# Doing Business 2015 Going Beyond Efficiency

**Economy Profile 2015 Bosnia and Herzegovina** 



COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN 189 ECONOMIES

A World Bank Group Flagship Report



1818 H Street NW, Washington, DC 20433

Telephone: 202-473-1000; Internet: www.worldbank.org

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### **CONTENTS**

Introduction	4
The business environment	6
Starting a business	16
Dealing with construction permits	24
Getting electricity	33
Registering property	39
Getting credit	47
Protecting minority investors	54
Paying taxes	62
Trading across borders	67
Enforcing contracts	71
Resolving insolvency	78
Labor market regulation	81
Distance to frontier and ease of doing business ranking	88
Resources on the Doing Business website	91

### INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 26 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for Bosnia and Herzegovina. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June

1, 2014 (except for the paying taxes indicators, which cover the period January–December 2013).

The Doing Business methodology has limitations. Other areas important to business—such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local 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 policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2015* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2015*, are available on the *Doing Business* website at http://www.doingbusiness.org.

### CHANGES IN DOING BUSINESS 2015

As part of a 2-year update in methodology, Doing Business 2015 incorporates 7 important changes. First, the ease of doing business ranking as well as all topiclevel rankings are now computed on the basis of distance to frontier scores (see the chapter on the distance to frontier and ease of doing business ranking). Second, for the 11 economies with a population of more than 100 million, data for a second city have been added to the data set and the ranking calculation. These economies are Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States. Third, for getting credit, the methodology has been revised for both the strength of legal rights index and the depth of credit information index. The number of points has been increased in both indices, from 10 to 12 for the strength of legal rights index and from 6 to 8 for the depth of credit information index. In addition, only credit bureaus and registries that cover at least 5% of the adult population can receive a score on the depth of credit information index.

Fourth, the name of the protecting investors indicator set has been changed to protecting minority investors to better reflect its scope—and the scope of the indicator set has been expanded to include shareholders' rights in corporate governance beyond related-party transactions. Fifth, the resolving insolvency indicator set has been expanded to include an index measuring the strength of the legal framework for insolvency. Sixth, the calculation of the distance to frontier score for paying taxes has been changed. The total tax rate component now enters the score in a nonlinear fashion, in an approach different from that used for all other indicators (see the chapter on the distance to frontier and ease of doing business ranking).

Finally, the name of the employing workers indicator set has been changed to labor market regulation, and the scope of this indicator set has also been changed. The indicators now focus on labor market regulation applying to the retail sector rather than the manufacturing sector, and their coverage has been expanded to include regulations on labor disputes and on benefits provided to workers. The labor market regulation indicators continue to be excluded from the aggregate distance to frontier score and ranking on the ease of doing business.

Beyond these changes there are 3 other updates in methodology. For paying taxes, the financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. For enforcing contracts, the value of the claim is now set at twice the income per capita or \$5,000, whichever is greater. For dealing with construction permits, the cost of construction is now set at 50 times income per capita (before, the cost was assessed by the *Doing Business* respondents). In addition, this indicator set no longer includes the procedures for obtaining a landline telephone connection.

For more details on the changes, see the "What is changing in *Doing Business?*" chapter starting on page 24 of the *Doing Business 2015* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 114 of the *Doing Business 2015* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. Doing Business provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business ranking. This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier (DTF) scores. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each Doing Business indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business). The 10 topics included in the ranking in *Doing Business* 2015: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators (formerly employing workers) are not included in this year's aggregate ease of doing business ranking, but the data are presented in this year's economy profile.

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

#### **ECONOMY OVERVIEW**

Region: Europe & Central Asia

Income category: Upper middle income

Population: 3,829,307

GNI per capita (US\$): 4,740

DB2015 rank: 107

DB2014 rank: 104\*

Change in rank: -3

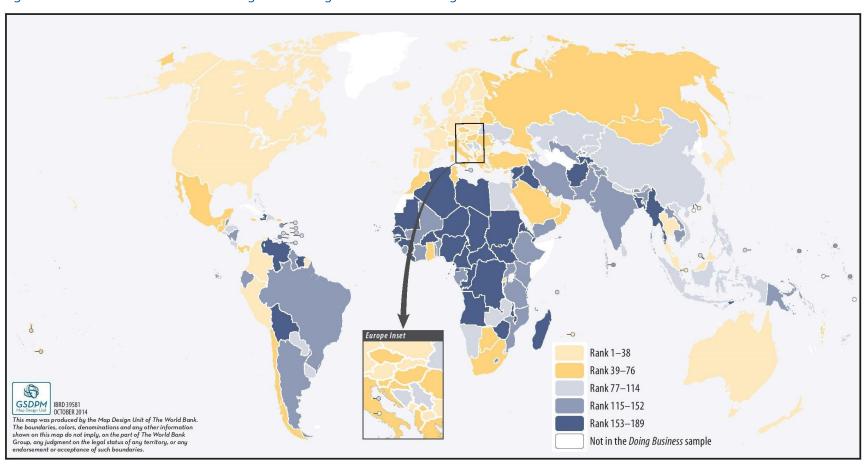
DB 2015 DTF: 60.6

DB 2014 DTF: 60.2

Change in DTF: 0.4

\* DB2014 ranking shown is not last year's published ranking but a comparable ranking for DB2014 that captures the effects of such factors as data corrections and the changes in methodology. See the data notes starting on page 114 of the *Doing Business 2015* report for sources and definitions.

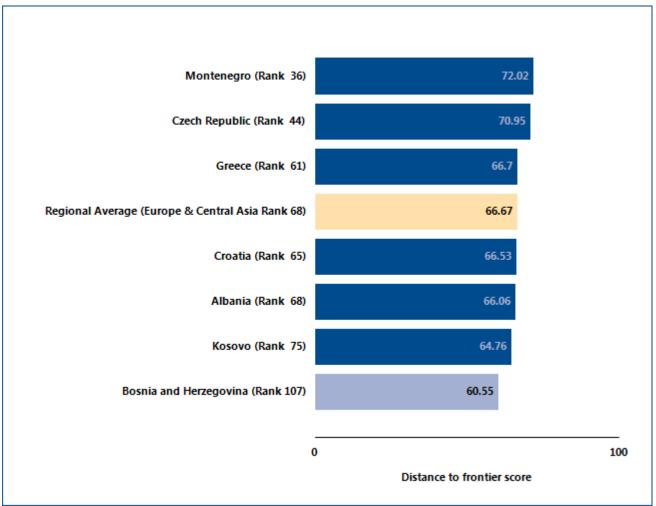
Figure 1.1 Where economies stand in the global ranking on the ease of doing business



For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the

regional average (figure 1.2). The economy's rankings (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

Figure 1.2 How Bosnia and Herzegovina and comparator economies rank on the ease of doing business



Note: The rankings are benchmarked to June 2014 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities. Source: Doing Business database.

Figure 1.3 Rankings on Doing Business topics - Bosnia and Herzegovina

(Scale: Rank 189 center, Rank 1 outer edge)

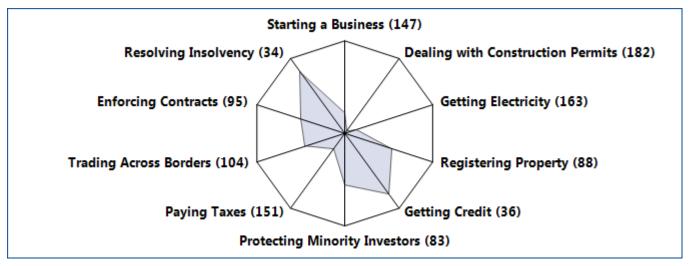
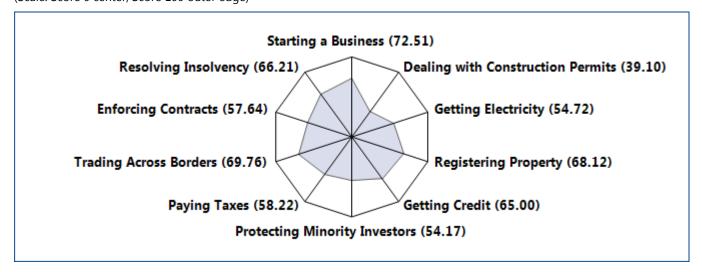


Figure 1.4 Distance to frontier scores on *Doing Business* topics - Bosnia and Herzegovina (Scale: Score 0 center, Score 100 outer edge)



Note: The rankings are benchmarked to June 2014 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities. *Source: Doing Business* database.

Just as the overall ranking on the ease of doing business tells Doing Business introduced the distance to frontier score. This only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes, measure shows how far on average an economy is from the best performance achieved by any economy on each Doing Business indicator.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy's regulatory environment as measured by Doing Business has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by Doing Business (figure 1.5).

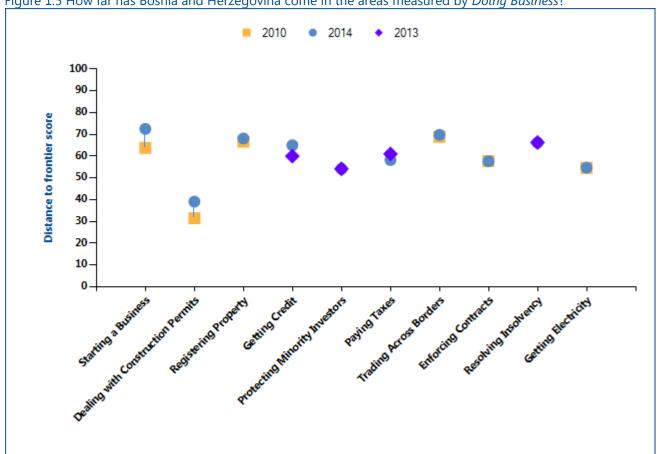


Figure 1.5 How far has Bosnia and Herzegovina come in the areas measured by Doing Business?

Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each Doing Business indicator since 2010, except for getting credit, paying taxes, protecting minority investors and resolving insolvency which had methodology changes in 2014 and thus are only comparable to 2013. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 114 of the Doing Business 2015 report for more details on the distance to frontier score.

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of Doing Business indicators for Bosnia and Herzegovina

Indicator	Bosnia and Herzegovina DB2015	Bosnia and Herzegovina DB2014	Albania DB2015	Croatia DB2015	Czech Republic DB2015	Greece DB2015	Kosovo DB2015	Montenegro DB2015	Best performer globally DB2015
Starting a Business (rank)	147	142	41	88	110	52	42	56	New Zealand (1)
Starting a Business (DTF Score)	72.51	72.45	91.86	85.43	82.58	90.71	91.33	90.05	New Zealand (99.96)
Procedures (number)	11.0	11.0	5.0	7.0	9.0	5.0	5.0	6.0	New Zealand (1.0)*
Time (days)	37.0	37.0	4.5	15.0	19.0	13.0	11.0	10.0	New Zealand (0.5)
Cost (% of income per capita)	14.6	14.8	10.0	3.5	8.0	2.2	1.2	1.6	Slovenia (0.0)
Paid-in min. capital (% of income per capita)	28.6	29.1	0.0	26.6	0.0	0.0	0.0	0.0	112 Economies (0.0)*
Dealing with Construction Permits (rank)	182	180	157	178	139	88	135	138	Hong Kong SAR, China (1)
Dealing with Construction Permits (DTF Score)	39.10	38.64	56.50	44.97	62.91	72.31	63.36	62.92	Hong Kong SAR, China (95.53)

Indicator	Bosnia and Herzegovina DB2015	Bosnia and Herzegovina DB2014	Albania DB2015	Croatia DB2015	Czech Republic DB2015	Greece DB2015	Kosovo DB2015	Montenegro DB2015	Best performer globally DB2015
Procedures (number)	15.0	15.0	19.0	21.0	24.0	18.0	15.0	8.0	Hong Kong SAR, China (5.0)
Time (days)	179.0	179.0	228.0	188.0	143.0	124.0	152.0	158.0	Singapore (26.0)
Cost (% of warehouse value)	19.7	20.0	3.3	10.9	0.3	0.6	6.7	12.2	Qatar (0.0)*
Getting Electricity (rank)	163	160	152	59	123	80	112	63	Korea, Rep. (1)
Getting Electricity (DTF Score)	54.72	54.69	58.34	80.05	66.52	76.67	70.34	79.28	Korea, Rep. (99.83)
Procedures (number)	8.0	8.0	6.0	5.0	6.0	6.0	7.0	5.0	12 Economies (3.0)*
Time (days)	125.0	125.0	177.0	70.0	129.0	62.0	46.0	71.0	Korea, Rep. (18.0)*
Cost (% of income per capita)	484.4	492.4	472.6	316.7	175.8	69.7	822.5	467.9	Japan (0.0)
Registering Property (rank)	88	89	118	92	31	116	34	87	Georgia (1)
Registering Property (DTF Score)	68.12	67.98	60.67	66.44	81.87	61.16	81.32	68.29	Georgia (99.88)
Procedures (number)	7.0	7.0	6.0	5.0	3.0	10.0	6.0	6.0	4 Economies (1.0)*
Time (days)	24.0	24.0	22.0	72.0	24.0	20.0	27.0	69.0	3 Economies (1.0)*
Cost (% of property value)	5.2	5.3	9.9	5.0	4.0	4.9	0.3	3.1	4 Economies (0.0)*
Getting Credit (rank)	36	45	36	61	23	71	23	4	New Zealand (1)
Getting Credit (DTF Score)	65.00	60.00	65.00	55.00	70.00	50.00	70.00	90.00	New Zealand (100)
Strength of legal rights index (0-12)	7	7	7	5	7	3	8	12	3 Economies (12)*

Indicator	Bosnia and Herzegovina DB2015	Bosnia and Herzegovina DB2014	Albania DB2015	Croatia DB2015	Czech Republic DB2015	Greece DB2015	Kosovo DB2015	Montenegro DB2015	Best performer globally DB2015
Depth of credit information index (0-8)	6	5	6	6	7	7	6	6	23 Economies (8)*
Credit registry coverage (% of adults)	39.7	39.1	16.7	0.0	6.4	0.0	22.8	26.0	Portugal (100.0)
Credit bureau coverage (% of adults)	8.1	4.9	0.0	100.0	76.6	82.5	0.0	0.0	23 Economies (100.0)*
Protecting Minority Investors (rank)	83	81	7	62	83	62	62	43	New Zealand (1)
Protecting Minority Investors (DTF Score)	54.17	54.17	72.50	57.50	54.17	57.50	57.50	60.83	New Zealand (81.67)
Extent of conflict of interest regulation index (0-10)	4.7	4.7	7.3	5.0	5.3	5.3	5.3	6.3	Singapore (9.3)*
Extent of shareholder governance index (0-10)	6.2	6.2	7.2	6.5	5.5	6.2	6.2	5.8	France (7.8)*
Strength of minority investor protection index (0-10)	5.4	5.4	7.3	5.8	5.4	5.8	5.8	6.1	New Zealand (8.2)
Paying Taxes (rank)	151	142	131	36	119	59	63	98	United Arab Emirates (1)*
Paying Taxes (DTF Score)	58.22	61.00	64.75	82.92	67.66	78.30	77.87	71.59	United Arab Emirates (99.44)*
Payments (number per year)	45.0	40.0	34.0	19.0	8.0	8.0	33.0	29.0	Hong Kong SAR, China (3.0)*
Time (hours per year)	407.0	407.0	357.0	208.0	413.0	193.0	155.0	320.0	Luxembourg (55.0)
Trading Across Borders (rank)	104	103	95	86	58	48	118	52	Singapore (1)
Trading Across Borders	69.76	69.60	72.48	74.25	78.33	80.80	67.70	79.37	Singapore (96.47)

Indicator	Bosnia and Herzegovina DB2015	Bosnia and Herzegovina DB2014	Albania DB2015	Croatia DB2015	Czech Republic DB2015	Greece DB2015	Kosovo DB2015	Montenegro DB2015	Best performer globally DB2015
(DTF Score)									
Documents to export (number)	8	8	7	6	4	4	8	6	Ireland (2)*
Time to export (days)	16.0	16.0	19.0	16.0	17.0	15.0	15.0	14.0	5 Economies (6.0)*
Cost to export (US\$ per container)	1,260.0	1,260.0	745.0	1,335.0	1,240.0	1,040.0	1,695.0	985.0	Timor-Leste (410.0)
Cost to export (deflated US\$ per container)	1,260.0	1,285.2	745.0	1,335.0	1,240.0	1,040.0	1,695.0	985.0	
Documents to import (number)	8	8	8	7	6	6	7	5	Ireland (2)*
Time to import (days)	13.0	13.0	18.0	14.0	17.0	14.0	15.0	14.0	Singapore (4.0)
Cost to import (US\$ per container)	1,200.0	1,200.0	730.0	1,185.0	1,215.0	1,135.0	1,730.0	985.0	Singapore (440.0)
Cost to import (deflated US\$ per container)	1,200.0	1,224.0	730.0	1,185.0	1,215.0	1,135.0	1,730.0	985.0	
Enforcing Contracts (rank)	95	95	102	54	37	155	138	136	Singapore (1)
Enforcing Contracts (DTF Score)	57.64	57.64	57.14	64.81	68.00	43.60	48.59	49.62	Singapore (89.54)
Time (days)	595.0	595.0	525.0	572.0	611.0	1,580.0	330.0	545.0	Singapore (150.0)
Cost (% of claim)	34.0	34.0	34.9	13.8	33.0	14.4	33.0	25.7	Iceland (9.0)
Procedures (number)	37.0	37.0	39.0	38.0	27.0	38.0	53.0	49.0	Singapore (21.0)*
Resolving Insolvency (rank)	34	32	44	56	20	52	164	33	Finland (1)
Resolving Insolvency (DTF Score)	66.21	66.27	61.37	53.92	77.50	55.98	19.63	68.22	Finland (93.85)

Indicator	Bosnia and Herzegovina DB2015	Bosnia and Herzegovina DB2014	Albania DB2015	Croatia DB2015	Czech Republic DB2015	Greece DB2015	Kosovo DB2015	Montenegro DB2015	Best performer globally DB2015
Time (years)	3.3		2.0	3.1	2.1	3.5	2.0	1.4	Ireland (0.4)
Cost (% of estate)	9.0	9.0	10.0	14.5	17.0	9.0	15.0	8.0	Norway (1.0)
Outcome (0 as piecemeal sale and 1 as going concern)	0	0	0	0	1	0	0	0	
Recovery rate (cents on the dollar)	35.9	36.0	41.5	30.5	65.6	34.3	36.5	48.4	Japan (92.9)
Strength of insolvency framework index (0-16)	15.0	15.0	12.5	12.0	13.5	12.0	0.0	13.5	5 Economies (15.0)*

Note: DB2014 rankings shown are not last year's published rankings but comparable rankings for DB2014 that capture the effects of such factors as data corrections and changes to the methodology. Trading across borders deflated and non-deflated values are identical in DB2015 because it is defined as the base year for the deflator. The best performer on time for paying taxes is defined as the lowest time recorded among all economies in the DB2015 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a "no practice" mark. Similarly, an economy receives a "no practice" or "not possible" mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a "no practice" mark puts the economy at the bottom of the ranking on the relevant indicator.

<sup>\*</sup> Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (http://www.doingbusiness.org).

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

#### What do the indicators cover?

Doing Business measures the ease of starting a business in an economy by recording all procedures officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration (or within 3 months). The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that the entrepreneur will pay no bribes. And it assumes that the business:

- Is a limited liability company, located in the largest business city and is 100% domestically owned<sup>1</sup>.
- Has between 10 and 50 employees.
- Conducts general commercial or industrial activities.

# WHAT THE STARTING A BUSINESS INDICATORS MEASURE

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

Preregistration (for example, name verification or reservation, notarization)

Registration in the economy's largest business city<sup>1</sup>

Postregistration (for example, social security registration, company seal)

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

Does not include time spent gathering information

Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are recorded as ½ day.

Procedure completed once final document is received

No prior contact with officials

### Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

No professional fees unless services required by law

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

Deposited in a bank or with a notary before registration (or within 3 months)

- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.

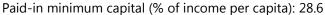
<sup>&</sup>lt;sup>1</sup> For the 11 economies with a population of more than 100 million, data for a second city have been added.

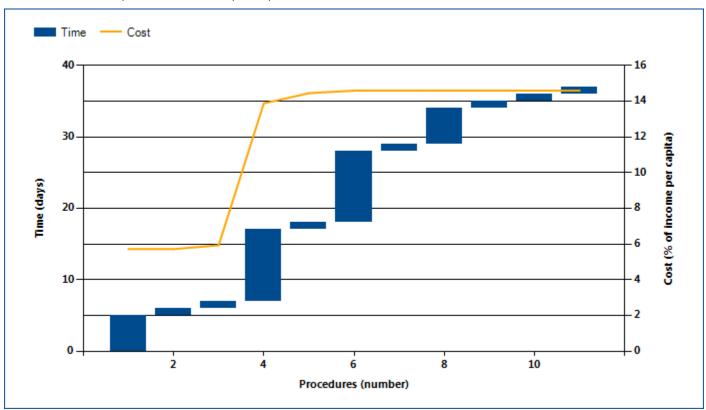
### Where does the economy stand today?

What does it take to start a business in Bosnia and Herzegovina? According to data collected by *Doing Business*, starting a business there requires 11.0 procedures, takes 37.0 days, costs 14.6% of income per capita and requires paid-in minimum capital of 28.6% of income per capita (figure 2.1). Most indicator sets refer

to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in Bosnia and Herzegovina -



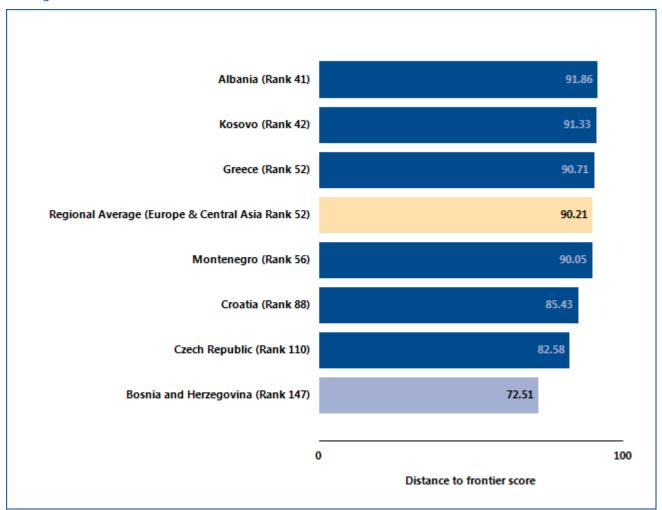


*Note*: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of this chapter. *Source: Doing Business* database.

Globally, Bosnia and Herzegovina stands at 147 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional average ranking provide

other useful information for assessing how easy it is for an entrepreneur in Bosnia and Herzegovina to start a business.

Figure 2.2 How Bosnia and Herzegovina and comparator economies rank on the ease of starting a business



Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and

they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Bosnia and Herzegovina (table 2.1)?

Table 2.1 How has Bosnia and Herzegovina made starting a business easier—or not? By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2012	Bosnia and Herzegovina made starting a business easier by replacing the required utilization permit with a simple notification of commencement of activities and by streamlining the process for obtaining a tax identification number.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org. *Source: Doing Business* database.

### What are the details?

Underlying the indicators shown in this chapter for Bosnia and Herzegovina is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the "standardized company") used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

#### STANDARDIZED COMPANY

**Legal form: Limited Liability Company** 

Paid in minimum capital requirement: BAM

2,000

**City:** Sarajevo

Start-up Capital: 10 times GNI per capita

Table 2.2 Summary of time, cost and procedures for starting a business in Bosnia and Herzegovina -

No.	Procedure	Time to complete	Cost to complete
1	Stipulate a founding act and have it notarized by a notary  The system of Notary was introduced in May 2007: The Law on Enterprises of FBiH; The Law on Notary of FBiH. The amended Law on Enterprise determines that all legal entities are required to harmonize business activities in accordance with a new Standard Classification of Activity. The Law on Notary requires all documentation needed for registration of a company to be prepared and certified by the public notary.  Agency: Notary's Office	5 days	BAM 400
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  The founder should pay the amount of the capital to a temporary account at one of the local banks, to be subsequently transferred to the company transaction account after its opening.  Agency: Commercial Bank	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
3	Obtain the statement of tax authorities that the founders have no tax debts  Statement of tax authorities is required, which confirms that the entrepreneur does not have any unpaid pecuniary fines and it costs BAM 15.  Agency: Tax bureau	1 day	BAM 15
4	Court registration with Municipal Courts  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 Republica Srpska is voluntary.  Forms for registration of the company are available online, free of charge. Forms for Municipal Court in Sarajevo are available at www.oss.ba  Agency: Municipal Court	10 days	BAM 405 (registration fee) + BAM 150 (publishing fee)
5	Buy a company stamp  The electronic version of the forms is available on the website of some of the competent courts, for e.g. for the Municipal Court in Sarajevo, the forms are available on the web site www.oss.ba.  Agency: Shops dealing with stamp making	1 day	BAM 40
6	Obtain the Certificate of the business premises  The 4 municipalities making up the City of Sarajevo have reduced the cost for this procedure to BAM 10.  The Company founder goes to the municipality, fills out a request form and attaches all required documents (proof of company's court registration, statement confirming that all business premises fulfill conditions mandated by the law, and notification about the date when the company will start with operations) and the proof of payment of the administrative fee. Then, the time necessary to obtain the resolution on intended activities takes about 10 days.	10 days	BAM 10

No.	Procedure	Time to complete	Cost to complete
	Agency: Municipalities		
7	Notify the commencement of the business activities to the Cantonal Inspection Authority  The company submits the notification on commencement of business activities to the Cantonal Inspection Authority and the inspectors may subsequently make supervision in terms of fulfillment of all conditions for conducting of business activities.  New Law on Internal Trade (Official Gazette of FB&H, no.40/10) is enforced. It regulates that the notification on commencement of business activities should be submitted by the company no later than 5 days before starting to work. The following document should be submitted: court resolution on registration in the registry, statement that the company meets all legal requirements for performing trade activities and notice of the date of commencement of work.  Agency: Ministry of Commerce	1 day	no charge
8	Apply for company identification number with the competent tax office  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 a copy of the Director of the company's ID card. Newly adopted Rulebook (as published in the OG FBiH 02/10) regulates new tax registration procedures that streamlines the process for legal entities. In accordance with the new Article 8a of this Rulebook, respective court and tax administration initiate tax registration by mutual official correspondence and legal entities are only obliged to submit required documents (copy of court registry, 2 copies of application form including company's stamp, and copies of ID cards) after the court registration is completed. This Rulebook does not require submission of following documents (as previously requested: 1) contract on the lease of the business premises and 2) resolution of the competent municipality on the intended activities.  Agency: Tax Bureau and Federal Bureau for Statistics	5 days	no charge

No.	Procedure	Time to complete	Cost to complete
9	Open a company account with commercial bank  All new businesses must open a company account with commercial bank.  Agency: Commercial Bank	1 day	no charge
10	Enroll the employees in health insurance with Health Insurance Institute and in the pension insurance  Law on Unified System of Registration, Control and Collection of Contributions (Official Gazette of FB&H, no. 42/09) regulates completely new system of registration. In accordance with the Article 14 of this Law, the company is obliged to submit the application for registration for every new employee, within seven (7) days from the date of commencement of work. The following document should be submitted: court resolution on registration in the registry, Certificate of the Identification and Statistic number and Form JS 3100.  Agency: Tax administration	1 day	no charge
11	Adopt and publish a rule book on matters of salary, work organization, discipline, and other employee regulations.  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.  Agency: Labor Department	1 day	no charge

<sup>\*</sup> Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

#### What do the indicators cover?

Doing Business records the procedures, time and cost for a business in the construction industry to obtain all the necessary approvals to build a warehouse in the economy's largest business city, connect it to basic utilities and register the warehouse so that it can be used as collateral or transferred to another entity.

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

#### The business:

- Is a limited liability company operating in the construction business and located in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added. Is domestically owned and operated.
- Has 60 builders and other employees.

#### The warehouse:

- Is valued at 50 times income per capita.
- Is a new construction (there was no previous construction on the land).

## WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

### Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)

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

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

### Cost required to complete each procedure (% of warehouse value)

Official costs only, no bribes

- Will have complete architectural and technical plans prepared by a licensed architect or engineer.
- Will be connected to water and sewerage (sewage system, septic tank or their equivalent). The connection to each utility network will be 150 meters (492 feet) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

### Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Bosnia and Herzegovina? According to data collected by *Doing Business*, dealing with construction permits there requires 15.0 procedures, takes 179.0 days and costs 19.7% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario

in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

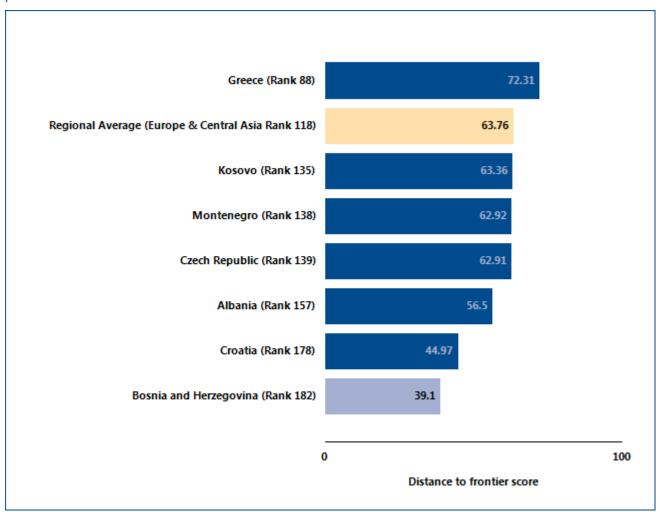
Figure 3.1 What it takes to comply with formalities to build a warehouse in Bosnia and Herzegovina -

*Note*: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of this chapter.

Globally, Bosnia and Herzegovina stands at 182 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking

provide other useful information for assessing how easy it is for an entrepreneur in Bosnia and Herzegovina to legally build a warehouse.

Figure 3.2 How Bosnia and Herzegovina and comparator economies rank on the ease of dealing with construction permits



Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure building safety while keeping

compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Bosnia and Herzegovina (table 3.1)?

Table 3.1 How has Bosnia and Herzegovina made dealing with construction permits easier—or not? By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2010	Bosnia and Herzegovina improved its construction permitting system by reducing the time needed to register a new building at the courts and land cadastre.
DB2012	Bosnia and Herzegovina made dealing with construction permits easier by fully digitizing and revamping its land registry and cadastre.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.

Source: Doing Business database.

### What are the details?

The indicators reported here for Bosnia and Herzegovina are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE		
Estimated cost of construction :	BAM 349,423	
City:	Sarajevo	

The procedures, along with the associated time and cost, are summarized below.

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in Bosnia and Herzegovina -

No.	Procedure	Time to complete	Cost to complete
1	Obtain excerpt from the cadastre plan showing status of the land plot  To obtain a copy of the cadastre plan, BuildCo must submit a request form form available at the Municipality. Due to internal reorganization and automation of the process in the Cadastre Department of the Municipality, the process can be completed in 1 day.  Agency: Municipality (Cadastre Department)	1 day	BAM 15
2	* Obtain excerpt from the land registry book showing proper registration  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).  Agency: Municipal Court (Land Registry Department)	1 day	BAM 10
3	Obtain urban planning consent  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	30 days	BAM 30

No.	Procedure	Time to complete	Cost to complete
	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 one year, during which time BuildCo may submit a construction permit request.  *Agency: Municipality (Urban Planning Department)		
4	Obtain preliminary verification of water supply and sewage system projects  BuildCo must submit the description of the main project plan to the municipal water and sewage authority (Vodovod i Kanalizacija).  Agency: Vodovod i Kanalizacije	28 days	BAM 117
5	* Obtain preliminary verification of the study on fire and explosion prevention  BuildCo must submit electronically the description of the main project plan to the Public Institute for Fire Protection, an independent agency.  Agency: Public Institute for Fire Protection	4 days	BAM 150
6	Obtain validation of the technical audit of the main project  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.  Agency: Auditing Entity	5 days	BAM 28,180

No.	Procedure	Time to complete	Cost to complete
7	* Pay the rent fee and shelter construction fee at a commercial bank  The rent fee and shelter construction fee are paid at a commercial bank to the account of the Municipality's Urban Planning Department.  Agency: Municipality (Construction Department)	1 day	BAM 31,847
8	Apply for building permit  The company must submit a request to the Urban Planning Department 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.  Agency: Municipality (Urban Planning Department)	30 days	no charge
9	Request marking out of the land plot  The request for marking out the land plot must be submitted to the Municipality's Urban Planning Department with the construction permit and the urban planning consent. The municipal authorities mark out the land plot. The request fee depends on the annual municipal pricing decisions and on the on-site assessment. An average price is BAM 15.00.  Agency: Municipality (Urban Planning Department)	7 days	BAM 15
10	Notify the Municipality about the commencement of works  BuildCo must notify the Municipality's Urban Planning Department of the start of construction no later than 8 days before work begins.  Agency: Municipality	1 day	no charge
11	Request water and sewage connection  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.	30 days	BAM 500

No.	Procedure	Time to complete	Cost to complete
	Agency: Vodovod i Kanalizacije		
12	* Receive technical inspection from the Municipality  No later than the inspection date, BuildCo must present the following documentation to the Board:  • Excerpt from the Commercial Court Register, showing that BuildCo is properly registered  • Details on the each work phase of the construction  • Building permit (copy)  • Performance reports verified by the designer of the main project plan to validate compliance with the main project plan as well as terms and conditions specified in the building permit  • Construction diary and construction book  • Proof of testing the quality of materials and equipment received from suppliers at the time of purchase  • Construction mark-out plan and minutes on the performed mark out  • Construction-site organization scheme  • Decision on the appointed construction engineers and the supervisors  • Cadastre plan  The relevant municipal department must appoint an independent professional inspection board for a technical inspection within 15 days of receiving the duly submitted request for issuance of an occupancy 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).  **Agency: Municipality (Urban Planning Department)*	1 day	no charge
13	Request occupancy permit  After the technical review of completed construction, BuildCo must submit a request for the occupancy permit and include 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 Urban Planning Department of the relevant municipality (the same municipal department that issued the building permit). The occupancy permit is issued upon completion of the technical inspection. It is only after the issuance of	30 days	BAM 7,804

No.	Procedure	Time to complete	Cost to complete
	Agency: Municipality (Urban Planning Department)		
	Register the building with the Municipality's Cadastre Department		
	BuildCo must submit a request to register the building in the cadastre books at the Municipality's Cadastre Department. Along with the request, BuildCo must submit the occupancy permit, the building permit, the certificate proving the marking out of the property construction site and other documents showing ownership over the property.		
14	During the technical review of the completed construction, the designated authority checks whether there have been any additional changes in the construction and whether the construction was built in accordance with the urban planning consent. If there were any changes, then it would be necessary to obtain a new geodetic image of the plot. Upon registration of the property in the cadastre records, the cadastre forwards an extract to the Land Registry, which will ensure that the property gets registered in the land registry books.	15 days	BAM 180
	Agency: Municipality (Cadastre Department)		
	Register the building with the Land Registry Department at the District Court of Sarajevo		
	BuildCo must submit a request to register the warehouse in the land registry books at the District Court of Sarajevo. The request form can be found in the Land Registry Department.		
	Other required documents include:  • Purchasing agreement or other document as a proof of building and land ownership  • Occupancy permit  • Rent and shelter fee payment certificate	1 day	BAM 60
	BuildCo must pay BAM 60.00 for administrative expenses		
	The Land Registry Department will register the property upon receiving the excerpt from the cadastre.		
	Agency: Land Registry Department at the District Court Sarajevo		

<sup>\*</sup> Takes place simultaneously with another procedure.

*Note*: Online procedures account for 0.5 days in the total time calculation.

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

#### What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

#### The warehouse:

- Is owned by a local entrepreneur, located in the economy's largest business city, in an area where other warehouses are located. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Is located in an area with no physical constraints (ie. property not near a railway).
- Is a new construction being connected to electricity for the first time.
- Is 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), is built on a plot of 929 square meters (10,000 square feet), is used for storage of refrigerated goods

#### The electricity connection:

 Is 150 meters long and is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

# WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

### Procedures to obtain an electricity connection (number)

Submitting all relevant documents and obtaining all necessary clearances and permits

Completing all required notifications and receiving all necessary inspections

Obtaining external installation works and possibly purchasing material for these works

Concluding any necessary supply contract and obtaining final supply

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

Is at least 1 calendar day

Each procedure starts on a separate day

Does not include time spent gathering information

Reflects the time spent in practice, with little follow-up and no prior contact with officials

### Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

Excludes value added tax

- Is to either the low-voltage or the mediumvoltage distribution network and either overhead or underground, whichever is more common in the area where the warehouse is located. Included only negligible length in the customer's private domain.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.
- Involves installing one electricity meter. The monthly electricity consumption will be 26880 kilowatt hour (kWh). The internal electrical wiring has been completed.

### Where does the economy stand today?

What does it take to obtain a new electricity connection in Bosnia and Herzegovina? According to data collected by *Doing Business*, getting electricity there requires 8.0 procedures, takes 125.0 days and costs 484.4% of income per capita (figure 4.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

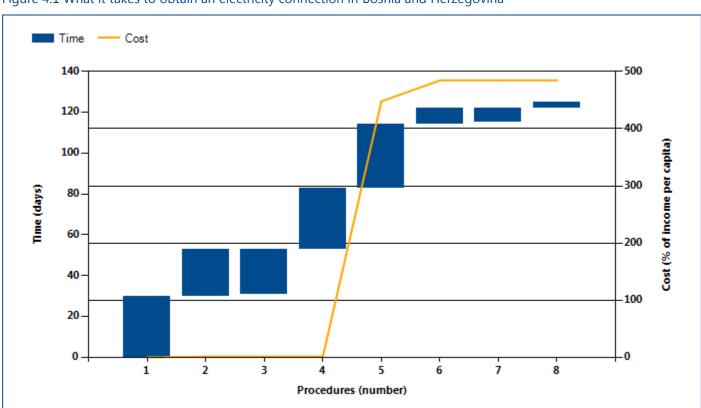


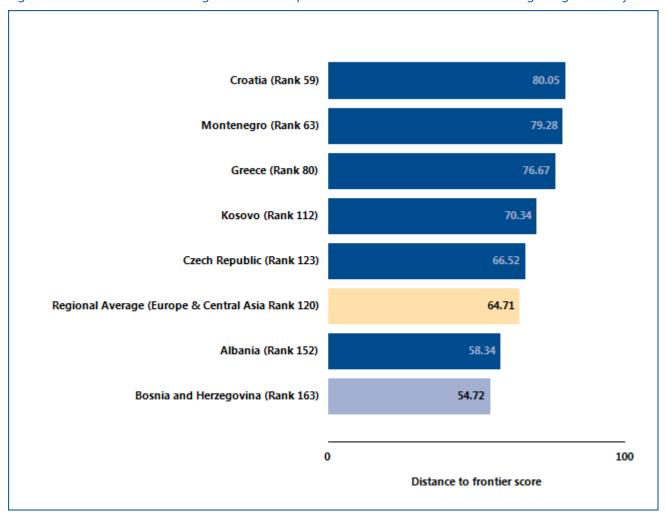
Figure 4.1 What it takes to obtain an electricity connection in Bosnia and Herzegovina -

*Note*: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of this chapter.

Globally, Bosnia and Herzegovina stands at 163 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional average ranking provide

another perspective in assessing how easy it is for an entrepreneur in Bosnia and Herzegovina to connect a warehouse to electricity.

Figure 4.2 How Bosnia and Herzegovina and comparator economies rank on the ease of getting electricity



### What are the details?

The indicators reported here for Bosnia and Herzegovina are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

OBTAINING AN ELECTRICITY CONNECTION			
Name of utility:	JP Elektroprivreda BiH		
City:	Sarajevo		

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

Table 4.2 Summary of time, cost and procedures for getting electricity in Bosnia and Herzegovina -

No.	Procedure	Time to complete	Cost to complete
1	Obtain initial electric power permit from Elektroprivreda BiH  The customer has to go to the utility and request the issuance of initial electric power permit which are basic technical conditions to check if the requested capacity is available and if there is a possible collision with existing users. Documents required are: cadastre extract, urban planning consent in certified copies and a rough design.  Agency: JP Elektroprivreda BiH	30 calendar days	BAM 30
2	Request issuance of electro-energetic consent from Elektroprivreda BiH  The customer has to request the issuance of electro-energetic consent at the utility. The purpose is to specify more detailed technical conditions for the electricity connection. Documents required are: Building permit, company registration and schemes of electrical installation (project plan).  Agency: JK Elektroprivreda BiH	23 calendar days	BAM 50
3	* Elektroprivreda BiH carries out external visit of the site  An authorized person of the customer has to be present during the site inspection to agree with the utility on the location of the facilities (cables etc). After the site visit, the electro-energetic consent and the estimate of costs are sent to the customer.  Agency: JK Elektroprivreda BiH	10 calendar days	вам 0

No.	Procedure	Time to complete	Cost to complete
4	Receive electro-energetic consent and go to utility's main building to submit application for connection, pay estimate and sign contract  The client has to go to the utility's main building to submit the application for connection after having received the electro-energetic consent. The client pays the estimate and signs the connection contract.  Agency: JK Elektroprivreda BiH	30 calendar days	вам 0
5	Await and receive external connection works by Elektroprivreda BiH  The utility is planning and executing the external connection works. Once the works are completed, the utility will energize the connection and install the meter. The utility needs to request an excavation permit from the municipality to execute the external works.  Agency: JP Elektroprivreda BiH	31 calendar days	BAM 31,220
6	Hire specialized electrician to issue a certificate of compliance for the internal wiring  After the external connection works, the client hires a specialized electrician to issue a certificate of compliance for the internal wiring of the warehouse.  Agency: Specialized electrician	8 calendar days	BAM 2,550
7	* Receive site visit by a technical commission of the municipality  The municipality is putting together a commission that will do a site visit. This procedure is not applicable to low-voltage cables, but for medium-voltage cases it is required. After the site visit, the commission drafts a protocol. A cost is levied which is charged depending on the estimated value of the facility of the external connection. The land surveyor of the municipality who is part of the commission will ask to see the certificate issued by the Institute for Construction of the Canton Sarajevo proving that the cables have been recorded in the cadastre. He/she will also ask to see the elaboration of implemented surveying works produced by the private land surveying company. The customer should be present during this visit.  Agency: Municipality	1 calendar day	ВАМ 0

No.	Procedure	Time to complete	Cost to complete
	Elektroprivreda BiH comes to the warehouse to energize the connection		
8	Once the works are completed and after the site visit of the commission of the municipality, authorized persons from the utility will come and energize the connection. At this point the meter that was installed by the electrical contractor that was hired by the utility is also inspected and sealed.	3 calendar days	вам 0
	Agency: JP Elektroprivreda BiH		

<sup>\*</sup> Takes place simultaneously with another procedure.

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

#### What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned and perform general commercial activities.
- Are located in the economy's largest business city<sup>2</sup>.
- Have 50 employees each, all of whom are nationals.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Property will be transferred in its entirety.

#### WHAT THE REGISTERING PROPERTY

#### **INDICATORS MEASURE**

## Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city<sup>2</sup>

Postregistration (for example, filing title with the municipality)

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

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

## Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached, has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system.

<sup>&</sup>lt;sup>2</sup> For the 11 economies with a population of more than 100 million, data for a second city have been added.

#### Where does the economy stand today?

What does it take to complete a property transfer in Bosnia and Herzegovina? According to data collected by *Doing Business*, registering property there requires 7.0 procedures, takes 24.0 days and costs 5.2% of the property value (figure 5.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

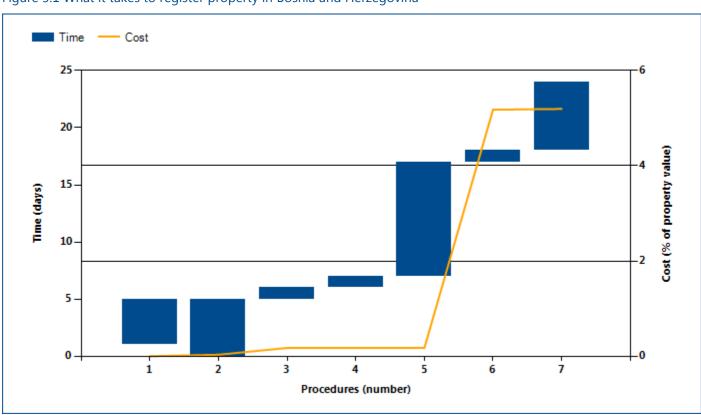


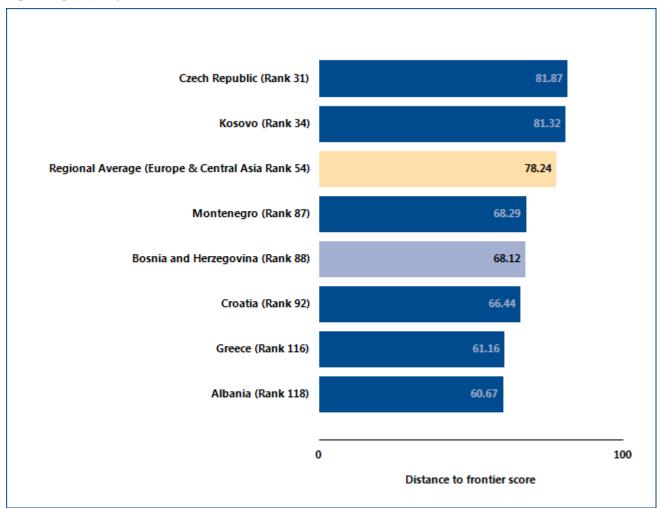
Figure 5.1 What it takes to register property in Bosnia and Herzegovina -

Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of this chapter. *Source: Doing Business* database.

Globally, Bosnia and Herzegovina stands at 88 in the ranking of 189 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the regional average ranking provide

other useful information for assessing how easy it is for an entrepreneur in Bosnia and Herzegovina to transfer property.

Figure 5.2 How Bosnia and Herzegovina and comparator economies rank on the ease of registering property



Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut

the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Bosnia and Herzegovina (table 5.1)?

Table 5.1 How has Bosnia and Herzegovina made registering property easier—or not? By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2011	Bosnia and Herzegovina reduced delays in property registration at the land registry in Sarajevo.
DB2013	Bosnia and Herzegovina made it easier to transfer property between companies by computerizing the commercial registry.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org. *Source: Doing Business* database.

#### What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer's name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

STANDARD PROPERTY TRANSFER		
Property value:	BAM 349,423	
City:	Sarajevo	

The procedures, along with the associated time and cost, are summarized below.

Table 5.2 Summary of time, cost and procedures for registering property in Bosnia??and??Herzegovina

No.	Procedure	Time to complete	Cost to complete
1	Obtain the land registry extract as proof of ownership  The seller requests and obtains the land registry excerpt from a competent court land registry office as the proof of ownership and to check the property against encumbrances. In practice, the excerpt must be obtained by the seller before starting the transaction formally. This information need to be obtained in hard copy and be sealed to have legal validity. The seller may hire a lawyer to perform this task. The lawyer fee would be about BAM 90.  The Court Tax is BAM 10 . Typically, an extract for a property with no encumbrances would have 3 pages, one of which would describe the property and the land plot number, second one would have the information on ownership and third on encumbrances.  Agency: Municipal Court in Sarajevo (Land Registry Office)	1 day (simultaneous with Procedure 2)	BAM 10
2	* Parties obtain the court extract certifying that company representatives are authorized to act on behalf of each company  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 5.00 for the Request + BAM 10.00 per page. Each Court Extract contains approximately 4-5 pages. The lawyer fee would be about BAM 90.00.  Agency: Municipal Court in Sarajevo (Companies Registry)	5 days (simultaneous with Procedure 1)	BAM 5 (each request) + BAM 10 per page (Court Extract, about 4-5 pages each)

No.	Procedure	Time to	Cost to complete
No.	Notarization of sale-purchase agreement  "The law on Notary of the Federal Republic of Bosnia & Herzegovina that passed in 2002 and became applicable in May 2007 prescribes notaries as the competent authority in the process of transferring a real estate or acquiring the ownership rights over the same or other real rights. According to the law, the purchase agreement of the real estate must be prepared as a notary deed. The cost of the procedure of notarization of the sale-purchase agreement depends on the value of the real estate at the time of purchase. Parties provide the notary with the land registry excerpt (obtained in Procedure 1) and well as with a court excerpt (obtained in Procedure 2). The presence of both parties is necessary at the notary's office or verification of the signatures should be based on a special power of notary. The notary needs to be provided with the following documents:  (1) The land registry excerpt as well as the copy of the cadastre plan proving the ownership over the property;  (2) The extract from the company's court registry certifying the person is authorized to act on behalf on the company and to sign the purchase agreement;  (3) The approval of the founder (i.e. the General Assembly or Supervisory Board if applicable) for selling the property in case that the value of the property exceeds the amount of 1/3 of the company's book value.  New Tariff of Notary Fees and Compensations has been passed on July 24, 2013 and published in Official Gazzete of FB&H No. 57/13 and the	Time to complete	Cost to complete
	50.001,00 BAM to 100.000,00 BAM - fee is 350,00 BAM  When the value of the subject of a legal transaction or other official action is over 100,000 BAM, notary is, besides the fee of 350,00 BAM, obliged to charge an additional fee of 50,00 BAM for every started 100.000,00 BAM in the part in which the value of the official action exceeds 100.000,00 BAM, but in the amount not greater than 2.000,00 BAM.		
	Agency: Notary		

No.	Procedure	Time to complete	Cost to complete
4	Submit the request for an evaluation of the property for tax purposes  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 a copy of sale contract (obtained after Procedure 3).  Agency: Municipal Tax Authority	1 day	no cost
5	On-site inspection of a property  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).  Agency: Tax Office Commission	5-15 days	no cost
6	Payment of transfer tax at the commercial bank  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.  Agency: Commercial Bank	1 day	5% of property value (transfer tax)
7	Apply for registration at the Land Registry  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	3-9 days	BAM 10 (request) + BAM 50 (court tax)

No.	Procedure	Time to complete	Cost to complete
	party sends the urgency letter, especially in case of larger investments, explaining the grounds for such urgency, which happens often in practice. Computerization efforts at the Municipal Court in the past years have significantly sped up the process of registration. Registry is now completely computerized and all data on companies are now stored in electronic form, so issuing of the court extract requires only printing of already stored data on concrete company. The land registry will forward information to the Cadastre. The documentation shall include: (1) Purchase agreement (2) Certificate of tax payment (obtained in Procedure 6)  Agency: Municipal Court of Sarajevo (Land Registry Office)		

<sup>\*</sup> Takes place simultaneously with another procedure. *Note:* Online procedures account for 0.5 days in the total time calculation. *Source: Doing Business* database.

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders' rights to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

#### What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. Doing Business uses two case scenarios, Case A and Case B, to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral (for more details on each case, see the Data Notes section of the *Doing Business 2015* report). These scenarios assume that the borrower:

- Is a private limited liability company.
- Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

# WHAT THE GETTING CREDIT INDICATORS MEASURE

#### Strength of legal rights index (0-12)<sup>3</sup>

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

#### Depth of credit information index (0-8)<sup>4</sup>

Scope and accessibility of credit information distributed by credit bureaus and credit registries

#### **Credit bureau coverage (% of adults)**

Number of individuals and firms listed in largest credit bureau as percentage of adult population

#### **Credit registry coverage (% of adults)**

Number of individuals and firms listed in credit registry as percentage of adult population

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

<sup>&</sup>lt;sup>3</sup> For the legal rights index, 2 new points are added in *Doing Business 2015* for new data collected to assess the overall legal framework for secured transactions and the functioning of the collateral registry.

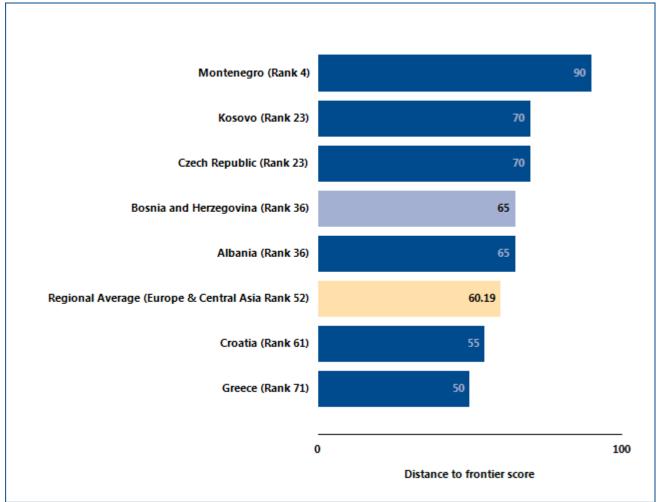
<sup>&</sup>lt;sup>4</sup> For the credit information index, 2 new points are added in *Doing Business 2015* for new data collected on accessing borrowers' credit information online and availability of credit scores.

#### Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Bosnia and Herzegovina facilitate access to credit? The economy has a score of 6 on the depth of credit information index and a score of 7 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Bosnia and Herzegovina stands at 36 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Bosnia and Herzegovina support lending and borrowing.

Figure 6.1 How Bosnia and Herzegovina and comparator economies rank on the ease of getting credit

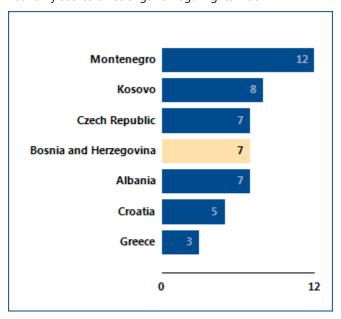


One way to put an economy's score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal

rights index for Bosnia and Herzegovina and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

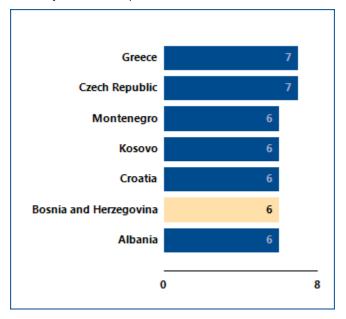
Economy scores on strength of legal rights index



*Note*: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit. *Source: Doing Business* database.

Figure 6.3 How much credit information is shared—and how widely?

Economy scores on depth of credit information index



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Bosnia and Herzegovina (table 6.1)?

Table 6.1 How has Bosnia and Herzegovina made getting credit easier—or not? By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2013	Bosnia and Herzegovina made access to credit information more difficult by stopping the private credit bureau's collection of credit information on individuals.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.

Source: Doing Business database.

#### What are the details?

The getting credit indicators reported here for Bosnia and Herzegovina are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Strength of legal rights index (0–12)	Index score: 7
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	No
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	Yes
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	Yes
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	Yes
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	No

Strength of legal rights index (0–12)	Index score: 7
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	No

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 6
Are data on both firms and individuals distributed?	No	Yes	1
Are both positive and negative credit data distributed?	Yes	Yes	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	Yes	No	1
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	Yes	Yes	1
Are data on loan amounts below 1% of income per capita distributed?	Yes	Yes	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	No	No	0
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	Yes	1
Are bureau or registry credit scores offered as a value- added service to help banks and financial institutions assess the creditworthiness of borrowers?	No	No	0

*Note*: Prior to *Doing Business 2015*, the depth of credit information index covered only the first 6 features listed above. An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau (% of adults)	Credit registry (% of adults)
Number of firms	212,000	31,577
Number of individuals	0	1,014,051
Percent of total	8.1	39.7

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

#### What do the indicators cover?

Doing Business measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

#### The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

#### The transaction involves the following details:

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

# WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

#### Extent of disclosure index (0-10)

Review and approval requirements for related-party transactions; Disclosure requirements for related-party transactions

#### Extent of director liability index (0-10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

#### Ease of shareholder suits index (0-10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

## Extent of conflict of interest regulation index (0–10)

Sum of the extent of disclosure, extent of director liability and ease of shareholder indices, divided by 3

#### Extent of shareholder rights index (0-10.5)

Shareholders' rights and role in major corporate decisions

## Strength of governance structure index (0-10.5)

Governance safeguards protecting shareholders from undue board control and entrenchment

#### **Extent of corporate transparency index (0-9)**

Corporate transparency on ownership stakes, compensation, audits and financial prospects

## Extent of shareholder governance index (0–10)

Sum of the extent of shareholders rights, strength of governance structure and extent of corporate transparency indices, divided by 3

#### Strength of investor protection index (0-10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

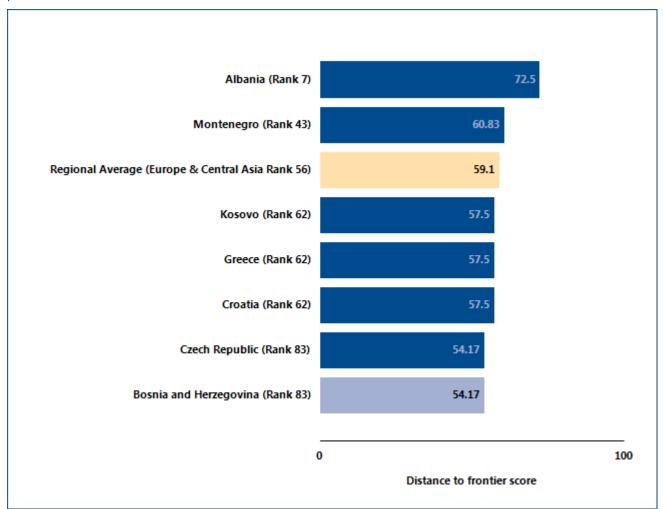
#### Where does the economy stand today?

How strong are minority investor protections against self-dealing in Bosnia and Herzegovina? The economy has a score of 5.4 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, Bosnia and Herzegovina stands at 83 in the ranking of 189 economies on the strength of minority

investor protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger minority investor protections against self-dealing in the areas measured.

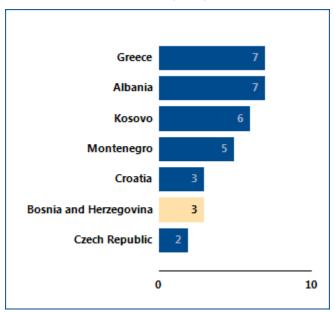
Figure 7.1 How Bosnia and Herzegovina and comparator economies perform on the strength of minority investor protection index



One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figures 7.2 through 7.7 highlight the scores on the various minority investor protection

Figure 7.2 How extensive are disclosure requirements?

#### Extent of disclosure index (0-10)



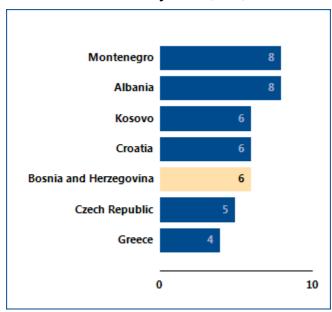
Note: Higher scores indicate greater disclosure.

Source: Doing Business database.

indices for Bosnia and Herzegovina in 2014. A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.3 How extensive is the liability regime for directors?

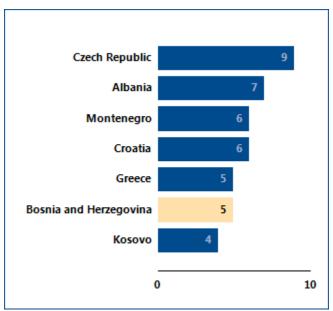
#### Extent of director liability index (0-10)



Note: Higher scores indicate greater liability of directors.

Figure 7.4 How easy is accessing internal corporate documents?

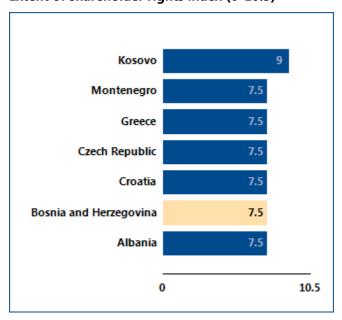
#### Ease of shareholder suits index (0-10)



*Note*: Higher scores indicate greater minority shareholder access to evidence before and during trial.

Figure 7.5 How extensive are shareholder rights?

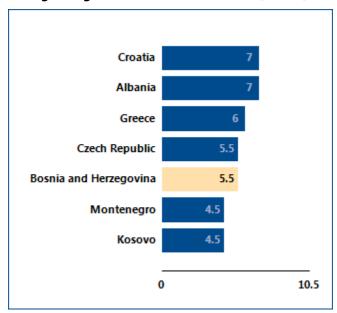
#### Extent of shareholder rights index (0-10.5)



*Note:* The higher the score, the stronger the protections. *Source: Doing Business* database.

Figure 7.6 How strong is the governance structure?

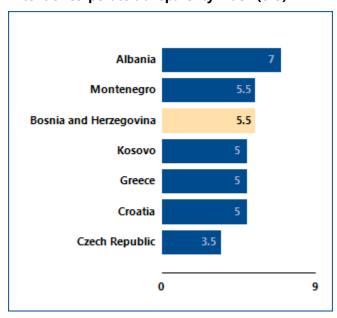
#### Strength of governance structure index (0-10.5)



*Note:* Higher scores indicate more stringent governance structure requirements.

Figure 7.7 How extensive is corporate transparency?

#### Extent of corporate transparency index (0-9)



*Note*: Higher scores indicate greater transparency.

#### What are the details?

The protecting minority investors indicators reported here for Bosnia and Herzegovina are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range

of conditions relating to disclosure, director liability, shareholder suits, shareholder rights, governance structure and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2015* report). The summary below shows the details underlying the scores for Bosnia and Herzegovina.

Table 7.2 Summary of scoring for the protecting minority investors indicators in Bosnia and Herzegovina

	Answer	Score
Extent of disclosure index (0-10)		3.0
Which corporate body can provide legally sufficient approval for the Buyer-Seller transaction? (0-3)	Board of directors excluding interested members	2
Is disclosure by the interested director to the board of directors required? (0-2)	Existence of a conflict without any specifics	1
Is disclosure of the transaction in published periodic filings (annual reports) required? (0-2)	No disclosure obligation	0
Is immediate disclosure of the transaction to the public and/or shareholders required? (0-2)	No disclosure obligation	0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0
Extent of director liability index (0-10)		6.0
Can shareholders sue directly or derivatively for the damage caused by the Buyer-Seller transaction to the company? (0-1)	No	0
Can shareholders hold the interested director liable for the damage caused by the transaction to the company? (0-2)	Liable if negligent	1
Can shareholders hold members of the approving body liable for the damage cause by the transaction to the company? (0-2)	Liable if unfair or prejudicial	2
Must the interested director pay damages for the harm caused to the company upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1
Must the interested director repay profits made from the transaction upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1
Can both fines and imprisonment be applied against the interested indrector? (0-1)	Yes	1
Can a court void the transaction upon a successful claim by a shareholder plaintiff? (0-2)	Only in case of fraud or bad faith	0
Ease of shareholder suits index (0-10)		5.0
Before filing suit, can shareholders owning 10% of the company's share capital inspect the transaction documents? (0-1)	Yes	1
Can the plaintiff obtain any documents from the defendant	Documents that the defendant	1

and with accept this is a still (0, 2)	
and witnesses during trial? (0-3) relied on	
Can the plaintiff request categories of documents from the	
defendant without identifying specific ones? (0-1)	
Can the plaintiff directly question the defendant and	
witnesses during trial? (0-2)  Yes  Yes	
Is the level of proof required for civil suits lower than that of	
criminal cases? (0-1)	
Can shareholder plaintiffs recover their legal expenses from	
the company? (0-2)  Yes if successful	
Strength of minority investor protection index (0-10)  5.4	
Extent of conflict of interest regulation index (0-10)  4.7	
Extent of shareholder rights index (0-10.5)  7.5	
Can shareholders amend company bylaws or statutes with a	
simple majority?	
Can shareholders owning 10% of the company's share	
capital call for an extraordinary meeting of shareholders?	
Can shareholders remove members of the board of	
directors before the end of their term.  Yes  1.5	
Must a company obtain its shareholders' approval every  Yes  1.5	
time it issues new shares?	
time it issues new shares?  Are shareholders automatically granted subscription rights  Yes  1.5	
time it issues new shares?  Are shareholders automatically granted subscription rights on new shares?  Yes  1.5	
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auditor?		
Must audit reports be disclosed to the public?	Yes for listed companies	1
Extent of shareholder governance index (0-10)		6.2

Source: Doing Business database.

#### **PAYING TAXES**

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

#### What do the indicators cover?

Using a case scenario, Doing Business measures the taxes and mandatory contributions that a mediumsize company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate<sup>5</sup>. The financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. To make the data comparable across economies, several assumptions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2012.
- The business starts from the same financial

# WHAT THE PAYING TAXES INDICATORS MEASURE

# Tax payments for a manufacturing company in 2013 (number per year adjusted for electronic and joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

## Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

#### **Total tax rate (% of profit before all taxes)**

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

 Taxes and mandatory contributions include corporate income tax, turnover tax and all

The nonlinear distance to frontier for the total tax rate is equal to the distance that particle with a safe of frontier for the total tax rate is equal to the distance that particle with the safe of frontier for the total tax rate is equal to the distance that particle with the safe of frontier for the total tax rate is equal to the distance that particle with the safe of frontier for the total tax rate is equal to the distance that particle with the safe of frontier for the total tax rate. It is calculated and adjusted on a yearly basis! The safe of the safe of frontier for the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the distance of frontier for the total particle of the safe of the

#### **PAYING TAXES**

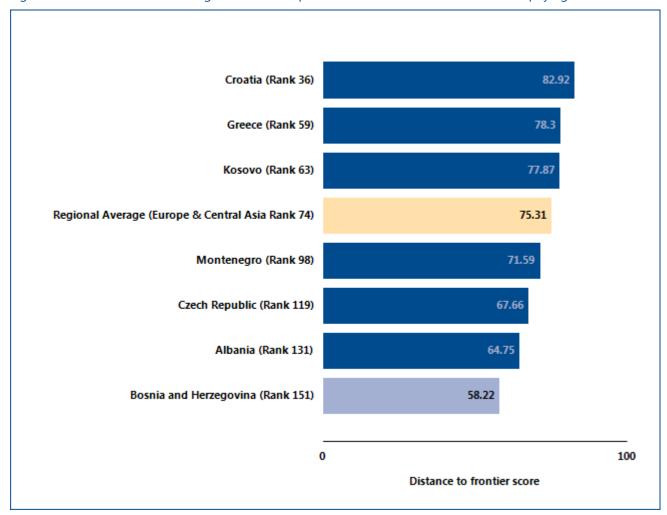
#### Where does the economy stand today?

What is the administrative burden of complying with taxes in Bosnia and Herzegovina—and how much do firms pay in taxes? On average, firms make 45.0 tax payments a year, spend 407.0 hours a year filing, preparing and paying taxes and pay total taxes amounting to 23.3% of profit (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest

business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Bosnia and Herzegovina stands at 151 in the ranking of 189 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Bosnia and Herzegovina.

Figure 8.1 How Bosnia and Herzegovina and comparator economies rank on the ease of paying taxes



#### **PAYING TAXES**

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Bosnia and Herzegovina (table 8.1)?

Table 8.1 How has Bosnia and Herzegovina made paying taxes easier—or not? By *Doing Business* report year from DB2010 to DB2015

DB year	Reform
DB2011	Bosnia and Herzegovina simplified its labor tax processes, reduced employer contribution rates for social security and abolished its payroll tax.
DB2013	Bosnia and Herzegovina eased the administrative burden of filing and paying social security contributions by implementing electronic filing and payment systems.
DB2014	Bosnia and Herzegovina introduced a penalty for failure to employ the required minimum number of people with disabilities—though it also temporarily abolished the forestry tax.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.

Source: Doing Business database.

#### **PAYING TAXES**

#### What are the details?

The indicators reported here for Bosnia and Herzegovina are based on the taxes and contributions that would be paid by a standardized case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay and how these taxes are filed and paid.

#### **LOCATION OF STANDARDIZED COMPANY**

**City: Sarajevo** 

The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Table 8.2 Summary of tax rates and administration

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Social security contributions	1	online filing	81	10.5%	gross salaries	11.8	
Corporate income tax	12		68	10%	taxable profits	7.2	
Forestry tax	5		0	0.07%	turnover	1.2	
Contribution for professional rehabilitation and employment of disabled persons	0	paid jointly	0	25% for every disabled person that must have been employed	average net salary in FBiH	0.9	
Tourist community fee	12		0	0.05%	revenue	0.9	
Local property tax	1		0	4 BAM	per square meter	0.5	
Contribution for protection against natural and other disasters	0	paid jointly	0	0.5%	net salaries	0.4	
Water protection	0	paid jointly	0	0.5%	net salaries	0.4	

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Signage fee	1		0	200 BAM		0	
Fuel tax	1		0		included into fuel price	0	small amount
VAT	12		258	17%	value added	0	not included
Employee paid - Social security contributions	0	paid jointly	0	31%	gross salaries	0	withheld
Totals	45.0		407.0			23.3	

#### TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

#### What do the indicators cover?

Doing Business measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover predefined stages such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, Doing Business uses several assumptions about the business and the traded goods.

#### The business:

- Is located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- Is a private, limited liability company, domestically owned and does not operate with special export or import privileges.
- Conducts export and import activities, but does not have any special accreditation such as an authorized economic operator status.

# WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

## Documents required to export and import (number)

Bank documents

Customs clearance documents

Port and terminal handling documents

Transport documents

#### Time required to export and import (days)

Obtaining, filling out and submitting all the documents

Inland transport and handling

Customs clearance and inspections

Port and terminal handling

Does not include sea transport time

## Cost required to export and import (US\$ per container)

All documentation

Inland transport and handling

Customs clearance and inspections

Port and terminal handling

Official costs only, no bribes

#### The traded product:

- Is not hazardous nor includes military items.
- Does not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Is one of the economy's leading export or import products.
- Is transported in a dry-cargo, 20-foot full container load.

#### TRADING ACROSS BORDERS

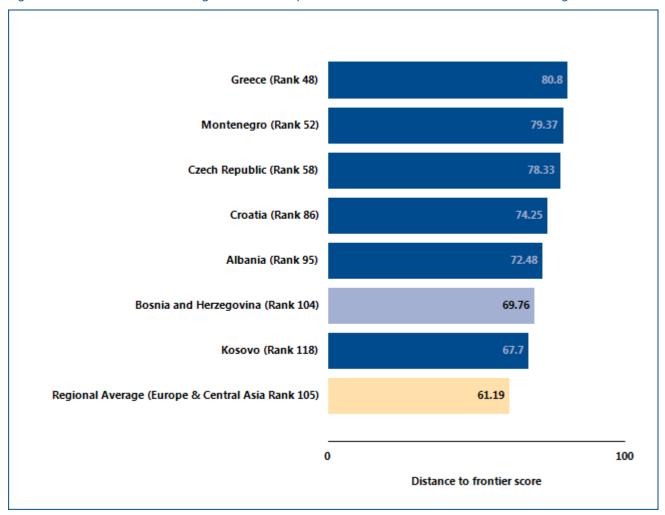
#### Where does the economy stand today?

What does it take to export or import in Bosnia and Herzegovina? According to data collected by *Doing Business*, exporting a standard container of goods requires 8 documents, takes 16.0 days and costs \$1260.0. Importing the same container of goods requires 8 documents, takes 13.0 days and costs \$1200.0 (see the summary of four predefined stages and documents at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest

business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Bosnia and Herzegovina stands at 104 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Bosnia and Herzegovina to export and import goods.

Figure 9.1 How Bosnia and Herzegovina and comparator economies rank on the ease of trading across borders



#### TRADING ACROSS BORDERS

#### What are the details?

The indicators reported here for Bosnia and Herzegovina are based on a set of specific predefined stages for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the required documents and the time and cost to complete export and import is collected from local freight forwarders, shipping lines, customs brokers, port officials and banks.

#### **LOCATION OF STANDARDIZED COMPANY**

**Port Name: Ploce, Croatia** 

#### City: Sarajevo

The predefined stages, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

Table 9.2 Summary of predefined stages and documents for trading across borders in Bosnia and Herzegovina

Stages to export	Time (days)	Cost (US\$)
Customs clearance and inspections	2	100
Documents preparation	7	260
Inland transportation and handling	3	700
Ports and terminal handling	4	200
Totals	16	1,260

Stages to import	Time (days)	Cost (US\$)
Customs clearance and inspections	2	100
Documents preparation	5	200
Inland transportation and handling	3	700
Ports and terminal handling	3	200
Totals	13	1,200

Documents to export
Bill of Lading
Commercial Invoice
Convention des Marchandises Routiers - CMR (Transport document)
Customs export declaration
Customs transit declaration
Inspection report
Packing List
Terminal handling receipts

# Bill of lading Commercial Invoice Convention des Marchandises Routiers -- CMR (Transport document) Customs import declaration Customs transit document Inspection report Packing list Terminal handling receipts

#### **ENFORCING CONTRACTS**

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

#### What do the indicators cover?

Doing Business measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.

# WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

### Procedures to enforce a contract through the courts (number)

Steps to file and serve the case Steps for trial and judgment Steps to enforce the judgment

## Time required to complete procedures (calendar days)

Time to file and serve the case

Time for trial and obtaining judgment

Time to enforce the judgment

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

Average attorney fees
Court costs

**Enforcement costs** 

- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

#### **ENFORCING CONTRACTS**

#### Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Bosnia and Herzegovina? According to data collected by *Doing Business*, contract enforcement takes 595.0 days, costs 34.0% of the value of the claim and requires 37.0 procedures (see the summary at the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the

2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, Bosnia and Herzegovina stands at 95 in the ranking of 189 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Bosnia and Herzegovina.

Figure 10.1 How Bosnia and Herzegovina and comparator economies rank on the ease of enforcing contracts



# **ENFORCING CONTRACTS**

# What are the details?

The indicators reported here for Bosnia and Herzegovina are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified through study of the codes of civil procedure and other court regulations, as well as through questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

COURT NAME	
Claim value:	BAM 13,748
Court name:	Sarajevo Municipal Court, Commercial Division
City:	Sarajevo

Table 10.2 Summary of time, cost and procedures for enforcing a contract in Bosnia and Herzegovina

Indicator	Bosnia and Herzegovina	Europe & Central Asia average
Time (days)	595	448
Filing and service	30	
Trial and judgment	385	
Enforcement of judgment	180	
Cost (% of claim)	34.0	25.2
Attorney cost (% of claim)	25.0	
Court cost (% of claim)	6.0	
Enforcement Cost (% of claim)	3.0	
Procedures (number)	37	37
Number of procedures (without bonus points)	38	
Specialized commercial courts	-1	
Total number of procedures (including bonus points)	37	

No.	Procedures
	Filing and service:
1	Plaintiff requests payment: Plaintiff or his lawyer asks Defendant orally or in writing to comply with the contract.
2	Plaintiff hires a lawyer: Plaintiff hires a lawyer.
*	Plaintiff files a summons and complaint: Plaintiff files a summons and complaint with the court (orally or in writing).
*	Plaintiff pays court fees: Plaintiff pays court fees (e.g. court duties, stamp duties, or any other type of court fees). Answer 'yes' even if Plaintiff recovers these costs.
3	Registration of court case: Registration of court case by the court administration (this can include assigning a reference number to the case).
*	Assignment of court case to a judge: Assignment of court case to a judge (through a random procedure, automated system, ruling of an administrative judge, court officer, etc).
4	Judicial scrutiny of summons and complaint: Judge examines Plaintiff's summons and complaint for formal requirements as a matter of law or standard practice.
*	Mailing of summons and complaint: Court or process server, including (private) bailiff, mails summons and complaint to Defendant.
5	Attempt at physical delivery: An attempt to physically deliver summons and complaint to Defendant is made.
6	Second attempt at physical delivery: If a first attempt is not ordinarily successful, a second attempt to physically deliver the summons and complaint to Defendant is required by law or standard practice. (Check 'yes' only if a first attempt at physical delivery is not ordinarily successful)
*	Application for pre-judgment attachment: Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment.
*	Decision on pre-judgment attachment: Judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision.
7	Pre-judgment attachment order: Defendant's property is attached prior to judgment. Attachment order either involves physical attachment, or is achieved by freezing, registering, marking, or otherwise separating and restricting Defendant's movement of specific moveable assets.
	Trial and judgment:
*	Defendant files preliminary objections.: Defendant presents preliminary objections to the court. (Preliminary exemptions differ from answers on the merits. Examples of preliminary motions are motions to dismiss on the basis of the statute of limitations or jurisdictional objections, etc.) Checke
*	Plaintiff's answer to preliminary motions: Plaintiff responds to preliminary motions raised by Defendant. Checked as 'yes' if preliminary motions are commonly raised (step 30) and if Plaintiff responds to them immediately.

No.	Procedures		
8	Judge's resolution on preliminary objections: Judge decides on preliminary objections separately from the merits of the case. Checked as 'yes' if preliminary objections are commonly made (step 30) and if judge resolves the question before rendering his decision.		
9	Defendant files an answer to Plaintiff's claim: Defendant files a written pleading which includes his answer or defense on the merits of the case (see assumption 4).		
10	Plaintiff's written reply to Defendant's answer: Plaintiff responds to Defendant's answer with a written pleading, which may or may not include witness statements or expert (witness) statements.		
11	Adjournments: Court procedure is delayed because one or both parties request and obtain an adjournment to submit written pleadings. Check as 'yes' if this commonly happens.		
*	Court appointment of independent expert: Judge appoints, either at the parties' request or at his own initiative, an independent expert to decide whether the quality of the goods Plaintiff delivered to Defendant is adequate. (see assumption 5-b).		
12	Notification of court-appointment of independent expert: The court notifies both parties that the court is appointing an independent expert (see assumption 5-b).		
*	Delivery of expert report by court-appointed expert: The independent expert, appointed by the court, delivers his or her expert report to the court (see assumption 5-b).		
*	Setting of date(s) for oral hearing or trial: Judge sets the date(s) for the oral hearing or trial.		
13	Preliminary hearing aimed at preparing for the oral hearing: The judge meets the parties to make practical arrangements for the oral hearing on the merits of the case.		
*	List of (expert) witnesses: The parties file a list of (expert) witnesses with the court (see assumption 5-a)		
14	Summoning of (expert) witnesses: The court summons (expert) witnesses to appear in court for the oral hearing or trial (see assumption 5-a).		
15	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment to prepare for the oral hearing or trial as a matter of common practice.		
16	Oral hearing (prevalent in civil law): The parties argue the merits of the case at an oral hearing before the judge. Witnesses and a court-appointed independent expert may be heard and questioned at the oral hearing.		
17	Order for submission of final arguments: The judge sets a deadline for the submission of final factual and legal arguments.		
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.		
18	Writing of judgment: The judge produces a written copy of the judgment.		
19	Plaintiff receives a copy of the judgment: Plaintiff receives a copy of the written judgment which is 100% in favor of Plaintiff (see assumption 6).		
20	Defendant is formally notified of the judgment: Plaintiff or court formally notifies the Defendant of the judgment. The appeal period starts to run from the day the Defendant is formally notified of the judgment.		

No.	Procedures		
21	Appeal period: By law Defendant has the opportunity to appeal the judgment during a specified period. Defendant decides not to appeal. Seller decides to start enforcing the judgment when the appeal period ends (see assumption 8).		
Order for reimbursement by Defendant of Plaintiff's court fees: The judgment orders Defendare reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the call.			
	Enforcement of judgment:		
*	Plaintiff hires a lawyer: Plaintiff hires a lawyer to enforce the judgment or continues to be represented by a lawyer during the enforcement of judgment phase.		
*	Plaintiff requests an enforcement order: Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).		
23	Plaintiff advances enforcement fees: Plaintiff pays the fees related to the enforcement of the judgment.		
24	Attachment of enforcement order to judgment: The judge attaches the enforcement order ('seal') to the judgment.		
*	Delivery of enforcement order: The court's enforcement order is delivered to a court enforcement officer or a private bailiff.		
*	Plaintiff's request for physical enforcement: As Plaintiff commonly fears that Defendant might physically resist the taking into custody of its previously attached movable assets, Plaintiff requests the judge or the police authorities to obtain police assistance during the physical enforcement of the		
25	Judge's order for physical enforcement: Judge orders the police to assist with the physical enforcement of the attachment of Defendant's movable assets. Check as "yes" only if the pretrial order of attachment for Defendant's moveable assets does not ordinarily involve physical seizure of the as		
26	Request to Defendant to comply voluntarily with judgment: Plaintiff, a court enforcement officer or a private bailiff requests Defendant to voluntarily comply with the judgment.		
27	Identification of Defendant's assets by court official or Defendant for purposes of enforcement: The judge, a court enforcement officer, a private bailiff or the Defendant himself identifies Defendant's movable assets for the purposes of enforcing the judgment through a sale of Defendant's assets.		
28	Plaintiff identifies Defendant's assets for attachment: Plaintiff identifies Defendant's assets for attachment.		
29	Attachment: Defendant's movable goods are attached (physically or by registering, marking or separating assets).		
30	Report on execution of attachment: A court enforcement officer or private bailiff delivers a report on the attachment of Defendant's movable goods to the judge.		
31	Valuation or appraisal of attached movable goods: The court or court-appointed valuation expert evaluates the attached goods.		
32	Enforcement disputes before court: The enforcement of the judgment is delayed because Defendant opposes aspects of the enforcement process before the judge.		
33	Call for public auction: Judge calls a public auction by, for example, advertising or publication in the newspapers.		

No.	Procedures
34	Sale through public auction: The Defendant's movable property is sold at public auction.
35	Judge's decision on bids: Judge determines the adequacy of the bids presented at public auction.
36	Distribution of proceeds: The proceeds of the public auction are distributed to Plaintiff (and, where applicable, to other creditors, according to the rules of priority).
37	Reimbursement of Plaintiff's enforcement fees: Defendant reimburses Plaintiff's enforcement fees which Plaintiff had advanced previously.
38	Payment: Court orders that the proceeds of the public auction or the direct sale be delivered to Plaintiff.

<sup>\*</sup> Not counted in the total number of procedures. *Source: Doing Business* database.

# RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and thereby improve growth and sustainability in the economy overall.

#### What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recouped by secured creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

The ranking of the Resolving Insolvency indicator is based on the recovery rate and the total score of the strength of insolvency framework index. The Resolving Insolvency indicator does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

# WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

# Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

# Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

#### **Outcome**

Whether business continues operating as a going concern or business assets are sold piecemeal

# **Recovery rate for creditors**

Measures the cents on the dollar recovered by secured creditors

Outcome for the business (survival or not) determines the maximum value that can be recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

# Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

# RESOLVING INSOLVENCY

# Where does the economy stand today?

Combination of quality regulations and efficient practice characterize the top-performing economies. How efficient are insolvency proceedings in Bosnia and Herzegovina? According to data collected by *Doing Business*, resolving insolvency takes 3.3 years on average and costs 9.0% of the debtor's estate, with the most likely outcome being that the company will be sold as piecemeal sale. The average recovery rate is 35.9 cents on the dollar. Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

According to data collected by *Doing Business*, Bosnia and Herzegovina scores 3.0 out of 3 points on the commencement of proceedings index, 6.0 out of 6 points on the management of debtor's assets index, 3.0 out of 3 points on the reorganization proceedings index, and 3.0 out of 4 points on the creditor participation index. Bosnia and Herzegovina's total score on the strength of insolvency framework index is 15.0 out of 16.

Globally, Bosnia and Herzegovina stands at 34 in the ranking of 189 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Bosnia and Herzegovina.

Figure 11.1 How Bosnia and Herzegovina and comparator economies rank on the ease of resolving insolvency

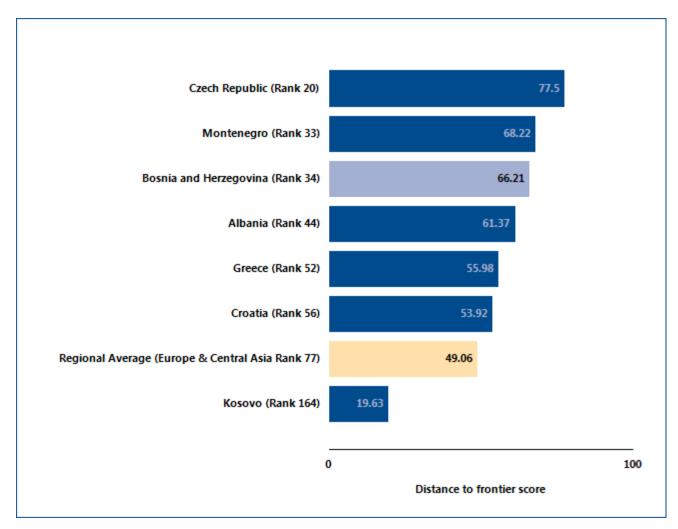
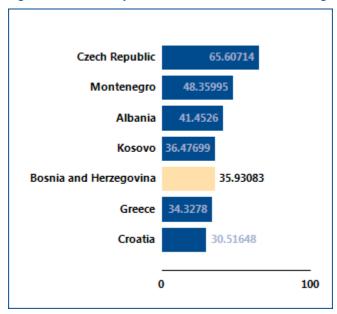
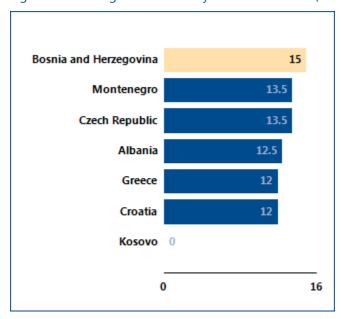


Figure 11.2 Recovery Rate (0-100) - Bosnia and Herzegovina



Source: Doing Business database.

Figure 11.3 Strength of insolvency framework index (0-16) - Bosnia and Herzegovina



Doing Business measures flexibility in the regulation of employment, specifically as it affects the hiring and redundancy of workers and the rigidity of working hours. This year, for the first time, the indicators measuring flexibility in labor market regulations focus on those affecting the food retail industry, using a standardized case study of a cashier in a supermarket. Also new is that Doing Business collects data on regulations applying to employees hired through temporary-work agencies as well as on those applying to permanent employees or employees hired on fixed-term contracts. The indicators also cover additional areas of labor market regulation, including social protection schemes and benefits as well as labor disputes.

Over the period from 2007 to 2011 improvements were made to align the methodology for the labor market regulation indicators (formerly the employing workers indicators) with the letter and spirit of the International Labour Organization (ILO) conventions. Only 6 of the 188 ILO conventions cover areas measured by Doing Business: employee termination, weekend work, holiday with pay, night work, protection against unemployment and medical care and sickness benefits. The Doing Business methodology is fully consistent with these 6 conventions. The ILO conventions covering areas related to the labor market regulation indicators do not include the ILO core labor standards—8 conventions covering the right to collective bargaining, the elimination of forced labor, the abolition of child labor and equitable treatment in employment practices.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, the Organisation for Economic Cooperation and Development (OECD), civil society and the private sector—to review the methodology for the labor market regulation indicators and explore future areas of research.

A full report with the conclusions of the consultative group is available at:

http://www.doingbusiness.org/methodology/employing-workers.

Doing Business 2015 presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators nor include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulations are available on the Doing Business website (http://www.doingbusiness.org). The data on labor market regulations are based on a detailed survey of employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy. To make the data comparable across economies, several assumptions about the worker and the business are used.

### The worker:

- Is a cashier in a supermarket or a grocery store
- Is a full-time employee
- Is not a member of the labor union, unless membership is mandatory

## The business:

- Is a limited liability company (or the equivalent in the economy) with 60 employees.
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

# What are the details?

The data reported here for Bosnia and Herzegovina are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

## Difficulty of hiring index

Difficulty of hiring covers 4 areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with 1 year of work experience; and (iv) the ratio of the minimum

wage to the average value added per worker. The average value added per worker is the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population.

Difficulty of hiring index	Data
Fixed-term contracts prohibited for permanent tasks?	No
Maximum length of a single fixed-term contract (months)	24 (Art. 19, Labor Law of FBiH)
Maximum length of fixed-term contracts, including renewals (months)	24
Minimum wage applicable to the worker assumed in the case study (US\$/month)	383.26
Ratio of minimum wage to value added per worker	0.67

# Rigidity of hours index

Rigidity of hours covers 7 areas: (i) whether the workweek can extend to 50 hours or more (including overtime) for 2 months in a year to respond to a seasonal increase in workload; (ii) the maximum number of days allowed in the workweek; (iii) the premium for night work (as a percentage of hourly pay); (iv) the

premium for work on a weekly rest day (as a percentage of hourly pay); (v) whether there are restrictions on night work; (vi) whether there are restrictions on weekly holiday work; and (vii) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure and 10 years

of tenure.

Rigidity of hours index	Data
50-hour workweek allowed for 2 months a year in case of a seasonal increase in workload?	Yes
Maximum working days per week	6.0
Premium for night work (% of hourly pay)	30%
Premium for work on weekly rest day (% of hourly pay)	20%
Major restrictions on night work?	No
Major restrictions on weekly holiday?	No
Paid annual leave for a worker with 1 year of tenure (in working days)	18.0
Paid annual leave for a worker with 5 years of tenure (in working days)	18.0
Paid annual leave for a worker with 10 years of tenure (in working days)	18.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	18.0

# Difficulty of redundancy index

Difficulty of redundancy index looks at 9 questions: (i) what the length is in months of the maximum probationary period; (ii) whether redundancy is disallowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of 9 redundant workers; (v)

whether the employer needs approval from a third party to terminate 1 redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of 9 redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Difficulty of redundancy index	Data
Maximum length of probationary period (months)	6.0
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if 1 worker is dismissed?	No
Third-party approval if 1 worker is dismissed?	No
Third-party notification if 9 workers are dismissed?	Yes
Third-party approval if 9 workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	Yes
Priority rules for redundancies?	No
Priority rules for reemployment?	Yes

# Redundancy cost

Redundancy cost measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary. The average value of notice

requirements and severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

Redundancy cost indicator (in salary weeks)	Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	2.0
Notice period for redundancy dismissal for a worker with 5 years of tenure	2.0
Notice period for redundancy dismissal for a worker with 10 years of tenure	2.0
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	2.0
Severance pay for redundancy dismissal for a worker with 1 year of tenure	0.0
Severance pay for redundancy dismissal for a worker with 5 years of tenure	7.2
Severance pay for redundancy dismissal for a worker with 10 years of tenure	14.4
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	7.2

Source: Doing Business database.

## Social protection schemes and benefits & Labor disputes

Doing Business collects data on the existence of unemployment protection schemes as well as data on whether employers are legally required to provide health insurance for employees with permanent contracts.

Doing Business also assesses the mechanisms available to resolve labor disputes. More specifically, it collects data on what courts would be competent to hear labor disputes and whether the competent court is specialized in resolving labor disputes.

Social protection schemes and benefits & Labor disputes indicator	Data
Availability of unemployment protection scheme?	Yes
Health insurance existing for permanent employees?	Yes
Availability of courts or court sections specializing in labor disputes?	No

# DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

This year's report presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking, which for the first time this year is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

# Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 31 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, Canada and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 110 other economies have no paid-in minimum capital requirement (table 15.1 in the *Doing Business 2015* report).

#### Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves 2 main steps. First, individual component indicators are normalized to a common unit where each of the 31 component indicators y (except for the total tax rate) is rescaled using the linear transformation (worst – y)/(worst – frontier). In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year after data for the indicator were collected for the first time. For legal indicators such as those on getting credit or protecting minority investors, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is

defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, to take the general price level into account when benchmarking these absolute-cost indicators across economies with different inflation trends. The base year for the deflator is 2013 for all economies.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process, 2 rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including time, cost, minimum capital and number of payments to pay taxes), and the 99th percentile is used for number of procedures and number of documents to trade. No outlier was removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate (figure 15.1 in the Doing Business 2015 report).

Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*<sup>6</sup>. Thus *Doing Business* uses the simplest

<sup>&</sup>lt;sup>6</sup> See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to

method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components<sup>7</sup>.

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of 5 decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on 2 decimals. The difference between an economy's distance to frontier score in any previous year and its score in 2014 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

#### Treatment of the total tax rate

This year, for the first time, the total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have in the calculation done in previous years (line B is smaller than line A in figure 15.2 of the Doing Business 2015 report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than before (line D is bigger than line C in figure 15.2 of the Doing Business 2015 report).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's

that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

# Calculation of scores for economies with 2 cities covered

For each of the 11 economies for which a second city was added in this year's report, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for the 2 cities covered (table 12.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

Table 12.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Dan aladash	Dhaka	78
Bangladesh	Chittagong	22
Brazil	São Paulo	61
Blazii	Rio de Janeiro	39
China	Shanghai	55
China	Beijing	45
India	Mumbai	47
India	Delhi	53
Indonesia	Jakarta	78
Indonesia	Surabaya	22
lanan	Tokyo	65
Japan	Osaka	35
Mexico	Mexico City	83
Mexico	Monterrey	17
Nigoria	Lagos	77
Nigeria	Kano	23
Dakistan	Karachi	65
Pakistan	Lahore	35
Bussian Fadaratian	Moscow	70
Russian Federation	St. Petersburg	30
United States	New York	60
United States	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. http://esa.un.org/unpd/wup/CD-ROM/Default.aspx.

<sup>&</sup>lt;sup>7</sup> For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

# Economies that improved the most across 3 or more *Doing Business* topics in 2013/14

Doing Business 2015 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2013/14 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Twenty-one economies meet this criterion: Azerbaijan; Benin; the Democratic Republic of Congo; Côte d'Ivoire; the Czech Republic; Greece; India; Ireland; Kazakhstan; Lithuania; the former Yugoslav Republic of Macedonia; Poland; Senegal; the Seychelles; Spain; Switzerland; Taiwan, China; Tajikistan; Togo; Trinidad and Tobago; and the United Arab Emirates. Second, Doing Business sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broadbased reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

# Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 189. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

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Data on business density (number of newly registered companies per 1,000 working-age people) for 139 economies http://www.doingbusiness.org/data/exploretopics/ent

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repreneurship

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Doing Business at a Glance—presenting the full report, rankings and highlights for each topic for the iPhone, iPad and iPod touch http://www.doingbusiness.org/specialfeatures/iphone

























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