encumbrance, mortgage or lease agreement. The Certificate should be associated with the relevant map of the property. In order to avoid any possible dispute, a new certificate is strictly required for any kind of property transfer.

#### Procedure 2\*. Buyer verifies Ownership Title Certificate at the IPRO

**Time:** 5 days

**Cost:** ALL 1,500 (ALL 550 for an updated record file + ALL 950 for an updated Ownership Title Certificate with a layout)

**Comments:** Buyer verifies the Ownership Title Certificate with the layout at the IPRO in Vlora. This procedure is undertaken in order to avoid any possible frauds. The buyer ensures that the property is free of any dispute, lien, encumbrance, mortgage or any other property rights. Although not required by law, this procedure is common practice and deemed necessary, especially for properties with significant values.

#### Procedure 3\*. Comparison of property map with the real situation and position of the land

**Time:** 3 days

**Cost:** ALL 41,805 (ALL 50 to ALL 100 per square meter)

**Comments:** This procedure prevents the buyer from any dispute with third parties caused from overlapping, borders misfit and land surface. Verification is performed by a private authorized expert (surveyor) at the buyer's expense. Such procedure is not mandatory, but it is considered necessary especially regarding properties with considerable economic value. The fee is between ALL 50 and ALL 100 per square meter of land.

#### Procedure 4. Notarization of the sale and purchase contract by a notary public

**Time:** 1 day

**Cost:** ALL 24,862

**Comments:** The sale and purchase contract must be notarized by a notary public. The contract can be drafted by a notary public, lawyer, attorney at law, legal consultant or the parties themselves—Albanian law does not put any restrictions on the issue. In case the sale and purchase contract is not drafted by a lawyer, the notary public is held responsible for the terms and conditions provided therein. An updated Ownership Title Certificate of the property with a layout and an updated record file issued by the IPRO office in Vlora is attached and is an integral part of the sale and purchase contract.

The fees applied are calculated according to the following schedule:

Value of real estate: ..... Notary fees:  
 From ALL 100,000 to 3,000,000 ..... from ALL 3,500 to 7,000 ( fee is estimated proportionally)  
 From ALL 3,000,000 to 4,000,000 ..... from ALL 7,000 to 8,500  
 From ALL 4,000,000 to 6,000,000 ..... from ALL 8,500 to 10,000  
 From ALL 6,000,000 to 8,000,000 ..... from ALL 10,000 to 15,000  
 From ALL 8,000,000 to 10,000,000 ..... from ALL 15,000 to 18,000  
 From ALL 10,000,000 to 15,000,000 ... from ALL 18,000 to 23,000  
 From ALL 15,000,000 to 25,000,000 ... from ALL 23,000 to 30,000  
 From ALL 25,000,000 to 40,000,000 ... from ALL 30,000 to 35,000  
 From ALL 40,000,000 to 50,000,000 ... from ALL 35,000 to 40,000  
 From ALL 50,000,000 to 70,000,000 ... from ALL 40,000 to 50,000  
 From ALL 70,000,000 to 100,000,000 .. from ALL 50,000 to 100,000  
 Over ALL 100,000,000 ..... up to ALL 150,000

#### Procedure 5. Payment of transfer tax at a second-tier bank

**Time:** 1 day

**Cost:** ALL 529,802 (0.5% - 3% of the property value determined by Guidelines No. 9 (February 26, 2008) and No. 21 (February 26, 2009) issued jointly by the Minister of Finance and the Minister of Justice. The schedule is the following:

Value of real estate: ..... Tax:  
 Up to ALL 2,000,000 ..... 0.5% of the property value  
 from ALL 2,000,000 to 4,000,000 ..... 1% of the property value  
 from ALL 4,000,000 to 6,000,000 ..... 2% of the property value  
 over ALL 6,000,000 ..... 3% of the property value)

**Comments:** If the property is sold at a higher price than initially bought, the seller is subject to a capital gain tax of 10%.

#### Procedure 6. Buyer applies for property registration at the IPRO

**Time:** 12 days

**Cost:** ALL 1,920 (ALL 1500 registration fee + ALL 300 service fee + ALL 120 mailing fee)

\*This procedure can be completed simultaneously with previous procedure.

## REGISTERING PROPERTY

**Banja Luka, Bosnia and Herzegovina**

Property value: BAM 327,739 (US\$ 235,000)

Data as of: January 2011

**Procedure 1. Obtain a land registry extract as a proof of ownership from the Land Registry of the Basic Court in Banja Luka****Time:** 1 day**Cost:** BAM 10

**Comments:** In order to obtain a land registry extract, seller needs to submit his/her identification card and the number of the property in the cadastre. The administrative fee of BAM 10 can be paid at the postal office window within the Land Registry of the Basic Court of Banja Luka.

**Procedure 2. Obtain a cadastre extract from the Republic Administration for Geodetic and Property Affairs****Time:** 1 day**Cost:** BAM 27 (BAM 10 for the copy of the cadastre plan + BAM 10 for proof of residence + BAM 7 per land parcel)

**Comments:** In order to obtain cadastre extract, seller must submit the land registry extract and a request for cadastre extract. The administrative fee of BAM 27 can be paid at the postal office window within the Republic Administration for Geodetic and Property Affairs.

**Procedure 3\*. Notarize the sale and purchase agreement****Time:** 3 days**Cost:** BAM 700

**Comments:** According to the Law on Notaries, the sale and purchase agreement of the real estate must be prepared as a notary deed. Buyer and seller contact the notary, schedule an appointment, submit all the necessary documents and are invited by the notary to have the sale and purchase agreement read to them before signing it.

The cost of notarizing the sale and purchase agreement depends on the value of the real estate at the time of purchase.

Parties provide the notary with:

- Land registry extract (obtained in procedure 1);
- Cadastre extract (obtained in procedure 2);
- Approval of the founder (i.e. the General Assembly or Supervisory Board, in case that the value of the property exceeds 1/3 of the company's book value).

The presence of both parties is necessary at notary's office or verification of the signatures should be based on a special power of notary. The notary fee depends on the value of the property and is set by the Rulebook on Notary Fees (Official Gazette of Republika Srpska, n. 21/08) as follows.

Value of property:.....	Points:
Up to BAM 1,000 .....	120 points
from BAM 1,001 to 2,500 .....	180 points
from BAM 2,501 to 5,000 .....	250 points
from BAM 5,001 to 10,000 .....	300 points
from BAM 10,001 to 20,000 .....	400 points
from BAM 20,001 to 30,000 .....	500 points
from BAM 30,001 to 40,000 .....	550 points
from BAM 40,001 to 50,000 .....	600 points
from BAM 50,001 to 60,000 .....	650 points
from BAM 60,001 to 80,000 .....	700 points
from BAM 80,001 to 100,000 .....	750 points
from BAM 100,001 to 150,000 .....	850 points
from BAM 150,001 to 200,000 .....	900 points
from BAM 200,001 to 250,000 .....	1,000 points
from BAM 250,001 to 300,000 .....	1,200 points
from BAM 300,001 to 400,000 .....	1,400 points
from BAM 400,001 to 500,000 .....	1,600 points
from BAM 500,001 to 750,000 .....	2,000 points
from BAM 750,001 to 1,000,000 .....	2,500 points

The value of a point is 0.5 BAM.

**Procedure 4. Submit a request for evaluation of the property regarding tax payments to the municipal Tax Administration****Time:** 2 days**Cost:** No cost

**Comments:** The deadline for filing the request for evaluation of the property is 10 days from the signing of the sale and purchase agreement.

Required documentation includes:

- Copy of sale and purchase agreement;
- Copy of Cadastre extract;
- Copy of Land Registry extract;
- Extract from the company's court registry certifying the person is authorized to act on behalf of the company and to sign the sale and purchase agreement.

Property tax is calculated according to market price (when agreed price is smaller than the market price) or agreed price (when market price is smaller than the agreed price). Buyer pays the tax for the transfer of the ownership.

**Procedure 5. Payment of the property transfer tax at a commercial bank****Time:** 1 day**Cost:** BAM 9,832 (3% of the property value)

**Comments:** Upon submission of the sale and purchase agreement to the Tax Administration office, buyer pays the property transfer tax amounting to 3% of the overall property value at a commercial bank to the account of the Tax Administration office in Banja Luka. The tax must be paid within 15 days from receiving payment instructions from the tax authority.

**Procedure 6. Register the property at the Land Registry of the Basic Court of Banja Luka****Time:** 50 days**Cost:** No cost

**Comments:** Parties submit the request for the property ownership registration at the Land Registry along with a notarized copy of the sale and purchase agreement and the certification of the property transfer tax payment. Application for the transfer of the ownership at the Land Registry can be found on the following website: [http://osnovnisudbl.org/Libraries/%d0%94%d0%be%d0%ba%d1%83%d0%bc%d0%b5%d0%bd%d1%82%d0%b8/Zajtjev\\_na\\_osnovu\\_kopoprodaje\\_CIR.sflb.ashx](http://osnovnisudbl.org/Libraries/%d0%94%d0%be%d0%ba%d1%83%d0%bc%d0%b5%d0%bd%d1%82%d0%b8/Zajtjev_na_osnovu_kopoprodaje_CIR.sflb.ashx).

**Procedure 7. Register the property at the Republic Administration for Geodetic and Property Affairs****Time:** 45 days**Cost:** BAM 14

**Comments:** The buyer must submit the following documents:

- Copy of sale and purchase agreement;
- Certificate that the property transfer tax has been fully paid;
- Extract from the Land Registry;
- Filled out request to register the property with the Cadastre.

\*This procedure can be completed simultaneously with previous procedure.

## REGISTERING PROPERTY

**Mostar, Bosnia and Herzegovina**

Property value: BAM 327,739 (US\$ 235,000)

Data as of: January 2011

**Procedure 1. Obtain a land registry extract as a proof of ownership from the Land Registry of the Municipal Court****Time:** 10 days**Cost:** BAM 9

**Comments:** The seller obtains a land registry extract from the Land Registry as a proof of ownership and to check the property against encumbrances. In practice, the extract must be obtained by the seller before the start of the transaction. The seller needs to provide a personal identification card and the number of the property in the Cadastre.

**Procedure 2. Parties obtain a court extract certifying the person authorized to act on behalf of each company at Municipal Court****Time:** 12 days

**Cost:** BAM 40.5 (BAM 9 per extract + BAM 4.5 per page of the court extract)

**Comments:** Both the seller and the buyer submit the request for obtaining the court extract certifying persons authorized to act on behalf of each of the companies. The seller has to submit extract from the Land Registry where he shows that he is authorized to sign the sale and purchase agreement. The court extract usually has 4-5 pages. The Administrative fee of BAM 40.5 has to be paid at the postal office window of the Land Registry of the Municipal Court in Mostar.

### Procedure 3\*. Notarize the sale and purchase agreement

**Time:** 4 days

**Cost:** BAM 700

**Comments:** According to the Law on Notaries, the sale and purchase agreement of the real estate must be prepared as a notary deed. Buyer and seller contact the notary, schedule an appointment, submit all the necessary documents and are invited by the notary to have the sale and purchase agreement read to them before signing it.

The cost of notarizing the sale and purchase agreement depends on the value of the real estate at the time of purchase.

Parties provide the notary with:

- Land registry extract (obtained in procedure 1);
- Court extract (obtained in procedure 2);
- Approval of the founder (i.e. the General Assembly or Supervisory Board, in case that the value of the property exceeds 1/3 of the company's book value).

The presence of both parties is necessary at notary's office or verification of the signatures should be based on a special power of notary. The notary fee depends on the value of the property and is set by the Rulebook on Notary Fees (Official Gazette of Republika Srpska, n. 21/08) as follows:

Value of property:.....	Points:
Up to BAM 1,000.....	120 points
from BAM 1,001 to 2,500.....	180 points
from BAM 2,501 to 5,000.....	250 points
from BAM 5,001 to 10,000.....	300 points
from BAM 10,001 to 20,000.....	400 points
from BAM 20,001 to 30,000.....	500 points
from BAM 30,001 to 40,000.....	550 points
from BAM 40,001 to 50,000.....	600 points
from BAM 50,001 to 60,000.....	650 points
from BAM 60,001 to 80,000.....	700 points
from BAM 80,001 to 100,000.....	750 points
from BAM 100,001 to 150,000.....	850 points
from BAM 150,001 to 200,000.....	900 points
from BAM 200,001 to 250,000.....	1,000 points
from BAM 250,001 to 300,000.....	1,200 points
from BAM 300,001 to 400,000.....	1,400 points
from BAM 400,001 to 500,000.....	1,600 points
from BAM 500,001 to 750,000.....	2,000 points
from BAM 750,001 to 1,000,000.....	2,500 points

The value of a point is 0.5 BAM.

### Procedure 4. Submit a request for evaluation of the property regarding tax payments to the municipal Tax Administration

**Time:** 1 day

**Cost:** BAM 75

**Comments:** The deadline for filing the request for property evaluation is 15 days from the verification of signatures on the sale and purchase agreement. A notarized copy of the sale and purchase agreement and a copy of the land registry extract must be submitted.

### Procedure 5. On-site inspection of the property by the tax office commission

**Time:** 23 days

**Cost:** BAM 100

**Comments:** Upon submission of the sale and purchase agreement, the tax office commission performs an on-site inspection of the property. The tax office adopts an official decision on the tax duty of the taxpayer (in practice it is always the buyer). Upon reaching a decision on the amount of property transfer tax to be paid, the commission delivers the certification with a clear guideline on the amount and time permitted to have the property transfer tax paid.

### Procedure 6. Payment of the property transfer tax at a commercial bank

**Time:** 1 day

**Cost:** BAM 16,387 (5% of the property value)

**Comments:** The transfer tax has to be paid within 15 days from receiving payment instructions from the tax authority.

### Procedure 7. Register the property at the Land Registry of the Municipal Court

**Time:** 70 days

**Cost:** BAM 615 (0.18% of the property value + BAM 27 court fee)

**Comments:** To register the property at the Land Registry, parties need to submit following documents:

- Request for the transfer of the ownership at the competent court's Land Registry;
- Copy of sale and purchase agreement;
- Certificate that shows the property transfer tax has been paid in full.

After the registration in the Land Registry is finished, the Land Registry forwards all required documents to the cadastre so the property ownership change can be registered there as well. The cadastre charges a fee of 0.18% of the total property value and the Land Registry charges a processing fee of BAM 27.

\*This procedure can be completed simultaneously with previous procedure.

## REGISTERING PROPERTY

### Sarajevo, Bosnia and Herzegovina

Property value: BAM 327,739 (US\$ 235,000)

Data as of: January 2011

### Procedure 1. Obtain a land registry extract as a proof of ownership from the Land Registry of the Municipal Court

**Time:** 1 day

**Cost:** BAM 30 (BAM 10 per page, court extract usually has 3 pages)

**Comments:** The seller obtains an extract from the Land Registry as proof of ownership and to check the property against encumbrances. In practice, the excerpt must be obtained by the seller before the start of the transaction. The seller needs to provide a personal identification card and a number of the property in the cadastre.

### Procedure 2\*. Parties obtain a court extract certifying the person authorized to act on behalf of each company at Municipal Court

**Time:** 10 days

**Cost:** BAM 66 (BAM 8 per extract + BAM 10 per page of the court extract)

**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. Each court extract contains approximately 4-5 pages.

### Procedure 3. Notarize the sale and purchase agreement

**Time:** 1 day

**Cost:** BAM 700

**Comments:** According to the Law on Notaries, the sale and purchase agreement of the real estate must be prepared as a notary deed. Buyer and seller contact the notary, schedule an appointment, submit all the necessary documents and are invited by the notary to have the sale and purchase agreement read to them before signing it.

The cost of notarizing the sale and purchase agreement depends on the value of the real estate at the time of purchase.

Parties provide the notary with:

- Land Registry extract (obtained in procedure 1);
- Court extract (obtained in procedure 2);
- Approval of the founder (i.e. the General Assembly or Supervisory Board, in case that the value of the property exceeds 1/3 of the company's book value).

The presence of both parties is necessary at notary's office or verification of the signatures should be based on a special power of notary. The notary fee depends on the value of the property and is set by the Rulebook on Notary Fees (Official Gazette of Republika Srpska, n. 21/08) as follows:

Value of property.....	Points
Up to BAM 1,000.....	120 points
from BAM 1,001 to 2,500.....	180 points
from BAM 2,501 to 5,000.....	250 points

from BAM 5,001 to 10,000	300 points
from BAM 10,001 to 20,000	400 points
from BAM 20,001 to 30,000	500 points
from BAM 30,001 to 40,000	550 points
from BAM 40,001 to 50,000	600 points
from BAM 50,001 to 60,000	650 points
from BAM 60,001 to 80,000	700 points
from BAM 80,001 to 100,000	750 points
from BAM 100,001 to 150,000	850 points
from BAM 150,001 to 200,000	900 points
from BAM 200,001 to 250,000	1,000 points
from BAM 250,001 to 300,000	1,200 points
from BAM 300,001 to 400,000	1,400 points
from BAM 400,001 to 500,000	1,600 points
from BAM 500,001 to 750,000	2,000 points
from BAM 750,001 to 1,000,000	2,500 points

The value of a point is 0.5 BAM.

#### Procedure 4. Submit a request for evaluation of the property regarding tax payments to the municipal Tax Administration

**Time:** 1 day

**Cost:** No cost

**Comments:** The deadline for filing the request for property evaluation is 15 days from the verification of signatures on the sale and purchase agreement. A notarized copy of the sale and purchase agreement and a copy of the Land Registry extract must be submitted.

#### Procedure 5. On-site inspection of the property by the tax office commission

**Time:** 10 days

**Cost:** No cost

**Comments:** Upon submission of the sale and purchase agreement, the tax office commission performs an on-site inspection of the property. The tax office adopts an official decision on the tax duty of the taxpayer (in practice it is always the buyer). Upon reaching a decision on the amount of property transfer tax to be paid, the commission delivers the certification with a clear guideline on the amount and time permitted to have the property transfer tax paid.

#### Procedure 6. Payment of the property transfer tax at a commercial bank

**Time:** 1 day

**Cost:** BAM 16,387 (5% of the property value)

**Comments:** The transfer tax has to be paid within 15 days from receiving payment instructions from the tax authority.

#### Procedure 7. Register the property at the Land Registry of the Municipal Court

**Time:** 9 days

**Cost:** BAM 60 (BAM 10 for the extract + BAM 50 court fee)

**Comments:** To register the property at the Land Registry, parties need to submit following documents:

- Filled out request for the transfer of ownership at the competent court's Land Registry department;
- Copy of sale and purchase agreement;
- Certificate that shows the property transfer tax has been paid in full.

After registration in the Land Registry is finished, the land registry office will send all the required documents to the cadastre so the property ownership change can be registered there as well.

\*This procedure can be completed simultaneously with previous procedure.

## REGISTERING PROPERTY

### Pristina, Kosovo

Property value: EUR 111,163 (US\$ 162,000)

Data as of: January 2011

#### Procedure 1. Obtain Property Ownership Certificate and lot plan from the Municipal Cadastral Directorate

**Time:** 2 days

**Cost:** EUR 8 (EUR 4 for the Property Ownership Certificate + EUR 4 for the lot plan)

**Comments:** Seller needs to present these documents to the lawyer who will prepare the sale agreement. The lawyer checks for encumbrances, mortgages, liens or other charges on the property while drafting the sale agreement.

#### Procedure 2. Obtain tax confirmation letter from the Finance and Property Directorate of the Municipality

**Time:** 2 days

**Cost:** EUR 4

**Comments:** Seller requests this confirmation letter from the Municipality in order to prove that all property taxes have been paid. Seller needs to present these documents to the lawyer who will prepare the sale agreement.

#### Procedure 3. Obtain certified copies of business certificates at the municipality

**Time:** 1 day

**Cost:** EUR 4 (EUR 1 per page—most business certificates have 4 pages)

**Comments:** Both buyer and seller need to present copies of their business certificates certifying existence of their business to the lawyer who will prepare the sale agreement.

#### Procedure 4. Lawyer drafts the sale agreement

**Time:** 2 days

**Cost:** EUR 200

**Comments:** Lawyers charge between EUR 100 and EUR 300. Some lawyers charge VAT, some do not. According to Kosovo's Tax Law, businesses collect VAT only if they earn more than EUR 50,000 per year. Anyone can draft a sale agreement. Laws do not mandate the intervention of lawyers during a real estate transaction.

#### Procedure 5. Receive confirmation of the validity of the sale agreement by the Municipal Court

**Time:** 2 days

**Cost:** EUR 56 (EUR 50 confirmation fee + EUR 1 application fee + EUR 5 lawyer authorization fee)

**Comments:** The signed contract is submitted to the court for approval and certification. The court clerk will verify the identity of both parties, check that they are legally mandated to sign this agreement, assessing that the transaction complies with the law. This procedure can be done either by the parties (no cost) or by the lawyer (lawyer needs an authorization by the parties, which costs EUR 5). This is done to prevent the parties' denial of their physical presence for the sale agreement at a later time.

#### Procedure 6. Seller pays property transfer tax at a commercial bank

**Time:** 1 day

**Cost:** EUR 151 (EUR 150 property transfer tax + EUR 1 bank transaction fee)

**Comments:** In the past, the property transfer tax was a percentage of the property value, but now it is a flat fee per land plot transferred. After paying it at a bank, proof of payment should be submitted to the municipality.

#### Procedure 7. Register the transfer of property at the Municipal Cadastral Directorate

**Time:** 23 days

**Cost:** No cost

**Comments:** After submitting all documentation, the municipality provides a payment slip to pay the registration fees at a commercial bank.

#### Procedure 8\*. Pay registration fees at a commercial bank

**Time:** 1 day

**Cost:** EUR 201 (EUR 200 registration fee + EUR 1 bank transaction fee)

**Comments:** In the past, the registration fee was a percentage of the property value, but now it is a flat fee per land plot transferred. After paying at a bank, proof of payment should be submitted to the municipality.

\*This procedure can be completed simultaneously with previous procedure.

## REGISTERING PROPERTY

**Prizren, Kosovo**

Property value: EUR 111,163 (US\$ 162,000)

Data as of: January 2011

**Procedure 1. Obtain Property Ownership Certificate and lot plan from the Municipal Geodesy and Cadastre Directorate**

**Time:** 2 days

**Cost:** EUR 7 (EUR 4 for the Property Ownership Certificate + EUR 3 for the lot plan)

**Comments:** The Property Ownership Certificate and the lot plan copy are valid for 180 days each.

**Procedure 2\*. Obtain tax confirmation letter from the Municipal Directorate of Finance, Economy and Development**

**Time:** 2 days

**Cost:** EUR 5

**Comments:** One confirmation letter is 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 the sale 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 negotiation.

**Procedure 4. Receive confirmation of the validity of the sale agreement by the Municipal Court**

**Time:** 2 days

**Cost:** EUR 56 (EUR 50 confirmation fee + EUR 1 application fee + EUR 5 lawyer authorization fee)

**Comments:** Hiring a lawyer to draft the transaction contract and obtain the court confirmation is a common practice. 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 property transfer tax at a commercial bank**

**Time:** 1 day

**Cost:** EUR 201 (EUR 200 transfer tax + EUR 1 bank transaction fee)

**Comments:** Previously, the property transfer tax was a fixed percentage charged on the property value. Currently, transfer tax is EUR 200 per lot.

**Procedure 6. Register the transfer of property at the Municipal Geodesy and Cadastre 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\*. Pay registration fees at a commercial bank**

**Time:** 1 day

**Cost:** EUR 131 (EUR 130 registration fee + EUR 1 bank transaction fee)

**Comments:** Payments of up to EUR 20 can be made at the Cadastral Office. Payments above this value need to be made at a bank.

\*This procedure can be completed simultaneously with previous procedure.

## REGISTERING PROPERTY

**Bitola, FYR Macedonia**

Property value: MKD 9,710,025 (US\$ 220,000)

Data as of: January 2011

**Procedure 1. Obtain a non-encumbrance certificate on the property and copy of the title deed from the local office of the Cadastre**

**Time:** 2 days

**Cost:** MKD 575 (MKD 350 non-encumbrance certificate + MKD 125 title deed + MKD 100 administrative tax)

**Comments:** The seller should obtain a copy of title deed from the local office of the Cadastre before starting the transaction formally. With the introduction of Law on Real Estate Cadastre on March 23, 2008, the information on encumbrances over land and property has moved from the First Instance Courts to the Cadastre Registry's Public Book. Thus, parties check for encumbrances over the land and property and obtain a non-encumbrance certificate from the Real Estate Cadastre at the same time when obtaining a copy of the title deed.

**Procedure 2. A lawyer prepares the sale and purchase agreement**

**Time:** 1 day

**Cost:** MKD 2,000

**Comments:** According to practice, the Revenue Office requests that an attorney-at-law prepares the sale and purchase 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 3. Calculation and payment of the property transfer tax at the municipal Revenue Office**

**Time:** 8 days

**Cost:** MKD 291,601 (3% of the property value + MKD 250 taxation decision + MKD 50 administrative tax)

**Comments:** The tax liability is incurred on the date of conclusion of the agreement on the transfer of ownership. The base of the property 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 13, 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 property transfer tax is proportionate and equals 3% of the determined market value of the property.

**Procedure 4. Notarize the sale and purchase agreement at a public notary office**

**Time:** 1 day

**Cost:** MKD 5,500 (MKD 5,000 for notarizing the signatures + MKD 500 court tax)

**Comments:** The agreement is authenticated before a notary public by both parties (seller and buyer). In case the notary only authorizes (notarizes) a sale and purchase agreement previously prepared by a lawyer the notary fee is MKD 5,000. If the notary also prepares (drafts) the sale and purchase agreement, the notary fee for a contract of this value is MKD 10,000. The notary will not authenticate the agreement if the property transfer tax has not been paid to the revenue authority.

**Procedure 5. Register change of ownership at the Cadastre**

**Time:** 10 days

**Cost:** MKD 475 (MKD 250 ownership change + MKD 125 new title deed + MKD 100 administrative tax)

**Comments:** A request for changing the ownership title is submitted to the local office of 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 in the Public Book at the Cadastre.

## REGISTERING PROPERTY

**Skopje, FYR Macedonia**

Property value: MKD 9,710,025 (US\$ 220,000)

Data as of: January 2011

**Procedure 1. Obtain a non-encumbrance certificate on the property from the Cadastre**

**Time:** 2 days

**Cost:** MKD 575 (MKD 350 non-encumbrance certificate + MKD 125 title deed + MKD 100 stamp duty)

**Comments:** With the introduction of Law on Real Estate Cadastre on March 23, 2008, the information on encumbrances over land and property has moved from the First Instance Courts to the Cadastre Registry's public book. Thus, parties check for encumbrances over the land and property and obtain a non-encumbrance certificate from the Real Estate Cadastre at the same time when they obtain a copy of the title deed.

The seller should obtain a title deed from the Department of Cadastre and Registration of Real Estate before starting the transaction formally. In the above case the seller as a company should provide a copy of its registration papers with the evidence that the General Manager is authorized to sign the agreement and a verified paper form of the signature before a notary public. This form will be used as evidence before the lawyer and later before the notary public who will verify the sale and purchase agreement.

**Procedure 2. A lawyer prepares the sale and purchase agreement**

**Time:** 2 days

**Cost:** MKD 6,000

**Comments:** A lawyer prepares the sale and purchase agreement and usually completes the whole process on behalf of parties, hence the higher fees noted here. In practice the Revenue Office requests the sale and purchase agreement to be prepared by an attorney-at-law.

As the seller is a company, it must produce a certificate showing that the company has not initiated any bankruptcy procedures. This certificate has to be presented to the lawyer for the preparation of the sale and purchase agreement, and must be presented to the notary public for the verification of the sale and purchase agreement. The buying company must issue a decision for buying the warehouse, signed by the company's manager. This decision will be used both for preparation of the sale and purchase agreement by the lawyer, as well as at the notary public for the verification of the sale and purchase agreement.

**Procedure 3. Assessment and payment of property transfer tax at the municipal Revenue Office**

**Time:** 30 days

**Cost:** MKD 291,601 (3% of property value + MKD 300 administration fee)

**Comments:** The tax liability is incurred on the date of conclusion of the agreement on the transfer of ownership. The base of the property transfer tax is the market value of the real estate at the moment the tax liability is assessed. 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 13, 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 property transfer tax is proportionate and equals 3% of the determined market value of the property.

**Procedure 4. The contract is approved by a public notary**

**Time:** 1 day

**Cost:** MKD 5,500 (MKD 5,000 MKD for notarizing the signatures + MKD 500 court tax)

**Comments:** The agreement is verified before a notary public by both parties (seller and buyer). The notary will not verify the agreement if the property transfer tax has not been paid to the revenue authority. In case that the tax is not paid when the agreement is signed before a notary public, the seller will be obliged to pay tax after signing and to submit the evidence of payment to the notary public who will then verify the agreement.

According to the Law on Notary Public, a notary public is obliged to submit these documents to the Cadastre in order to inform the Cadastre about the change in ownership. The selling company must provide a certificate showing that it has not initiated any bankruptcy procedures and the buying company must provide a document signed by the manager of the company showing the decision to buy the warehouse.

**Procedure 5. Register change of ownership at the Cadastre**

**Time:** 23 days

**Cost:** MKD 425 (MKD 250 for change of ownership + MKD 125 for the new title deed + MKD 50 stamp duty)

## REGISTERING PROPERTY

**Tetovo, FYR Macedonia**

Property value: MKD 9,710,025 (US\$ 220,000)

Data as of: January 2011

**Procedure 1. Obtain a non-encumbrance certificate on the property and copy of the title deed from the local office of the Cadastre**

**Time:** 10 days

**Cost:** MKD 575 (MKD 350 non-encumbrance certificate + MKD 125 title deed + MKD 100 administrative tax)

**Comments:** The seller should obtain a copy of title deed from the local office of the cadastre before starting the transaction formally. With the introduction of Law on Real Estate Cadastre on March 23, 2008, the information on encumbrances over land and property has moved from the First Instance Courts to the Cadastre Registry's Public Book. Parties check for encumbrances over the land and the property and obtain a non-encumbrance certificate from the Real Estate Cadastre at the same time when obtaining a copy of the title deed.

**Procedure 2. A lawyer prepares the sale and purchase agreement**

**Time:** 1 day

**Cost:** MKD 3,900

**Procedure 3. Calculation and payment of the property transfer tax at the municipality Revenue Office**

**Time:** 10 days

**Cost:** MKD 291,401 (3% of the property value + MKD 100 administrative tax)

**Comments:** The tax liability is incurred on the date of conclusion of the agreement on the transfer of ownership. The base of the property transfer tax is the market value of the real estate at the moment the tax liability is assessed. 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 13, 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 property transfer tax is proportionate and equals 3% of the determined market value of the property.

**Procedure 4. Notarize the sale and purchase agreement at a public notary office**

**Time:** 1 day

**Cost:** MKD 5,500 (MKD 5,000 for notarizing the signatures + MKD 500 court tax)

**Comments:** The agreement is authenticated before a notary public by both parties (seller and buyer). In case the notary only authorizes (notarizes) a sale and purchase agreement previously prepared by a lawyer the notary fee is MKD 5,000. If the notary also prepares (drafts) the sale and purchase agreement, the notary fee for a contract of this value is MKD 10,000. The notary will not authenticate the agreement if the property transfer tax has not been paid to the revenue authority.

**Procedure 5. Register change of ownership at the Cadastre**

**Time:** 21 days

**Cost:** MKD 475 (MKD 250 ownership change + MKD 125 new title deed + MKD 100 administrative tax)

**Comments:** A request for changing the title is submitted to the local office of 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 of the Cadastre.

## REGISTERING PROPERTY

**Balti, Moldova**

Property value: MDL 905,188 (US\$ 79,500)

Data as of: January 2011

**Procedure 1. Obtain a non-encumbrance certificate from the Territorial Cadastral Office**

**Time:** 1 day (expedited service)

**Cost:** MDL 255 (MDL 51 regular service -OR- MDL 255 expedited service)

**Comments:** A certificate containing information regarding the encumbrances on the property must be obtained from the Territorial Cadastral Office (an office like this exists in each district of the country). Generally, all services have an expedited option. The notary will also request a certificate at the Territorial Cadastre Office, concerning the value of the property put on sale.

The State Cadastre has a computerized database regarding encumbrances ([www.cadastre.md](http://www.cadastre.md)) but getting information online is only possible after signing a contract for access to the database.

**Procedure 2\*. Obtain a current excerpt from the Company Register of the State Registration Chamber**

**Time:** 1 day (expedited service)

**Cost:** MDL 126 (MDL 63 regular service -OR- MDL 126 expedited service)

**Comments:** This document proves the legal status of the seller (the person empowered to act on behalf of a company without a proxy). The fee for obtaining the excerpt is published on the website of the State Registration Chamber: <http://cis.gov.md/content/61>.

**Procedure 3\*. Obtain a tax clearance certificate from the Tax Office**

**Time:** 1 day

**Cost:** No cost

**Comments:** A tax clearance certificate from the Tax Office should be produced to confirm the absence of unpaid taxes for the real estate involved in the transaction. No fees are charged for this document.

**Procedure 4. Execution of the transfer deed by a public notary**

**Time:** 1 day

**Cost:** MDL 4,979 (0.2% of land value for state duty + 0.5% of building price for state tax + 0.2% of the property value for notary fees)

**Comments:** The public notary will execute the contract in the form prescribed by law, in three original or notary-certified copies. The notary will usually request the submission of the company registration certificate, a current excerpt from the Company Register, the non-encumbrance certificate from the cadastre, and the property title. Upon execution of the deed at the notary, the following state taxes need to be paid as well:

- For certification of deed of land sale: a state duty of 0.2% of land value if the transaction takes place between two private persons. When the state sells land to private individuals a different state duty applies: MDL 5 if the land is outside locality boundaries and MDL 10 if the land plot is within locality boundaries;
- For certification of deed of sale of buildings: 0.5% of the building price. The state tax may be paid to the notary in cash.

The notary fees are according to the values determined in the following table:

Value of property:.....	Notary fees:
Up to MDL 20,000 .....	1.3 %, but not less than MDL 180
From MDL 20,001 to 50,000 .....	1%
From MDL 50,001 to 100,000 .....	0.9%
From MDL 100,001 to 200,000 .....	0.8%
From MDL 200,001 to 400,000 .....	0.6%
From MDL 400,001 to 600,000 .....	0.5%
From MDL 600,001 to 800,000 .....	0.3%
From MDL 800,001 to 1,000,000 .....	0.2%
More than MDL 1,000,000 .....	0.1%

The requirement on notarization of land sale and purchase agreements is mentioned in the Law on Normative Price of Land.

**Procedure 5. Submit the application for registration to the Territorial Cadastral Office**

**Time:** 1 day (7 days—normal option, 3 days—fast option, 1 day—expedited option)

**Cost:** MDL 2,716 (5 x 0.06% of estimated property value—expedited option)

**Comments:** The notarized transfer deed is required for registration. The Cadastre Office (<http://www.cadastre.md>) will examine the documentation and register it in the Register of Immovable Assets. The title registration is conducted by applying a stamp on all originals or notary-certified copies of the property title documents. The registration of transfer of ownership over the property is usually done within 7 business days and costs 0.06% of property value but not less than MDL 267 and not more than MDL 1,335. ([http://www.cadastre.md/upfiles/kfm\\_catalog/anexa%201%20HG%2020770.pdf](http://www.cadastre.md/upfiles/kfm_catalog/anexa%201%20HG%2020770.pdf)). It takes either 3 or 5 times less to get the property registered under the fast and expedited options—within 3 days and 1 day, respectively.

\*This procedure can be completed simultaneously with previous procedure.

## REGISTERING PROPERTY

**Chisinau, Moldova**

Property value: MDL 905,188 (US\$ 79,500)

Data as of: January 2011

**Procedure 1. Obtain a non-encumbrance certificate from the Territorial Cadastral Office**

**Time:** 1 day (expedited service)

**Cost:** MDL 255 (MDL 51 regular service -OR- MDL 255 expedited service)

**Comments:** A certificate containing information regarding the encumbrances on the property must be obtained from the Territorial Cadastral Office (an office like this exists in each district of the country). Generally, all services have an expedited option. The notary will also request a certificate at the Territorial Cadastre Office, concerning the value of the property put on sale.

The State Cadastre has a computerized database regarding encumbrances ([www.cadastre.md](http://www.cadastre.md)) but getting information online is only possible after signing a contract for access to the database.

**Procedure 2\*. Obtain a current excerpt from the Company Register of the State Registration Chamber**

**Time:** 1 day (expedited service)

**Cost:** MDL 126 (MDL 63 regular service -OR- MDL 126 expedited service)

**Comments:** This document proves the legal status of the seller (the person empowered to act on behalf of a company without a proxy). The fee for obtaining the excerpt is published on the website of the State Registration Chamber: <http://cis.gov.md/content/61>.

**Procedure 3\*. Obtain a tax clearance certificate from the Tax Office**

**Time:** 1 day

**Cost:** No cost

**Comments:** A tax clearance certificate from the Tax Office should be produced to confirm the absence of unpaid taxes for the real estate involved in the transaction. No fees are charged for this document.

**Procedure 4. Execution of the transfer deed by a public notary**

**Time:** 1 day

**Cost:** MDL 4,979 (0.2% of land value for state duty + 0.5% of building price for state tax+ 0.2% of the property value for notary fees)

**Comments:** The public notary will execute the contract in the form prescribed by law, in three original or notary-certified copies. The notary will usually request the submission of the company registration certificate, a current excerpt from the Company Register, the non-encumbrance certificate from the cadastre, and the property title. Upon execution of the deed at the notary, the following state taxes need to be paid as well:

- For certification of deed of land sale: a state duty of 0.2% of land value if the transaction takes place between two private persons. When the state sells land to private individuals a different state duty applies: MDL 5 if the land is outside locality boundaries and MDL 10 if the land plot is within locality boundaries;
- For certification of deed of sale of buildings: 0.5% of the building price. The state tax may be paid to the notary in cash.

The notary fees are according to the values determined in the following table:

Value of property:.....	Notary fees:
Up to MDL 20,000.....	1.3 %, but not less than MDL 180
From MDL 20,001 to 50,000.....	1%
From MDL 50,001 to 100,000.....	0.9%
From MDL 100,001 to 200,000.....	0.8%
From MDL 200,001 to 400,000.....	0.6%
From MDL 400,001 to 600,000.....	0.5%
From MDL 600,001 to 800,000.....	0.3%
From MDL 800,001 to 1,000,000.....	0.2%
More than MDL 1,000,000.....	0.1%

The requirement on notarization of land sale and purchase agreements is mentioned in the Law on Normative Price of Land.

### Procedure 5. Submit the application for registration to the Territorial Cadastral Office

**Time:** 1 day (7 days—normal option, 3 days—fast option, 1 day—expedited option)

**Cost:** MDL 2,716 (5 x 0.06% of estimated property value—expedited option)

**Comments:** The notarized transfer deed is required for registration. The Cadastre Office (<http://www.cadastre.md>) will examine the documentation and register it in the Register of Immovable Assets. The title registration is conducted by applying a stamp on all originals or notary-certified copies of the property title documents. The registration of transfer of ownership over the property is usually done within 7 business days and costs 0.06% of property value but not less than MDL 267 and not more than MDL 1,335. ([http://www.cadastre.md/upfiles/kfm\\_catalog/anexa%201%20HG%20770.pdf](http://www.cadastre.md/upfiles/kfm_catalog/anexa%201%20HG%20770.pdf)). It takes either 3 or 5 times less to get the property registered under the fast and expedited options—within 3 days and 1 day, respectively.

\*This procedure can be completed simultaneously with previous procedure.

#### REGISTERING PROPERTY

### Niksic, Montenegro

Property value: EUR 235,829 (US\$ 327,500)

Data as of: January 2011

### Procedure 1. Obtain property excerpt from the Agency for Real Estate

**Time:** 1 day

**Cost:** EUR 8 (EUR 5 national administrative tax + EUR 3 Agency for Real Estate tax)

**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 the sale and purchase agreement

**Time:** 1 day

**Cost:** EUR 150

**Comments:** Lawyer fees vary from EUR 100 to EUR 200 and depend on the value of the contract. 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 for this service ranges between EUR 50 and EUR 100.

### Procedure 3. Sign and notarize the sale and purchase agreement at the Municipal Court

**Time:** 1 day

**Cost:** EUR 10

**Comments:** It is mandatory that the sale and purchase agreement be notarized. In accordance with the Law on Business Environment Improvement adopted on July 9, 2010, the fee for notarizing contracts of any value is EUR 10.

### Procedure 4. 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 value of the sale and purchase agreement. 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 5. Buyer pays transfer tax at a commercial bank

**Time:** 1 day

**Cost:** EUR 7,075 (3% of the property value)

**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 6. Request registration of new ownership at the Agency for Real Estate

**Time:** 23 days

**Cost:** EUR 13

**Comments:** The request takes 1 day and the change of ownership 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 in order for the name on the property to be changed to the buyer's name. After the Agency changes the name of the owner, they issue a decision of registry change.

#### REGISTERING PROPERTY

### Pljevlja, Montenegro

Property value: EUR 235,829 (US\$ 327,500)

Data as of: January 2011

### Procedure 1. Obtain property excerpt from the Agency for Real Estate

**Time:** 1 day

**Cost:** EUR 8 (EUR 5 national administrative tax + EUR 3 Agency for Real Estate tax)

**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 the sale and purchase agreement

**Time:** 1 day

**Cost:** EUR 150

**Comments:** Lawyer fees varies from EUR 100 to EUR 200 and depend on the value of the contract. 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 for this service ranges between EUR 50 and EUR 100.

### Procedure 3. Sign and notarize the sale and purchase agreement at the Municipal Court

**Time:** 1 day

**Cost:** EUR 10

**Comments:** It is mandatory that the sale and purchase agreement be notarized. In accordance with the Law on Business Environment Improvement adopted on July 9, 2010, the fee for notarizing contracts of any value is EUR 10.

### Procedure 4. 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 value of the sale and purchase agreement. 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 5. Buyer pays transfer tax at a commercial bank

**Time:** 1 day

**Cost:** EUR 7,075 (3% of the property value)

**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 6. Request registration of new ownership at the Agency for Real Estate

**Time:** 9 days

**Cost:** EUR 13

**Comments:** The buyer submits a request together with the sale and purchase agreement and confirmation that the administrative tax has been paid. The Agency for Real Estate changes the ownership immediately, but the decision is effective only after the appeal period of 8 days as required by law has expired. Before, it was possible for the buyer and seller to relinquish their right to appeal and make the change effective immediately, but now the legal period of 8 days is being respected. After the appeal period expires the change of ownership is registered at the Agency for Real Estate and the buyer and seller are informed in writing that the change has been effected.

## REGISTERING PROPERTY

**Podgorica, Montenegro**

Property value: EUR 235,829 (US\$ 327,500)

Data as of: January 2011

**Procedure 1. Obtain property excerpt from the Agency for Real Estate****Time:** 1 day**Cost:** EUR 8 (EUR 5 national administrative tax + EUR 3 to Agency for Real Estate)**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\*. Check boundaries and limitations of the property against the excerpt****Time:** 1 day**Cost:** No cost (included in procedure 3)**Comments:** It is standard practice for the buyer to check the boundaries and limitations of the property against the excerpt obtained at the local branch of the Agency for Real Estate. If it is the buyer's lawyer that does this, which is normally the case, he may include this in his fees.**Procedure 3. Lawyer drafts the sale and purchase agreement****Time:** 1 day**Cost:** EUR 250 (EUR 200-300)**Comments:** It is standard practice for parties to hire a lawyer to draft the sale and purchase agreement. A new standardized form for the sale and purchase agreement is now available online at <http://www.nekretnine.co.me/>.**Procedure 4. Sign and notarize the sale and purchase agreement at the Municipal Court****Time:** 1 day**Cost:** EUR 10**Comments:** It is mandatory that the sale and purchase agreement be notarized. Authentication of contractual parties' signatures on the sale and purchase agreement is done by basic courts. They act only as a witness (checking the signatures of the seller and buyer). In accordance with the Law on Business Environment Improvement adopted on July 9, 2010, the fee for notarizing contracts of any value is EUR 10.**Procedure 5. Tax authorities assess the amount of transfer tax to be paid by the buyer****Time:** 20 days**Cost:** No cost**Comments:** The Municipal (basic) court delivers the sale and purchase agreement with the authenticated signatures to the tax administration. During this period, the tax authorities will compare their valuation of the property with the sale and 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. The buyer must then go to the tax administration office to get a copy of the agreement with the stamp (clearance).**Procedure 6. Buyer pays transfer tax at a commercial bank****Time:** 1 day**Cost:** EUR 7,075 (3% of the property value)**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:** 46 days**Cost:** EUR 18 (EUR 5 request + EUR 13 inscription)**Comments:** 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. It will take between one and two months for the Agency to inscribe the name, at which point the transfer is considered final. The parties are notified in writing after 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.

\*This procedure can be completed simultaneously with previous procedure.

## REGISTERING PROPERTY

**Belgrade, Serbia**

Property value: RSD 19,346,070 (US\$ 299,500)

Data as of: January 2011

**Procedure 1. Obtain an extract from the Register of Companies****Time:** 1 day**Cost:** RSD 3,120 (RSD 1,560 per extract)**Comments:** Considering the transaction involves two companies, they each 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. Verify the sale and purchase agreement before the court****Time:** 1 day**Cost:** RSD 39,000 (court fees depend on the property value and are determined according to the following schedule [with a maximum of RSD 39,000]:

Property Value ..... Court Fees

Up to RSD 10,000 ..... RSD 980

From RSD 10,000 to RSD 100,000 ..... RSD 650 + 1% of the property value

From RSD 100,000 to RSD 1,000,000 ..... RSD 1,950 + 0.5% of the property value

Over RSD 1,000,000 ..... RSD 16,600 + 0.25% of the property value)

**Comments:** The court verifies the documentation, as the notaries do in other countries. In Serbia, the procedure of establishing the notary instead of the court verifications is under way. According to the Law on the Transfer of the Immovable, it is obligatory for the sale and purchase agreement on real estate to be verified before the court. Effective as of January 6, 2010, the sale and purchase agreement can be certified only before the basic court competent for the territory where the purchased property is located. Prior to this legal reform, sale and purchase agreements could be certified before any basic court, regardless of where the property is located.

A lawyer may prepare the sale and purchase agreement (charging an additional RSD 15,000).

**Procedure 3. Submit request for registration to the Municipal Court's Land Registry or to the Cadastre****Time:** 1 day**Cost:** RSD 6,163**Comments:** There is a transition from a system where the registration is performed by the Land Register (a court) to a system where it is all handled 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 real property. The new real property cadastre is maintained by an administrative body: Republic Geodesy Institute (RGZ), through its operational units organized on the territorial principle.**Procedure 4. Submit an application to tax authorities to approve transaction value and authorize payment of property transfer tax****Time:** 2 days**Cost:** No cost**Comments:** The parties submit an application to the local tax authorities in order to get approval of the sale price that will be used to calculate the property transfer tax. The parties have 10 days after the sale contract has been verified by the court to submit this application. The parties have 15 days to pay the transfer tax.**Procedure 5. Pay the property transfer tax at a commercial bank****Time:** 1 day**Cost:** RSD 483,652 (2.5% of the property value)**Comments:** The tax is paid in a commercial bank into the account of the local tax authority.**Procedure 6. The Cadastre/Land Registry makes a decision on the title****Time:** 85 days**Cost:** No cost**Comments:** The time depends on which agency takes charge of the registration. Registration in the Cadastre takes long due to the backlog in updating records from previous years. Once this transition is complete, the system should work more efficiently. This procedure may last between 30 and 180 days depending on the respective cadastre municipality within the territory of the City of Belgrade.

When the new Cadastre is established in a certain area, the Land Registry ceases to exist in the same area. This case assumes the registration takes place in the Cadastre.

## REGISTERING PROPERTY

**Krusevac, Serbia**

Property value: RSD 19,346,070 (US\$ 299,500)

Data as of: January 2011

**Procedure 1. Obtain an extract from the Register of Companies****Time:** 3 days**Cost:** RSD 3,120 (RSD 1,560 per extract)**Comments:** Considering the transaction involves two companies, they each 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. Verify the sale and purchase agreement before the court****Time:** 1 day**Cost:** RSD 39,000 (court fees depending on the property value and are determined according to the following schedule [with a maximum of RSD 39,000]:

Property Value: ..... Court Fees:

Up to RSD 10,000 ..... RSD 980

From RSD 10,000 to RSD 100,000 ..... RSD 650 + 1% of the property value

From RSD 100,000 to RSD 1,000,000 ..... RSD 1,950 + 0.5% of the property value

Over RSD 1,000,000 ..... RSD 16,600 + 0.25% of the property value)

**Comments:** The court verifies the documentation, as the notaries do in other countries. In Serbia, the procedure of establishing the notary instead of the court verifications is under way. According to the Law on the Transfer of the Immovable, it is obligatory for the sale and purchase agreement on real estate to be verified before the court. Effective as of January 6, 2010, the sale and purchase agreement can be certified only before the basic court competent for the territory where the purchased property is located. Prior to this legal reform, sale and purchase agreements could be certified before any basic court, regardless of where the property is located.

A lawyer may prepare the sale and purchase agreement (charging an additional RSD 15,000).

**Procedure 3. Submit request for registration to the Municipal Court's Land Registry or to the Cadastre****Time:** 2 days**Cost:** RSD 6,163**Comments:** In Krusevac, the cadastre is complete for some municipalities but for the centre of the city only 85% is covered; it is expected that 100% will be achieved within months (see [www.rgz.sr.gov.yu](http://www.rgz.sr.gov.yu)).**Procedure 4. Submit an application to tax authorities to approve transaction value and authorize payment of property transfer tax****Time:** 7 days**Cost:** No cost**Comments:** The parties submit an application to the local tax authorities in order to get approval of the sale price that will be used to calculate the property transfer tax. The parties have 10 days after the sale contract has been verified by the court to submit this application. The request will be approved in a few days and then the parties have 15 days to pay the transfer tax.**Procedure 5. Pay the property transfer tax at a commercial bank****Time:** 1 day**Cost:** RSD 483,652 (2.5% of the property value estimated by the tax authority)**Comments:** The tax is paid in a commercial bank into the account of the local tax authority.**Procedure 6. The Cadastre/Land Registry makes a decision on the title****Time:** 60 days**Cost:** No cost

## REGISTERING PROPERTY

**Uzice, Serbia**

Property value: RSD 19,346,070 (US\$ 299,500)

Data as of: January 2011

**Procedure 1. Obtain an extract from the Register of Companies****Time:** 1 day**Cost:** RSD 3,120 (RSD 1,560 per extract)**Comments:** Considering the transaction involves two companies, they each 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. Verify the sale and purchase agreement before the court****Time:** 1 day**Cost:** RSD 39,000 (court fees depending on the property value and are determined according to the following schedule [with a maximum of RSD 39,000]:

Property Value: ..... Court Fees:

Up to RSD 10,000 ..... RSD 980

From RSD 10,000 to RSD 100,000 ..... RSD 650 + 1% of the property value

From RSD 100,000 to RSD 1,000,000 ..... RSD 1,950 + 0.5% of the property value

Over RSD 1,000,000 ..... RSD 16,600 + 0.25% of the property value)

**Comments:** The court verifies the documentation, as the notaries do in other countries. In Serbia, the procedure of establishing the notary instead of the court verifications is under way. According to the Law on the Transfer of the Immovable, it is obligatory for the sale and purchase agreement on real estate to be verified before the court. Effective as of January 6, 2010, the sale and purchase agreement can be certified only before the basic court competent for the territory where the purchased property is located. Prior to this legal reform, sale and purchase agreements could be certified before any basic court, regardless of where the property is located.

A lawyer may prepare the sale and purchase agreement (charging an additional RSD 15,000).

**Procedure 3. Submit request for registration to the Municipal Court's Land Registry or to the Cadastre****Time:** 1 day**Cost:** RSD 6,163**Comments:** There is a transition from a system where the registration is performed by the Land Register (a court) to a system where it is all handled 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 real property. The new real property cadastre is maintained by an administrative body: Republic Geodesy Institute (RGZ), through its operational units organized on the territorial principle.So far, approximately 78% of the municipalities have been covered by the new Cadastre in Serbia, while in Uzice it is almost 85%. The Cadastre reform is planned to be completed within months (see [www.rgz.sr.gov.yu](http://www.rgz.sr.gov.yu)).**Procedure 4. Submit an application to tax authorities to approve transaction value and authorize payment of property transfer tax****Time:** 10 days**Cost:** No cost**Comments:** The parties submit an application to the local tax authorities in order to get approval of the sale price that will be used to calculate the property transfer tax. The parties have 10 days after the sale contract has been verified by the court to submit this application. The request will be approved in a few days and then the parties have 15 days to pay the transfer tax.**Procedure 5. Pay the property transfer tax at a commercial bank****Time:** 1 day**Cost:** RSD 483,652 (2.5% of the property value estimated by the tax authority)**Comments:** The tax is paid in a commercial bank into the account of the local tax authority.**Procedure 6. The Cadastre/Land Registry makes a decision on the title****Time:** 60 days**Cost:** No cost**Comments:** The registration and granting of the decision in the cadastre lasts longer than usual due to the number of cases. The process can take up to 60 days. When the new cadastre of immovables is implemented, the Land Registry will cease to operate.

## REGISTERING PROPERTY

**Vranje, Serbia**

Property value: RSD 19,346,070 (US\$ 299,500)

Data as of: January 2011

**Procedure 1. Obtain an extract from the Register of Companies****Time:** 5 days**Cost:** RSD 3,120 (RSD 1,560 per extract)**Comments:** Considering the transaction involves two companies, they each 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. Verify the sale and purchase agreement before the court****Time:** 3 days**Cost:** RSD 39,000 (court fees depending on the property value and are determined according to the following schedule [with a maximum of RSD 39,000]:

Property Value: ..... Court Fees:

Up to RSD 10,000 ..... RSD 980

From RSD 10,000 to RSD 100,000 ..... RSD 650 + 1% of the property value

From RSD 100,000 to RSD 1,000,000 ..... RSD 1,950 + 0.5% of the property value

Over RSD 1,000,000 ..... RSD 16,600 + 0.25% of the property value)

**Comments:** The court verifies the documentation, as the notaries do in other countries. In Serbia, the procedure of establishing the notary instead of the court verifications is under way. According to the Law on the Transfer of the Immovable, it is obligatory for the sale and purchase agreement on real estate to be verified before the court. Effective as of January 6, 2010, the sale and purchase agreement can be certified only before the basic court competent for the territory where the purchased property is located. Prior to this legal reform, sale and purchase agreements could be certified before any basic court, regardless of where the property is located.

A lawyer may prepare the sale and purchase agreement (charging an additional RSD 15,000).

**Procedure 3. Submit request for registration to the Municipal Court's Land Registry or to the Cadastre****Time:** 15 days**Cost:** RSD 6,163**Comments:** There is a transition from a system where the registration is performed by the Land Register (a court) to a system where it is all handled 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 real property. The new real property cadastre is maintained by an administrative body: Republic Geodesy Institute (RGZ), through its operational units organized on the territorial principle.**Procedure 4. Submit an application to tax authorities to approve transaction value and authorize payment of property transfer tax****Time:** 20 days**Cost:** No cost**Comments:** The parties submit an application to the local tax authorities in order to get approval of the sale price that will be used to calculate the property transfer tax. The parties have 10 days after the sale contract has been verified by the court to submit this application. The request will be approved in a few days and then the parties have 15 days to pay the transfer tax.**Procedure 5. Pay the property transfer tax at a commercial bank****Time:** 1 day**Cost:** RSD 483,652 (2.5% of the property value estimated by the tax authority)**Comments:** The tax is paid in a commercial bank into the account of the local tax authority.**Procedure 6. The Cadastre/Land Registry makes a decision on the title****Time:** 15 days**Cost:** No cost

## REGISTERING PROPERTY

**Zrenjanin, Serbia**

Property value: RSD 19,346,070 (US\$ 299,500)

Data as of: January 2011

**Procedure 1. Obtain an extract from the Register of Companies****Time:** 7 days**Cost:** RSD 3,120 (RSD 1,560 per extract)**Comments:** Considering the transaction involves two companies, they each 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. Verify the sale and purchase agreement before the court****Time:** 1 day**Cost:** RSD 39,000 (court fees depending on the property value and are determined according to the following schedule [with a maximum of RSD 39,000]:

Property Value ..... Court Fees:

Up to RSD 10,000 ..... RSD 980

From RSD 10,000 to RSD 100,000 ..... RSD 650 + 1% of the property value

From RSD 100,000 to RSD 1,000,000 ..... RSD 1,950 + 0.5% of the property value

Over RSD 1,000,000 ..... RSD 16,600 + 0.25% of the property value)

**Comments:** The court verifies the documentation, as the notaries do in other countries. In Serbia, the procedure of establishing the notary instead of the court verifications is under way. According to the Law on the Transfer of the Immovable, it is obligatory for the sale and purchase agreement on real estate to be verified before the court. Effective as of January 6, 2010, the sale and purchase agreement can be certified only before the basic court competent for the territory where the purchased property is located. Prior to this legal reform, sale and purchase agreements could be certified before any basic court, regardless of where the property is located.

A lawyer may prepare the sale and purchase agreement (charging an additional RSD 15,000).

**Procedure 3. Submit request for registration to the Municipal Court's Land Registry or to the Cadastre****Time:** 1 day**Cost:** RSD 6,163**Comments:** There is a transition from a system where the registration is performed by the Land Register (a court) to a system where it is all handled 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 real property. The new real property cadastre is maintained by an administrative body: Republic Geodesy Institute (RGZ), through its operational units organized on the territorial principle.**Procedure 4. Submit an application to tax authorities to approve transaction value and authorize payment of property transfer tax****Time:** 15 days**Cost:** No cost**Comments:** The parties submit an application to the local tax authorities in order to get approval of the sale price that will be used to calculate the property transfer tax. The parties have 10 days after the sale contract has been verified by the court to submit this application. The request will be approved in a few days and then the parties have 15 days to pay the transfer tax.**Procedure 5. Pay the property transfer tax at a commercial bank****Time:** 1 day**Cost:** RSD 483,652 (2.5% of the property value estimated by the tax authority)**Comments:** The tax is paid in a commercial bank into the account of the local tax authority.**Procedure 6. The Cadastre/Land Registry makes a decision on the title****Time:** 45 days**Cost:** No cost**Comments:** The time depends on which agency takes charge of the registration. Registration in the Cadastre takes long due to the backlog in updating records from previous years. Once this transition is complete, the system should work more efficiently.

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