

Doing Business 2008

**Bosnia and
Herzegovina**

COMPARING REGULATION IN 178 ECONOMIES

Doing Business 2008 **Bosnia and Herzegovina**

A Project Benchmarking the Regulatory Cost of
Doing Business in 178 Economies

Doing Business Project
World Bank Group



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

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Introduction

Doing Business 2008 is the fifth in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 178 economies—from Afghanistan to Zimbabwe—and over time.

Regulations affecting 10 stages of a business's life are measured: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2008* are current as of June 1, 2007. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

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

Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 178 economies: 46 in Sub-Saharan Africa, 31 in Latin America and the Caribbean, 28 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 17 in the Middle East and North Africa and 8 in South Asia—as well as 24 OECD high-income economies as benchmarks. Some of the regions have been divided into subregions to generate a total of 13 regional profiles.

The following pages present the summary *Doing Business* indicators for Bosnia and Herzegovina along with the comparator economies selected. The data used for this country profile come from the *Doing Business* database and are summarized in graphs and tables. This report allows a comparison of the economies not only with one another but also with the “best practice” economy for each indicator.

The best-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other economies. These best-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 5.

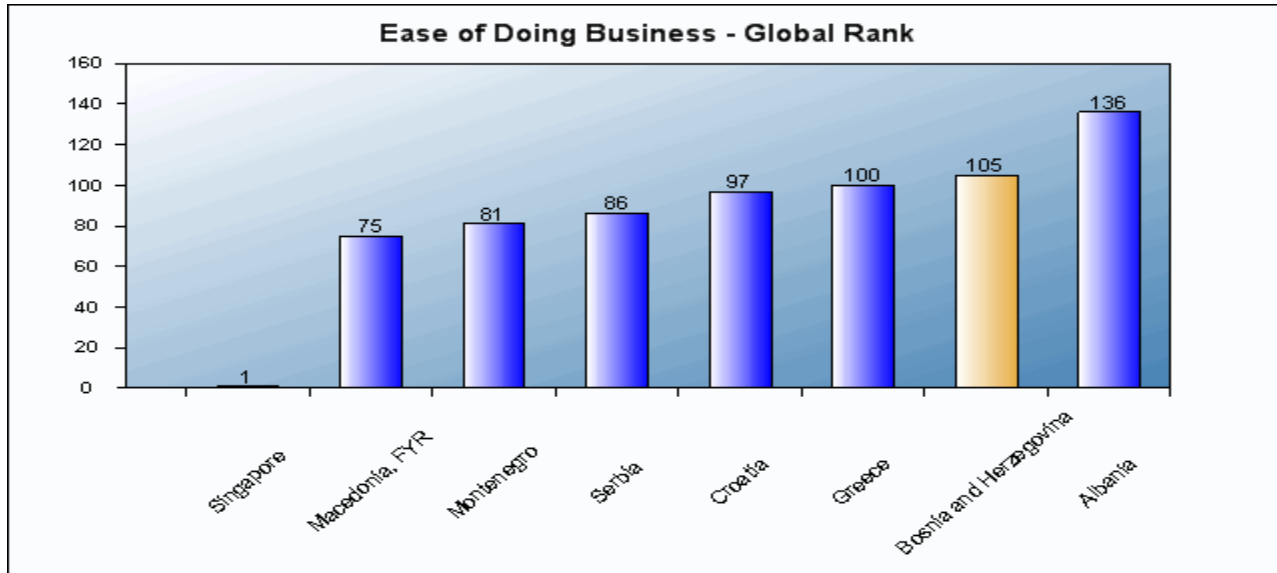
More information is available in the full report. *Doing Business 2008* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the *Doing Business* website

<http://www.doingbusiness.org>

Economy Rankings - Ease of Doing Business

Bosnia and Herzegovina is ranked 105 out of 178 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Bosnia and Herzegovina - Compared to Global Best / Selected Economies:



Bosnia and Herzegovina's ranking in Doing Business 2008

Rank	Doing Business 2008
Ease of Doing Business	105
Starting a Business	150
Dealing with Licenses	150
Employing Workers	114
Registering Property	144
Getting Credit	13
Protecting Investors	83
Paying Taxes	142
Trading Across Borders	53
Enforcing Contracts	126
Closing a Business	61

Reforms - Who is reforming?

This year Egypt tops the list of reformers that are making it easier to do business. Egypt's reforms went deep with reforms in 5 of the 10 areas studied by Doing Business, and it greatly improved its position in the global rankings as a result. Besides Egypt, the other top 10 reformers are, in order, Croatia, Ghana, FYR Macedonia, Georgia, Colombia, Saudi Arabia, Kenya, China, and Bulgaria.

1. **Egypt**, the top reformer in the region and worldwide, greatly improved its position in the global rankings on the ease of doing business. Its reforms went deep. Egypt cut the minimum capital required to start a business, from 50,000 Egyptian pounds to just 1,000 and halved the time and cost of start-up. It reduced fees for registering property from 3 percent of the property value to a low, fixed amount. It eased the bureaucracy that builders face in getting construction permits. It launched new one-stop shops for traders at Egyptian ports, cutting the time to import by seven days and the time to export by five. And it established a new private credit bureau that will soon be making it easier for borrowers to get credit.

2. **Croatia** reformed in four of the 10 areas studied by Doing Business. Two years ago, registering property in Croatia took 956 days. Now it takes 174. Company start-up also became faster, with procedures consolidated at a "one-stop shop" and pension and health services registration now online. Credit became easier to access: a new credit bureau was launched, and a unified registry now records charges against movable property in one place. In its first two months, €1.4 billion in credit was registered. In addition, amendments to the country's insolvency law introduced professional requirements for bankruptcy trustees and shorter timelines.

3. **Ghana**, a top 10 reformer for the second year running, continues to increase the efficiency of its public services. It cut bottlenecks in property registration, reducing delays from six months to one. Greater efficiency at the company registry and the environment agency cut the time for business start-up to 42 days. Changes in the port authority's operations sped up imports. New civil procedure rules and mandatory arbitration and mediation reduced the time it takes to enforce contracts.

4. **FYR Macedonia** eliminated the minimum capital requirement for business start-up, sped up the process for getting construction permits, lowered the corporate income tax rate to 12 percent (with another cut to 10 percent planned for 2008), and simplified tax payment procedures. Its ranking on the ease of doing business rose from 96 to 75.

5. **Georgia** reformed in six areas. It strengthened investor protections, including through amendments to its securities law that eliminate loopholes that had allowed corporate insiders to expropriate minority investors. It adopted a new insolvency law that shortens timelines for reorganization of a distressed company or disposition of a debtor's assets. Georgia sped up approvals for construction permits and simplified procedures for registering property. It made starting a business easier by eliminating the paid-in capital requirement. In addition, the country's private credit bureau added payment information from retailers, utilities, and trade creditors to the data it collects and distributes.

6. **Colombia**, the region's top reformer, has made great strides in easing trade. By extending port operating hours and adopting more selective customs inspections, it reduced the time for port and terminal handling activities by three days. The country strengthened investor protections by increasing disclosure requirements for related-party transactions. It introduced an electronic tax filing system, cutting the average time businesses must spend on tax compliance each year by 188 hours, or 41 percent. And it is progressively reducing the corporate income tax rate, from 35 to 34 percent in 2007 and 33 percent in 2008.

7. **Saudi Arabia**, the runner-up reformer in the region, eliminated the minimum capital requirement of 1,057 percent of income per capita and reduced the days needed for company start-up from 39 to 15. It launched a commercial credit bureau whose reports include the credit exposure of companies. It also sped up trade, reducing the number of documents required for importing and cutting the time needed for handling at ports and terminals by two days for both imports and exports.

8. **Kenya**, the region's other top 10 reformer, launched an ambitious licensing reform program. So far the program has eliminated 110 business licenses and simplified eight others. The changes have streamlined business start-up and cut both the time and cost of getting building permits. The program will eventually eliminate or simplify at least 900 more of the country's 1,300 licenses. Property registration is also faster now, thanks to the introduction of competition among land valuers. And the country's private credit bureau now collects a wider range of data.

9. In **China**, a new property law put private property rights on equal footing with state property rights. The law also expanded the range of assets that can be used as collateral to include inventory and accounts receivable. The new bankruptcy law gives secured creditors priority to the proceeds from their collateral. Construction also became easier, with electronic processing of building permits reducing delays by two weeks.

10. **Bulgaria** eased the tax burden on businesses and made it easier to pay taxes online. Bulgaria also introduced private bailiffs to improve efficiency in enforcing judgments. And it made building inspections less burdensome.

Number of reforms in Doing Business 2008

Rank	Economy	Starting a Business	Dealing with Licenses	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Total number of reforms
1	Egypt	✓	✓		✓	✓			✓			5
2	Croatia	✓			✓	✓					✓	4
3	Ghana	✓			✓	✓			✓	✓		5
4	Macedonia, FYR	✓	✓					✓				3
5	Colombia						✓	✓	✓			3
6	Georgia	✓	✓		✓	✓	✓				✓	6
7	Saudi Arabia	✓				✓			✓			3
8	Kenya	✓	✓		✓	✓						4
9	China		✓			✓					✓	3
10	Bulgaria		✓					✓		✓		3
	Bosnia and Herzegovina								✓			1
	Albania							✓				1
	Greece							✓				1
	Montenegro											0
	Serbia											0

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

Summary of Indicators - Bosnia and Herzegovina

Starting a Business	Procedures (number)	12
	Duration (days)	54
	Cost (% GNI per capita)	30.1
	Paid in Min. Capital (% of GNI per capita)	43.0
Dealing with Licenses	Procedures (number)	16
	Duration (days)	467
	Cost (% of income per capita)	790.3
Employing Workers	Difficulty of Hiring Index	67
	Rigidity of Hours Index	40
	Difficulty of Firing Index	30
	Rigidity of Employment Index	46
	Nonwage labor cost (% of salary)	15
	Firing costs (weeks of wages)	31
Registering Property	Procedures (number)	7
	Duration (days)	331
	Cost (% of property value)	5.0
Getting Credit	Legal Rights Index	7
	Credit Information Index	5
	Public registry coverage (% adults)	0.0
	Private bureau coverage (% adults)	63.7
Protecting Investors	Disclosure Index	3
	Director Liability Index	6
	Shareholder Suits Index	6
	Investor Protection Index	5.0
Paying Taxes	Payments (number)	51
	Time (hours)	368
	Profit tax (%)	21.5
	Labor tax and contributions (%)	17.2
	Other taxes (%)	5.4
	Total tax rate (% profit)	44.1

Trading Across Borders	Documents for export (number)	6
	Time for export (days)	19
	Cost to export (US\$ per container)	1030
	Documents for import (number)	7
	Time for import (days)	18
	Cost to import (US\$ per container)	985
Enforcing Contracts	Procedures (number)	38
	Duration (days)	595
	Cost (% of claim)	38.4
Closing a Business	Time (years)	3.3
	Cost (% of estate)	9
	Recovery rate (cents on the dollar)	35.0

Starting a Business in Bosnia and Herzegovina: Entry Regulation

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed the process—or may decide to run their business informally.

The data on starting a business are based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. These include obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. The time and cost required to complete each procedure under normal circumstances are calculated, as well as the minimum capital that must be paid in. It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

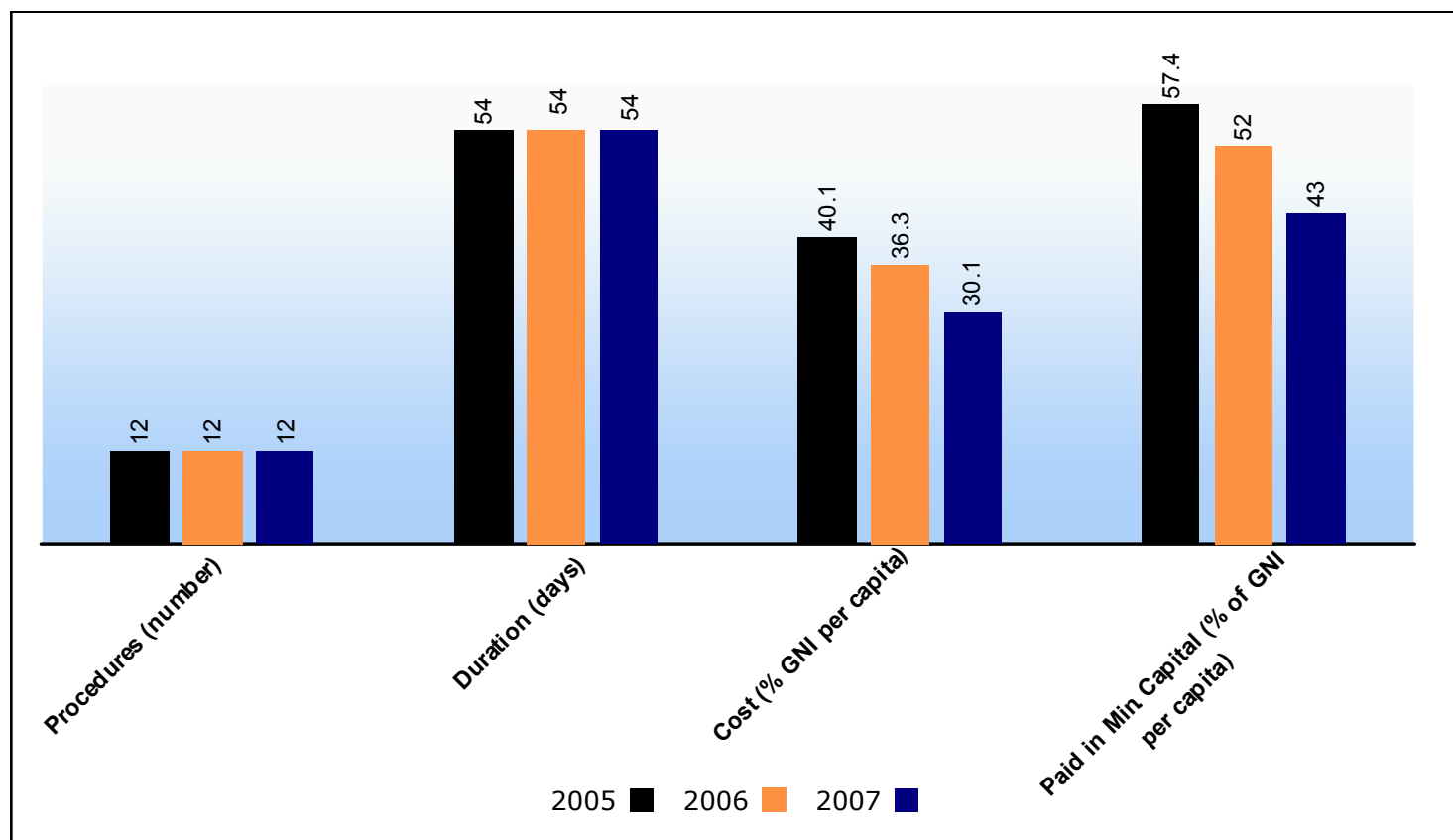
To make the data comparable across economies, detailed assumptions about the type of business are used. Among these assumptions are the following: the business is a limited liability company conducting general commercial activities in the largest business city; it is 100% domestically owned, with start-up capital of 10 times income per capita, turnover of at least 100 times income per capita and between 10 and 50 employees; and it does not qualify for any special benefits, nor does it own real estate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

Cumbersome entry procedures are associated with more corruption, particularly in developing countries. Each procedure is a point of contact—an opportunity to extract a bribe. Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices; and fuel corruption.

1. Historical data: Starting a Business in Bosnia and Herzegovina

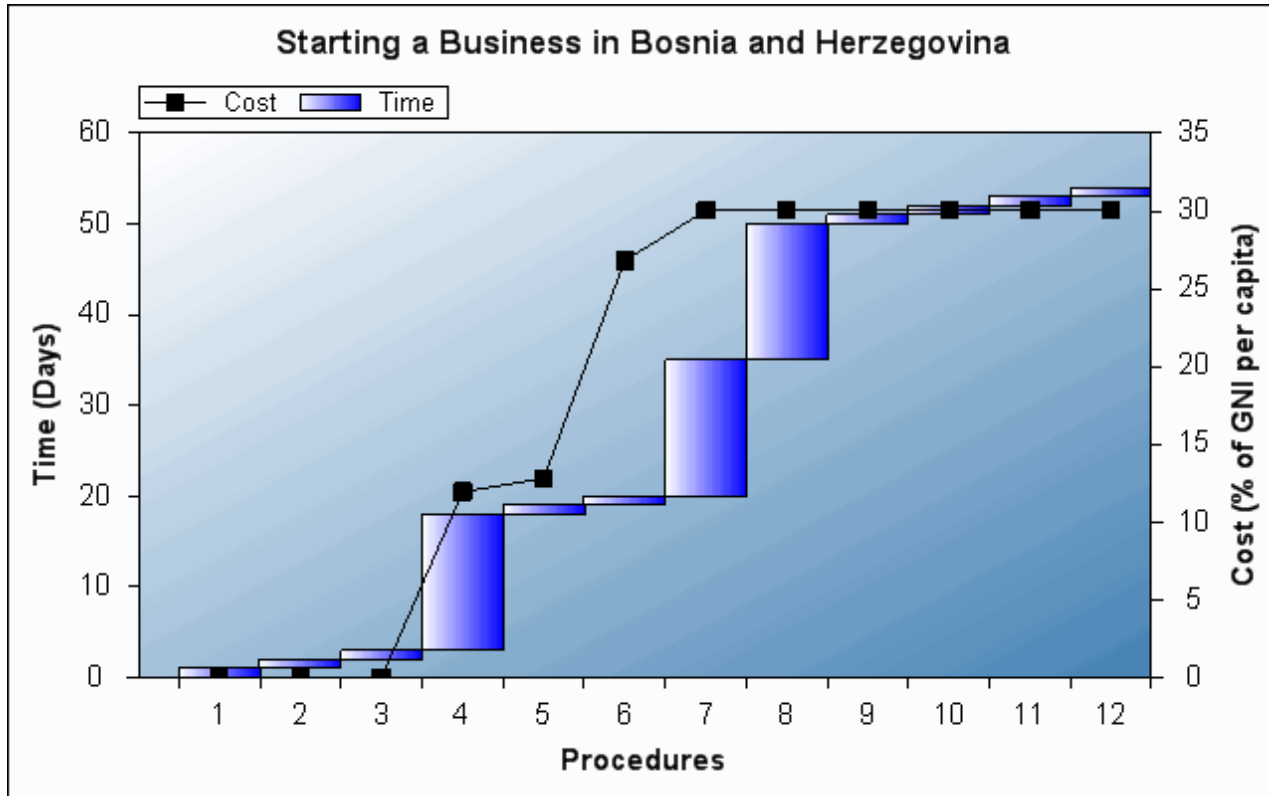
Starting a Business data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		147	150
Procedures (number)	12	12	12
Duration (days)	54	54	54
Cost (% GNI per capita)	40.1	36.3	30.1
Paid in Min. Capital (% of GNI per capita)	57.4	52.0	43.0

2. The following graph illustrates the Starting a Business indicators in Bosnia and Herzegovina over the past 3 years:



3. Steps to Starting a Business in Bosnia and Herzegovina

It requires 12 procedures, takes 54 days, and costs 30.07% GNI per capita to start a business in Bosnia and Herzegovina.



List of Procedures:

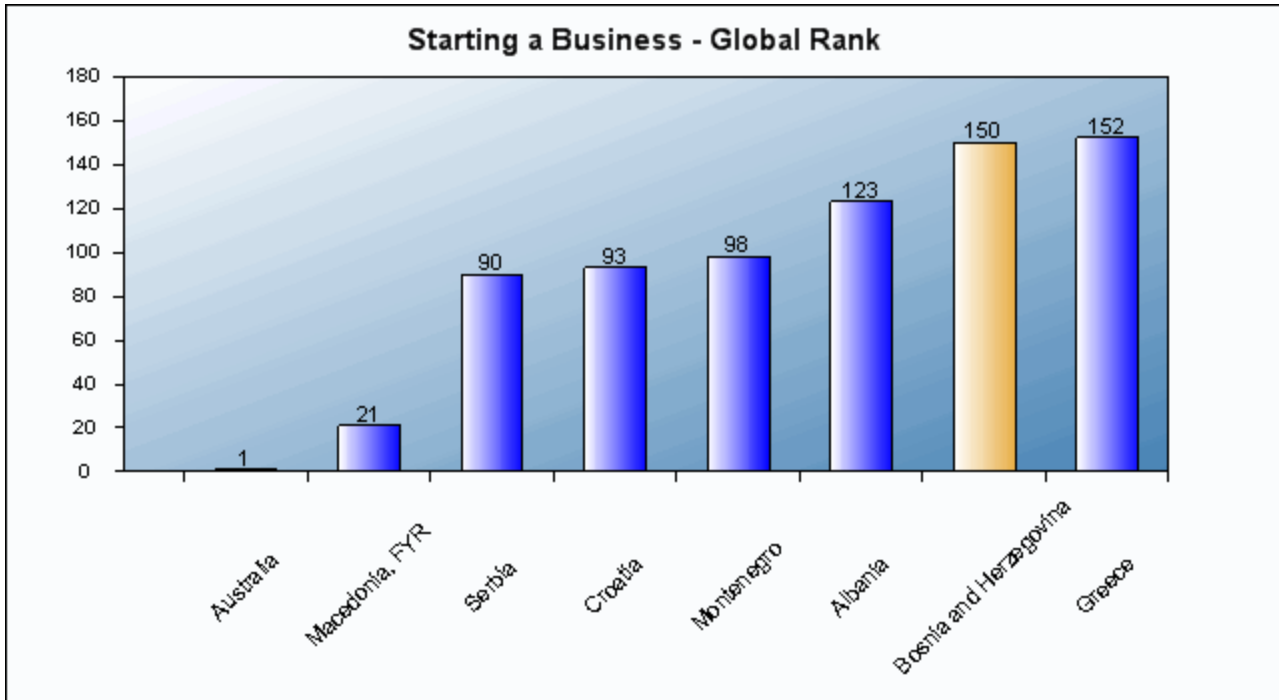
1. Notarize the founding act
2. Obtain a statement from a commercial bank
3. Obtain the statement of Tax Authorities
4. Apply for court registration with canton court
5. Buy company stamp
6. Application to the competent municipality
7. Application for utilization permit
8. Apply for company ID number
9. Open a company account
10. Enroll employees in pension insurance
11. Enroll employees in health insurance
12. Adopt and publish a rule book on matters of salary

More details are available in the appendix.

4. Benchmarking Starting a Business Regulations:

Bosnia and Herzegovina is ranked 150 overall for Starting a Business. Australia is the top ranked economy followed by Canada, New Zealand and United States.

Ranking of Bosnia and Herzegovina in Starting a Business - Compared to best practice and selected economies:



The following table shows Starting a Business data for Bosnia and Herzegovina compared to best practice and comparator economies:

Best Practice Economies	Procedures (number)	Duration (days)	Cost (% GNI per capita)	Paid in Min. Capital (% of GNI per
Australia*	2	2		0.0
Denmark			0.0	

Selected Economy				
Bosnia and Herzegovina	12	54	30.1	43.0

Comparator Economies				
Albania	10	36	20.9	34.3
Croatia	8	40	11.7	18.4
Greece	15	38	23.3	104.1
Macedonia, FYR	9	15	6.6	0.0
Montenegro	15	24	6.2	0.0
Serbia	11	23	8.9	8.0

* The following economies are also best practice economies for :

Procedures (number): Canada, New Zealand

Paid in Min. Capital (% of GNI per capita): Canada, Ireland, Israel, Mauritius, New Zealand, Puerto Rico, Thailand, Trinidad and Tobago, United Kingdom, United States

Dealing with Licenses in Bosnia and Herzegovina: Building a Warehouse

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure—from government to comply with inspections and with licensing and safety regulations and from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation—the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many countries, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally—leading to hazardous construction. In other countries compliance is simple, straightforward and inexpensive—yielding better results.

The indicators on dealing with licenses record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

To make the data comparable across economies, several assumptions about the business and its operations are used. The business is a small to medium-size limited liability company, located in the most populous city, domestically owned and operated, in the construction business, with 20 qualified employees. The warehouse to be built:

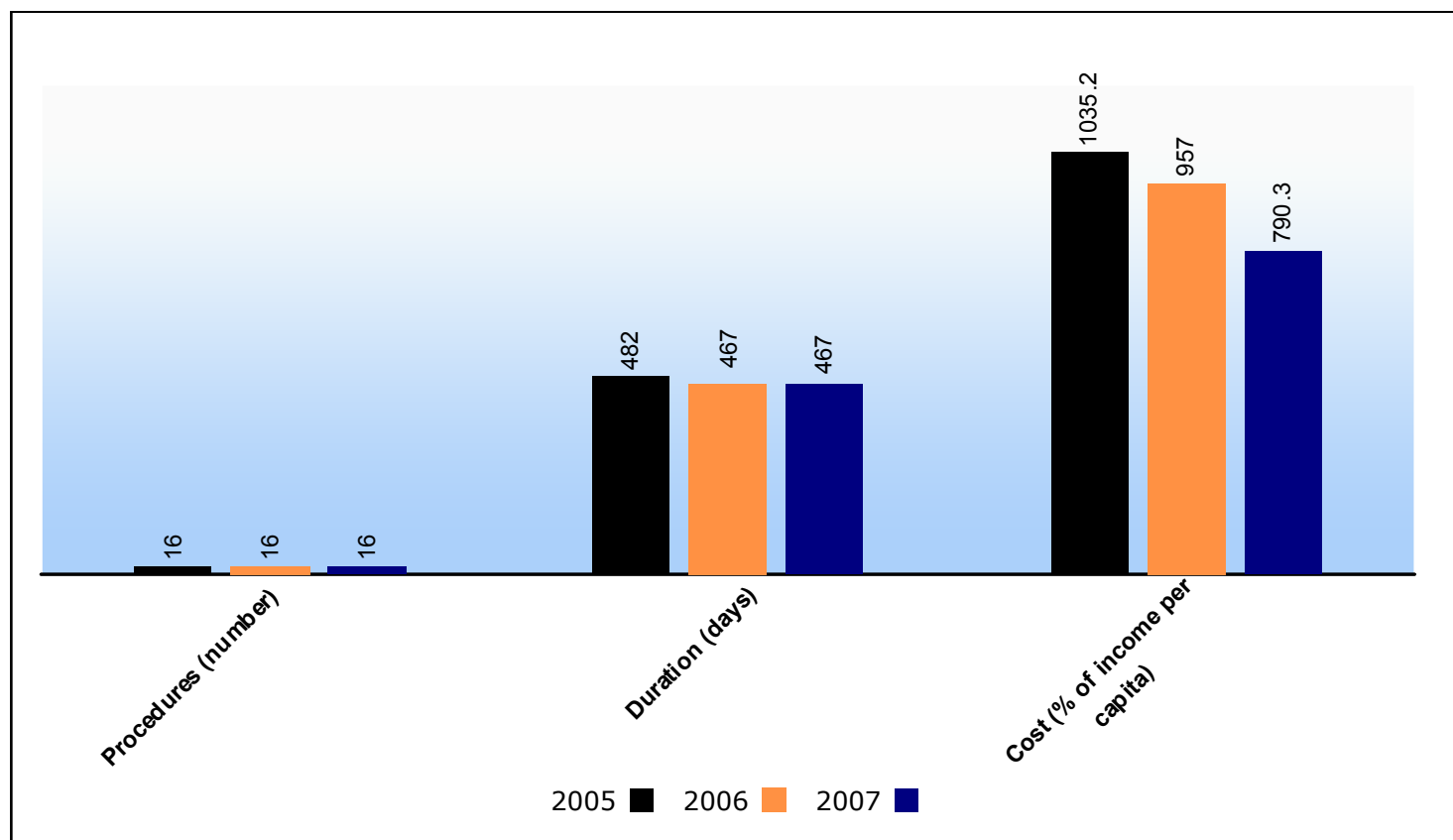
- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.
- Will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- Will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Where the regulatory burden is large, entrepreneurs move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off.

1. Historical data: Dealing with Licenses in Bosnia and Herzegovina

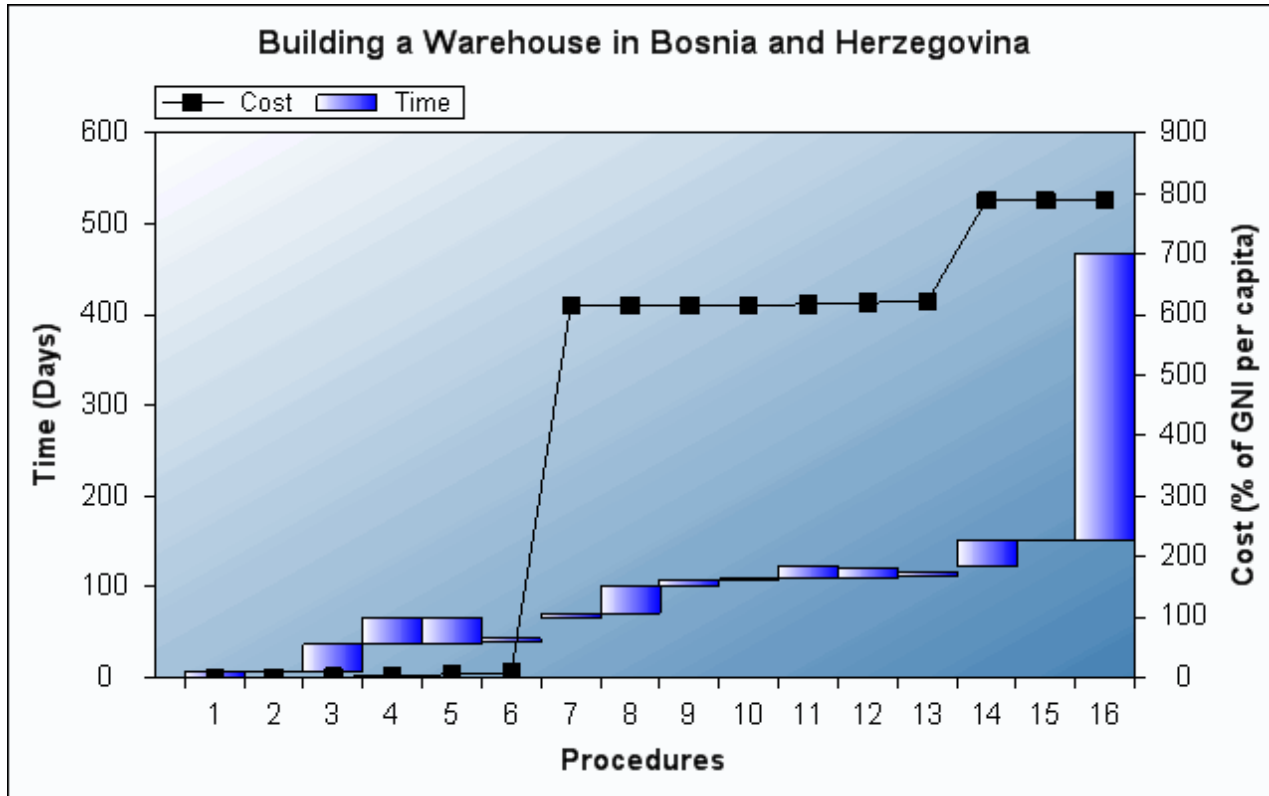
Dealing with Licenses data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		150	150
Procedures (number)	16	16	16
Duration (days)	482	467	467
Cost (% of income per capita)	1035.2	957.0	790.3

2. The following graph illustrates the Dealing with Licenses indicators in Bosnia and Herzegovina over the past 3 years:



3. Steps to Building a Warehouse in Bosnia and Herzegovina

It requires 16 procedures, takes 467 days, and costs 790.29% GNI per capita to build a warehouse in Bosnia and Herzegovina.



List of Procedures:

1. Obtain excerpt from the cadastre plan showing status of the land plot
2. Obtain excerpt from the land registry book showing proper registration
3. Obtain urban planning consent from the municipality (Urban Planning Department)
4. Obtain preliminary verification of the heating and electricity installations
5. Obtain preliminary verification of water supply and sewage system projects
6. Obtain preliminary verification of study on fire and explosion prevention
7. Obtain validation of the technical audit of the main project
8. Apply for building permit with the municipality
9. Request marking out of the land plot
10. Notify the municipality about the commencement of works
11. Request telephone line connection
12. Request water and sewage connection

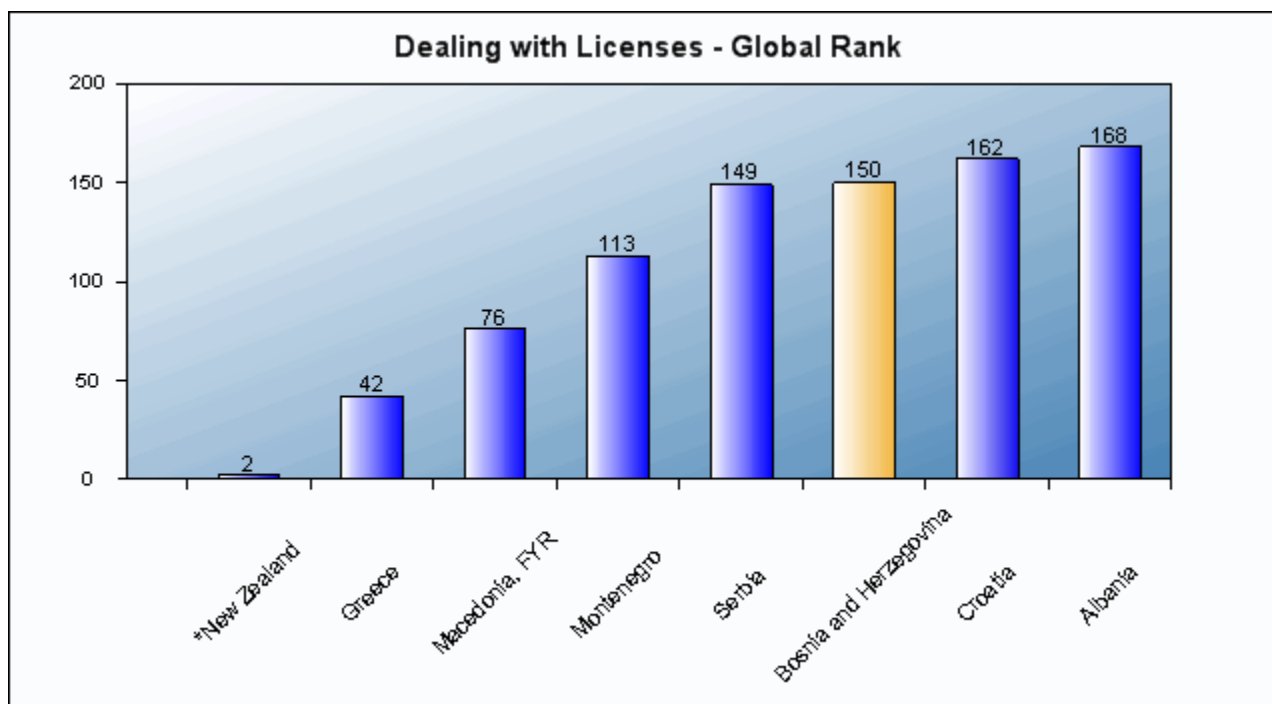
- 13. Request electricity connection
- 14. Request issuance of the building usage permit
- 15. Receive technical inspection
- 16. Register the building into cadastre book

More details are available in the appendix.

4. Benchmarking Dealing with Licenses Regulations:

Bosnia and Herzegovina is ranked 150 overall for Dealing with Licenses. St. Vincent and the Grenadines is the top ranked economy followed by New Zealand, Belize and Marshall Islands.

Ranking of Bosnia and Herzegovina in Dealing with Licenses - Compared to best practice and selected economies:



* The following economies are also best practice economies for Building a Warehouse: St. Vincent and the Grenadines

The following table shows Dealing with Licenses data for Bosnia and Herzegovina compared to best practice and comparator economies:

Best Practice Economies	Procedures (number)	Duration (days)	Cost (% of income per capita)
Denmark	6		
Korea		34	
United Arab Emirates			1.5

Selected Economy			
Bosnia and Herzegovina	16	467	790.3

Comparator Economies			
Albania	24	331	461.0
Croatia	22	255	722.4
Greece	15	169	61.7
Macedonia, FYR	19	192	109.3
Montenegro	19	185	599.6
Serbia	20	204	2713.1

Employing Workers in Bosnia and Herzegovina: Labor Regulations

Every economy has established a complex system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws. Doing Business examines government regulation in the area of employment and social security laws.

Three measures are presented: a rigidity of employment index, a nonwage labor cost measure and a firing cost measure. The rigidity of employment index is the average of three subindices: difficulty of hiring, rigidity of hours and difficulty of firing. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek, and mandated days of annual leave with pay. The difficulty of firing index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective).

The nonwage labor cost covers all social security payments and payroll taxes associated with hiring an employee, expressed as a percentage of the worker's salary. The firing cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

The indicators on employment regulations are based on a detailed study of employment laws. Data are also gathered on the specific constitutional provisions governing the two areas studied. To ensure accuracy, both the actual laws and the applicable collective bargaining agreements are used. Finally, all data are verified and completed by local law firms through a detailed survey of employment regulations.

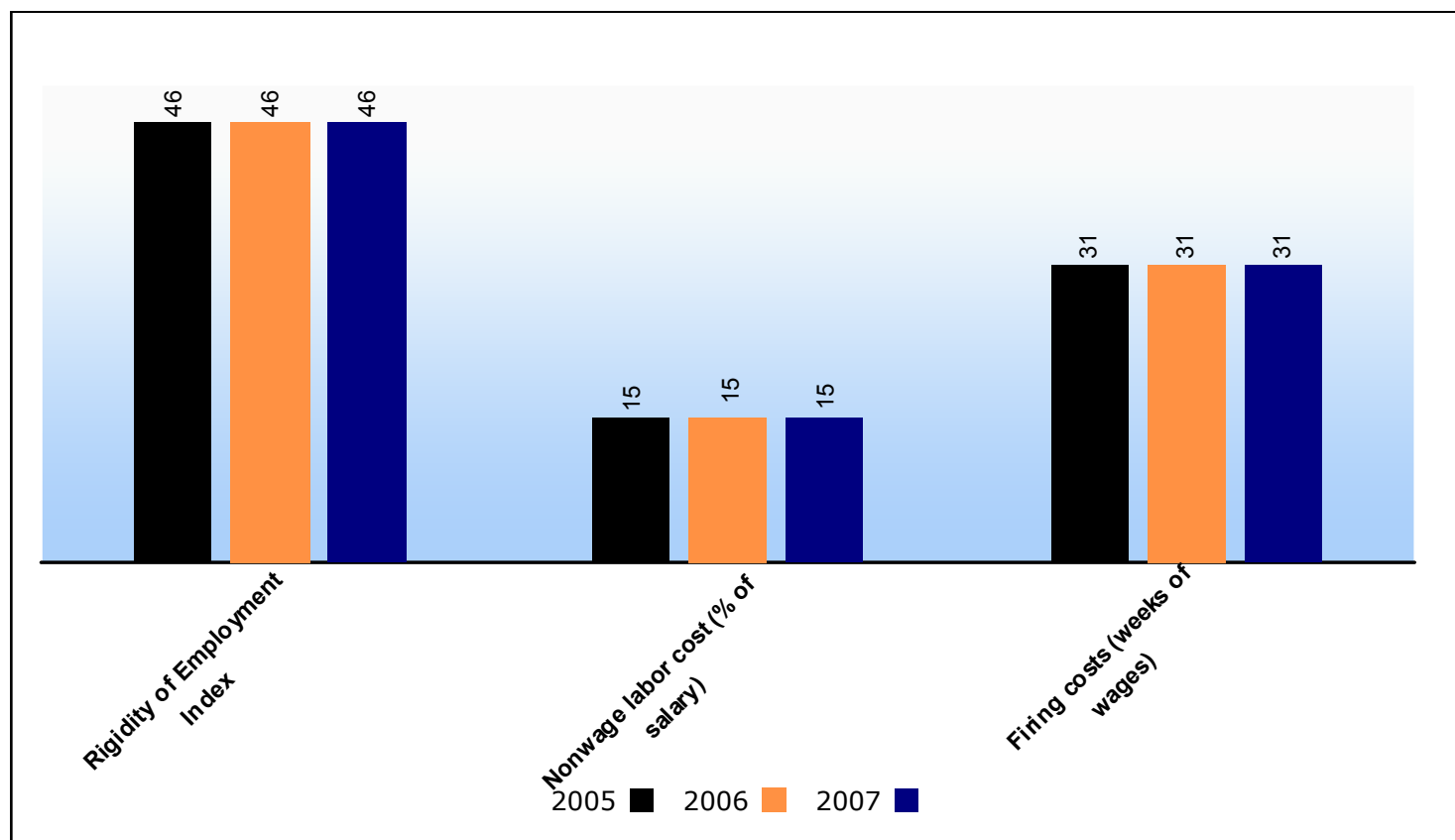
To make the data comparable across economies, a range of assumptions about the worker and the company are used. Assumptions about the worker include that he is a nonexecutive, full-time male employee who has worked in the same company for 20 years and is not a member of the labor union (unless membership is mandatory). The company is assumed to be a limited liability manufacturing corporation that operates in the country's most populous city, is 100% domestically owned and has 201 employees. The company is also assumed to be subject to collective bargaining agreements in countries where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

Most employment regulations are enacted in response to market failures. But that does not mean that today's regulations are optimal. Analysis across countries shows that while employment regulation generally increases the tenure and wages of incumbent workers, rigid regulations have many undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills—all of which may reduce productivity growth. Many countries err on the side of excessive rigidity, to the detriment of businesses and workers alike.

1. Historical data: Employing Workers in Bosnia and Herzegovina

Employing Workers data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		115	114
Rigidity of Employment Index	46	46	46
Nonwage labor cost (% of salary)	15	15	15
Firing costs (weeks of wages)	31	31	31

2. The following graph illustrates the Employing Workers indicators in Bosnia and Herzegovina over the past 3 years:



3. Benchmarking Employing Workers Regulations:

Bosnia and Herzegovina is ranked 114 overall for Employing Workers. Marshall Islands is the top ranked economy followed by Brunei, Georgia and Tonga.

Ranking of Bosnia and Herzegovina in Employing Workers - Compared to best practice and selected economies:



* The following economies are also best practice economies for Employing Workers: Marshall Islands, Singapore

The following table shows Employing Workers data for Bosnia and Herzegovina compared to best practice and comparator economies:

Best Practice Economies	Rigidity of Employment Index	Nonwage labor cost (% of salary)	Firing costs (weeks of wages)
Bangladesh*		0	
Denmark*			0
Hong Kong, China*	0		

Selected Economy			
Bosnia and Herzegovina	46	15	31

Comparator Economies			
Albania	35	22	56
Croatia	50	17	39
Greece	55	28	24
Macedonia, FYR	50	33	26
Montenegro	38	18	39
Serbia	46	18	25

* The following economies are also best practice economies for :

Rigidity of Employment Index: Singapore, United States

Nonwage labor cost (% of salary): Botswana, Ethiopia, Maldives

Firing costs (weeks of wages): New Zealand, United States

Registering Property in Bosnia and Herzegovina: Regulation of Property Transfer

Property registries were first developed to help raise tax revenue. Defining and publicizing property rights through registries has also proved to be good for entrepreneurs. Land and buildings account for between half and three-quarters of the wealth in most economies. Securing rights to this property strengthens incentives to invest and facilitates commerce. And with formal property titles, entrepreneurs can obtain mortgages on their home or land and start businesses.

Doing Business measures the ease of registering property based on a standard case of an entrepreneur who wants to purchase land and a building in the largest business city. It is assumed that the property is already registered and free of title dispute. The data cover the full sequence of procedures necessary to transfer the property title from the seller to the buyer. Every required procedure 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 and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most countries the data are based on responses from both. Based on the responses, three indicators are constructed:

- Number of procedures to register property.
- Time to register property (in calendar days).
- Official costs to register property (as a percentage of the property value).

A large share of the property in developing countries is not formally registered, limiting financing opportunities for businesses. Recognizing this constraint, some developing country governments have embarked on extensive property titling programs. Yet bringing assets into the formal sector is of little value unless they stay there.

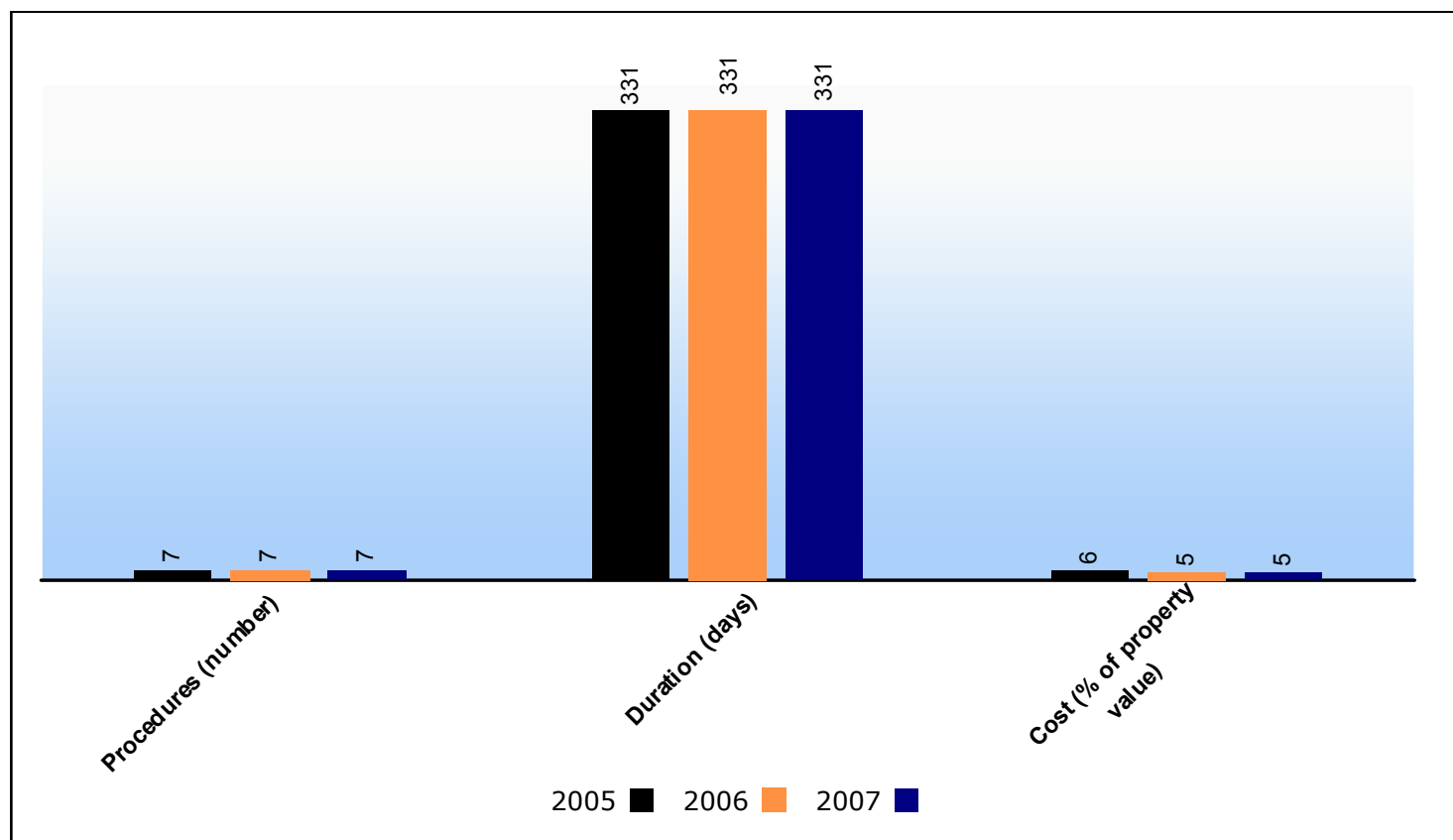
Many titling programs in Africa were futile because people bought and sold property informally—neglecting to update the title records in the property registry. Why? Doing Business shows that completing a simple formal property transfer in the largest business city of an African country costs 12% of the value of the property and takes more than 100 days on average. Worse, the property registries are so poorly organized that they provide little security of ownership. For both reasons, formalized titles quickly go informal again.

Efficient property registration reduces transaction costs and helps keep formal titles from slipping into informal status. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

1. Historical data: Registering Property in Bosnia and Herzegovina

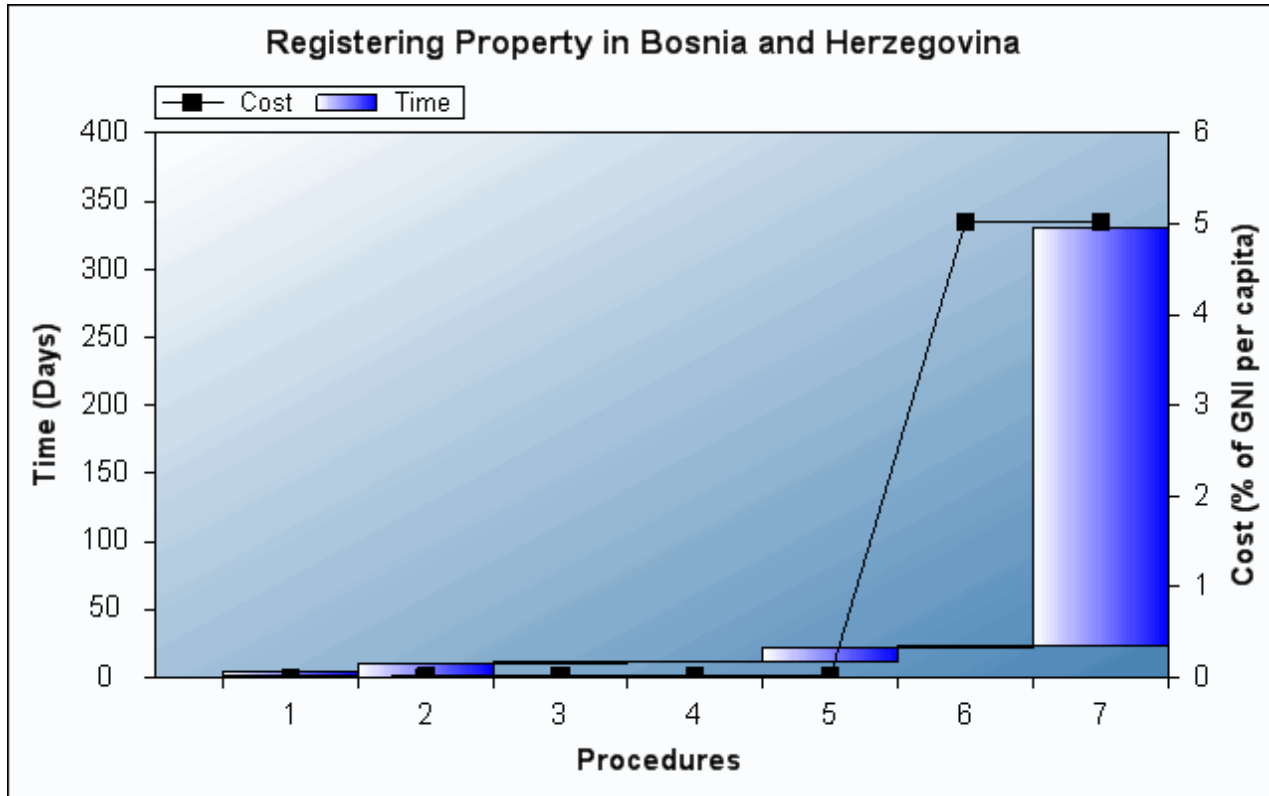
Registering Property data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		143	144
Procedures (number)	7	7	7
Duration (days)	331	331	331
Cost (% of property value)	6.0	5.0	5.0

2. The following graph illustrates the Registering Property indicators in Bosnia and Herzegovina over the past 3 years:



3. Steps to Registering Property in Bosnia and Herzegovina

It requires 7 procedures, takes 331 days, and costs 5.03% GNI per capita to register the property in Bosnia and Herzegovina.



List of Procedures:

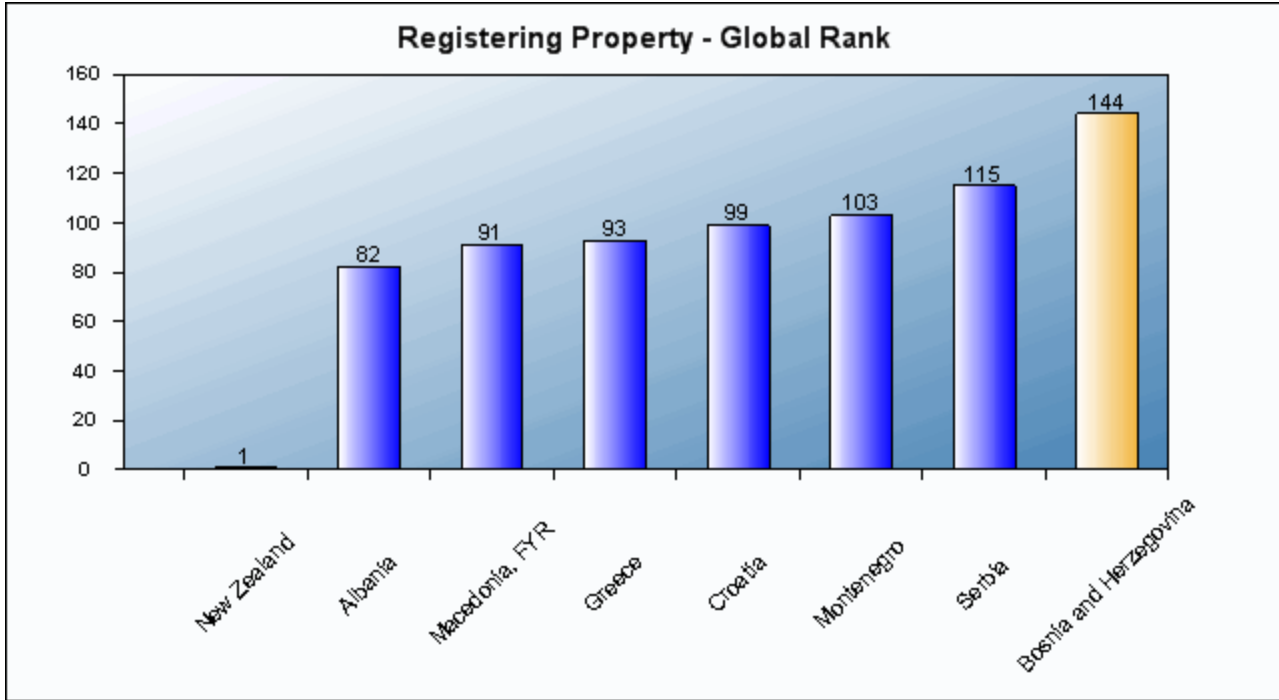
1. Obtain a land registry extract as proof of ownership
2. Parties obtain the court extract certifying the person authorized to act on behalf of each company
3. Verification of the signatures of both parties at the court
4. Submit a request for evaluation of the property regarding tax payments
5. On-site inspection of the property
6. Payment of the transfer tax at a commercial bank
7. Apply for registration at the Land Registry

More details are available in the appendix.

4. Benchmarking Registering Property Regulations:

Bosnia and Herzegovina is ranked 144 overall for Registering Property. New Zealand is the top ranked economy followed by Armenia, Saudi Arabia and Lithuania.

Ranking of Bosnia and Herzegovina in Registering Property - Compared to best practice and selected economies:



The following table shows Registering Property data for Bosnia and Herzegovina compared to best practice and comparator economies:

Best Practice Economies	Procedures (number)	Duration (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia*			0.0

Selected Economy			
Bosnia and Herzegovina	7	331	5.0

Comparator Economies			
Albania	7	47	3.5
Croatia	5	174	5.0
Greece	12	23	4.0
Macedonia, FYR	6	98	3.5
Montenegro	8	86	2.4
Serbia	6	111	5.4

* The following economies are also best practice economies for :

Procedures (number): **Sweden**

Duration (days): **Sweden, Thailand**

Cost (% of property value): **Bhutan**

Getting Credit in Bosnia and Herzegovina: Legal Rights and Credit Information

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function—one on credit registries and the other on legal rights of borrowers and lenders.

Credit registries—institutions that collect and distribute credit information on borrowers—can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. And they free entrepreneurs from having to rely on personal connections alone when trying to obtain credit. Three indicators are constructed to measure the sharing of credit information:

- Public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population.
- Private bureau coverage, which reports the number of individuals and firms covered by a private credit bureau as a percentage of the adult population.
- Depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information.

The data are from surveys of public registries and the largest private credit bureau in the country.

Effective regulation of secured lending—through collateral and bankruptcy laws—can also ease credit constraints. By giving a lender the right to seize and sell a borrower's secured assets upon default, collateral limits the lender's potential losses and acts as a screening device for borrowers. The strength of legal rights index measures 10 aspects of the rights of borrowers and creditors in collateral and bankruptcy laws, including whether:

- General rather than specific description of assets and debt is permitted in collateral agreements (expanding the scope of assets and debt covered).
- Any legal or natural person may grant or take security in assets.
- A unified registry operates that includes charges over movable property.
- Secured creditors have priority both within bankruptcy and outside it.
- Parties may agree on out-of-court enforcement of collateral by contract.
- Creditors may both seize and sell collateral out of court, no automatic stay or “asset freeze” applies upon bankruptcy, and the bankrupt debtor does not retain control of the firm.

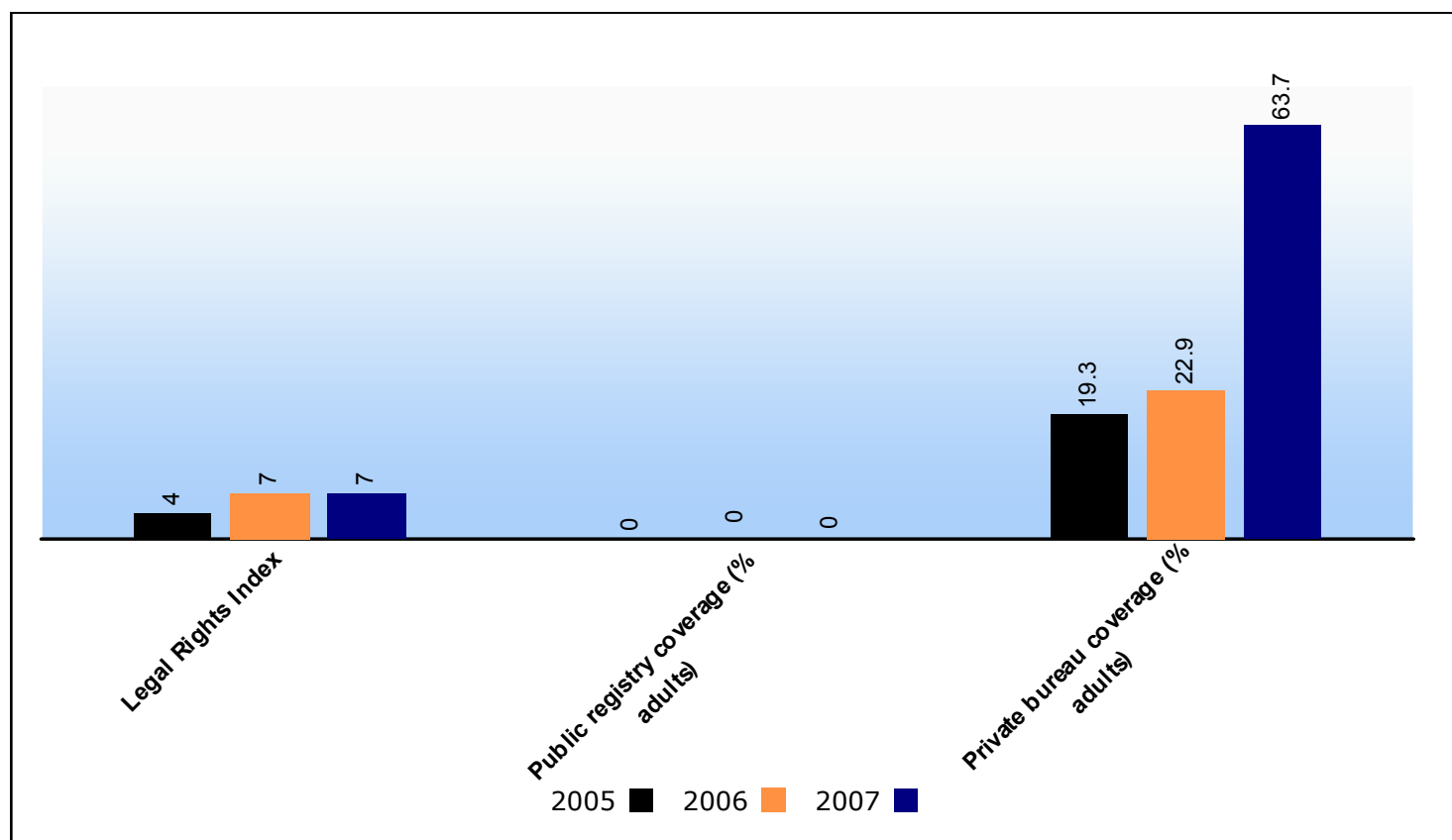
The index ranges from 0 (weak legal rights) to 10 (strong legal rights). The data were obtained by examining collateral and bankruptcy laws and legal summaries and verified through a survey of financial lawyers.

Where good-quality credit information is available and legal rights are stronger, more credit is extended. Benefits flow beyond those gaining access to credit. With better-functioning credit markets, unemployment is lower, and women and low-income people benefit the most.

1. Historical data: Getting Credit in Bosnia and Herzegovina

Getting Credit data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		12	13
Legal Rights Index	4	7	7
Public registry coverage (% adults)	0.0	0.0	0.0
Private bureau coverage (% adults)	19.3	22.9	63.7

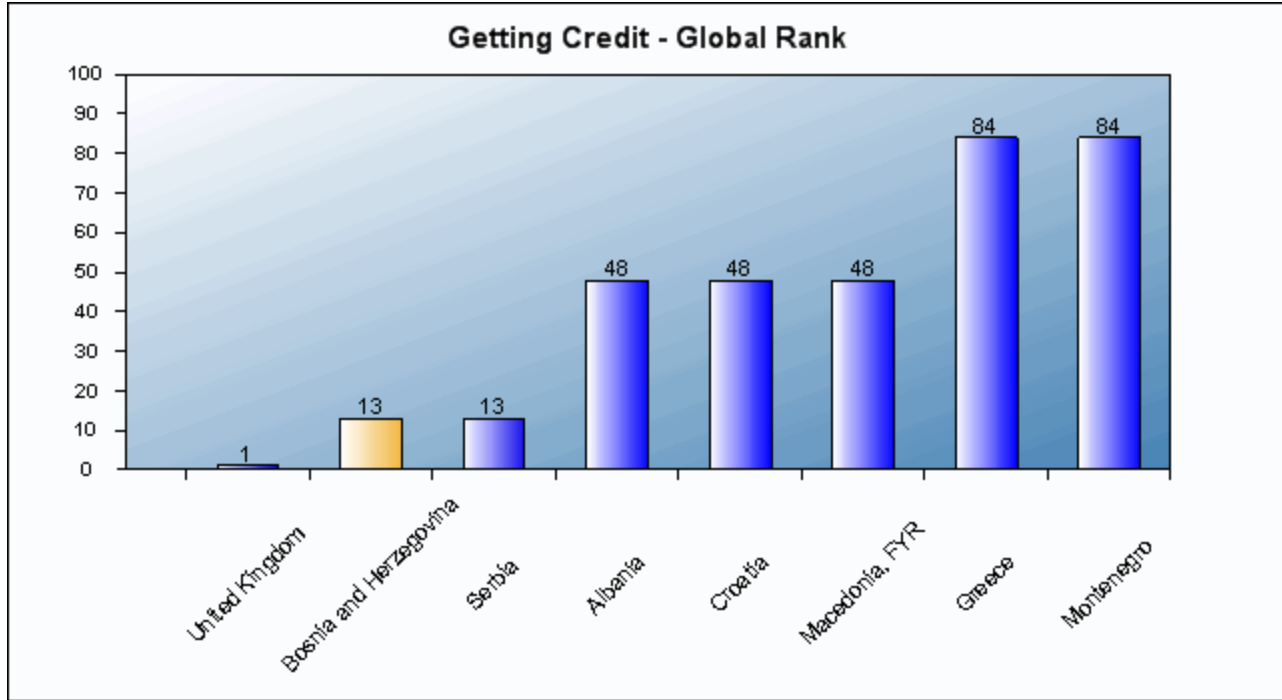
2. The following graph illustrates the Getting Credit indicators in Bosnia and Herzegovina over the past 3 years:



3. Benchmarking Getting Credit Regulations:

Bosnia and Herzegovina is ranked 13 overall for Getting Credit. United Kingdom is the top ranked economy followed by Hong Kong, China, Germany and Australia.

Ranking of Bosnia and Herzegovina in Getting Credit - Compared to best practice and selected economies:



The following table shows Getting Credit data for Bosnia and Herzegovina compared to best practice and comparator economies:

Best Practice Economies	Legal Rights Index	Public registry coverage (%)	Private bureau coverage (%)
Argentina*			100.0
Hong Kong, China*	10		
Portugal		67.1	

Selected Economy			
Bosnia and Herzegovina	7	0.0	63.7

Comparator Economies			
Albania	9	0.0	0.0
Croatia	6	0.0	72.4
Greece	3	0.0	38.7
Macedonia, FYR	6	4.0	0.0
Montenegro	7	0.0	0.0
Serbia	7	0.1	51.3

* The following economies are also best practice economies for :

Legal Rights Index: United Kingdom

Private bureau coverage (% adults): Australia, Canada, Iceland, Ireland, New Zealand, Nicaragua, Norway, Sweden, United States

Protecting Investors in Bosnia and Herzegovina

Officials at Elf Aquitaine, France's largest oil company, awarded business deals in return for large side payments. Along with the extra cash, they got seven years in jail and a €2 million fine for abuse of power. Russian oil firm Gazprom purchased materials for new pipelines through intermediaries owned by company officers. The high cost raised eyebrows, but not court battles.

Big cases make headlines. But looting by corporate insiders occurs every day on a smaller scale, and often goes unnoticed. To document the protections investors have, Doing Business measures how countries regulate a standard case of self-dealing—use of corporate assets for personal gain.

The case facts are simple. Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is unfair to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise. Who approves the transaction? What information must be disclosed? What company documents can investors access? What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James? Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure.

The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.

The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.

The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.

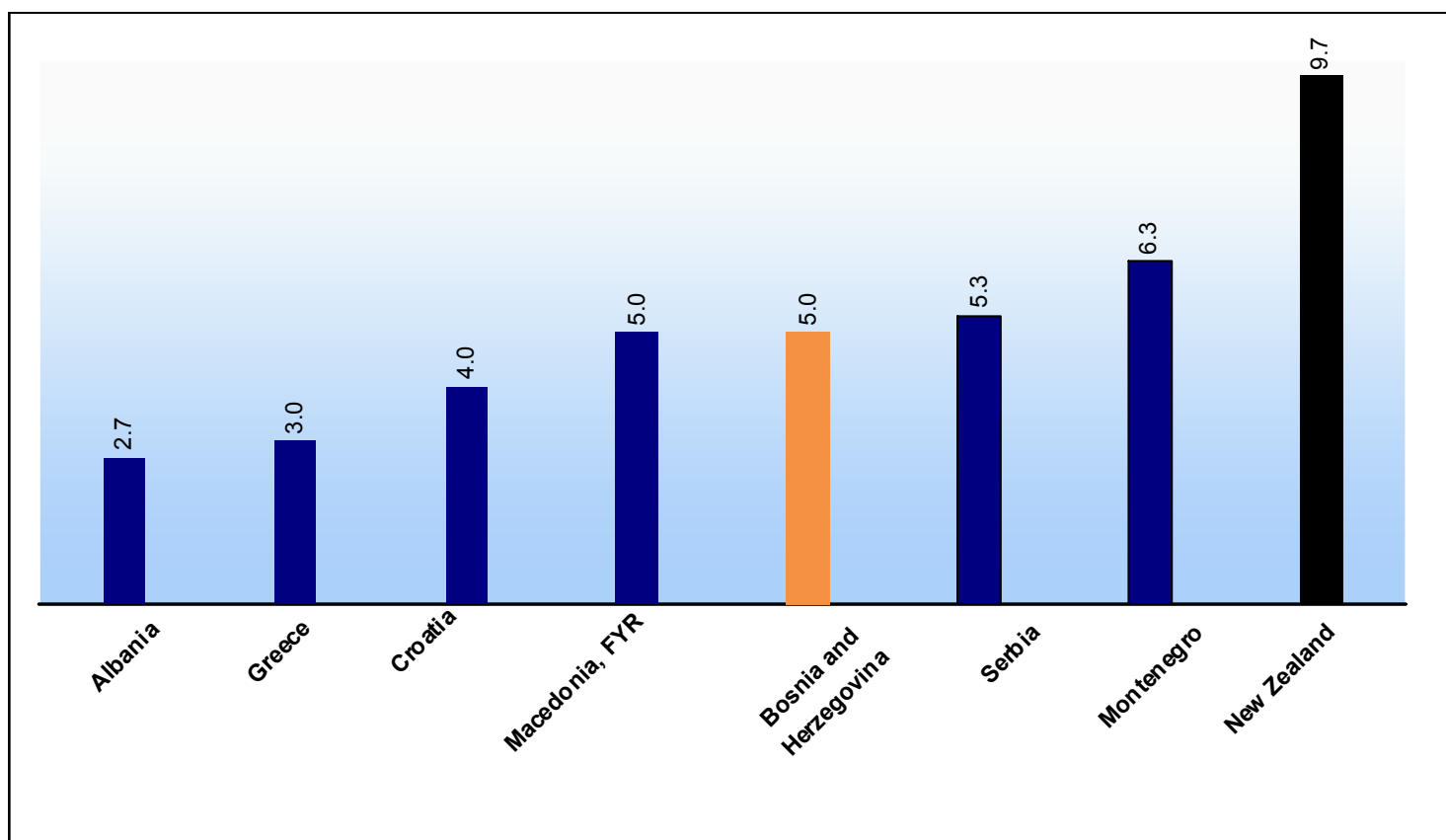
These three indices are averaged to create the strength of investor protection index. This index ranges from 0 to 10, with higher values indicating better investor protection.

If the rights of investors are not protected, majority ownership in a business is the only way to eliminate expropriation. But then investors must devote more oversight attention to fewer investments. The result: entrepreneurship is suppressed, and fewer profitable investment projects are undertaken. Where self-dealing is curbed, equity investment is higher, ownership concentration lower and trust in the business sector deeper. Investors gain portfolio diversification, and entrepreneurs gain access to cash.

1. Historical data: Protecting Investors in Bosnia and Herzegovina

Protecting Investors data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		81	83
Investor Protection Index	5.0	5.0	5.0

2. The following graph illustrates the Protecting Investors index in Bosnia and Herzegovina compared to best practice and selected Economies:

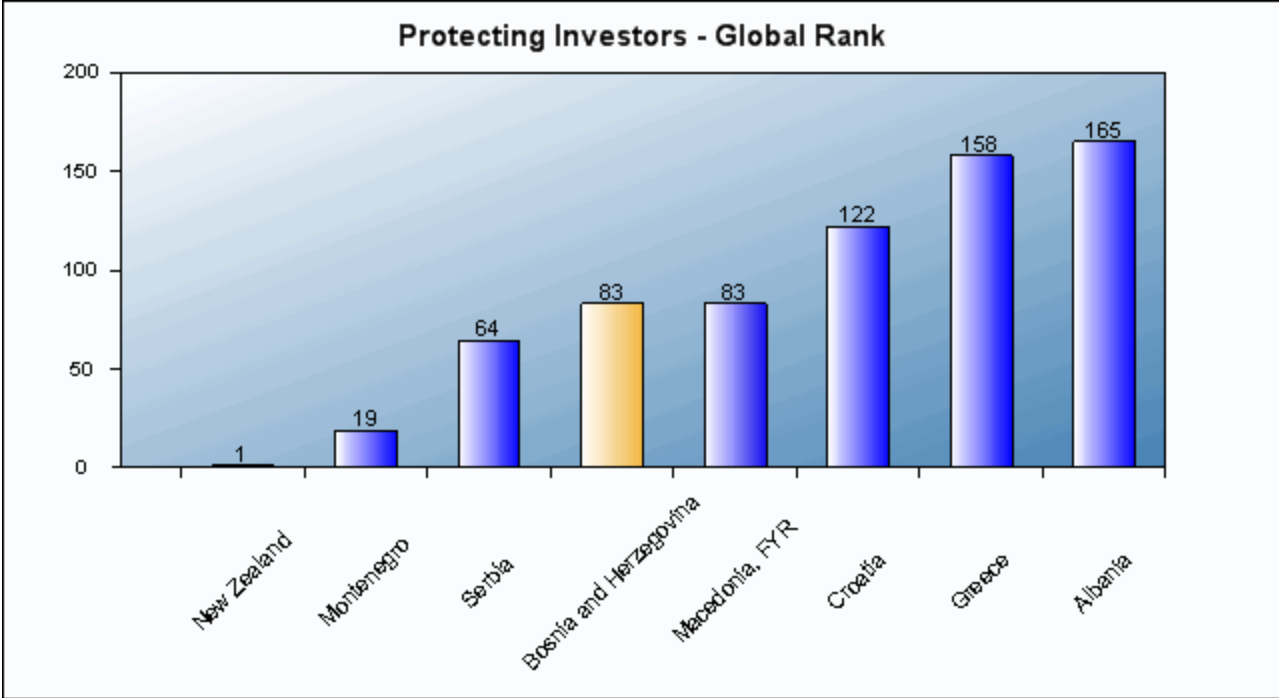


Note: The higher the score, the greater the investor protection.

3. Benchmarking Protecting Investors Regulations:

Bosnia and Herzegovina is ranked 83 overall for Protecting Investors. New Zealand is the top ranked economy followed by Singapore, Hong Kong, China and Malaysia.

Ranking of Bosnia and Herzegovina in Protecting Investors - Compared to best practice and selected economies:



The following table shows Protecting Investors data for Bosnia and Herzegovina compared to best practice and comparator economies:

<i>Best Practice Economies</i>	Investor Protection Index
New Zealand	9.7

<i>Selected Economy</i>	
Bosnia and Herzegovina	5.0

<i>Comparator Economies</i>	
Albania	2.7
Croatia	4.0
Greece	3.0
Macedonia, FYR	5.0
Montenegro	6.3
Serbia	5.3

Paying Taxes: Tax Payable and Compliance in Bosnia and Herzegovina

Taxes are essential. Without them there would be no money to fund schools, hospitals, courts, roads, water, waste collection and other public services that help businesses to be more productive. Still, there are good ways and bad ways to collect taxes.

The Doing Business tax survey records the effective tax that a company must pay and the administrative costs of doing so. Imagine a medium-size business, TaxpayerCo, that started operations last year. Doing Business asked accountants in 178 economies to review TaxpayerCo's financial statements and a standard list of transactions the company completed during the year. Respondents were asked how much tax the business must pay and what the process is for doing so.

The business starts from the same financial position in each country. All the taxes and contributions paid during the second year of operation are recorded. Taxes and contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.

Three indicators are constructed:

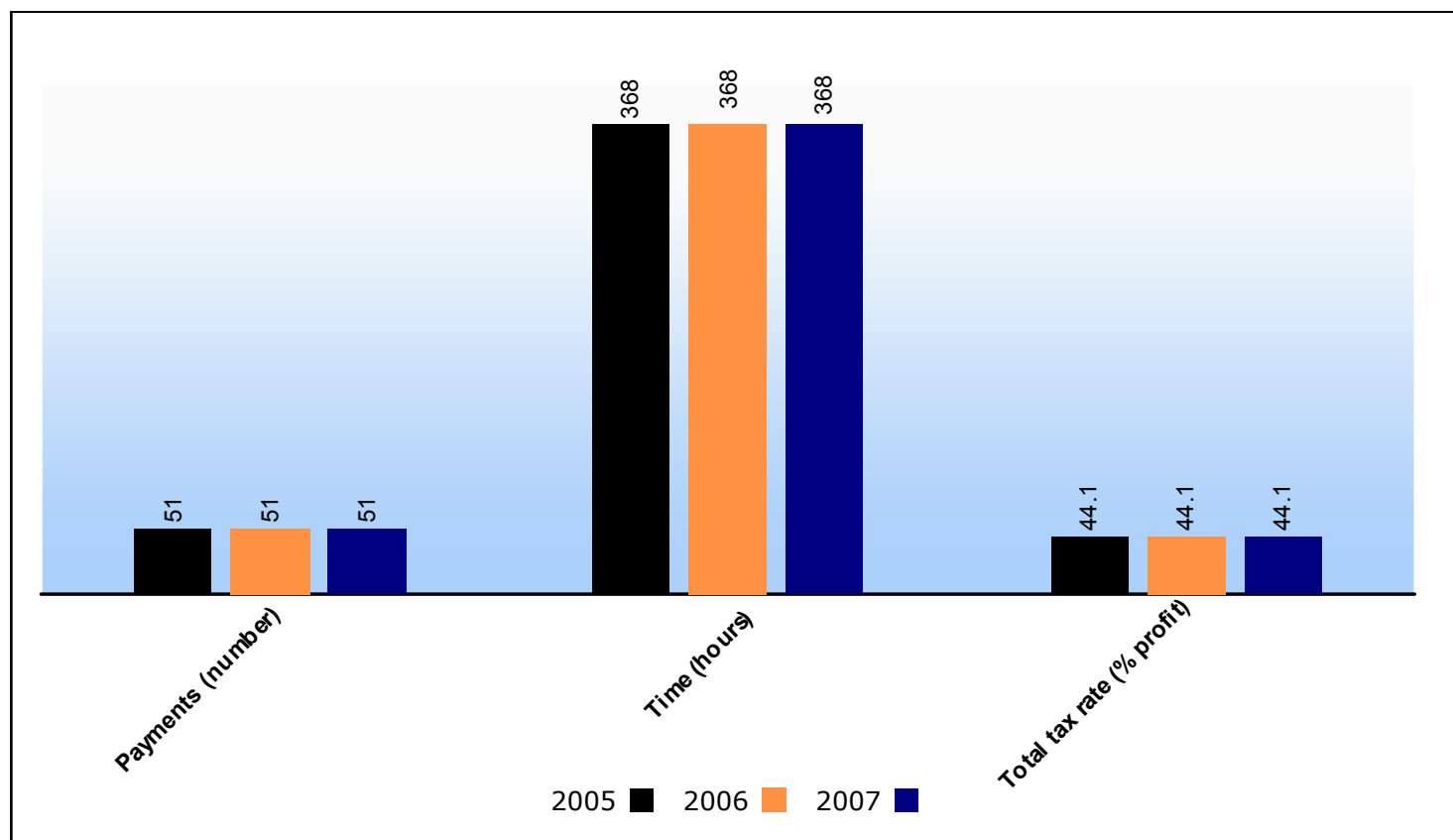
- Number of tax payments, which takes into account the method of payment or withholding, the frequency of payment or withholding and the number of agencies involved for the standard case.
- Time, which measures the hours per year necessary to prepare, file and pay the corporate income tax, value added or sales tax and labor taxes.
- Total tax rate, which measures the amount of taxes payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

Businesses care about what they get for their taxes and contributions, such as the quality of infrastructure and social services. Poor countries tend to use businesses as a collection point for taxes. Rich countries tend to have lower tax rates and less complex tax systems. And rich countries get more from their taxes. Simple, moderate taxes and fast, cheap administration mean less hassle for businesses—and also more revenue collected and better public services. More burdensome tax regimes create an incentive to evade taxes.

1. Historical data: Paying Taxes in Bosnia and Herzegovina

Paying Taxes data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		143	142
Time (hours)	368	368	368
Total tax rate (% profit)	44.1	44.1	44.1
Payments (number)	51	51	51

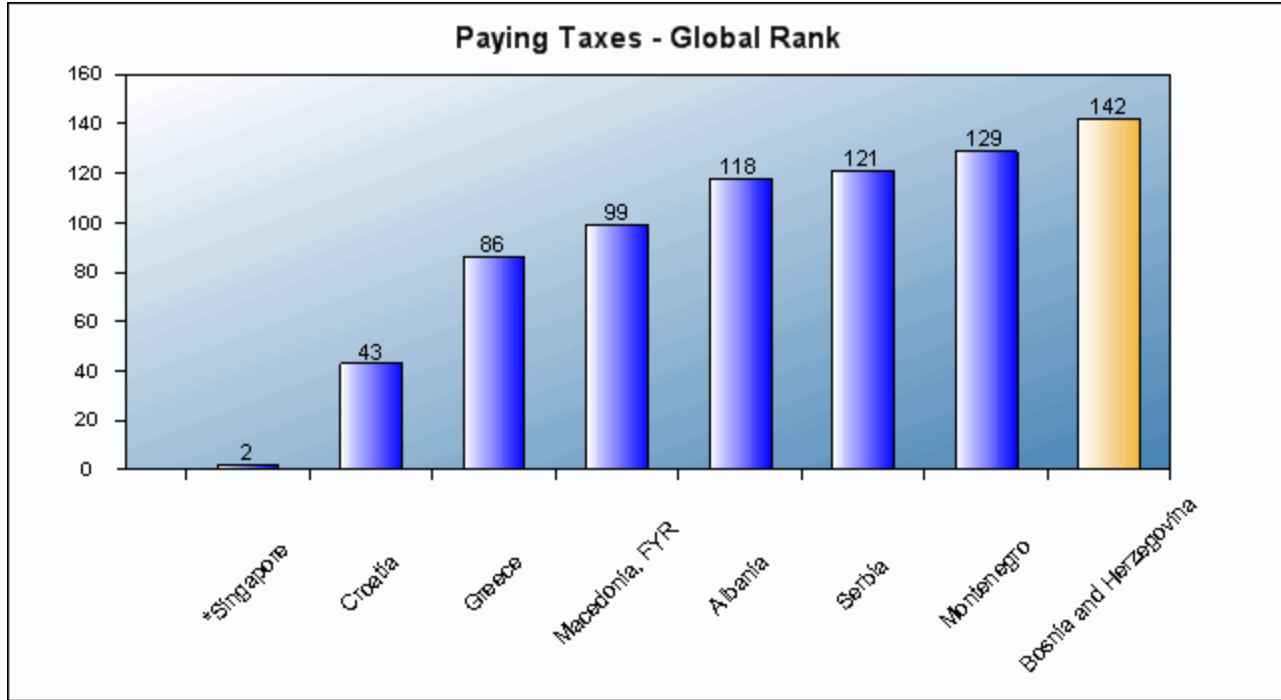
2. The following graph illustrates the Paying Taxes indicators in Bosnia and Herzegovina over the past 3 years:



3. Benchmarking Paying Taxes Regulations:

Bosnia and Herzegovina is ranked 142 overall for Paying Taxes. Maldives is the top ranked economy followed by Singapore, Hong Kong, China and United Arab Emirates.

Ranking of Bosnia and Herzegovina in Paying Taxes - Compared to best practice and selected economies:



* The following economies are also best practice economies for Paying Taxes: Maldives

The following table shows Paying Taxes data for Bosnia and Herzegovina compared to best practice and comparator economies:

<i>Best Practice Economies</i>	Payments (number)	Time (hours)	Total tax rate (% profit)
Sweden*	2		
United Arab Emirates*		12	
Vanuatu			8.4

<i>Selected Economy</i>			
Bosnia and Herzegovina	51	368	44.1

<i>Comparator Economies</i>			
Albania	44	240	46.8
Croatia	28	196	32.5
Greece	21	264	48.6
Macedonia, FYR	52	96	49.8
Montenegro	88	372	31.6
Serbia	66	279	35.8

* The following economies are also best practice economies for :

Payments (number): Maldives

Time (hours): Maldives

Trading Across Borders: Importing and Exporting from Bosnia and Herzegovina

The benefits of trade are well documented—as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with faster ships and bigger planes, the world is shrinking. Global and regional agreements have brought down trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. The reason is simple: many entrepreneurs face numerous hurdles to exporting or importing goods. They often give up. Others never try.

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every official procedure—and the associated documents, time and cost—for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the factory warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit.

To make the data comparable across countries, several assumptions about the business and the traded goods are used. The business is of medium size, with 100 or more employees, and is located in the periurban area of the country's most populous city. It is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the country. The traded goods are ordinary, legally manufactured products, and they travel in a dry-cargo, 20-foot FCL (full container load) container.

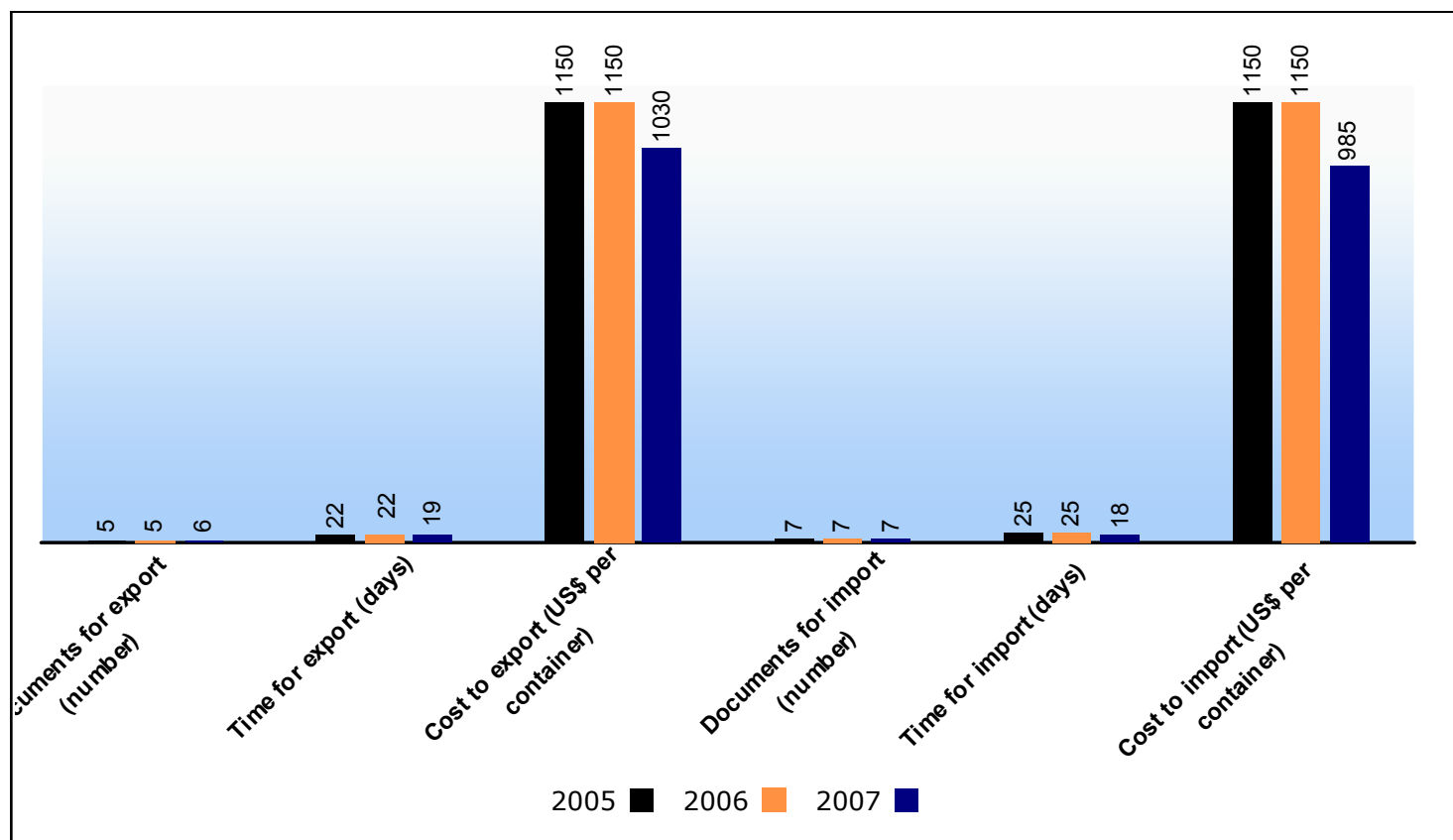
Documents recorded include port filing documents, customs declaration and clearance documents, and official documents exchanged between the concerned parties. Time is recorded in calendar days, from start to finish of each procedure. Cost measures the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes.

Countries that have efficient customs, good transport networks and fewer document requirements—making compliance with export and import procedures faster and cheaper—are more competitive globally. That leads to more exports—and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders avoid customs altogether. Instead, they smuggle goods across the border. That defeats the very purpose in having border control of trade—to levy taxes and ensure high quality of goods.

1. Historical data: Trading Across Borders in Bosnia and Herzegovina

Trading Across Borders data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		67	53
Documents for export (number)	5	5	6
Time for export (days)	22	22	19
Cost to export (US\$ per container)	1150	1150	1030
Documents for import (number)	7	7	7
Time for import (days)	25	25	18
Cost to import (US\$ per container)	1150	1150	985

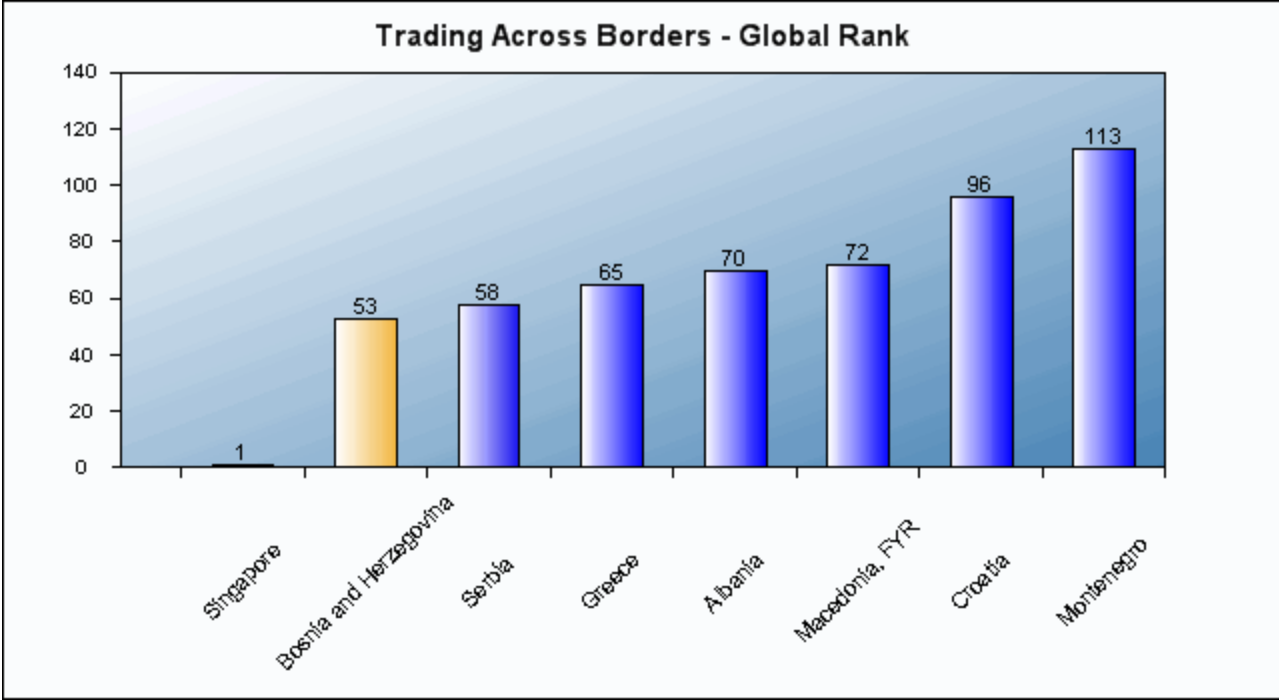
2. The following graph illustrates the Trading Across Borders indicators in Bosnia and Herzegovina over the past 3 years:



3. Benchmarking Trading Across Borders Regulations:

Bosnia and Herzegovina is ranked 53 overall for Trading Across Borders. Singapore is the top ranked economy followed by Denmark, Hong Kong, China and Norway.

Ranking of Bosnia and Herzegovina in Trading Across Borders - Compared to best practice and selected economies:



The following table shows Trading Across Borders data for Bosnia and Herzegovina compared to best practice and comparator economies:

<i>Best Practice Economies</i>	Documents for export (number)	Time for export (days)	Cost to export (US\$ per)	Documents for import (number)	Time for import (days)	Cost to import (US\$ per)
Canada*	3					
China			390			
Denmark*		5		3		
Singapore					3	367

<i>Selected Economy</i>						
Bosnia and Herzegovina	6	19	1030	7	18	985

<i>Comparator Economies</i>						
Albania	7	21	745	9	22	750
Croatia	7	22	1200	8	16	1200
Greece	5	20	998	6	25	1245
Macedonia, FYR	7	19	1130	7	17	1130
Montenegro	9	18	1580	7	19	1780
Serbia	6	12	1240	6	14	1440

* The following economies are also best practice economies for :

Documents for export (number): **Estonia, Micronesia, Panama**

Time for export (days): **Estonia, Singapore**

Documents for import (number): **Sweden**

Enforcing Contracts: Court Efficiency in Bosnia and Herzegovina

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data are collected through study of the codes of civil procedure and other court regulations as well as surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

The dispute, between two businesses (the Seller and the Buyer) located in the country's most populous city, concerns a contract for the sale of goods. The Seller agrees to deliver the goods, worth 200% of the country's income per capita, to the Buyer.

After receiving and inspecting the goods, the Buyer concludes that their quality is inadequate. The Buyer sends the goods back without paying for them. The Seller disagrees and argues that their quality is adequate. The Seller seeks full payment from the Buyer, arguing that the goods cannot be sold to a third party because they were custom-made for the Buyer. The Seller sues the Buyer before the court in the most populous city to recover the amount due under the sales agreement (200% of the country's income per capita).

Three indicators of the efficiency of commercial contract enforcement are developed:

- Number of procedures, which includes all those that demand interaction between the parties or between them and the judge or court officer.
- Time, which counts the number of days from the moment the plaintiff files the lawsuit in court until the moment of payment. This measure includes both the days on which actions take place and the waiting periods between actions.
- Cost, which measures the official cost of going through court procedures, expressed as a percentage of the claim (assumed to be equivalent to 200% of income per capita). The cost includes court costs, enforcement costs and attorney fees where the use of attorneys is mandatory or common.

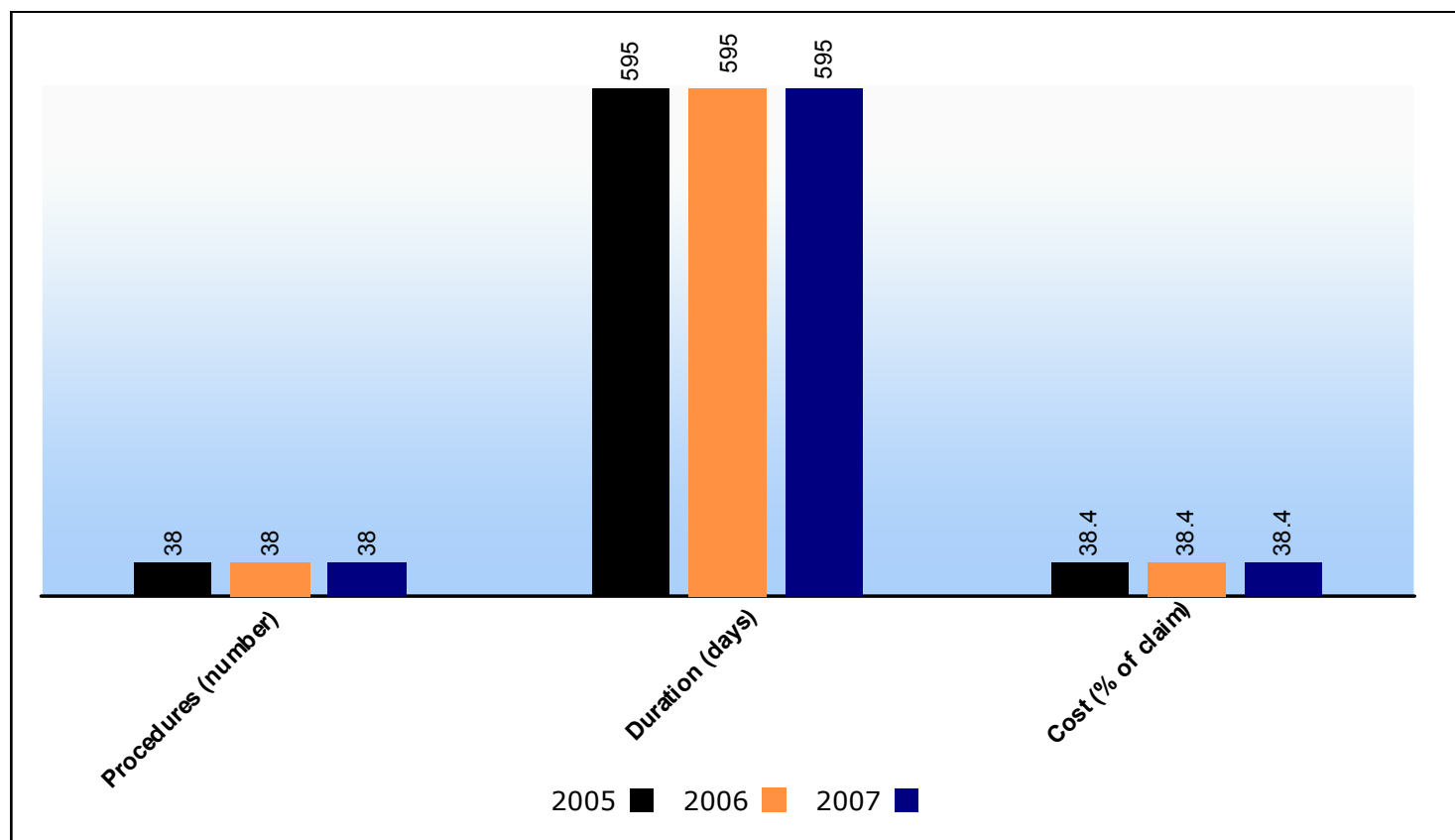
Businesses that have little or no access to efficient courts must rely on other mechanisms, both formal and informal—such as trade associations, social networks, credit bureaus or private information channels—to decide whom to do business with and under what conditions. Or they might adopt a conservative approach to business, dealing only with a small group of people linked through kinship, ethnic origin or previous dealings and structuring transactions to forestall disputes. In either case economic and social value may be lost.

The main reason to regulate procedures in commercial dispute resolution is that informal justice is vulnerable to subversion by the rich and powerful. But heavy regulation of dispute resolution backfires. Across countries, the more procedures it takes to enforce a contract, the longer the delays and the higher the cost. The result: less wealth is created.

1. Historical data: Enforcing Contracts in Bosnia and Herzegovina

Enforcing Contracts data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		125	126
Procedures (number)	38	38	38
Duration (days)	595	595	595
Cost (% of claim)	38.4	38.4	38.4

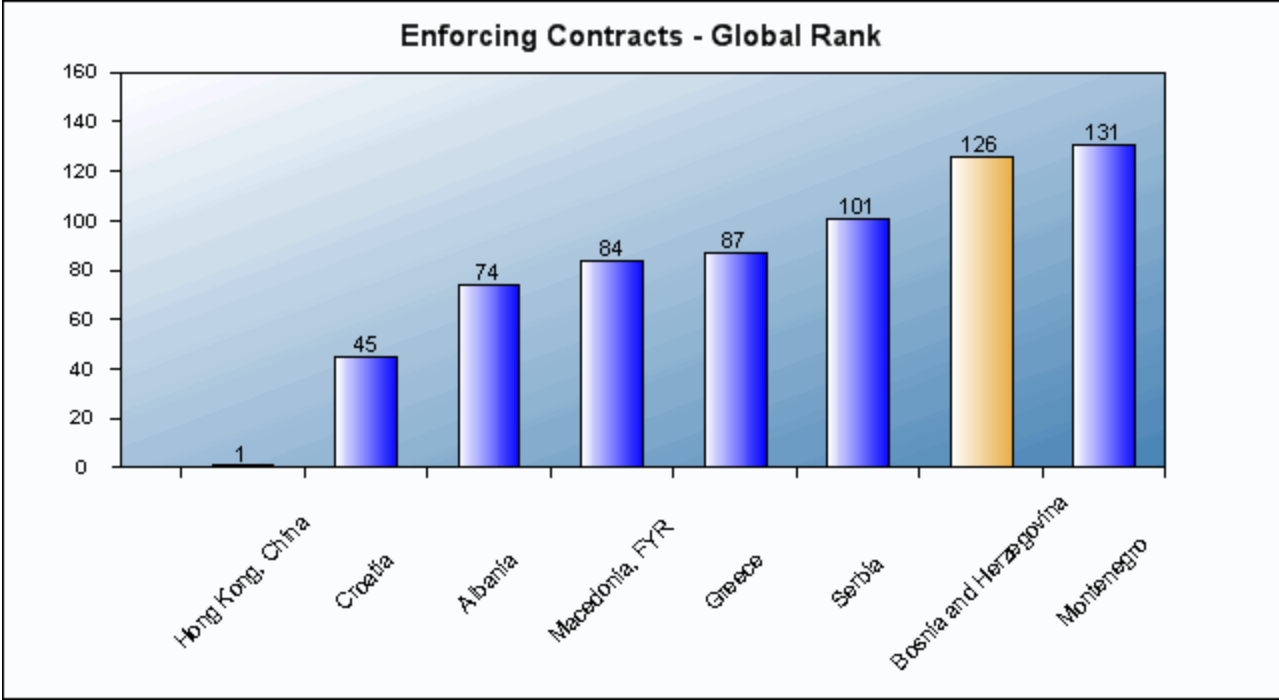
2. The following graph illustrates the Enforcing Contracts indicators in Bosnia and Herzegovina over the past 3 years:



3. Benchmarking Enforcing Contracts Regulations:

Bosnia and Herzegovina is ranked 126 overall for Enforcing Contracts. Hong Kong, China is the top ranked economy followed by Luxembourg, Latvia and Singapore.

Ranking of Bosnia and Herzegovina in Enforcing Contracts - Compared to best practice and selected economies:



The following table shows Enforcing Contracts data for Bosnia and Herzegovina compared to best practice and comparator economies:

Best Practice Economies	Procedures (number)	Duration (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		120	

Selected Economy			
Bosnia and Herzegovina	38	595	38.4

Comparator Economies			
Albania	39	390	31.8
Croatia	38	561	13.8
Greece	39	819	14.4
Macedonia, FYR	39	385	33.1
Montenegro	49	545	25.7
Serbia	36	635	28.4

Closing Business in Bosnia and Herzegovina: Bankruptcy

The economic crises of the 1990s in emerging markets—from East Asia to Latin America, from Russia to Mexico—raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that the company is a domestically owned, limited liability corporation operating a hotel in the country's most populous city. The company has 201 employees, 1 main secured creditor and 50 unsecured creditors. Assumptions are also made about the debt structure and future cash flows. The case is designed so that the company has a higher value as a going concern—that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation. The data are derived from questionnaires answered by attorneys at private law firms.

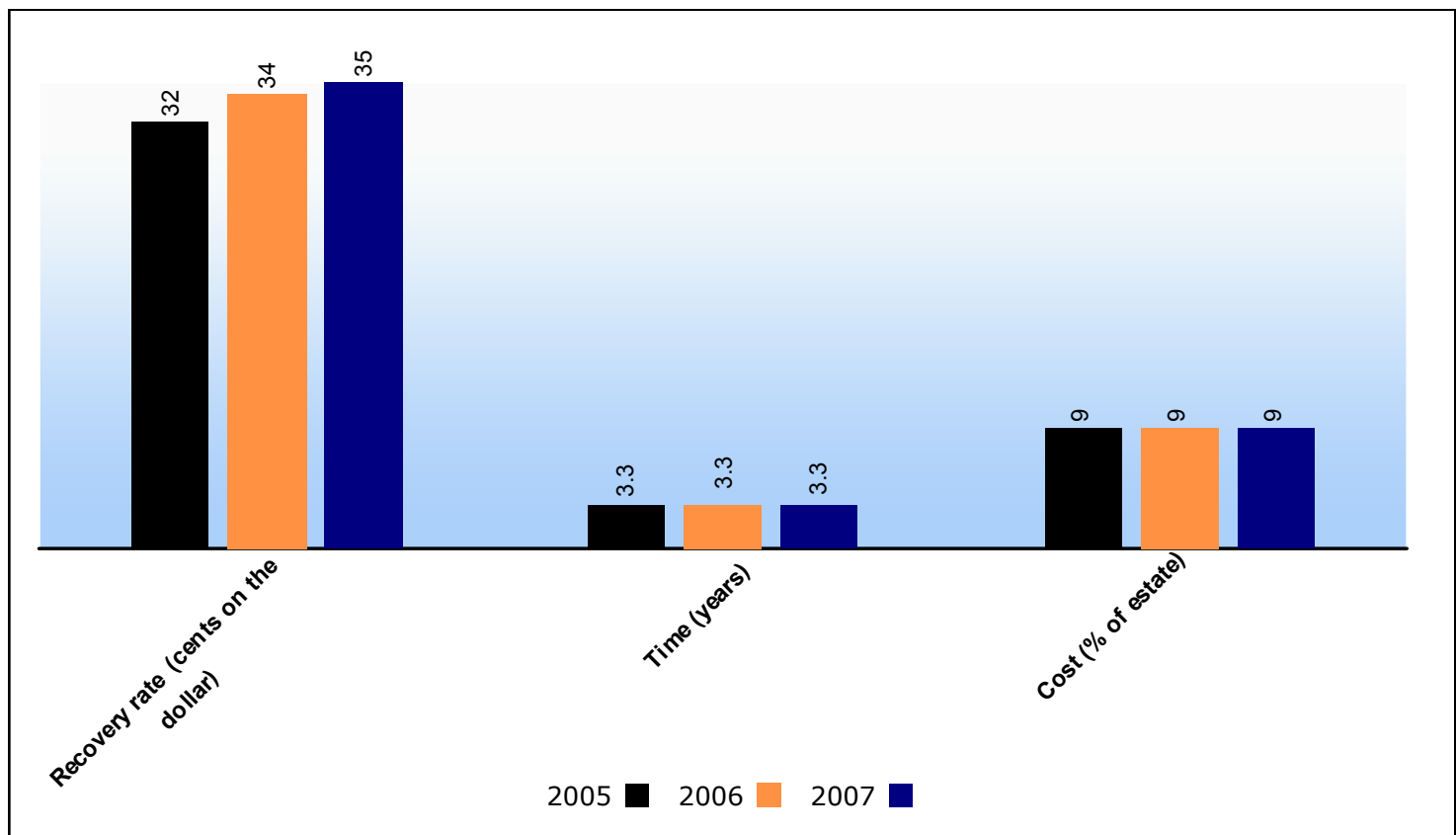
Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate—how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy is used, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

1. Historical data: Closing Business in Bosnia and Herzegovina

Closing a Business data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		69	61
Time (years)	3.3	3.3	3.3
Cost (% of estate)	9	9	9
Recovery rate (cents on the dollar)	32	34	35.0

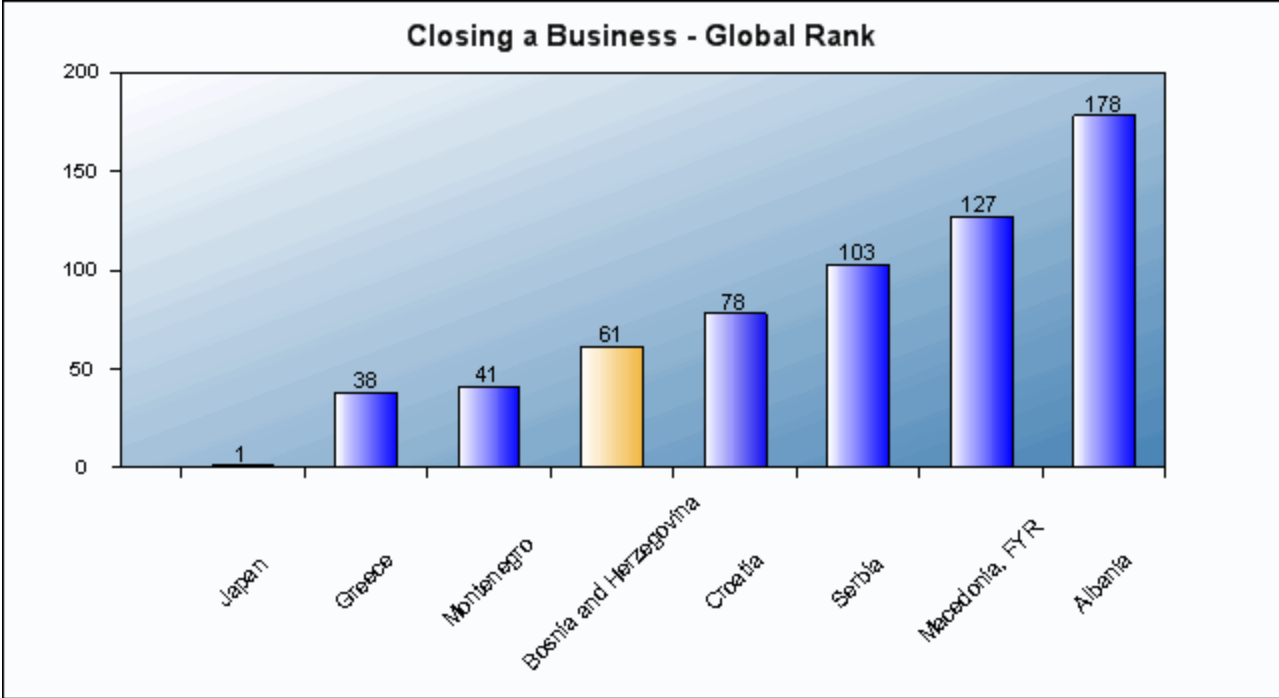
2. The following graph illustrates the Closing Business indicators in Bosnia and Herzegovina over the past 3 years:



3. Benchmarking Closing Business Regulations:

Bosnia and Herzegovina is ranked 61 overall for Closing a Business. Japan is the top ranked economy followed by Singapore, Norway and Canada.

Ranking of Bosnia and Herzegovina in Closing Business - Compared to best practice and selected economies:



The following table shows Closing Business data for Bosnia and Herzegovina compared to best practice and comparator economies:

Best Practice Economies	Recovery rate (cents on the	Time (years)	Cost (% of estate)
Colombia			1
Ireland		0.4	
Japan	92.6		

Selected Economy			
Bosnia and Herzegovina	35.0	3.3	9

Comparator Economies			
Albania	0.0	no practice	no practice
Croatia	30.2	3.1	15
Greece	44.8	2.0	9
Macedonia, FYR	15.8	3.7	28
Montenegro	42.8	2.0	8
Serbia	23.1	2.7	23

Starting a Business in Bosnia and Herzegovina

This table summarizes the procedures and costs associated with setting up a business in Bosnia and Herzegovina.

STANDARDIZED COMPANY

Legal Form: Limited Liability Company

Minimum Capital Requirement: BAM 2,000

City: Sarajevo

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Stipulate a founding act and have it notarized in the municipality office	1 day	negligible
2	Obtain a statement from commercial bank that full amount of the capital has been paid in; pay the registration fee to the budget account of the cantonal court	1 day	no charge
3	Obtain the statement of tax authorities that the founders have no tax debts	1 day	no charge
4	Court registration with canton court	15 days	BAM 405 (registration fee) + BAM 150 (publishing fee)
5	Buy a company stamp	1 day	BAM 40
6	Application for resolution on intended activities to the competent municipality	1 day	BAM 300 - 1,000
7	Application for utilization permit to the canton ministry of commerce	15 days	BAM 150
8	Apply for company identification number with the competent tax office	15 days	no charge
9	Open a company account with commercial bank	1 day	no charge
10	Enroll the employees in pension insurance with Pension Insurance Institute (Zavod za penziono osiguranje)	1 day	BAM 1 (application form)
11	Enroll the employees in health insurance with Health Insurance Institute (Zavod za zdravstveno osiguranje)	1 day	BAM 1 (application form)
12	Adopt and publish a rule book on matters of salary, work organization, discipline, and other employee regulations.	1 day	no charge (If done by a lawyer, minimum of KM250 depending on complexity)

Procedure 1 Stipulate a founding act and have it notarized in the municipality office

Time to complete: 1 day

Cost to complete: negligible

Comment:

Procedure 2 Obtain a statement from commercial bank that full amount of the capital has been paid in; pay the registration fee to the budget account of the cantonal court

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 3 Obtain the statement of tax authorities that the founders have no tax debts

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 4 Court registration with canton court

Time to complete: 15 days

Cost to complete: BAM 405 (registration fee) + BAM 150 (publishing fee)

Comment: By law, regulated forms must be completed. These forms may be purchased at a stationery shop or at the court (BAM 15), to be prepared according to the regulations on registering legal entities in the court register. After the court registration of the new company, the court informs the Official Gazette to announce the prepared notice.

Companies are automatically registered for membership in the chambers of economy at the state, entity, canton, and regional levels. Since 2004, membership in the Chamber of Economy of the Federation of Bosnia and Herzegovina and the Chamber of Economy of the Republic of Srpska is voluntary.

The fees for chambers of economy in Bosnia and Herzegovina are as follows:

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

Procedure 5 Buy a company stamp

Time to complete: 1 day

Cost to complete: BAM 40

Comment: A copy of the court registration must be submitted.

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

Time to complete: 1 day

Cost to complete: BAM 300 - 1,000

Comment:

Procedure 7 Application for utilization permit to the canton ministry of commerce

Time to complete: 15 days

Cost to complete: BAM 150

Comment: The application should be submitted to Canton Inspections (all the inspections are centralized at one place), and depending on the company's scope of business, the relevant inspectors perform control at the company's business premises and issue the "approval to perform business." For example, if the company's scope of business is trade, the trade inspector and the employment inspector must perform the control. For this permit, the following must be submitted: a copy of the resolution on the intended activities; a copy of court registration; evidence of business premises possession; an appropriate attestation for electric power, issued by an authorized institution (the landlord should have obtained this document); and a copy of the employee registration forms. If the company produces a product, an attestation must be submitted for the machines.

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

Time to complete: 15 days

Cost to complete: no charge

Comment: When filing an application for statistical and taxpayer numbers simultaneously with the competent tax authorities (according to Regulations on Obtaining ID Numbers [Official Gazette No. 39/02]), the newly incorporated company must submit with the application form a photocopy of the court resolution (registration) and the contract on the lease of the business premises, resolution of the competent municipality on the intended activities (this resolution must confirm that certain activities may be exercised at a certain address), and the utilization permit (issued by the canton's Ministry of Commerce).

The competent tax office must also nominate the committee for company inspection that will confirm that the company exists at the specified address. The statistical and taxpayer numbers will be issued based on the committee report.

Procedure 9 Open a company account with commercial bank

Time to complete: 1 day

Cost to complete: no charge

Comment:

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

Time to complete: 1 day

Cost to complete: BAM 1 (application form)

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

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

Time to complete: 1 day

Cost to complete: BAM 1 (application form)

Comment: The following documentation must be submitted for health insurance purposes: the application for pension insurance, the application for health insurance (obrazac ZO1), the employee identification card, and the health booklet.

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

Time to complete: 1 day

Cost to complete: no charge (If done by a lawyer, minimum of KM250 depending on complexity)

Comment: The procedure applies to employers who hire more than 15 workers. The company's body authorized to issue internal regulations shall pass these rulebooks and does not have to submit them anywhere.

Dealing with Licenses in Bosnia and Herzegovina

The table below summarizes the procedures, time, and costs to build a warehouse in Bosnia and Herzegovina.

BUILDING A WAREHOUSE

Date as of: January 2, 2007

Estimated Warehouse Value:

City: Sarajevo

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain excerpt from the cadastre plan showing status of the land plot	7 days	BAM 15
2 *	Obtain excerpt from the land registry book showing proper registration	1 day	BAM 4
3	Obtain urban planning consent from the municipality (Urban Planning Department)	30 days	BAM 30
4	Obtain preliminary verification of the heating and electricity installations	29 days	BAM 88
5 *	Obtain preliminary verification of water supply and sewage system projects	28 days	BAM 110
6 *	Obtain preliminary verification of study on fire and explosion prevention	4 days	BAM 150
7	Obtain validation of the technical audit of the main project	5 days	BAM 28,180
8	Apply for building permit with the municipality	30 days	no charge
9	Request marking out of the land plot	7 days	BAM 15
10	Notify the municipality about the commencement of works	1 day	no charge
11	Request telephone line connection	13 days	BAM 85
12 *	Request water and sewage connection	10 days	BAM 117
13 *	Request electricity connection	5 days	BAM 58
14	Request issuance of the building usage permit	30 days	BAM 7,804
15 *	Receive technical inspection	1 day	no charge

* Takes place simultaneously with another procedure.

Procedure 1 Obtain excerpt from the cadastre plan showing status of the land plot

Time to complete: 7 days

Cost to complete: BAM 15

Comment: To obtain a copy of the cadastre plan, BuildCo must submit a request on a form available at the municipality.

Procedure 2 Obtain excerpt from the land registry book showing proper registration

Time to complete: 1 day

Cost to complete: BAM 4

Comment:

The excerpt 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 excerpt will be provided on the same day (usually within 1 hour).

Procedure 3 Obtain urban planning consent from the municipality (Urban Planning Department)

Time to complete: 30 days

Cost to complete: BAM 30

Comment:

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 Urban Planning Department's assessment.
- 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.
- Excerpt from the cadastre plan, showing right to build and ownership of plot (not older than 6 months).
- Excerpt from the land registry book, showing proper registration.
- Environmental consent, if requested.
- Other data, if requested.
- For insurance purposes, consent for fire and explosion protection, issued by a competent company.
- Consent for the heating installations, issued by a competent company

Once issued, the urban planning consent is effective for a year, during which time BuildCo may submit a construction permit request.

UNDP training and governmental administrative reform has reduced the time required.

Procedure 4 Obtain preliminary verification of the heating and electricity installations

Time to complete: 29 days

Cost to complete: BAM 88

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

- Book 1, Architecture Project: Contains a site plan (scale: 1:200), all special features, at least two detailed characteristic cross-sectional plans, the façade (scale: 1:500), characteristic design details (scale: 1:10), carpentry and locksmith plans, and technical description and premeasurements.
- Book 2, Building Project. Contains all cost estimates, a technical description and report, as well as a description of all phases of construction, including:
 - Electrical installations (IT, lightning rod) and fire prevention technology and video surveillance with premeasurements and technical descriptions.
 - Heating installations (including premeasurements and technical descriptions).
 - Water supply and sewage system installations (including premeasurements and technical descriptions).
 - Information on the geotechnical and civil engineering aspects of the project.
 - Study on waste management and environment protection (if business activities impact the environment), if required.
 - Study on fire and explosion prevention.

Procedure 5 Obtain preliminary verification of water supply and sewage system projects

Time to complete: 28 days

Cost to complete: BAM 110

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

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

Time to complete: 4 days

Cost to complete: BAM 150

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

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

Time to complete: 5 days

Cost to complete: BAM 28,180

Comment: BuildCo must undergo a technical audit, showing that the project was designed in compliance with the urban permit 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 authorized auditor is required to confirm that the project has been revised in its entirety. The total fee for technical audits varies across municipalities, according to municipal decisions on the fee schedule for the technical audit of construction. The above-stated fee applies to the Sarajevo municipality.

Procedure 8 Apply for building permit with the municipality

Time to complete: 30 days

Cost to complete: no charge

Comment: The company must submit a request to the Department for Spatial Planning, Urbanism and Communal Matters with the following documents:

- Valid urban planning consent.

- Cadastre excerpt: land plot and proof of right to build.
- Proof of payment for purchase of the construction land.
- Proof of rent payments for the paid rent compensation.
- Consents obtained during the issuing of the urban planning permit.
- Consent for stated building; any other enclosures as requested by the authorities.
- Verified development project (two copies) and 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 9 Request marking out of the land plot

Time to complete: 7 days

Cost to complete: BAM 15

Comment: The request for marking out the land plot must be submitted to the municipal construction department with the construction permit and the urban planning consent. The municipal authorities mark out the land plot. The request fee depends on the yearly municipal pricing decisions and on the on-site assessment. An average price is BAM 10.

Procedure 10 Notify the municipality about the commencement of works

Time to complete: 1 day

Cost to complete: no charge

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

Procedure 11 Request telephone line connection

Time to complete: 13 days

Cost to complete: BAM 85

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

Procedure 12 Request water and sewage connection

Time to complete: 10 days

Cost to complete: BAM 117

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

Procedure 13 Request electricity connection

Time to complete: 5 days

Cost to complete: BAM 58

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

Procedure 14 Request issuance of the building usage permit

Time to complete: 30 days

Cost to complete: BAM 7,804

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

- Building permit (copy).
- Cadastre 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.
- A written report (by the construction supervisor) that all materials were of standard quality (certified as such by the suppliers).

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

Procedure 15 Receive technical inspection

Time to complete: 1 day

Cost to complete: no charge

Comment: The relevant municipal department that issued the building permit performs the 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. 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).

The relevant municipal department must notify BuildCo and the members of the inspection board about the date and time of the inspection. This must occur no later than 10 days before the scheduled inspection.

No later than on the inspection date, the company must present the following documentation to the board:

- Excerpt from the Commercial Court Register, showing the company is duly registered.
- Details of the project manager for each work phase (if the project is not complex, then one manager may be appointed for the entire project).
- Construction permit and a copy of project Books 1 and 2.
- 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.
- The construction diary maintained by the company.
- The construction book, a document containing the company-verified quantity of work, in compliance with the main project plan.
- Proof of testing and quality of materials and equipment received from suppliers at the time of purchase.
- The construction mark-out plan and minutes on the performed mark out. This procedure entails transferring the dimensions of the future construction from the plans to the site and marking the edges of the construction surface. The construction mark out is performed by the person (physical or legal) registered to

perform geodetic activities.

- The project of the construction-site organization.
- The decision on the appointed engineers and the supervisors.
- Building permit (copy).
- Cadastre plan, including the building position.
- Written statements, from each contractor, that the work has been properly performed according to the project design and future maintenance plans.
- A report written by the construction supervisor that contains the following data: confirmation that the work layout complies with the construction mark-out plans submitted in the main project plan (Book 1 and Book 2); that the construction work is carried out according to the building permit, technical documentation, and applicable laws; that the quality of the work, equipment, and installed products comply with the project requirements; that all materials used were of standard quality (certified as such by the suppliers); that construction was performed regularly as evidenced by the signing of the construction diary, control of the construction book, and any change to the technical documentation.
- Proof that any special condition in the urban planning consent has been fulfilled.
- Project plan of the executed activities if additional construction work was done and not included in the main or design project plan verified by the competent body.

After drawing up a protocol, signed by the president and each board member, the board must forward the signed protocol to the relevant municipal department within 8 days of performing the site inspection. Even if the authorized representatives were not present at the inspection or have not forwarded the written report within this time frame, the building usage permit will be issued.

However, if the technical inspection board's 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.

Once the defects have been removed to the municipality's satisfaction, the permit for construction use will be issued.

If the technical inspection board's protocol states that a building usage permit can be issued, the construction department of the relevant municipality must issue the usage permit within 10 days from the day of receiving the protocol on the technical inspection.

If a building usage permit has not been issued for a particular building, that building cannot be registered in the Land Registry Books at the Municipal Court.

Procedure	16	Register the building into cadastre book
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Time to complete:	315 days
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Cost to complete:	BAM 60
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Comment:	The request for registration in the land books should be submitted with an application sheet (available from the municipality) and the building usage permit. This procedure takes a long time in Bosnia and Herzegovina. The cadastres in the municipalities are overwhelmed with new registrations. Cadastres are still processing registrations from 2005. It is not unusual to have cases that will take more than 1 year.
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Employing Workers in Bosnia and Herzegovina

Employing workers indices are based on responses to survey questions. The table below shows these responses in Bosnia and Herzegovina.

Employing Workers Indicators (2007)	Answer	Score
Rigidity of Employment Index		45.6
Difficulty of Hiring Index		66.7
Are fixed-term contracts prohibited for permanent tasks?	No	0
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	24	1.0
What is the ratio of mandated minimum wage to the average value added per worker?	1.07	1.00
Rigidity of Hours Index		40.0
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0
What is the maximum number of working days per week?	6	0
Are there restrictions on night work?	Yes	1
Are there restrictions on "weekly holiday" work?	Yes	1
What is the paid annual vacation (in working days) for an employee with 20 years of service?	18	0
Difficulty of Firing Index		30.0
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	No	0
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 25 redundant workers?	Yes	1
Does the employer need the approval of a third party to terminate a group of 25 redundant workers?	No	0
Can an employer make redundant a worker only if the worker could not have been reassigned or retrained?	Yes	1
Are there priority rules applying to redundancies?	No	0
Are there priority rules applying to re-employment?	Yes	1
Firing costs (weeks of wages)		30.9
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		2.0

What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)	28.9
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What is the legally mandated penalty for redundancy dismissal? (weeks of salary)	0.0
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Nonwage labor cost (% of salary)	15.2
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Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

Registering Property in Bosnia and Herzegovina

This topic examines the steps, time, and cost involved in registering property in Bosnia and Herzegovina.

STANDARDIZED PROPERTY

Property Value: 149,000.00

City: Sarajevo

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1 *	Obtain a land registry extract as proof of ownership	1-7 days (simultaneous with procedure 2)	BAM 2 per page (about 4 pages)
2 *	Parties obtain the court extract certifying the person authorized to act on behalf of each company	10 days (simultaneous with procedure 1)	BAM 8 (each request) + BAM 2 per page (Court Extract, about 4-5 pages each)
3	Verification of the signatures of both parties at the court	1 day	BAM 4 per copy of the contract (5 copies)
4	Submit a request for evaluation of the property regarding tax payments	1 day	no cost
5	On-site inspection of the property	5-15 days	no cost
6	Payment of the transfer tax at a commercial bank	1 day	5% of property value (transfer tax)
7	Apply for registration at the Land Registry	250-365 days	BAM 6 (court tax)

* Takes place simultaneously with another procedure.

Procedure 1 Obtain a land registry extract as proof of ownership**Time to complete:** 1-7 days (simultaneous with procedure 2)**Cost to complete:** BAM 2 per page (about 4 pages)

Comment: The seller requests and obtains the land registry excerpt from a competent court land registry office as the proof of ownership.
 In practice, the excerpt must be obtained by the seller before starting the transaction formally. The seller may hire a lawyer to perform this task.
 The Court Tax is BAM 2 per page. The lawyer fee would be about BAM 90.

Procedure 2 Parties obtain the court extract certifying the person authorized to act on behalf of each company**Time to complete:** 10 days (simultaneous with procedure 1)**Cost to complete:** BAM 8 (each request) + BAM 2 per page (Court Extract, about 4-5 pages each)

Comment: 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. They may hire a lawyer to perform this task.
 The parties have to provide the set of registration documents, which prove that the person who will sign on behalf of the company is authorized to do it.
 The Court tax is BAM 8 for the Request + BAM 2 per page for the Court Extract.
 Each Court Extract contains approximately 4-5 pages. The lawyer fee would be about BAM 90.

Procedure 3 Verification of the signatures of both parties at the court**Time to complete:** 1 day**Cost to complete:** BAM 4 per copy of the contract (5 copies)

Comment: The presence of both parties is necessary or verification should be based on the special power of attorney.
 Five (5) copies must be verified at the court, one copy for the court and two for each party.
 An Attorney at Law prepares the purchase agreement based on the excerpt (obtained in Procedure 1) and other documentation provided by the seller who is responsible for gathering all the documentation to be presented to the lawyer.
 The lawyer will verify the ownership situation of the property in the court's land registry office before signing the agreement.
 Participation of a lawyer in the preparation of the purchase agreement is not mandatory according to the local legislation, although it is common.

Lawyer's fees depend on the value of the property and are set in the BiH Federation Official Gazette no. 22/04 as follows:

Value of Property (in BAM)	Lawyer fees (in BAM)
Under 5,000	240
From 5,001 to 10,000	360
From 10,001 to 30,000	720
From 30,001 to 50,000	1,080
From 50,001 to 75,000	1,440
From 75,001 to 100,000	1,800
From 100,001 to 1,000,000 over 100,000	1,800 + 1.2% of excess
From 1,000,001 to 5,000,000 over 1,000,000	4,400 + 0.6% of excess
Over 5,000,000	12,400 + 0.3% of excess

over 5,000,000

Procedure 4 Submit a request for evaluation of the property regarding tax payments

Time to complete: 1 day

Cost to complete: no cost

Comment: Parties file the request for the evaluation of the real estate regarding the payment of the tax for the transfer of the ownership on real estates at the competent municipal Tax Authority.
The deadline for filing the request is 15 days from the verification of signatures on the sale agreement. This procedure can be done by a lawyer or by the buyer and/or the seller.

The documentation shall include:
Copy of sale contract (obtained after Procedure 3)

Procedure 5 On-site inspection of the property

Time to complete: 5-15 days

Cost to complete: no cost

Comment: Upon submission of the purchase agreement the tax office commission performs on-site inspection of the real estate and takes notes from that inspection. Based on the notes, the tax office adopts an official decision on tax duty of the tax payer (in practice it is always the buyer).

Procedure 6 Payment of the transfer tax at a commercial bank

Time to complete: 1 day

Cost to complete: 5% of property value (transfer tax)

Comment: The transfer tax is paid, usually by the buyer, at a commercial bank in favor of the municipal budget. Following an amendment to the Law on Transfer Tax of the Real Estates and Rights as published in the Official Gazette of Canton Sarajevo on March 31st, 2005, the transfer tax of 5% came into effect on April 8th, 2005. The tax has to be paid according to the tax authority's instructions within 15 days from receiving payment instructions from the tax authority.

Procedure 7 Apply for registration at the Land Registry

Time to complete: 250-365 days

Cost to complete: BAM 6 (court tax)

Comment: Parties submit the application and other documentation for the transfer of the ownership to the competent court land registry office. The registration of the transfer of ownership is handled by the authorized court officer. Time length of the procedure is not prescribed by the law. However, the procedure can last less than indicated above in case the party sends the urgency letter, especially in case of larger investments, explaining the grounds for such urgency, which happens very often in practice.

The reason for such long period for registration in the Sarajevo court is the large number of applications currently submitted.

The documentation shall include:
Purchase agreement
Certificate of tax payment (obtained in Procedure 6)

Getting Credit in Bosnia and Herzegovina

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Bosnia and Herzegovina.

Getting Credit Indicators (2007)			Indicator
Private bureau coverage (% adults)	Private credit bureau	Public credit registry	5
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
Coverage	63.7	0.0	
Number of individuals	1,866,190	0	
Number of firms	198,985	0	
Legal Rights Index			7
Does the law allow all natural and legal persons to be party to collateral agreements?			No
Does the law allow for general descriptions of assets, so that all types of assets can be used as collateral?			Yes
Does the law allow for general descriptions of debt, so that all types of obligations can be secured?			Yes
Does a unified registry exist for all security rights in movable property?			Yes
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?			Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?			Yes
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?			Yes
During reorganization, is management's control of the company's assets suspended?			Yes
Does the law authorize parties to agree on out of court enforcement?			No
May parties have recourse to out of court enforcement without restrictions?			No

Protecting Investors in Bosnia and Herzegovina

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Bosnia and Herzegovina.

Protecting Investors Data (2007)	Indicator
Disclosure Index	3
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	2
Immediate disclosure to the public and/or shareholders (0-2; see notes)	0
Disclosures in published periodic filings (0-2; see notes)	0
Disclosures by Mr. James to board of directors (0-2; see notes)	1
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
Director Liability Index	6
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	1
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for for damage to the company. (0-2; see notes)	2
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	1
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	0
Shareholder Suits Index	6
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	3
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	0
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	1
Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	1

Notes:**Extent of Disclosure Index**

What corporate body provides legally sufficient approval for the transaction?

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

Immediate disclosure to the public and/or shareholders

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures in published periodic filings

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures by Mr. James to board of directors

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

Director Liability Index

Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

Shareholder Suits Index

Documents available to the plaintiff from the defendant and witnesses during trial

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

Ability of plaintiffs to directly question the defendant and witnesses during trial

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

Paying Taxes in Bosnia and Herzegovina

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Bosnia and Herzegovina, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	12		192	17.0%	value added		not included
Accident insurance	0	paid jointly		0.3%	gross salaries	0.38	
Municipal tax	1			fixed fee (BOB 1,200)		0.53	
Fuel tax	1			15.0%	value of fuel consumption	0.56	
Local property tax	1			3 BAM	per square meter	1.22	
Property tax	12				property value	3.13	
Payroll tax	0	paid jointly		3.4%	gross salaries	3.84	
Social security contributions	12		96	11.5%	gross salaries	12.97	
Corporate income tax	12		80	30.0%	taxable profits	21.46	
Totals	51		368			44.1	

Notes:

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

Trading Across Borders in Bosnia and Herzegovina

These tables list the procedures necessary to import and exports a standardized cargo of goods in Bosnia and Herzegovina. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2007)	Duration (days)	US\$ Cost
Documents preparation	6	150
Customs clearance and technical control	2	80
Ports and terminal handling	7	150
Inland transportation and handling	4	650
Totals	19	1030

Nature of Import Procedures (2007)	Duration (days)	US\$ Cost
Documents preparation	6	100
Customs clearance and technical control	2	85
Ports and terminal handling	4	150
Inland transportation and handling	6	650
Totals	18	985

Export

Commercial invoice

Customs export declaration

Export license

Inspection report

Packing list

Terminal handling receipts

Import

Certificate of origin

Commercial invoice

Customs import declaration

Import license

Inspection report

Packing list

Terminal handling receipts

Enforcing Contracts in Bosnia and Herzegovina

This topic looks at the efficiency of contract enforcement in Bosnia and Herzegovina.

Nature of Procedure (2007)	Indicator
Procedures (number)	38.00
Duration (days)	595.00
Filing and service	30.0
Trial and judgment	385.0
Enforcement of judgment	180.0
Cost (% of claim)*	38.40
Attorney cost (% of claim)	16.4
Court cost (% of claim)	4.0
Enforcement Cost (% of claim)	18.0

Court information: Sarajevo Municipal Court ("Općinski sud u Sarajevu")

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* Claim assumed to be equivalent to 200% of income per capita.