

Doing Business 2011

Montenegro

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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1 2 3 4 08 07 06 05

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ISBN: 978-0-8213-7960-8
E-ISBN: 978-0-8213-8630-9
DOI: 10.1596/978-0-8213-7960-8
ISSN: 1729-2638

Library of Congress Cataloging-in-Publication data has been applied for.
Printed in the United States

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Doing Business 2011
Business Reforms

Doing Business 2011: Making a Difference for Entrepreneurs is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, 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 policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Montenegro. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

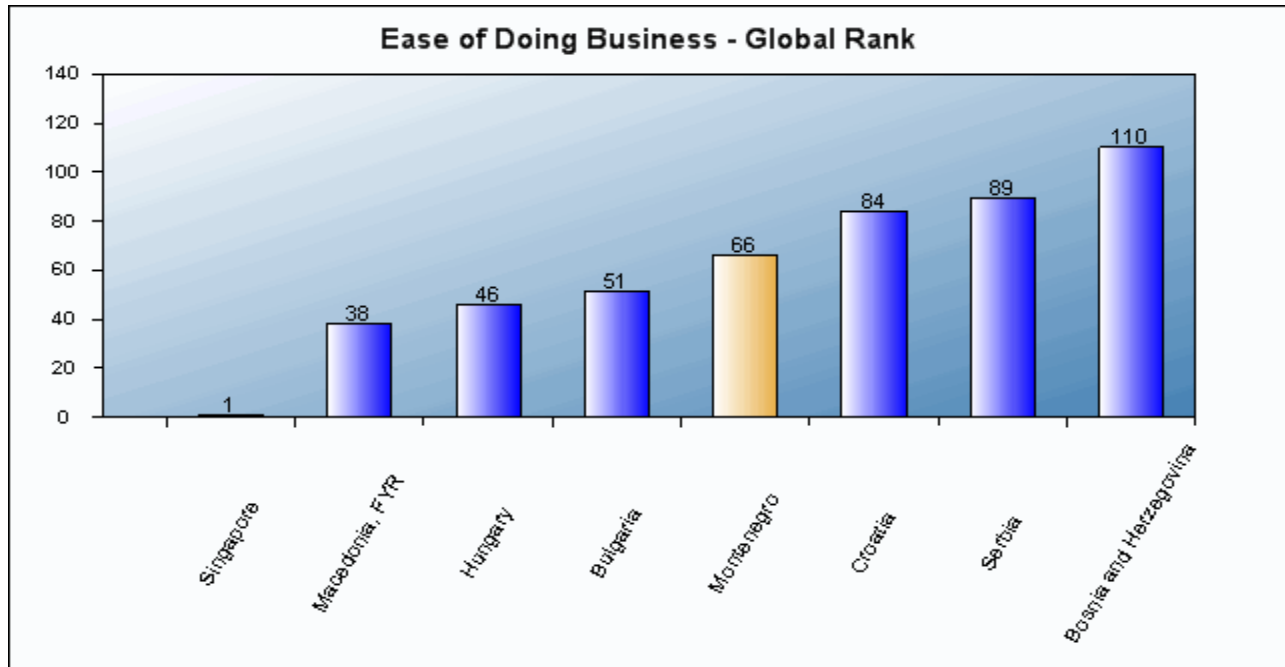
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Montenegro is ranked 66 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Montenegro - Compared to global good practice economy as well as selected economies:



Montenegro's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	66
Starting a Business	51
Dealing with Construction Permits	161
Registering Property	116
Getting Credit	32
Protecting Investors	28
Paying Taxes	139
Trading Across Borders	34
Enforcing Contracts	135
Closing a Business	47

Summary of Indicators - Montenegro

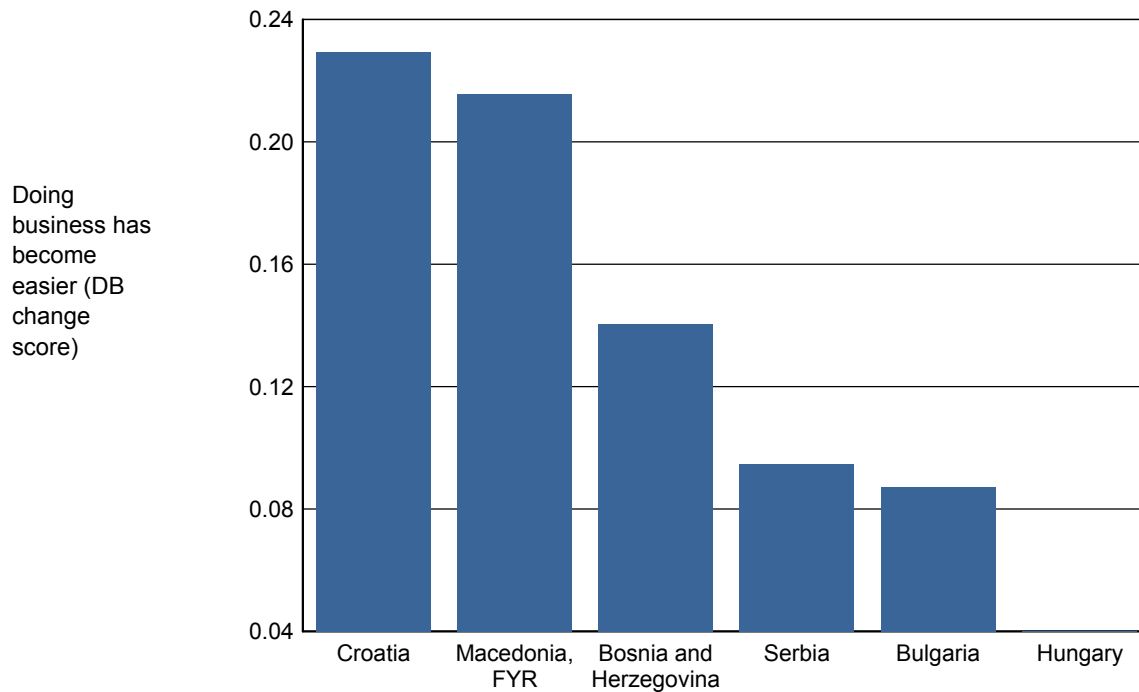
Starting a Business	Procedures (number)	7
	Time (days)	10
	Cost (% of income per capita)	1.9
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	19
	Time (days)	230
	Cost (% of income per capita)	1215.0
Registering Property	Procedures (number)	7
	Time (days)	71
	Cost (% of property value)	3.3
Getting Credit	Strength of legal rights index (0-10)	10
	Depth of credit information index (0-6)	2
	Public registry coverage (% of adults)	26.7
	Private bureau coverage (% of adults)	0.0
Protecting Investors	Extent of disclosure index (0-10)	5
	Extent of director liability index (0-10)	8
	Ease of shareholder suits index (0-10)	6
	Strength of investor protection index (0-10)	6.3
Paying Taxes	Payments (number per year)	77
	Time (hours per year)	372
	Profit tax (%)	6.6
	Labor tax and contributions (%)	17.9
	Other taxes (%)	2.1
	Total tax rate (% profit)	26.6
Trading Across Borders	Documents to export (number)	6
	Time to export (days)	14
	Cost to export (US\$ per container)	775
	Documents to import (number)	6
	Time to import (days)	14
	Cost to import (US\$ per container)	890

Enforcing Contracts	Procedures (number)	49
	Time (days)	545
	Cost (% of claim)	25.7
Closing a Business	Recovery rate (cents on the dollar)	43.4
	Time (years)	2.0
	Cost (% of estate)	8

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators—such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

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

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

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

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

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

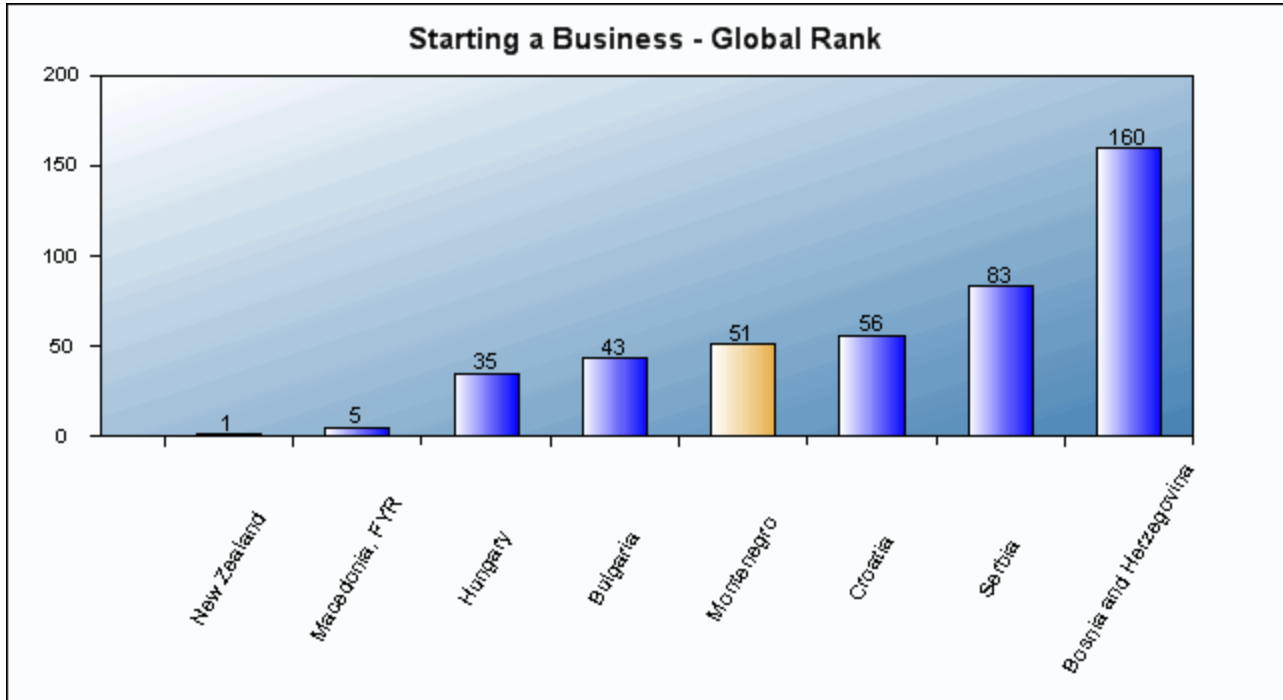
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Montenegro is ranked 51 overall for Starting a Business.

Ranking of Montenegro in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Montenegro compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Montenegro	7	10	1.9	0.0

<i>Comparator Economies</i>				
Bosnia and Herzegovina	12	55	17.7	30.5
Bulgaria	4	18	1.6	0.0
Croatia	6	7	8.6	13.7
Hungary	4	4	8.2	10.2
Macedonia, FYR	3	3	2.5	0.0
Serbia	7	13	7.9	6.0

* The following economies are also good practice economies for :

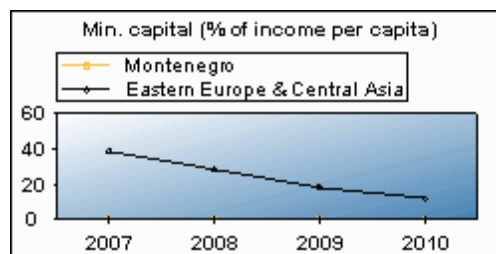
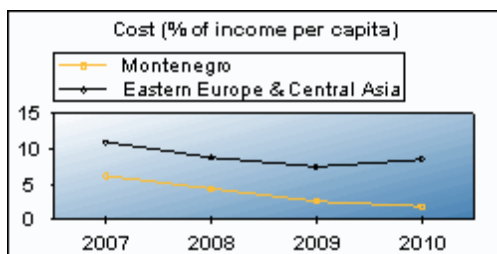
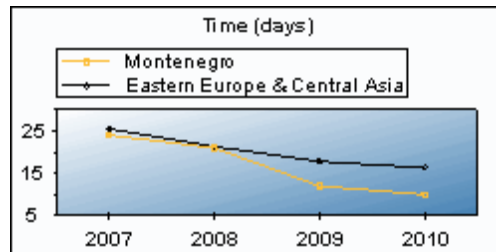
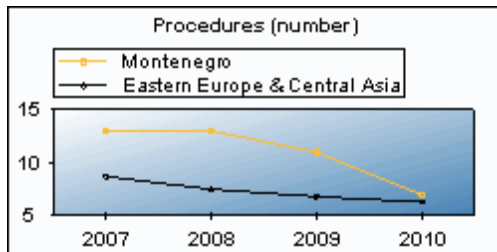
Procedures (number): Canada

Cost (% of income per capita): Slovenia

2. Historical data: Starting a Business in Montenegro

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	81	51
Procedures (number)	13	13	11	7
Time (days)	24	21	12	10
Cost (% of income per capita)	6.2	4.4	2.6	1.9
Min. capital (% of income per capita)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Starting a Business sub indicators in Montenegro over the past 4 years:



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



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

STANDARDIZED COMPANY

Legal Form: Društvo sa ograničenom odgovornošću (DOO)

- Limited Liability Company

City: Podgorica

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Certify the company's founding agreements	1	EUR 21
2	Register company name and company documents with the Company Registry and obtain statistical number	2	EUR 27
3	Make a company seal	1	EUR 35
4	Register the company with the tax authorities, Employment Bureau, Health Fund and Pension Disability Fund	3	no charge
5	obtain VAT number	1	no charge
6	Open a bank account	1	no charge
7	Notify the competent inspection authority and the municipal authority in charge of economic affairs	1	EUR 8

Starting a Business Details - Montenegro

Procedure 1 Certify the company's founding agreements

Time to complete: 1

Cost to complete: EUR 21

Comment: The Republic of Montenegro still has no public notaries, but the profession is expected to develop soon. According to the new changes of the Law on Companies (Official Gazette of Montenegro nos. 6/02, 17/07 & 80/08) lawyers are no longer authorised to do the certification of corporate documents. the applicant certify company documents at the basic court and certify copies at municipalities . Certification fees vary depending on the number of pages, documents, and so forth. the total cost is: 21 Euro (13 Euro for the court + copies of documents such as passport ((each copy 2 Euros)).

Procedure 2 Register company name and company documents with the Company Registry and obtain statistiscal number

Time to complete: 2

Cost to complete: EUR 27

Comment: The only registry in Montenegro is Podgorica (in the Commercial Court Building). The registry is computerized. The legal time limit for registration is 4 days, but in practice, the registry completes the registration in 2 days.

The applicant checks the company name online and then comes to the registry located at the commercial court with completed documents and register the name and company. At the registry one counter exist for LLC registration and payment of relevant fees can be done at the same place. (Name can be checked online at no charge at (www.crps.cg.yu) and name reservation can be done online but payment is done in person. Company Forms can be obtained online.

The Company Registry prepares text for the announcement of company formation. The Registry also estimates the publication fee (based on notice length) and sends all notices to the Official Gazette, which are published in the upcoming issue. Publication lead time is 10–15 days. Even so, subsequent procedures do not depend on the announcement, so the client can continue to form the company regardless of the publication date.

Required documents for registration are:

1. act on foundation;
2. the Statute;
3. list of founders, members of a company, managers and members of the board of directors, if they are appointed: a) the first and surnames and any former names; (b) their personal identification number (c) their residential addresses; (d) their citizenship; (e) details of any other directorships, memberships in limited liability companies or partnerships, or other management positions held in Montenegro or elsewhere and the place of registration of such companies if not in Montenegro;
4. name of an executive director;
5. name of the company, address of the seat of the company and address for receiving official correspondence, if they are different;
6. persons authorized to represent the company and information if the representation is collective or individual;

7. written consent of the members of board of director for their appointment, if they have been appointed;

8. a document which would confirm payment of registration fee

Procedure 3 Make a company seal

Time to complete: 1

Cost to complete: EUR 35

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

Procedure 4 Register the company with the tax authorities, Employment Bureau, Health Fund and Pension Disability Fund

Time to complete: 3

Cost to complete: no charge

Comment: A single registration form is submitted to the tax authorities in order to register the company at: (i) the tax payers office held at the tax authorities; (ii) Employment Bureau; (iii) Health Fund; and (iv) Pension Disability Fund. This single registration form replaces 16 different application forms that previously should have been filed at 4 different authorities. Consolidation of registrations, pursuant to new Rulebook is in place as of 1 March 2010.

If the application form is completed correctly, the company tax number and VAT number certificate are issued in 2-3 days. The tax number always matches the company number. A tax inspection is not required before issuing the number.

Procedure 5 obtain VAT number

Time to complete: 1

Cost to complete: no charge

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

Procedure 6 Open a bank account

Time to complete: 1

Cost to complete: no charge

Comment: The certificate of bank account set-up is required to register for taxes. The bank account is opened once the company is registered with the Company Registry and tax office and the Statistical Office.

Request for opening of the bank account is submitted on the form ZZOUR of the bank, by post or personally, and it has to have the following information:

- name of the requesting party
- address of the seat of the company and the telephone
- name of the account

Beside the form ZZOUR a company has to submit the following as well:

A confirmation of the Central Registry of the Commercial Court in Podgorica on registration, 2 (validated copy),

3 a contract on opening of the account and keeping the account (is closed in a bank),

4 notification of MONSTAT on classification of the activities (original document),

5 a card of the deposited signatures (is received in the bank),

6 OP (validation of the signature) a form validated in the Basic Court,

7 a document on tax identification number (PIB) by the Tax Authority of Montenegro,
8 act of foundation (a copy).

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

Time to complete: 1

Cost to complete: EUR 8

Comment: New reforms abolished the license and made it sufficient to have a notification. If the Company is engaged in trade, it pays the administrative fee in the amount of 8 € within the municipal authority in charge of economic affairs for the notification.

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

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

Time required to complete each procedure (calendar days)

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

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

- Official costs only, no bribes

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

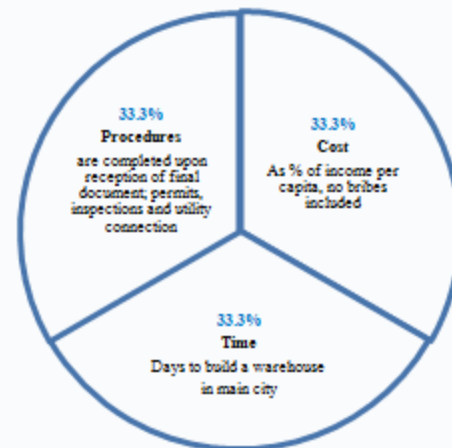
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

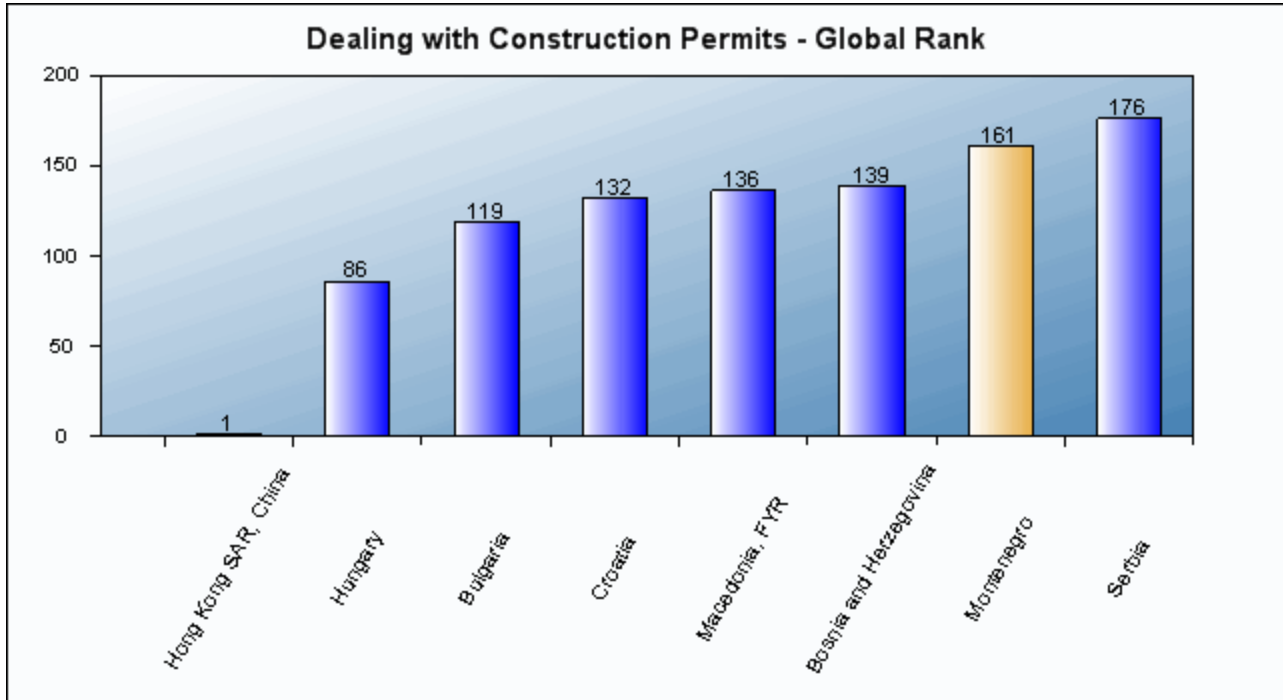
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Montenegro is ranked 161 overall for Dealing with Construction Permits.

Ranking of Montenegro in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Montenegro compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

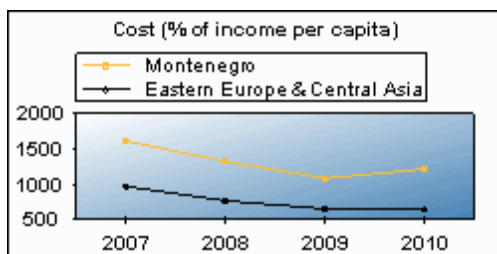
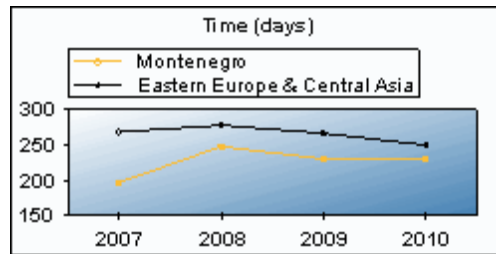
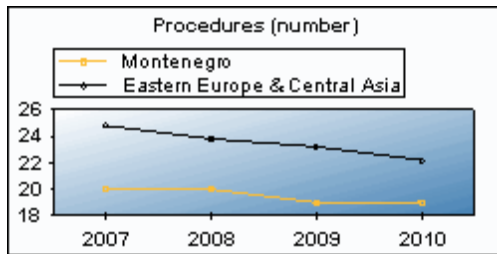
<i>Selected Economy</i>			
Montenegro	19	230	1215.0

<i>Comparator Economies</i>			
Bosnia and Herzegovina	16	255	578.1
Bulgaria	24	139	442.3
Croatia	13	315	850.9
Hungary	31	189	9.8
Macedonia, FYR	21	146	1601.4
Serbia	20	279	1821.4

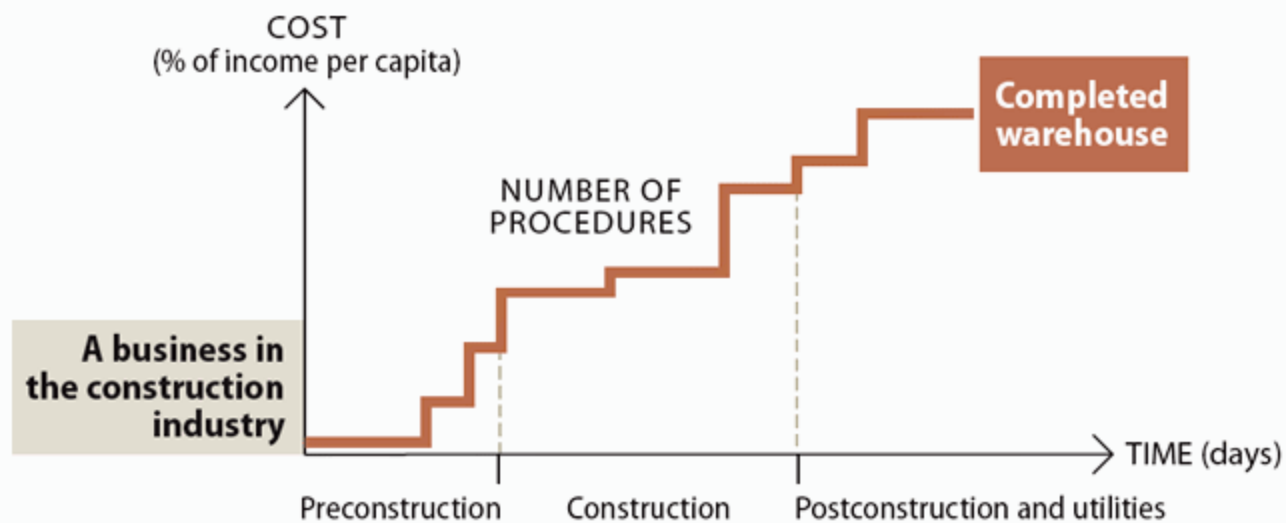
2. Historical data: Dealing with Construction Permits in Montenegro

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	157	161
Procedures (number)	20	20	19	19
Time (days)	197	248	230	230
Cost (% of income per capita)	1614.0	1323.2	1086.0	1215.0

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Montenegro over the past 4 years:



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



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

BUILDING A WAREHOUSE

City: Podgorica

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain proof of ownership	1 day	EUR 5
2	Obtain a copy of the site map	2 days	EUR 10
3	Obtain urban development and technical requirements	60 days	EUR 150
4	Obtain a geotechnical study	7 days	no charge
5	Obtain approval of geotechnical examination from Municipality	10 days	EUR 150
6	Revision of geotechnical condition report	10 days	no charge
7 *	Obtain clearance to connect to the electricity network	20 days	EUR 200
8 *	Obtain clearance to connect to the water and sewerage network	16 days	EUR 274

9 *	Obtain clearance to connect to the telecommunications network	15 days	EUR 340
10 *	Pay compensation for utilities provision on construction land	1 day	EUR 42,452
11 *	Obtain ecological approval from the Ministry for Tourism and Environmental Protection	30 days	EUR 7,150
12 *	Obtain traffic approval from Municipality	10 days	EUR 3
13	Obtain fire prevention approval	15 days	EUR 500
14	Obtain a building permit	30 days	EUR 715
15	Obtain power connection	20 days	EUR 300
16 *	Obtain water and sewerage connection	10 days	EUR 200
17 *	Obtain telephone connection	7 days	EUR 80
18	Request and receive technical control of building	1 day	EUR 3,346
19	Obtain occupancy permit	49 days	EUR 1,430

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Montenegro

Procedure 1 Obtain proof of ownership

Time to complete: 1 day

Cost to complete: EUR 5

Agency: Real Estate Administration

Comment:

Procedure 2 Obtain a copy of the site map

Time to complete: 2 days

Cost to complete: EUR 10

Agency: Real Estate Administration

Comment: It takes 2 days, as graphical database is not digital and analogue plans needs drafting for each separate project.

Procedure 3 Obtain urban development and technical requirements

Time to complete: 60 days

Cost to complete: EUR 150

Agency: Municipality of Podgorica

Comment: New Construction Law (2008) provides for companies not to enter into time-consuming procedure of obtaining the decision on location as a precondition for entering the design phase. This process is done at the stage of issuance of building permit. At the pre-design stage it is sufficient to follow the urban-technical conditions for that particular area contained in the general or local spatial plan. However, Podgorica does not have a completely updated set of technical conditions, detailed spatial plans and maps yet. According to the implementation regulations there is a one year period for each local government to adopt its local detailed maps and plans. Thereafter, spatial plans, urban technical conditions, requests for issuance of construction permits, construction permits and commencement of construction works notices are to be published on the governmental web sites. The implementation period for all local authorities to introduce web-based platforms is also one year and has not expired yet.

The responsible authority for projects less than 3,000 sq.m is local government- Municipality of Podgorica. It takes overage 60 days.

According to the new Construction Law (2008) Article 88, the process of review of conceptual project and main project may be conducted by a business organization which is licensed and which meets the conditions referred to in Articles 83, 84 and 85 of this Law. The review of the conceptual project and the main project must not be performed by a person who participated in producing such projects. Previously this function was performed by the Ministry of Economic Development.

Procedure 4 Obtain a geotechnical study

Time to complete: 7 days

Cost to complete: no charge

Agency: Agency on Geological and Geotechnical Survey

Comment: Agency on Geological and Geotechnical Survey can develop the geotechnical study.

Procedure 5 Obtain approval of geotechnical examination from Municipality

Time to complete: 10 days

Cost to complete: EUR 150

Agency: Municipality

Comment: After the Ministry of Economy reviews the study it must be reviewed and approved by the Commission of Experts. Agency on Geological and Geomechanical Survey can convene this Commission.

Procedure 6 Revision of geotechnical condition report

Time to complete: 10 days

Cost to complete: no charge

Agency: Technical Commission, Ministry of Economy

Comment: The Commission experts must be all licensed.

Procedure 7 Obtain clearance to connect to the electricity network

Time to complete: 20 days

Cost to complete: EUR 200

Agency: Elektroprivreda Crne Gore, EPCG (Electric Power Industry of Montenegro)

Comment: In Podgorica BuildCo would have to pay for the initial clearance from utility companies. In the case of electricity the cost would be EUR 200 (EUR 50- taxes, and EUR 150 for the service).

Under the new Construction Law (2008) Article 62, the utilities are not to issue any preliminary consent to connect to their services before the design stage. It is assumed that the urban development plans and technical requirement plans should bear all relevant information and be publicly available. However, in practice due to early stages of reform and lack of clear picture on the existing capacity on the side of utilities, companies have to still visit each authority separately.

Procedure 8 Obtain clearance to connect to the water and sewerage network

Time to complete: 16 days

Cost to complete: EUR 274

Agency: Water Supply Company

Comment: The cost is calculated as follows: $(0,18 \times 1300,6 \text{ sq.m}) + 17\% \text{ PDV(tax)} = \text{EUR } 274$

Under the new Construction Law (2008) Article 62, the utilities are not to issue any preliminary consent to connect to their services before the design stage. It is assumed that the urban development plans and technical requirement plans should bear all relevant information and be publicly available. However, in practice due to early stages of reform and lack of clear picture on the existing capacity on the side of utilities, companies have to still visit each authority separately.

Procedure 9 Obtain clearance to connect to the telecommunications network

Time to complete: 15 days

Cost to complete: EUR 340

Agency: Telecom Montenegro

Comment: According to municipal tariffs and fees the cost is calculated based on the total area of warehouse. Anything between 1,000- 3,000 sq.m is EUR 340.

Under the new Construction Law (2008) Article 62, the utilities are not to issue any preliminary consent to connect to their services before the design stage. It is assumed that the urban development plans and technical requirement plans should bear all relevant information and be publicly available. However, in practice due to early stages of reform and lack of clear picture on the existing capacity on the side of utilities, companies have to still visit each authority separately.

Procedure 10 Pay compensation for utilities provision on construction land

Time to complete: 1 day

Cost to complete: EUR 42,452

Agency: Agency for building and development of Podgorica

Comment: The fees are determined according to the following schedule (in EUR):

In Zone I, the fees are:

- In Zone A 152/m²

- In Zone B 132/m² and

- In Zone C 112/m².

In Zone II 82/m²

In Zone III 50/m²

In Zone IV 25/m².

In Zone V 50/m² (where most likely the warehouse would be located).

Cost is calculated based on following formula: $(1,300.6 \text{ the size} * 65.28 \text{ per m}^2 \text{ (Zone V average)} * 50\% \text{ warehouse applicability fee}) = \text{EUR } 42,451.5$

For warehouses, only 50% of the fee is applied.

As of March 25, 2009 Municipality of Podgorica issued Decision on Compensation for utilities provision on construction land. The Agency to which the amount (65,28eur/m²) is paid is Agency for building and development of Podgorica. The amount is paid in total amount before submitting the request for occupancy permit. If paid 15 days from the day of issue of building permit the amount is decreased for 10%, and if investor pays it in total amount just after signing the agreement with the Agency, the amount is decreased by another 10%. There is also possibility to defer payments for the period of 5 years but accrue interest rate payment at market rate.

Procedure 11 Obtain ecological approval from the Ministry for Tourism and Environmental Protection

Time to complete: 30 days

Cost to complete: EUR 7,150

Agency: Ministry for Tourism and Environmental Protection

Comment:

Procedure 12 Obtain traffic approval from Municipality

Time to complete: 10 days

Cost to complete: EUR 3

Comment:

Procedure 13 Obtain fire prevention approval

Time to complete: 15 days

Cost to complete: EUR 500

Comment: Under the Construction Law (2008) the Fire Authority must issue the approval in 6 days. However, in practice it still takes two weeks.

Procedure 14 Obtain a building permit

Time to complete: 30 days

Cost to complete: EUR 715

Agency: Municipality of Podgorica

Comment: Building permit is obtained from Ministry of Economic Development at the cost of 0.1% of warehouse value.

After obtaining the building permit from Ministry, BuildCo needs to visit the Agency for Real Estate under the Municipality of Podgorica and Request and register the construction documents for "red" line. The procedure costs EUR 115.

Under the new Construction Law (2008) the deadline for issuance of construction (building) permit is now set at 15 days. However, in practice due to lack of adequate manpower and technology it still takes 30 days, as before. Ministry of Economic Development is conducting a constant monitoring of the progress and helps applicants whose requests are not replied within time-limit. Applicants can only file a complaint with the local government first, and then if no reaction appeal to the local courts. In practice most companies prefer to wait rather than challenge the authorities.

The procedure for issuance of construction permit is simplified. Various approvals and opinions from ministries and utilities companies that were, under the former law, required to be submitted before the issuance of the construction permit are now no longer required.

Moreover, the construction permit may be issued based on the preliminary design, whereas the main design and its audit are required before the commencement of construction. This part also includes the review of location permit aspects. However, in practice most of the approvals and opinions are still required before the final decision on construction permit.

Building control process during construction has been amended as well. Under the Article 105, companies following the issuance of the building permit must notify the Construction Inspection within 7 days before the actual works begin. The notification can be done via email, provided there is a scanned copy of the building permit. Thereafter the Construction Inspection, which is a national entity, must publish the information on its website, including the schedule of inspections. It is most likely the inspections will take place at the foundation, structural and final stages of construction works. Inspections will not be requested and happen on risk-based approach. Each time the inspector will register the construction site ledger. The Construction Inspection consists of only lawyers which made the process of supervision purely a legal matter.

Procedure 15 Obtain power connection

Time to complete: 20 days

Cost to complete: EUR 300

Agency: Elektroprivreda Crne Gore, EPCG (Electric Power Industry of Montenegro)

Comment:

Procedure 16 Obtain water and sewerage connection

Time to complete: 10 days

Cost to complete: EUR 200

Agency: Water Supply Company

Comment:

Procedure 17 Obtain telephone connection

Time to complete: 7 days

Cost to complete: EUR 80

Agency: Telecom Montenegro

Comment:

Procedure 18 Request and receive technical control of building

Time to complete: 1 day

Cost to complete: EUR 3,346

Comment: Two member of Ministry of Economy were integrated into the membership of Technical Control Inspection. Ministry of Economy nominates the entire Inspection given the size of project. The most likely members are from architecture, sewage/water, technical standards, electricity etc. The cost is calculated based on following formula:
 $2.20 \times 1300 + 17\% = \text{EUR } 3,346$. This money is paid for services of the Inspection, and not the Ministry of Economy. Only fraction goes for the services of Ministry's two people.

Building use permit must be issued within 7 days following the final report by technical inspection performer. However, prior to that the competent authority has 7 days to decide on the performer of technical inspection. Thereafter, the inspector has another 7 days to submit the final report. In practice, it still takes on average 45 days due to various implementation issues. The requirements for this procedure are controlled by the Ministry of Economic Development. Additionally, architects which designed the project documents must be part of the technical inspection. This came as a result of multiple copyright violations by various builders.

Procedure 19 Obtain occupancy permit

Time to complete: 49 days

Cost to complete: EUR 1,430

Comment: The cost of this procedure is calculated as follows: 0.2% of warehouse value $715,000 = \text{EUR } 1,430$. it is paid to the Ministry of Economy.

All buildings must have a building use permit in order to be able to register with respective agency. Before, however, buildings could be registered with just a building permit and sometimes without use permit.

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. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.

Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

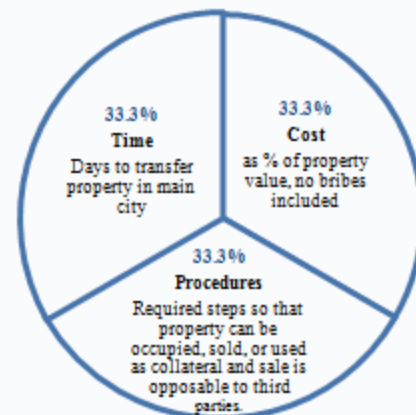
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

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



Case Study Assumptions

The parties (buyer and seller):

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

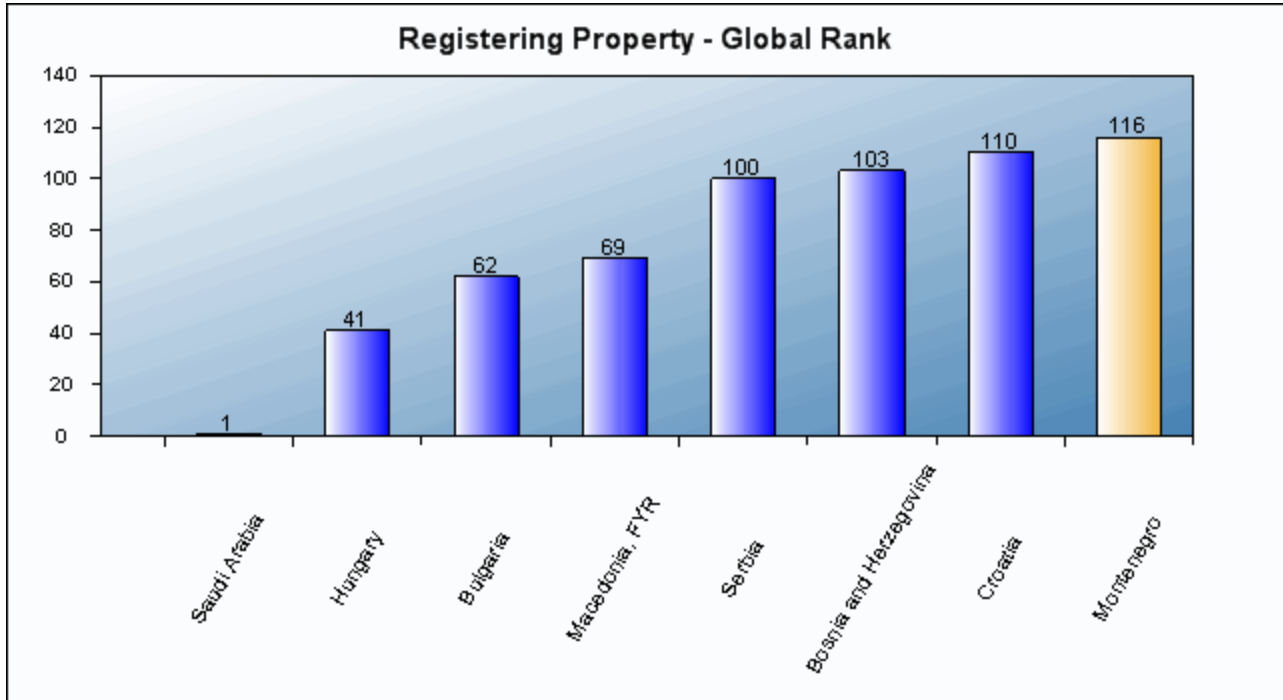
The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Montenegro is ranked 116 overall for Registering Property.

Ranking of Montenegro in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Montenegro compared to good practice and comparator economies:

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

<i>Selected Economy</i>			
Montenegro	7	71	3.3

<i>Comparator Economies</i>			
Bosnia and Herzegovina	7	33	5.3
Bulgaria	8	15	3.0
Croatia	5	104	5.0
Hungary	4	17	5.0
Macedonia, FYR	5	58	3.2
Serbia	6	91	2.7

* The following economies are also good practice economies for :

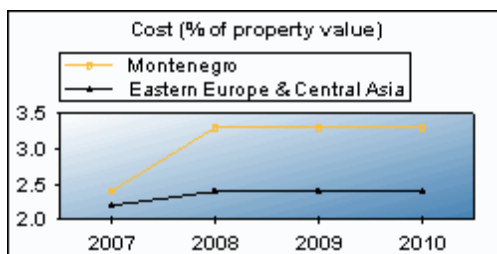
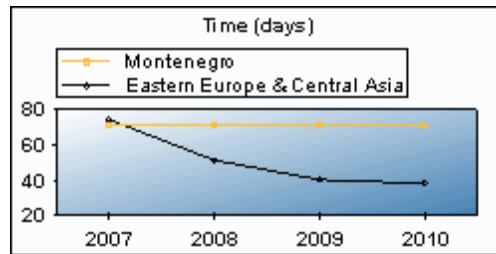
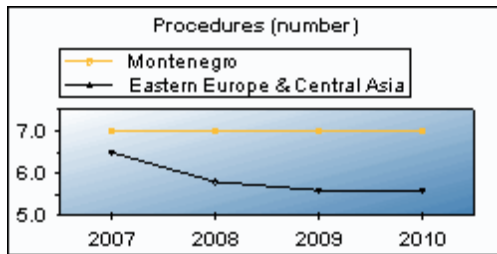
Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

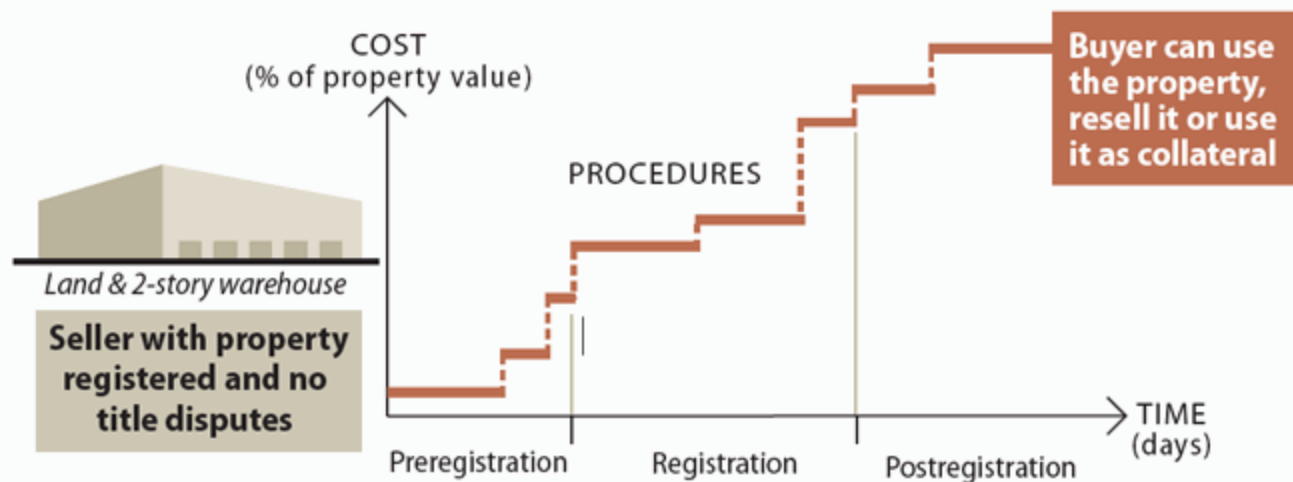
2. Historical data: Registering Property in Montenegro

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	117	116
Procedures (number)	7	7	7	7
Time (days)	71	71	71	71
Cost (% of property value)	2.4	3.3	3.3	3.3

3. The following graphs illustrate the Registering Property sub indicators in Montenegro over the past 4 years:



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



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

STANDARDIZED PROPERTY

Property Value: 235,828.90

City: Podgorica

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1 *	Obtain property excerpt from Agency for Real Estate	1 day (simultaneous with procedure 2)	EUR 5 (Republic Administrative Tax) + EUR 3 (to Agency for Real Estate)
2 *	Check boundaries and limitations of the property against the excerpt	1 day (simultaneous with procedure 1)	included in procedure 3
3	Lawyer drafts sale-purchase agreement	1 day	EUR 200-300
4	Sign and authenticate signatures in the sale-purchase agreement at the Municipal Court	1 day	EUR 30 for any agreement over EUR 5000 + 0.25% of the amount exceeding EUR 5000, not to exceed EUR 300. The total in this case is EUR 300.
5	Tax Authorities assess the amount of transfer tax to be paid by the buyer	10 - 30 days	no cost

6	Buyer pays transfer tax at a commercial bank	1 day	3% property value
<hr/>			
7	Request inscription of the new owner at the Agency for Real Estate	1 day (request) + 30-60 days (inscription)	EUR 5 (request) + EUR 13 (inscription)
<hr/>			

* Takes place simultaneously with another procedure.

Registering Property Details - Montenegro

Procedure	1	Obtain property excerpt from Agency for Real Estate
Time to complete:	1 day (simultaneous with procedure 2)	
Cost to complete:	EUR 5 (Republic Administrative Tax) + EUR 3 (to Agency for Real Estate)	
Agency:	Agency for Real Estate	
Comment:	The buyer goes to the local branch of the Agency for Real Estate to obtain an excerpt on the property, proving the seller's ownership.	
Procedure	2	Check boundaries and limitations of the property against the excerpt
Time to complete:	1 day (simultaneous with procedure 1)	
Cost to complete:	included in procedure 3	
Comment:	It is standard practice for the buyer to check the boundaries and limitations of the property against the excerpt obtained at the local branch of the Agency for Real Estate. If it is the buyer's lawyer that does this, which is normally the case, he may include this in his fees.	
Procedure	3	Lawyer drafts sale-purchase agreement
Time to complete:	1 day	
Cost to complete:	EUR 200-300	
Comment:	It is standard practice for parties to hire a lawyer to draft the sale-purchase agreement. A new standardized form for the sale-purchase agreement is now available online at http://www.nekretnine.co.me/ .	
Procedure	4	Sign and authenticate signatures in the sale-purchase agreement at the Municipal Court
Time to complete:	1 day	
Cost to complete:	EUR 30 for any agreement over EUR 5000 + 0.25% of the amount exceeding EUR 5000, not to exceed EUR 300. The total in this case is EUR 300.	
Agency:	Municipal (Basic) Court	
Comment:	It is mandatory that the sale-purchase agreement be notarized. Authentication of contractual parties' signatures on the sale agreement is done by the jurisdiction of basic courts. They act only as a witness (checking the signatures of the seller and buyer).	
Procedure	5	Tax Authorities assess the amount of transfer tax to be paid by the buyer
Time to complete:	10 - 30 days	
Cost to complete:	no cost	

Agency: Tax Administration Branch Office (Uprava prihoda Podgorica)

Comment: The Municipal (basic) court delivers the sales agreement with the authenticated signatures to the tax administration. During this period the tax authorities will compare their valuation of the property with the sale-purchase agreement price. They will assess how much the buyer should pay as transfer tax (3% of the property value) and assign a bank at which to pay. The buyer must then go to the tax administration office to get a copy of the agreement with the stamp (clearance).

Procedure 6 Buyer pays transfer tax at a commercial bank

Time to complete: 1 day

Cost to complete: 3% property value

Agency: Commercial Bank

Comment: The buyer will take the amount assessed by the tax authorities to pay as transfer tax, to deposit at a bank assigned by the tax authorities in their account.

Procedure 7 Request inscription of the new owner at the Agency for Real Estate

Time to complete: 1 day (request) + 30-60 days (inscription)

Cost to complete: EUR 5 (request) + EUR 13 (inscription)

Agency: Agency for Real Estate

Comment: Parties fill in a standard form or make a simple written request at the local branch of the Agency for Real Estate in order for the name on the property to be changed to the buyer's. It will take between one and two months for the Agency to inscribe the name, at which point the transfer is considered final. The parties are notified in writing after the inscription has taken place. There is no mandatory document to pick up at the end of this period, though the buyer can request a copy of the inscription if he wishes.

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the 'information asymmetry' in lending and enable lenders to view a borrower's financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor's rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam's new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

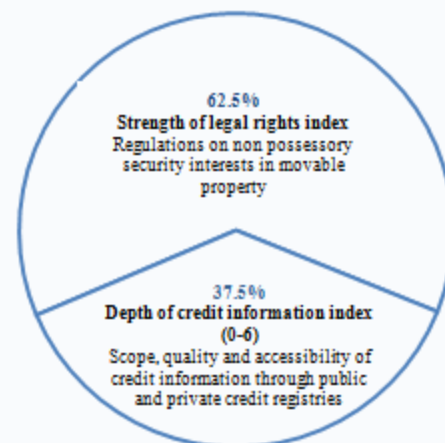
Public credit registry coverage (% of adults)

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

Private credit bureau coverage (% of adults)

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

Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

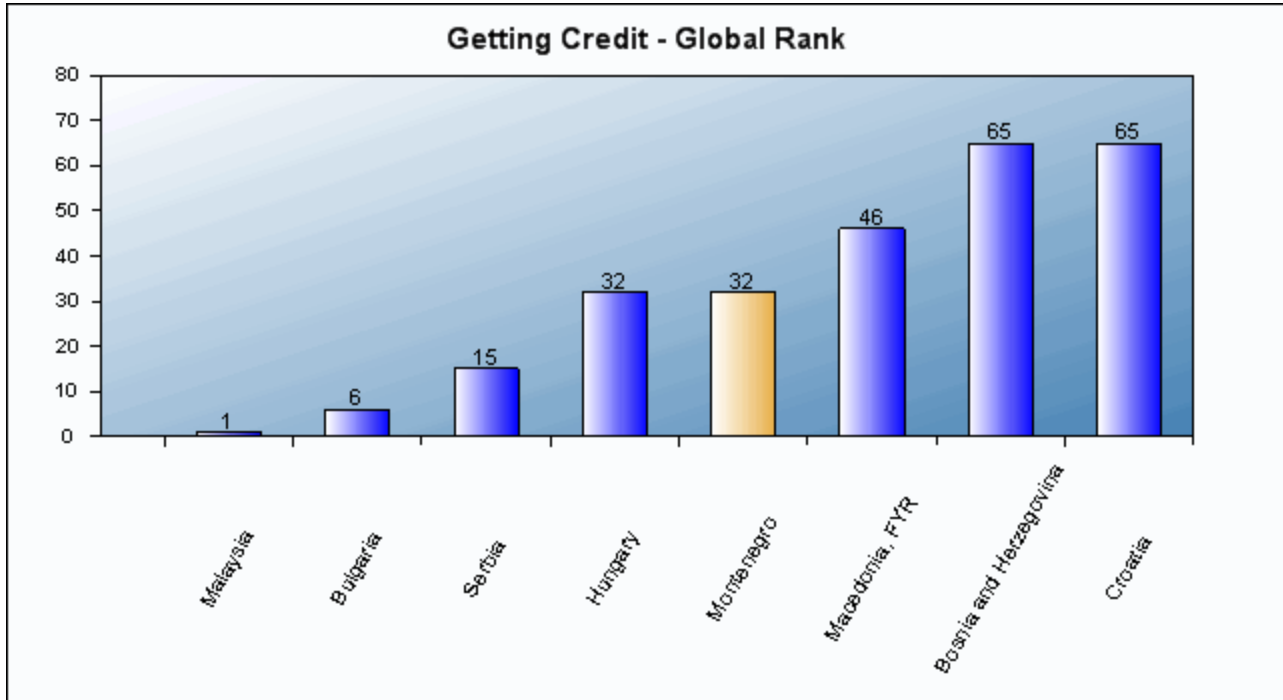
The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Montenegro is ranked 32 overall for Getting Credit.

Ranking of Montenegro in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Montenegro compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Montenegro	10	2	26.7	0.0

<i>Comparator Economies</i>				
Bosnia and Herzegovina	5	5	30.2	47.2
Bulgaria	8	6	37.0	13.1
Croatia	6	4	0.0	81.2
Hungary	7	5	0.0	11.4
Macedonia, FYR	7	4	39.4	0.0
Serbia	8	5	0.0	100.0

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

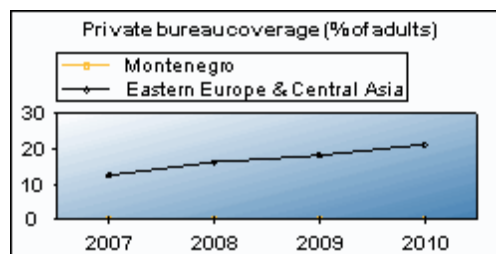
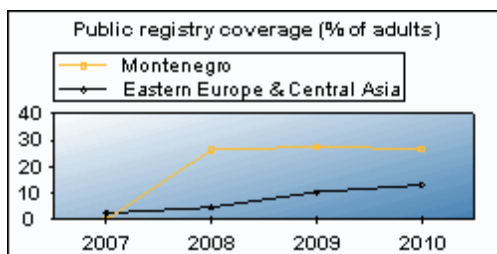
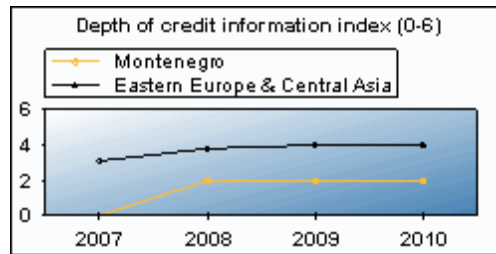
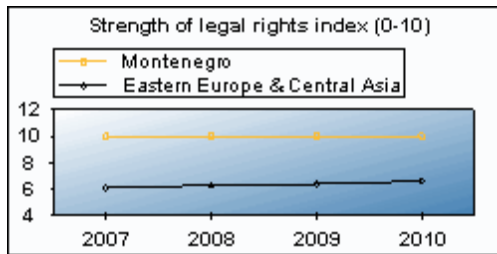
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

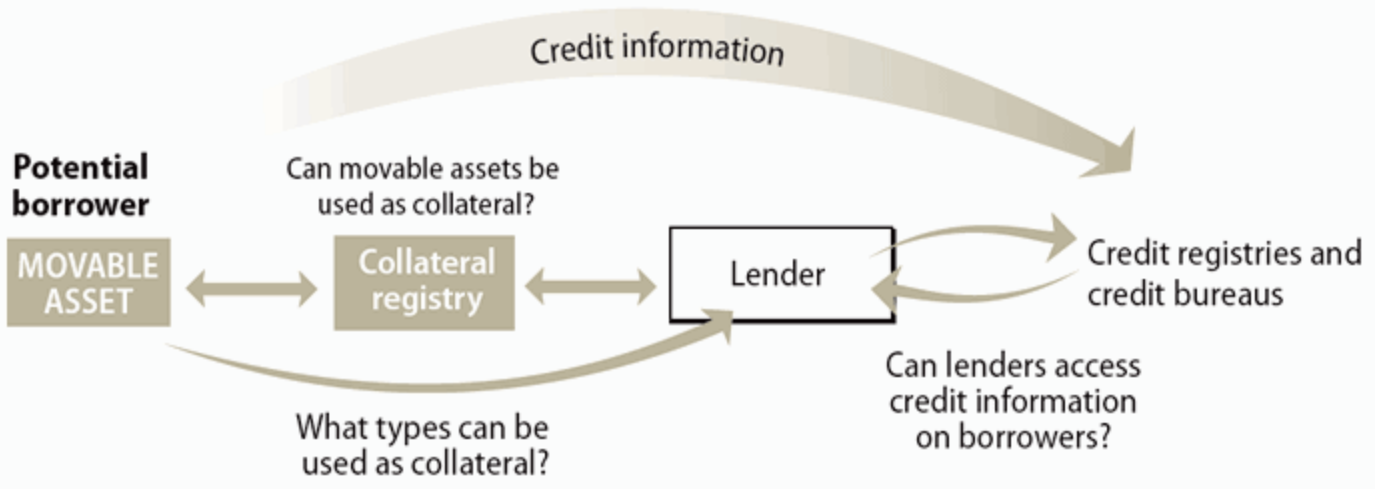
2. Historical data: Getting Credit in Montenegro

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	30	32
Strength of legal rights index (0-10)	10	10	10	10
Depth of credit information index (0-6)	0	2	2	2
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0
Public registry coverage (% of adults)	0.0	26.3	27.6	26.7

3. The following graphs illustrate the Getting Credit sub indicators in Montenegro over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?
Is the law favorable to borrowers and lenders using movable assets as collateral?**



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

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	2
Are data on both firms and individuals distributed?	No	Yes	1
Are both positive and negative data distributed?	No	No	0
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	No	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
Coverage	0.0	26.7	
Number of individuals		0	117,047
Number of firms		0	5,207

Strength of legal rights index (0-10)**10**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ? 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 ? Yes

Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ? Yes

Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ? Yes

Do secured creditors have absolute priority to their collateral outside bankruptcy procedures? Yes

Do secured creditors have absolute priority to their collateral in bankruptcy procedures? Yes

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement? Yes

Does the law authorize parties to agree on out of court enforcement? Yes

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

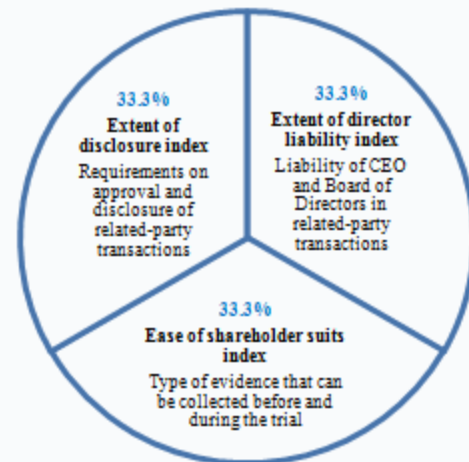
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



Case Study Assumptions

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.

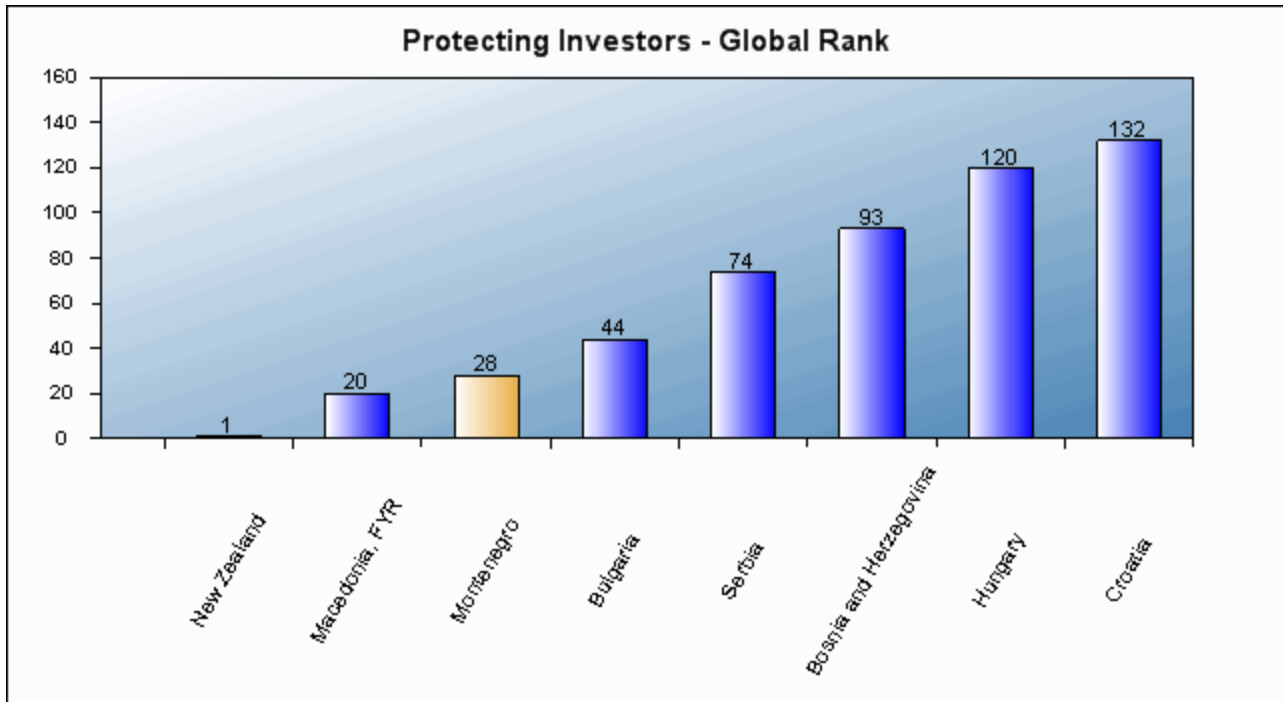
The transaction

- 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 the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

1. Benchmarking Protecting Investors Regulations:

Montenegro is ranked 28 overall for Protecting Investors.

Ranking of Montenegro in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Montenegro compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

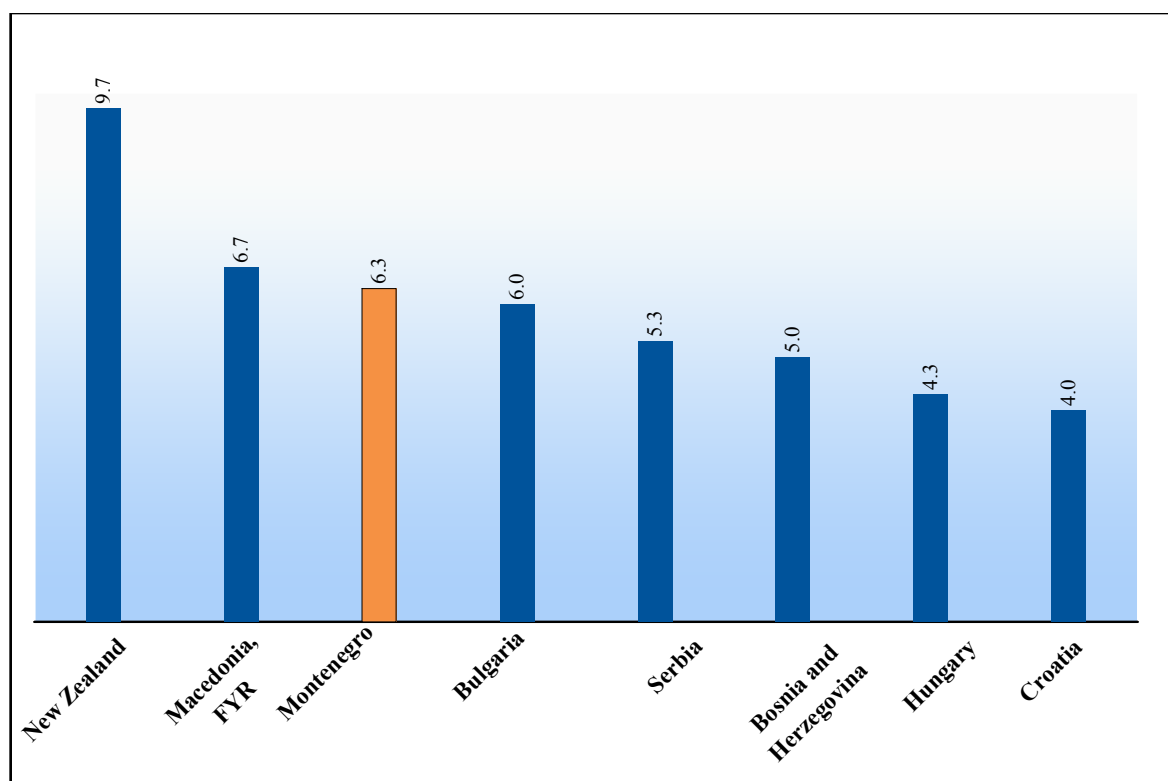
<i>Selected Economy</i>	
Montenegro	6.3

<i>Comparator Economies</i>	
Bosnia and Herzegovina	5.0
Bulgaria	6.0
Croatia	4.0
Hungary	4.3
Macedonia, FYR	6.7
Serbia	5.3

2. Historical data: Protecting Investors in Montenegro

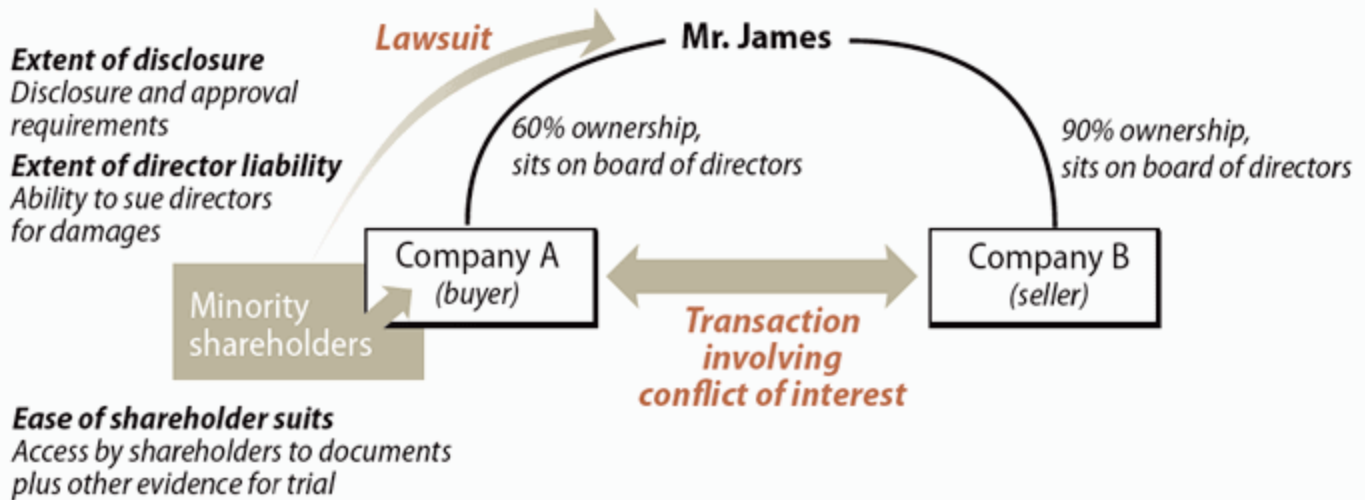
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	27	28
Strength of investor protection index (0-10)	6.3	6.3	6.3	6.3

3. The following graph illustrates the Protecting Investors index in Montenegro compared to best practice and selected Economies:



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

How well are minority shareholders protected against self-dealing in related-party transactions?



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

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	5
What corporate body provides legally sufficient approval for the transaction?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	1
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	1
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	1
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	8
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	2
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	2
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	1
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	1
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	6
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	3
Whether the plaintiff can directly question the defendant and witnesses during trial?	1
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the level of proof required for civil suits is lower than that of criminal cases?	0
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1
Strength of investor protection index (0-10)	6.3

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or 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)

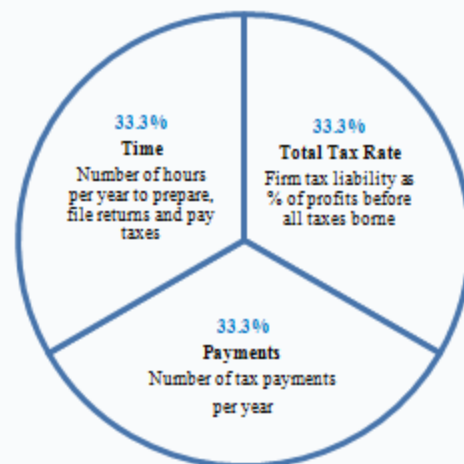
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory 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

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



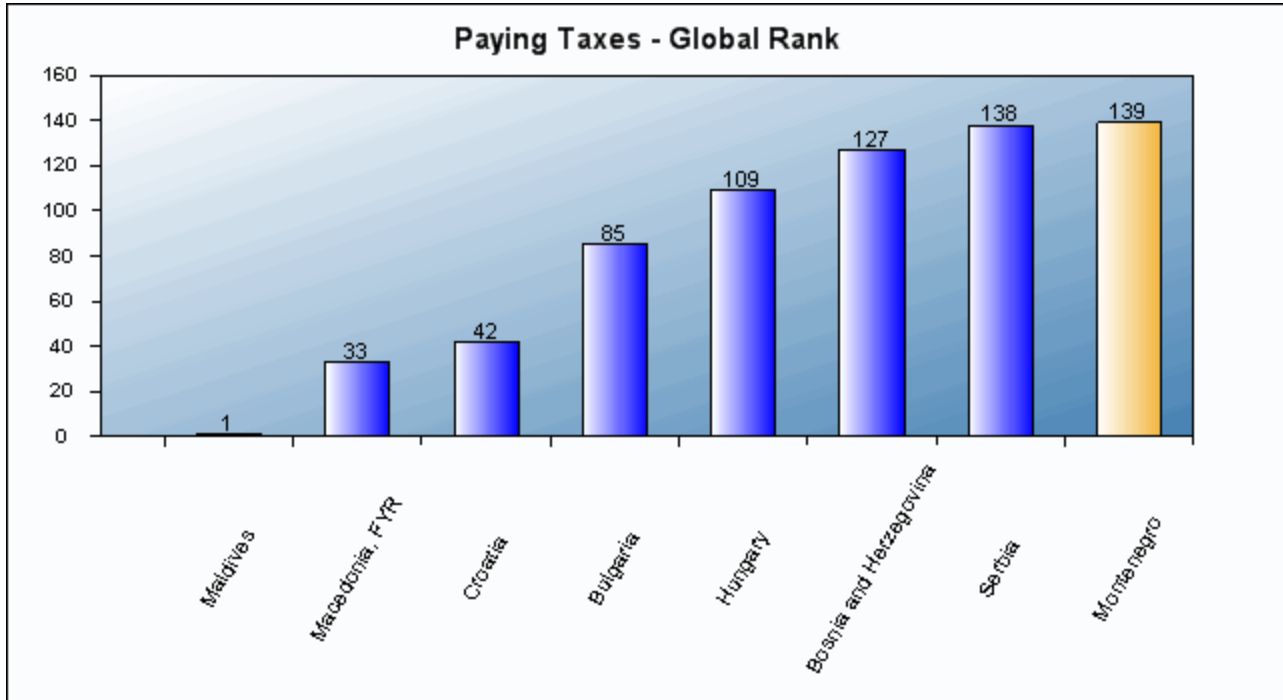
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Montenegro is ranked 139 overall for Paying Taxes.

Ranking of Montenegro in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Montenegro compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Montenegro	77	372	26.6

<i>Comparator Economies</i>			
Bosnia and Herzegovina	51	422	23.0
Bulgaria	17	616	29.0
Croatia	17	196	32.5
Hungary	14	277	53.3
Macedonia, FYR	40	119	10.6
Serbia	66	279	34.0

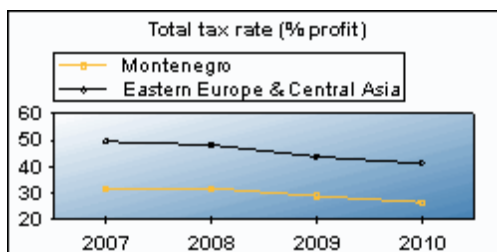
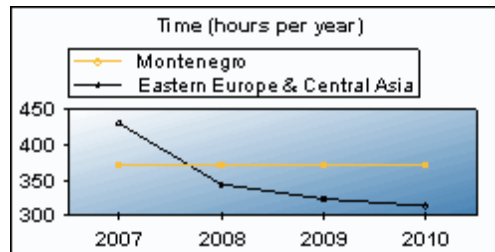
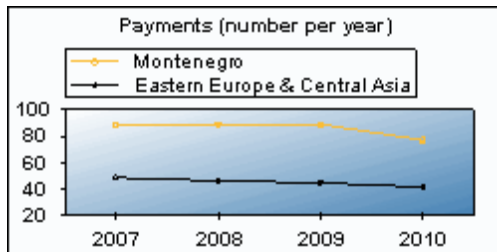
* The following economies are also good practice economies for :

Payments (number per year): Qatar

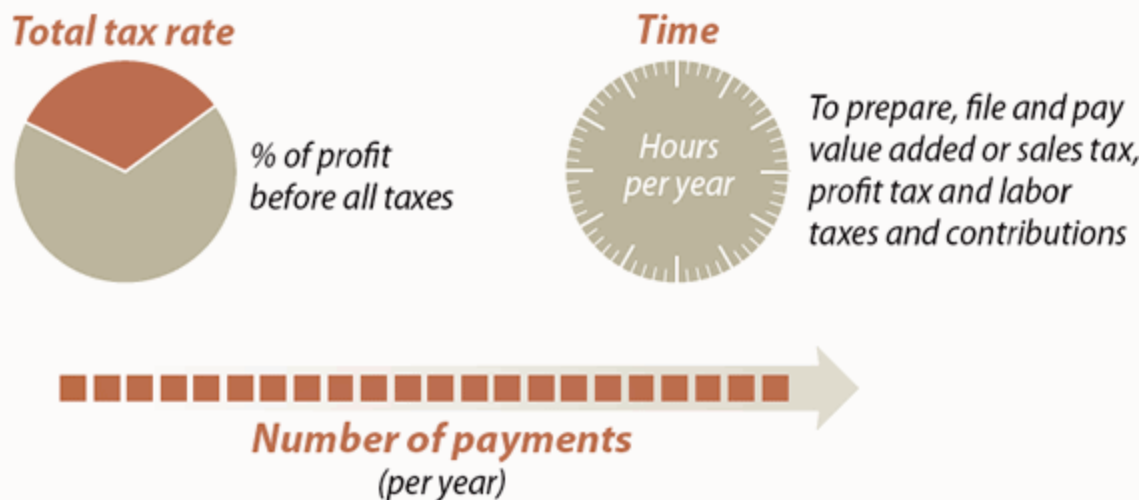
2. Historical data: Paying Taxes in Montenegro

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	139	139
Total tax rate (% profit)	31.6	31.8	28.9	26.6
Payments (number per year)	89	89	89	77
Time (hours per year)	372	372	372	372

3. The following graphs illustrate the Paying Taxes sub indicators in Montenegro over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



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

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
VAT	12		193	17.0%	value added		
Name disclosure tax	1			EUR 280		0.20	
Environmental tax	1			EUR 227	ton of waste	0.30	
Property tax	2			.08-0.8%	net book value of property	0.40	
Unemployment insurance	12			0.5%	gross salaries	0.60	
Fuel tax	1			EUR 0.270	per liter	1.20	
Payroll tax	12			15.0%	personal income tax	1.50	
Health insurance	12			5.5%	gross salaries	6.20	
Corporate income tax	12		43	9.0%	taxable profit	6.60	
Pension insurance	12		136	8.5%	gross salaries	9.60	

Totals

77

372

26.6

Making trade between countries easier is increasingly important for business in today's globalized world. 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. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

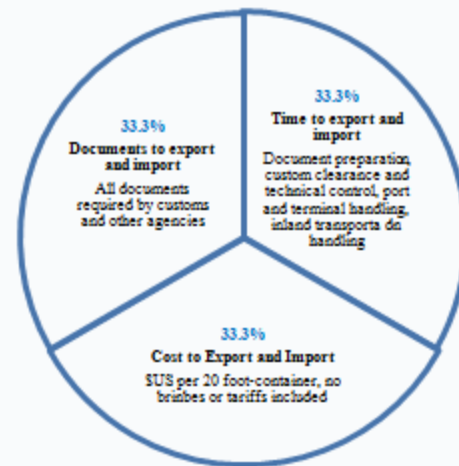
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean 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



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

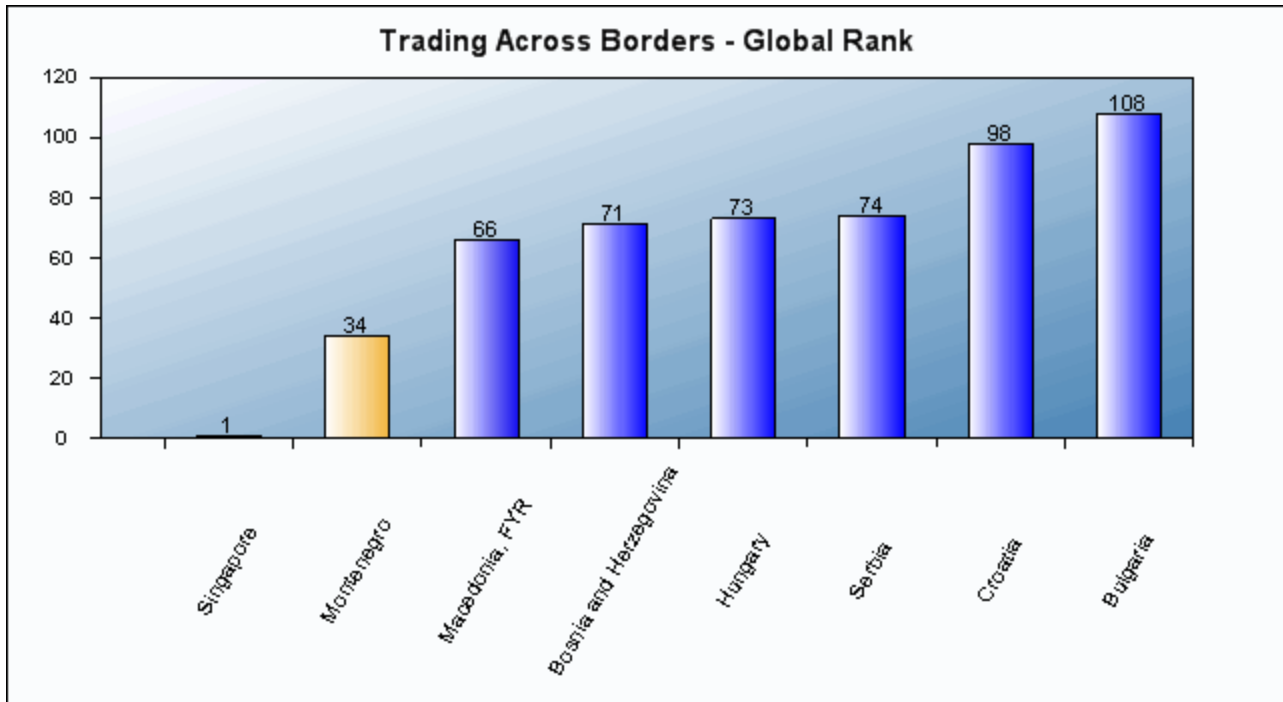
The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Montenegro is ranked 34 overall for Trading Across Borders.

Ranking of Montenegro in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Montenegro compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Montenegro	6	14	775	6	14	890

<i>Comparator Economies</i>						
Bosnia and Herzegovina	5	16	1240	7	16	1200
Bulgaria	5	23	1551	7	21	1666
Croatia	7	20	1281	8	16	1141
Hungary	5	18	1225	7	17	1215
Macedonia, FYR	6	12	1376	6	11	1380
Serbia	6	12	1398	6	14	1559

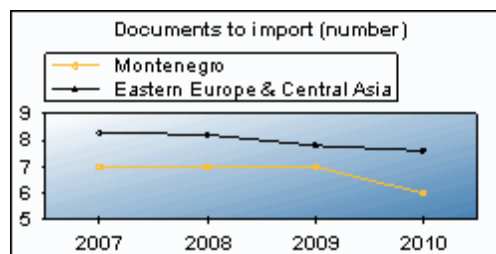
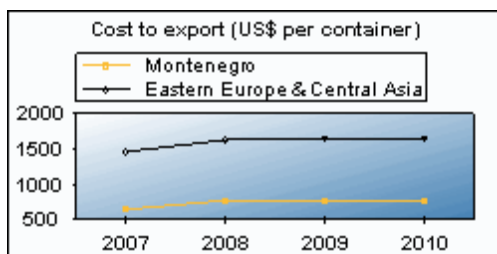
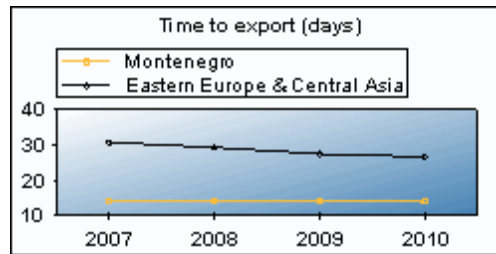
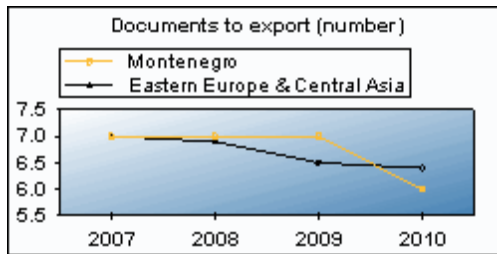
* The following economies are also good practice economies for :

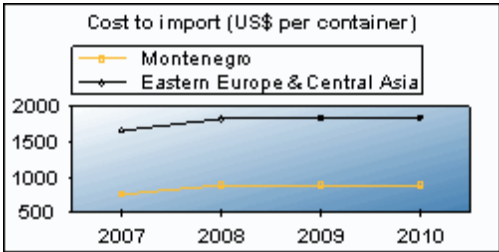
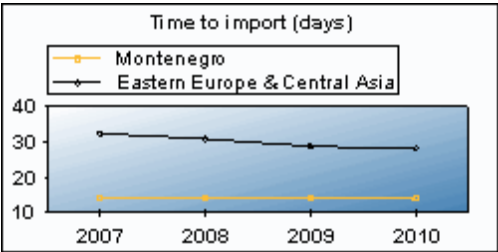
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Montenegro

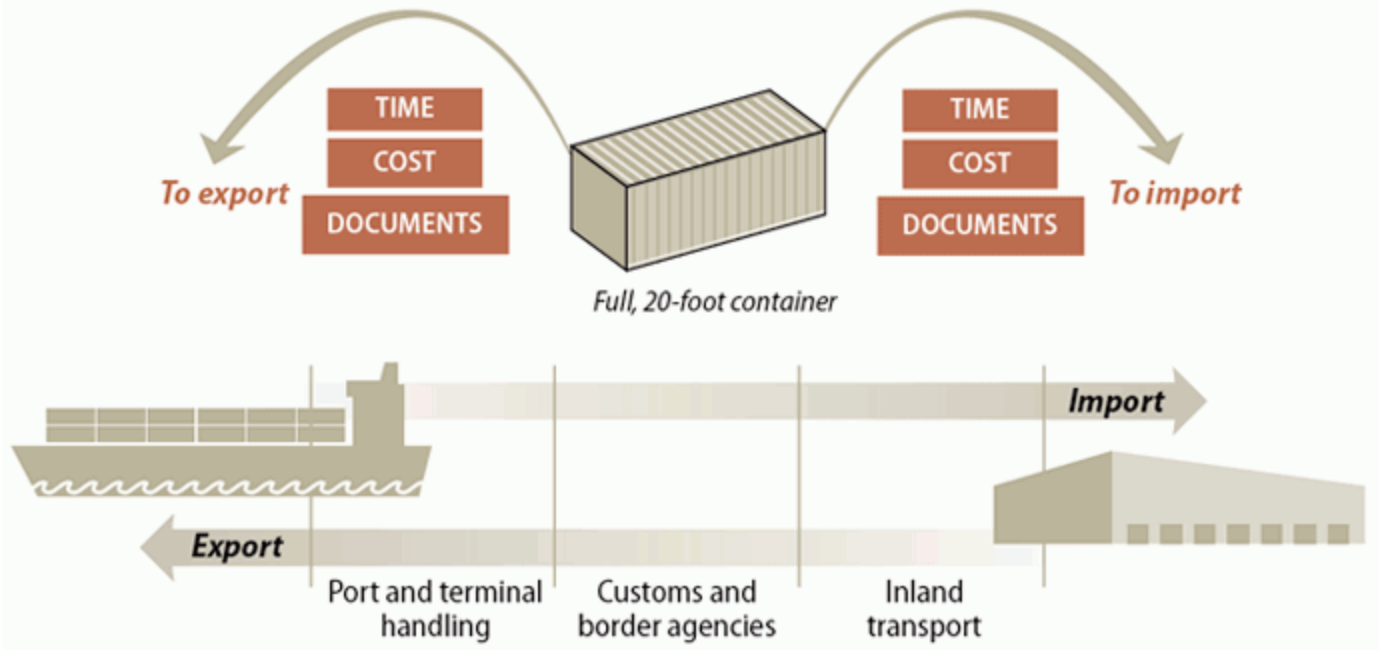
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	50	34
Cost to export (US\$ per container)	645	775	775	775
Cost to import (US\$ per container)	760	890	890	890
Documents to export (number)	7	7	7	6
Documents to import (number)	7	7	7	6
Time to export (days)	14	14	14	14
Time to import (days)	14	14	14	14

3. The following graphs illustrate the Trading Across Borders sub indicators in Montenegro over the past 4 years:





How much time, how many documents and what cost to export and import across borders by ocean transport?



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

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	4	140
Customs clearance and technical control	3	55
Ports and terminal handling	5	300
Inland transportation and handling	2	280
Totals	14	775

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	6	250
Customs clearance and technical control	3	60
Ports and terminal handling	3	300
Inland transportation and handling	2	280
Totals	14	890

Documents for Export and Import

Export

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs export declaration
- Packing list
- Technical standard/health certificate

Import

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs import declaration
- Health certificate
- Packing list

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Procedures to enforce a contract (number)

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

Time required to complete procedures (calendar days)

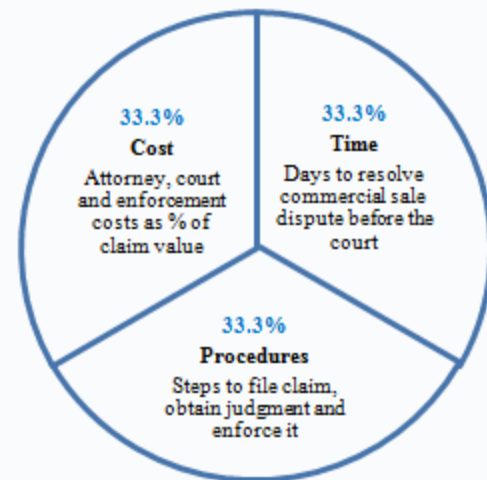
- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

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

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators



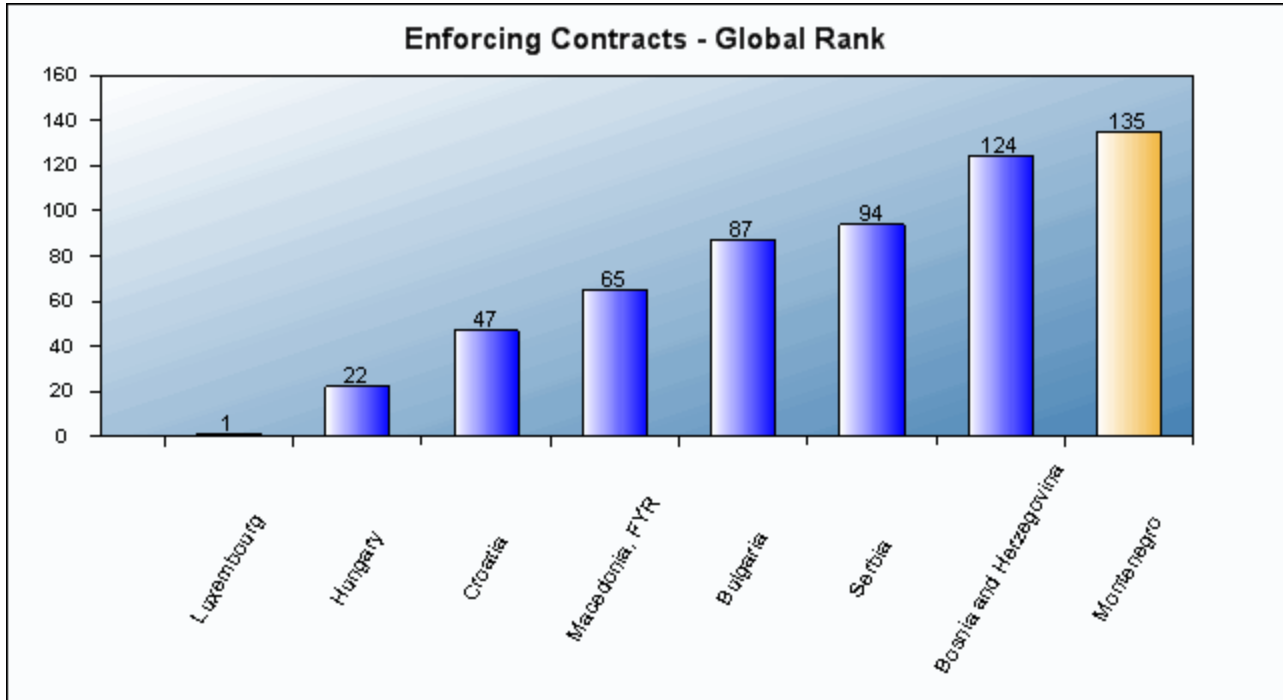
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Montenegro is ranked 135 overall for Enforcing Contracts.

Ranking of Montenegro in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Montenegro compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

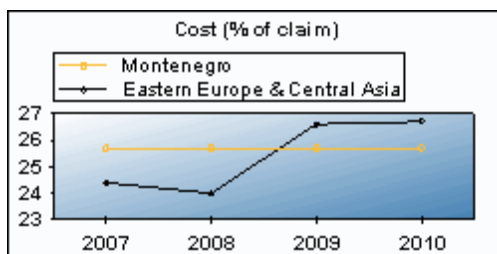
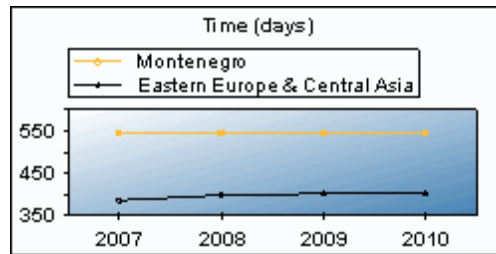
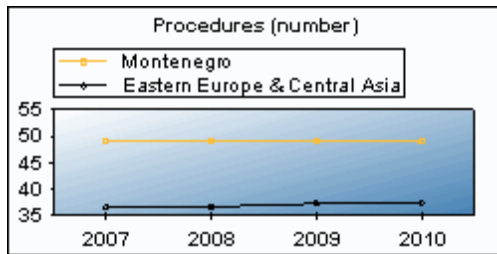
<i>Selected Economy</i>			
Montenegro	49	545	25.7

<i>Comparator Economies</i>			
Bosnia and Herzegovina	37	595	40.4
Bulgaria	39	564	23.8
Croatia	38	561	13.8
Hungary	35	395	15.0
Macedonia, FYR	37	370	33.1
Serbia	36	635	28.9

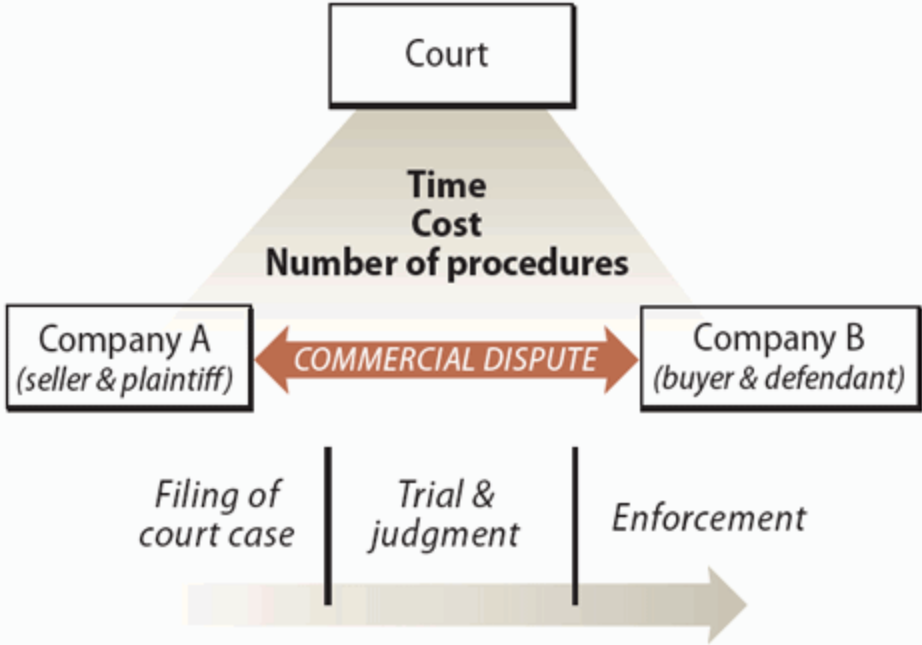
2. Historical data: Enforcing Contracts in Montenegro

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	132	135
Procedures (number)	49	49	49	49
Time (days)	545	545	545	545
Cost (% of claim)	25.7	25.7	25.7	25.7

3. The following graphs illustrate the Enforcing Contracts sub indicators in Montenegro over the past 4 years:



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



This topic looks at the efficiency of contract enforcement in Montenegro.

Nature of Procedure (2010)	Indicator
Procedures (number)	49
Time (days)	545
Filing and service	60.0
Trial and judgment	365.0
Enforcement of judgment	120.0
Cost (% of claim)*	25.70
Attorney cost (% of claim)	11.3
Court cost (% of claim)	6.9
Enforcement Cost (% of claim)	7.5

Court information: Podgorica Commercial Court ("Privredni sud Podgorica")

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

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 businesses' speedy return 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.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

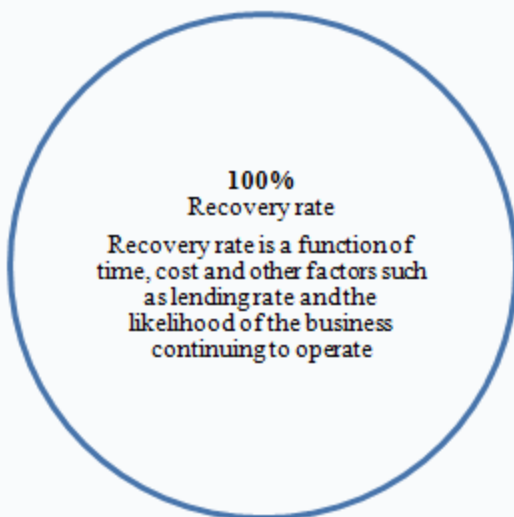
- Measured in calendar years
- Appeals and requests for extension are included

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

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Montenegro is ranked 47 overall for Closing a Business.

Ranking of Montenegro in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Montenegro compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

<i>Selected Economy</i>			
Montenegro	43.4	2.0	8

<i>Comparator Economies</i>			
Bosnia and Herzegovina	34.7	3.3	9
Bulgaria	31.0	3.3	9
Croatia	28.7	3.1	15
Hungary	37.9	2.0	15
Macedonia, FYR	20.7	2.9	28
Serbia	29.5	2.7	23

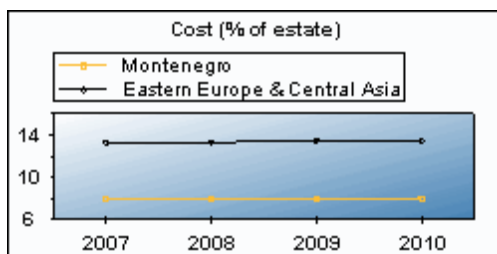
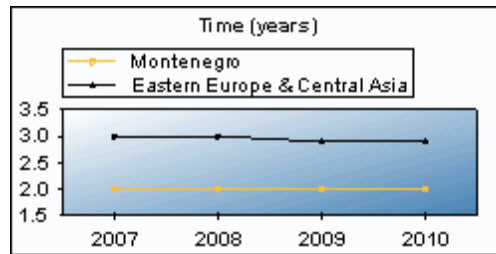
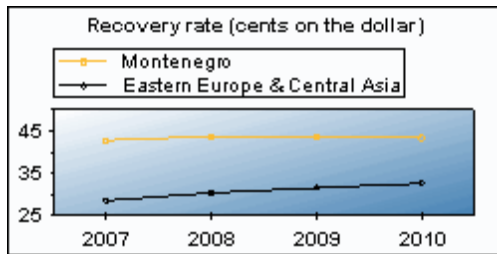
* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

2. Historical data: Closing Business in Montenegro

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	44	47
Time (years)	2.0	2.0	2.0	2.0
Cost (% of estate)	8	8	8	8
Recovery rate (cents on the dollar)	42.8	43.7	43.7	43.4

3. The following graphs illustrate the Closing Business sub indicators in Montenegro over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . * Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓		✓			
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓						✓	✓		

 Positive Change
 Negative Change

* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Bosnia and Herzegovina	Bosnia and Herzegovina reduced delays in property registration at the land registry in Sarajevo. Bosnia and Herzegovina simplified its labor tax processes, reduced employer contribution rates for social security and abolished its payroll tax.
Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Bulgaria	Bulgaria eased business start-up by reducing the minimum capital requirement from 5,000 leva (\$3,250) to 2 leva (\$1.30). Bulgaria reduced employer contribution rates for social security.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Croatia	Croatia eased business start-up by allowing limited liability companies to file their registration application with the court registries electronically through the notary public. Croatia replaced the location permit and project design confirmation with a single certificate, simplifying and speeding up the construction permitting process.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Macedonia, FYR	FYR Macedonia made it easier to start a business by further improving its one-stop shop. FYR Macedonia lowered tax costs for businesses by requiring that corporate income tax be paid only on distributed profits.
Montenegro	Montenegro eliminated several procedures for business start-up by introducing a single registration form for submission to the tax administration. An amendment to Montenegro's corporate income tax law removed the obligation for advance payments and abolished the construction land charge. Montenegro's customs administration simplified trade by eliminating the requirement to present a terminal handling receipt for exporting and importing.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.

Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
Serbia	Serbia passed a new bankruptcy law that introduced out-of-court workouts and a unified reorganization procedure.
Tajikistan	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.
Vietnam	Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.
Zambia	Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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