

# Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia



Comparing Business Regulation for Domestic Firms in  
**25** Cities in Croatia, the Czech Republic, Portugal  
and Slovakia with **186** Other Economies

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Slovakia with **186** Other Economies

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# Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia

AT A GLANCE

The latest subnational report of the *Doing Business* series in the European Union

Full report: [www.doingbusiness.org/EU2](http://www.doingbusiness.org/EU2)

**D**oing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia focuses on business regulations and their enforcement in five *Doing Business* areas. It goes beyond Zagreb, Prague, Lisbon and Bratislava to benchmark 21 additional cities.

This report contains data current as of February 15, 2018 and includes comparisons with other economies based on data from *Doing Business 2018: Reforming to Create Jobs*.

*Doing Business* measures aspects of regulation that enable or hinder entrepreneurs in starting, operating or expanding a business—and provides recommendations and good practices for improving the business environment.

## Five *Doing Business* indicator sets covering areas of local jurisdiction or practice



### Starting a business

Records the procedures, time, cost and paid-in minimum capital required for a small or medium-size domestic limited liability company to formally operate; includes a gender dimension to account for any gender discriminatory practices.



### Getting electricity

Records the procedures, time and cost required for a business to obtain a permanent commercial electricity connection for a standardized warehouse; assesses the reliability of the electricity supply and the transparency of tariffs.



### Dealing with construction permits

Records the procedures, time and cost required for a small or medium-size domestic business to obtain the approvals needed to build a commercial warehouse and connect it to water and sewerage; assesses the quality control and safety mechanisms in the construction permitting system.



### Registering property

Records the procedures, time and cost required to transfer a property title from one domestic firm to another so that the buyer can use the property to expand its business, use it as collateral or, if necessary, sell it; assesses the quality of the land administration system; includes a gender dimension to account for any gender discriminatory practices.



### Enforcing contracts

Records the time and cost for resolving a commercial dispute through a local first-instance court, which hears arguments on the merits of the case and appoints an expert to provide an opinion on the quality of the goods in dispute; assesses the existence of good practices in the court system.

25  
cities

**CROATIA:** Osijek, Rijeka, Split, Varazdin, Zagreb

**CZECH REPUBLIC:** Brno, Liberec, Olomouc, Ostrava, Plzen, Prague, Usti nad Labem

**PORTUGAL:** Braga, Coimbra, Evora, Faro, Funchal, Lisbon, Ponta Delgada, Porto

**SLOVAKIA:** Bratislava, Kosice, Presov, Trnava, Zilina

### Advantages and limitations of the *Doing Business* methodology

#### Focus on the law and practice

Makes the indicators “actionable” because the law is what policy makers can change.

#### Reliance on expert respondents

Reflects knowledge of those with most experience.

#### Use of standardized case scenarios

Enables comparability across locations, but reduces the scope of the data.

#### Focus on domestic and formal sector

Keeps attention on the formal sector, where firms are most productive, but does not reflect the informal sector or foreign firms.

### *Doing Business* does not cover:

- ✗ Security
- ✗ Market size
- ✗ Macroeconomic stability
- ✗ State of the financial system
- ✗ Prevalence of bribery and corruption
- ✗ Level of training and skills of the labor force

*A collaboration of the World Bank Group Global Indicators Group and World Bank country offices with the Agency for Investments and Competitiveness under the auspices of the Ministry of Economy, Entrepreneurship and Crafts of Croatia; the Ministry of Trade and Industry of the Czech Republic; the Ministry of the Presidency and Administrative Modernisation of Portugal; and the Ministry of Economy and Ministry of Finance of Slovakia. Funded by the European Commission, Directorate-General Regional and Urban Policy.*

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# Foreword

Cohesion policy, the European Union's main investment policy, has a bigger impact on economic development in regions with a good business environment. The *Doing Business* reports show, however, that there remain substantial differences in the business environment between and within EU member states. In regions where firms face higher costs and longer delays, regional development strategies will struggle to encourage more entrepreneurship and investments. Without more investments and start-ups, the multiplier effect of regional development policies will be limited.

Cohesion policy invests the bulk of its funding in less developed regions and countries, which tend to have a less favourable business environment. As a result, reducing the delays and costs faced by firms will be critical to help these regions and countries catch up with the rest of the EU. Both the 7<sup>th</sup> Cohesion Report<sup>1</sup> and the EC Report on Competitiveness in low-income and low-growth regions<sup>2</sup> emphasized the need to improve public administration and make procedures more transparent and efficient.

We are pleased to have joined forces with the World Bank and the governments of Croatia, the Czech Republic, Portugal and Slovakia to conduct this study in 25 cities—focusing on the regulatory system, the nature of business governance and the efficacy of the bureaucracy. Improving the ease of doing business is particularly important for small and medium sized enterprises, as they often lack the

resources to deal with these administrative demands quickly.

This report is the second in a series of sub-national doing reports covering European Union Member States at the sub-national level funded by the Directorate-General for Regional and Urban Policy. The first report, published in 2017, covered Bulgaria, Hungary and Romania. The ambition is to continue this series until all member states with at least 4 million inhabitants have been covered.

Some of the results of this report stand out.

- All four countries would benefit from reducing procedural complexity. Most cities benchmarked in this report have processes for starting a business and dealing with construction permits that are more complex than the EU average.
  - Portugal, among the four countries benchmarked, has the most homogeneous performance among its cities, suggesting relatively consistent implementation of regulations across the country. In contrast, the Czech Republic and Croatia show the largest subnational differences.
  - Doing business is easier in the smaller cities in Croatia, while in the Czech Republic, the biggest cities, Prague and Brno, perform better than their smaller peers. In fact, Prague is the only capital that is ranked first within its country. Bratislava, Lisbon and Zagreb, all three lag behind most of the smaller cities in their respective country.
- The biggest differences within each country occur in the areas of dealing with construction permits, getting electricity and enforcing contracts. For example, for getting electricity Zilina in Slovakia scores better than Austria—high enough to rank in the top 10 EU member states. Meanwhile, Trnava, another city in Slovakia, scores below the EU average.
- Because the *Doing Business* global ranking is based on the performance of the capital city, improvements in Zagreb and Bratislava would lead to higher ranking of Croatia and Slovakia, respectively. If Zagreb were to replicate the best performances recorded across the five cities in the five areas measured here, Croatia would rise to 40 in the global ranking of 190 economies on the ease of doing business—11 places higher than its current ranking according to *Doing Business 2018*. Similarly, if Bratislava adopted all the good practices found within Slovakia, it would stand at 30 in the global ranking of 190 economies on the ease of doing business—9 places higher than Slovakia's current ranking according to *Doing Business 2018*.

We hope this report will help member states, regions and cities to identify their key bottlenecks and find good practices to improve their business environment.

**Marc Lemaitre,**

Director General for Regional and Urban Policy  
European Commission

<sup>1</sup> [http://ec.europa.eu/regional\\_policy/en/information/cohesion-report/](http://ec.europa.eu/regional_policy/en/information/cohesion-report/)

<sup>2</sup> [http://ec.europa.eu/regional\\_policy/en/information/publications/reports/2017/competitiveness-in-low-income-and-low-growth-regions-the-lagging-regions-report](http://ec.europa.eu/regional_policy/en/information/publications/reports/2017/competitiveness-in-low-income-and-low-growth-regions-the-lagging-regions-report)





# Overview

## MAIN FINDINGS

- Performance varies substantially among the cities benchmarked in Croatia and the Czech Republic: in both countries those ranking at the top and bottom are separated by nearly six points in the distance to frontier score—a measure showing how far each city is from global best practices in absolute terms.
- Portugal shows the most homogeneous performance among its benchmarked cities, with the smallest difference (less than two points) in the distance to frontier score—suggesting relatively consistent implementation of regulations across the country.
- On average, the most marked differences in performance within each country are in the areas of dealing with construction permits, getting electricity and enforcing contracts.
- All four countries would benefit from reducing procedural complexity. Most cities benchmarked in this report have processes for starting a business and dealing with construction permits that are more complex than the average across the European Union's member states.
- Prague is the only capital ranking at the top among its country's benchmarked cities. Bratislava, Lisbon and Zagreb each lag behind most of the smaller cities within their own country.
- Reform-minded officials can make tangible improvements by replicating good practices in other cities in their country. By adopting all the good practices found at the subnational level, all four member states would move substantially closer to the frontier of regulatory best practices. For Croatia this would mean jumping 11 places—and for Slovakia, 9 places—in the *Doing Business* global ranking of 190 economies.

**A**chieving greater economic and social cohesion is among the main objectives of the European Union. This requires reducing disparities in development levels between EU regions, by helping those that are less developed catch up. But economic development policies can deliver full results only in an investment-friendly environment. Creating a level playing field for all economic actors is critical to ensure that entrepreneurs with good ideas and energy can start and grow businesses, generating employment. This is particularly important for small and medium-size firms, which make up more than 98% of all businesses in the EU and provide around two-thirds of the private sector jobs in nonbanking sectors, representing employment for 93 million people.<sup>1</sup>

Business regulation that is clear, simple and coherent can provide the stable and predictable rules that these firms need to function effectively, encouraging long-term growth and sustainable economic development. Conversely, excessive regulation can constrain the ability of firms to reach the minimum size required to be competitive—undercutting their chances to become more

productive, to operate internationally and to attract foreign investment.

## WHAT ARE THE MAIN FINDINGS?

The findings of this study reveal substantial variation in business regulation among the four countries covered and even among cities within the same country. These differences matter. A recent World Bank study shows that firms located in regions with a better business environment have stronger performance in sales, employment and productivity growth as well as in investment.<sup>2</sup>

Many aspects of business regulation analyzed in this report are nationally legislated. But how regulation is implemented may vary substantially among cities and regions (box 1.1). Moreover, alongside the national legislative framework local authorities can establish their own regulations, policies and incentives, leading to sometimes important variations in the ease of doing business. Differences in regulatory performance among locations within the same country can help policy makers identify opportunities for improving

administrative processes and building the capacity of local institutions.

Of the four countries, Portugal shows the most homogeneous performance among its benchmarked cities, with the smallest differences in the distance to frontier score—a measure showing how far each city is from global best practices in absolute terms as well as providing the basis for ranking. The Czech Republic and Croatia have the biggest subnational differences.

Moreover, while Bratislava, Lisbon and Zagreb each lag behind most of the smaller cities within their own country, Prague ranks at the top among the Czech cities. On average, the most marked differences in performance within each country are in the areas of dealing with construction permits, getting electricity and enforcing contracts.

### How does subnational performance vary within Croatia?

On aggregate across the five regulatory areas measured, Varazdin makes it easier to do business and Split more difficult (table 1.1). Viewed in isolation, the rankings of the five cities benchmarked in

#### BOX 1.1 What does *Doing Business* in the European Union measure?

*Doing Business* tracks business regulations that affect small and medium-size domestic companies across 190 economies. In its annual publication each economy is represented by its largest business city.<sup>a</sup> *Doing Business* reports at the subnational level yield a more nuanced picture, because many regulations and administrative measures are implemented or determined by local authorities. Coordinating across different levels of government and institutions is essential to reduce the regulatory burden on companies.

This study is the latest in a series that aims to expand the benchmarking exercise to secondary cities in all EU member states with a population above 4 million, so as to give a more complete representation of the business and regulatory environment.<sup>b</sup> This edition covers 25 cities in Croatia, the Czech Republic, Portugal and Slovakia.<sup>c</sup> These four countries share a significant growth potential, a strong interest in convergence with the rest of the EU and a focus on improving the investment climate and encouraging private sector growth. The focus of the report is on indicator sets that measure the complexity and cost of regulatory processes, as well as the strength of legal institutions, affecting five stages in the life of a small to medium-size domestic firm: starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts through a local court.

a. Eleven economies that have a population of more than 100 million as of 2013 (Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States) are also represented by the second largest business city. The data for these 11 economies are a population-weighted average for the two largest business cities.

b. Previous studies include World Bank, *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* (Washington, DC: World Bank, 2017), *Doing Business in Poland 2015* (Washington, DC: World Bank, 2015), *Doing Business in Spain 2015* (Washington, DC: World Bank, 2015) and *Doing Business in Italy 2013* (Washington, DC: World Bank, 2013).

c. Osijek, Rijeka, Split, Varazdin and Zagreb in Croatia; Brno, Liberec, Olomouc, Ostrava, Plzen, Prague and Usti nad Labem in the Czech Republic; Braga, Coimbra, Evora, Faro, Funchal, Lisbon, Ponta Delgada and Porto in Portugal; and Bratislava, Kosice, Presov, Trnava and Zilina in Slovakia.

TABLE 1.1 Croatia's smaller cities outperform their larger peers across the five regulatory areas measured

City	Population	Aggregate rank (1–5) <sup>a</sup>	Average DTF score (0–100) <sup>a</sup>	Starting a business		Dealing with construction permits		Getting electricity		Registering property		Enforcing contracts	
				Rank (1–5)	DTF score (0–100)	Rank (1–5)	DTF score (0–100)	Rank (1–5)	DTF score (0–100)	Rank (1–5)	DTF score (0–100)	Rank (1–5)	DTF score (0–100)
Varazdin	46,946	1	75.89	4	85.38	1	66.20	1	84.29	3	74.07	3	69.49
Osijek	105,921	2	75.68	3	85.50	2	61.10	4	81.70	1	75.86	1	74.24
Rijeka	121,975	3	74.45	2	87.59	2	61.10	2	82.87	2	75.02	4	65.67
Zagreb	801,349	4	72.47	5	82.49	4	54.77	5	80.43	3	74.07	2	70.60
Split	173,109	5	70.50	1	89.55	5	43.67	3	82.66	5	71.08	5	65.56

Sources: *Doing Business* database; for population data, Croatian Bureau of Statistics for Varazdin and Eurostat for the other cities.

Note: The distance to frontier (DTF) score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*." The data for Zagreb have been revised since the publication of *Doing Business 2018*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

a. Based on the DTF scores for the five regulatory areas included in the table.

Croatia may show unexpected results. As in other economies worldwide, some cities that appear less dynamic may rank surprisingly high, while larger business centers appear to lag behind. The reason is that *Doing Business* does not measure all aspects of the business environment that matter to firms or investors—nor does it measure all factors that affect competitiveness.<sup>3</sup>

A granular look at the rankings leads to several observations. First, no single city excels in all five areas measured. Starting a business is easier in Split, where most limited liability companies are set up using a government service that simplifies start-up (HITRO.HR, or "single access point")—indeed, Split has the highest take-up among the five cities.<sup>4</sup> Dealing with construction permits is easier in Varazdin. This city also leads in the area of getting electricity, thanks to a more reliable power supply—with shorter and less frequent service interruptions than the other cities—and relatively short waits for a new connection. Osijek stands out for its performance in the areas of registering property and enforcing contracts—perhaps predictably, given the lower caseload at the local land registry office and the smaller backlogs in its courts. But being at the forefront of regulatory reform—such as the piloting in February 2017 of new software allowing online submission of

property transfer applications by certified legal professionals—is another factor behind Osijek's top performance. Rijeka, a runner-up in four areas, lags behind only in enforcing contracts.

Second, there are substantial differences in regulatory performance among the five cities. Multiple regulatory reforms over the years have led to inconsistencies in how regulation is implemented at the local level. Moreover, uneven transaction volumes appear to affect performance in some areas. In Split, for example, the heavy workload at the building department means a wait for a building permit that is three times as long as the average for the other cities: three months rather than one.

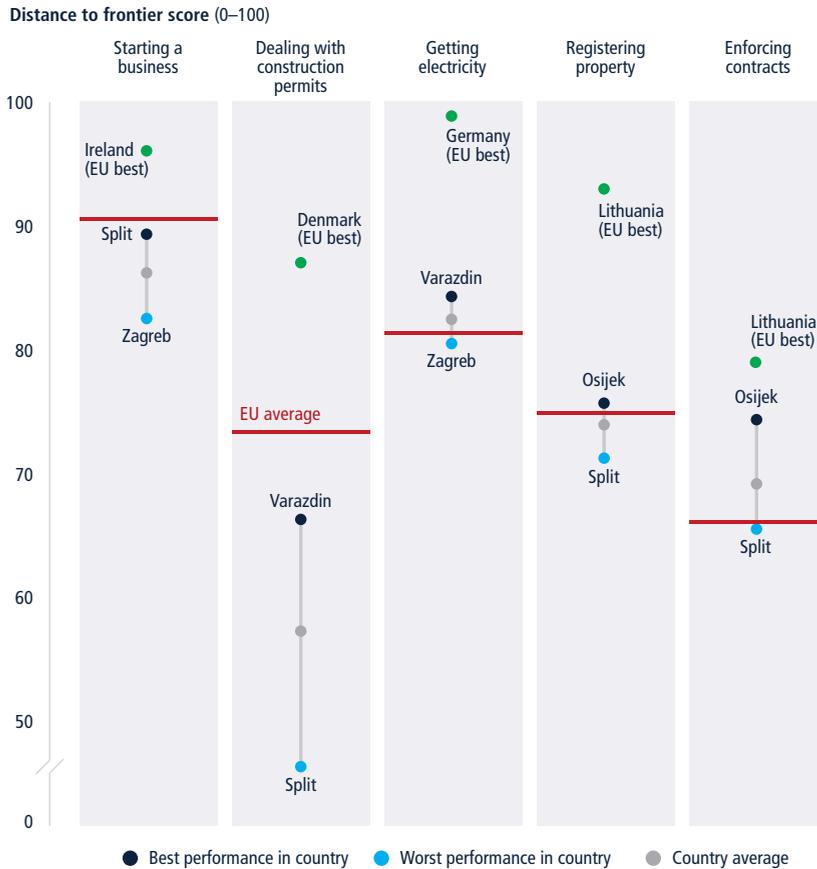
But not all cities with higher transaction volumes struggle. Zagreb completes property transfers almost one month faster than Split does, despite a caseload four times as large.<sup>5</sup> Good management, well-trained staff and efficient internal processes can do much to alleviate issues associated with higher volumes without necessarily requiring additional resources. Other EU member states also offer good examples. Take Poland, where trial time at the busy regional court of Krakow is less than a year—six months faster than in Gdansk or Warsaw.<sup>6</sup> Judges in Krakow follow national best practices and use active case management, leveraging the provisions of the Code

of Civil Procedure to front-load evidence and set a schedule for anticipated hearings and pleadings where possible.

Third, the largest performance gaps within Croatia are seen in dealing with construction permits, enforcing contracts and starting a business (figure 1.1). For example, completing the construction permitting process for a simple warehouse in Varazdin takes 112 days and costs 5.3% of the warehouse value—half the time it takes in Split, at a third of the cost. Among the reasons for these differences: the heavy workload at the building department in Split, high mandatory contributions toward municipal infrastructure and additional municipal requirements—such as a work safety inspection and a clearance from the waste collection department. With a distance to frontier score for dealing with construction permits of 43.67, Split performs as poorly as the economies ranking among the bottom 10 percent globally. Meanwhile, Varazdin's score of 66.20 is above the global average.

For enforcing contracts Osijek has a distance to frontier score (74.24) that would rank the city near the top among EU member states, behind only Lithuania, Austria and Estonia. Meanwhile, Split's score (65.56) is below the EU average. This is not surprising: cases in the commercial court in Split typically take more

FIGURE 1.1 In Croatia the largest variations in regulatory performance are in dealing with construction permits, enforcing contracts and starting a business



Source: *Doing Business* database.

Note: The distance to frontier score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). The averages for Croatia are based on data for the five cities benchmarked in that country. The averages for the EU are based on economy-level data for the 28 EU member states.

hearings to be resolved. Adjournments and rescheduling add to the delays. And obtaining expert opinions takes longer, with experts often submitting their report past the deadline. As a result, resolving a commercial dispute in Split takes nearly 11 months longer than it does in Osijek, and Split has a backlog of cases that is nearly twice as high (with 15.9% of cases over three years old, compared with 8.7% in Osijek).<sup>7</sup>

Similar differences emerge in the area of starting a business as a result of differences in how companies are registered. In Split more than half of new limited liability companies are set up using HITRO. HR services—and start-up requires six

procedures and six days. In Zagreb, by contrast, most new businesses are registered in-person at the court.<sup>8</sup> This takes eight procedures and more than three weeks.

### How does subnational performance vary within the Czech Republic?

Among the seven cities benchmarked in the Czech Republic, it is the country's three largest—Prague, Brno and Ostrava—where doing business is easier across the five areas measured. Prague ranks first in two areas (getting electricity and enforcing contracts), while Brno ranks first in dealing with construction permits and Ostrava in registering property. This

demonstrates the potential for large cities to achieve regulatory efficiency and quality by capitalizing on economies of scale and investing in administrative modernization.

Of the four member states covered by this study, the Czech Republic shows the largest subnational difference at the aggregate level: Prague, with the highest aggregate distance to frontier score among the seven cities, and Liberec, with the lowest, are separated by nearly six points (table 1.2).

The largest variation is in getting electricity (figure 1.2). This results mainly from differences in the type of connection most likely for a new warehouse like the one in the *Doing Business* case study. In five of the seven cities such a warehouse typically connects to the medium-voltage network and requires a process involving greater time and cost than the EU average. Completing the connection process can take nearly eight months (as in Usti nad Labem). The delays are due mainly to the time spent obtaining the multiple municipal permits required. Moreover, the entrepreneur needs to cover the entire up-front cost—including the purchase of a substation—which can reach 283.2% of income per capita (as in Ostrava). Only in Brno and Prague is the warehouse likely to connect to the low-voltage network. This makes a substantial difference: in Prague the process can be completed in two months, at a cost of 25.9% of income per capita.

Appreciable within-country differences also emerge in starting a business, dealing with construction permits and enforcing contracts, three areas in which the Czech cities lag behind their EU peers. Indeed, in these three areas even the best performer among the Czech cities has a distance to frontier score lower than the EU average.

Time is the main source of differences among the Czech cities in the ease of starting a business, and the registration with the tax authority is what drives the

**TABLE 1.2** Across the five areas measured, doing business is easier in the Czech Republic’s largest cities

City	Population	Aggregate rank (1–7) <sup>a</sup>	Average DTF score (0–100) <sup>a</sup>	Starting a business		Dealing with construction permits		Getting electricity		Registering property		Enforcing contracts	
				Rank (1–7)	DTF score (0–100)	Rank (1–7)	DTF score (0–100)	Rank (1–7)	DTF score (0–100)	Rank (1–7)	DTF score (0–100)	Rank (1–7)	DTF score (0–100)
Prague	1,267,449	1	74.24	7	83.55	5	56.17	1	95.35	6	79.74	1	56.38
Brno	377,028	2	72.88	4	84.55	1	57.90	2	89.92	2	80.10	7	51.95
Ostrava	292,681	3	69.67	3	85.31	3	56.89	3	69.89	1	80.22	3	56.05
Plzen	169,858	4	69.13	4	84.55	6	55.38	4	69.67	6	79.74	2	56.32
Usti nad Labem	93,248	5	69.11	1	85.56	2	57.24	5	67.70	2	80.10	5	54.96
Olomouc	100,154	6	68.54	1	85.56	7	54.45	6	67.09	4	79.98	4	55.64
Liberec	103,288	7	68.28	2	84.55	4	56.67	7	66.32	4	79.98	6	53.86

Sources: *Doing Business* database; for population data, Eurostat.

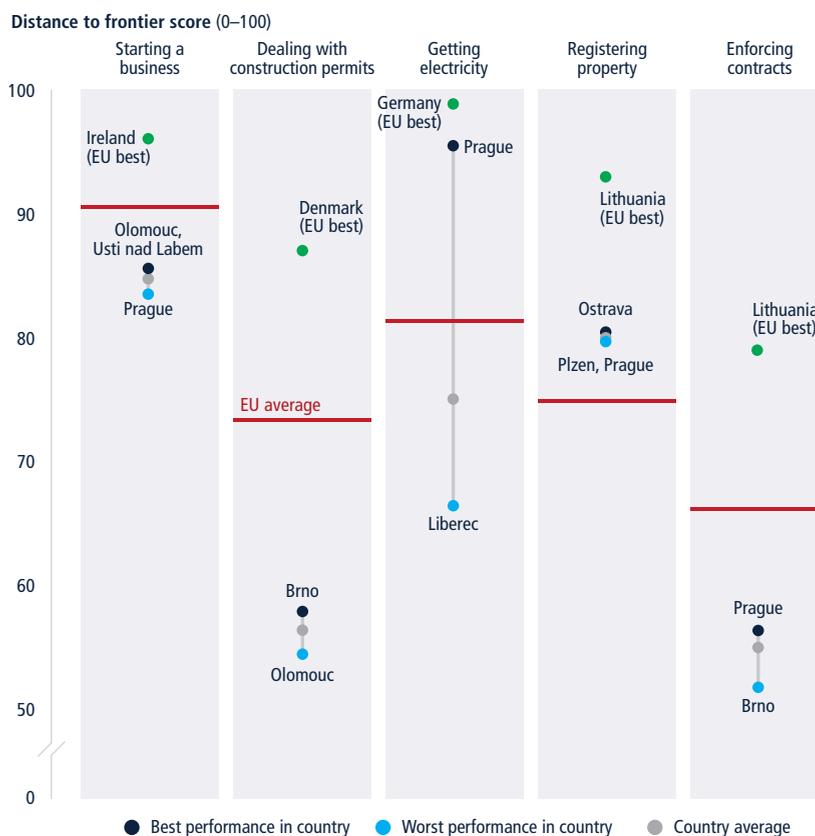
Note: The distance to frontier (DTF) score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter “About *Doing Business* and *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*.” The data for Prague have been revised since the publication of *Doing Business 2018*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

a. Based on the DTF scores for the five regulatory areas included in the table.

variation. Income tax registration usually takes one to five days. But for value added tax (VAT) registration, applicants can wait from 10 days in Olomouc and Usti nad Labem to 18 days in Prague, where application volumes are highest. All the cities require the same eight procedures to open a business; among EU member states, only Germany requires a higher number (nine).

Dealing with construction permits requires either 20 or 21 procedures, with the additional procedure being an informational meeting that investors typically request with the municipal environmental department to clarify potential environmental impact assessment requirements. The number of preconstruction approvals required in the Czech Republic, 13 on average, is the highest among EU member states. This causes substantial delays. In Olomouc, where the process is slowest, dealing with construction permits takes nine months. The process is faster in Brno, thanks to more efficient communication between the municipality and developers and faster processing times for obtaining a zoning permit and completing the required preconstruction approvals. Moreover, the utility company in Brno takes less time to identify potential connection points because it

**FIGURE 1.2** In the Czech Republic the largest variation in regulatory performance is in getting electricity



Source: *Doing Business* database.

Note: The distance to frontier score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). The averages for the Czech Republic are based on data for the seven cities benchmarked in that country. The averages for the EU are based on economy-level data for the 28 EU member states.

has more up-to-date infrastructure maps than those in the other cities.

Enforcing a contract takes the least amount of time in Prague, but even there it takes more than 22 months—longer than the EU average. In Brno the same process takes over 5 months more. Moreover, among EU member states, only the United Kingdom has a higher cost for contract enforcement than the Czech cities do.

In registering property the Czech cities show homogeneous results—and all of them have a distance to frontier score higher than the EU average. The results vary only in the time the process takes, which depends mainly on the efficiency of the local cadastral office: the time required to register a property transfer like the one in the *Doing Business* case study ranges from 23.5 days (in Ostrava) to 27.5 days (in Plzen and Prague).

### How does subnational performance vary within Portugal?

On aggregate across the five regulatory areas measured, Ponta Delgada and Evora lead the eight cities benchmarked in

Portugal, while Braga and Faro bring up the rear. But the differences in aggregate performance are less pronounced in Portugal than in the other three member states, suggesting relatively consistent implementation of regulations across the country. Indeed, the aggregate distance to frontier score differs by only 1.81 points between Ponta Delgada and Braga (table 1.3).

Nonetheless, differences do exist, and no city excels in all five areas. Porto ranks first in dealing with construction permits but close to the bottom in registering property and enforcing contracts. Coimbra leads in getting electricity and enforcing contracts, but lags behind in dealing with construction permits. Faro, along with Funchal and Ponta Delgada, tops the ranking in registering property, but ranks last in getting electricity.

The performance of the Portuguese cities varies the most in getting electricity and dealing with construction permits (figure 1.3). In these two areas some of the cities surpass the EU average while others lag behind. But in the areas of starting a business, enforcing contracts and registering property all eight cities outperform the EU average.

The differences in scores for dealing with construction permits mainly reflect variation in the time it takes to obtain all the approvals to build and start operating a commercial warehouse. While this process takes slightly more than five months in Porto, it takes almost nine months in Coimbra. The greater time requirement in Coimbra stems from slower processing at municipal offices: getting architectural projects approved can take up to six months. The delays are related to more complicated local permitting regulations (urbanization plans), which require additional effort for harmonization with national building regulations. But they are also due to inefficiencies at the municipality.

The process for getting electricity is most streamlined in Coimbra and Ponta Delgada. There, customers go through four procedures rather than the six needed in Braga, Faro and Porto. In Coimbra the local branch of the utility has implemented a georeferencing system that has eliminated the need for a site visit to determine the cost of the connection. And in Ponta Delgada customers have no need to obtain a certification of their building's internal wiring; instead,

TABLE 1.3 Differences in aggregate performance are minimal in Portugal—with less than two points between the highest and lowest ranking cities

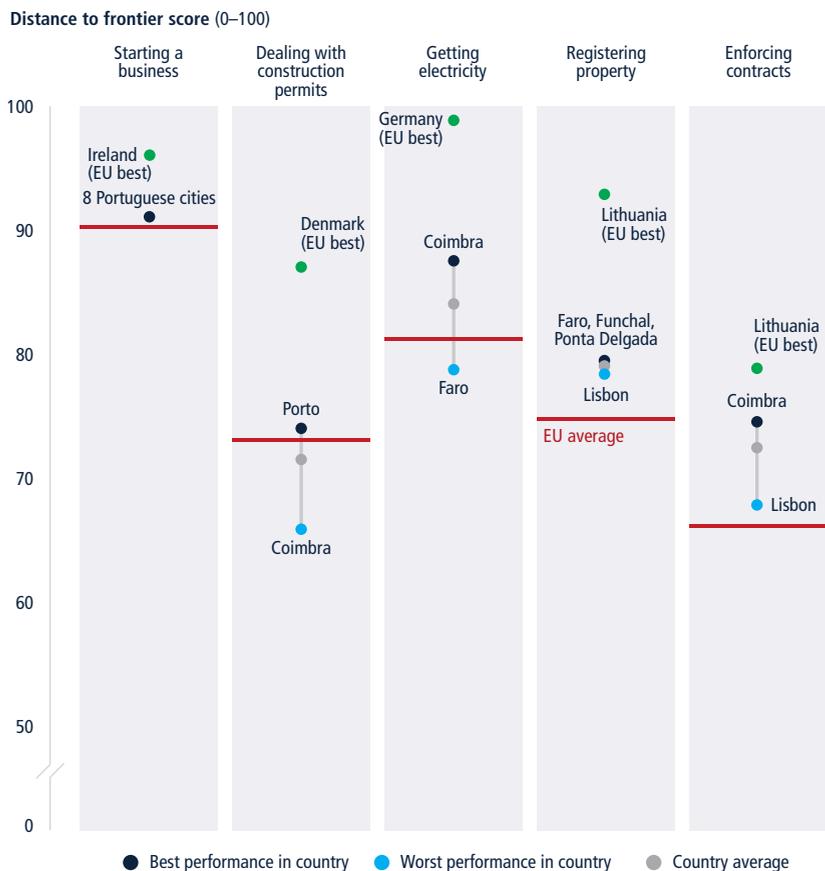
City	Population	Aggregate rank (1–8) <sup>a</sup>	Average DTF score (0–100) <sup>a</sup>	Starting a business		Dealing with construction permits		Getting electricity		Registering property		Enforcing contracts	
				Rank (1–8)	DTF score (0–100)	Rank (1–8)	DTF score (0–100)	Rank (1–8)	DTF score (0–100)	Rank (1–8)	DTF score (0–100)	Rank (1–8)	DTF score (0–100)
Ponta Delgada	68,352	1	80.37	1	90.88	2	73.59	3	85.12	1	79.43	4	72.82
Evora	56,596	2	80.20	1	90.88	3	73.53	5	84.19	5	79.19	3	73.23
Funchal	104,813	3	80.18	1	90.88	6	72.83	4	84.96	1	79.43	4	72.82
Coimbra	134,348	4	79.59	1	90.88	8	65.93	1	87.49	6	79.07	1	74.60
Porto	948,613	5	79.51	1	90.88	1	74.04	6	82.71	7	78.59	7	71.32
Lisbon	1,842,352	6	79.34	1	90.88	5	73.10	2	86.45	8	78.35	8	67.91
Faro	61,073	7	78.97	1	90.88	4	73.42	8	78.83	1	79.43	6	72.28
Braga	181,182	8	78.56	1	90.88	7	66.58	7	82.27	4	79.31	2	73.78

Sources: *Doing Business* database; for population data, Statistics Portugal for Evora and Eurostat for the other cities.

Note: The distance to frontier (DTF) score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*." The data for Lisbon have been revised since the publication of *Doing Business 2018*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

a. Based on the DTF scores for the five regulatory areas included in the table.

**FIGURE 1.3** In Portugal the largest variations in regulatory performance are in getting electricity and dealing with construction permits



Source: *Doing Business* database.

Note: The distance to frontier score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). The averages for Portugal are based on data for the eight cities benchmarked in that country. The averages for the EU are based on economy-level data for the 28 EU member states.

they can present terms of responsibility signed by their technician.

Funchal has the fastest process for obtaining a new connection (50 days). The utility reviews applications relatively quickly. And customers can simply submit a notification that the internal wiring is completed—rather than having to obtain an internal wiring inspection by a specialized third-party firm, as required in continental Portugal.

Among the Portuguese cities, Coimbra and Braga are the fastest in enforcing contracts, thanks to shorter court delays in appointing expert witnesses, obtaining and commenting on their opinions and

setting hearing dates. Lisbon and Porto are special cases, with metropolitan areas that together account for more than half the Portuguese population. The courts in these cities hear large numbers of cases, many of them complex commercial cases that take longer to resolve. Overall, Portugal stands out for low up-front enforcement costs: to start enforcement proceedings the creditor needs to advance only 0.5% of the claim amount (less than EUR 200 as calculated for the *Doing Business* case study).

Of the five regulatory processes measured, registering property and starting a business are the most standardized in Portugal. In all eight cities registering a

property transfer takes a single procedure—making Portugal one of only four countries in the world where only one interaction is required. In Faro, Funchal and Ponta Delgada that procedure can be done on a walk-in basis, within a few hours, at a local Casa Pronta service desk. In the other cities an appointment usually has to be made first by phone, and the wait can be as long as 8 days, as in Porto, or 10 days, as in Lisbon.

Portugal also has a state-of-the-art one-stop shop and electronic platform for business start-up (see box 1.3 below). An entrepreneur can register a company and complete the tax, social security and labor registrations at a single contact point in one or two hours. All the information is automatically shared among the public agencies involved. Indeed, business registration can be completed on the spot, though in Lisbon and Porto an appointment may need to be made in advance.

**How does subnational performance vary within Slovakia?**

For Slovak entrepreneurs, where they choose to establish their business matters for the regulatory hurdles they can expect to face. Starting a business is easier in Presov or Zilina, where dealings with the tax authority to obtain a tax arrears form and register for VAT take eight days—one week less than in Bratislava. Construction permitting is more efficient in Presov, thanks mainly to a more streamlined process for obtaining location and building permits and a shorter wait for a water and sewerage connection. Zilina leads in the area of getting electricity, with a faster and less costly connection process. Trnava stands out for its performance in registering property, a process completed there in less than a week—three times as fast as in Bratislava or Presov. And the district court in Kosice outperforms its peers through faster trial and judgment times.

Bratislava lags behind most of the smaller Slovak cities in all five areas measured (table 1.4). This result could

TABLE 1.4 Except for Bratislava, all the cities in Slovakia rank at the top in at least one area

City	Population	Aggregate rank (1–5) <sup>a</sup>	Average DTF score (0–100) <sup>a</sup>	Starting a business		Dealing with construction permits		Getting electricity		Registering property		Enforcing contracts	
				Rank (1–5)	DTF score (0–100)	Rank (1–5)	DTF score (0–100)	Rank (1–5)	DTF score (0–100)	Rank (1–5)	DTF score (0–100)	Rank (1–5)	DTF score (0–100)
Presov	89,618	1	78.78	1	84.73	1	62.91	2	86.27	4	90.17	2	69.81
Kosice	239,141	2	78.19	4	83.72	3	60.74	3	85.29	2	91.24	1	69.95
Zilina	81,041	3	77.82	1	84.73	5	57.90	1	88.41	3	91.00	4	67.08
Trnava	65,536	4	76.96	3	83.98	2	61.39	5	80.07	1	91.48	3	67.90
Bratislava	425,923	5	76.16	5	81.97	4	59.33	4	83.19	4	90.17	5	66.12

Sources: *Doing Business* database; for population data, Eurostat.

Note: The distance to frontier (DTF) score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter “About *Doing Business* and *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*.” The data for Bratislava have been revised since the publication of *Doing Business 2018*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

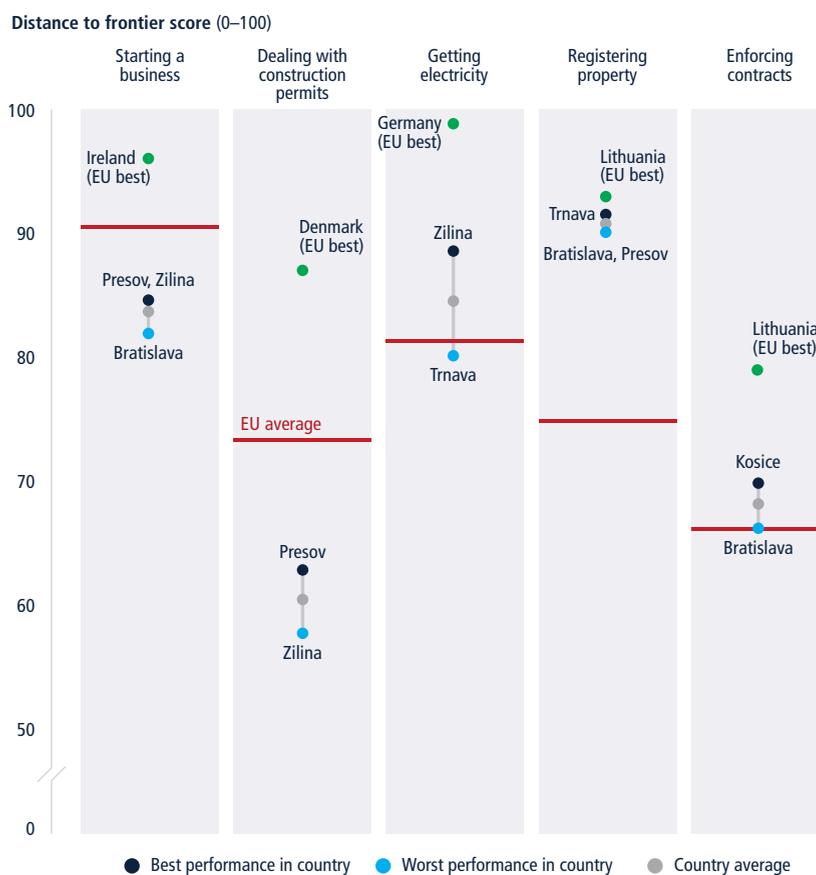
a. Based on the DTF scores for the five regulatory areas included in the table.

be attributed in part to the higher demand for business services in the capital. As an illustration, Bratislava sees more new business licensing applications than all four of the other Slovak cities combined.<sup>9</sup> But some cities do better in managing higher transaction volumes. Prague tops the ranking of the seven Czech cities, demonstrating the potential for dealing efficiently with high demand for business services.

The largest variations in regulatory performance among the Slovak cities are in the areas of getting electricity and dealing with construction permits (figure 1.4). This should be no surprise, because different utility companies operate in different parts of the country and many construction permitting requirements are under municipal control. The details of these disparities in performance are useful for public policy purposes, because they point to areas where improvements could be made without major legislative changes.

For example, the distance to frontier score for getting electricity differs by more than 8 points between the cities ranking highest and lowest. Zilina’s score (88.41) is better than Austria’s—indeed, high enough to rank in the top 10 among EU member states. Meanwhile, Trnava performs below the EU average. The variation stems mainly from differences

FIGURE 1.4 In Slovakia the largest variations in regulatory performance are in getting electricity and dealing with construction permits



Source: *Doing Business* database.

Note: The distance to frontier score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). The averages for Slovakia are based on data for the five cities benchmarked in that country. The averages for the EU are based on economy-level data for the 28 EU member states.

in the internal processes of distribution utilities and in the availability of capacity for connecting new buildings. In Kosice, Presov and Zilina, where a warehouse like the one in the *Doing Business* case study is likely to connect to the low-voltage network, wait times are shorter and the process is less costly. In Bratislava and Trnava, by contrast, the warehouse is likely to get a medium-voltage connection, which requires the installation of a private substation at a cost of around EUR 28,000. So while getting electricity takes 56 days and costs 55.2% of income per capita in Zilina, it takes a month longer and costs more than four times as much in Bratislava and Trnava.

The distance to frontier scores for dealing with construction permits reveal a variation almost as large. But here Zilina, with a score of less than 58.00, performs as poorly as economies ranking in the bottom 20th percentile globally, below all EU member states—while Presov performs better than all cities in Croatia, and the Czech Republic (except Varazdin). The variation stems mainly from differences in the efficiency of building departments in issuing location and construction permits and of local cadastral offices in registering new buildings. For example, obtaining the location and construction permits for a simple warehouse takes 120 days in Presov and 135 in Kosice, but 170 in Bratislava.

Even the best performance among the Slovak cities in construction permitting doesn't come close to the EU average. The process is considerably more burdensome on average in Slovakia than in most other EU member states, largely because of the long wait times for the approvals that builders must obtain. Even in Presov, with the fastest permitting process among the five benchmarked cities, a builder needs to wait two and a half months longer than the EU average and six months longer than in the EU member states with the fastest processes (Denmark and Finland).

But all the Slovak cities except Trnava outperform the EU average in the area of

getting electricity—and all five surpass the EU average in the areas of registering property and enforcing contracts. All the cities benefit from Slovakia's low cost to register a property transfer—the lowest in the EU, at only EUR 272 as calculated for the *Doing Business* case study—and its strong performance on the quality of land administration, with every piece of private property formally registered and properly mapped. Globally, only a fifth of economies cover all private land in both their land records and cadastral maps. In the area of enforcing contracts, all five cities stand out for low up-front enforcement costs and for high scores on the quality of judicial processes index—scores more than two points above the EU average.

### WHAT'S NEXT?

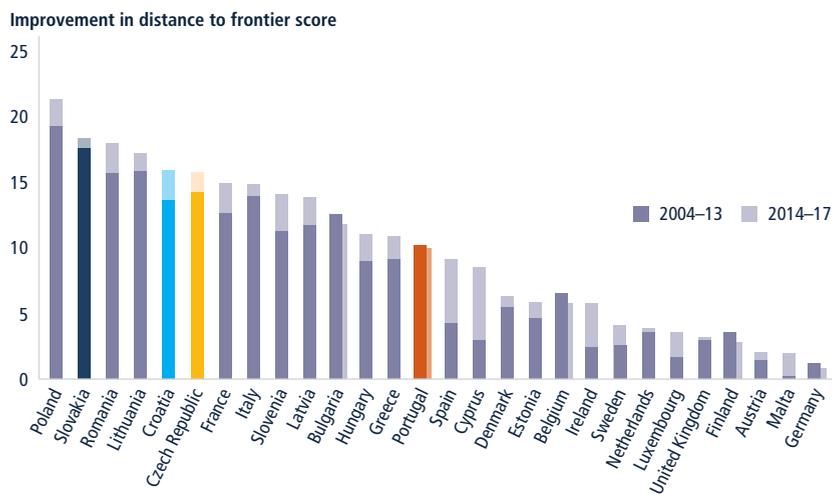
Developing a favorable business environment, conducive to the creation and growth of firms, has been a focus in all four EU member states benchmarked in this study. Slovakia and Croatia are among the five EU member states that

made the most progress in closing the gap with global best practices in business regulation in the past 14 years (figure 1.5). And both Portugal and the Czech Republic have surpassed the EU average on the ease of doing business. Yet challenges remain for all four countries.

The findings of this study provide policy makers at different levels—European, national and local—with evidence for their strategic choices in promoting a better regulatory environment for development and growth. Eliminating unnecessary red tape and improving the effectiveness of bureaucracies can reduce the cost of doing business for local firms, enhancing their efficiency and their ability to compete abroad.

This report's review of the regulatory environment in Croatia, the Czech Republic, Portugal and Slovakia points to possible improvements (see table 1A.1 at the end of the overview). Some recommendations apply to all four countries, others to one or two of them. Some improvements could be achieved by

**FIGURE 1.5** Slovakia and Croatia are among the five EU member states making the most progress in closing the gap with the global best practices in business regulation



Source: *Doing Business* database.

Note: The distance to frontier score shows how far an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Higher scores indicate greater regulatory efficiency and quality. The vertical bars in the figure show only the amount of improvement, not the entire distance to frontier score. Because of significant changes in the *Doing Business* methodology between 2013 and 2014, improvements are measured in two separate periods, 2004–13 and 2014–17. The data set is incomplete for Cyprus, added to the *Doing Business* sample in 2008, and for Malta, added in 2013.

replicating EU or global good practices, others by looking to examples within a country itself.

Indeed, an effective way forward is to promote the exchange of information and experience among cities, enabling underperforming ones to learn from those with higher rankings. Replicating more efficient processes developed by other cities within the same country could produce significant efficiency gains without a need for major legislative changes. The experience of other EU member states benefiting from similar subnational regulatory analysis shows that such improvements

can be implemented relatively quickly, including through the EU's Cohesion Policy programs (box 1.2).<sup>10</sup>

**How to improve the ease of doing business in Croatia?**

Croatia has made much progress in closing the gap with global best practices in business regulation. Yet more could be done to further ease the regulatory burden on companies and align regulatory processes with good practices identified in other EU member states.

To make starting a business or transferring property easier, Croatia could follow

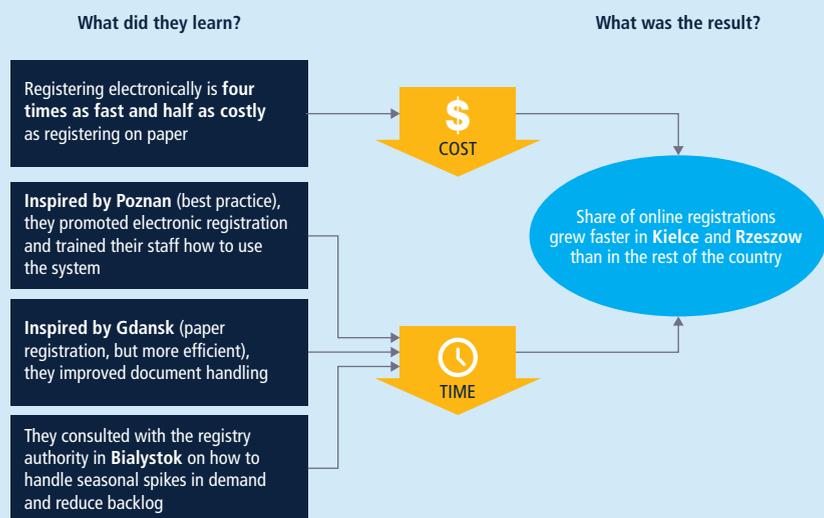
Portugal's example and make the use of notaries optional for companies using standard incorporation documents or deeds. This would allow significant cost savings for entrepreneurs, who today pay costs amounting to 7.3% of income per capita to start a business—more than twice the EU average of 3.4%. Croatia could also make start-up easier over the long run by consolidating all electronic platforms used for different steps into a single online business registration system.

To improve construction permitting, Croatia could introduce a risk-based

**BOX 1.2 How has peer-to-peer learning worked in other EU member states?**

Under the European Commission's "lagging regions" initiative in Poland launched in June 2015, efforts were made to identify and address constraints to growth in less-developed regions. One issue that came to the fore—based on the results of the *Doing Business* subnational assessment—was the variation in efficiency in business registration. In partnership with the European Commission and the World Bank, the Polish government designed an action plan to help the two worst-performing cities adopt practices from their best-ranked peers to make the registration process more efficient (see figure). Inspired by Poznan—the city with the highest take-up of the online business registration system—Kielce and Rzeszow embarked on a promotional campaign

What did the Polish cities with the least efficient business registration learn from their peers with better practices?



to raise awareness about the system and trained staff at the court registry in its use.

To improve the processing of paper-based applications, Kielce and Rzeszow looked to Gdansk, where applications were processed 40% faster thanks to more efficient internal processes. To reduce backlogs and accommodate seasonal spikes in demand, the two cities consulted with judges from the court registry in Bialystok, who provided advice on performance-based pay schemes to help increase efficiency. The efforts paid off: the share of applications for business registration filed electronically grew faster in both cities than in the rest of the country. And while the number of applications returned for correction remained stable on average in Poland, it fell in both Kielce and Rzeszow.<sup>a</sup>

Source: *Doing Business* database.

Similarly, a dedicated Cohesion Policy program targets judicial reform in Italy, where differences in judicial performance are staggering—with lagging regions faring worst. The duration of business disputes in Italian courts can range from just over two years in Turin to five and a half years in Bari.<sup>b</sup>

a. World Bank, *Poland Catching-Up Regions* (Washington, DC: World Bank, 2017).

b. World Bank, *Doing Business in Italy 2013* (Washington, DC: World Bank, 2013).

inspection system and a mandatory insurance regime for construction practitioners. It could consolidate preconstruction approvals by introducing a single-window mechanism. And it could consider lowering the fees for infrastructure development by distributing the development costs over a wider base of existing and potential investors, as New Zealand did.

To help improve the reliability of power supply across the country, Croatia could require utilities to compensate customers or pay a penalty when outages exceed a certain cap. And it could make getting electricity easier by implementing information technology systems that would allow entrepreneurs to submit projects online, track applications and digitize documentation. The national utility's local branch in Varazdin offers the most advanced example across Croatia in the use of technology to facilitate interactions with applicants and the organization of back-office work.

To reduce processing times for property transactions and help prioritize work at the land registry offices, Croatia could follow the example of Portugal and Slovakia by introducing a formal fast-track procedure for an extra fee. And it could improve the quality of land administration by having the land registry and cadastre use the same identification number for each property and by introducing a dedicated mechanism for dealing efficiently with land disputes.

There is also scope for improvement in the area of enforcing contracts. In addition to evaluating court efficiency with a view to reducing backlogs, Croatia could consider improving its small claims procedure and adding more "fast track" features, such as by introducing less formal rules of evidence and limiting the number of expert witnesses who can testify in a case.

Croatian cities could make important gains in competitiveness just by replicating good performances already found within the country. And because Zagreb

represents Croatia in the *Doing Business* global ranking, improvements in this city would be reflected in the country's rankings. If Zagreb were to replicate the best performances recorded across the five cities in the areas of starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts, Croatia would rise to 40 in the global ranking of 190 economies on the ease of doing business—11 places higher than its current ranking according to *Doing Business 2018* (figure 1.6).

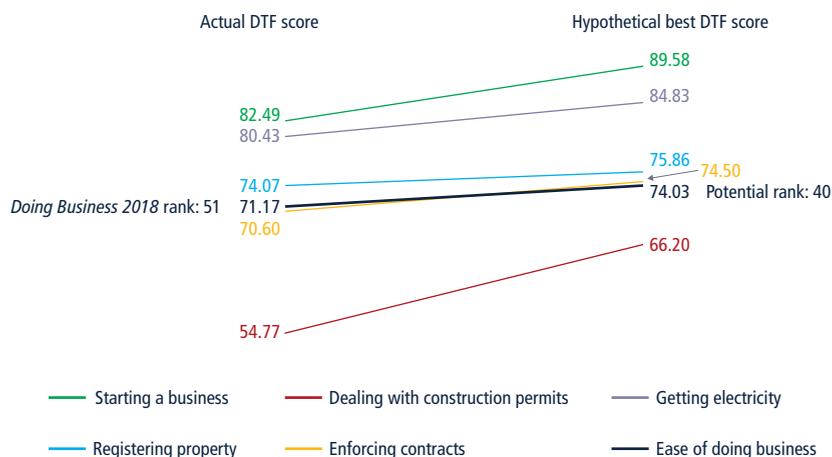
What regulatory changes in Zagreb could help drive this jump in Croatia's overall ranking? Learning from Varazdin how to make the permitting process faster and less costly would improve Croatia's distance to frontier score for dealing with construction permits by more than 11 points, propelling the country almost 20 places higher in the corresponding ranking (from 126 to 107) and past Spain. Learning from Split how to encourage a massive take-up of the HITRO.HR business registration services HITRO would improve

Croatia's distance to frontier score for starting a business by more than 7 points and its corresponding ranking by 22 places, from 87 to 65. Similarly, learning to make the electricity connection process as efficient as in Osijek and the power supply as reliable as in Varazdin, Rijeka or Split would improve Croatia's distance to frontier score for getting electricity by more than 4 points. And in enforcing contracts, achieving the best performances observed among all five cities on time, cost and quality would increase the country's distance to frontier score by almost 4 points and allow it to jump 12 places in the ranking, from 23 to 11.

### How to improve the ease of doing business in the Czech Republic?

Of the four member states, the Czech Republic is the only one in which the capital leads the benchmarked cities in aggregate performance across the five regulatory areas measured. Indeed, while Prague's aggregate distance to frontier score for those five areas surpasses the

FIGURE 1.6 If all local good practices were adopted, Croatia would jump 11 places—to 40—in the global ranking on the ease of doing business



Source: *Doing Business* database.

Note: For the actual distance to frontier scores, Croatia is represented by Zagreb. The hypothetical best scores for the five regulatory areas shown are based on the best performances recorded among all five cities benchmarked within the country. Those scores are used along with Zagreb's actual scores for five other regulatory areas measured by *Doing Business* (getting credit, protecting minority investors, paying taxes, trading across borders and resolving insolvency) to calculate the hypothetical best score for the overall ease of doing business and the corresponding global ranking. The distance to frontier score shows how far on average a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better).

EU average, the other six benchmarked cities all lag behind that average. Thus secondary cities in the Czech Republic could make important gains in competitiveness by replicating good practices already found in Prague.

A good place to start is in the area of getting electricity: Prague has among the most efficient connection processes in the EU and globally. Getting a new connection in the capital takes only two months, a quarter of the time required in Usti nad Labem—and it costs 25.9% of income per capita, more than a tenth as much as in Ostrava. Similarly, Czech cities could look to the efficiency of Prague's judiciary, which achieves the fastest times in enforcing contracts despite heavier workloads. Active case management—including the establishment of realistic deadlines for key court events—helps keep cases on track and avoid the use of adjournments.

Prague is not the only Czech city providing lessons in regulatory quality and efficiency. Brno, the country's second largest city, also offers good examples. Through more efficient communication with investors and other stakeholders, and more up-to-date infrastructure maps to identify connection points for utilities, Brno makes dealing with construction permits easier and less time consuming than the other Czech cities benchmarked. Builders in Brno can complete the permitting process six weeks faster than those in Olomouc, which lacks these elements.

While the Czech Republic already follows many good practices, as documented in this report, the country also has room to improve in most areas measured—to catch up with the EU's best performers. To speed up the process for starting a business, for example, the country could follow the example of Croatia or Portugal, where VAT registration is a simple notification. In the medium term it could consider consolidating VAT and corporate income tax registration with the initial company registration with the court—as Hungary has already done. The

Czech Republic could make construction permitting faster and simpler by consolidating preconstruction approvals in a single-window mechanism. And in the long run it could improve efficiency even more by introducing an electronic one-stop shop where all agencies review permit applications online.

To make getting electricity easier where more complicated connections are required—such as those to the medium-voltage network—the Czech Republic could simplify the process for obtaining the necessary municipal permits. For this, the country could look to the example of Lithuania: there, applicants submit a single consolidated form to the municipality, which then collects the clearances from different departments on their behalf. To make registering property easier, the Czech Republic could consider introducing an option to fast-track a property transfer. Today when an application for a property transfer is received, it triggers a 20-day stay period during which nothing can be done with the application and no registration can be performed.

### **How to improve the ease of doing business in Portugal?**

Portugal's regulatory reform effort in recent years has been remarkable: the country implemented more than 1,000 measures of administrative simplification and e-government between 2006 and 2011 under its successful SIMPLEX program (box 1.3).<sup>11</sup> And the country has world-class systems for starting a business and registering property. But the subnational variation in performance in dealing with construction permits, getting electricity and enforcing contracts suggests that cities could make important gains in competitiveness in these areas by replicating good practices within the country.

Because Lisbon represents Portugal in the *Doing Business* global benchmarking, improvements in this city would be reflected in the country's distance to frontier scores and in its rankings. If

Lisbon were to adopt all the good practices already in place among the eight benchmarked cities, Portugal would rise to 25 in the global ranking of 190 economies on the ease of doing business—four places higher than its current ranking according to *Doing Business 2018* and ahead of Spain and Poland (figure 1.7). Indeed, Portugal's distance to frontier score for enforcing contracts would improve by almost seven points, and its score for getting electricity by almost six points.

But the potential for improvement extends beyond Lisbon to other cities as well. Portuguese cities could make enforcing contracts easier by following the example of Coimbra and Braga, those with the fastest process among the country's benchmarked cities. Coimbra and Braga have the shortest delays in appointing expert witnesses and obtaining and commenting on their opinions, as well as the shortest waits to obtain hearing dates. Coimbra also follows a good practice in the electricity connection process that other cities could replicate: thanks to the utility's use of a georeferencing system there, a site visit is no longer required for preparing an estimate of the connection cost. Moreover, cities in continental Portugal could follow the example of Funchal and Ponta Delgada, where the internal wiring certificate has been replaced by a notification through which the technicians assume responsibility. To make construction permitting easier, Portuguese cities could introduce electronic permitting systems and process guidelines similar to those adopted in Porto. And they could introduce silence-is-consent rules to reduce the time required to obtain approvals of architectural projects.

Other EU member states offer examples of ways to further improve the business environment. To simplify start-up, Portugal could eliminate the notifications required at the start of an employment relationship by following the example of Denmark—which simply

### BOX 1.3 SIMPLEX: combining e-government and red tape reduction initiatives in Portugal

Before 2006, starting a business in Portugal meant visiting several government offices, completing 11 procedures, filling out 20 forms, waiting about two and a half months and paying the equivalent of 13.5% of income per capita.<sup>a</sup> All this changed in 2006 when the government launched the SIMPLEX program, aimed at modernizing public administration, cutting red tape and reducing compliance costs. The program has been widely recognized as having transformed the public sector and its service delivery, winning international accolades in the process.<sup>b</sup>

Among the first initiatives was the Empresa na Hora program, implementing a one-stop shop for company registration. The program introduced preapproved articles of association, created lists of preapproved company names and eliminated outdated formalities such as registering the company books. Today all information provided by an entrepreneur is automatically shared among the public agencies involved—and the entrepreneur can receive a corporate taxpayer number, social security number and commercial registration within an hour, at a cost of EUR 360.

Another early initiative, in 2007, was the Casa Pronta program, enabling users to complete a property transfer through a single interaction. All due diligence—including checking for encumbrances on the property—is now done at one window, in one step. Similarly, the Zero Licensing initiative means that a restaurateur in Lisbon no longer needs to pay 11 visits to four different agencies to get his or her business licensed. One submission through a single electronic point of contact suffices.

Hand in hand with simplification came electronic services. But the online company registration portal was initially accessible only to lawyers and notaries with a digital certification. In 2009 access was granted to the public. Today entrepreneurs can use a *cartão do cidadão*—an identification card enabling users to identify themselves when using online public services as well as to sign documents electronically—to access the portal and register a business from their office. And the use of online services has eliminated the need to issue paper documents. Companies have permanent access to up-to-date certificates on the business portal.

Creating a public sector more responsive to public demands required strong political commitment. One key to the success of the program was that it was under the direct leadership of the prime minister.<sup>c</sup> Another was that it involved mid-level officials so that they could take ownership of the reform. To ensure steady implementation, a network of SIMPLEX focal points was set up with a representative from every ministry, with progress reviewed every two weeks.

Ten years after the first SIMPLEX measures, the program was reinitiated with a more collaborative approach. In SIMPLEX+ users drive the key areas for action, encouraged through public consultations, nationwide tours, a blog and Facebook page, and award ceremonies for the best ideas. The public can track all the initiatives and their impact at <https://www.simplex.pt>.

The SIMPLEX+ 2016 program included 255 measures aimed at reducing redundancies and eliminating the need to fill out forms—including income tax forms. In 2017 the tax authority began providing automatic calculations of personal income tax for about a million taxpayers. The taxpayers need only verify that the provisional declarations uploaded on the Ministry of Finance portal accurately reflect their situation. A data sharing agreement among public entities makes it unnecessary to file information already available to the administration.

The SIMPLEX programs, while successful, have generated a greater volume of transactions thanks to the simplified processes. To ensure sustainability, agencies need to carefully assess their resources. Take the Casa Pronta service desks, where people used to be able to receive services on a walk-in basis. Now some of the service desks are swamped, as in Lisbon, and users sometimes need to book an appointment 10–15 days in advance. Waits like these partly defeat the purpose of regulatory simplification.

a. *Doing Business* database.

b. OECD (Organisation for Economic Co-operation and Development), *Making Life Easy for Citizens and Businesses in Portugal: Administrative Simplification and E-government* (Paris: OECD, 2008). The European Commission awarded the program the European Enterprise Award in the category of reducing red tape in 2016.

c. "SIMPLEX+ 2016 Program," presentation, <https://www.simplex.gov.pt/app/files/8926586c0ad2c9a5e0cc2bd56e30987f.pdf>.

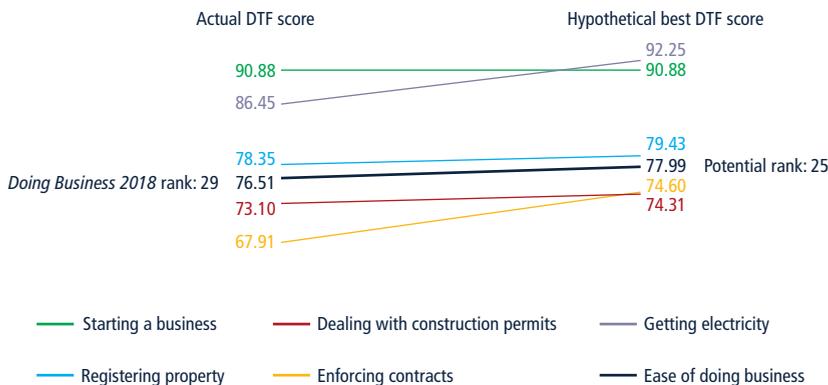
assumes that a business has become an employer when it reports a wage payment for the first time. Alternatively, companies could be allowed to submit information on employees' contracts at incorporation—as is being done in Spain through the online platform CIRCE. To make registering property easier, Portuguese authorities could assess

the feasibility of reducing the cost. At 7.3% of the property value (including the property transfer tax at 6.5% of the property value), this cost ranks Portugal among the six EU member states with the most costly property registration. In addition, Portugal could improve the reliability of its land administration infrastructure by unifying the separate

databases where the land registry and the cadastral agency record information.

To improve efficiency in contract enforcement, Portugal could continue its work to reduce backlogs of civil enforcement proceedings and increase the efficiency of these proceedings. An overhaul of the regulatory regime governing

**FIGURE 1.7** Adopting all local good practices would boost Portugal’s global ranking on the ease of doing business by four places—to 25



Source: Doing Business database.

Note: For the actual distance to frontier scores, Portugal is represented by Lisbon. The hypothetical best scores for the five regulatory areas shown are based on the best performances recorded among all eight cities benchmarked within the country. Those scores are used along with Lisbon’s actual scores for five other regulatory areas measured by *Doing Business* (getting credit, protecting minority investors, paying taxes, trading across borders and resolving insolvency) to calculate the hypothetical best score for the overall ease of doing business and the corresponding global ranking. The distance to frontier score shows how far on average a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better).

enforcement agents has strengthened oversight while also providing greater autonomy in conducting enforcement proceedings. And changes in the fee regime have improved incentives for collection. These measures have increased the efficiency of the enforcement process, and simple enforcement cases conducted exclusively by bailiffs move relatively fast. But more could be done to improve court performance. While case backlogs have been reduced over the past four years, hundreds of thousands of cases are still pending before the courts.

### How to improve the ease of doing business in Slovakia?

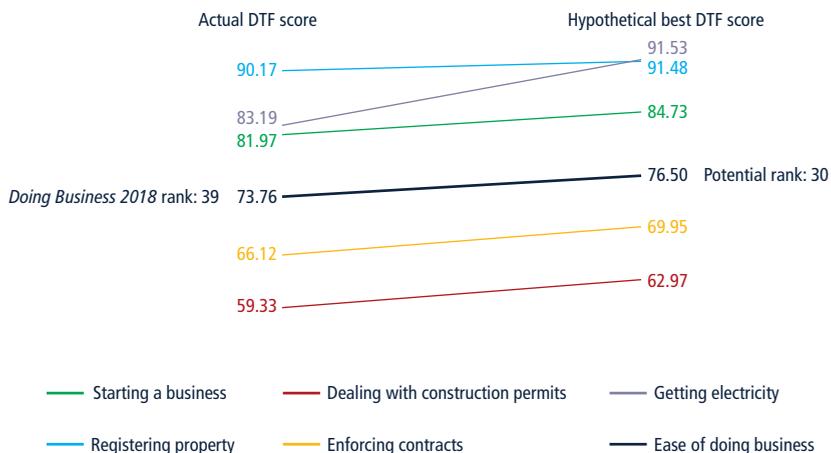
Slovakia has a successful track record of looking to the EU and using international benchmarks like *Doing Business* to improve its regulatory framework. Now it is time to look inward as well. Its cities could do much to increase their competitiveness by introducing improvements already successfully implemented in other cities in the country. Indeed, if a hypothetical city adopted all the good practices found across the

five benchmarked cities in the areas of starting a business, dealing with construction permits, getting electricity,

registering property and enforcing contracts, it would stand at 30 in the global ranking of 190 economies on the ease of doing business—nine places higher than Slovakia’s current ranking according to *Doing Business 2018* (figure 1.8).

And if this hypothetical city were to represent Slovakia in the global benchmarking, these changes would be reflected in higher scores and rankings. In enforcing contracts, for example, reducing the time required to 635 days, as in Kosice, would increase Slovakia’s distance to frontier score by almost four points, ranking the country among the top 30 globally on the ease of enforcing contracts. Similarly, making the electricity connection process as efficient as in Zilina and the supply as reliable as in Bratislava, Kosice and Presov would improve Slovakia’s distance to frontier score for getting electricity by more than eight points, placing the country among the top 15 globally. Other cities could follow the example of Zilina, where the distribution utility introduced a number

**FIGURE 1.8** Adopting all local good practices would propel Slovakia nine places higher in the global ranking on the ease of doing business—to 30



Source: Doing Business database.

Note: For the actual distance to frontier scores, Slovakia is represented by Bratislava. The hypothetical best scores for the five regulatory areas shown are based on the best performances recorded among all five cities benchmarked within the country. Those scores are used along with Bratislava’s actual scores for five other regulatory areas measured by *Doing Business* (getting credit, protecting minority investors, paying taxes, trading across borders and resolving insolvency) to calculate the hypothetical best score for the overall ease of doing business and the corresponding global ranking. The distance to frontier score shows how far on average a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better).

of measures to increase efficiency. For example, it eliminated the approval of project documentation—and instead provides more detailed technical conditions up front so that there is little ambiguity for project designers. It also replaced the completion report with an affidavit through which the entrepreneur confirms that the external connection has been prepared in accordance with the technical conditions.

But the adoption of existing good practices within Slovakia would still leave the country lagging behind most other EU member states in starting a business. The same is true for dealing with construction permits. Looking beyond Slovakia's borders to EU or even global good practices is another way to boost competitiveness.

To make business start-up easier, Slovakia could follow the example of the Czech Republic, where the minimum capital requirement is a symbolic CZK 1, or Portugal, where no minimum paid-in capital is required. Today Slovak entrepreneurs need to deposit EUR 2,500 as paid-in minimum capital—as a share of income per capita (17.2%), this amount remains among the highest in the EU. Slovakia could also consider consolidating VAT registration with business and corporate income tax registration at the Trade Licensing Office's one-stop shop. This would follow the example of Hungary, where VAT registration is a simple notification done during the incorporation process.

Slovakia could make dealing with construction permits easier by increasing the role of certified private sector professionals in the permit-issuing process, consolidating preconstruction clearances and introducing an electronic permitting system. To make enforcing contracts easier, Slovakia could ease the burden on the courts by encouraging the use of alternative dispute resolution, such as by expanding the types of cases that can be submitted to arbitration and

strengthening the validity of arbitration clauses. And to make registering property easier, Slovakia could fully computerize the property transfer process.

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## NOTES

1. Patrice Muller, Jenna Julius, Daniel Herr, Laura Koch, Viktoriya Peycheva and Sean McKiernan, *Annual Report on European SMEs 2016/2017: Focus on Self-Employment*, report prepared for the European Commission (Brussels, 2017), [https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016_en).
2. Thomas Farole, Issam Hallak, Peter Harasztosi and Shawn Tan, "Business Environment and Firm Performance in European Lagging Regions," Policy Research Working Paper 8281 (World Bank, Washington, DC, 2017).
3. See the chapter "About *Doing Business* and *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*."
4. Data include all limited liability companies created in July–December 2017. Statistics provided by the Ministry of Justice of Croatia.
5. "Reports on Activities of Land Registry Offices," Ministry of Justice of Croatia, accessed April 18, 2018, <https://pravosudje.gov.hr/strategije-planovi-i-izvjesca/6346>.
6. World Bank, *Doing Business in Poland 2015* (Washington, DC: World Bank, 2015).
7. Total for all cases at the commercial courts in Split and Osijek in 2017. Data provided by the Ministry of Justice.
8. Data include all limited liability companies created in July–December 2017. Statistics provided by the Ministry of Justice of Croatia.
9. Data include all new limited liability companies licensed in 2016 and the first six months of 2017. Statistics provided by the Ministry of Interior of the Slovak Republic.
10. The Cohesion Policy is the European Union's strategy to promote and support the "overall harmonious development" of its member states and regions. Enshrined in the Treaty on the Functioning of the European Union (article 174), the policy aims to strengthen economic and social cohesion by reducing disparities in the level of development between regions. The policy focuses on key areas that will help the EU face the challenges of the 21st century and remain globally competitive.
11. "SIMPLEX+ 2016 Program," presentation, <https://www.simplex.gov.pt/app/files/8926586c0ad2c9a5e0cc2bd56e30987f.pdf>.

TABLE 1A.1 Potential opportunities for improvement in the four member states

Regulatory area	Croatia	Czech Republic	Portugal	Slovakia	Reform recommendations	Relevant ministries and agencies <sup>a</sup>	
						National level	Local level
Starting a business		•		•	Simplify VAT registration	<ul style="list-style-type: none"> <li>Ministry of justice (Croatia, Czech Republic, Slovakia)</li> <li>Tax authority (all four countries)</li> <li>Ministry of interior (Czech Republic, Slovakia)</li> <li>State Statistical Office (Croatia)</li> <li>Social security, pension or health administration (all four countries)</li> <li>Financial Agency (FINA) (Croatia)</li> </ul>	<ul style="list-style-type: none"> <li>Local, regional or district commercial courts (Croatia, Czech Republic, Slovakia)</li> <li>Trade licensing offices (Czech Republic, Slovakia)</li> <li>FINA, HITRO.HR offices (Croatia)</li> </ul>
	•			•	Reduce or eliminate the paid-in minimum capital requirement for limited liability companies		
		•		•	Review whether certain requirements can be eliminated for small and medium-size businesses		
	•	•			Make third-party involvement optional		
	•				Make company name reservation more transparent and rules based		
			•		Simplify notifications of the start of employment relationships		
	•	•		•	Integrate postregistration procedures into the incorporation process		
	•	•		•	Create a single online process for starting a business		
Dealing with construction permits	•	•	•	•	Introduce or improve electronic permitting systems	<ul style="list-style-type: none"> <li>Ministry of construction or urban planning (all four countries)</li> <li>Cadastre authority (all four countries)</li> <li>Hrvatske Vode (Croatia)</li> <li>Tax authority (Portugal)</li> </ul>	<ul style="list-style-type: none"> <li>Municipalities and building or physical planning offices (all four countries)</li> <li>Local water and sewerage companies (Croatia, Czech Republic, Slovakia)</li> </ul>
	•	•	•	•	Clarify and better communicate the guidelines and requirements for dealing with construction permits		
	•	•	•	•	Introduce mandatory insurance requirements to cover structural defects		
		•	•	•	Streamline building registration procedures by improving communication channels between public agencies		
	•	•		•	Consolidate preconstruction approvals		
		•		•	Enhance the quality of regulatory expertise in collaboration with the private sector		
	•				Consider ways to reduce the burden on entrepreneurs for infrastructure development		
		•			Streamline the process for obtaining the occupancy permit		
			•		Introduce application tracking systems and silence-is-consent rules to increase accountability at the permit-issuing authorities		
Getting electricity		•		•	Streamline the process for obtaining municipal permits	<ul style="list-style-type: none"> <li>National regulatory agency for energy (all four countries)</li> <li>National electric grid company HEP (Croatia)</li> <li>Directorate General for Energy and Geology (Portugal)</li> </ul>	<ul style="list-style-type: none"> <li>Municipalities (all four countries)</li> <li>Authorized electrical installation companies (all four countries)</li> <li>Professional associations of engineers and electrical contractors (all four countries)</li> <li>Local distribution utilities (Czech Republic, Portugal, Slovakia)</li> <li>Regional Energy Directorate (Portugal)</li> <li>Regional Directorate for the Economy and Transports (Portugal)</li> </ul>
	•	•	•	•	Simplify the process for obtaining an excavation permit		
	•				Improve the reliability of electricity supply		
	•	•		•	Reduce the up-front cost of obtaining a new connection		
				•	Eliminate the project approval by providing detailed technical requirements up front		
			•		Replace the internal wiring certificate with self-certification of compliance		
			•		Eliminate the need for an on-site inspection to determine the technical conditions and cost of the connection		

TABLE 1A.1 Potential opportunities for improvement in the four member states (continued)

Regulatory area	Croatia	Czech Republic	Portugal	Slovakia	Reform recommendations	Relevant ministries and agencies <sup>a</sup>	
						National level	Local level
Registering property	•	•			Introduce a fast-track registration procedure	<ul style="list-style-type: none"> <li>• Ministry of Justice (Croatia)</li> <li>• Cadastre authority (Czech Republic, Slovakia)</li> <li>• Institute of Registries and Notaries (Portugal)</li> <li>• Tax authority (Croatia, Portugal)</li> </ul>	<ul style="list-style-type: none"> <li>• Municipal courts (Croatia)</li> <li>• Land registry offices (Croatia, Czech Republic, Slovakia)</li> </ul>
	•				Update local and national tax information internally by linking systems across institutions		
			•		Assess the feasibility of reducing property transfer taxes		
	•	•		•	Introduce standardized contracts for property transfers and consider making the use of lawyers or notaries optional		
	•	•	•	•	Create an electronic platform for property transfers		
Enforcing contracts	•	•	•	•	Continue to assess internal court procedures with a view to reducing time and backlogs	<ul style="list-style-type: none"> <li>• Ministry of justice (all four countries)</li> <li>• Judiciary (all four countries)</li> </ul>	<ul style="list-style-type: none"> <li>• Local municipal and commercial courts (Croatia)</li> <li>• District courts (Czech Republic, Slovakia)</li> <li>• First-instance courts (Portugal)</li> </ul>
	•	•	•	•	Promote alternative dispute resolution		
	•	•	•	•	Set legal limits on the granting of adjournments		
	•	•			Improve or introduce fast-track procedures for small claims		

Note: All reform recommendations are detailed in the "What can be improved?" section of the corresponding chapter.  
a. The list includes the main ministries and agencies relevant to each regulatory area, but others might also be implicated.

# Starting a Business

## MAIN FINDINGS

- The ease of starting a business varies substantially among the cities benchmarked in Croatia, the Czech Republic and Slovakia. But no variations in performance emerge among those in Portugal.
- If represented by Split rather than Zagreb in the *Doing Business* global ranking on the ease of starting a business, Croatia would jump 22 places, from 87 to 65. In Split more than half of new limited liability companies are set up using a government service that simplifies start-up. In Zagreb most company founders choose to register their business in person at the court.
- Starting a business in the Czech Republic or Slovakia can take anywhere from just over two weeks (as in Olomouc, Presov and Zilina) to almost a month (as in Prague and Bratislava). The variation is due mainly to differences in efficiency among regional branches of the national tax authority in issuing the value added tax identification number.
- All four countries have implemented electronic filing for company registration. But except in Portugal, the process cannot be completed fully online—because company founders still need to deliver or pick up several documents in hard copy.



Each year millions of entrepreneurs across the European Union start new businesses. These ventures might range from a tile-making company in Porto or a small bookstore in Plzen with fewer than 15 employees to a large shipping company in Split with more than 100 on its payroll or an information technology firm in Kosice with earnings of more than EUR 20 million a year. Small and medium-size companies like these make up 9 of 10 businesses and create two of every three jobs in the EU.<sup>1</sup> All that entrepreneurship helps the EU economy grow, create jobs and ramp up innovation. Not surprisingly, fostering entrepreneurship and creating a favorable business environment for these economic powerhouses has been a focus for many EU member states.

Simplifying start-up formalities, often the first government regulation that companies must comply with, has been at the forefront of these efforts. *Doing Business* recorded no fewer than 66 reforms by EU member states to ease business start-up over the past 10 years.<sup>2</sup> Indeed, all member states but two implemented at least

one such reform in that period.<sup>3</sup> Results at the country level show the importance of these efforts. In Portugal business registration reforms reduced the time and cost for formalizing a company, leading to an increase in the number of business start-ups of 17% and in the number of new jobs created monthly per 100,000 inhabitants of 7. Moreover, the reforms may have created a more inclusive environment for aspiring entrepreneurs: after they were implemented, new start-ups were more likely to be female-owned, and they tended to be smaller and headed by entrepreneurs with less experience and education.<sup>4</sup> Results at the regional level for Italy provide similar evidence: provinces with a longer process for starting a business have lower rates of firm creation than those with a more streamlined process.<sup>5</sup>

## HOW DOES STARTING A BUSINESS WORK IN THE FOUR MEMBER STATES?

All four countries covered by this study have a start-up process that is more

complex than the EU average (figure 2.1). Starting a business takes eight procedures in the Czech Republic, Slovakia and most of the cities benchmarked in Croatia, while it takes seven in Rijeka (Croatia) and six in Portugal and Split (Croatia). The EU average is five procedures. Belgium, Estonia, Finland, Ireland and Sweden manage to regulate business start-up through only three.

The process for starting a business is relatively slow but inexpensive in the Czech Republic and Slovakia. In Portugal the process is both fast and relatively inexpensive. In Croatia the picture is more mixed. Start-up takes less than a week in all benchmarked cities in Portugal and in Split (Croatia). In Zagreb (Croatia) and across the cities benchmarked in the Czech Republic and Slovakia it takes almost three weeks on average. Among EU member states only Poland, Bulgaria and Austria impose a longer wait on entrepreneurs.

The average cost to start a business in Croatia, at 7.3% of income per capita, is seven times the average in the Czech Republic and Slovakia and more than twice the EU average of 3.4%—a figure that includes top performers such as Slovenia (no cost) and Ireland (0.2%). About 90% of the cost in Croatia represents notary fees for drafting the company deed and preparing other founding documents. In addition, entrepreneurs in Slovakia need to deposit EUR 2,500, and those in Croatia HRK 10,000 (EUR 1,344), as paid-in minimum capital. Only a symbolic amount is required in the Czech Republic (CZK 1). In Portugal there is no paid-in minimum capital requirement.

An inventory of the start-up formalities and procedural steps faced by companies in the four countries shows that Portugal has managed to streamline and integrate most such procedures in a one-stop shop (table 2.1). Yet its start-up process still requires three separate notifications of the start of an

## WHAT DOES STARTING A BUSINESS MEASURE?

*Doing Business* records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement (see figure). To make the data comparable across locations, *Doing Business* uses a standardized limited liability company that is 100% domestically owned, has five owners, has start-up capital equivalent to 10 times income per capita, engages in general industrial or commercial activities and employs between 10 and 50 people within the first month of operations.

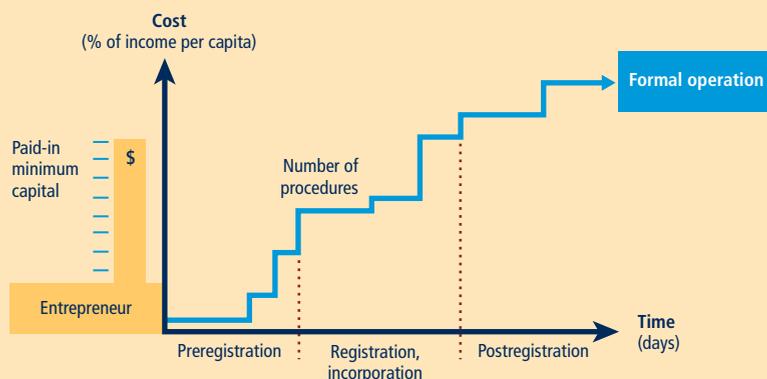
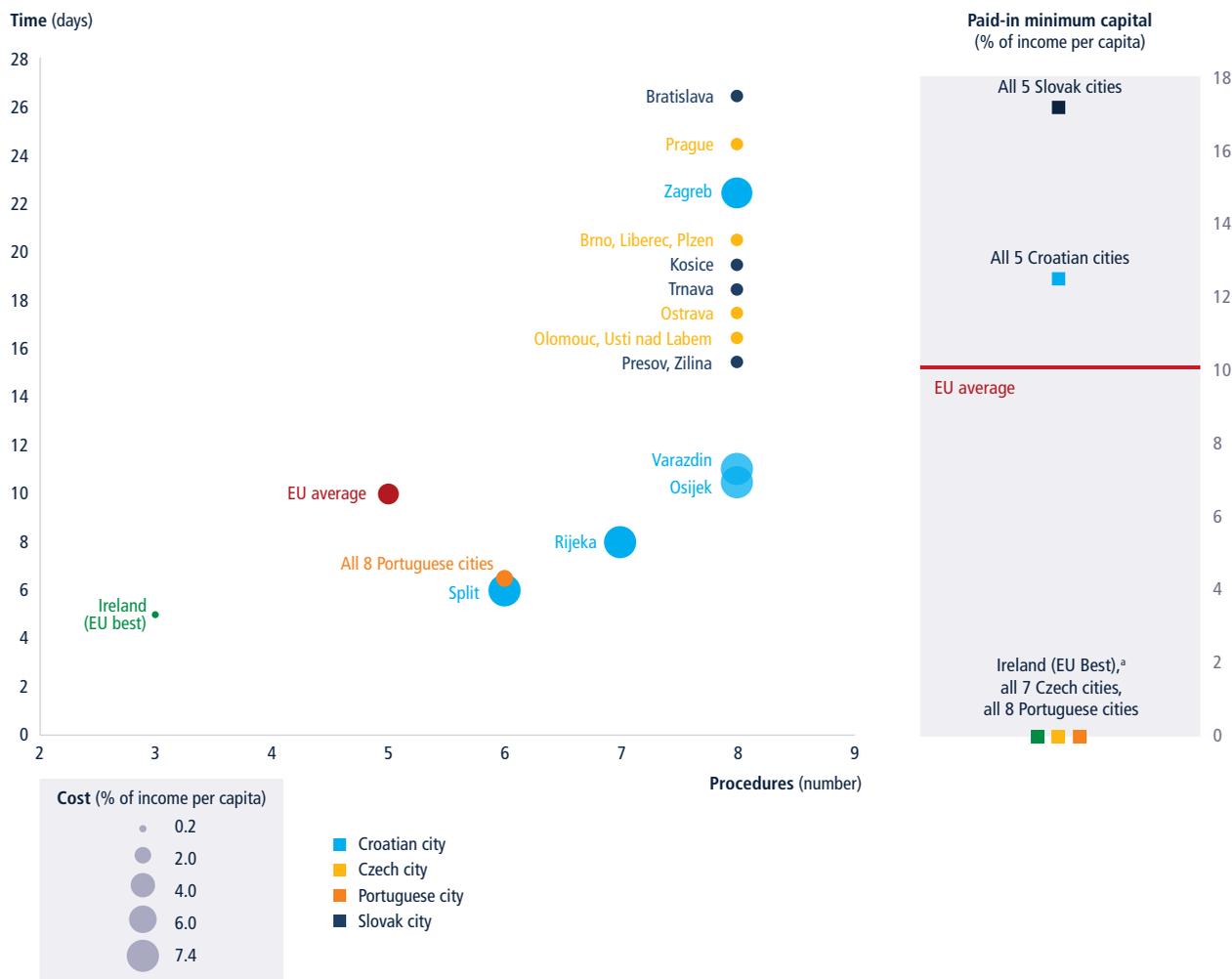


FIGURE 2.1 In all 25 cities the start-up process is more complex than the EU average—but in some it is also faster or less expensive



Source: Doing Business database.

Note: The averages for the EU are based on economy-level data for the 28 EU member states.

a. Three other EU member states have no minimum capital requirement: Cyprus, the Netherlands and the United Kingdom. And five others have a requirement amounting to less than 0.1% of income per capita: Bulgaria, France, Greece, Italy and Latvia.

employment relationship (see formality 13 in table 2.1). In three of the four countries the registration for business income tax (see formality 6 in table 2.1) is integrated with commercial registration. In the Czech Republic, however, businesses must register separately for this purpose. In Slovakia company founders need to obtain a tax clearance before applying for business registration. And in Croatia, where the requirement for a company seal was recently abolished by law, most newly incorporated companies nevertheless order one because a seal is still needed in practice.

In all four countries applications for business and tax registrations can be submitted electronically, using electronic signatures, electronic identification (e-ID) or electronic mail boxes. In Croatia, however, electronic applications must be followed by the submission of documents in hard copy. At the end of the registration process most companies in Croatia, the Czech Republic and Slovakia receive hard copies of their business and tax registration documents, which they need in future interactions with public or private entities. In Portugal no physical documents are issued. Instead,

companies are issued a code (renewable for a fee) to access their registration documents online.

The use of intermediaries (notaries, lawyers, accountants) in the incorporation process varies substantially among the four countries. In Croatia and the Czech Republic companies must hire a notary to draft and certify the company documents. No such requirement exists in Portugal, where standard incorporation documents are available to the public. In Slovakia signatures can be certified by either a notary or a public registrar.

TABLE 2.1 Portugal has managed to streamline and integrate most startup formalities and procedural steps in a one-stop shop

Formalities	Croatia	Czech Republic	Portugal	Slovakia
1. Name check	Yes, reservation done in most cases	Yes	Included in 5	Yes
2. Notarization of company documents	Yes	Yes	n.a.	Yes (or certification at registrar's office)
3. Tax clearance for company founders	n.a.	n.a.	n.a.	Yes
4. Trade licensing	n.a.	Yes	n.a.	Yes
5. Business registration	Yes	Yes	Yes	Included in 4
6. Tax registration	Included in 5	Yes	Included in 5	Included in 4
7. VAT registration	Yes (notification)	Included in 6	Yes (by default)	Yes
8. Opening of bank account	Yes	Yes	Yes	Yes
9. Company seal	Yes <sup>a</sup>	n.a.	n.a.	n.a.
10. Statistical registration	Yes <sup>a</sup>	n.a.	Included in 5	n.a.
11. Social security or pension registration	Yes	Yes	Included in 5	Yes
12. Health insurance registration	Included in 11	Yes	n.a.	Yes
13. Employee registration	Included in 11	Included in 11 and 12	Three separate notifications <sup>b</sup>	Included in 11 and 12

Source: *Doing Business* database.

Note: n.a. = not applicable.

a. If done using HITRO.HR ("single access point"), the procedure can be included in procedure 5: business registration.

b. For social security, workmen's accident compensation insurance and the labor compensation funds (FCT and FGCT).

In Portugal a certified accountant must complete the tax registration process for a newly incorporated company. Croatia is the only country among the four that restricts access to its online business registration system (to notaries and employees of the one-stop shop). In the Czech Republic notaries have privileged access to the online business registration system—online registration using a simplified notarial deed is fastest, taking only one day—but the public can access and use the electronic platform as well.

Most of the procedures benchmarked can be completed in a short time (one to three days), in accordance with statutory time limits uniformly enforced across cities within each of the countries. One exception is the value added tax (VAT) registration in the Czech Republic and Slovakia: applications are evaluated for risk, to assess the applicants' capacity and intention to undertake activities subject to VAT—a procedure that can take one to three weeks. By contrast, in Croatia VAT registration is a simple notification, and in

Portugal all companies are registered for VAT by default.<sup>6</sup>

Among the 25 cities benchmarked in this study, starting a business is easiest in the eight Portuguese cities and most difficult in Prague (Czech Republic), Zagreb (Croatia) and Bratislava (Slovakia) (table 2.2). There are no variations in performance among the cities benchmarked in Portugal. But there are substantial differences among those in the other three countries. In the Czech Republic and Slovakia the variations are due to differences in efficiency among regional branches of the national tax authority in issuing the business income tax and VAT identification numbers. In Croatia they are due to differences in how companies register. In Split and Rijeka, the best performing cities in the country, half or more of companies register using a government service that undertakes several formalities on their behalf, with the aim of providing simpler and faster start-up; in the other cities less than half of companies do so.

### How does the process vary within Croatia?

Business registration in Croatia involves multiple agencies and intermediaries—the court registry, notaries, commercial banks, HITRO.HR (single access point), the State Statistical Office, the Tax Administration, the Institute for Pension Insurance and the Institute for Health Insurance (figure 2.2). Croatian entrepreneurs have different options for registering a new company. They can use HITRO.HR, a government service available in all major Croatian cities at counters established in the offices of the Financial Agency (FINA), a public entity providing financial intermediation and information technology services. They can have a notary complete the process on their behalf. Or they can deal directly with the court registry. Applications can be filed electronically through the online business registration system only by notaries or HITRO.HR officials. No matter which option entrepreneurs choose, incorporation documents must be notarized, and supporting documents submitted in hard copy to the court registry.

TABLE 2.2 Starting a business in Croatia, the Czech Republic, Portugal and Slovakia—where is it easier?

City (Country)	Rank	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in minimum capital (% of income per capita)
Braga (Portugal)	1	90.88	6	6.5	2.1	0.0
Coimbra (Portugal)	1	90.88	6	6.5	2.1	0.0
Evora (Portugal)	1	90.88	6	6.5	2.1	0.0
Faro (Portugal)	1	90.88	6	6.5	2.1	0.0
Funchal (Portugal)	1	90.88	6	6.5	2.1	0.0
Lisbon (Portugal)	1	90.88	6	6.5	2.1	0.0
Ponta Delgada (Portugal)	1	90.88	6	6.5	2.1	0.0
Porto (Portugal)	1	90.88	6	6.5	2.1	0.0
Split (Croatia)	9	89.55	6	6	7.4	12.5
Rijeka (Croatia)	10	87.59	7	8	7.4	12.5
Olomouc (Czech Republic)	11	85.56	8	16.5	1.0	0.0
Usti nad Labem (Czech Republic)	11	85.56	8	16.5	1.0	0.0
Osijek (Croatia)	13	85.50	8	10.5	7.3	12.5
Varazdin (Croatia)	14	85.38	8	11	7.3	12.5
Ostrava (Czech Republic)	15	85.31	8	17.5	1.0	0.0
Presov (Slovakia)	16	84.73	8	15.5	1.1	17.2
Zilina (Slovakia)	16	84.73	8	15.5	1.1	17.2
Brno (Czech Republic)	18	84.55	8	20.5	1.0	0.0
Liberec (Czech Republic)	18	84.55	8	20.5	1.0	0.0
Plzen (Czech Republic)	18	84.55	8	20.5	1.0	0.0
Trnava (Slovakia)	21	83.98	8	18.5	1.1	17.2
Kosice (Slovakia)	22	83.72	8	19.5	1.1	17.2
Prague (Czech Republic)	23	83.55	8	24.5	1.0	0.0
Zagreb (Croatia)	24	82.49	8	22.5	7.2	12.5
Bratislava (Slovakia)	25	81.97	8	26.5	1.1	17.2

Source: *Doing Business* database.

Note: Rankings are based on the average distance to frontier score for the procedures, time, cost and paid-in minimum capital associated with starting a business. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*." The data for Bratislava, Lisbon, Prague and Zagreb have been revised since the publication of *Doing Business 2018*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>. In Croatia the data for Split and Rijeka capture business registration using HITRO.HR services. The data for Zagreb capture in-person registration at the court, while the data for Osijek and Varazdin capture electronic registration.

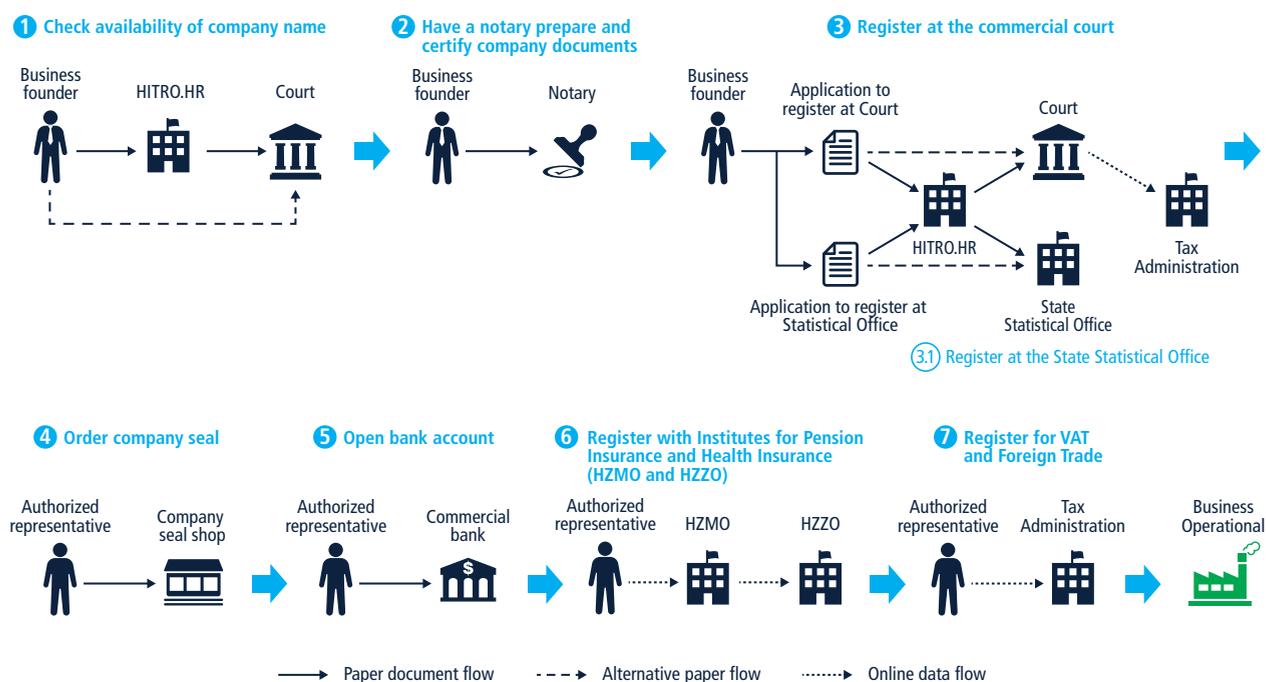
Among the five cities surveyed, Zagreb is the only one where the majority of limited liability companies are not incorporated using the online business registration system<sup>7</sup>—even though in-person registration at the court takes more time (14 days compared with 3 days on average for online registration). Start-up in Zagreb requires eight procedures and more than three weeks.

HITRO.HR is used in setting up half or more of new limited liability companies in Split and Rijeka, making it easier to start a business there. The take-up of its services is lower in the other three cities (figure 2.3). When entrepreneurs use HITRO.HR, its officials can complete the registration with the State Statistical Office on their behalf without a need for a separate application, thus eliminating

one procedure from the start-up process. Moreover, in Split most applicants also order a company seal at HITRO.HR—which has contracted the services of a local seal maker—thus avoiding a separate visit to a private vendor.

As data for Split illustrate, completing the start-up process through HITRO.HR takes only six procedures and six

FIGURE 2.2 Business registration in Croatia involves multiple agencies and intermediaries



Source: "Summary Note—Policy Options for Reforming the Business Entry Regime" (World Bank Group, Washington, DC, October 2017).

days. Indeed, if Split rather than Zagreb represented Croatia in the *Doing Business* global ranking on the ease of starting a business, the country would jump 22 places, from 87 to 65.

Challenges remain that may be limiting the take-up of HITRO.HR services. HITRO.HR officials can assist entrepreneurs in carrying out some of the steps needed to complete a company registration, but they have limited authority in others. For example, HITRO.HR lacks the authority to handle registrations on its customers' behalf with some of the agencies involved, such as the Tax Administration and the Institutes for Pension Insurance and Health Insurance. The requirement to have the articles of association prepared and certified by a notary might also reduce HITRO.HR's appeal to entrepreneurs, who often choose to complete the company registration process using notaries instead.

Another variation across the cities stems from the discretionary power of judges in

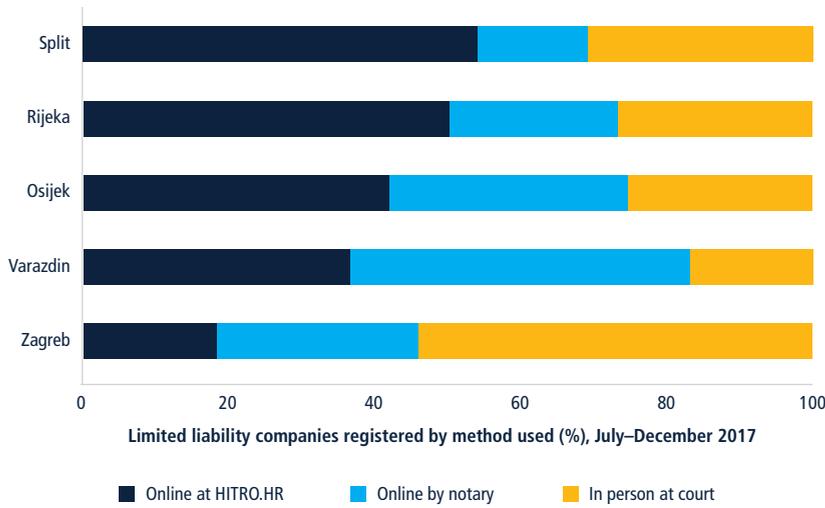
the registration process, which leads to differences in practices. Take the simple process of choosing a company name. The availability of a company name can be checked online at no charge. But because of the lack of clear guidelines for business names and the exercise of judicial discretion, more than 30% of name applications are being rejected in Zagreb—though rejection rates are lower elsewhere in the country.<sup>8</sup> To avoid rejection and the need to redo the company documentation, most entrepreneurs setting up a new limited liability company in Zagreb or Osijek choose to reserve a company name before proceeding to incorporation. Receiving the court's decision on a company name can take two to five days. In Varazdin, where rejection rates are lower, a company name is reserved ahead of time for only a fifth of new limited liability companies formed.<sup>9</sup>

Yet another variation among the cities comes from the time it takes to obtain the final court decision on company

registration. The court is obligated by law to register a company within 24 hours if the application is submitted electronically (or within 15 days if it is submitted in person). But the electronic application needs to be followed by the submission of the original documents in hard copy. After receiving the paperwork, the court prepares and delivers its final decision—which the company needs to have in hard copy for future interactions with public or private agencies (such as the Tax Administration, the State Statistical office and banks). Receiving the final court decision can take anywhere from one day in Split to four days in Varazdin.<sup>10</sup>

The cost to start a business in Croatia ranges from 7.2% of income per capita in Zagreb to 7.4% in Split and Rijeka. The difference comes from the fees for HITRO.HR services. Even if not using HITRO.HR for company registration, entrepreneurs from outside Zagreb need to visit HITRO.HR to apply for a statistical number

FIGURE 2.3 HITRO.HR is used in registering half or more of new limited liability companies in Split and Rijeka



Source: Statistics provided by the Ministry of Justice of Croatia.

because the State Statistical Office has no branches outside the capital.<sup>11</sup>

**How does the process vary within the Czech Republic?**

In the Czech Republic, across all seven cities surveyed, starting a business involves completing the same eight procedures, at a cost of 1% of income per capita. The process takes longest in the capital, almost a month. It takes eight days less in Olomouc and Usti nad Labem (figure 2.4).

The first step is to hire a notary, as all limited liability companies must be registered through a notarial deed. For simple cases the notary fee to prepare the deed is a flat CZK 2,000 (EUR 78.83). For companies with a more complex structure the notary fee is assessed as a percentage of the start-up capital. Notaries also have the legal authority to register a company directly in the business registry, with no follow-up or verification by court officers. Having a notary register the company online avoids the need to pay a court fee of CZK 6,000 (EUR 236.50)—a notary fee of CZK 1,300 (EUR 51.24) is charged instead—and ensures that the process can be completed the same day.

The main factor driving the variation in time among the seven cities is tax registration. Income tax registration usually takes one to five days. But applicants can wait 10 days to be registered for both income tax and VAT purposes in Olomouc and Usti nad Labem—and 18 days in Prague, where application volumes are highest. The tax authority completes an evaluation of the company’s assets, premises and business plans and, if needed, initiates a registration hearing to ensure that its founders have no history that might raise questions about its risk.

A company performing general commercial or industrial activities also needs to have its activities licensed. The Trade License Office must complete the registration process within five working days and typically does so in one day (as in Ostrava) or two, for a fee of CZK 1,000 (EUR 39.42). Newly incorporated companies are also required to register for social security and health insurance.

Entrepreneurs can apply simultaneously for several of these registrations by using the services offered at Czech Points (integrated filing centers for public agencies, located at post offices throughout the country). But most prefer to apply separately with each agency. Employees at Czech Points may lack familiarity with the laws and regulations governing each registration and provide little guidance on applications. Moreover, submitting applications through Czech Points involves an additional fee, and the documents are sent to the relevant agencies by regular mail. So joint applications save neither money nor time.

**How does the process vary within Portugal?**

Portugal has one of the fastest business start-up processes in the EU. It has a centralized commercial registry database and allows a company to be incorporated anywhere in the country no matter where it is based. Across all eight cities surveyed,

FIGURE 2.4 The time required to start a business varies substantially among cities in Croatia, the Czech Republic and Slovakia



Source: Doing Business database.

starting a business involves completing the same six procedures, which takes about a week and costs EUR 360 (the equivalent of 2.1% of income per capita). Most procedures can be completed on the spot, though in Lisbon and Porto an appointment may need to be made in advance at the one-stop shop—Empresa na Hora (on-the-spot firm).<sup>12</sup> Controls are carried out afterward. The six procedures consist of registering the business at the one-stop shop (figure 2.5), opening a bank account, informing the tax authority of the commencement of activity and registering employees with three different entities—social security, workers' accident insurance and the labor compensation funds (FCT and FGCT).

The process wasn't always so easy. Registering a business used to require visiting several different public agencies, completing 11 procedures, preparing 20 forms and documents, waiting about two and a half months and paying the equivalent of 13.5% of income per

capita.<sup>13</sup> This changed in 2006, when the government implemented the Empresa na Hora program as part of a larger initiative of administrative simplification and e-government (SIMPLEX). The program introduced preapproved articles of association (which eliminated the legal obligation to provide public deeds or notary acts), substantially reduced the administrative fees, created lists of preapproved company names and eliminated outdated formalities such as registering the company books. Today, using a preapproved company name and standard articles of association, an entrepreneur can set up a company at a single contact point in one or two hours. All the information is automatically shared among the public agencies involved (registry, social security, tax authority).

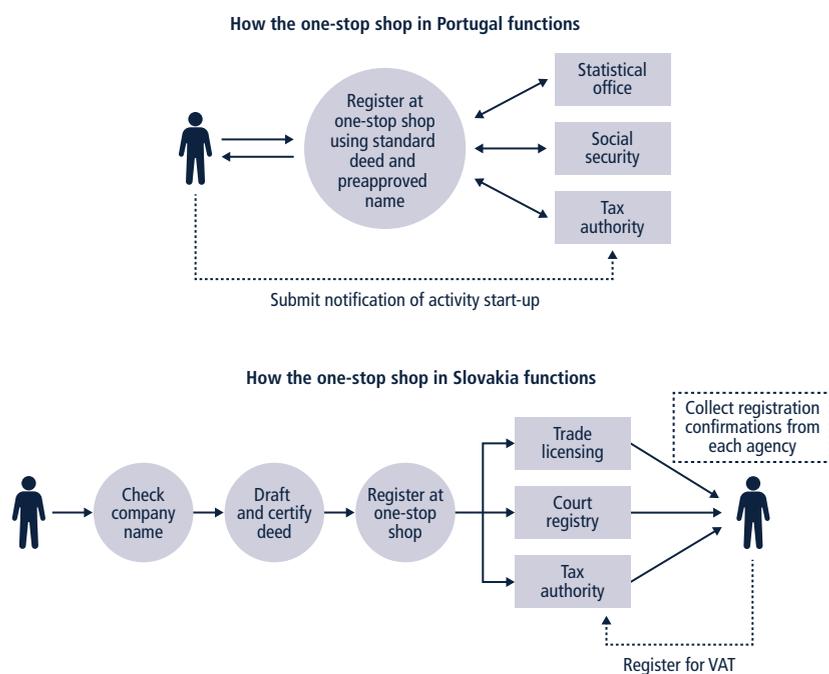
Moreover, business registration has moved online—thanks to the introduction of a new identification document that enables citizens to identify themselves when using online public services as

well as to sign documents electronically. Lawyers, notaries and ordinary citizens can access the Empresa Online portal and complete the business registration process without leaving their offices or exchanging any paperwork. In addition, Empresa Online gives companies permanent access to up-to-date certificates and other company documents, eliminating the need for paper forms. Anytime a public or private entity requests such documents from a company, the company can simply send a code allowing access to them.

### How does the process vary within Slovakia?

In Slovakia starting a business anywhere in the country requires the same eight procedures and the same fees, equivalent to 1.1% of income per capita. Yet the time it takes varies substantially among the five cities benchmarked—ranging from about two weeks in Presov and Zilina to almost four weeks in Bratislava (see figure 2.4).

FIGURE 2.5 How do the one-stop shops of Portugal and Slovakia compare?



Source: *Doing Business* database.

Authorities must register a business within a couple of days. But the deadlines for tax registrations are much longer, allowing up to 30 days for business income tax and 21 days for VAT.

Registering for VAT requires that company founders provide considerable information (such as a business plan, details on company assets and evidence of the adequacy of registered premises for commercial activity). The tax authority evaluates this information to determine whether the applicant meets the criteria for VAT registration. The aim is to prevent tax fraud by ensuring that a company's founders have no history that might raise questions about its risk. If the tax authority considers an application to be risky, it might request a financial guarantee as a hedge against any future VAT-related liabilities. VAT registration is fastest in Zilina, where it takes 5 days for companies that are deemed to be low risk. In Bratislava, where application volumes are highest, it takes about 10 days.

Before company registration, a separate visit to the tax authority is needed to obtain written confirmation that the company founders are not on the list of tax debtors. Obtaining this clearance takes two days in Presov and five days in Bratislava.

Some of these registration procedures have been integrated. For example, company founders can apply for business income tax registration at the same time as commercial registration at the one-stop shop set up at the Trade Licensing Office (under the Ministry of Interior). But tax clearance, VAT registration—undertaken voluntarily by many companies at start-up<sup>14</sup>—and employer registration for social security and health insurance remain separate procedures.<sup>15</sup> And while the application process is joint, each authority—tax, court and licensing—communicates the outcome separately to the applicant (see figure 2.5).

In addition to a small fee for certifying signatures on company documents, authorities charge fees for commercial registration: EUR 150 if the application is submitted online and twice that amount if it is submitted in person. No fee is charged for the other procedures.

## WHAT CAN BE IMPROVED?

This chapter's review of the business start-up process in the four EU member states points to several areas of possible improvement. Most recommendations apply to Croatia, the Czech Republic and Slovakia. Portugal already has a state-of-the-art one-stop shop and electronic platform to help businesses incorporate (see box 1.1 in the overview). Going forward, it needs to ensure appropriate allocation of resources to keep up with other leading economies as they continue to improve in this area.

### Simplify VAT registration CZECH REPUBLIC, SLOVAKIA

In the Czech Republic and Slovakia obtaining a VAT number takes as long as one to three weeks (figure 2.6). The reason is that tax officers undertake a thorough evaluation of a company's founders, premises and declared business activity to reduce the risk of noncompliance and fraudulent claims.

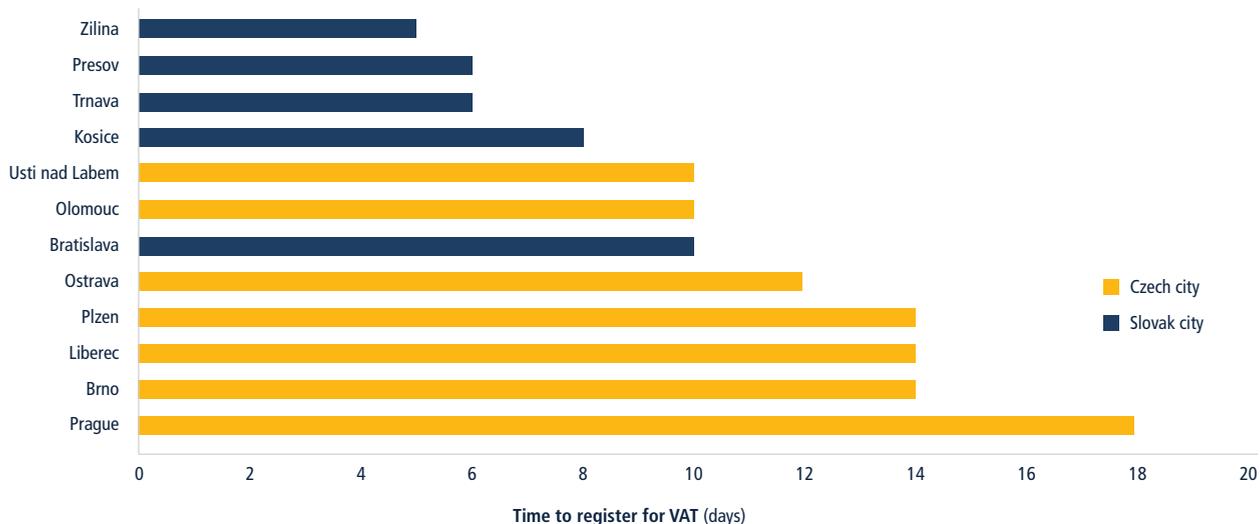
Streamlining risk screening at the point of registration would allow a reallocation of the resources used to perform this activity to other compliance actions. VAT

registration could take place in parallel with corporate tax registration, with the two registrations synchronized as part of the initial company registration with the court. This would eliminate the need for separate VAT registration, reducing the burden on both the taxpayers and the tax authority.

This kind of approach is already used in Hungary, where VAT registration can be declared during the company incorporation process at the Court of Registration. Completing all three registrations takes just one or two days. In Portugal all companies are registered for VAT at incorporation, with smaller companies being exempted from VAT filing if their turnover falls below a certain threshold. In Croatia, while VAT registration remains a separate process, obtaining a decision on the registration takes only one to two days. After registration, checks can be performed to assess the accuracy of the information submitted.

Other countries also offer examples. In Lithuania the founders of a new company can complete VAT registration online in three days or less when registering with the Register of Legal Entities. Similarly, in Latvia a VAT law in force since 2013

FIGURE 2.6 VAT registration is time consuming across cities in the Czech Republic and Slovakia



Source: Doing Business database.

allows simultaneous filing of the company and VAT registration applications at the commercial registry, and the process can be completed in three days.

### Reduce or eliminate the paid-in minimum capital requirement for limited liability companies CROATIA, SLOVAKIA

Slovakia's paid-in minimum capital requirement, at 17.2% of income per capita, and Croatia's, at 12.5%, remain among the highest in the EU (figure 2.7).

Yet research shows that minimum capital requirements provide little protection to creditors and hardly any security for investors during insolvency.<sup>16</sup> Recovery rates are no higher in economies with paid-in minimum capital requirements than in those without them.<sup>17</sup> Before making an investment decision, creditors

usually assess other protections—in the company law, insolvency law and secured transactions law.

In addition, requiring fixed amounts of capital fails to take into account differences in commercial risk. A small firm in the services industry does not present the same risk as a large manufacturing company in a volatile market. Moreover, a minimum capital requirement can act as a barrier to entry—especially for small companies.<sup>18</sup> Tying up funds to meet capital requirements where these are sizable can have substantial opportunity costs, forcing companies to limit spending on such needs as hiring and training employees, investing in equipment or developing services.

Today more than 100 economies benchmarked by *Doing Business* have no paid-in

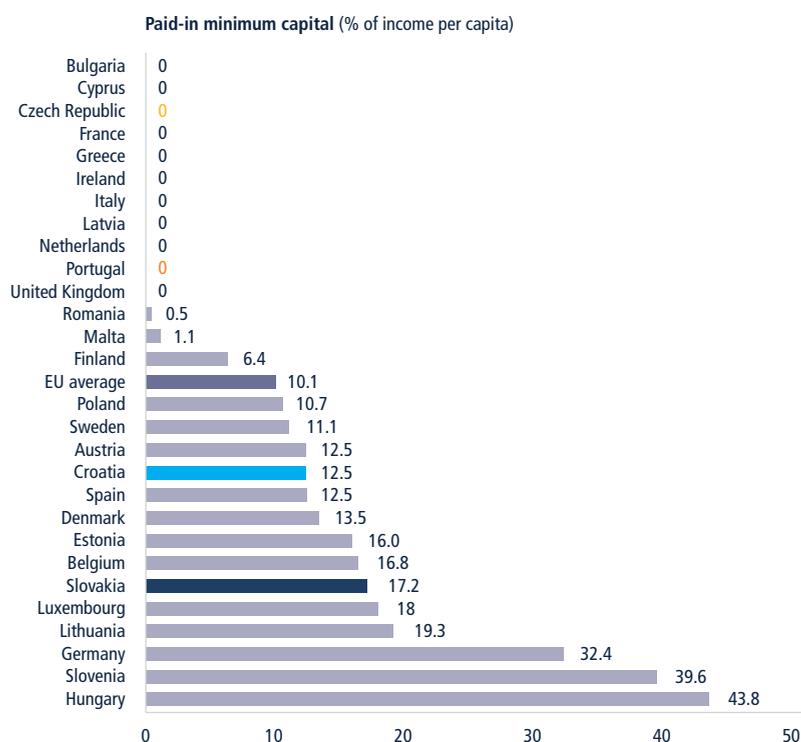
minimum capital requirement. Among EU member states, five have no requirement: Cyprus, Ireland, the Netherlands, Portugal and the United Kingdom. Six others have a requirement amounting to less than 0.1% of income per capita: Bulgaria, the Czech Republic (box 2.1), France, Greece, Italy and Latvia. Globally, 35 economies abolished or reduced their paid-in minimum capital requirement over the past five years.<sup>19</sup>

### Review whether certain requirements can be eliminated for small and medium-size businesses CZECH REPUBLIC, SLOVAKIA

In the Czech Republic and Slovakia every newly established company needs to have its activities licensed. In most EU member states professional chambers grant licenses to businesses. More often, licenses are required only for companies in regulated or strategic sectors and industries. For others, a simple statement of own responsibility suffices. This is the case in Spain, where company founders file a declaration stating that they comply with the law applicable in the relevant sector. Rather than being applied across the board, licensing requirements should be limited to activities affecting safety, public health, the environment and the like—in each case on the basis of a clear public policy objective.

Another requirement warranting review relates to paid-in minimum capital. In the Czech Republic, while the minimum capital requirement for a newly registered company is a symbolic CZK 1, the law still requires that entrepreneurs forming a company deposit the minimum capital and provide a confirmation from the bank that the capital contribution is held in the company's bank account. This requirement could be eliminated by allowing companies to register by just declaring their authorized capital. While companies will continue to open bank accounts to operate their business, there may be no need to provide proof of one at registration.

FIGURE 2.7 Eleven EU member states require no paid-in minimum capital or only a symbolic amount



Source: *Doing Business* database.

Note: Bulgaria, the Czech Republic, France, Greece, Italy and Latvia have a paid-in minimum capital requirement amounting to less than 0.1% of income per capita. The average for the EU is based on economy-level data for the 28 EU member states.

### BOX 2.1 How reducing minimum capital requirements paid off in the Czech Republic

In the Czech Republic before 2014, the paid-in minimum capital requirement for a new limited liability company was CZK 200,000 (equivalent to almost a third of income per capita) and at least CZK 20,000 for each founding partner. A 2014 amendment to Act 90/2012 Coll. on Corporations reduced these capital requirements to a symbolic CZK 1.

What prompted this change? A desire to extend access to advantages stemming from this business form—limited liability, tax flexibility, relatively few corporate formalities—to a wider set of Czech entrepreneurs. The effort paid off: by one estimate the number of new limited liability companies in the Czech Republic grew by 9% between 2013 and 2014—from 22,227 to 24,266. While the number has continued to grow in every year since, the 9% rate was exceeded for the first time only between 2016 and 2017 (at 12%), when domestic and international economic conditions were much more favorable.<sup>a</sup>

a. “Loni vzniklo 32 187 firem, nejvíc od roku 2007” [Last year, 32,187 companies were established, the highest since 2007], Bisnode, press release, January 29, 2018, <https://www.bisnode.cz/o-bisnode/o-nas/novinky/loni-vzniklo-32-187-firem-nejvic-od-roku-2007/>.

In addition, once business registration is completed entirely online, the government could form partnerships with commercial banks, allowing them to link their online platforms with the online one-stop shop. Then entrepreneurs registering their business through the online one-stop shop could also access the bank of their choice to apply for a new account online. Examples of such arrangements can be found in Norway and in Lithuania, where starting a business has recently become easier thanks to the ability to apply online for a bank account during the electronic business registration process.

Change is already under way in Slovakia to eliminate a procedural requirement. Today company founders need to obtain a clearance from the tax authority confirming that they are not on the list of tax debtors. Obtaining this clearance takes two to five days. A legislative amendment, set to take effect on September 1, 2018, will eliminate the requirement for applicants to prove a clear tax record and shift the burden of checks to a public agency (the court registry). To ensure effective implementation, the tax authority will need to grant the court registry access to a comprehensive and up-to-date list of debtors.

#### **Make third-party involvement optional** **CROATIA, CZECH REPUBLIC**

As measured by *Doing Business*, the cost to start a business in Croatia amounts to more than 7% of income per capita—an

amount topped only by Italy, Cyprus, Poland and Malta among EU member states. About 90% of this cost comes from the mandatory step of hiring a notary to prepare the company deed and other founding documents and to certify founders' specimen signatures. While the same requirement exists in the Czech Republic, notary fees there are only a fifth of those in Croatia. The government could lower the cost of starting a business by developing standard incorporation documents that are flexible enough to accommodate most small businesses, thus allowing entrepreneurs to draft and file the documents themselves. Eliminating the requirement to have a notary prepare incorporation documents would be an important cost-saving measure, especially for small businesses. Larger companies, with more complex structures, could continue to consult professionals if needed.

Experience elsewhere shows that requiring businesses to use legal services for registration is not necessary to ensure accuracy and compliance with the law, particularly for simpler forms such as partnerships and limited liability companies. Portugal successfully made third-party involvement optional for companies using standard incorporation documents provided by the registry. Slovakia allows registry staff to certify statements of consent of the company founders and their specimen signatures. Registrars are professionals who could be entrusted by law with the power to

verify documents and identities—just as notaries are. A single verification should suffice for a standard company.

Moreover, with the introduction of online registration and digital signatures, the need to verify personal identification becomes obsolete. The Singapore registrar, for example, simply assumes that businesses have no interest in going through with a fraudulent registration. The registry office uses postregistration verification, informing people that a company has been created with their names listed as founders. Thus rather than verifying every application, officials can focus their time on the few fraudulent cases in which people are listed as company founders without their consent.

Globally, almost half the economies benchmarked by *Doing Business*—including Denmark, France, Portugal, Romania and Slovakia—have no requirement for using legal or notary services in company registration, and more and more are making the use of these services optional.

#### **Make company name reservation more transparent and rules based** **CROATIA**

The significant number of company name applications being rejected in Croatia's courts suggests a need to identify ways to make name reservation more transparent and rules based. Applicants should be able to search the business registry online, familiarize themselves with a set

of objective rules on business names and complete the name reservation in one online session, without having to interact with back-office staff.

For a model, Croatia could look to Australia, Canada and the United States, where in the early 2000s many states or provinces introduced clear rules for ascertaining whether proposed company names are identical to an existing one, contain a restricted word or phrase, or require special consent. These rules have increased both transparency and efficiency in company name search and clearance. People can go online to check the availability of the business name they intend to use and then apply for it. This triggers automated tests to determine whether the name is available, resulting in automatic rejection or acceptance. In Australia, in exceptional circumstances, the authority responsible for reviewing company names (the Australian Securities and Investments Commission) may also perform a manual review and reject a name if it is an unknown word or deemed to be offensive or potentially misleading.

Alternatively, Croatia's court registry could provide a list of preapproved company names from which applicants could choose. Other countries offer examples. Portugal's Empresa Online platform allows users to select a preapproved name from the registry's website and proceed to the one-stop interface to register their company.

### **Simplify notifications of the start of employment relationships** **PORTUGAL**

Employers in all EU member states are required to pay social security contributions, employee income withholding tax or both. And when new employees start a job, their employers are typically required to submit information on the wages paid, the number of hours worked and certain details of the employment contract.

The increase in job turnover has raised the costs of job start and end notifications. Meanwhile, automation has reduced the costs of submitting the same contract

details every month. As a result, several EU member states simply assume a job start when wage-related taxes are paid for the first time for an employee—and assume a job end when these are paid for the last time. To support this approach, they require employers to include information on an employee's job characteristics with the payment of wage-related taxes rather than reporting this information separately.

This approach further simplifies procedures compared with those in countries where the employer registration is integrated with the registration of economic activity, as is the case in Portugal. The reason is that not all businesses hire people immediately after being founded.

In Portugal companies must file three separate notifications at the start of each employment relationship, including with social security and the labor compensation funds (FCT and FGCT). The country could follow the example of Denmark, where simply reporting a wage payment for the first time is assumed to mean that the business has become an employer.

Alternatively, Portugal could allow companies to submit information on employees' contracts at incorporation. In Spain, for example, a new company can register employees through the online platform CIRCE at the moment of incorporation. Similarly, in Côte d'Ivoire company founders can enter the names and details of up to 20 employees on the company registration form, allowing them to register the employees with social security at the moment of company registration and through one step. Another option for Portugal would be to integrate the three separate notifications of an employment relationship into a single registration.

### **Integrate postregistration procedures into the incorporation process** **CROATIA, CZECH REPUBLIC, SLOVAKIA**

After completing business registration, new companies in the Czech Republic

and Slovakia must register with social security and health insurance. These procedures could eventually be integrated into the business registration process. In both these countries sole proprietors can apply jointly for social security, health insurance and tax registration at the one-stop shop at the trade licensing office. The same option could be offered to legal entities as well.

In Croatia HITRO.HR officials can help businesses register with the statistical office, but they lack the authority to register them for tax, pension and health insurance purposes. Giving HITRO.HR the authority to complete the entire business registration process could improve efficiency.

And in all three countries, continuing the integration efforts—with a single, consolidated online interface as the final goal—would further simplify the process for starting a business.

### **Create a single online process for starting a business** **CROATIA, CZECH REPUBLIC, SLOVAKIA**

Several EU member states have a one-stop shop allowing entrepreneurs to register a business for all purposes: for notification of the economic activity, for VAT, for business income tax and as an employer. Portugal's Empresa Online platform allows users to select a preapproved company name and standard incorporation documents from the registry's website and proceed to the one-stop interface to register the company. The registry then automatically processes the tax, social security and labor registrations and publishes the incorporation notice. In Hungary companies register electronically with the Court of Registration and immediately obtain their business income tax, VAT and statistical numbers. In Slovenia, thanks to interconnectivity between the systems of different agencies, the electronic single window (e-Vem) allows entrepreneurs to register with the business registrar, the statistical

office, the tax authority and the health institute in a single step.

In Croatia, the Czech Republic and Slovakia, however, there is no single interface offering integrated procedures for registering a business for all purposes. And not all procedures can be completed fully online, with several documents still needing to be delivered in hard copy. To be effective, online platforms need to be accompanied both by measures stimulating business take-up and by the possibility of completing the entire process online (that is, with no need for paper copies).

E-government services are being rolled out in all three countries. The availability of online services has increased—such as the online business registration system in Croatia and the public administration portal slovensko.sk in Slovakia (box 2.2). And the Czech Republic was among the first EU member states to adopt an e-government act, which led to the introduction of an innovative “data box” system facilitating communication and the sharing of official documents between businesses and public authorities (box 2.3).<sup>20</sup>

### BOX 2.2 Rolling out a platform for providing e-government services in Slovakia

In Slovakia e-government services are provided through the central government portal slovensko.sk, a platform administered by the Office of the Vice Prime Minister for Investments and Informatization. The portal’s main purpose is to supply a single electronic access point for requesting and providing public services. But not all public agencies and service providers are using the platform yet.

Users can access the central government portal through an ID chip card with a qualified electronic signature, which can be obtained from the government at no cost; or through a qualified electronic signature mechanism on flash drive, which is available from licensed private providers for a fee. The portal ensures the authentication of users and creates a secure transaction to direct data to the government agency or service provider responsible for responding to their request.

The portal also sets up and manages “data boxes” (electronic mail boxes) for users. Since June 2017 every newly incorporated company has been provided with a data box at no cost. The data box stores electronic communications or documents from public offices (or the platform administrators). In principle, all public authorities are obligated to use data boxes when communicating with private entities. But some agencies are still implementing the necessary changes. For example, the tax authority has been granted additional time to adapt its online platforms. And while all registered companies have been required to communicate electronically with the tax authority since January 2018, the agency still uses traditional mail to deliver official documents. Mandatory two-way electronic communication is expected in the next phase of implementation for the system.

*Sources:* Information provided by the Office of the Vice Prime Minister for Investments and Informatization; “O portáli” [About us], slovensko.sk, accessed May 29, 2018, <https://www.slovensko.sk/sk/o-portali>.

### BOX 2.3 E-government in the Czech Republic: using data boxes to enhance business communications

In 2009 the Czech government, as part of its e-government agenda, introduced a system of “data boxes”—electronic mail boxes for exchanging official documents. The aim was to make communication between businesses and public authorities faster, less costly, and more transparent and reliable.

The data boxes have progressively changed the way that businesses interact with state agencies in the Czech Republic. Since 2012 the Ministry of Interior has provided all companies, upon their incorporation, with a data box at no charge. Thus today, rather than using printed documents, entrepreneurs can submit forms and information from any device connected to the internet. For example, data boxes enable them to submit documents electronically for tax registrations, tax filings and social security registrations as well as to communicate electronically with the court, cadastre or city authorities.

Each data box is identifiable through a unique combination of seven alphanumeric characters, and all data are encrypted. Using a data box requires no additional hardware or authentication technology. Every message transmitted through the data box system includes a time stamp and an electronic stamp from the ministry confirming its authenticity.

Messages and documents are stored in the data box at no charge for the first 90 days. The period can be extended for a fee. Users may also subscribe to a paid “data safe” service, which allows them to archive files and messages. These can then be retrieved, with a new time stamp issued and used for official purposes.

All public agencies in the Czech Republic are legally required to use data boxes as a primary means of communication and delivery of official documents. And the system can be used for communication not only between public and private entities but also, for a fee, between private entities.

*Sources:* Information provided by the Ministry of Interior of the Czech Republic; “Datové schránky” [Data boxes], Ministry of Interior of the Czech Republic, accessed May 29, 2018, <http://www.mvcr.cz/clanek/datove-schranky-datove-schranky.aspx>.

National e-ID, which should be key in enabling the use of e-government services, has already been introduced in Slovakia and is set to be introduced in mid-2018 in the Czech Republic. Croatia already has a system for identity verification, called e-Citizen, though its implementation has been slow.

The next step should be to improve the interoperability of e-government infrastructure to help address the fragmentation of services and databases between the agencies involved in the start-up process. This would allow the integration of business registration into a single process with a single online submission of information to satisfy the registration requirements of all relevant agencies. An applicant for business registration would be able to file all the data needed through a single form, while a back-office system would automatically exchange the input data with all involved agencies and receive their outputs without additional interactions with the applicant. All output documents could be dispatched to the applicant in electronic form, as is already being done in Hungary. Companies could also be issued with a registration code—as in Portugal, where institutions such as courts, banks, notary offices, and state and municipal authorities have online access to the company registry and can make their own checks of the legal status of companies that provide their registration code, without requesting additional paperwork.

## NOTES

- As defined in EU Recommendation 2003/361, small and medium-size enterprises are companies with a staff headcount of less than 250 and turnover of EUR 50 million or less. Data are from “Statistics on Small and Medium-Sized Enterprises: Dependent and Independent SMEs and Large Enterprises,” Eurostat, last updated January 26, 2018, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics\\_on\\_small\\_and\\_medium-sized\\_enterprises](http://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_small_and_medium-sized_enterprises).
- Doing Business* database.
- These are Belgium and Finland.
- Lee Branstetter, Francisco Lima, Lowell J. Taylor and Ana Venâncio, “Do Entry Regulations Deter Entrepreneurship and Job Creation? Evidence from Recent Reforms in Portugal,” *Economic Journal* 124, no. 577 (2014): 805–32.
- Francesco Bripi, “The Role of Regulation on Entry: Evidence from the Italian Provinces,” Working Paper 932 (Bank of Italy, Rome, 2013).
- Smaller companies that do not meet the turnover threshold are exempted from VAT filing in Portugal.
- Data include all limited liability companies created in July–December 2017. Statistics provided by the Ministry of Justice of Croatia.
- Data include all name reservations submitted online using the online business registration system in October–December 2017. Statistics provided by the Financial Agency (FINA), Center for HITRO.HR.
- Data include all limited liability companies established with and without name reservation in July–December 2017. Statistics provided by the Ministry of Justice of Croatia.
- Data include all companies incorporated online using the online business registration system in October–December 2017. Statistics provided by the Financial Agency (FINA), Center for HITRO.HR.
- The application can also be submitted by mail, but this is rarely done in practice.
- The appointment is made by phone and usually given one or two days later.
- Doing Business* database.
- VAT registration becomes mandatory for a company once its turnover exceeds EUR 49,790.
- Act 264/2017 amending the Commercial Code 513/1999, section 1056—scheduled to enter into force on September 1, 2018—will give the commercial registry access to the debtors list maintained by the tax authority, thus eliminating the requirement for applicants to prove a clear tax record.
- Geoffrey Elkind, “Minimum Capital Requirements: A Comparative Analysis” (U.S. Agency for International Development, Washington, DC, 2007). Other relevant studies include John Armour, “Legal Capital: An Outdated Concept?” *European Business Organization Law Review* 7, no. 1 (2006): 5–27; Friedrich Kübler, “A Comparative Approach to Capital Maintenance: Germany,” *European Business Law Review* 15, no. 5 (2004): 1031–35; Joelle Simon, “A Comparative Approach to Capital Maintenance: France,” *European Business Law Review* 15, no. 5 (2004): 1037–44; and Peter O. Mülbart and Max Birke, “Legal Capital—Is There a Case against the European Legal Capital Rules?” *European Business Organization Law Review* 3, no. 4 (2002): 695–732.
- World Bank, *Doing Business 2012: Doing Business in a More Transparent World* (Washington, DC: World Bank, 2011).
- Andre Van Stel, David Storey and Roy Thurik, “The Effect of Business Regulations on Nascent and Young Business Entrepreneurship,” *Small Business Economics* 28, no. 2 (2007): 171–86.
- Doing Business* database.
- Act 365/2000 Coll. on Public Administration Information Systems, adopted September 14, 2000.

# Dealing with Construction Permits

## MAIN FINDINGS

- The ease of dealing with construction permits for a simple warehouse varies substantially among the cities benchmarked in all four countries. The most variation is observed in the time and cost required.
- Construction permitting is more complex in all four countries than in most other member states of the European Union. But 10 of the 25 cities benchmarked have a permitting process that is faster than the EU average.
- Among the Croatian cities, Varazdin has the fastest and least costly permitting process. Indeed, if represented by Varazdin rather than Zagreb in the *Doing Business* global ranking on the ease of dealing with construction permits, Croatia would move up by almost 20 places, from 126 to 107—surpassing Spain.
- The Czech Republic and Slovakia lag behind all other EU member states in the building quality control index. But their benchmarked cities would rank among the top 10 economies globally on the cost of dealing with construction permits, along with Estonia and Poland.
- Dealing with construction permits takes around five months in most of the Portuguese cities benchmarked, but around nine months in Braga and Coimbra. The gap is due mainly to differences in efficiency among municipal authorities—but also to more complicated local permitting regulations in Braga and Coimbra.



Construction is one of the main economic drivers in the European Union, contributing 9% of overall GDP and providing 18 million direct jobs.<sup>1</sup> In 2017 the EU construction sector grew by 3.8% on average, the strongest growth since the 2008 financial crisis.<sup>2</sup> Meanwhile, the construction industry has been at the forefront of regulatory overhauls as governments respond to technological advances and changing requirements for urban planning. In the past five years 10 of 28 EU member states have reformed their regulatory frameworks to encourage efficient and sustainable building standards and to accommodate growing demand for electronic governance.<sup>3</sup>

### HOW DOES CONSTRUCTION PERMITTING WORK IN THE FOUR MEMBER STATES?

In Croatia, the Czech Republic, Portugal and Slovakia the construction regulation includes a national framework, which outlines the general principles of territorial planning and of the building control systems, and local regulations, which define the specific features of the building control systems within each municipality.<sup>4</sup> In the Czech Republic and Slovakia construction permitting involves a two-tier process requiring investors to obtain both a location permit and a construction permit.<sup>5</sup> In the Czech Republic clearances must be obtained from the relevant public entities for both permits, while in Slovakia

simpler projects typically do not require a second set of clearances.

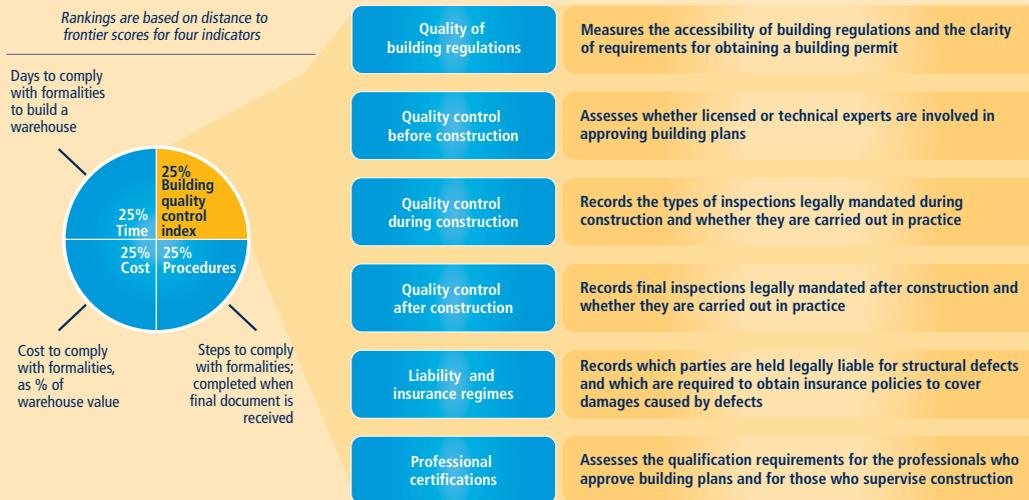
Construction inspections are mandatory in all four member states. In the Czech Republic, Portugal and Slovakia local authorities are responsible for construction oversight, while in Croatia inspections are carried out by a central authority (the Ministry of Construction). In addition, in Croatia the construction process must be overseen by an external supervisor, while in the other three countries this is done by an in-house engineer.

Among the four countries, dealing with construction permits is easiest in Portugal, where on average it takes 14 procedures and 189 days and costs 0.8% of the warehouse value (table 3.1). The

### WHAT DOES DEALING WITH CONSTRUCTION PERMITS MEASURE?

To measure the ease of dealing with construction permits, *Doing Business* records the procedures, time and cost required for a small or medium-size business to obtain the approvals needed to build a commercial warehouse and connect it to water and sewerage. This includes all inspections and certificates needed before, during and after construction of the warehouse. To make the data comparable across locations, it is assumed that the warehouse is in the periurban area of the analyzed business city, that it is not in a special economic or industrial zone and that it will be used for the general storage of nonhazardous materials such as books. In addition, *Doing Business* compiles a building quality control index that measures the underlying quality of construction regulations and controls. The index accounts for one-fourth of the distance to frontier score for dealing with construction permits (see figure).

#### Dealing with construction permits: measuring the efficiency and quality of building regulation



process is fastest in Croatia (taking 153 days on average) but also most expensive there (costing 9.2% of the warehouse value on average). Dealing with construction permits takes the longest in the Czech Republic and Slovakia, but the process also costs the least there, at only 0.2% of the warehouse value. The Czech Republic and Slovakia have more scope for improvement on the building quality control index. Both score 8 of 15 possible points, while Croatia receives 12 points and Portugal 11.

### How do results compare with other EU member states and globally?

Dealing with construction permits requires on average 22 procedures in Croatia, 21 in the Czech Republic and 14 in both Portugal and Slovakia. In all 25 cities benchmarked in the four countries the process requires more procedures than the average for EU member states of 13 (figure 3.1). In Portugal the relative complexity of the process is due largely to multiple inspections during construction, while in the other three countries

it reflects approvals that builders must obtain before applying for a building permit. Indeed, builders in the Czech Republic must obtain at least 12 pre-construction approvals from different authorities, the highest number among EU member states.

In the Czech Republic, Portugal and Slovakia dealing with construction permits takes longer than the EU average of 174 days. Indeed, the process takes longer in Slovakia (282 days on average) than

TABLE 3.1 Dealing with construction permits in Croatia, the Czech Republic, Portugal and Slovakia—where is it easier?

City (Country)	Rank	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of warehouse value)	Building quality control index (0–15)
Porto (Portugal)	1	74.04	14	159	0.6	11
Ponta Delgada (Portugal)	2	73.59	14	169	0.4	11
Evora (Portugal)	3	73.53	14	169	0.4	11
Faro (Portugal)	4	73.42	14	170	0.4	11
Lisbon (Portugal)	5	73.10	14	160	1.3	11
Funchal (Portugal)	6	72.83	14	159	1.5	11
Braga (Portugal)	7	66.58	14	259	0.8	11
Varazdin (Croatia)	8	66.20	21	112	5.3	12
Coimbra (Portugal)	9	65.93	14	265	0.9	11
Presov (Slovakia)	10	62.91	14	250	0.2	8
Trnava (Slovakia)	11	61.39	15	258	0.2	8
Osijek (Croatia)	12	61.10	22	143	6.8	12
Rijeka (Croatia)	12	61.10	22	136	7.2	12
Kosice (Slovakia)	14	60.74	14	280	0.2	8
Bratislava (Slovakia)	15	59.33	14	300	0.2	8
Brno (Czech Republic)	16	57.90	20	236	0.2	8
Zilina (Slovakia)	16	57.90	14	320	0.2	8
Usti nad Labem (Czech Republic)	18	57.24	20	245	0.3	8
Ostrava (Czech Republic)	19	56.89	20	250	0.2	8
Liberec (Czech Republic)	20	56.67	21	239	0.3	8
Prague (Czech Republic)	21	56.17	21	246	0.2	8
Plzen (Czech Republic)	22	55.38	21	257	0.2	8
Zagreb (Croatia)	23	54.77	22	146	11.7	12
Olomouc (Czech Republic)	24	54.45	21	270	0.2	8
Split (Croatia)	25	43.67	23	227	15.1	12

Source: *Doing Business* database.

Note: Rankings are based on the average distance to frontier score for the procedures, time and cost associated with dealing with construction permits as well as for the building quality control index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*." The data for Bratislava, Lisbon, Prague and Zagreb have been revised since the publication of *Doing Business 2018*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

FIGURE 3.1 In all 25 benchmarked cities, dealing with construction permits requires more procedures than the EU average



Source: Doing Business database.

Note: The averages for the EU are based on economy-level data for the 28 EU member states. For practical reasons the figure groups cities with similar times or costs in some cases. See table 3.1 for more precise data on the indicators.

a. New Zealand and the United Arab Emirates also have a score of 15 on the building quality control index.

in any other EU member state except Cyprus (507 days)—and almost twice as long as in Croatia (153 days on average). Where the process involves a high number of preconstruction approvals, as is the case especially in the Czech Republic, this often means frequent and time-consuming revisions of the project design and a longer overall permitting process. In Portugal the time required for dealing with construction permits (189 days on average) exceeds the EU average largely because of a lengthy architectural project approval process at the municipality.

Dealing with construction permits is much less costly on average in the Czech Republic (0.2% of the warehouse value), Slovakia (0.2%) and Portugal (0.8%) than the EU average (2.0%). But it is much more expensive in Croatia (9.2%), largely because of high costs associated with hiring external contractors and paying infrastructure development fees.

Among the four countries, Croatia performs best on the building quality control index, which assesses the quality of construction regulations and controls in

six main areas (for a possible 15 points): quality of building regulations (2 points); quality control before (1), during (3) and after construction (3); liability and insurance regimes (2); and professional certifications (4). Croatia scores 12 points, surpassing the EU average (11.6)—largely because of robust qualification requirements for the professionals involved in approving building plans and supervising construction (table 3.2). Portugal scores 11 points; compared with Croatia, it has fewer qualification requirements for the professionals involved in approving plans

and supervising construction. The Czech Republic and Slovakia both receive 8 points. Their lower scores reflect a lack of mandatory higher education requirements for professionals approving plans and supervising construction, though both countries require a minimum number of years of experience and a qualification examination. There is no subnational variation in scoring within the four countries, as all areas assessed are covered by national regulation.

All four countries make building regulations available online and clearly specify the requirements for a building permit. But only Portugal has local authorities staffed with licensed architects and engineers who verify that building plans are in compliance with the building regulations. All four countries require a supervising engineer to be legally responsible for supervising construction, either an in-house engineer (as in the Czech Republic, Portugal and Slovakia) or an external one (Croatia). In addition, Croatia and

Portugal have building control authorities conduct random inspections throughout the construction process.

All four countries legally mandate final inspections after construction. Croatia holds the architect or engineer in charge of drawing the plans and the construction company legally liable for structural defects discovered in a building after it has been occupied. The Czech Republic, Portugal and Slovakia additionally hold the construction supervisor liable. But none of the four countries require any of the legally liable persons to obtain insurance to cover possible structural defects discovered once the building is in use.

The main variation in index scores among the four countries results from the qualification requirements for the professionals responsible for approving permits and supervising construction. Croatia requires that these professionals have a minimum number of years of experience, have a

university degree, be registered with the professional association and pass a certification exam. Portugal requires only that they have a university degree and be registered with the professional association. The Czech Republic and Slovakia do not specify a university degree as a mandatory requirement; instead, they require only a certification exam and a minimum number of years of experience.

### How does the process vary within Croatia?

Among the five Croatian cities, construction permitting is fastest and easiest in Varazdin—and it is most burdensome in Split, as a result of more preconstruction approvals, slower processing times and more costly municipal utility contributions. Entrepreneurs dealing with construction permits can expect to complete 21 procedures in Varazdin but 23 in Split. In Split and Zagreb they must obtain a clearance from the waste collection department—a procedure not required in the other three Croatian cities. This

TABLE 3.2 Croatia has the most robust building quality control mechanisms among the four member states

		Croatia	Czech Republic	Portugal	Slovakia
<b>Building quality control index (0–15)</b>		<b>12</b>	<b>8</b>	<b>11</b>	<b>8</b>
<b>Quality of building regulations (0–2)</b>	Are building regulations easily accessible?	1	1	1	1
	Are the requirements for obtaining a building permit clearly specified?	1	1	1	1
<b>Quality control before construction (0–1)</b>	Is a licensed architect or licensed engineer part of the committee or team that reviews and approves building permit applications?	0	0	1	0
<b>Quality control during construction (0–3)</b>	Are inspections mandated by law during the construction process?	1	1	1	1
	Are inspections during construction implemented in practice?	1	1	1	1
<b>Quality control after construction (0–3)</b>	Is a final inspection mandated by law?	2	2	2	2
	Is a final inspection implemented in practice?	1	1	1	1
<b>Liability and insurance regimes (0–2)</b>	Is any party involved in the construction process held legally liable for latent defects once the building is in use?	1	1	1	1
	Is any party involved in the construction process legally required to obtain a latent defect liability—or decennial (10-year) liability—insurance policy to cover possible structural flaws or problems in the building once it is in use?	0	0	0	0
<b>Professional certifications (0–4)</b>	Are there qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with the building regulations?	2	0	1	0
	Are there qualification requirements for the professional who conducts the technical inspections during construction?	2	0	1	0

Source: Doing Business database.

Maximum points obtained.

clearance is typically required only when the waste removal containers are located on public land, which is usually the case in Split and Zagreb. And in all the cities except Varazdin and Zagreb builders receive a random work safety inspection from the labor inspectorate. In Varazdin and Zagreb this type of inspection, while possible, is not common for simple construction projects.

Varazdin has the fastest construction permitting process among the five Croatian cities. It takes only 112 days to complete, thanks to efficient coordination between the municipality and the public authorities that provide the required clearances. Obtaining a building permit takes only 15 days in Varazdin—but about a month in Osijek, Rijeka and Zagreb and as long as three months in Split. Split has one of the most dynamic construction scenes in Croatia, with many complex construction projects under development. This has put a strain on the local construction permitting personnel and resulted in backlogs in processing permit applications. It is also among the main reasons that the overall construction permitting process takes longer in Split than in the other four cities. But entrepreneurs in Split have also pointed to administrative inefficiencies at the municipality and slow processing of the fire safety clearances required for a building permit as factors that exacerbate the backlog in the approval process.

The time required to obtain a water and sewerage connection also varies in Croatia. As a result of differences in operational capacity at the local utility providers, this time ranges from 10 days in Varazdin to 30 days in Split. Similar differences show up in the time to obtain technical conditions and clearances from national authorities, stemming in part from differences in staffing and workload at their local branches. Getting a clearance from the national electric grid company (HEP) takes 8 days in Varazdin but up to 25 days in Osijek. And the time

required to obtain a project approval from the Ministry of Interior Affairs (for fire safety) ranges from 7 days in Osijek to up to 25 days in Zagreb.

The cost of dealing with construction permits varies substantially among the Croatian cities, ranging from 5.3% of the warehouse value in Varazdin to 15.1% in Split. This variation stems from two cost components: the municipal utility fee and the water contribution to the state company Croatian Waters. These two cost components account on average for about 70% of the total cost of dealing with construction permits in Croatia (figure 3.2). The municipal utility fee is determined independently by each municipality and is used for developing public infrastructure in the area affected by the new construction. The fee ranges from as low as HRK 58,520 (EUR 7,867) in Varazdin to five times as much in Zagreb at HRK 292,613 (EUR 39,339) and eight times as much in Split at HRK 458,621 (EUR 61,657)—reflecting differences among the five Croatian cities in infrastructure development and maintenance goals. In 2016 Varazdin reduced the utility fee by half for industrial buildings, in an effort to encourage new investments.<sup>6</sup> The contribution to Croatian Waters is set at the national level and is used for maintaining and developing water and sewerage infrastructure.<sup>7</sup> This fee is the same in the

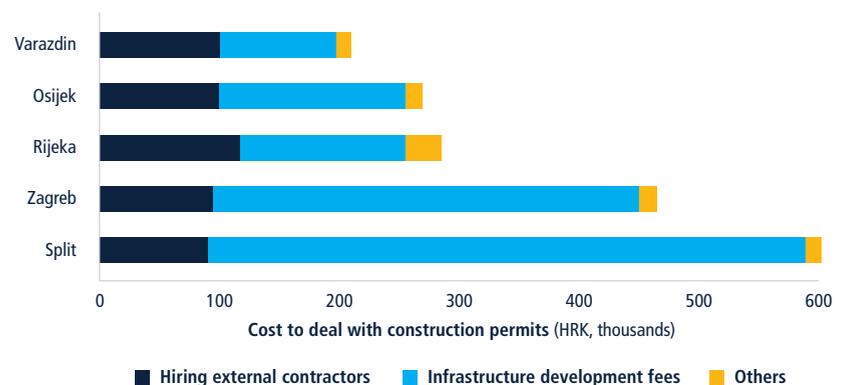
four regional cities at HRK 39,210 (EUR 5,271) but much higher in Zagreb at HRK 65,272 (EUR 8,775).

**How does the process vary within the Czech Republic?**

An entrepreneur dealing with construction permits in the Czech Republic can expect to complete 20 procedures in Brno, Ostrava or Usti nad Labem but 21 in Liberec, Olomouc, Plzen or Prague. The additional procedure in the last four cities is an informational meeting that investors typically request with the municipal environmental department to clarify potential environmental impact assessment requirements.

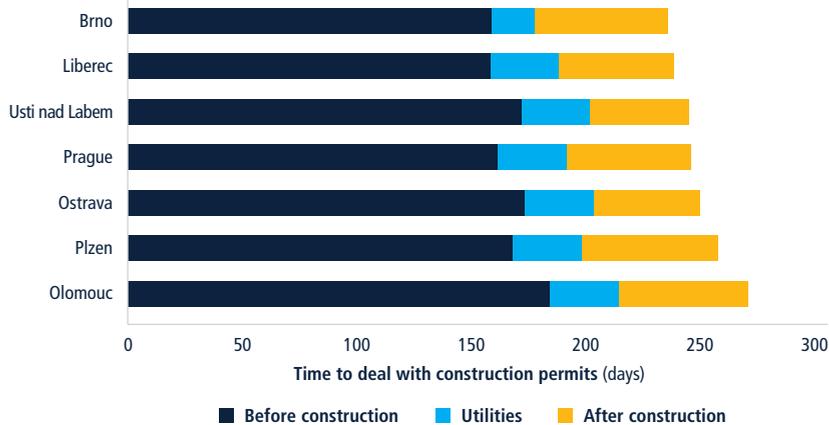
Among the seven Czech cities, dealing with construction permits is easiest and least time consuming in Brno, where completing the 20 procedures takes 236 days. The greater speed is due largely to faster processing times for obtaining a zoning permit, completing the required preconstruction approvals and obtaining the utility connections. In Brno the zoning permit is issued in 55 days, compared with an average of 60 days in the other Czech cities, and completing all required preconstruction approvals takes around 159 days, about 10 days less than in the other cities. In general, preconstruction approvals are the most time-consuming part of the process in all the Czech cities (figure 3.3).

**FIGURE 3.2 Infrastructure development fees account on average for nearly 70% of the cost of dealing with construction permits in Croatia**



Source: Doing Business database.

**FIGURE 3.3** Approvals required before construction take around six months in the Czech Republic



Source: *Doing Business* database.

One reason for the faster approval process in Brno is the municipality's more efficient communication with investors and other stakeholders. Finally, obtaining a water and sewerage connection takes only 18 days in Brno, but 30 days on average in the other cities. The utility company in Brno takes less time to identify potential connection points because it has more up-to-date infrastructure maps than those in the other cities.

Dealing with construction permits takes the most time in Olomouc—almost five weeks more than in Brno. In total, 270 days are required to complete the 21 procedures. The process is slowed by delays in obtaining a clearance from the fire department, which takes 45 days in Olomouc but around 30 days or less in the other cities. The longer wait in Olomouc is due in part to the shortage of technical staff at its fire department.

After construction is completed, builders must obtain an occupancy permit and an evidence number (a tracking number assigned to a new building for use in official records), both of which are required for registration with the cadastre. In all seven cities the occupancy permit is issued within two weeks after the final inspection, and in Prague and four other cities it takes an additional week to obtain

the evidence number. In Ostrava and Plzen, however, obtaining the evidence number takes around two weeks, largely because of inefficiencies in communication between different departments at the municipality.

Dealing with construction permits is relatively inexpensive in all the Czech cities, with an average cost of around 0.25% of the warehouse value. A small variation in cost stems mainly from the utility connection fees. Connecting to the water and sewerage network costs around CZK 4,000 (EUR 158) in Brno but around CZK 7,000 (EUR 276) in Usti nad Labem. The engineers who provide the utility connection typically bill between six and eight hours of work in all the cities and also provide the water meters and other equipment. Variations in labor and equipment costs from city to city lead to the differences in the total cost of the connection.

### How does the process vary within Portugal?

Dealing with construction permits requires 14 procedures in all eight cities benchmarked in Portugal. The process is fastest in Funchal and Porto, where it takes only 159 days, and slowest in Coimbra (265 days) and Braga (259 days). The main differences arise in the

time required to obtain the approvals for the construction project and for the building permit from the municipality. Together, these two procedures take the shortest time in Porto (100 days), followed by Evora and Lisbon (105 days). They take around four months in Faro, Funchal and Ponta Delgada—and up to half a year in Braga and Coimbra.

Overall among the eight Portuguese cities, dealing with construction permits is easiest in Porto and most difficult in Coimbra. Porto has among the most transparent and user-friendly regulations in the group, and it makes zoning maps and process guides available electronically. More importantly, Porto is the only city among the eight where entrepreneurs can apply for a building permit through an electronic platform. This allows the municipality to review the building plans and process the building permit application at the same time, saving considerable time for entrepreneurs.

In contrast, the local permitting regulations (urbanization plans) in Braga and Coimbra are difficult for entrepreneurs to navigate, which often leads to errors in project documentation and thus substantial delays in the permitting process. In Coimbra builders face additional uncertainties because of the complexity of the formulas for building permit fees.

The approval of construction projects involves political decision making in all the Portuguese cities, at the level of the urbanism councilor or even the mayor. So the process is prone to political stalemates that affect the city council's ability to approve construction projects.<sup>8</sup> Moreover, projects with a large social or economic impact might get prioritized, which could adversely affect smaller construction projects. These circumstances exist in all the cities benchmarked in Portugal, but they affect more entrepreneurs in Braga and Coimbra.

Other variations in time among the eight Portuguese cities relate to the procedures

for connecting to utilities and registering the building. Obtaining the water and sewerage connection takes about a month in Braga, Coimbra, Lisbon and Porto, but just two weeks in the other four cities. This difference reflects the availability of inspection engineers at the local water and sewerage companies and the complexity of the connection works, both of which vary depending on the size of the city. On average, the connection takes almost twice as much time in the larger cities as in the smaller ones.

Dealing with construction permits is most expensive in Funchal (at 1.5% of the warehouse value) and least costly in Ponta Delgada (0.4%). The main drivers of the variation in cost are the building permit fee and the utility connection cost. The building permit fee is determined by each city and ranges from EUR 105 in Coimbra to EUR 11,368 in Funchal. In the other cities this fee averages around EUR 2,000. Coimbra reduced its building permit fee from EUR 1,000 to EUR 105 in 2017.<sup>9</sup> The aim was to invigorate construction activity in the city, which has dropped by some 80% since 2007.<sup>10</sup>

The cost for the water and sewerage connection also varies substantially, ranging

from an average of around EUR 1,500 in six of the cities to around EUR 8,000 in Coimbra and Lisbon (figure 3.4). The difference stems from variations in the level of infrastructure availability. In Braga, Coimbra and Lisbon gaps in the infrastructure network result in higher costs related to the extension of the water and sewerage networks. In the other cities the public infrastructure is available in most cases, so entrepreneurs do not have to cover the cost of extension works. Porto has a “100% infrastructure coverage” policy: the municipality covers the cost of extension works in areas where there is no public infrastructure, minimizing the burden on entrepreneurs.

**How does the process vary within Slovakia?**

Among the Slovak cities, the permitting process is fastest and easiest in Presov, where it can be completed in 250 days. In Zilina, which is similar in size to Presov, completing the process takes 70 days longer, largely because of delays in obtaining the location and building permits.<sup>11</sup> While obtaining these two permits takes only 120 days in Presov, it takes 165 days in Zilina—in part because of a shortage of adequately trained staff at the permitting authorities. Obtaining the location and

building permits is the most time-consuming part of the process in all five cities benchmarked, accounting for around 60% of the total time required for dealing with construction permits (figure 3.5).

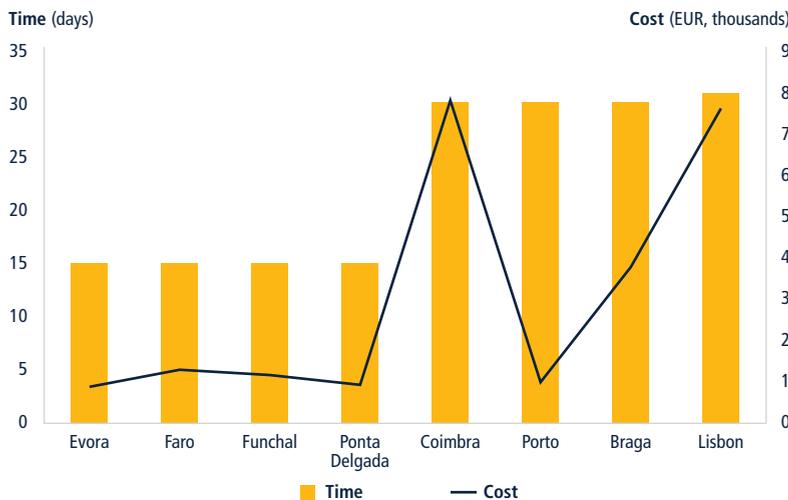
Dealing with construction permits takes 15 procedures in Trnava but 14 in the other four cities benchmarked in Slovakia. Trnava is the only one where investors consult with the local building office about their planned project before starting the application process. In practice this additional step does not increase the time required to deal with construction permits and is commonly thought of as a precautionary step to avoid even longer processing times.

There is much variation in the time required to connect to the water and sewerage networks and to register the newly built warehouse with the local cadastral office. Obtaining the new utility connections takes around a week in Bratislava, Presov and Trnava but almost two weeks in Kosice and a month in Zilina. The utility provider in Zilina takes about three weeks to prepare the service contract, while those in the other cities take only one or two.

Registering the building takes the least time in Trnava, about 50 days. Trnava’s cadastre is staffed with experienced professionals and has efficient case management practices with low levels of backlog, which partly explains the faster registration process. Completing this final step takes slightly longer in Kosice, around 55 days, while it takes 60 days in the rest of the cities.

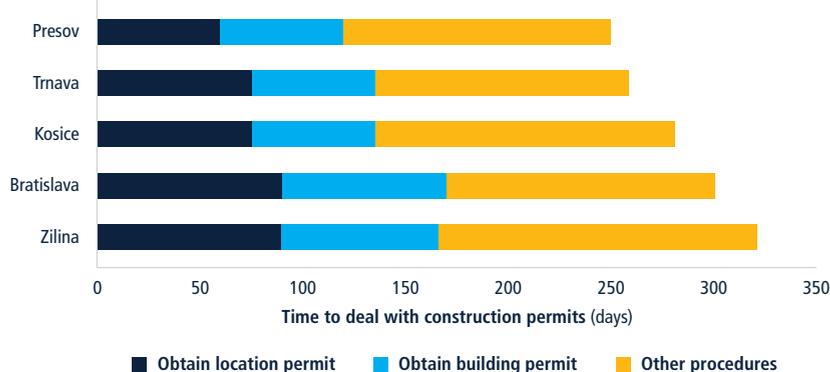
The cost of the water and sewerage connection, while relatively small, also varies across the cities, ranging from EUR 115 in Trnava and around EUR 300 in Bratislava and Zilina to EUR 500 in Kosice and Presov. This variation reflects price schedules that are set independently by each utility and the varying hourly rates for labor required to complete a technical inspection of the new connection.

**FIGURE 3.4** Among the Portuguese cities, obtaining the water and sewerage connection is most costly and time consuming in Lisbon and Coimbra



Source: Doing Business database.

FIGURE 3.5 Obtaining the location and building permits accounts for around 60% of the total time required for dealing with construction permits in Slovakia



Source: Doing Business database.

## WHAT CAN BE IMPROVED?

This chapter's review of the construction permitting process in Croatia, the Czech Republic, Portugal and Slovakia points to several areas of possible improvement. Some recommendations apply to several countries or to all four, others to only one of them.

### Introduce or improve electronic permitting systems

#### CROATIA, CZECH REPUBLIC, PORTUGAL, SLOVAKIA

To increase the efficiency of construction permitting, the four countries could transition to a fully electronic process. Electronic permitting systems are becoming increasingly common around Europe, and the European Commission has defined electronic application for building permission as one of 20 primary e-government services.<sup>12</sup> In Hungary, for example, all applicants for a building permit are required to submit their application through the Building Regulatory Support Electronic Documentation System (ÉTDR), uploading all the technical and architectural plans. The building department then asks other authorities to review and approve the plans through the system.<sup>13</sup>

In Portugal, Porto has a fully functional and widely used electronic application system, equipped with tracking and

status report tools. As a result, among the Portuguese cities Porto has the fastest processing time for approving project documentation and issuing building permits, despite having a substantially heavier workload than the other cities.<sup>14</sup> Faro is working in collaboration with six other municipalities in the Central Algarve to develop a comprehensive online platform, scheduled to become operational in 2019. Other cities in Portugal and the other member states could follow Faro's example: given the potentially prohibitive costs of developing and implementing an electronic platform, pooling resources to share the costs makes good sense.

Croatia has already set up an electronic permitting system (e-dozvolj). But the system has not been fully adopted by the municipalities nor is it commonly used by practitioners. Public and private sector stakeholders have reported technical issues, but they have also suggested that inadequate training among local municipality staff has prevented use of the system's full potential. Practical training programs should therefore go hand in hand with any efforts to improve the system's technical capabilities. In addition, public-private workshops might be helpful for assessing the functionality of the electronic system and explaining its benefits and capabilities to a wider range of practitioners.

### Clarify and better communicate the guidelines and requirements for dealing with construction permits

#### CROATIA, CZECH REPUBLIC, PORTUGAL, SLOVAKIA

Entrepreneurs in all four member states cite the complexity of regulation as a major hindrance in dealing with construction permits. A typical construction project entails compliance with national laws, local regulations and the technical standards of different public agencies—an arduous task for builders, especially small businesses. To simplify this task and prevent delays due to incomplete applications or errors in project documentation, economies around the world are introducing step-by-step process maps that help entrepreneurs navigate the regulatory complexities. In New York City, for example, the city government has introduced a simple online survey tool that asks the investor targeted questions about the proposed construction and prints out an exact map of the procedures and regulatory compliance requirements.<sup>15</sup> For a knowledgeable investor, completing the survey takes only a few minutes, and it saves hours of management time and effort.

In Portugal, Porto has come up with a different solution—a detailed online manual for going through the construction permitting process, complete with process maps that cover a variety of possible scenarios.<sup>16</sup> But Faro is the only city among the eight benchmarked in Portugal that has an online fee simulator that helps investors understand the building permit fees.<sup>17</sup> Coimbra is another city that could benefit from such a simulator, given the reported complexity in calculating the building permit fees there.

### Introduce mandatory insurance requirements to cover structural defects

#### CROATIA, CZECH REPUBLIC, PORTUGAL, SLOVAKIA

In all four member states the builders and architects involved in the construction of

a building are held liable by law for structural flaws or problems in the building, yet obtaining an insurance policy to cover possible structural flaws once it is in use is not mandatory. Insurance to cover costs arising from structural defects benefits clients as well as contractors and encourages more construction, particularly for small and medium-size construction companies.<sup>18</sup>

The four member states could follow the example of Denmark or France, both early adopters of mandatory insurance regimes. Both require decennial (10-year) insurance. Denmark requires this insurance for the construction of new permanent dwellings. The municipality checks the validity of the insurance before issuing the building permit and, after the completion of construction, when issuing the occupancy permit. France applies the same requirement to all new buildings, regardless of their purpose.<sup>19</sup> It requires two levels of coverage for structural defects—insurance taken out by the owners of the building (*dommage ouvrage*) and decennial insurance taken out by the builders.

**Streamline building registration procedures by improving communication channels between public agencies**  
**CZECH REPUBLIC, PORTUGAL, SLOVAKIA**

Croatia is the only country among the four member states that does not require property registration as a separate step in dealing with construction permits—because the municipality automatically completes this registration after issuing the occupancy permit. An electronic land registry and cadastral information system (ZIS) allows geodetic engineers to submit the updated cadastral information electronically, sparing the investor the need to go through the registration process. By contrast, registering a new building takes on average 57 days in Slovakia and 27 days in the Czech Republic. In Portugal completing the same process takes only around a week, but investors then must

also register the building with the tax authority.

The Czech Republic, Portugal and Slovakia could follow Croatia's example in streamlining the registration procedure by improving the coordination between the municipality and the real estate registry or cadastre—and, in Portugal, the tax authority as well. Introducing better coordination protocols between these agencies and encouraging electronic document exchange could increase the efficiency of postconstruction procedures and save entrepreneurs up to 40 days in the Czech Republic and Slovakia and close to 10 days in Portugal.

In both the Czech Republic and Portugal the necessary infrastructure is already in place. The Czech Republic has an online registry for land identification, addresses and property (RUIAN), which allows the building office to enter information about a new building after issuing the occupancy permit. Once the system is updated, the official in the cadastral office can register the new building. This system could be further enhanced by eliminating the need for the investor to submit a request for registration, which takes time to record and process.

Similarly, in Portugal the tax authority has access to an online system (Sistema de Plantas de Arquitetura, or SPA) that allows it to request the approved architectural plans for a building directly from the city council, eliminating the need for the investor to register the building at the tax authority. But the platform is not yet widely used by municipalities because of lack of coordination between the permit-issuing authorities and the tax authority as well as delays in processing the requested forms. This makes it more practical for entrepreneurs to submit the documents in person. Portuguese cities could encourage greater use of the online platform by designing better coordination frameworks between agencies and gradually phasing out paper communication. A process review involving all

stakeholders might also be needed, to gain more insight into the functionality of the online platform and reveal areas needing improvement.

**Consolidate preconstruction approvals**  
**CROATIA, CZECH REPUBLIC, SLOVAKIA**

Before applying for a building permit, entrepreneurs in Croatia, the Czech Republic and Slovakia have to go through anywhere from 5 to 12 approvals and verifications of the project documentation. These preconstruction approvals are required to ensure that the main project complies with the zoning rules, with environmental, fire safety and public health standards and with other such requirements. In addition, entrepreneurs must obtain detailed verifications from each utility provider on the availability of the required capacity for the proposed building. All the public entities involved in the approval process can potentially request modifications of the main project—modifications that might lead to changes in other sections of the project and therefore require additional verifications from different agencies. Both entrepreneurs and public authorities have cited these issues as among the main hindrances in the construction permitting process as well as the main reason for the lengthy approval processes, especially in the Czech Republic and Slovakia.

These three countries could consider introducing a single point of contact at one of the public authorities to take responsibility for both coordinating the project approval process with all the relevant entities and keeping track of the timeline for the approvals. Economies around the world have been adopting this kind of “single window” principle to solve similar problems. A recent reform in Serbia, for example, consolidated the issuance of the technical conditions for utilities, traffic and public safety in a single document called “the location conditions.”<sup>20</sup> This reduced both the number of clearances required from individual

agencies and the overall time for dealing with construction permits.<sup>21</sup>

As an initial step toward implementing a single-window approval mechanism, municipalities in the Czech Republic and Slovakia could improve the effectiveness of an existing practice of preliminary consultations. These consultations take place in an informal setting and serve more as a relationship management tool than as an informative guide to the permitting process. Adding a level of technical expertise from the key permitting authorities could make these preliminary consultations more effective and save time and effort for entrepreneurs.

The Czech Republic, where more preconstruction approvals are required than in any other EU member state, has introduced a web-based platform called UtilityReport to enable investors to request information from utilities and other infrastructure owners electronically. But the service is not widely used because it lacks complete geographic coverage and full participation from utility providers. The Czech Republic could improve its preconstruction information database by linking UtilityReport to the online registry for land identification, addresses and property (RUIAN) and by adding comprehensive infrastructure information and zoning maps in collaboration with the utility providers and municipal building offices. The Danish municipality of Copenhagen provides an example. Its online zoning map covers the entire city and provides multiple layers of information, including the city master plan, detailed local plans and information on the coverage of different infrastructure networks.<sup>22</sup>

### **Enhance the quality of regulatory expertise in collaboration with the private sector**

#### **CZECH REPUBLIC, SLOVAKIA**

Construction permitting is a complex process involving multiple stakeholders. Managing this process requires

permit-issuing agencies that are adequately staffed and technically competent, with professional case management know-how and technology. Builders in the Czech Republic and Slovakia cited inadequately trained or staffed permit-issuing offices and underutilized technology as among the reasons for delays in dealing with construction permits.

More robust qualification requirements for the professionals involved in construction permitting and control might also be needed. In the Czech Republic and Slovakia the professionals approving building plans and supervising construction are required only to have three years of experience and to pass a qualification exam. In Croatia and Portugal, by contrast, these professionals are required to have a university degree in architecture or engineering. Introducing a requirement for higher education would automatically increase the technical competency at the permitting agencies. Globally, more than 80% of economies require a university degree in architecture or engineering for professionals reviewing building plans.<sup>23</sup>

In the medium term the issue of understaffing could be addressed by giving certified private sector professionals a greater role in the permitting process. While this might require legislative action, the benefit of having a highly specialized workforce that is flexible to changes in demand might be substantial, especially since weather conditions mean that construction is a highly seasonal activity in both countries. Australia, Singapore and the United Kingdom are among the countries that have adopted a system of third-party contractors to expand regulatory coverage and expertise.<sup>24</sup> In general, research shows that construction permitting is more efficient in economies that rely on some form of private sector participation in construction permitting or control processes.<sup>25</sup> But such a system needs to be accompanied by adequate safeguards, such as more robust qualification requirements for professionals who approve building plans.

### **Consider ways to reduce the burden on entrepreneurs for infrastructure development**

#### **CROATIA**

In Croatia the fees for infrastructure improvement (the municipal contribution and the payment to Croatian Waters) add up to around HRK 250,000 (EUR 33,600) on average, accounting for about 70% of the cost of dealing with construction permits. These contributions help municipalities make the necessary investments in public infrastructure (roads, public spaces, utility networks) to accommodate the potential growth in demand resulting from new construction. But excessive infrastructure development fees tend to reduce investment in commercial properties, adversely affecting job growth.<sup>26</sup>

Croatia could consider reducing or eliminating these fees or applying more targeted criteria, backed by approved or planned capital expenditure programs directly linked to the potential use of the funds collected. This would help ensure that the system is not punitive toward investors and that the contributions are set at the minimum required to ensure the functionality of the area's public infrastructure. Serbia, for example, abolished similar fees in 2014 for some buildings, driven by the need to accelerate construction investments.<sup>27</sup>

Croatia could also consider distributing the infrastructure development costs over a wider base of existing and potential investors, rather than levying them solely on the owner of the proposed building site. In New Zealand, for example, the utility contribution fees are calculated as a "fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term"—a calculation based on a set of technical criteria that take into account the parameters of the construction project.<sup>28</sup>

## Streamline the process for obtaining the occupancy permit CZECH REPUBLIC

Before registering a new building, entrepreneurs in the Czech Republic have to obtain an evidence number for it, a tracking number for use in official records. While the legislation clearly indicates that obtaining this number is the responsibility of the building office, in practice this step is typically completed by the investor and takes around three weeks.<sup>29</sup>

This extra step could be carried out through an interagency process, without the participation of the investor. The agencies verifying that the new building conforms with the approved plans and the authority issuing the evidence number are all within the municipality. Better communication channels and clearer implementation protocols could therefore eliminate the need for this procedure. The Czech Republic could look to the example of Slovakia, where the evidence number is granted to the investor together with the occupancy permit.

## Introduce application tracking systems and silence-is-consent rules to increase accountability at the permit-issuing authorities PORTUGAL

In all eight cities benchmarked in Portugal, obtaining the approval of building plans from the municipality takes longer than the legally mandated 30 days—and entrepreneurs lack an effective mechanism for appealing unjustified delays. As a simple step toward greater transparency and accountability in construction permitting, municipalities could introduce an online application tracking system. This system could be incorporated in the municipality website, avoiding the need for a fully functional electronic permitting platform.

The system could initially be used for recording the date of submission of application materials and generating simple status reports on the review process. This would give the issuing authority an

objective benchmark for identifying and addressing cases that have been delayed in the system. It would also allow applicants to track the status of their submissions online, enabling them to make more informed decisions (including about possible remedial actions) in response to the project timeline. Data from such a tracking system could also be used by third-party watchdogs, such as the association of architects or local business chambers, to protect the interests of investors and boost the competitiveness of the local public administration.

In addition, Portugal could improve the compliance of the permit-issuing authorities with the official time limits by adopting tacit approval (silence-is-consent) rules. Portugal had such rules in its previous construction permitting regulation, which was repealed in 1999 by the current regulation.<sup>30</sup> The new regulation states that if the public bodies responsible for approving construction projects fail to issue their decisions within the legally prescribed time limits, entrepreneurs have the right to appeal to an administrative court.<sup>31</sup> But a court appeal is a long and costly process and is therefore rarely used in practice. Portugal could consider reintroducing the automatic tacit approval clauses in the construction permitting process. To ensure realistic timelines for project approvals, this step should be taken in consultation with a wide range of stakeholders.

## NOTES

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# Getting Electricity

## MAIN FINDINGS

- Among the cities benchmarked in Croatia, getting electricity is easiest in Varazdin and most difficult in Zagreb. Varazdin has the most reliable electricity supply as well as the most advanced use of information technology in the utility's local office.
- Of the four countries, the Czech Republic has the greatest subnational variation in performance. Getting electricity is easier in the largest cities, where low-voltage connections are commonly available (Prague and Brno). It is most difficult in smaller centers, where warehouses typically get medium-voltage connections (as in Liberec and Olomouc).
- Among the Portuguese cities, getting electricity is easiest in Coimbra and most difficult in Faro. In Coimbra a georeferencing system has eliminated the need for a site visit to determine the cost of the connection.
- In Slovakia getting electricity takes 56 days and four procedures in Zilina, while it takes a month longer and five procedures in Bratislava and Trnava. The utility in Zilina eliminated the need to get a project approval by providing more detailed technical conditions at the outset.
- By adopting all the good practices already in place among their cities, Croatia, Portugal and Slovakia could each improve their global ranking on the ease of getting electricity by more than 40 places. In the Czech Republic cities outside the capital could learn from Prague, which ranks first among the 25 cities benchmarked by this study.

**E**lectricity is an important element in the competitiveness of an economy. Research shows that capital (domestic and foreign) tends to be attracted to countries that offer a reliable and competitively priced supply of electricity.<sup>1</sup> And it shows that faster, simpler and less costly connection processes are associated with better firm performance, especially in industries with high electricity consumption.<sup>2</sup> Conversely, high electricity prices, frequent power outages and difficult connection processes constrain firms' operations and affect entrepreneurs' decisions on whether to establish a business and how to operate it.

The process for obtaining an electricity connection is subject to different regulations that seek to ensure service quality, general security and technical standards. To get a new connection, entrepreneurs must interact mainly with the distribution utility. Other entities are also involved, such as municipalities, regulatory authorities, electrical contractors and entities

responsible for control and security. *Doing Business* looks at how these entities and regulatory aspects affect companies seeking to obtain a new connection, with the aim of helping to identify bottlenecks in the connection process so that governments and regulators can make getting electricity easier for entrepreneurs. In addition, *Doing Business* captures quantitative data on the reliability of supply as well as qualitative information on how utilities and regulators handle power outages and how tariffs and tariff changes are communicated to customers.

### HOW DOES GETTING ELECTRICITY WORK IN THE FOUR MEMBER STATES?

In all four countries covered by this study, the process for obtaining an electricity connection is regulated largely at the national level and monitored by a national regulatory agency.<sup>3</sup> Distribution utilities are key players in the connection process. In the

Czech Republic and Slovakia multiple utilities operate in the national territory, with each one serving a designated geographic area. In Portugal one distribution utility operates in the continental part of the country, while a different utility serves each autonomous island region. In Croatia only one distribution utility operates.

The procedural steps, the time and the cost for getting an electricity connection depend on the availability of both low- and medium-voltage infrastructure as well as the most likely connection type for warehouses in the area. In all the cities benchmarked in Croatia and Portugal, for a warehouse like the one in the *Doing Business* case study, entrepreneurs are more likely to opt for a low-voltage connection. In the Czech Republic and Slovakia the type of connection depends on the location: in some cities it is more common to connect to the low-voltage network, in others to the medium-voltage network.<sup>4</sup> In the cities where it is more common to connect to the

### WHAT DOES GETTING ELECTRICITY MEASURE?

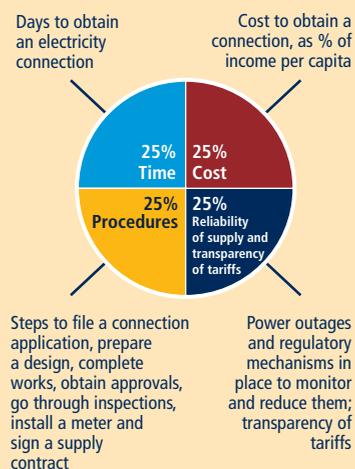
*Doing Business* records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse. These procedures include applications and contracts with electricity utilities, all necessary inspections and clearances from the distribution utility and other agencies, and the external and final connection works. To make the data comparable across locations, several assumptions about the warehouse and the electricity connection are used. The location of the warehouse is assumed to be within city limits, the subscribed capacity of the connection 140 kilovolt-amperes (kVA), and the length of the connection 150 meters.

*Doing Business* also measures how reliable the supply of energy is and how transparent the consumption tariffs are. Its reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on several aspects: the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages. The index accounts for one-fourth of the distance to frontier score for getting electricity (see figure). In addition, *Doing Business* records the price of electricity in each location covered.<sup>a</sup>

a. While *Doing Business* records the price of electricity, it does not include these data when calculating the distance to frontier score or the ranking on the ease of getting electricity.

#### Getting electricity: measuring efficiency, reliability and transparency

Rankings are based on distance to frontier scores for four indicators



medium-voltage network, entrepreneurs need to go through additional steps (such as installing a private substation), wait longer and pay higher connection fees.

### How do results compare with other EU member states and globally?

Getting electricity takes around two months on average in Croatia (65.6 days) and Portugal (61.1 days) and two and a half months in Slovakia—less time in all three countries than the average for EU member states of three months. In the Czech Republic the same process takes five and a

half months on average, although the time varies substantially among the benchmarked cities. Portugal is the only one of the four countries where getting electricity costs less than the EU average: 36.5% of income per capita on average, as compared with 118.7% of income per capita for the EU. In Croatia the average cost is equal to 249.3% of income per capita; at that same cost, an entrepreneur in Portugal could connect seven warehouses.

Data for the EU member states with the fastest and least costly connection

processes suggest that all four countries have room for improvement. According to *Doing Business 2018*, getting electricity takes 23 days in Vienna (Austria), less than half the time it takes in Funchal (Portugal), which has the fastest process among the 25 benchmarked cities. And while the connection process costs only 6% of income per capita in France, it costs about four times as much relative to income per capita in Brno and Prague (Czech Republic), which have the least costly processes among the 25 cities (table 4.1).

**TABLE 4.1** Getting electricity in Croatia, the Czech Republic, Portugal and Slovakia—where is it easier and where is power supply more reliable?

City (Country)	Rank	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of income per capita)	Reliability of supply and transparency of tariffs index (0–8)
Prague (Czech Republic)	1	95.35	3	60	25.9	8
Brno (Czech Republic)	2	89.92	3	110	25.9	8
Zilina (Slovakia)	3	88.41	4	56	55.2	7
Coimbra (Portugal)	4	87.49	4	65	36.1	7
Lisbon (Portugal)	5	86.45	5	65	36.1	8
Presov (Slovakia)	6	86.27	5	66	57.0	8
Kosice (Slovakia)	7	85.29	5	75	57.2	8
Ponta Delgada (Portugal)	8	85.12	4	58	38.6	6
Funchal (Portugal)	9	84.96	5	50	34.2	7
Varazdin (Croatia)	10	84.29	4	60	237.1	6
Evora (Portugal)	11	84.19	5	57	36.1	7
Bratislava (Slovakia) <sup>a</sup>	12	83.19	5	89	244.5	8
Rijeka (Croatia)	13	82.87	4	73	237.1	6
Porto (Portugal)	14	82.71	6	61	36.2	8
Split (Croatia)	15	82.66	4	75	237.1	6
Braga (Portugal)	16	82.27	6	65	38.8	8
Osijek (Croatia)	17	81.70	4	55	237.1	5
Zagreb (Croatia)	18	80.43	4	65	298.5	5
Trnava (Slovakia) <sup>a</sup>	19	80.07	5	89	244.5	7
Faro (Portugal)	20	78.83	6	68	36.1	7
Ostrava (Czech Republic) <sup>a</sup>	21	69.89	6	172	283.2	8
Plzen (Czech Republic) <sup>a</sup>	22	69.67	6	174	282.8	8
Usti nad Labem (Czech Republic) <sup>a</sup>	23	67.70	5	233	193.0	8
Olomouc (Czech Republic) <sup>a</sup>	24	67.09	6	169	282.5	7
Liberec (Czech Republic) <sup>a</sup>	25	66.32	5	217	193.0	7

Source: *Doing Business* database.

Note: Rankings are based on the average distance to frontier score for the procedures, time and cost associated with getting electricity as well as for the reliability of supply and transparency of tariffs index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*." The data for Bratislava, Lisbon, Prague and Zagreb have been revised since the publication of *Doing Business 2018*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

a. In these cities, for a warehouse like the one in the *Doing Business* case study, a medium-voltage connection is more likely. In the other cities a low-voltage connection is more likely.

Brno and Prague also record the lowest number of procedures among the 25 cities (three), matching the lowest among EU member states—in Germany, Sweden and the United Kingdom. Three Czech cities (Olomouc, Ostrava and Plzen) and three Portuguese cities (Braga, Faro and Porto) require twice as many procedures (six), exceeding the EU average (five) (figure 4.1).

On the reliability of supply and transparency of tariffs index, the Czech Republic, Slovakia and Portugal are among the

best performers in the EU and globally, with average scores very close to the 8 possible points (7.7, 7.6 and 7.3). The Croatian cities have scope for improvement: on average they score 5.6 points, a performance that would rank them at the bottom among EU member states (table 4.2).

### How does the process vary within Croatia?

In Croatia the rules and regulations relating to electricity connections are standardized, and the national electric

grid company, HEP, is the only utility operating.<sup>5</sup> In all five benchmarked cities a warehouse like the one in the *Doing Business* case study is most commonly connected to the low-voltage network, through the same procedural steps (figure 4.2). The entrepreneur starts the process by submitting a request for a new connection to HEP, which responds with an estimate of the connection fee and a connection contract. Once the entrepreneur pays at least 50% of the connection fee, the external works can start. The connection works are carried out entirely

FIGURE 4.1 Among the 25 benchmarked cities, the connection process is most streamlined and least costly in Prague and Brno—and fastest in Funchal



Source: *Doing Business* database.

Note: The averages for the EU are based on economy-level data for the 28 EU member states. For practical reasons the figure groups cities with identical scores on the reliability of supply and transparency of tariffs index in some cases. See table 4.1 for more precise data on the indicators.

a. Fifteen other EU member states also have a score of 8 on the reliability of supply and transparency of tariffs index: Belgium, Cyprus, the Czech Republic (as represented by Prague), Estonia, Finland, France, Ireland, Lithuania, the Netherlands, Portugal (as represented by Lisbon), Slovakia (as represented by Bratislava), Slovenia, Spain, Sweden and the United Kingdom.

TABLE 4.2 The electricity supply in Croatian cities is among the least reliable in the EU

	Croatia		Czech Republic		Portugal		Slovakia	
	Osijek	Varazdin	Liberec	Prague	Ponta Delgada	Porto	Zilina	Presov
<b>Reliability of supply and transparency of tariffs index (0–8)</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>6</b>	<b>8</b>	<b>7</b>	<b>8</b>
Total duration and frequency of outages per customer a year (0–3)	1	2	2	3	2	3	2	3
System average interruption duration index (SAIDI)	5.5	1.9	1.4	0.5	1.5	0.6	3.1	0.2
System average interruption frequency index (SAIFI)	3.6	1.1	1.6	0.3	1.2	0.5	1.8	0.1
Mechanisms for monitoring outages (0–1)	1	1	1	1	1	1	1	1
Does the distribution utility use automated tools to monitor outages?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mechanisms for restoring service (0–1)	1	1	1	1	0	1	1	1
Does the distribution utility use automated tools to restore service?	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Regulatory monitoring (0–1)	1	1	1	1	1	1	1	1
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Financial deterrents aimed at limiting outages (0–1)	0	0	1	1	1	1	1	1
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Communication of tariffs and tariff changes (0–1)	1	1	1	1	1	1	1	1
Are effective tariffs available online?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Are customers notified of a change in tariff ahead of the billing cycle?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: *Doing Business* database.

Note: For each country the table shows the results for the cities obtaining the lowest and highest scores on the reliability of supply and transparency of tariffs index. Where two or more cities in a country obtain the same score, the worst- and best-performing cities were selected on the basis of the sum of their scores on the duration and frequency of power outages as measured by SAIDI and SAIFI. If both the SAIDI and SAIFI values are between 0 and 1, 3 points are assigned; if both are between 1 and 4, 2 points are assigned; if both are between 4 and 12, 1 point is assigned. The data in the table are for 2016.

by HEP. To obtain the final connection approval, the customer needs to submit an internal wiring certificate to HEP.

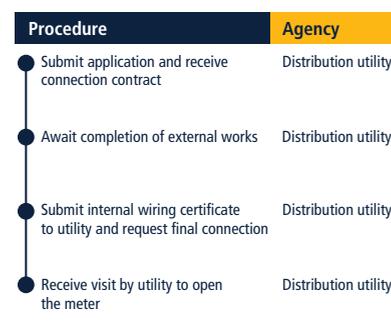
Overall among the five Croatian cities, getting electricity is easiest in Varazdin and most difficult in Zagreb. Varazdin has the most reliable supply of electricity and the second fastest process for obtaining a new connection. The utility's local office in Varazdin is the most advanced in using information technology to organize back-office work, thanks to the adoption of electronic document archives, an electronic database and software to track applications for new connections. In the global *Doing Business* ranking of 190 economies on the ease of getting electricity, where Croatia (as represented by Zagreb) stands at 75, Varazdin would rank number 33, ahead of Lithuania (Vilnius), Ireland (Dublin), Estonia (Tallinn) and Spain (Madrid) and very close to Luxembourg.

The time required to obtain an electricity connection ranges from 55 days in Osijek to 75 days in Split. The difference is driven mainly by how long an applicant must wait to receive the connection contract: the wait ranges from 15 days (as in Osijek) to twice that long (as in Split). Among the five Croatian cities, getting electricity is most expensive in Zagreb, where it costs HRK 238,184 (EUR 32,021), or 298.5% of income per capita. In the other four cities the cost is HRK 189,184 (EUR 25,434), or 237.1% of income per capita. The reason for the difference in cost between Zagreb and the other four is the connection fee, which is regulated at the national level and is higher in the capital.<sup>6</sup>

Although all five cities can count on automated systems to monitor power outages and restore service, and the energy regulator monitors the utility's performance, there are substantial differences among the cities in the frequency

and duration of outages. The network is relatively reliable in Varazdin, where in 2016 customers experienced on average 1.1 service interruptions, lasting a total of 2 hours. In Osijek, by contrast, customers experienced on average 3.6 outages, lasting more than 5.5 hours in total. In Zagreb, while outages were less frequent

FIGURE 4.2 Getting electricity involves the same four steps across cities in Croatia



Source: *Doing Business* database.

than in Osijek, the total duration of service interruptions was similar: customers experienced on average 1.7 outages, totaling 5 hours. This, along with the lack of regulatory requirements for the utility to compensate customers or pay penalties when outages exceed a certain cap, would rank Osijek and Zagreb at the bottom among EU member states on the reliability of supply and transparency of tariffs index, with 5 of 8 possible points.

Croatian authorities have an opportunity to make getting electricity easier by adopting good practices already in place in the country. A city where the process is as fast as in Osijek, and the supply as reliable as in Varazdin, would stand at 30 in the global *Doing Business* ranking of 190 economies, more than 40 places higher than the current ranking of Croatia (as represented by Zagreb).

### How does the process vary within the Czech Republic?

Overall, getting electricity in the Czech Republic is easier in the country's largest cities, Prague and Brno, and most difficult in smaller centers such as Liberec and Olomouc. Three distribution utilities operate in the seven benchmarked cities in the Czech Republic: PREdistribuce in Prague; E.ON in Brno; and CEZ in Liberec, Olomouc, Ostrava, Plzen and Usti nad Labem.<sup>7</sup>

In most of the Czech cities new warehouses typically connect to the medium-voltage network. This can take up to six procedures (as in Olomouc, Ostrava and Plzen) and 233 days (as in Usti nad Labem), and the cost can be as high as CZK 1,191,600 (EUR 46,969), or 283.2% of income per capita (as in Ostrava). These numbers are well over the EU averages of five procedures, 96.3 days and 118.7% of income per capita. So it is no surprise that 47.9% of Czech firms identify electricity as a major constraint to doing business.<sup>8</sup>

Among the seven cities, Brno and Prague are the only ones where a warehouse is more likely to connect to the low-voltage

network.<sup>9</sup> This makes a substantial difference: in Brno and Prague the connection can be completed in three procedures (figure 4.3). Obtaining a low-voltage connection takes as little as 60 days (in Prague) and costs CZK 109,000 (EUR 4,296), or 25.9% of income per capita (in both Brno and Prague).

For both low- and medium-voltage connections the process starts with submitting an application to the local distribution utility. The customer then receives the technical conditions for connecting as well as the connection agreement. At this point the utility and the customer agree on the best option for connecting on the basis of the technical conditions, and the customer pays the connection fee.<sup>10</sup> For a low-voltage connection the distribution utility is usually responsible for the external connection. But to speed up the process, entrepreneurs in Brno and Prague can prepare the project design and obtain the necessary permits on behalf of the utility.<sup>11</sup> They then hand the design and permits on to the utility for the building of the external connection.

For a medium-voltage connection there are two possible approaches for completing the external works. In Liberec and Usti nad Labem the utility typically builds the connection from the grid up to a connection point on the property boundary. In Olomouc, Ostrava and Plzen the utility often prepares the connection point on a pole near the grid, and the entrepreneur is responsible for building the connection from that pole to the property. In both cases the entrepreneur needs to obtain an approval on the project design from the utility and to install a private substation, two steps not required in Brno and Prague.<sup>12</sup> In Olomouc, Ostrava and Plzen, because customers are responsible for the external connection, they also need to obtain an excavation permit from the municipality to cross the road.<sup>13</sup> As the last step, once the connection works are completed, in all the Czech cities the entrepreneur signs a supply contract with the chosen electricity supplier. The

FIGURE 4.3 Getting electricity takes three procedures in Brno and Prague—but twice as many in Olomouc, Ostrava and Plzen



Source: *Doing Business* database.

a. Procedure takes place simultaneously with the previous one.

b. The entrepreneur is responsible for building the external connection in Olomouc, Ostrava and Plzen only.

electricity supplier submits a request to the utility to install a meter—and once the meter is installed, electricity can start flowing.

The amount of time the connection process takes also differs among cities where warehouses typically connect to the same voltage. The process is substantially faster in Prague than in Brno: it takes 60 days in the capital but 110 days in Brno. The delay in Brno is due mainly to E.ON's longer subcontracting process.

In the Czech cities where warehouses typically get a medium-voltage connection, the process of obtaining permits from local authorities is the most important source of delay. The utility or its subcontractor has to obtain all the necessary permits—such as the excavation permit to cross the road, the building permit for placing the connection and the right to use city land—before starting the construction of the connection. This process takes the

longest in Liberec and Usti nad Labem (200 days). These steps alone make medium-voltage connections in the Czech Republic among the most time consuming in the EU. Overall among the Czech cities where a medium-voltage connection is likely, Ostrava has the fastest connection process, but that process still takes nearly six months. Globally among the 190 economies covered by *Doing Business*, only four have a longer wait time.<sup>14</sup>

The connection fees are regulated nationally.<sup>15</sup> The fee for a low-voltage connection is CZK 100,000 (EUR 3,942).<sup>16</sup> The fee for a medium-voltage connection is slightly higher, at CZK 112,000 (EUR 4,415). The largest share of the cost for an entrepreneur connecting to medium voltage relates to the private substation, which adds an average CZK 700,000 (EUR 27,592). Among the Czech cities, Ostrava, Olomouc and Plzen have the most costly connection processes—because in these cities, in addition to purchasing and installing the substation, customers are also responsible for building the largest part of the connection, which adds about CZK 375,000 (EUR 14,781) to the total cost.<sup>17</sup> Among EU member states, only Croatia, Bulgaria and Romania have a higher cost for getting electricity.

Brno, Ostrava, Plzen, Prague and Usti nad Labem earn the highest possible score on the reliability of supply and transparency of tariffs index (8 of 8 points). All distribution utilities must report their performance to the energy regulatory agency, and they face financial deterrents aimed at limiting outages. Utilities throughout the country use an automated system to monitor outages and restore service. And tariffs and tariff changes are transparent and available online. Liberec and Olomouc earn slightly lower scores (7 of 8 points) as a result of longer and more frequent outages.

Overall among the seven Czech cities, Prague has the easiest process for getting electricity, with results ranking

it among the EU and global best. This demonstrates how bigger cities facing a larger number of requests can perform well if they take advantage of economies of scale. Czech authorities could consider helping the other cities to catch up with the capital by making it easier to obtain municipal permits, including location and building permits and the right to use city land.

### How does the process vary within Portugal?

In Portugal the power sector is supervised at the national level by the Energy Services Regulatory Authority (ERSE), while energy policy is designed by the Directorate General for Energy and Geology (DGEG). Specialized agencies oversee energy-related matters in the country's two autonomous island regions: the Regional Energy Directorate (DREn) in the Azores and the Regional Directorate for the Economy and Transports (DRET) in the archipelago of Madeira.<sup>18</sup> In the continental part of the country new connections to the grid must be obtained through the distribution utility Energias de Portugal (EDP-Distribuição). Customers can then choose from multiple electricity suppliers. In each of the autonomous island regions only one company is in charge of power distribution: in Madeira, Empresa de Electricidade da Madeira (EEM), responsible for providing both new connections and permanent supply to customers in Funchal; and in the Azores, Electricidade dos Açores (EDA), with the same responsibilities in Ponta Delgada.

In all eight of the Portuguese cities benchmarked, a warehouse like the one in the *Doing Business* case study is most commonly connected to the low-voltage network. The process involves four to six procedures (figure 4.4). The first is applying for a connection and waiting for the utility to estimate the connection fee. In most of the cities the utility will schedule a site visit to estimate the cost. The customer is then free to choose between asking the utility to carry out the works and hiring a private contractor to

FIGURE 4.4 Getting electricity in the Portuguese cities requires a minimum of four procedures and a maximum of six



Source: *Doing Business* database.

a. Procedure takes place simultaneously with the previous one.

do so. Before the works start, an excavation permit needs to be obtained from the municipality. When the utility carries out the works—as it commonly does in Coimbra, Lisbon and Ponta Delgada—it also deals with the municipal permits. In Evora, while entrepreneurs are more likely to hire a private contractor to carry out the works, the utility still obtains the excavation permit on their behalf. Once the works are completed and the internal wiring is certified, the customer can sign the supply contract and get the electricity turned on.

Overall among the Portuguese cities, getting electricity is easiest in Coimbra and most difficult in Faro. The process is most streamlined in Coimbra and Ponta Delgada, where customers need to complete four procedures. In Coimbra, through a pilot project, EDP-Distribuição has implemented a georeferencing system allowing it to prepare a cost estimate for customers without visiting the site. In Ponta Delgada there's no requirement for customers to obtain a certification of the building's internal wiring; instead,

they can present terms of responsibility signed by their technician. The connection process requires six procedures in Braga, Faro and Porto, where customers usually hire their own contractor for the works and must obtain an excavation permit themselves. And it takes five procedures in Evora, Funchal and Lisbon.

The process is fastest in Funchal, where it takes 50 days. The main reason for the speedier performance in Funchal is that it takes less time for the utility to review an application (13 days) and to obtain the excavation permit from the municipality (15 days). Another reason is that customers in Funchal are required only to notify DRET, the regional energy agency, of the completion of the internal wiring—a step that takes five days. By contrast, customers in continental Portugal must obtain an internal wiring inspection from a specialized third-party firm, which takes two weeks on average. Among all eight cities, Faro has the longest process for getting connected to electricity, taking a total of 68 days. Completing two of the procedures takes longer in this city than in the others: getting an application reviewed takes 23 days, and obtaining an excavation permit takes almost three weeks.

Among the eight cities, Funchal has the least expensive connection process, at EUR 5,995, or 34.2% of income per capita; among EU member states, only seven have a lower cost relative to income per capita.<sup>19</sup> Braga has the most expensive process, costing EUR 6,803, or 38.8% of income per capita. In all the cities the biggest source of cost is the connection works. If these are carried out by the utility, the cost is regulated at the national level. Utilities charge a sum ranging from EUR 5,862 in Funchal to EUR 6,772 in Ponta Delgada. Differences in cost also stem from variations in the fee for a municipal excavation permit for the works. Thanks to general agreements between the utility and municipalities, no fee is charged in the cities where the utility obtains this permit. But in Braga,

where customers obtain the permit, they must pay EUR 468 for it.

Over the course of 2016 the most reliable electricity supply was recorded in Funchal, where customers experienced on average 0.28 power outages, lasting a total of 23 minutes. Outages were most frequent in Faro, where customers saw an average of 1.83 power cuts, lasting 1.6 hours in total. The country has a legal framework in place to provide incentives for reliable electricity supply. All distribution utilities must report their performance to ERSE, and customers may receive financial compensation if outages exceed certain limits. Distribution utilities throughout the country use an automated system to monitor outages. Those operating in the benchmarked cities in continental Portugal also use an automated system to restore service, while those in Funchal and Ponta Delgada do not. In all the cities tariffs and tariff changes are transparent and available online.

Portugal has enormous potential to make it easier for entrepreneurs to obtain an electricity connection by encouraging cities to share good practices and learn from one another. A hypothetical economy that has a process requiring four procedures (as in Coimbra and Ponta Delgada), taking 50 days (as in Funchal) and costing 28.5% of income per capita (as in Ponta Delgada)—and that scores 8 points on the reliability of supply and transparency of tariffs index (as Braga, Lisbon and Porto do)—would place very close to the global top 10 in the *Doing Business* ranking on the ease of getting electricity.

**How does the process vary within Slovakia?**

Three distribution utilities operate in Slovakia. Bratislava and Trnava are in the territory where Zapadoslovenska distribučna (ZSDIS) operates, Kosice and Presov are in the territory served by Vychodoslovenska distribučna (VSD), and Zilina is in the territory of Stredoslovenska distribučna (SSD).<sup>20</sup> The

solution adopted for a connection often results from an agreement between the customer and the utility based on the specific technical conditions of the case.

Some of the steps to get a new electricity connection are common to all cities across Slovakia. But some steps differ, reflecting differences in the internal processes of distribution utilities and in the availability of capacity for connecting new buildings (figure 4.5). In Bratislava and Trnava a warehouse like the one in the *Doing Business* case study is most likely to connect to the medium-voltage network. In these two cities the external connection is typically built by the utility, which also obtains the excavation permit from the municipal road management office on behalf of the customer. The customer is responsible for purchasing and installing a private substation.

In Kosice, Presov and Zilina, by contrast, the warehouse is likely to connect to the low-voltage network, so the installation of a private substation is not needed. In these three cities entrepreneurs most

**FIGURE 4.5** The steps to get electricity in Slovakia vary depending on the utility and the availability of capacity



Source: *Doing Business* database.  
 a. Procedure takes place simultaneously with the previous one.

commonly opt to build the external connection themselves and therefore need to obtain an excavation permit from the municipal road management office. The lower technical complexity of a low-voltage connection translates into shorter wait times than for a medium-voltage connection. Getting electricity takes 56 days in Zilina—which has the best performance on the ease of getting electricity among the five Slovak cities—while it takes a month longer in Bratislava and Trnava.

Zilina also has the fewest procedures among the Slovak cities, with four. In the other cities the process requires five procedures. The difference is that in all the cities except Zilina the project design must be approved by the distribution utility. The utility operating in Zilina, SSD, eliminated this requirement. Instead, it provides more detailed technical conditions for the connection at the beginning of the process, ensuring that there is little ambiguity for project designers when they are preparing the project. SSD also eliminated the requirement to submit a completion report, which the other Slovak utilities require when the connection works are completed. SSD asks instead for an affidavit through which the customer confirms that the external connection has been prepared in accordance with the technical conditions.

In all five Slovak cities the connection process ends with the customer signing a supply contract with an electricity supplier. The supplier then asks the utility to install the meter, and the customer can switch on the electricity.

Whether a connection is to a low- or medium-voltage network matters substantially for the cost. In Bratislava and Trnava, where a medium-voltage connection is likely, customers need to pay a medium-voltage connection fee of EUR 7,606 as well as purchase and install a private substation at an average cost of EUR 28,000. The low-voltage connection fees are established at the distribution

territory level; for the *Doing Business* case study warehouse they amount to EUR 1,787 in Zilina and EUR 2,180 in Kosice and Presov.

Bratislava, Kosice and Presov earn the highest possible score on the reliability of supply and transparency of tariffs index (8 of 8 points). Trnava and Zilina earn a slightly lower score (7 of 8 points) as a result of longer and more frequent outages. Utilities must report their performance to the energy regulatory agency, and the regulation establishes financial deterrents aimed at limiting outages. Utilities use automated systems to monitor outages and restore service. And tariffs and tariff changes are transparent and available online.

Cities in Slovakia could make getting electricity easier for enterprises by learning from one another. A hypothetical economy where the connection process is as efficient as in Zilina (where it takes four procedures, lasts 56 days and costs 55.2% of income per capita), and where supply is as reliable as in Bratislava, Kosice and Presov, would stand at 12 in the *Doing Business* global ranking of 190 economies on the ease of getting electricity—more than 40 places higher than Slovakia (as represented by Bratislava) currently ranks.

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## WHAT CAN BE IMPROVED?

This chapter's review of the process for getting a new electricity connection and the reliability of power supply in Croatia, the Czech Republic, Portugal and Slovakia points to several areas of possible improvement.

### **Streamline the process for obtaining municipal permits** **CZECH REPUBLIC, SLOVAKIA**

In the Czech Republic and Slovakia, in addition to the excavation permit, other preconnection approvals are also needed. These must be obtained from several different municipal offices, such as the

building office, the road management office and the office that grants access to city land. For an entrepreneur needing to connect to the medium-voltage network, the time required to obtain all the permits becomes a real obstacle. Obtaining the right to use city land alone can take several months as a result of the complexity of the process and the meeting schedules of different municipal bodies.

Streamlining the process for obtaining permits and consolidating the necessary municipal approvals internally could reduce delays in both the Czech Republic and Slovakia—while also simplifying matters for entrepreneurs by eliminating the need to approach multiple offices for the same project. It would also avoid the risk of different municipal officials issuing contradictory decisions. Lithuania offers a good example of how the process can be streamlined. There, applicants submit only one consolidated form to the municipality, which then collects the clearances from different departments on their behalf.

Authorities in the Czech Republic and Slovakia could also consider introducing strict statutory time limits for issuing permits as well as silence-is-consent rules, as has been done in several other EU member states. Under these rules, if the approving authority fails to respond within the given time frame, the approval is automatically granted. Italy, Poland and Spain are among the EU member states that have adopted such rules, as illustrated in earlier *Doing Business* subnational studies.<sup>21</sup>

Another permitting issue in the two countries is that external connection projects for medium-voltage connections need to go through a process of obtaining building permission similar to that required for more complex construction projects. Because electricity connections are simpler and more standardized than buildings and other structures, authorities could consider creating a dedicated approval channel for connection

projects—so that they don't end up on the same processing pile as factories or shopping malls. Modern regulations establish distinct levels of scrutiny—and therefore different time frames—for different levels of complexity. This approach allows approvals for simple connection projects to be fast-tracked, freeing public authorities to focus on more complicated projects.

### **Simplify the process for obtaining an excavation permit** **CROATIA, CZECH REPUBLIC, PORTUGAL, SLOVAKIA**

For an electricity connection, one of the most common permits needed is the excavation permit. This must be obtained from the municipality by either the utility or the entrepreneur. Where the utility is responsible for this requirement, there could be more room to negotiate a faster and less costly permitting process with the municipality. A utility's public service functions mean that it is in a continuous relationship with the municipality, which offers opportunities for economies of scale. This suggests that customers should be relieved of the burden of applying for permits—and that utilities and municipalities should have general agreements on standardized and fast-tracked interactions.

One example that goes in this direction comes from the Portuguese city of Evora, where the utility obtains the excavation permit even if the customer chooses to hire a private contractor for the works. An agreement between the utility and the municipality allows permits to be delivered at no cost when the utility is the applicant. As a result, customers obtain the excavation permit at no charge. Municipal authorities and utilities elsewhere in the four member states could design similar arrangements making it easier to obtain excavation permits.

Another example comes from Romania, where some municipalities issue the excavation permit as part of the construction permit, so that applicants and

municipal authorities have no need to duplicate efforts.<sup>22</sup>

### **Improve the reliability of electricity supply** **CROATIA**

Most EU member states impose financial sanctions on distribution utilities if they fail to provide a reliable electricity supply to their customers. Croatia is not among them. So perhaps it is unsurprising that Croatia lags behind all other EU member states in the reliability of supply. Minimizing the number and duration of power outages is critical for the good of the economy and of society in general. Financial sanctions are useful in creating incentives for distribution utilities to maintain a high reliability of supply throughout the year and across their entire zone of operations. Croatia could introduce caps on the frequency and duration of outages that, if exceeded, trigger financial sanctions.

But financial sanctions alone are not enough. A distribution utility is only the last link in the supply chain for electricity; many actors play key parts in generation, transmission and distribution. Moreover, multiple interdependent factors directly affect reliability. Evidence suggests that investment levels in electricity generation, tariff levels and bill collection rates, the operational efficiency of the utilities, and the overarching regulatory framework are all key factors in determining the reliability of supply.<sup>23</sup>

### **Reduce the up-front cost of obtaining a new connection** **CROATIA, CZECH REPUBLIC, SLOVAKIA**

Compared with EU peers, some of the benchmarked cities have an expensive connection process. These include the Czech and Slovak cities where the customer must connect to the medium-voltage network (Liberec, Olomouc, Ostrava, Plzen and Usti nad Labem in the Czech Republic, and Bratislava and Trnava in Slovakia). They also include all five Croatian cities, where getting a new

connection is expensive despite low-voltage connections being commonly available there. To put things in perspective, in Bulgaria obtaining a low-voltage connection costs less than half as much as it does in Croatia.<sup>24</sup>

In other countries utilities and local authorities cover part of the cost of building a new connection, reducing the up-front cost for entrepreneurs. In France, for example, municipalities finance part of the connection cost. This is in accordance with the Energy Code (article L342-11), which specifies that urban planning commissions are to bear the cost of extension works for the electricity grid. In Paris the utility charges the customer EUR 1,840, and the entire process of getting an electricity connection for the *Doing Business* case study warehouse costs 6% of income per capita.

In Croatia the national distribution company designs and builds all connections. Giving customers the option of hiring a private contractor to build the connection—as is done in several other EU member states, including the Czech Republic, Portugal and Slovakia—could help reduce costs, because customers could choose the fastest or least costly option.

### **Eliminate the project approval by providing detailed technical requirements up front** **SLOVAKIA**

In all the Slovak cities except Zilina, utilities require that they approve the project design before construction works can start, for both low- and medium-voltage connections. Zilina offers a good example of how providing clear guidelines up front can save time for both the utility and the entrepreneur. There, for simpler connections like the one in the *Doing Business* case study, the local utility, SSD, does not need to approve the project design. This is thanks to the level of technical detail that SSD provides to entrepreneurs before they start preparing the project. Nor does SSD require a completion report once the

connection has been completed. Instead, it simply requires an affidavit from the entrepreneur certifying that the connection has been completed in accordance with the technical conditions. After receiving the affidavit, SSD can decide to investigate further and inspect the connections that require more scrutiny. These good practices are among the reasons that Zilina ranks number 1 among the Slovak cities and number 3 among all 25 benchmarked cities on the ease of getting electricity.

### Replace the internal wiring certificate with self-certification of compliance

#### PORTUGAL

In continental Portugal customers need to obtain an internal wiring certificate from a certified third-party company.<sup>25</sup> Ensuring the safety and quality of electrical wiring is crucial. But there are ways to do so without imposing additional requirements for getting a new connection. In several EU member states, including Denmark and Germany as well as the Czech Republic and Slovakia, the regulation allows the electrical contractor who built the internal wiring to take the responsibility for certifying that it was done in accordance with the law and safety standards.

If electrical wiring is done under the supervision of qualified and regulated electrical contractors, its safety can be ensured without an inspection by a separate entity—and the process can be made faster and less cumbersome without compromising safety. Proper regulation of the electrical engineering profession is key. To work effectively, systems of self-certification need to be accompanied by legal provisions specifying the qualification requirements and the liability of the professionals involved.

### Eliminate the need for an on-site inspection to determine the technical conditions and cost of the connection

#### PORTUGAL

Inspections by the utility—for which the customer needs to be present—offer an opportunity for simplifying the process in Portugal. Before providing a cost estimate, utilities in all the Portuguese cities except Coimbra conduct an external inspection to check the surroundings of the building and determine precisely where cables and the meter should be installed. But in many economies around the world utilities use a geographic information system (GIS) and therefore have no need to visit the site. The utility in Coimbra does as well, thanks to a pilot project in that city. By replicating Coimbra's pilot project, utilities in other Portuguese cities could also use GIS to review connection requests, streamlining the process and reducing the time needed to approve applications.

connections are more common in Bratislava and Trnava, and low-voltage connections more common in Kosice, Presov and Zilina.

- The relevant laws regulating the connection process in Croatia are the Electricity Market Act (102/15); the Decision on the Amount of the Fee for Connecting to the Power Grid and for Increasing the Power (52/06); the Quality Conditions of Supply of Electricity (31/18); the Decision on the Amount of Tariff Items for Guaranteed Electricity Supply (114/17); and the General Conditions for Using the Network and Supplying Electricity (85/15).
- In Zagreb the connection fee for a warehouse like the one in the *Doing Business* case study is HRK 1,700 (EUR 229) per kilovolt-ampere, while in the other cities it is HRK 1,350 (EUR 181) per kilovolt-ampere.
- The main legislative instruments governing the process for getting electricity in the Czech Republic are the Quality Standards in the Electricity Sector (540/2005) and the Act about Connecting to the Electricity Network (16/2016).
- World Bank Enterprise Surveys, <http://www.enterprisesurveys.org>.
- While these are the most common scenarios for connecting a warehouse like the one in the *Doing Business* case study, the type of voltage can vary within a city and sometimes even within an industrial park, depending on the availability of power capacity.
- There are often several options for connecting. As in other countries (including Slovakia), utilities in the Czech Republic agree with new customers on which option is the best. The roles and responsibilities of the parties vary depending on the option chosen.
- In these cases the municipal permits required for building the connection are obtained by the entrepreneur as part of the process of getting a building permit for the new construction. This option is common for commercial buildings.
- In Liberec and Usti nad Labem a project design is needed for the installation of a private substation. In Olomouc, Ostrava and Plzen it is needed for both the substation and the external connection.
- In Liberec and Usti nad Labem, as well as in Brno and Prague, the excavation permit is obtained by the utility.
- These are Romania (174 days), Belgium (201 days), Hungary (257 days) and Bulgaria (262 days).
- Act 16/2016, attachment 8.
- This connection fee applies to a connection with a subscribed capacity of 140 kilovolt-amperes, like the one in the *Doing Business* case study.
- In Liberec and Usti nad Labem, as well as in Brno and Prague, the connection is typically built by a subcontractor hired by the utility, and there is no additional cost for the customer.
- Power distribution in Portugal is governed by Regulation 561/2014 on the Commercial Relations in the Electricity Sector.
- These are France, Poland, the Czech Republic, the United Kingdom, Finland, the Netherlands and Sweden.

## NOTES

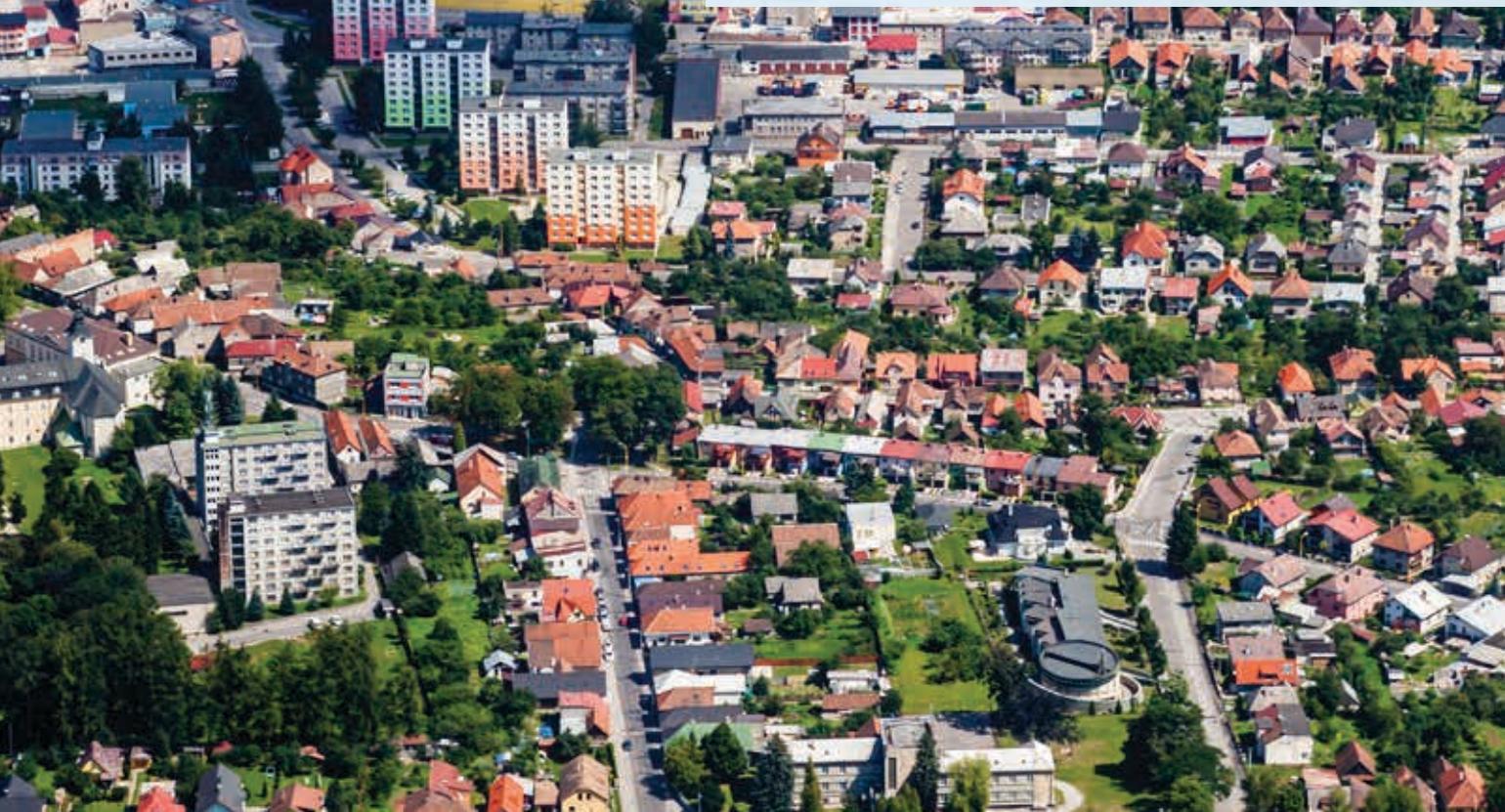
- Pierre Audinet and Martin Rodriguez Pardina, "Managing an Electricity Shortfall: A Guide for Policymakers" (Energy Sector Management Assistance Program, World Bank, Washington, DC, 2010), <http://documents.worldbank.org/curated/en/337601468017341236/Managing-an-electricity-shortfall-a-guide-for-policymakers>.
- Carolin Geginat and Rita Ramalho, "Electricity Connections and Firm Performance in 183 Countries," Policy Research Working Paper 7460 (World Bank, Washington, DC, 2015).
- These regulatory agencies are the Croatian Energy Regulatory Agency (HERA) in Croatia, the Energy Regulatory Office (ERU) in the Czech Republic, the Energy Services Regulatory Authority (ERSE) in Portugal and the Regulatory Office for Network Industries (URSO) in Slovakia. Each of these agencies is responsible for supervising the national power sector (generation, transmission, distribution and supply) as well as electricity prices.
- In the Czech Republic medium-voltage connections are more common in Liberec, Olomouc, Ostrava, Plzen and Usti nad Labem, and low-voltage connections more common in Brno and Prague. In Slovakia medium-voltage

20. The primary legislation governing the electricity market in Slovakia is the Bill about the Energy Sector (251/2012), which outlines the rights and responsibilities of all electricity market participants. Other relevant laws that regulate the connection process include the 236/2016 Directive from the Regulatory Office for Network Industries (URSO) on the quality standards for transmission, distribution and generation of electricity. This bill includes the compensation mechanisms for violation of the quality standards (available at <https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2016/236/>). Another is the 271/2012 Directive from the Ministry of Economy (Directive specifying technical conditions about connecting to the electricity network), on the basis of which distribution companies create standardized technical conditions for connecting to the distribution network.
21. See World Bank, *Doing Business in Italy 2013* (Washington, DC: World Bank, 2013), *Doing Business in Poland 2015* (Washington, DC: World Bank, 2015) and *Doing Business in Spain 2015* (Washington, DC: World Bank, 2015).
22. These include Bucharest, Cluj-Napoca, Constanta and Iasi. See World Bank, *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* (Washington, DC: World Bank, 2017).
23. Jean Arlet, Diane Davoine, Tigran Parvanyan, Jayashree Srinivasan and Erick Tjong, "Getting Electricity: Factors Affecting the Reliability of Electricity Supply," in World Bank, *Doing Business 2017: Equal Opportunity for All* (Washington, DC: World Bank, 2016).
24. Among the Bulgarian cities covered by a subnational *Doing Business* study, those in which low-voltage connections are commonly available (Burgas, Plovdiv, Ruse and Varna) have a cost of 107.1% of income per capita. See World Bank, *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* (Washington, DC: World Bank, 2017).
25. In continental Portugal until December 2017, the internal wiring of a new building needed to be certified by Certiel, the association responsible for providing inspections in that part of the country. In 2018 Certiel ceased this function, and customers now hire a private certifying entity to inspect and approve the internal wiring. Among the firms qualified to provide these inspections are the Portuguese Electrotechnical Institute (Instituto Electrotécnico Português, IEP), the Industrial Quality Laboratory (Laboratório Industrial da Qualidade, LIQ) and the Quality and Welding Institute (Instituto de Soldadura e Qualidade, ISQ). The situation is different in Funchal and Ponta Delgada. In Funchal customers are required only to submit a notification of the completion of the internal wiring to the regional energy agency. And in Ponta Delgada no inspection or notification is needed.



# Registering Property

## MAIN FINDINGS

- In each of the four countries the data show meaningful variations among the benchmarked cities in the efficiency of registering a property transfer.
  - The time for the property transfer drives the differences in efficiency. In Croatia, for example, registering a property transfer takes 32 days in Osijek but more than twice as long in Split (72 days).
  - Portugal is the only country among the four where registering a property transfer does not require the use of legal professionals such as lawyers or notaries. But it also has by far the highest cost to register a property transfer (7.3% of the property value).
  - Slovakia's strong performance on both the efficiency and the quality of the land administration places the country among the top 3 EU member states on the ease of registering property and at 7 in the global ranking.
- 

Providing secure property rights is critical to support investment, productivity and economic growth.<sup>1</sup> For some countries, doing so might entail not only undertaking legal reforms but also creating a reliable infrastructure, especially in the form of digital land records and cadastral maps.

Slovakia provides a telling example: an early effort to overhaul its cadastre helped smooth the way in computerizing and modernizing its land administration system during the postcommunist transition. By February 2004 Slovakia had made information from the cadastre accessible online, free of charge. In September 2009 it introduced lower fees for property transfers submitted electronically, to provide an incentive for citizens and businesses to choose the online option. And in 2013 the central authority delegated the control

of the land registry and cadastre to district offices. All these changes earned Slovakia's cadastre recognition as being advanced and progressive.<sup>2</sup> Slovakia places among the top 10 in the *Doing Business* global ranking of 190 economies on the ease of registering property.

The other three EU member states covered by this report have also been modernizing their land administration systems. Since November 2016 Croatia has integrated the management of its cadastre and land registry through the Joint Information System, a centralized web-based system linked with other key registers (including the personal identification register, address register and business register). The Joint Information System was developed under the ongoing Integrated Land Administration System Project, supported by the World Bank.

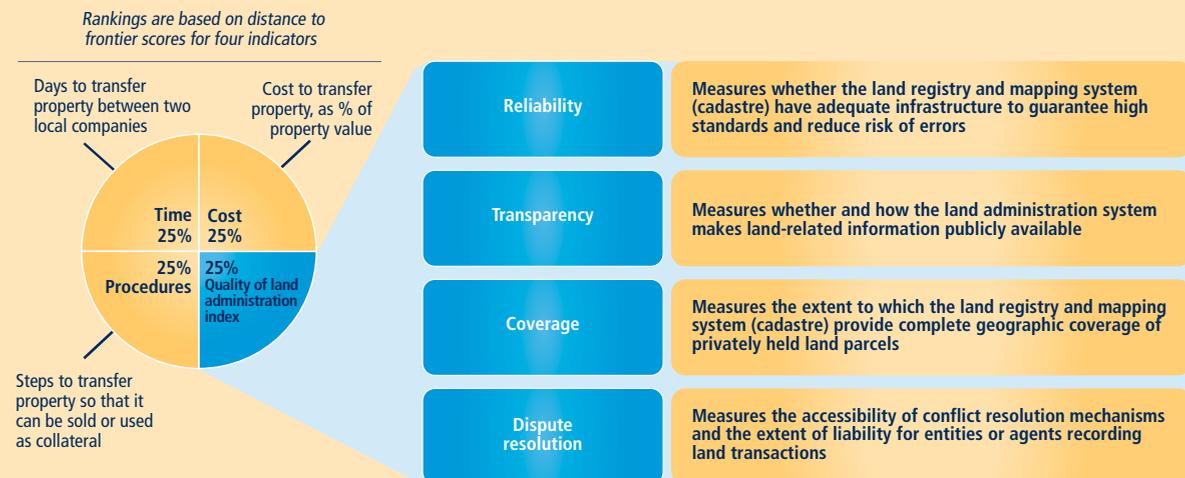
The Czech Republic has been computerizing its cadastre and land registry, and it has linked the cadastre with other national registers to avoid duplication of the identification numbers and addresses of legal and natural persons.<sup>3</sup> And Portugal has made headlines with its Casa Pronta service desks, which arose in 2007 from the national SIMPLEX program aimed at streamlining bureaucracy and making life easier for citizens. At these one-stop service desks, dedicated to property-related transactions, land registry clerks can draft deeds on the spot, speeding up the process by making the use of notaries optional. Indeed, customers can complete all the steps needed to register a property transfer at these service desks, including paying the transfer tax.

Economies that invest in a digital cadastre and land registration system benefit in

## WHAT DOES REGISTERING PROPERTY MEASURE?

*Doing Business* records the full sequence of procedures necessary for a business (the buyer) to purchase a property from another business (the seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding its business, use the property as collateral in taking new loans or, if necessary, sell the property to another business. It also measures the time and cost to complete each of these procedures. In addition, *Doing Business* measures the quality of the land administration system in each economy. The quality of land administration index has four main dimensions: reliability of infrastructure, transparency of information, geographic coverage and land dispute resolution (see figure).

### Registering property: measuring the efficiency and quality of the land administration system



several ways. One way is through greater efficiency. Computerization optimizes processes by streamlining workflows, and it helps compile, access and share information in ways not possible with manual systems. Faster processes speed up mortgage applications and reduce the time involved in transferring real property rights, often saving time for applicants as well as for staff at the land registry and cadastre. Computerization also allows governments to set up tracking mechanisms to help assess the performance of land registry and cadastre staff and improve their services for customers. Data accuracy and security are other advantages: each transaction entered in a computerized system can be automatically registered, duplicated and retrieved.

With real property (land and buildings) accounting for between half and three-quarters of the wealth in most economies, having an accurate and up-to-date land information system matters.<sup>4</sup> Research suggests that property owners with secure ownership are more likely to invest in private enterprises and to transfer land to more efficient users. In addition, the ability to access authoritative information on land ownership reduces transaction costs in financial markets, making it easier to use property as collateral.<sup>5</sup> Land registries along with cadastres identifying the location of property are tools used around the world to map, prove and secure property rights. For governments, having reliable, up-to-date information in cadastres and land registries is essential to correctly assess and collect tax revenues. It also enables governments to map out the varying requirements of cities and strategically plan the provision of services and infrastructure to meet the greatest needs across each city.<sup>6</sup>

## HOW DOES REGISTERING PROPERTY WORK IN THE FOUR MEMBER STATES?

In the Czech Republic the land registry and cadastre have been integrated since 1993 and are now under one umbrella institution—the State Administration of Land Surveying and Cadastre (Státní správa zeměměřictví a katastru). One of the largest data information systems in the state administration, the cadastre includes a detailed inventory of the location and dimensions of each parcel of land as well as records of property rights.

Similarly, in Slovakia the cadastre and land registry constitute one information system under the Geodesy, Cartography and Cadastre Authority of the Slovak Republic (Úrad geodézie, kartografie a katastra Slovenskej republiky). The cadastre and land registry are managed through district office cadastral departments. Kapor (Katastrálny portál), the online version of the land registry records, is the largest public online database in Slovakia, allowing anyone to search basic data on land plots and their owners free of charge.

In Croatia the cadastre and land registry are under the supervision of two different institutions. The State Geodetic Administration manages the cadastre through its regional offices. It supervises a network of 113 cadastral offices spread across the country, though the one in Zagreb operates under the supervision of the City of Zagreb. The Ministry of Justice is responsible for the land registry through the Land Registry Management Service, overseeing 107 land registry offices subordinated to the municipal courts.

In Portugal the land registry is kept by the land registry offices, under the direction of the land registrars. These offices, part of the Institute of Registries and Notaries (Instituto dos Registos e do Notariado), are located in every municipality across

Portugal. But their authority is not limited by geographic location; they can take actions relating to any immovable property in Portugal.

### How does the process compare across the four member states?

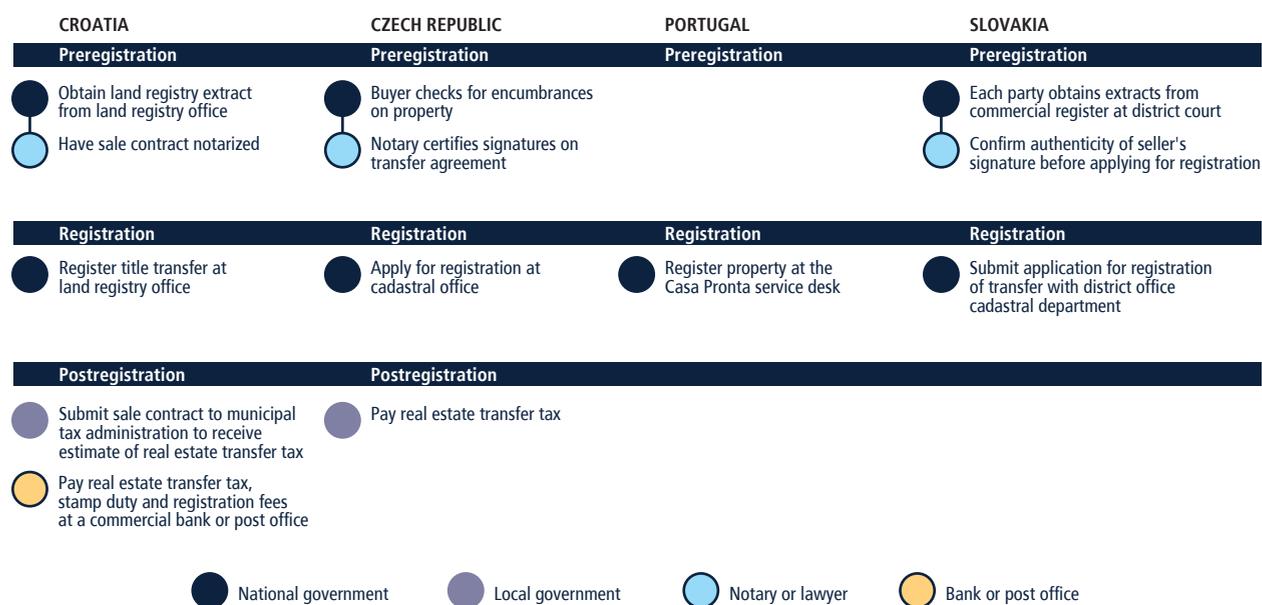
Portugal is the only country among the four where registering a property transfer does not require the use of legal professionals such as lawyers or notaries (figure 5.1). Applicants can simply go to the local Casa Pronta service desk and have their deed prepared on the premises by a land registry clerk using a template, before the property transfer is officially registered by the land registrar. If applicants prefer not to use the template deed, they can have their deed drafted by a notary or lawyer and then registered directly by the land registrar in the land registry (Registo Predial). But this option is more expensive and time consuming and therefore typically reserved for complex transactions. The transfer tax can be assessed and paid directly at either the land registry office or the Casa Pronta service desk.

In Croatia a notary must notarize the sale and purchase agreement by verifying the authenticity of the seller's signature. And in the Czech Republic and Slovakia notaries are also used in practice to verify the signatures of the seller. But this can also be done by a civil servant—in the Czech Republic, at a cadastral office, a registrar's office (*matrika*) or one of the Czech Point service centers located in post offices throughout the country; and in Slovakia, at a registrar's office (*matrika*).

To transfer a property in the Czech Republic, an entrepreneur needs to interact with the cadastral office at least twice—to check for encumbrances on the property and, once the signature on the sale and purchase agreement has been certified, to apply for registration. The process ends when the entrepreneur pays the transfer tax.

In Slovakia diligent entrepreneurs will obtain an extract from the commercial

FIGURE 5.1 Portugal has simpler procedural requirements for transferring property than Slovakia, the Czech Republic and Croatia



Source: *Doing Business* database.

registry at the district court before having their signature on the sale and purchase agreement certified by a notary and visiting the district office cadastral department to register the property transfer. No further procedure is needed in Slovakia. The real estate transfer tax was abolished in 2005, so it is no longer necessary to have the municipal tax authority assess the amount of tax due or to pay the tax.

In Croatia the registration process is more complex. The process requires two separate interactions with the local land registry office under the municipal court: first to obtain the land registry extract as part of a due diligence process and then, once the sale and purchase agreement has been notarized, to register the title transfer before paying the stamp duty and the registration fee. It is also recommended that the applicant submit the sale contract to the municipal tax administration (though the notary is legally required to do this as well), in order to receive an estimate of the real estate transfer tax and thus be able to pay this tax.

Among the four countries, property registration is easiest in Slovakia, where it requires three procedures, takes 11.1 days on average and costs EUR 272—a minimal amount relative to the value of the property in the *Doing Business* case study. Among the 25 cities benchmarked, the process is easiest in Trnava (Slovakia) and most difficult in Split (Croatia) (table 5.1). There is little variation within any of the countries except Croatia, where a property transfer can take anywhere from 32 days to 72 across the five benchmarked cities.

Of the four countries, Portugal has the least complex process, requiring only one procedure, as well as the fastest one, taking 3.8 days on average. But it also has by far the most expensive one, costing 7.3% of the property value. Transferring property is most difficult and time consuming in Croatia, where it takes five procedures and 47.4 days on average, at a cost of 4.0% of the property value. The cost is similar in the Czech Republic, but the process requires only four procedures and takes 25.5 days on average across the seven benchmarked cities.

In the *Doing Business* global ranking on the ease of registering property, economies are ranked by the performance in their largest business city.<sup>7</sup> How would each of the four countries fare if its ranking were based instead on the average performance of its benchmarked cities? Slovakia's strong average performance on both the efficiency and quality of land administration would place the country among the top five EU member states and at number 7 in the global ranking of 190 economies. Portugal would stand at 33 in the global ranking despite uneven results across the registering property indicators, with the fifth highest cost in the EU and the sixth lowest score in the EU on the quality of land administration index. But it would lead the global ranking in number of procedures and place close to the top 10 globally in the speed of the process. Croatia would stand at 52 in the ranking, slightly below the EU average of 51 but ahead of Germany and France. The Czech Republic, performing close to the EU average on all the indicators covered, would be at 30 in the global ranking (figure 5.2).

**TABLE 5.1** Registering property in Croatia, the Czech Republic, Portugal and Slovakia—where is it easier and where is the land administration system more accessible and reliable?

City (Country)	Rank	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of property value)	Quality of land administration index (0–30)
Trnava (Slovakia)	1	91.48	3	5.5	0.0	25.5
Kosice (Slovakia)	2	91.24	3	7.5	0.0	25.5
Zilina (Slovakia)	3	91.00	3	9.5	0.0	25.5
Presov (Slovakia)	4	90.17	3	16.5	0.0	25.5
Bratislava (Slovakia)	4	90.17	3	16.5	0.0	25.5
Ostrava (Czech Republic)	6	80.22	4	23.5	4.0	25
Brno (Czech Republic)	7	80.10	4	24.5	4.0	25
Usti nad Labem (Czech Republic)	7	80.10	4	24.5	4.0	25
Liberec (Czech Republic)	9	79.98	4	25.5	4.0	25
Olomouc (Czech Republic)	9	79.98	4	25.5	4.0	25
Prague (Czech Republic)	11	79.74	4	27.5	4.0	25
Plzen (Czech Republic)	11	79.74	4	27.5	4.0	25
Funchal (Portugal)	13	79.43	1	1	7.3	20
Faro (Portugal)	13	79.43	1	1	7.3	20
Ponta Delgada (Portugal)	13	79.43	1	1	7.3	20
Braga (Portugal)	16	79.31	1	2	7.3	20
Evora (Portugal)	17	79.19	1	3	7.3	20
Coimbra (Portugal)	18	79.07	1	4	7.3	20
Porto (Portugal)	19	78.59	1	8	7.3	20
Lisbon (Portugal)	20	78.35	1	10	7.3	20
Osijek (Croatia)	21	75.86	5	32	4.0	23.5
Rijeka (Croatia)	22	75.02	5	39	4.0	23.5
Zagreb (Croatia)	23	74.07	5	47	4.0	23.5
Varazdin (Croatia)	23	74.07	5	47	4.0	23.5
Split (Croatia)	25	71.08	5	72	4.0	23.5

Source: *Doing Business* database.

Note: Rankings are based on the average distance to frontier score for the procedures, time and cost associated with registering property as well as for the quality of land administration index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in the European Union Member States 2018: Croatia, the Czech Republic, Portugal and Slovakia*." The data for Bratislava, Lisbon, Prague and Zagreb have been revised since the publication of *Doing Business 2018*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

Scores on the quality of land administration index do not vary within the four countries. Slovakia has a score 3 points lower, and the Czech Republic a score 3.5 points lower, than those of Lithuania and the Netherlands, which are the highest among EU member states. Croatia scores almost 1 point better than the EU average of 22.7 points. And Portugal places in the bottom tier among EU member states, with a score 5.5 points lower than Slovakia's.

### How does the process vary within Croatia?

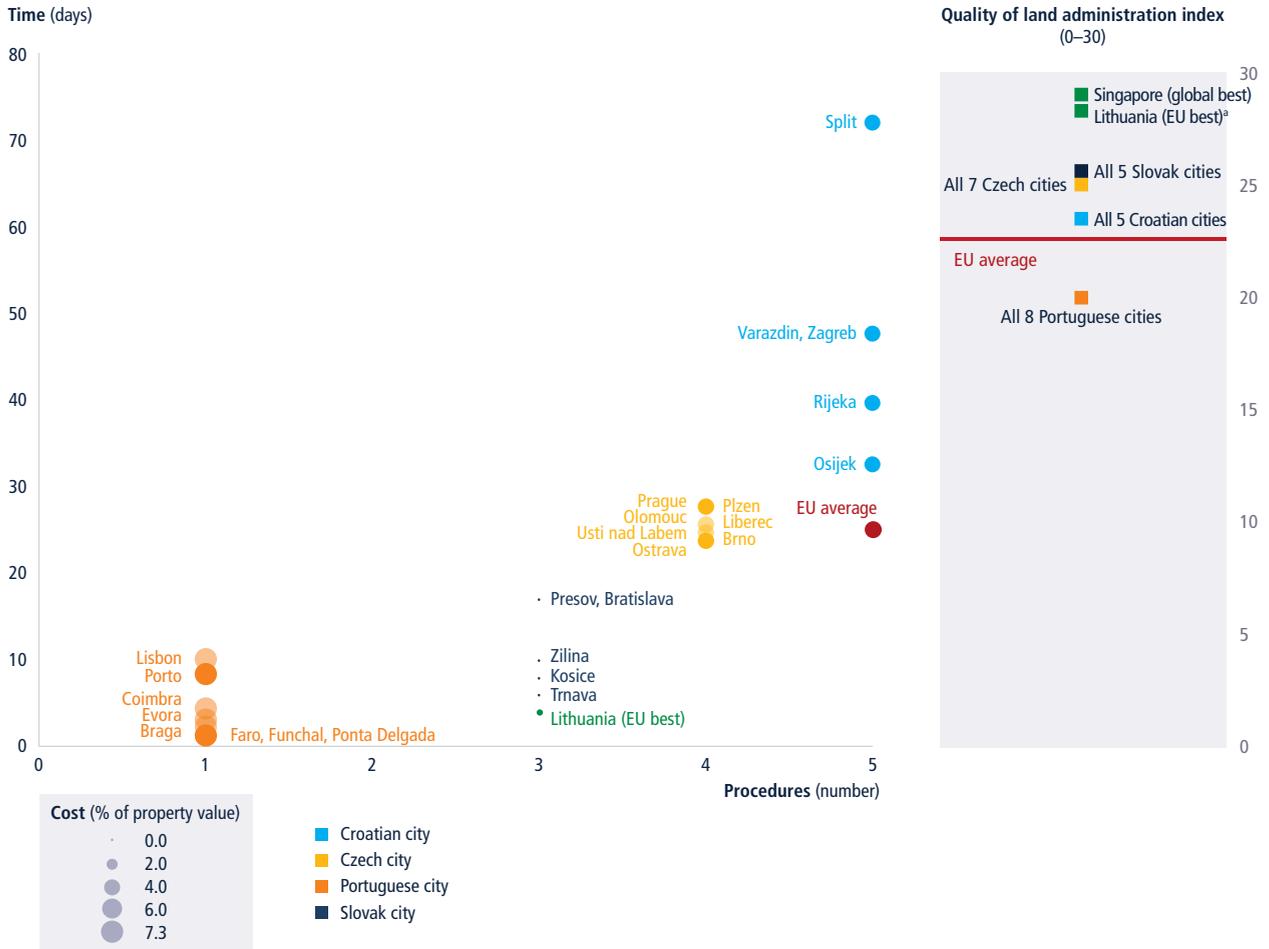
In all five Croatian cities, registering a property requires the same five

procedures—a number matching the EU average—and costs the same 4.0% of the property value. But the time it takes varies widely. Registering a property takes 32 days in Osijek but more than twice as long in Split (72 days) (figure 5.2).

In the cities where it takes more time, title registration tends to account for the difference. The variation in time for this procedure is driven in part by differences in both the type and volume of transactions as well as by historical backlogs. In Split, with a population of 178,102, the backlog of unresolved cases (requests for the registration of ownership rights)

amounted to more than 2,000 at the end of February 2018—almost 10 times the backlog in Rijeka, with a population of 128,624. Indeed, the large backlog in Split even exceeds the size of the one in Zagreb, a city with four times the population. The land registry office in Split, with 2 judges and 15 clerks, barely keeps up with the monthly inflow of 1,600 cases, even though clerks are expected to complete 6 cases a day by law.<sup>8</sup> By comparison, the land registry office in Osijek manages to limit its backlog to less than 50 cases and keeps up with an inflow of about 11,000 cases a year with 12 active employees.<sup>9</sup>

FIGURE 5.2 Compared with EU averages, property registration is simpler or as simple in all four countries—and faster in Portugal and Slovakia



Source: *Doing Business* database.

Note: The averages for the EU are based on economy-level data for the 28 EU member states.

a. The Netherlands also has a score of 28.5 on the quality of land administration index.

One solution for dealing with a case backlog is to share some of the workload with a land registry office that has no backlog. Municipal courts can help one another. Take the example of Varazdin, which was struggling with a case overload; the land registry office at the municipal court reached an agreement with its counterpart at the Koprivnica court to lend some staff time. The land registry office at the Varazdin municipal court now regularly sends straightforward cases (inheritance, parcellation of plots) to Koprivnica while focusing on the more complex cases. This sharing agreement had to be approved by the president of

the county court and was possible only thanks to the Joint Information System, which facilitates the transfer of cases among land registry offices. Without this system, Varazdin would have had to hire and train temporary workers to deal with the backlog, a solution requiring more time and money. A sharing agreement between municipal courts under different county courts would also be possible, but it would require approval from the Supreme Court of Croatia.

Among the five benchmarked cities in Croatia, Osijek stands out for its speed in dealing with property registration. If

Zagreb were as fast, Croatia's distance to frontier score for registering property would reach 75.86—putting the country ahead of the United Kingdom, Japan and Spain in the *Doing Business* global ranking on the ease of registering property.

A reform implemented in early 2017 might already be helping to streamline property registration in Croatian cities. The reform gave a new role to lawyers and notaries willing to obtain a special certification: they can now take care of the entire registration process on behalf of their clients. Once they have reviewed a title transfer application for

**FIGURE 5.3** The time required to register a property transfer varies substantially among the Croatian cities



Source: *Doing Business* database.

completeness, these certified legal professionals can directly submit the application online, allowing the entrepreneur to save time by skipping a trip to the land registry office.

The system was successfully piloted in Osijek in February 2017, first with two notaries who went to Zagreb to receive training on the new software allowing the submission of property registration applications. Subsequently, more notaries and lawyers across the country signed up to offer the service. But in November 2017, of the thousands of applications filed across Croatia, only 174 were submitted electronically by a certified legal professional. One reason for the slow start might be the additional fee that certified legal professionals charge for the service. But while it may take time, this approach could catch on more broadly with legal professionals, offering a new option for entrepreneurs selling a piece of real estate.

The government also recently amended the cost to register a property, which is the same across Croatia. On January 1, 2017, it reduced the real estate transfer tax from 5% of the property value to 4%. Like this tax, the notary fee, stamp duty and registration fee are all set by

national regulation and apply uniformly throughout the country. The notary fee for certifying the seller's signature is HRK 40 (EUR 5.38), the registration fee payable to the land registry is HRK 200 (EUR 26.89), and the stamp duty is HRK 50 (EUR 6.67). Across the Croatian cities, the cost of property registration is therefore well below the EU average of 4.8% of the property value.

### How does the process vary within the Czech Republic?

In the Czech Republic, as in Slovakia, there is little variation in processing time across the benchmarked cities. Property registration in Ostrava, where it requires the least time (23.5 days), takes only 4 days less than in Plzen or Prague, where it takes the most.

Compared with the Slovak cities, however, the Czech cities take more than twice as long on average to complete a property transfer. The main reason is a 20-day stay period that starts upon the issuance of a seal on the property, which is a notation on the land records made after the application is received. During this 20-day period nothing can be done with the application and no registration can be performed. This time, required by the cadastral law, allows for possible

objections from the owner of the property with respect to its transfer.

The variation in time within the Czech Republic is driven mainly by differences in efficiency among local cadastral offices. By law, cadastral offices must issue a seal on a property within 24 hours of receiving an application for its transfer, and notify interested parties of the seal within 48 hours of receiving the application. Some cadastral offices are faster than others to notify the interested parties. Those in Brno and Usti nad Labem both issue the seal and notify the interested parties within 24 hours, while those in the other cities usually adhere to the legal deadlines.

Property registration in all seven Czech cities costs the same (4.0% of the property value) and requires the same four procedures. On average, the Czech cities outperform the EU average on all the registering property indicators except time.

### How does the process vary within Portugal?

Portugal has become an attractive market for real estate investment in recent years.<sup>10</sup> There has been enormous growth in the volume of property transactions, particularly in Lisbon, which has had an adverse effect on the efficiency in dealing with property registration in parts of the country. But the process remains fast and simple in most of the eight cities benchmarked in Portugal—though also costly.

In all eight cities, registering a property generally takes a single procedure (some municipalities may require additional verifications if the property is in a historical patrimony area, as in Ponta Delgada, for example). This places Portugal among the four economies in the world where property registration requires only one interaction with the authorities.<sup>11</sup> And in Faro, Funchal and Ponta Delgada that procedure can be done on a walk-in basis, within a few hours, at the local Casa Pronta service desk—as long as the applicant uses the appropriate template to draft the deed.

In the other five Portuguese cities the main variation in the time for title registration reflects the wait for an appointment at the local Casa Pronta service desk. This wait can be as long as 8 days, as in Porto, or even 10, as in Lisbon. In these two cities the local offices receive a much higher volume of requests, creating a wait that does not really exist elsewhere in Portugal. By contrast, there is little or no wait in the other cities, assuming that the entrepreneur has gathered all the required documents and used the template for real estate transfer available on the website of the Institute of Registries and Notaries. But while the length of the wait for an appointment depends mainly on the number of requests received, Coimbra is an exception: there the wait is longer than in Faro, Funchal, Ponta Delgada and Evora, all cities with a higher caseload of property transfers (figure 5.4).

And even in Porto and Lisbon it is possible to register a property transfer in a day or two.<sup>12</sup> Entrepreneurs in a hurry may opt to bypass the Casa Pronta service desk (and the wait for an appointment). Instead, for additional fees, they can have a deed prepared by a notary or lawyer and then registered directly by the registrar at the land registry office using an expedited procedure—for which the registrar's legal

deadline for completing the registration becomes 24 hours.

Across Portugal, for a property transaction like the one in the *Doing Business* case study, involving the transfer of an urban property that is not exclusively residential, a municipal property transfer tax is payable at a single rate of 6.5% of the property value. In addition, unless the sale is subject to value added tax, a stamp duty of 0.8% is due for the registration of the public deed in the land registry office.

The fees to register a property transfer at a Casa Pronta service desk are regulated and apply throughout the country. Under the standard procedure they amount to EUR 375. Under the expedited procedure to register a property transfer at the land registry office the fees double. In addition, if the deed is not drafted by Casa Pronta desk staff, it will have to be prepared by a notary for a fee. For a complex deed a private notary may charge an extra fee proportionate to the amount of work involved.

At 7.3% of the property value, the cost to register property in Portugal is 2.5 percentage points higher than the EU average of 4.8% of the property value. If Lisbon were to reduce its cost to transfer real estate to match the EU average, Portugal's distance to frontier score

for registering property would reach 83.59—putting the country ahead of the Netherlands and Austria in the *Doing Business* global ranking on the ease of registering property.

### How does the process vary within Slovakia?

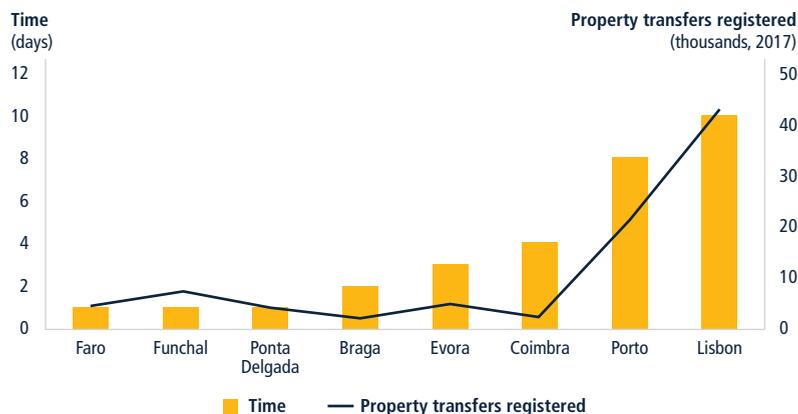
The five cities benchmarked in Slovakia beat the EU average on all three indicators measuring the efficiency of property registration—with three procedures, a time of 11.1 days on average and a cost of 0.0% of the property value. Among the five cities, registering a property transfer is easiest in Trnava, where the three procedures take 5.5 days, and most difficult in Bratislava and Presov, where they take 16.5 days—in all cases assuming that the entrepreneur chooses the expedited track. The variation in time is driven mainly by differences in efficiency among the district office cadastral departments.

By law, the district office cadastral departments must decide on an application for registering a property transfer within 30 days if the standard procedure is used; 15 days if the expedited procedure is used; or 20 days if the contract is in the form of a public notary's deed or a deed authorized by a lawyer. When the expedited procedure is used, registration officers in all the Slovak cities usually meet the legal deadline. Some district office cadastral departments even beat the deadline, such as those in Kosice, Trnava and Zilina. The efficiency of the office in Trnava can be explained in part by its having experienced employees and a lower turnover than those in other cities.

When an office has little or no backlog, the registration officers can tackle additional tasks, such as verifying that the digitized files of the cadastre match the paper ones. Trnava is among the Slovak municipalities where the officers have made the most progress in this respect, verifying close to 50% of the files.

In other cities the backlog of cases makes it challenging to even meet the legal

FIGURE 5.4 The wait for an appointment at the Casa Pronta service desk is usually longer in cities with a higher caseload of property transfers



Sources: *Doing Business* database; Portuguese Institute of Registries and Notaries database (2017).

deadline for title registrations. In Presov, for example, the legal deadline is usually met for the cases submitted under the expedited procedure only because these cases, entailing a higher processing fee, receive special treatment. If an expedited case is resolved after the 15-day time limit, the applicant is entitled to reimbursement of the fees. For cases submitted under the standard procedure, applicants in Presov sometimes have to wait beyond the official 30-day limit to have their title registered. This is due mainly to a decline in resources and a backlog of cases, amounting to more than 2,000 in March 2018.<sup>13</sup> There is a reason for the greater backlog in Presov: since 2010 the number of applications received annually has gradually increased by 37% (from 7,228 to 9,916), while the number of lawyers working in the registration department has fallen by 20% (from five to four).

If Bratislava were as fast as Trnava in dealing with property registration, Slovakia's distance to frontier score would reach 91.48, which would place the country among the top six in the *Doing Business* global ranking on the ease of registering property.

Across all five of the Slovak cities, for an applicant using the expedited procedure, the total cost to transfer property amounts to EUR 272. This cost consists mainly of the EUR 266 registration fee. But it also includes the EUR 6 notary fee to confirm the authenticity of the seller's signature at the registrar's office (*matrika*).

The total amount places Slovakia among the five economies in the world where the cost of property registration is 0.0% of the property value in the *Doing Business* case study. This amount can be even lower if the applicant uses the 30-day standard procedure, which has a basic registration fee of EUR 66. Moreover, two types of discounts may apply to the fees. If the application is lodged electronically, the basic fee is reduced from EUR 66 to EUR 33 and the fee for the expedited procedure from EUR 266 to EUR 133. All

these fees can be further reduced by EUR 15 if a notice of an intended registration is filed 15 days in advance.

### **How does the quality of land administration vary among the four member states?**

While the time, cost and procedural complexity of property registration all matter for businesses, good land administration goes beyond efficiency. It ensures property owners a secure title, backed by a reliable land administration system. *Doing Business* assesses the quality of this system on the basis of four main dimensions: reliability of infrastructure (0–8 points); geographic coverage (0–8); transparency of information (0–6); and land dispute resolution (0–8). Results for these dimensions are then added for the overall score on the quality of land administration index (for a possible 30 points). All four countries have a homogeneous legal framework, which explains why there are no variations within each of their territories on the quality of land administration index.

Slovakia earns 25.5 of 30 possible points on the quality of land administration index. The country gets full points on geographic coverage, as the cadastre and land registry cover its entire territory. And it scores 5.5 of 6 points on the transparency of information, an indicator on which only four economies in the world score the maximum points (the Netherlands, Romania, the Russian Federation and Singapore). Making land-related information—such as fee schedules, time limits for service delivery and statistics on transactions—publicly available provides clients with critical information on the transactions they undertake and reduces mistakes and opportunities for bribery. The best practice is for registries and cadastres to make such information available online, as is done in Slovakia, or on a public board at the agency. The country could improve its performance on the transparency of information by making publicly available official statistics tracking the number of transactions at the land registry.

On the reliability of infrastructure, Slovakia could improve its performance by keeping the majority of title or deed records in a computerized format rather than in a paper format. And it could earn a higher score on land dispute resolution by making available statistics on the number of land disputes in the first-instance court.

The Czech Republic scores full points on both the reliability of infrastructure and the geographic coverage of the cadastre register. The land records and cadastral maps are all in digital format. This enables seamless communications not only between the cadastre and land registry divisions of the Czech State Administration of Land Surveying and Cadastre, but also with other government agencies and with private parties. Every piece of property, public or private, is formally registered and properly mapped. And computerization provides a backup system to protect information and make cross-checking data easier.

Croatia scores 23.5 of 30 possible points on the quality of land administration index, with full points on geographic coverage. On the reliability of infrastructure, with 6 of 8 points, Croatia could do better by having the cadastre and land registry use the same identification number for properties. On the transparency of information Croatia has the lowest score among the four countries, 3.5 of 6 points. It could improve its score if the land registry committed to delivering a legally binding document that proves property ownership within a specific time frame and if there were a specific, separate and independent mechanism for filing complaints about any problems occurring at the land registry.

Portugal's score on the quality of land administration index, 20 of 30 possible points, puts the country in the bottom tier among EU member states on this indicator. The main weakness is the lack of full geographic coverage by the cadastre and land registry (mainly in rural areas), earning the country only half the possible

points in this area (4 of 8). The utility of even the most reliable and transparent land administration system is undermined if it does not cover the economy's entire territory.

Another area where Portugal could do better is in the reliability of its infrastructure. Information recorded by the land registry and the cadastral agency are kept in separate databases, while the best practice is to have a unified database. Portugal could also improve in the area of transparency of information. In several ways its land administration system aligns with best practices in this area: information on land ownership is freely available to anyone; the list of documents required to complete any type of property transaction and the applicable fee schedule are made publicly available online; the land registry commits to delivering a legally binding document that proves property ownership within a specific time frame; there is a specific, separate and independent mechanism for filing complaints about a real property transaction; official statistics tracking the number of transactions are publicly available; and anyone can consult maps of land plots. But the fee schedule for accessing maps of land plots can be obtained only in person, and the cadastral agency does not commit to delivering an updated map within a specific time frame.

## WHAT CAN BE IMPROVED?

This chapter's review of the efficiency and quality of land administration in Croatia, the Czech Republic, Portugal and Slovakia points to some possible improvements. Several apply to just one or two of the countries, others to three or more.

### **Introduce a fast-track registration procedure** **CROATIA, CZECH REPUBLIC**

In the Czech Republic, where property registration is delayed by the 20-day stay period, the process allows no room for fast-tracking a registration.

In Croatia entrepreneurs submitting an application for a property transfer often request urgent handling of their case, since the request involves no extra cost. If the land registry office considers the case worthy of urgency, clerks try to accelerate the registration process as much as possible.<sup>14</sup> But because of the large number of requests for urgent handling, the processing times for these cases differ little from those for others.

To effectively reduce processing times for those who really need it and help prioritize the work at the land registry offices, the Ministry of Justice in Croatia and the State Administration of Land Surveying and Cadastre in the Czech Republic could consider offering a formal fast-track procedure for an extra fee.

Other European economies have introduced similar procedures with positive results. In Lithuania the registration with the Real Estate Register normally takes 10 business days. But entrepreneurs who wish to have their property registered sooner can pay a higher registration fee for faster service: 30% more than the standard fee for registration in three business days, 50% more for registration in two business days and 100% more for registration in one business day. As noted, in Slovakia, while the standard registration procedure takes 30 days and costs EUR 66, entrepreneurs can choose to halve that time by paying EUR 266 instead. Similarly, in Portugal entrepreneurs can register their property in just a day or two if they pay a 100% markup on the land registry fee.

### **Update local and national tax information internally by linking systems across institutions** **CROATIA**

Registering a property transfer in Croatia requires interaction with the local office of the tax authority—even if indirectly through a notary—to obtain an estimate of the real estate transfer tax that is due. This interaction with the tax authority is necessary because of a

lack of interconnectivity and data sharing between the agencies and courts involved in the property transfer process. It would no longer be required if the land registry office could check tax information on properties directly. Instead, this office receives a notification from the tax authority only after a decision is made on the amount of real estate transfer tax.

In Portugal entrepreneurs registering a property transfer have no need to interact with the tax authority. Because the registration officers at the Casa Pronta service desk or land registry office have access to tax information on properties, they can assess the tax liability and receive the tax payments. But while the registration officers can access the tax authority's database, they cannot edit any of its information. Instead, once a month they send a template with information on the most recent transactions (the Modelo 11) to the tax authority so that it can update its database. Perhaps a next step could be full interoperability of the land registry and the tax authority's database.

Over the past 13 years 50 economies worldwide simplified property registration and eliminated unnecessary requirements by linking systems across institutions. Denmark and Latvia were among them. When Latvian municipalities gave the land registry access to tax information, they freed entrepreneurs operating in Riga from having to provide this information in paper format, saving them time and money. Croatia could follow their example.

### **Assess the feasibility of reducing property transfer taxes** **PORTUGAL**

Property transfer taxes are an important source of revenue for many governments. But when transfer fees and taxes are too burdensome, people may be encouraged to undervalue property. Portugal is among the five EU member states with the highest cost to register property. Most of the cost comes from the property transfer tax, set at 6.5% of the property value.

Over the past 10 years more than 50 economies worldwide lowered transfer taxes and other government fees related to property registration. In 2017 Croatia lowered its property transfer tax from 5% of the property value to 4%. And in 2005 Slovakia stopped levying tax on property transfers. Purchasers of a new property are subject only to the value added tax, income tax and yearly municipal tax.

Revenue impact studies and tax simulations could be conducted to assess whether the property transfer tax rate could be reduced in a way that is revenue neutral or revenue increasing. Lower fees may broaden the collection base for this tax. When the Egyptian government lowered the registration tax from 3% of the property value to a fixed fee of about EUR 160, it recorded a 39% increase in property registration revenue because of an increase in the number of registrations.<sup>15</sup> Other countries have seen similar results—including Greece, which reduced its property transfer tax from 10% of the property value to 3%.<sup>16</sup>

**Introduce standardized contracts for property transfers and consider making the use of lawyers or notaries optional**  
**CROATIA, CZECH REPUBLIC, SLOVAKIA**

Companies completing a property transfer in Croatia must have a notary authenticate their sale and purchase agreement by verifying the authenticity of the seller's signature. Those in the Czech Republic and Slovakia also often go to a notary to have the seller's signature certified, though they have the option of having this done by a civil servant, such as at a registrar's office (*matrika*).

Relying on legal professionals to verify signatures for property transfers adds at least one procedure that takes one to two days and imposes additional costs, even if minimal. For the type of property in the *Doing Business* case study, notaries in the Czech Republic charge less than CZK 50 (EUR 2) to authenticate the signatures, while those

in Croatia charge a bit more for the same service (HRK 40, or EUR 5.38).

One potential way to streamline the process is to require that a clerk at the local cadastral or land registry office verify the parties' signatures upon receiving the property transfer application. Electronic solutions could also be explored. In Croatia authorities could expand the use of the e-Citizen system to help streamline the verification of identities required as part of the authentication process.

Companies in Croatia, the Czech Republic and Slovakia also often ask a notary or lawyer to draft the sale and purchase agreement, though this is not required by law. Using legal professionals for this purpose also adds time and cost to the property transfer process. At the same time, allowing applicants to handle the task themselves might result in poorly drafted legal documents, which would delay the process. In Croatia for example, parties to a simple property transfer agreement can purchase a sale and purchase agreement template from the Official Gazette, but they usually need to hire the service of a legal professional because they lack guidance on how to fill out the transfer agreement form properly themselves.

In many countries companies can choose to transfer a property without the assistance of legal professionals. They use a standardized contract obtained online or from the land registry. Standardized contracts reduce the potential for mistakes or irregularities, because the content that is critical for the land registry is mandatory. Offering such contracts would also reduce both the time and cost of registration. Companies could still resort to legal consultation and tailor-made contracts, especially for more complex cases—but by choice.

Both Portugal and the United Kingdom offer standardized contracts to the public. Portugal successfully made notary involvement optional for companies wishing to transfer property: parties need

only sign the agreement in person at the registry. As a result, registering property in several of the benchmarked Portuguese cities takes only one procedure and one day. In Portugal, if an entrepreneur decides to have a notary draft the transfer deed (rather than having it drafted on the spot at a Casa Pronta service desk), using the official template can speed up the registration process by a few days. If the template is not used, the registrar needs to verify that the proposed deed complies with the legal requirements, which takes time.

An alternative way to make the use of legal professionals optional for the drafting of the sale and purchase agreement is to periodically offer legal advice to applicants. In Usti nad Labem, for example, lawyers at the cadastral office dedicate one day a week to providing legal advice to the general public on how to draft a sale and purchase agreement. This has helped improve the quality of the applications submitted to the cadastral office, reducing the number of applications rejected for incompleteness.

*Doing Business* data show that three of four economies manage property registration without mandating the use of lawyers or notaries, including Denmark and Sweden. Croatia, the Czech Republic and Slovakia are among the fewer than 40 economies that require double verification of property sale and purchase agreements.

**Create an electronic platform for property transfers**  
**CROATIA, CZECH REPUBLIC, PORTUGAL, SLOVAKIA**

A nationwide electronic system allowing all requirements for transferring property to be completed online would make carrying out land transactions easier as well as increase the security and transparency of the process. It would also save resources for businesses and governments alike.

Portugal has made great advances toward such a system, but the parties to the transaction or their lawyer still need to visit a Casa Pronta service desk or

land registry office in person to request registration. Both the Czech Republic and Slovakia offer electronic filing as an option (with Slovakia even offering it at a discounted fee), and the parties might not need to visit the cadastral office in person. But the systems do not yet have fully developed infrastructure: they require electronic signatures (which can be challenging to provide when submitting a sale and purchase agreement with multiple parties), so the visit to the cadastral office in person remains the preferred option to register a property in most cities. Moreover, the systems are not fully digitized, so that once an electronic

application reaches the cadastral office, it needs to be printed out and processed in the same way as a paper application. This adds to the workload of the already overstretched cadastral officials.

Countries that have implemented a fully electronic system did so progressively over several years. New Zealand digitized its property records between 1997 and 2002 and subsequently introduced electronic registration. But by 2005 only about half of property transactions were being submitted electronically. A final push was needed. In 2008 electronic registration was made mandatory by

law. Today property registration can be completed in just two steps, at a cost of 0.1% of the property value—and New Zealand tops the *Doing Business* ranking on the ease of registering property.

Among EU member states, several have implemented online registration. One of them is Denmark, where the government began modernizing its land registry more than two decades ago (box 5.1). Today electronic submission of documents is mandatory for property transfers. And completing a property transfer takes only 4 days—down from 42 in 2003, when the first *Doing Business* data were produced.

### BOX 5.1 Going electronic in property registration—an EU example of good practice from Denmark

Denmark used to have a complex property registration system. At its core was an archive of around 80 million paper documents managed by local district courts that were not connected to one another. Completing a property transfer required working with thick, heavy land books in the local district court—a long and burdensome process for employees and customers alike.

The Danish government recognized the need to modernize land administration, and in 1992 the Parliament amended the Land Registration Act to allow computerization—with the aim of speeding up the registration process and improving customer service. Between 1993 and 2000 the government scanned all records and computerized the country's then 82 judicial district offices. While the records were being scanned, staff were being trained in how to work with the new registration system.

In 2006, after the land records were fully digitized, work to develop a paperless registration system began. Another amendment to the Land Registration Act created the legal basis for implementing a digital land registry, which was completed and operational by 2009. By 2011 Denmark required all applications to be submitted online, enabling more efficient screening of applications.

Today, transferring a property in Denmark requires only three procedures, all of which can be completed online. Thanks to the online access to a single source of land registration data, citizens and businesses can transfer property on their own, with no involvement by third parties such as lawyers or notaries. They can also obtain information on any property. The Danish financial sector played a part: to facilitate access to credit as well as to information, it created a central hub allowing banks and the land registry to share land registration data.

Sources: Information from the portal of the Danish Registration Court (<http://www.tinglysningstretten.dk>); *Doing Business* database.

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## NOTES

1. Stijn Claessens and Luc Laeven, "Financial Development, Property Rights, and Growth," *Journal of Finance* 58, no. 6 (2003): 2401–36.
2. Babette Wehrmann, "Governance and Land Tenure in Eastern Europe and Commonwealth of Independent States (CIS)," Land Tenure Working Paper 16 (Food and Agriculture Organization, Rome, 2010).
3. These are the Register of Territorial Identification, Addresses and Real Estates; the Register of Persons; and the Register of Inhabitants. "Cadastral Template 2.0: Czech Republic," Centre for Spatial Data Infrastructures and Land Administration, University of Melbourne, last modified November 11, 2015, <http://cadastraltemplate.org/czech%20republic.php>.
4. World Bank, *World Development Report 1989* (New York: Oxford University Press, 1989).
5. Simon Johnson, John McMillan and Christopher Woodruff, "Property Rights and Finance," *American Economic Review* 92, no. 5 (2002): 1335–56.
6. Property information held in cadastres and land registries is part of the land information available to governments. Land information also includes other geographic, environmental and socioeconomic data related to land that are useful for urban planning and development.
7. Eleven economies that have a population of more than 100 million as of 2013 (Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States) are also represented by the second largest business city. The data for these 11 economies are a population-weighted average for the two largest business cities.
8. *Narodne Novine*, nos. 97/05 and 64/12; Regulation on Norms for the Work of Land Registry Clerks, article 5, paragraph 1, point 2.
9. Data from the Census of Population, Households and Dwellings 2011, Croatian Bureau of Statistics, December 2012.
10. JLL, "Portuguese Real Estate Market" (Lisbon, 2015), [http://www.jll.pt/portugal/en-gb/Research/JLL\\_RelatorioAnual2015\\_EN\\_FINAL.pdf](http://www.jll.pt/portugal/en-gb/Research/JLL_RelatorioAnual2015_EN_FINAL.pdf).
11. The other three countries are Georgia, Norway and Sweden, according to *Doing Business* data.
12. This costlier option is not the one used in calculating the ranking on the ease of registering property.
13. Based on data provided by the Presov district office cadastral department.
14. There are no defined criteria for what is deemed urgent. In Varazdin, for example, priority is given to property registrations resulting from a foreign direct investment because these are "in the interest of Croatia," according to land registry officers interviewed.
15. World Bank, *Doing Business in Egypt 2008* (Washington, DC: World Bank, 2007).
16. World Bank, *Doing Business in 2015: Going Beyond Efficiency* (Washington, DC: World Bank, 2015).

# Enforcing Contracts

## MAIN FINDINGS

- Among the 25 benchmarked cities, 16 outperform the average for members of the European Union on the ease of enforcing contracts as measured by *Doing Business*.
- Most of the 25 cities surpass the EU average performance on cost and quality in enforcing contracts. Yet all but a few lag behind in speed.
- Among the four countries, the greatest subnational variation can be observed in Croatia: courts in Split take 60% longer to resolve commercial cases than those in Osijek.
- If the capitals of Croatia, Portugal and Slovakia each attained the best performances found within their country, they would place among the top 30 economies in the *Doing Business* global ranking on the ease of enforcing contracts—Zagreb and Lisbon among the top 15 and Bratislava among the top 30.



Efficient courts play a key part in supporting credit markets, economic growth and foreign direct investment. When the 2008 financial crisis hit, however, it exposed weaknesses in civil enforcement across Europe. This was particularly true in Portugal.

Portuguese courts had seen a sustained increase in the time required to resolve civil and commercial disputes since the early 1990s. Growing backlogs had become a huge obstacle. Between 1991 and 2009 Portuguese courts had managed to clear the incoming cases in a year only twice. And even though the inflow of cases remained steady during those years, the overall number of pending cases more than doubled—from 600,000 to 1.6 million.<sup>1</sup>

The Portuguese authorities had been working on solutions even before the crisis hit, but after it did, overhauling the judiciary became a top priority. Between 2011 and 2014 Portugal introduced sweeping reforms aimed at improving

its legal framework and judicial organization—changes advocated by the Economic Adjustment Programme for the country.<sup>2</sup>

A new civil procedure code that took effect on September 1, 2013, streamlined and simplified court procedures for civil and commercial cases. The reformers redrew court districts to improve the allocation of resources, reducing the number of districts from 234 to 23. They strengthened the specialization and performance accountability of judges. They also improved the supervision and accountability of enforcement agents and gave them sophisticated tools to increase their efficiency.<sup>3</sup>

The turnaround has been remarkable. Clearance rates have improved, with courts regularly clearing 100% of their incoming cases in a year as well as reducing the backlog. There is still a long road ahead, especially for civil enforcement cases—more than 700,000 of these cases were pending in the courts in mid-2017.

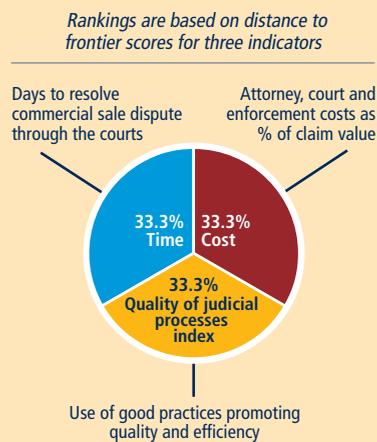
But there are reasons to be optimistic. By mid-2017, after a steady reduction each year, the number of pending enforcement cases had fallen by 40% from the peak of more than 1.2 million in 2012.<sup>4</sup>

Portugal's case, while important, is not the only one. In Croatia, despite substantial reductions in court backlogs in the past 10 years, many cases remain pending, especially in municipal courts. In Slovakia a recent assessment of selected district courts noted that despite a decline in the number of new cases, the number of pending cases has continued to increase.<sup>5</sup> And in the Czech Republic officials have been working to address backlog issues in the courts of North Moravia and South Bohemia.<sup>6</sup>

Business-friendly regulations alone are not enough to spur growth; well-functioning institutions are also key. A study by the Bank of Portugal found that countries with better institutions may achieve better economic performance and attract considerably more foreign direct investment.<sup>7</sup> Effective commercial dispute resolution has many benefits. Courts allow entrepreneurs to enforce their contractual and property rights. Efficient and transparent courts can encourage new business relationships because firms know they can rely on the courts if a new customer fails to pay. And speedy trials are essential for small enterprises—because they may lack the resources to stay in business while awaiting the outcome of a long court dispute.

### WHAT DOES ENFORCING CONTRACTS MEASURE?

*Doing Business* measures the time and cost for resolving a commercial dispute through a local first-instance court. The case study assumes that a seller delivers custom-made goods to a buyer who refuses delivery, alleging that the goods are of inadequate quality. To enforce the sales agreement, the seller files a claim with a local court, which hears arguments on the merits of the case. Before a decision is reached in favor of the seller, an expert is appointed to provide an opinion on the quality of the goods in dispute, which distinguishes the case from simple debt enforcement. *Doing Business* also builds a quality of judicial processes index that measures whether a location has adopted a series of good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution (see figure).



### HOW DOES CONTRACT ENFORCEMENT WORK IN THE FOUR MEMBER STATES?

According to *Doing Business* research, to enforce a commercial claim like the one in the *Doing Business* case study, entrepreneurs in Croatia must go to the commercial courts (*trgovački sudovi*), those in the Czech Republic and Slovakia to the district courts (*okresní soudy* and *okresné*

*súdy*, respectively) and those in Portugal to the civil division of the first-instance courts (*juízo cível*).<sup>8</sup> In all four countries a preparatory hearing can be ordered by the judge, though in the Czech Republic and Slovakia this rarely happens for simple commercial disputes.

The trials are conducted through a series of hearings that are typically not consecutive but spread out. Once the evidentiary hearing is concluded, the judgment is handed down. And once the time for appeal has expired without an appeal being filed, the judgment can be enforced by private enforcement agents—except

in Croatia, where the enforcement agents are municipal court clerks.<sup>9</sup> In the Czech Republic the same court that hears the trial also oversees enforcement. But this is not so in the other three countries. In Croatia the competent court for enforcement matters is the municipal court (*općinski sud*), in Slovakia it is the district court of Banská Bystrica (Okresný súd Banská Bystrica),<sup>10</sup> and in Portugal it is the enforcement division of the first-instance court (*juízo de execução*).

### What are the findings?

Sixteen of the 25 cities benchmarked in this study outperform the average

for EU member states on the ease of enforcing contracts. Among the 25, Coimbra (Portugal) has the best distance to frontier score for enforcing contracts, 74.60, with Osijek (Croatia) as the runner-up (table 6.1). The Portuguese cities stand out, with all but Lisbon ranking in the top 10 among the 25 cities. Compared globally, 9 of the cities—2 in Croatia and 7 in Portugal—would earn a place among the top 25 economies.<sup>11</sup> The main weaknesses reflected in the data for the 25 cities are the time it takes to file and serve a complaint and the time required to enforce a final judgment.

TABLE 6.1 Enforcing contracts in Croatia, the Czech Republic, Portugal and Slovakia—where is it easier?

City (Country)	Rank	Distance to frontier score (0–100)	Time (days)	Cost (% of claim)	Quality of judicial processes index (0–18)
Coimbra (Portugal)	1	74.60	510	17.2	13.5
Osijek (Croatia)	2	74.24	510	15.7	13.0
Braga (Portugal)	3	73.78	540	17.2	13.5
Evora (Portugal)	4	73.23	560	17.2	13.5
Funchal (Portugal)	5	72.82	575	17.2	13.5
Ponta Delgada (Portugal)	5	72.82	575	17.2	13.5
Faro (Portugal)	7	72.28	595	17.2	13.5
Porto (Portugal)	8	71.32	630	17.2	13.5
Zagreb (Croatia)	9	70.60	650	15.2	13.0
Kosice (Slovakia)	10	69.95	635	20.5	13.5
Presov (Slovakia)	11	69.81	640	20.5	13.5
Varazdin (Croatia)	12	69.49	685	15.6	13.0
Lisbon (Portugal)	13	67.91	755	17.2	13.5
Trnava (Slovakia)	14	67.90	710	20.5	13.5
Zilina (Slovakia)	15	67.08	740	20.5	13.5
Bratislava (Slovakia)	16	66.12	775	20.5	13.5
Rijeka (Croatia)	17	65.67	825	15.6	13.0
Split (Croatia)	18	65.56	837	15.0	13.0
Prague (Czech Republic)	19	56.38	678	33.8	9.5
Plzen (Czech Republic)	20	56.32	680	33.8	9.5
Ostrava (Czech Republic)	21	56.05	690	33.8	9.5
Olomouc (Czech Republic)	22	55.64	705	33.8	9.5
Usti nad Labem (Czech Republic)	23	54.96	730	33.8	9.5
Liberec (Czech Republic)	24	53.86	770	33.8	9.5
Brno (Czech Republic)	25	51.95	840	33.8	9.5

Source: *Doing Business* database.

Note: Rankings are based on the average distance to frontier score for the time and cost associated with enforcing a contract as well as for the quality of judicial processes index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter “About *Doing Business* and *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*.” The data for Bratislava, Lisbon and Prague have been revised since the publication of *Doing Business 2018*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

Osijek is a standout in Croatia; the next most competitive city, Zagreb, has a ranking of 9 among the 25 cities. Among all 25 cities, Osijek and Coimbra have the fastest courts. Enforcing a contract is most difficult in Brno (Czech Republic), as a result of delays in trial as well as relatively high enforcement costs. Most of the 25 cities outperform the EU average on cost and quality, though all but a few lag behind in speed (figure 6.1).

Speed is also where the biggest differences emerge among locations. In Brno it takes 28 months to resolve a commercial dispute. The process takes 40% less time in Coimbra and Osijek, similar to the time it takes in Spain. Among EU member

states, enforcing a contract takes the least time in Luxembourg, just over 10 months.

The five Croatian cities show the greatest variation in performance. While Osijek is at number 2 in the ranking of the 25 cities, Split is at 18. The difference is due mainly to the longer time for the trial phase in Split. All five of the Croatian cities outperform the EU average on cost and the quality of judicial processes, while Osijek outperforms the EU average on time. Indeed, if Croatia (as represented by Zagreb) were to match the best performances observed among the five cities on time and cost, it would move up in the *Doing Business* global ranking on the ease of enforcing contracts from 23 to 11.

The seven Czech cities rank below the EU average, reflecting longer delays during the trial stage and higher up-front enforcement costs. Prague leads the pack despite having some of the busiest district courts in the country. The cost to enforce a contract is the same across the Czech Republic—and substantially higher than the EU average. The Czech cities also have identical scores on the quality of judicial processes index. Their scores are the lowest among the 25 benchmarked cities, 4 points lower than those of the Portuguese and Slovak cities and almost 2 points lower than the EU average (11.2). There is much room for improvement in the cost to enforce a contract. If the Czech Republic (as

FIGURE 6.1 All cities in Croatia, Portugal and Slovakia outperform the EU average on cost and quality for enforcing contracts



Source: *Doing Business* database.

Note: The averages for the EU are based on economy-level data for the 28 EU member states.

represented by Prague) were to improve its performance on cost to match the EU average, it would move up more than 25 places in the global ranking on the ease of enforcing contracts—to number 61.

Coimbra—the best performing among the 25 benchmarked cities—has the low enforcement cost and the high score on the quality of judicial processes index found in the other Portuguese cities, as well as relatively fast trials. In Lisbon, which has the greatest number and complexity of cases among the Portuguese cities, resolving a commercial dispute takes nearly 50% longer than in Coimbra. If Portugal (as represented by Lisbon) matched the best performance among its eight benchmarked cities on time, it too would improve its global ranking—moving up to the top 15.

The five Slovak cities stand out for their low enforcement costs and for their high scores on the quality of judicial processes index—more than 2 points higher than the EU average. But none of the cities surpasses the EU average on the time to resolve a commercial dispute. Among the Slovak cities, Kosice is the only one ranking in the top 10 among the 25 benchmarked cities. Meanwhile, Bratislava lags 6 places behind because of its longer trial times. If Slovakia (as represented by Bratislava) attained the best performance among its five benchmarked cities on time, it would move up in the global ranking to a place among the top 30.

### How do time measures vary?

The time to enforce a contract is measured throughout three phases. The first, filing and service, encompasses the time for having the complaint drafted by the plaintiff's attorney, filed with the court and successfully served on the defendant. The time for trial and judgment is the average time required from the moment of successful service of the complaint until the time to appeal the first-instance judgment has elapsed. The time for enforcement covers all the time required to enforce the judgment, until the creditor is paid.

### Filing and service

The filing and service phase takes on average 65 days in Slovakia and 78 in the Czech Republic. In both countries the complaint can be filed and served electronically. But this does not necessarily speed up the process, because clerks and judges take the same amount of time to scrutinize a complaint whether it is presented on paper or electronically. And while delivering the summons electronically takes less time than using the postal service, the electronic service requires acknowledgment to be complete. The defendant has, and usually takes, 10 days in Slovakia and 15 days in the Czech Republic to acknowledge receipt. The main differences in time within these two countries occur during the internal processing of the complaint within the court system. In the Czech Republic the overall filing and service phase takes 60 days in Brno but a month longer in Liberec and Ostrava. Among the cities benchmarked in Slovakia, Kosice has the fastest courts, taking 55 days, while those in Bratislava, Trnava and Zilina take two weeks longer.<sup>12</sup>

Among the five Croatian cities the average time for filing and service exceeds the EU average (40 days) by more than 50%. The complaint is handled first by the clerk, then by the judge who scrutinizes the complaint, and then by the clerk again, for mailing. Efficiency issues in the internal processing at this stage are often blamed for delays. Among the five cities, Varazdin is a special case. The filing and service phase in that city takes more than four months. Judges in Varazdin do not order service of nonurgent cases until they have space in their calendar for the trial to take place. But delays in the filing and service phase are offset by shorter trial times, since trials happen only when the court is ready and has time available to hear the case.

The Portuguese cities, where the filing and service phase takes 30 days, are the only ones among the 25 that beat the EU average. Complaints are processed efficiently within the courts. Electronic filing is mandatory, and the internal processing

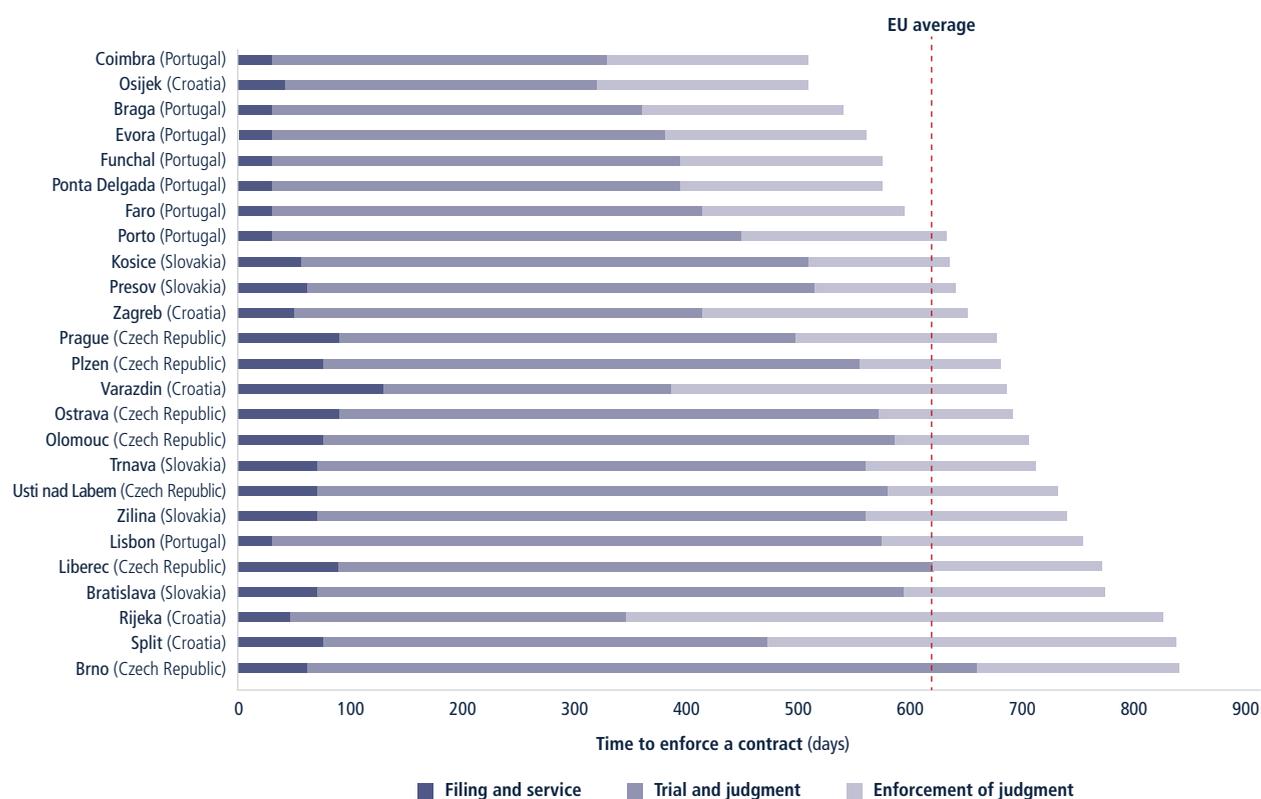
is done almost entirely on the electronic case management system CITIUS. The summons is prepared within two to three days, and completing service of process by mail takes two weeks on average.

### Trial and judgment

Three Croatian cities stand out in a comparison of the time for trial: going through trial, from service to judgment, takes 8.5 months on average in Varazdin, 9.3 in Osijek and 10 in Rijeka. Litigants point to light caseloads and smaller backlogs, especially in Osijek and Varazdin. Indeed, backlogs at the Osijek commercial court are only slightly more than half those in Split or Zagreb. The commercial court in Osijek has a workload similar to that of its counterparts in the other Croatian cities, and a staffing level that is no higher. More efficient internal processing could explain its speediness. Another factor could be that Osijek has a less dynamic economy, which could translate into less complex cases. In Varazdin, because the trial phase begins only when the court has set aside the time, hearings are streamlined. Croatia's overall average on the time for this phase—based on all five of its benchmarked cities—is the shortest among the four countries (figure 6.2). One reason might be that judges may prioritize simpler commercial cases, which are typically resolved much faster than other cases also heard at the commercial courts, such as bankruptcy proceedings.

The Czech cities have the longest average time for the trial phase; at nearly 17 months, it is almost 2 months longer than the EU average. Prague courts, despite being located in the country's largest business city, are the exception. They resolve cases six weeks faster than the other Czech cities on average. Judges credit close collaboration with the Ministry of Justice to address inefficiencies. Measures include hiring and training more judicial assistants, who now take on a broad range of responsibilities, easing the burden on judges. The trial phase takes the longest in Brno, at 20 months—6 months longer than in Prague.

FIGURE 6.2 Only 7 of the 25 cities surpass the EU average on the time to enforce a contract



Sources: *Doing Business* database;

Note: The average for the EU is based on economy-level data for the 28 EU member states.

Brno courts tend to have more hearings to resolve the same case as well as longer intervals between hearings.

Among the Portuguese cities, Coimbra has the shortest trial phase, taking just 10 months. Judges and litigants cited manageable caseloads, small backlogs and less complex cases as reasons for the greater speed. A culture of efficiency prevails among judges, clerks and lawyers. The slowest courts among the cities benchmarked in Portugal are in its largest business centers: Porto and Lisbon. The metropolitan areas of these two cities are home to more than half the country's population. In Porto courts take 14 months to complete the trial phase; in Lisbon they take just over 18 months. Particularly for Lisbon, litigants noted that court congestion and backlogs are higher than in the other benchmarked cities.

Among the Slovak cities, Kosice and Presov have the shortest times for the trial phase, just over 15 months. In Bratislava courts take more than 2 months longer on average. From the time of service it can take 6 months or more to obtain a hearing date in the Bratislava courts. Appointing experts and receiving their testimony takes 4–5 months in Bratislava, Trnava and Zilina but only 2 months in Kosice. In Bratislava judges are not the only ones who may feel overwhelmed by the number of cases; higher judicial clerks also have a large burden. Judges in Bratislava reported having two to three clerks per judge, while those in Kosice reported having two per judge.

### Enforcement of judgment

When it comes to enforcement of the judgment, only 5 of the 25 cities beat or match the EU average for time. Enforcement takes roughly the same

time on average across the Czech Republic and Slovakia (about 5 months) and around a month longer on average in Portugal. Croatia stands out for two reasons: for having the longest average time (more than 10 months) to go through enforcement proceedings and for showing the greatest variation among cities on this time measure. In Osijek enforcement takes just over 6 months, while in Rijeka it takes nearly 10 months more—the most time among the 25 cities. Enforcement agents in Croatia have little autonomy in carrying out the process, often having to request the court's permission to undertake steps in the proceedings. In Rijeka enforcement agents tend to rely even more on the court's advice, requesting guidance from the judge when they encounter difficulties in the enforcement process. Internal processing of new enforcement cases within the Rijeka municipal court adds to

delays. Resolving pending enforcement cases is a priority, with new ones pushed to the back of the queue. Just to start the identification of assets to be seized can take 6 months.

In Croatia creditors need a certification of judgment before they can begin enforcement proceedings. To start the proceedings, the municipal court scrutinizes the enforcement proposal and then orders the enforcement, which is undertaken by a public enforcement agent.<sup>13</sup> To search for assets, enforcement agents can access only public registries (such as land or company registries) or information in the court's case management system. All other types of information on debtor assets can be accessed only through specific requests made to the agency holding such information.<sup>14</sup> Once assets are seized, the enforcement agent must return to the court for authorization to auction the assets. Only one auction is conducted in an enforcement case, regardless of whether the assets are sold or not.

Among the four countries, Portugal has the most homogeneous enforcement process, taking six months in all eight cities benchmarked. This is not surprising. Enforcement officers in Portugal have a centralized case management system, a centralized asset search platform (with information on a vast amount of assets in the country) and no limitations on territorial jurisdiction within the country. Litigants reported that enforcement agents work efficiently. The agents dedicate about a third of the total time on an enforcement case just to trying to sell movable assets that have been seized, which are generally considered to have a low market value.

Enforcement agents in Portugal have substantial autonomy in conducting enforcement proceedings. The court becomes involved only when major objections are raised by the parties or by third parties, which rarely happens when enforcement is against movable assets

and there is a sole creditor, as in the *Doing Business* case study.<sup>15</sup> Most enforcement agents cited court involvement as the most important factor in delays and in potential variations in enforcement time across cities. Creditors file their request for enforcement electronically through CITIUS and ask for the appointment of an enforcement agent of their choice.<sup>16</sup> Enforcement agents search for assets through the electronic platform SISAAE (box 6.1). Information on assets is available immediately except for bank account information, which may take two days. If enforcement agents are unable to locate registered assets, they will seize movable assets and sell them on the electronic auction site e-leilões.pt. While enforcement agents all have the same tools at their disposal, they reported that the electronic search function for immovable assets through SISAAE is not always available in Funchal and Ponta Delgada because of technical glitches, leading to a need to make an offline request (or an in-person visit).

Among the seven Czech cities, enforcement is fastest in Olomouc and Ostrava, at four months, and slowest in Brno and Prague, at six months. To start the enforcement, creditors go directly to the enforcement agent of their choice, who must request a mandate from the court to commence proceedings. Enforcement agents search individual databases for assets and can conduct the auction either online, through the portal of the Chamber of Bailiffs (<http://www.portaldrazeb.cz>), or in person. Lawyers in the Czech Republic reported that bailiffs collaborate closely with creditors in carrying out enforcement proceedings. Moreover, the fee for the process, which is proportional to the amount of the claim (CZK 801,410, or about EUR 31,588, in the *Doing Business* case study), provides an important incentive for enforcement agents to complete the proceedings.

Meanwhile, Slovakia is seeking to improve the efficiency of the enforcement process, through reform measures that took effect

in 2017.<sup>17</sup> Before the reform, enforcement cases were overseen by the district court in the appropriate territorial jurisdiction. Enforcement times varied significantly because they depended in part on the speed of the court, with Bratislava being the slowest. Since creditors chose the bailiff, large creditors created "super bailiffs" that handled the lion's share of enforcement proceedings in the country. Now all enforcement requests are filed electronically at the district court of Banská Bystrica, which assigns the bailiff randomly according to territory. All enforcement cases involving a particular debtor are assigned to the same enforcement agent, with the aim of increasing efficiency.

While it is too early to tell whether the reform will produce the desired outcome, litigants have expressed skepticism. Many of the largest creditors, such as mobile phone operators, were not fully utilizing the system in 2017, raising concern about how the system will cope when they do. Today differences of up to two months can be observed across the country. While enforcement takes just over four months in Košice and Prešov, it takes six months in Bratislava and Žilina.

### **What are the main drivers of cost?**

Among the four countries, Croatia has the lowest cost to enforce a contract, at 15.4% of the claim amount on average (based on the case study claim, the cost amounts to HRK 24,198, or EUR 3,253). Following closely behind is Portugal, with 17.2% (EUR 5,834). And in Slovakia the average cost is 20.5% (EUR 5,762). All three countries have a lower cost than the EU average thanks to low up-front enforcement costs and, in Croatia and Portugal, low attorney costs. The Czech Republic stands out for high enforcement costs, which account for nearly half the total cost of 33.8% (CZK 270,877, or EUR 10,677) of the claim amount on average. Ranked by total cost, the Czech Republic is second only to the United Kingdom among EU member states.

### BOX 6.1 A new era for the enforcement function in Portugal

After the enforcement function in Portugal was privatized in 2003, enforcement agents faced growing criticism. Critics argued that the profession lacked sufficient oversight and had weak professional standards. And they questioned the compensation structure for agents, saying that it provided poor incentives for pursuing collection efforts.<sup>a</sup>

Turning things around took a concerted effort. One milestone was the introduction in 2013 of a law linking enforcement fees to the amount of debt recovery and requiring the central bank to allow enforcement agents electronic access to bank account information. While the law increased oversight, it also gave enforcement agents more autonomy. They are now able to act more independently, with court intervention required only when important legal issues arise during enforcement proceedings.

The Solicitadores and Enforcement Agents National Association (OSAE) played a key part not only in implementing the reforms but also in developing tools to support the functions of enforcement agents. The organization managed thousands of hopeless cases pending with agents who had been paid under the old system and therefore lacked incentive to continue with enforcement. It also began developing sophisticated online platforms such as SISAAE, PEPEX and e-leilões.pt.

SISAAE (Sistema Informático de Suporte à Atividade dos Agentes de Execução) allows enforcement agents to search for and seize assets through a single platform connecting more than 20 databases—including the land registry, stock exchange, vehicle registry, commercial registry, social security, and tax and customs administration.<sup>b</sup> Since 2013 it has also connected to the central bank's database, allowing the search and seizure of bank account balances. Since September 2013 more than 300,000 account balances have been seized, for a total of EUR 1 billion.<sup>c</sup> SISAAE is available 24/7 and allows searches throughout the country.

PEPEX (Procedimentos Extrajudiciais Pré-Executivos) allows creditors to request that an enforcement agent search the SISAAE database (for a fee) before starting judicial enforcement.<sup>d</sup> Once the search is completed, creditors can decide to go through with judicial enforcement without having to pay the enforcement agent the search fee again. They can also choose not to pursue the case, request a value added tax credit and pass the credit to their loss column.<sup>e</sup>

Among the association's most recent initiatives is e-leilões.pt, an electronic auction site where enforcement agents can sell movable and immovable assets during enforcement proceedings. Since April 2016 the site has conducted more than 11,000 auctions and sold more than 5,000 goods. Low costs and a user-friendly interface make it attractive to both creditors and buyers. Soon the site will also sell assets confiscated in criminal proceedings.

a. Sebastiaan Pompe and Wolfgang Bergthaler, "Reforming the Legal and Institutional Framework for the Enforcement of Civil and Commercial Claims in Portugal," IMF Working Paper 15/279 (International Monetary Fund, Washington, DC, 2015), <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Reforming-the-Legal-and-Institutional-Framework-for-the-Enforcement-of-Civil-and-Commercial-43497>.

b. ENABLE Project, "Enabling Dematerialised Access to Information and Assets for Judicial Enforcement of Claims in the EU: National Report, Portugal," [http://access2just.eu/wp-content/uploads/2018/01/National-report\\_PORTUGAL.pdf](http://access2just.eu/wp-content/uploads/2018/01/National-report_PORTUGAL.pdf).

c. "Penhoras de contas bancárias ultrapassam mil milhões," *Jornal de Notícias*, March 18, 2018, <https://www.jn.pt/economia/interior/penhoras-de-contas-bancarias-ultrapassam-mil-milhoes-9181868.html>.

d. Only enforcement agents have access to PEPEX.

e. "Statistics on the Results of the Recent Change in Law—SISAAE," presentation by the Solicitadores and Enforcement Agents National Association at the 17th National Meeting of the Portuguese Association of Judicial Administrators (APAJ), Anadia, Portugal, January 31, 2015.

Attorney fees as a share of the claim value range from 8% in Split (Croatia) to 14% in all five Slovak cities. All the cities benchmarked in Croatia and Portugal have lower attorney fees than the EU average of 12.4%. In the Czech Republic and Slovakia fees are the same across cities; in both, attorneys reported that they prefer to apply the fee schedule for most cases. In Portugal, while there is no fee schedule, differences among cities are mostly imperceptible to litigation lawyers, many of whom work in more than one city. In Croatia, even though

there is a fee schedule, attorneys tend to deviate slightly from it to accommodate the economic realities of each market. In Split market conditions make it difficult for lawyers to charge the higher fees observed in all the other cities benchmarked (8.6%). Meanwhile, the higher cost of living in Zagreb may explain the fees both in that city and in Varazdin, which is a short drive away.

Except in the Czech Republic, attorney fees and the expenses incurred during trial are the biggest drivers of cost,

though they do not account for significant differences within countries. Filing fees, which are calculated on the basis of the value of the claim, can range from 1.8% of the claim value in Portugal to more than twice that in Slovakia, at 5.8% of the claim value.<sup>18</sup> Filing fees do not vary from city to city within these countries because they are nationally regulated.

Expert fees are regulated in all four countries. Except in Croatia, the fee regulations are applied mostly consistently within each country, so expert fees do not vary

from city to city. In Croatia lawyers noted that the regulations were applied but could often accommodate small variations reflecting the availability of experts in a city—fees can range from 1.6% to 2.1% of the claim amount. Expert fees typically amount to 0.6% of the claim value in Slovakia and 0.7% in the Czech Republic. They are highest in Portugal, at up to 4.2% of the claim value; this, along with filing fees, makes court costs in this country comparatively higher than the EU average of 5% of the claim.

The average up-front costs to enforce a judgment are low in Croatia, Portugal and Slovakia. Indeed, creditors advance less than 1% of the claim amount to start enforcement proceedings in Slovakia (0.1%) and Portugal (0.5%), representing only a very small share of the total cost to enforce a contract. In the Czech Republic, however, creditors might need to advance 150 times as much as in Slovakia: bailiffs can request an up-front payment of 15% of the claim amount, nearly half the total cost to enforce a contract (figure 6.3).<sup>19</sup> In all four countries the fees are set by national regulation and therefore do not vary among cities.

**What judicial good practices are used?**

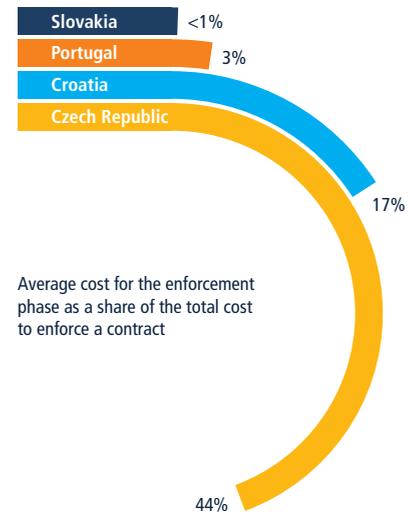
Portugal and Slovakia have adopted the most judicial good practices as captured by the quality of judicial processes index, followed closely by Croatia (figure 6.4). Portugal and Slovakia both have an average score on the index of 13.5, and Croatia a score of 13—all exceeding the EU average of 11.2 points. The Czech Republic’s average score of 9.5 mainly reflects the lack of a specialized small claims court or fast-track procedure, the limited features available for lawyers in the courts’ electronic case management system, the unavailability of a complete set of judicial decisions online and the lack of comprehensive regulation on voluntary mediation.

The scoring on judicial good practices in all four countries shows no differences

across cities. With respect to court structure and proceedings, all four countries have rules regulating pretrial attachment and use an automated approach for assigning cases, but only Croatia has specialized commercial courts.<sup>20</sup> For case management Portugal earns the highest score, obtaining 5 of the 6 possible points. Only Croatia and Portugal have legal time standards for at least three key events. The least regulated area is adjournments. The Czech Republic, Portugal and Slovakia do not explicitly regulate the maximum number of adjournments or specify that they must be granted only for unforeseen and exceptional events. Croatia stipulates that adjournments should be granted only for unforeseen and exceptional events but does not set a limit on the number of adjournments. Portugal and Slovakia both have an electronic case management system that offers a wide array of features to judges and litigants. By contrast, Croatia has a system providing only limited features for judges and litigants.

With respect to court automation, all four countries allow online payment of court fees and all except Croatia allow electronic filing of complaints—though Croatia plans to roll out electronic filing soon (box 6.2). In Portugal electronic filing has been mandatory for complaints since 2013.<sup>21</sup> Electronic service of process was recently introduced in both

FIGURE 6.3 In the Czech cities costs for the enforcement phase make up nearly half the total cost to enforce a contract

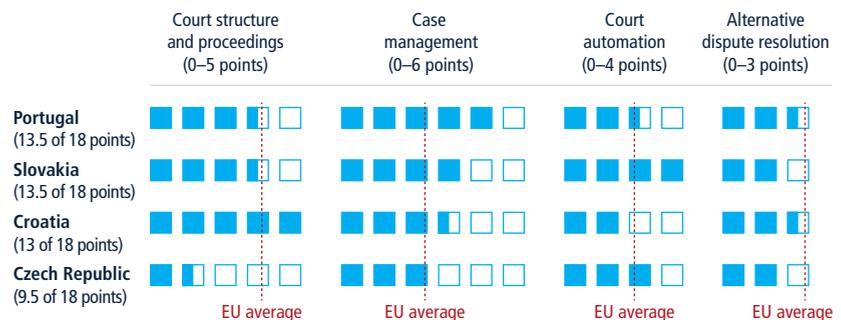


Source: Doing Business database.

Note: The average for each country is based on data for its benchmarked cities. Only up-front enforcement costs (not total enforcement costs) are taken into account.

the Czech Republic and Slovakia. In the Czech Republic electronic service of process has been mandatory for companies since 2009, and in Slovakia it became mandatory on July 1, 2017. Both Croatia and Slovakia publish all commercial judgments online, while Portugal does so only for supreme court and appellate-level decisions. The Czech Republic does not publish decisions at all.

FIGURE 6.4 Of the four countries, Portugal and Slovakia have the most judicial good practices



Source: Doing Business database.

Note: The figure shows the extent to which each country has adopted the judicial good practices captured by the quality of judicial processes index (each square represents a point in the index). For more details, see the data notes.

### BOX 6.2 Electronic filing to be rolled out to all Croatian courts

The Croatian Ministry of Justice began piloting the electronic filing of complaints and other documents in the commercial court in Bjelovar in December 2017. Subsequently, in January–April 2018, it rolled out the pilot to the commercial courts in Pazin, Varazdin, Zagreb and Rijeka. Participation has been voluntary for lawyers.

The Ministry of Justice expects to complete the rollout of electronic filing to all commercial courts by the summer of 2018 and to all municipal courts in 2019. Having the initial pilot in the Bjelovar court allowed an opportunity to address early problems without creating widespread disruption in the court system.

Measures are being taken to increase the take-up of electronic filing with a view to making it mandatory. Filing fees will be reduced for electronic filing, and all lawyers will have to obtain an electronic signature allowing them to access the system.

*Source:* Interviews by the *Doing Business* team with staff of the Ministry of Justice of Croatia.

All four countries regulate commercial arbitration and permit voluntary mediation. The Czech Republic is the only country among the four that lacks comprehensive regulation governing voluntary mediation. And Slovakia is the only one that excludes certain matters from arbitration and where in practice arbitration clauses in contracts are not consistently respected by national courts.

## WHAT CAN BE IMPROVED?

This chapter's review of the process for enforcing contracts in Croatia, the Czech Republic, Portugal and Slovakia points to several areas of possible improvement.

### Continue to assess internal court procedures with a view to reducing trial time and backlogs CROATIA, CZECH REPUBLIC, PORTUGAL, SLOVAKIA

In most of the 25 cities benchmarked, completing the trial phase for a simple commercial dispute takes a year or more. All four countries face issues with backlogs, which undermine a court's performance and prevent it from dealing efficiently with incoming cases. And all four are making efforts to resolve these issues. Slovakia has introduced a host of reforms aimed at improving court efficiency, from a new procedure code to a centralized court for payment order proceedings and enforcement. But reforms have been slow to show results, and the courts are still dealing with large numbers of old

(prereform) enforcement cases on their docket. Portugal faced special challenges with the financial crisis. It entered the crisis with a substantial backlog, but through an overhaul of its justice system the country has managed to reduce the number of pending enforcement cases by more than 40% since the peak in 2012.<sup>22</sup>

In Croatian courts the clearance rates for first-instance civil and commercial litigation cases have continually improved, reaching 113% in 2014, above the European average of 100%.<sup>23</sup> But much remains to be done. According to the *2018 EU Justice Scoreboard*, Croatia has the third largest number of pending civil and commercial litigation cases in the EU, after Cyprus and Italy. The problem is especially evident in the municipal courts.<sup>24</sup> In the commercial courts around 15% of cases are more than three years old. But in the municipal courts, which handle enforcement cases, about 25% of all cases—almost 64,000 in total—are more than three years old.

In Czech courts, which have the longest average trial times measured among the four countries, judges reported a substantial effort to get rid of backlogs in recent years. With support from the Ministry of Justice and under the leadership of the court president, judges in Ostrava have reportedly reduced their pending cases significantly in the past three years, from up to 800 cases per judge to about 200. Strict monitoring of cases more than three years old, along with an increase in

working hours, helped improve clearance rates. Ostrava has also increased the number of support staff, and every judge now has a court clerk.

Despite these improvements, efforts to reduce backlogs need to continue. Measures should include an analysis of the nature and volume of pending cases, which in turn requires having an up-to-date case management system. A review of existing resources, including a potential redistribution of court staff to address unbalanced workloads, could also be explored. And in Slovakia a study has identified appointing court managers or providing court presidents with extensive management training as a potentially effective way to improve internal processing within courts.<sup>25</sup>

### Promote alternative dispute resolution CROATIA, CZECH REPUBLIC, PORTUGAL, SLOVAKIA

All four countries have comprehensive regulation on arbitration and mediation, but these options are not commonly used by litigants. In Slovakia there are limitations on the types of cases that can be brought to arbitration, excluding cases relating to real estate, for example.<sup>26</sup> And arbitration clauses are rarely enforced by the Slovak courts.

Nor are financial incentives to use arbitration readily available. In Slovakia parties that successfully mediate a case can have their filing fees partially reimbursed. But

in the other three countries there are no specific incentives to encourage the use of mediation.

Studies in Latin America and the United States indicate that alternative dispute resolution can help increase court efficiency—by reducing the number of cases that would otherwise have to go through the courts and thus lessening caseloads and backlogs; by streamlining trials; and by reducing costs.<sup>27</sup> Even partial settlements that work to narrow the disputed issues help to streamline trials, reducing both the length of trials and the associated costs.<sup>28</sup>

### **Set legal limits on the granting of adjournments**

#### **CROATIA, CZECH REPUBLIC, PORTUGAL, SLOVAKIA**

Part of good case management is establishing, in consultation with the parties, a clear, reasonable and realistic timeline for a case as well as clear rules limiting the use of adjournments. Timelines quickly become meaningless without rules to enforce them. In 1984 the Committee of Ministers of the Council of Europe advised against having more than two hearings (preparatory and trial hearings). It also recommended that no adjournment should be granted save when “new facts appear or in other exceptional and important circumstances.”<sup>29</sup> Only eight EU member states impose limitations on adjournments that are respected in practice.<sup>30</sup> All eight of them, including Croatia, focus on limiting the adjournments to unforeseen and exceptional circumstances rather than on limiting the total number that can be granted.<sup>31</sup> The Czech Republic, Portugal and Slovakia impose neither of these types of limits on adjournments.<sup>32</sup>

In Latvia the Riga Central Court cannot postpone a hearing without first setting a new hearing date. In the Swiss judicial district of Dorneck-Thierstein extensions are generally granted no more than twice. In New South Wales, Australia, the Civil Procedures Act allows the adjournment of proceedings to a “specified day” only in

exceptional cases. When an adjournment is granted, the party responsible is usually ordered to pay the additional costs incurred by the other party.<sup>33</sup>

In parallel with setting limits on adjournments, it is also important to review judicial capacity, case management and infrastructure issues. Judges burdened by a large volume of cases may be inclined to grant adjournments; in the absence of effective management techniques or an automated case management system, for example, adjournments may seem an attractive method for managing their caseload.

Thus in addressing the issue of adjournments, courts should monitor the average and median number of each type of case as well as the reasons for adjournments. Court management can then take steps to reduce the number of adjournments over time and tackle the most common reasons for them. Simply introducing this monitoring practice can help instill a culture of predictability for hearings, improving timeliness and reducing the frustrations experienced by judges, court staff and court users alike.

### **Improve or introduce fast-track procedures for small claims**

#### **CROATIA, CZECH REPUBLIC**

Resolving a commercial dispute can be costly and time consuming for small and micro businesses. One way to help is to introduce small claims courts or small claims procedures. These help expedite the resolution of minor disputes of relatively low value by setting aside many legal formalities and using simplified or fast-track procedures. Simpler processes and more relaxed rules lower costs for claimants, who may be able to file and present their own case before the court without legal representation. In addition, since there is less work involved for the courts, filing fees can be lower and judges can issue decisions more quickly.

Croatia has a specialized procedure for small commercial claims that do

not exceed HRK 50,000 (about EUR 6,700).<sup>34</sup> But the procedure lacks some “fast track” qualities. For example, the same rules as for the ordinary procedure apply to the taking of evidence and the content of the ruling.<sup>35</sup> In the Czech Republic there are no small claims courts or procedures. The courts apply the same procedure whether a claim is worth EUR 1,000 or EUR 1 million.

Several countries have introduced more flexible and relaxed rules for small claims. In Estonia, Slovenia and the United Kingdom the formal requirements for taking evidence can be set aside. For example, the court can hear a witness or expert by phone or in writing or recognize other means of proof as evidence (for example, statements not given under oath). And some countries have restrictions on expert witnesses, for example, on the number of expert witnesses who can be heard in a case. In Austria, Ireland and Slovenia the formal requirements for the judgment itself are simpler and more flexible, and judges can omit the description of the facts from their judgment. To prevent strain on judicial resources, many countries limit appeals for smaller claims. In France, Hungary and Poland there is no right of appeal. In Denmark the right to appeal depends on the value of the claim.<sup>36</sup>

## NOTES

1. Data cover the overall number of pending cases from 1991 to 2009, which includes in-court civil, commercial, criminal and labor cases and postcourt enforcement cases. In 2007 and 2008 the clearance rate (completed cases as a percentage of new cases within a period) surpassed 100%. Data are from the Ministry of Justice of Portugal, as published in Sebastiaan Pompe and Wolfgang Bergthaler, "Reforming the Legal and Institutional Framework for the Enforcement of Civil and Commercial Claims in Portugal," IMF Working Paper 15/279 (International Monetary Fund, Washington, DC, 2015), <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Reforming-the-Legal-and-Institutional-Framework-for-the-Enforcement-of-Civil-and-Commercial-43497>.
2. According to a memorandum of understanding on financial assistance to Portugal to cope with the financial crisis, signed in May 2011 by the government of Portugal and by the European Commission (on behalf of the Eurogroup, the European Central Bank and the International Monetary Fund).
3. See also João Paulo Dias, "The Transition to a Democratic Portuguese Judicial System: (Delaying) Changes in the Legal Culture," *International Journal of Law in Context* 12, no. 1 (2016): 24–41, available at <https://estudogeral.sib.uc.pt/jspui/bitstream/10316/33099/1/The%20transition%20to%20a%20democratic%20Portuguese%20judicial%20system%20%28delaying%29%20changes%20in%20the%20legal%20culture.pdf>; and Pedro Miguel Alves Ribeiro Correia and Susana Antas Videira, "Troika's Portuguese Ministry of Justice Experiment: An Empirical Study on the Success Story of the Civil Enforcement Actions," *International Journal for Court Administration* 7, no. 1 (2015): 37–49.
4. Directorate-General for Justice Policy (DGPI) of Portugal, "Ministério da Justiça: Estatísticas sobre Ações Executivas Cíveis" (2017).
5. European Commission for the Efficiency of Justice (CEPEJ), "Efficiency and Quality of the Slovak Judicial System: Assessment and Recommendations on the Basis of CEPEJ Tools," CEPEJ-COOP (2017)14 (CEPEJ, Strasbourg, 2017), <https://rm.coe.int/slovakia-assessment-report-on-efficiency-and-quality-of-the-slovak-jud/16807915c9>.
6. Ministry of Justice of the Czech Republic, *České soudnictví 2016: Výroční statistická zpráva* [Czech Judiciary 2016: Annual Statistical Report], [http://www.ceskatelevize.cz/ct24/sites/default/files/1950205-ceske\\_soudnictvi\\_2016\\_-\\_vyrocni\\_statisticka\\_zprava.pdf](http://www.ceskatelevize.cz/ct24/sites/default/files/1950205-ceske_soudnictvi_2016_-_vyrocni_statisticka_zprava.pdf).
7. Paulo Pinheiro-Alves, Julio Ricardo and Jose Tavares, "Foreign Direct Investment and Institutional Reform: Evidence and an Application to Portugal," Working Paper 6/2013 (Bank of Portugal, Lisbon, 2013), <https://www.bportugal.pt/sites/default/files/anexos/papers/wp201306.pdf>.
8. A commercial claim with a claim value of HRK 157,128 (EUR 21,124) in Croatia, CZK 801,410 (EUR 31,589) in the Czech Republic, EUR 33,921 in Portugal and EUR 28,108 in Slovakia, which is equivalent to twice the income per capita for each country. (For more details, see the data notes.)
9. In Portugal a public enforcement officer (*funcionário judicial*) could conduct enforcement proceedings for a person eligible for legal aid or in the narrow circumstances set out by article 722 of the Portuguese Civil Procedure Code.
10. In Slovakia all enforcement cases presented since April 1, 2017, go to the specialized district court of Banská Bystrica. Pending cases are still seen by the city district court that issued the judgment serving as the enforcement title. See Act 233/1995 Coll. Bailiffs Code, as amended, in force as of April 1, 2017.
11. These are Osijek and Zagreb in Croatia; and Braga, Coimbra, Evora, Faro, Funchal, Ponta Delgada and Porto in Portugal. According to the global rankings in *Doing Business 2018*, Lithuania—the best EU performer—is number 4 (with a distance to frontier score of 78.80) and the Republic of Korea number 1 (with a distance to frontier score of 84.15).
12. Cases from across Slovakia that start as a request for payment order procedure can be filed electronically at the specialized district court of Banská Bystrica, which will issue the payment order and serve it electronically. But not all requests for payment orders are being presented to this court. Plaintiffs can also choose to file directly at their local district court. For the purposes of comparisons by city, this chapter measures the time for the process in the local district courts.
13. In Croatia enforcement actions against monetary assets (in bank accounts) are executed by the Financial Agency (FINA), a state-owned company that specializes in processing payments and providing other financial services. In practice, this means that the creditor can submit an enforceable title to FINA and carry out enforcement against the debtor's accounts in any bank in Croatia. For the purposes of the case study, which looks at enforcement against movable (nonmonetary) assets, this chapter focuses on court officers as enforcement agents. See Svetozara Petkova and Georgia Harley, "Towards Effective Enforcement of Uncontested Monetary Claims: Lessons from Eastern and Central Europe" (World Bank Group, Washington, DC, 2017), <http://documents.worldbank.org/curated/en/748601499954362710/Towards-effective-enforcement-of-uncontested-monetary-claims-lessons-from-Eastern-and-Central-Europe>.
14. Svetozara Petkova and Georgia Harley, "Towards Effective Enforcement of Uncontested Monetary Claims: Lessons from Eastern and Central Europe" (World Bank Group, Washington, DC, 2017), <http://documents.worldbank.org/curated/en/748601499954362710/Towards-effective-enforcement-of-uncontested-monetary-claims-lessons-from-Eastern-and-Central-Europe>.
15. In Portugal the enforcement division sits in the same jurisdictional subdivision (*comarca judicial*) but not necessarily in the same city. For example, the enforcement division competent to hear enforcement matters for judgments issued in the Coimbra courts is the one in Soure, and for Braga it is the one in Famalicão.
16. This is done by the creditor's lawyer, since access to CITIUS is restricted.
17. Ministry of Justice Decree 68/2017 Coll., went into effect on April 1, 2017. It introduces amendments to Act 233/1995 Coll. Bailiffs Code.
18. Fees are calculated on a sliding scale in Portugal. For a case valued between EUR 30,000 and EUR 40,000 the filing fee (*taxa judicial*) is the equivalent of six units (*unidades de conta*); for both 2017 and 2018 the unit was fixed at EUR 102. Ministry of Justice Decree-Law 34/2008 of February 26, 2008, on the Regulation of Court Costs.
19. In practice, however, the enforcement agent does not always demand up-front payment.
20. Portugal has specialized commercial divisions within its first-instance courts (*juízo de comércio*), but these divisions do not have jurisdiction over general commercial disputes. The commercial divisions focus on the insolvency and winding up of companies, the exercise of shareholder rights, issues relating to companies' articles of incorporation, company suspension and dissolution, and industrial property matters. For more details, see article 128 of Law 62/2013 of August 26, 2013, on the Organization of the Judicial System (*Lei de Organização do Sistema Judiciário*). In Slovakia court dockets ("agendas") are organized by type of case, but judges who hear commercial cases sometimes also hear other civil cases.
21. See Civil Procedure Code 2013 and Decree 280/2013 of August 26, 2013, on Electronic Processing of Judicial Proceedings.
22. Directorate-General for Justice Policy (DGPI) of Portugal, "Ministério da Justiça: Estatísticas sobre Ações Executivas Cíveis" (2017).
23. CEPEJ, "European Judicial Systems: Efficiency and Quality of Justice," CEPEJ Studies, no. 23 (CEPEJ, Strasbourg, 2016).
24. European Commission, Directorate-General for Justice and Consumers, *The 2018 EU Justice Scoreboard* (Luxembourg: Publications Office of the European Union, 2018), [https://ec.europa.eu/info/sites/info/files/justice\\_scoreboard\\_2018\\_en.pdf](https://ec.europa.eu/info/sites/info/files/justice_scoreboard_2018_en.pdf).
25. CEPEJ, "Efficiency and Quality of the Slovak Judicial System: Assessment and Recommendations on the Basis of CEPEJ Tools," CEPEJ-COOP (2017)14 (CEPEJ, Strasbourg, 2017), <https://rm.coe.int/slovakia-assessment-report-on-efficiency-and-quality-of-the-slovak-jud/16807915c9>.
26. Section 1 (3) of Act 244/2002 Coll. on Arbitration, as amended.
27. Carlos Eugenio Jorquiera and Gabriel Dabdoub Alvarez, "The Cost of Disputes in Companies and the Use of ADR Methods: Lessons from Nine Latin American Countries" (Alternative

- Dispute Resolution Network, Multilateral Investment Fund, Washington, DC, 2005); Lisa Blomgren Amsler, Tina Nabatchi, Jeffrey M. Senger and Michael Scott Jackman, "Dispute Resolution and the Vanishing Trial: Comparing Federal Government Litigation and ADR Outcomes," *Ohio State Journal on Dispute Resolution* 24, no. 2 (2009): 225-62.
28. Heike Gramckow, Omniah Ebeid, Erica Bosio and Jorge Luis Silva Mendez, *Good Practices for Courts: Helpful Elements for Good Court Performance and the World Bank's Quality of Judicial Process Indicators* (Washington, DC: World Bank, 2016).
  29. Council of Europe, Committee of Ministers, "Recommendation No. R (84) 5 of the Committee of Ministers to Member States on the Principles of Civil Procedure Designed to Improve the Functioning of Justice" (Council of Europe, Strasbourg, 1984), p. 2.
  30. *Doing Business* database. These countries are Bulgaria, Croatia, Estonia, Germany, Latvia, Lithuania, the Netherlands and Poland.
  31. In Croatia the limit on the number of adjournments (allowing only one) applies only to preliminary proceedings (Civil Procedure Act, article 291). During the main hearing the number of adjournments is not limited by law. Greece is the only EU member state with a limit on the number of adjournments, though the rule is rarely enforced in practice.
  32. Judges in the Czech Republic and Slovakia may grant continuances for important reasons at their sole discretion. In Portugal a judge may do so in case of "justified obstacles," without specifying what those obstacles are.
  33. Heike Gramckow, Omniah Ebeid, Erica Bosio and Jorge Luis Silva Mendez, *Good Practices for Courts: Helpful Elements for Good Court Performance and the World Bank's Quality of Judicial Process Indicators* (Washington, DC: World Bank, 2016).
  34. A threshold of HRK 10,000 (about EUR 1,300) applies for general civil claims. Civil Procedure Code, sections 457-467a.
  35. "Small Claims," European e-Justice, last modified November 17, 2017, [https://e-justice.europa.eu/content\\_small\\_claims-42-en.do](https://e-justice.europa.eu/content_small_claims-42-en.do).
  36. World Bank, *Fast-Tracking the Resolution of Minor Disputes: Experience from EU Member States* (Washington, DC: World Bank, 2017), <http://documents.worldbank.org/curated/pt/670181487131729316/pdf/112769-WP-P161975-PUBLIC-FasttrackingSmallClaimsInEU.pdf>.



## About **Doing Business** and *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*

- *Doing Business* measures aspects of business regulation affecting domestic small and medium-size firms defined on the basis of standardized case scenarios and located in the largest business city of each economy. In addition, for 11 economies a second city is covered.
- *Doing Business* covers 11 areas of business regulation across 190 economies. Ten of these areas—starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency—are included in the distance to frontier score and ease of doing business ranking. *Doing Business* also measures features of labor market regulation, which is not included in these two measures.
- *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* covers only 5 *Doing Business* indicators: starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts.
- *Doing Business* and *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* rely on four main sources of information: the relevant laws and regulations, expert respondents, the governments of the economies and cities covered and the World Bank Group regional staff.
- Governments use *Doing Business* as a source of objective data providing unique insights into good practices worldwide. Many *Doing Business* indicators are “actionable”—though depending on the context, they may not always be “action-worthy.”

The foundation of *Doing Business* is the notion that economic activity, particularly private sector development, benefits from clear and coherent rules—rules that set out and clarify property rights and facilitate the resolution of disputes and rules that enhance the predictability of economic interactions and provide contractual partners with essential protections against arbitrariness and abuse. Such rules are much more effective in shaping the incentives of economic agents in ways that promote growth and development where they are reasonably efficient in design, are transparent and accessible to those for whom they are intended and can be implemented at a reasonable cost. The quality of the rules also has a crucial bearing on how societies distribute the benefits and finance the costs of development strategies and policies.

Good rules are a key to social inclusion. Enabling growth—and ensuring that all people, regardless of income level, can participate in its benefits—requires an environment where new entrants with drive and good ideas can get started in business and where good firms can invest and expand. The role of government policy in the daily operations of domestic small and medium-size firms is a central focus of the *Doing Business* data. The objective is to encourage regulation that is designed to be efficient, accessible to all and simple to implement. Onerous regulation diverts the energies of entrepreneurs away from developing their businesses. But regulation that is efficient, transparent and implemented in a simple way facilitates business expansion and innovation, and makes it easier for aspiring entrepreneurs to compete on an equal footing.

*Doing Business* measures aspects of business regulation for domestic firms through an objective lens. The focus of the project is on small and medium-size companies in the largest business city of an economy. Based on standardized case studies, *Doing Business* presents quantitative indicators on the regulations that

apply to firms at different stages of their life cycle. The results for each economy can be compared with those for 189 other economies and over time.

## FACTORS MEASURED BY DOING BUSINESS AND SUBNATIONAL DOING BUSINESS

*Doing Business* captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation (table 7.1). *Subnational Doing Business* focuses on indicators that are most likely to vary from city to city, such as those on dealing with construction permits or registering property.

Indicators that use a legal scoring methodology, such as those on getting credit or protecting minority investors, are typically excluded because they mostly look at national laws with general applicability.

*Doing Business* measures aspects of business regulation affecting domestic small and medium-size firms defined on the basis of standardized case scenarios and located in the largest business city of each economy. In addition, for 11 economies a second city is covered. *Subnational Doing Business* covers a subset of the 11 areas of business regulation that *Doing Business* covers across 190 economies.

*Doing Business* relies on four main sources of information: the relevant laws and regulations, *Doing Business* respondents, the governments of the economies covered and the World Bank Group regional staff. More than 33,000 professionals in 190 economies have assisted in providing the data that inform the *Doing Business* indicators over the past 15 years.

**TABLE 7.1** What *Doing Business* and *Subnational Doing Business* measure—11 areas of business regulation

Indicator set	What is measured
<b>Typically included in subnational <i>Doing Business</i> reports</b>	
Starting a business	Procedures, time, cost and paid-in minimum capital to start a limited liability company
Dealing with construction permits	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
Getting electricity	Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs
Registering property	Procedures, time and cost to transfer a property and the quality of the land administration system
Enforcing contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes
<b>Not typically included in subnational <i>Doing Business</i> reports</b>	
Getting credit	Movable collateral laws and credit information systems
Protecting minority investors	Minority shareholders' rights in related-party transactions and in corporate governance
Paying taxes	Payments, time and total tax rate for a firm to comply with all tax regulations as well as postfiling processes
Trading across borders	Time and cost to export the product of comparative advantage and import auto parts
Resolving insolvency	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
Labor market regulation	Flexibility in employment regulation and aspects of job quality

The subnational *Doing Business* studies expand the *Doing Business* analysis beyond the largest business city of an economy. They measure variation in regulations or in the implementation of national laws across locations within an economy (as in South Africa) or a region (as in this report). Projects are undertaken at the request of governments.

Data collected by subnational studies over the past three years show that there can be substantial variation within an economy (figure 7.1). In Mexico in 2016, for example, registering a property transfer took as few as 9 days in Puebla and as many as 78 in Oaxaca. Indeed, within the same economy one can find locations that perform as well as economies ranking in the top 20 on the ease of registering property and locations that perform as poorly as economies ranking in the bottom 40 on that indicator.

The subnational *Doing Business* studies create disaggregated data on business regulation. But they go beyond a data collection exercise. They have proved to be strong motivators for regulatory reform at the local level:

- The data produced are comparable across locations within the economy and internationally, enabling locations to benchmark their results both locally and globally. Comparisons of locations that are within the same economy and therefore share the same legal and regulatory framework can be revealing: local officials find it hard to explain why doing business is more difficult in their jurisdiction than in a neighboring one.
- Pointing out good practices that exist in some locations but not others within an economy helps policy makers recognize the potential for replicating these good practices. This can prompt discussions of regulatory reform across different levels of government, providing opportunities for local governments and agencies to learn from one another and resulting in local ownership and capacity building.

Since 2005 subnational reports have covered 485 locations in 71 economies, including Colombia, the Arab Republic of Egypt, Italy, the Philippines and Serbia. Seventeen economies—including

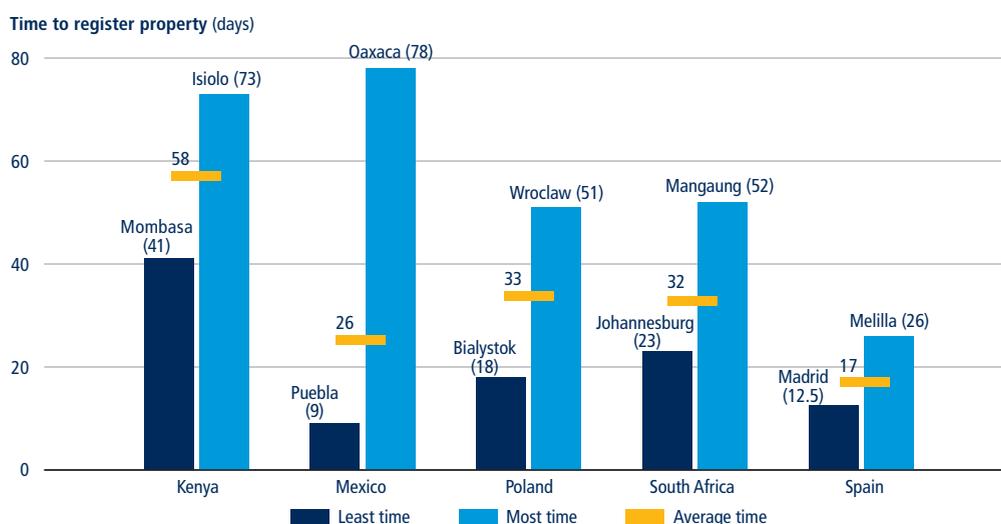
Indonesia, Kenya, Mexico, Nigeria, the Philippines and the Russian Federation—have undertaken two or more rounds of subnational data collection to measure progress over time (figure 7.2). Recently subnational studies were completed in Afghanistan, Kazakhstan, Kenya, Mexico and the United Arab Emirates. Ongoing studies include those in South Africa (9 cities) and Nigeria (37 states).

*Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* is the first report of the subnational *Doing Business* series in Croatia, the Czech Republic, Portugal and Slovakia. It covers five cities in Croatia (Osijek, Rijeka, Split, Varazdin and Zagreb), seven in the Czech Republic (Brno, Liberec, Olomouc, Ostrava, Plzen, Prague and Usti nad Labem), eight in Portugal (Braga, Coimbra, Evora, Faro, Funchal, Lisbon, Ponta Delgada and Porto) and five in Slovakia (Bratislava, Kosice, Presov, Trnava and Zilina).

**How the indicators are selected**

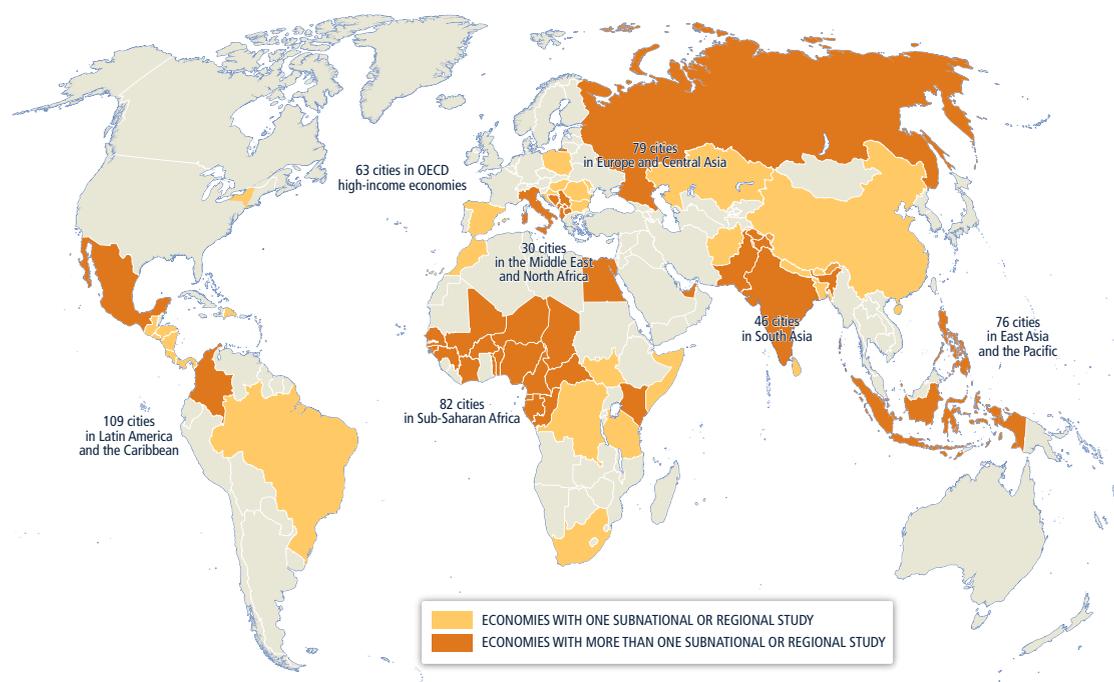
The choice of the 11 sets of *Doing Business* indicators has been guided by economic research and firm-level data, specifically

FIGURE 7.1 Different locations, different regulatory processes, same economy



Source: Subnational *Doing Business* database.

Note: The average time shown for each economy is based on all locations covered by the data: 11 cities in Kenya in 2016, 32 states in Mexico in 2016, 18 cities in Poland in 2015, 9 cities in South Africa in 2015 and 19 cities in Spain in 2015.

FIGURE 7.2 Comparing regulation at the local level: subnational *Doing Business* studies

Source: Subnational *Doing Business* database.

data from the World Bank Enterprise Surveys.<sup>1</sup> These surveys provide data highlighting the main obstacles to business activity as reported by entrepreneurs in more than 130,000 firms in 139 economies. Access to finance and access to electricity, for example, are among the factors identified by the surveys as important to businesses—inspiring the design of the *Doing Business* indicators on getting credit and getting electricity.

The design of the *Doing Business* indicators has also been informed by theoretical insights gleaned from extensive research and the literature on the role of institutions in enabling economic development. In addition, the background papers developing the methodology for each of the *Doing Business* indicator sets have established the importance of the rules and regulations that *Doing Business* focuses on for such economic outcomes as trade volumes, foreign direct investment, market capitalization in stock exchanges and private credit as a percentage of GDP.<sup>2</sup>

*Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* covers five *Doing Business* indicator sets (or topics): starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts. These *Doing Business* indicator sets were selected on the basis of their relevance to the countries' context and their ability to show variation across the cities covered.

Some *Doing Business* indicators give a higher score for more regulation and better-functioning institutions (such as courts). For example, higher scores are given in the area of protecting minority investors for stricter disclosure requirements for related-party transactions. Higher scores are also given for a simplified way of applying regulation that keeps compliance costs for firms low—such as by easing the burden of business start-up formalities with a one-stop shop or through a single online portal. Finally, *Doing Business* scores reward economies that apply a risk-based approach to

regulation as a way to address social and environmental concerns—such as by imposing a greater regulatory burden on activities that pose a high risk to the population and a lesser one on lower-risk activities. Thus the economies that rank highest on the ease of doing business are not those where there is no regulation—but those where governments have managed to create rules that facilitate interactions in the marketplace without needlessly hindering the development of the private sector.

### The distance to frontier and ease of doing business ranking

To provide different perspectives on the data, *Doing Business* presents data both for individual indicators and for two aggregate measures: the distance to frontier score and the ease of doing business ranking. This report focuses only on the distance to frontier score and ranking for individual indicator sets.

The distance to frontier score aids in assessing the absolute level of regulatory

performance and how it improves over time. This measure shows the distance of each economy to the “frontier,” which represents the best performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005 or the third year in which data were collected for the indicator. The frontier is set at the highest possible value for indicators calculated as scores, such as the strength of legal rights index or the quality of land administration index. This underscores the gap between a particular economy’s performance and the best performance at any point in time and helps in assessing the absolute change in the economy’s regulatory environment

over time as measured by *Doing Business*. The distance to frontier score is first computed for each topic and then averaged across all topics to compute the aggregate distance to frontier score. The ranking on the ease of doing business complements the distance to frontier score by providing information about an economy’s performance in business regulation relative to the performance of other economies as measured by *Doing Business*.

*Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* includes rankings of the 25 cities on five topics: starting a business, dealing

with construction permits, getting electricity, registering property and enforcing contracts. The distance to frontier score for each indicator captures the gap between a city’s performance and the best practices globally. For starting a business, for example, New Zealand has the smallest number of procedures required (one) and the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and more than 100 other economies have no paid-in minimum capital requirement (table 7.2).

*Doing Business* uses a simple averaging approach for weighting component indicators, calculating rankings and

**TABLE 7.2** What is the frontier in regulatory practice?

Topic and indicator	Who set the frontier	Frontier	Worst
<b>Starting a business</b>			
Procedures (number)	New Zealand	1	18 <sup>a</sup>
Time (days)	New Zealand	0.5	100 <sup>b</sup>
Cost (% of income per capita)	Slovenia	0.0	200.0 <sup>b</sup>
Minimum capital (% of income per capita)	Australia; Colombia <sup>c</sup>	0.0	400.0 <sup>b</sup>
<b>Dealing with construction permits</b>			
Procedures (number)	No economy was at the frontier as of June 1, 2017.	5	30 <sup>a</sup>
Time (days)	No economy was at the frontier as of June 1, 2017.	26	373 <sup>b</sup>
Cost (% of warehouse value)	No economy was at the frontier as of June 1, 2017.	0.0	20.0 <sup>b</sup>
Building quality control index (0–15)	Luxembourg; New Zealand; United Arab Emirates	15	0 <sup>d</sup>
<b>Getting electricity</b>			
Procedures (number)	Germany; Republic of Korea <sup>e</sup>	3	9 <sup>a</sup>
Time (days)	Republic of Korea; St. Kitts and Nevis; United Arab Emirates	18	248 <sup>b</sup>
Cost (% of income per capita)	Japan	0.0	8,100.0 <sup>b</sup>
Reliability of supply and transparency of tariffs index (0–8)	Belgium; Ireland; Malaysia <sup>f</sup>	8	0 <sup>d</sup>
<b>Registering property</b>			
Procedures (number)	Georgia; Norway; Portugal; Sweden	1	13 <sup>a</sup>
Time (days)	Georgia; New Zealand	1	210 <sup>b</sup>
Cost (% of property value)	Saudi Arabia	0.0	15.0 <sup>b</sup>
Quality of land administration index (0–30)	No economy has attained the frontier yet.	30	0 <sup>d</sup>
<b>Enforcing contracts</b>			
Time (days)	Singapore	120	1,340 <sup>b</sup>
Cost (% of claim)	Bhutan	0.1	89.0 <sup>b</sup>
Quality of judicial processes index (0–18)	No economy has attained the frontier yet.	18	0 <sup>d</sup>

Source: *Doing Business* database.

- Worst performance is defined as the 99th percentile among all economies in the *Doing Business* sample.
- Worst performance is defined as the 95th percentile among all economies in the *Doing Business* sample.
- More than 100 other economies also have a paid-in minimum capital requirement of 0.
- Worst performance is the worst value recorded.
- In 17 other economies it also takes no more than 3 procedures to get an electricity connection.
- Another 25 economies also have a score of 8 on the reliability of supply and transparency of tariffs index.

determining the distance to frontier score.<sup>3</sup> Each topic covered by *Doing Business* relates to a different aspect of the business regulatory environment. The distance to frontier scores and rankings of each economy vary, often considerably, across topics, indicating that a strong performance by an economy in one area of regulation can coexist with weak performance in another. One way to assess the variability of an economy's regulatory performance is to look at its distance to frontier scores across topics. Morocco, for example, has an overall distance to frontier score of 67.91, meaning that it is two-thirds of the way from the worst to the best performance. Its distance to frontier score is 92.46 for starting a business, 85.72 for paying taxes and 81.12 for trading across borders. At the same time, it has a distance to frontier score of 34.03 for resolving insolvency, 45.00 for getting credit and 58.33 for protecting minority investors.

### Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves two main steps. In the first step individual component indicators are normalized to a common unit where each of the 36 component indicators  $y$  (except for the total tax rate) is rescaled using the linear transformation  $(\text{worst} - y)/(\text{worst} - \text{frontier})$ . In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best performance and the worst performance are established every five years based on the *Doing Business* data for the year in which they are established, and remain at that level for the five years regardless of any changes in data in interim years. Thus an economy may set the frontier for an indicator even though it is no longer at the frontier in a subsequent year.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most

component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process two rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including minimum capital and the time and cost indicators), and the 99th percentile is used for number of procedures (figure 7.3).

In the second step, for each economy the scores obtained for individual indicators are aggregated through simple averaging for each topic for which performance is measured and ranked; for the 25 cities in *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*, this is done for starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used

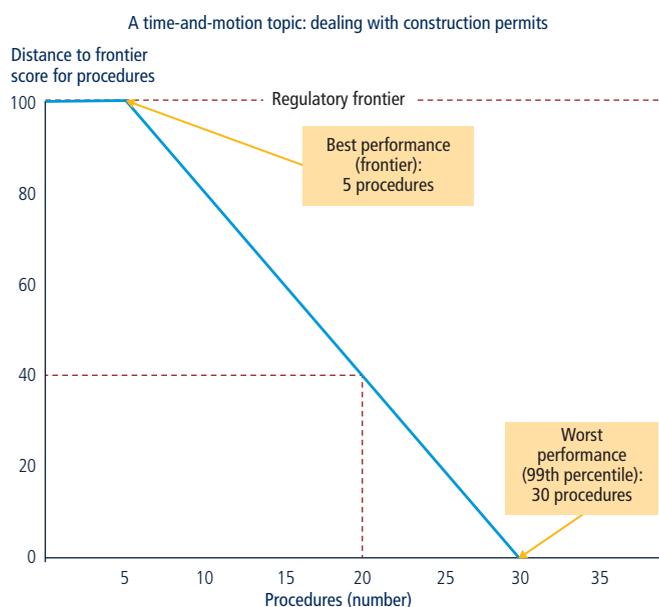
by *Doing Business*.<sup>4</sup> Thus *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.

A location's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of five decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on two decimals.

## FACTORS NOT MEASURED BY DOING BUSINESS AND SUBNATIONAL DOING BUSINESS

Many important policy areas are not covered by *Doing Business*; even within the areas it covers its scope is narrow (table 7.3). *Doing Business* does not measure the full range of factors, policies and institutions that affect the quality of an economy's business environment or its national competitiveness. It does

FIGURE 7.3 How are distance to frontier scores calculated for indicators? An example



Source: *Doing Business* database.

**TABLE 7.3** What *Doing Business* does not cover

Examples of areas not covered
Macroeconomic stability
Development of the financial system
Quality of the labor force
Incidence of bribery and corruption
Market size
Lack of security
Examples of aspects not included within the areas covered
In paying taxes, personal income tax rates
In getting credit, the monetary policy stance and the associated ease or tightness of credit conditions for firms
In trading across borders, export or import tariffs and subsidies
In resolving insolvency, personal bankruptcy rules

not, for example, capture the aspects of market size, macroeconomic stability, development of the financial system, the quality of the labor force or the incidence of bribery and corruption.

The focus is deliberately narrow even within the relatively small set of indicators included in *Doing Business*. For example, *Doing Business* captures the time and cost for the logistical process of exporting and importing goods in the trading across borders indicators, but not the cost of tariffs or of international transport. *Doing Business* provides a narrow perspective on the infrastructure challenges that firms face, particularly in the developing world, through these indicators. It does not address the extent to which inadequate roads, rail, ports and communications may add to firms' costs and undermine competitiveness (except to the extent that the trading across borders indicators indirectly measure the quality of ports and border connections). Similar to the indicators on trading across borders, all aspects of commercial legislation are not covered by those on starting a business or protecting minority investors. And while *Doing Business* measures only a few aspects within each area that it covers, business regulation reforms should not focus only on these aspects, because

those that it does not measure are also important.

*Doing Business* does not attempt to quantify all costs and benefits of a particular law or regulation to society as a whole. The paying taxes indicators measure the total tax rate, which, in isolation, is a cost to businesses. However, the indicators do not measure—nor are they intended to measure—the benefits of the social and economic programs funded with

tax revenues. Measuring the quality and efficiency of business regulation provides only one input into the debate on the regulatory burden associated with achieving regulatory objectives, which can differ across economies.

## ADVANTAGES AND LIMITATIONS OF THE METHODOLOGY

The *Doing Business* methodology is designed to be an easily replicable way to benchmark specific aspects of business regulation. Its advantages and limitations should be understood when using the data (table 7.4).

Ensuring comparability of the data across a global set of economies is a central consideration for the *Doing Business* indicators, which are developed around standardized case scenarios with specific assumptions. One such assumption is the location of a standardized business—the subject of the *Doing Business* case study—in the largest business city of the economy. The reality is that business regulations and their enforcement may differ within a country, particularly in federal

**TABLE 7.4** Advantages and limitations of the *Doing Business* methodology

Feature	Advantages	Limitations
Use of standardized case scenarios	Makes data comparable across economies and methodology transparent, using case scenarios that are common globally	Reduces scope of data; only regulatory reforms in areas measured can be systematically tracked; the case scenarios may not be the most common in a particular economy
Focus on largest business city <sup>a</sup>	Makes data collection manageable (cost-effective) and data comparable	Reduces representativeness of data for an economy if there are significant differences across locations
Focus on domestic and formal sector	Keeps attention on formal sector—where regulations are relevant and firms are most productive	Unable to reflect reality for informal sector—important where that is large—or for foreign firms facing a different set of constraints
Reliance on expert respondents	Ensures that data reflect knowledge of those with most experience in conducting types of transactions measured	Indicators less able to capture variation in experiences among entrepreneurs
Focus on the law	Makes indicators “actionable”—because the law is what policy makers can change	Where systematic compliance with the law is lacking, regulatory changes will not achieve full results desired

Source: *Doing Business* database.

a. In economies with a population of more than 100 million as of 2013, *Doing Business* covers business regulation in both the largest and second largest business city. Subnational *Doing Business* studies go beyond the largest business city within a country or region.

states and large economies. But gathering data for every relevant jurisdiction in each of the 190 economies covered by *Doing Business* is infeasible. Nevertheless, where policy makers are interested in generating data at the local level, beyond the largest business city, *Doing Business* has complemented its global indicators with subnational studies. In addition, coverage was extended to the second largest business city in economies with a population of more than 100 million (as of 2013) in *Doing Business 2015*.

*Doing Business* recognizes the limitations of the standardized case scenarios and assumptions. But while such assumptions come at the expense of generality, they also help to ensure the comparability of data. Some *Doing Business* topics are complex, and so it is important that the standardized cases are defined carefully. For example, the standardized case scenario usually involves a limited liability company or its legal equivalent. There are two reasons for this assumption. First, private, limited liability companies are the most prevalent business form (for firms with more than one owner) in many economies around the world. Second, this choice reflects the focus of *Doing Business* on expanding opportunities for entrepreneurship: investors are encouraged to venture into business when potential losses are limited to their capital participation.

Another assumption underlying the *Doing Business* indicators is that entrepreneurs have knowledge of and comply with applicable regulations. In practice, entrepreneurs may not be aware of what needs to be done or how to comply with regulations and may lose considerable time trying to find out. Alternatively, they may intentionally avoid compliance—by not registering for social security, for example. Firms may opt for bribery and other informal arrangements intended to bypass the rules where regulation is particularly onerous—an aspect that helps explain differences between the de jure data provided by

*Doing Business* and the de facto insights offered by the World Bank Enterprise Surveys.<sup>5</sup> Levels of informality tend to be higher in economies with particularly burdensome regulation. Compared with their formal sector counterparts, firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers—and these workers remain outside the protections of labor law and, more generally, other legal protections embedded in the law.<sup>6</sup> Firms in the informal sector are also less likely to pay taxes. *Doing Business* measures one set of factors that help explain the occurrence of informality and give policy makers insights into potential areas of regulatory reform.

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## DATA COLLECTION IN PRACTICE

The *Doing Business* data are based on a detailed reading of domestic laws and regulations as well as administrative requirements. The *Doing Business 2018* report covers 190 economies—including some of the smallest and poorest economies, for which little or no data are available from other sources. The data are collected through several rounds of communication with expert respondents (both private sector practitioners and government officials), through responses to questionnaires, conference calls, written correspondence and visits by the team. *Doing Business* relies on four main sources of information: the relevant laws and regulations, *Doing Business* respondents, the governments of the economies covered and the World Bank Group regional staff (figure 7.4). For a detailed explanation of the *Doing Business* methodology, see the data notes.

*Subnational Doing Business* follows similar data collection methods. However, subnational *Doing Business* studies are driven by client demand and do not follow the same timeline as global *Doing Business* publications.

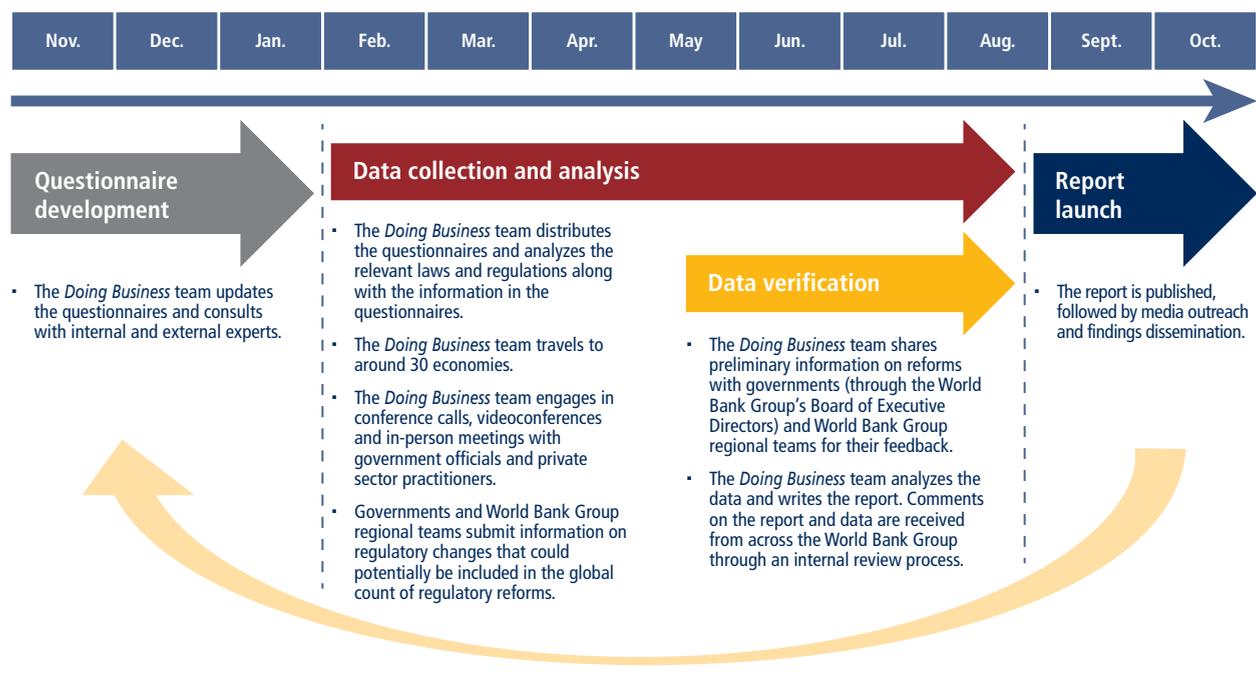
## Relevant laws and regulations

Indicators presented in *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* are based on laws and regulations. Besides participating in interviews or filling out written questionnaires, expert respondents provided references to the relevant laws, regulations and fee schedules, which were collected and analyzed by the *Subnational Doing Business* team.

The team collects the texts of the relevant laws and regulations and checks the questionnaire responses for accuracy. The team will examine the civil procedure code, for example, to check the maximum number of adjournments in a commercial court dispute, and read the insolvency code to see whether the debtor can initiate liquidation or reorganization proceedings. These and other types of laws are available on the *Doing Business* law library website.<sup>7</sup> Since the data collection process involves an annual update of an established database, having a very large sample of respondents is not strictly necessary. In principle, the role of the contributors is largely advisory—helping the *Doing Business* team to locate and understand the laws and regulations. There are quickly diminishing returns to an expanded pool of contributors. This notwithstanding, the number of contributors rose by 40% between 2010 and 2016.

Extensive consultations with multiple contributors are conducted by the team to minimize measurement error for the rest of the data. For some indicators—for example, those on dealing with construction permits, enforcing contracts and resolving insolvency—the time component and part of the cost component (where fee schedules are lacking) are based on actual practice rather than the law on the books. This introduces a degree of judgment by respondents on what actual practice looks like. When respondents disagree, the time indicators reported by *Doing Business* represent the median values of several responses given

FIGURE 7.4 How *Doing Business* collects and verifies the data



under the assumptions of the standardized case.

**Expert respondents**

For *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*, more than 700 professionals across the four economies assisted in providing the data that inform the five areas covered. The *Subnational Doing Business* website and the acknowledgments section of this report list the names and credentials of those respondents wishing to be acknowledged. Selected on the basis of their expertise, respondents are professionals who routinely administer or advise on the legal and regulatory requirements in the specific areas covered by *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia*. Because of the focus on legal and regulatory arrangements, most of the respondents are legal professionals such as lawyers or notaries. Architects, engineers and other professionals answered the questionnaires related to dealing with construction permits and getting electricity. Information incorporated in the

indicators was also provided by certain public officials (such as registrars from the company or property registry). Local and national government officials and judges also provided information that is incorporated in the indicators.

Following the standard methodological approach for time-and-motion studies, *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* breaks down each process or transaction, such as starting a business or registering a building, into separate steps to ensure a better estimate of time. The time estimate for each step was given by practitioners with significant and routine experience in the transaction.

There are two main reasons that the *Doing Business* methodology for data collection does not include the survey of firms. The first relates to the frequency with which firms engage in the transactions captured by the indicators, which is generally low. For example, a firm goes through the start-up process once in its existence, while an incorporation lawyer

may carry out 10 such transactions each month. The incorporation lawyers and other experts providing information to *Doing Business* are therefore better able to assess the process of starting a business than are individual firms. They also have access to current regulations and practices, while a firm may have faced a different set of rules when incorporating years before. The second reason is that the *Doing Business* questionnaires mostly gather legal information, which firms are unlikely to be fully familiar with. For example, few firms will know about all the many legal procedures involved in resolving a commercial dispute through the courts, even if they have gone through the process themselves. But a litigation lawyer should have little difficulty in providing the requested information on all the processes.

**Governments and World Bank Group staff**

After analyzing laws and regulations and conducting follow-up interviews with respondents for *Doing Business in the European Union 2018: Croatia, the*

Czech Republic, Portugal and Slovakia, the *Subnational Doing Business* team shared preliminary findings of the report with governments and public agencies operating at the national and local levels. Through this process, government authorities had the opportunity to comment on the preliminary data, in meetings with World Bank Group staff as well as in writing. Having public officials discuss and comment on the preliminary results has proven to be an important activity, not only to improve the quality of the report but also to enhance the dialogue between the local governments and the World Bank Group at the subnational level.

## USES OF THE DOING BUSINESS DATA

*Doing Business* was designed with two main types of users in mind: policy makers and researchers.<sup>8</sup> It is a tool that governments can use in designing sound business regulatory policies. Nevertheless, the *Doing Business* data are limited in scope and should be complemented with other sources of information. *Doing Business* focuses on a few specific rules relevant to the specific case studies analyzed. These rules and case studies are chosen to be illustrative of the business regulatory environment, but they are not a comprehensive description of that environment. By providing a unique data set that enables analysis aimed at better understanding the role of business regulation in economic development, *Doing Business* also serves as an important source of information for researchers.

### Governments and policy makers

*Doing Business* offers policy makers a benchmarking tool useful in stimulating policy debate, both by exposing potential challenges and by identifying good practices and lessons learned. Despite the narrow focus of the indicators, the initial debate in an economy on the results they highlight typically turns into a deeper discussion on areas where business

regulatory reform is needed, including areas well beyond those measured by *Doing Business*.

Many *Doing Business* indicators can be considered actionable. For example, governments can set the minimum capital requirement for new firms, invest in company and property registries to increase their efficiency, or improve the efficiency of tax administration by adopting the latest technology to facilitate the preparation, filing and payment of taxes by the business community. And they can undertake court reforms to shorten delays in the enforcement of contracts. But some *Doing Business* indicators capture procedures, time and costs that involve private sector participants, such as lawyers, notaries, architects, electricians or freight forwarders. Governments may have little influence in the short run over the fees these professions charge, though much can be achieved by strengthening professional licensing regimes and preventing anticompetitive behavior. And governments have no control over the geographic location of their economy, a factor that can adversely affect businesses.

While many *Doing Business* indicators are actionable, this does not necessarily mean that they are all “action-worthy” in a particular context. Business regulation reforms are only one element of a strategy aimed at improving competitiveness and establishing a solid foundation for sustainable economic growth. There are many other important goals to pursue—such as effective management of public finances, adequate attention to education and training, adoption of the latest technologies to boost economic productivity and the quality of public services, and appropriate regard for air and water quality to safeguard public health. Governments must decide what set of priorities best suits their needs. To say that governments should work toward a sensible set of rules for private sector activity (as embodied, for example, in the *Doing Business* indicators)

does not suggest that doing so should come at the expense of other worthy policy goals.

Over the past decade governments have increasingly turned to *Doing Business* as a repository of actionable, objective data providing unique insights into good practices worldwide as they have come to understand the importance of business regulation as a driving force of competitiveness. To ensure the coordination of efforts across agencies, economies such as Colombia, Malaysia and Russia have formed regulatory reform committees. These committees use the *Doing Business* indicators as one input to inform their programs for improving the business environment. More than 40 other economies have also formed such committees. In East Asia and the Pacific they include Brunei Darussalam; Indonesia; the Republic of Korea; the Philippines; Taiwan, China; and Thailand. In the Middle East and North Africa: the Arab Republic of Egypt, Kuwait, Morocco, Saudi Arabia and the United Arab Emirates. In South Asia: India and Pakistan. In Europe and Central Asia: Albania, Croatia, Georgia, Kazakhstan, Kosovo, the Kyrgyz Republic, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Poland, Tajikistan, Ukraine and Uzbekistan. In Sub-Saharan Africa: Burundi, the Democratic Republic of Congo, the Republic of Congo, Côte d’Ivoire, Guinea, Kenya, Liberia, Malawi, Mali, Mauritius, Nigeria, Rwanda, Sierra Leone, Togo, Zambia and Zimbabwe. And in Latin America: Chile, Costa Rica, the Dominican Republic, Guatemala, Mexico, Panama and Peru.

Many economies share knowledge on the regulatory reform process related to the areas measured by *Doing Business*. Among the most common venues for this knowledge sharing are peer-to-peer learning events—workshops where officials from different governments across a region or even across the globe meet to discuss the challenges of regulatory reform and to share their experiences.

### Think tanks and other research organizations

*Doing Business* data are widely used by think tanks and other research organizations, both to produce research papers and to develop new indices.

Many research papers have shown the importance of business regulation, demonstrating how it relates to different economic outcomes.<sup>9</sup> Among the most commonly cited theoretical mechanisms through which excessive business regulation affects economic performance and development is that it makes engaging in the formal economy too costly for firms, causing them to decide against investing or to move to the informal economy. Recent studies have conducted extensive empirical testing of this proposition using *Doing Business* and other indicators. According to one study, for example, a reform that simplified business registration in Mexican municipalities increased registration by 5% and wage employment by 2.2%—and, as a result of increased competition, reduced the income of incumbent businesses by 3%.<sup>10</sup> Business registration reforms in Mexico also resulted in 14.9% of informal business owners shifting to the formal economy.<sup>11</sup>

Considerable effort has been devoted to studying the link between government regulation of firm entry and growth in employment. Research in Portugal found that business reforms reduced the time and cost needed for company formalization, increasing the number of business start-ups by 17% and the number of new jobs created monthly per 100,000 inhabitants by 7. But while new start-ups were more likely to be female-owned than before the reforms, they also tended to be smaller and headed by less experienced and less educated entrepreneurs with lower sales per worker.<sup>12</sup>

In many economies companies engaging in international trade struggle with high trade costs arising from transport, logistics and regulations, impeding their competitiveness and preventing

them from taking full advantage of their productive capacity. With the availability of *Doing Business* indicators on trading across borders—which measure the time, procedural and monetary costs of exporting and importing—several empirical studies have assessed how trade costs affect the export and import performance of economies. A rich body of empirical research shows that efficient infrastructure and a healthy business environment are positively associated with export performance.<sup>13</sup>

But while improving infrastructure efficiency and trade logistics brings documented benefits to an economy's balance of trade as well as to individual traders, delays in transit time can reduce exports. A study analyzing the importance of trade logistics found that a one-day increase in transit time reduces exports by an average of 7% in Sub-Saharan Africa.<sup>14</sup> Another study found that transport delays have a particularly large impact for landlocked economies and for time-sensitive agricultural and manufacturing products, reducing trade by more than 1% for each day of delay.<sup>15</sup> Delays while clearing customs also affect a firm's ability to export, particularly when goods are destined for new clients.<sup>16</sup>

Research shows that the regulatory environment matters for the impact of trade. A 1% increase in trade is associated with an increase of more than 0.5% in income per capita in economies with flexible entry regulation, but has no positive income effects in economies with more rigid entry regulation.<sup>17</sup> Research has also found that while domestic buyers benefit from having goods of varying quality and price to choose from, import competition results in only minimal quality upgrading in OECD high-income economies with cumbersome regulation—and it has no effect on quality upgrading in non-OECD economies with cumbersome regulation.<sup>18</sup> Thus the potential gains for consumers from import competition are reduced where regulation is cumbersome.

*Doing Business* measures aspects of business regulation affecting domestic firms. However, research shows that better business regulation—as measured by *Doing Business*—is associated with higher levels of foreign direct investment.<sup>19</sup> Moreover, one study found that foreign direct investment can either impede or promote domestic investment in the host economy, depending on how business-friendly its entry regulations are. Indeed, the study shows that foreign direct investment can crowd out domestic investment in economies with costly processes for starting a business.<sup>20</sup> Another study shows that economies with higher international market integration have, on average, easier and simpler processes for starting a business.<sup>21</sup>

Recent empirical work shows the importance of well-designed credit market regulations and well-functioning court systems for debt recovery. For example, a reform making bankruptcy laws more efficient significantly improved the recovery rate for viable firms in Colombia.<sup>22</sup> In a multi-economy study the introduction of collateral registries for movable assets was shown to increase firms' access to finance by approximately 8%.<sup>23</sup> In India the establishment of debt recovery tribunals reduced nonperforming loans by 28% and lowered interest rates on larger loans, suggesting that faster processing of debt recovery cases led to a lower cost of credit.<sup>24</sup> An in-depth review of global bank flows revealed that firms in economies with better credit information sharing systems and higher branch penetration evade taxes to a lesser degree.<sup>25</sup> And strong shareholder rights have been found to reduce financial frictions, especially for firms with large external finance relative to their capital stock (such as small firms or firms in distress).<sup>26</sup>

There is also a large body of theoretical and empirical work investigating the distortionary effects of high tax rates and cumbersome tax codes and procedures. According to one study, business licensing among retail firms rose 13% after

a tax reform in Brazil.<sup>27</sup> Another found that a 10% reduction in tax complexity is comparable to a 1% reduction in effective corporate tax rates.<sup>28</sup>

Labor market regulation—as measured by *Doing Business*—has been shown to have important implications for the labor market. According to one study, graduating from school during a time of adverse economic conditions has a persistent, harmful effect on workers' subsequent employment opportunities. The persistence of this negative effect is stronger in countries with stricter employment protection legislation.<sup>29</sup> Rigid employment protection legislation can also have negative distributional consequences. A study on Chile, for example, found that the tightening of job security rules was associated with lower employment rates for youth, unskilled workers and women.<sup>30</sup>

Beyond this body of research, *Doing Business* has identified 17 different data projects or indices that use *Doing Business* as one source of data.<sup>31</sup> Most of these use indicator-level data and not the aggregate ease of doing business ranking. Starting a business is the indicator set most widely used, followed by labor market regulation and paying taxes. These efforts typically combine *Doing Business* data with data from other sources to assess economies along a particular aggregate dimension such as competitiveness or innovation. The Heritage Foundation's Index of Economic Freedom, for example, has used six *Doing Business* indicators in measuring the degree of economic freedom in the world.<sup>32</sup> Economies that score better in these six areas also tend to have a higher degree of economic freedom.

Similarly, the World Economic Forum uses *Doing Business* data in its Global Competitiveness Index, designed to demonstrate how competitiveness is a global driver of economic growth. The organization also uses *Doing Business* indicators in four other indices, which measure trade facilitation, technological

readiness, human capital development, and travel and tourism sector competitiveness. These publicly available sources expand on the general business environment data generated by *Doing Business* by incorporating these data into the study of other important social and economic issues across economies and regions. They prove that, taken individually, *Doing Business* indicators remain a useful starting point for a rich body of analysis across different areas and dimensions.

*Doing Business* has contributed substantially to the debate on the importance of business regulation for economic development. By expanding the time series and the scope of the data through the recent changes to its methodology, *Doing Business* hopes to continue being a key reference going forward.

## NOTES

1. The World Bank Enterprise Surveys and *Doing Business* complement each other as two sides of the same coin. They both provide useful information on the business environment of an economy, but in different ways. *Doing Business* has a narrower scope than the Enterprise Surveys. But by focusing on actionable indicators related to business regulation, *Doing Business* provides a clear roadmap for governments seeking to improve such regulation. *Doing Business* uses standardized case scenarios while the Enterprise Surveys use representative samples. For more on the Enterprise Surveys and how they differ from *Doing Business*, see the website at <http://www.enterprisesurveys.org>.
2. These papers are available on the *Doing Business* website at <http://www.doingbusiness.org/methodology>.
3. For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. In this way each point included in these indices has the same value independent of the component it belongs to. Indicators for all other topics are assigned equal weights.
4. See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, "Doing Business Indicators: Why Aggregate, and How to Do It" (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.
5. Mary Hallward-Driemeier and Lant Pritchett, "How Business Is Done in the Developing World: Deals versus Rules," *Journal of Economic Perspectives* 29, no. 3 (2015): 121–40.
6. Friedrich Schneider, "The Informal Sector in 145 Countries" (Department of Economics, University Linz, Linz, 2005). See also Rafael La Porta and Andrei Shleifer, "The Unofficial Economy and Economic Development," Tuck School of Business Working Paper 2009-57 (Dartmouth College, Hanover, NH, 2008), available at Social Science Research Network (SSRN), <http://ssrn.com/abstract=1304760>.
7. For the law library, see the website at <http://www.doingbusiness.org/law-library>.
8. The focus of the *Doing Business* indicators remains the regulatory regime faced by domestic firms engaging in economic activity in the largest business city of an economy. *Doing Business* was not initially designed to inform decisions by foreign investors, though investors may in practice find the data useful as a proxy for the quality of the national investment climate. Analysis done in the World Bank Group's Global Indicators Group has shown that countries that have sensible rules for domestic economic activity also tend to have good rules for the activities of foreign investors engaged in the local economy.
9. The papers cited here are just a few examples of research done in the areas measured by *Doing Business*. Since 2003, when the *Doing Business* report was first published, 2,182 research articles discussing how regulation in the areas measured by *Doing Business* influences economic outcomes have been published in peer-reviewed academic journals. Another 6,296 working papers have been posted online.
10. Miriam Bruhn, "License to Sell: The Effect of Business Registration Reform on Entrepreneurial Activity in Mexico," *Review of Economics and Statistics* 93, no. 1 (2011): 382–86.
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15. Simeon Djankov, Caroline Freund and Cong S. Pham, "Trading on Time," *Review of Economics and Statistics* 92, no. 1 (2010): 166–73.
16. Christian Volpe Martincus, Jeronimo Carballo and Alejandro Graziano, "Customs," *Journal of International Economics* 96 (2015): 119–37.
17. Caroline Freund and Bineswaree Bolaky, "Trade, Regulations, and Income," *Journal of Development Economics* 87 (2008): 309–21.
18. Mary Amiti and Amit K. Khandelwal, "Import Competition and Quality Upgrading," *Review of Statistics and Economics* 95, no. 2 (2011): 476–90.
19. Adrian Corcoran and Robert Gillanders, "Foreign Direct Investment and the Ease of Doing Business," *Review of World Economics* 151, no. 1 (2015): 103–26.
20. Jonathan Munemo, "Business Start-Up Regulations and the Complementarity between Foreign and Domestic Investment," *Review of World Economics* 150, no. 4 (2014): 745–61.
21. Pehr-Johan Norbäck, Lars Persson and Robin Douhan, "Entrepreneurship Policy and Globalization," *Journal of Development Economics* 110 (2014): 22–38.
22. Xavier Giné and Inessa Love, "Do Reorganization Costs Matter for Efficiency? Evidence from a Bankruptcy Reform in Colombia," *Journal of Law and Economics* 53, no. 4 (2010): 833–64.
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24. Sujata Visaria, "Legal Reform and Loan Repayment: The Microeconomic Impact of Debt Recovery Tribunals in India," *American Economic Journal: Applied Economics* 1, no. 3 (2009): 59–81.
25. Thorsten Beck, Chen Lin and Yue Ma, "Why Do Firms Evade Taxes? The Role of Information Sharing and Financial Sector Outreach," *Journal of Finance* 69 (2014): 763–817.
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27. Joana Monteiro and Juliano J. Assunção, "Coming Out of the Shadows? Estimating the Impact of Bureaucracy Simplification and Tax Cut on Formality in Brazilian Microenterprises," *Journal of Development Economics* 99 (2012): 105–15.
28. Martina Lawless, "Do Complicated Tax Systems Prevent Foreign Direct Investment?" *Economica* 80, no. 317 (2013): 1–22.
29. Daiji Kawaguchi and Tetsushi Murao, "Labor-Market Institutions and Long-Term Effects of Youth Unemployment," *Journal of Money, Credit and Banking* 46, S2 (2014): 95–116.
30. Claudio Montenegro and Carmen Pagés, "Who Benefits from Labor Market Regulations?" Policy Research Working Paper 3143 (World Bank, Washington, DC, 2003).
31. The 17 data projects or indices are the Millennium Challenge Corporation's Open Data Catalog; the Heritage Foundation's Index of Economic Freedom; the World Economic Forum's Global Competitiveness Index, Enabling Trade Index, Networked Readiness Index (jointly with INSEAD), Human Capital Index, and Travel and Tourism Competitiveness Index; INSEAD's Global Talent Competitiveness Index and Global Innovation Index (jointly with Cornell University and the World Intellectual Property Organization); the Fraser Institute's Economic Freedom of the World; KPMG's Change Readiness Index; Citi and Imperial College London's Digital Money Index; the International Institute for Management Development's *World Competitiveness Yearbook*; DHL's Global Connectedness Index; PwC's *Paying Taxes 2016: The Global Picture*; and the Legatum Institute's Legatum Prosperity Index.
32. For more on the Heritage Foundation's Index of Economic Freedom, see the website at <https://www.heritage.org/index>.

## Data Notes

The indicators presented and analyzed in *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* measure business regulation and the protection of property rights as well as their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register a transfer of commercial property. Second, they gauge the time and cost to achieve a regulatory goal or comply with regulation, such as the time and cost to enforce a contract. Third, they measure the extent of legal protections, for example, the protections of property rights.

This report presents *Doing Business* indicators for 25 cities in Croatia, the Czech Republic, Portugal and Slovakia. The data for all sets of indicators in *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* are current as of February 15, 2018. The data for 186 other economies used for comparison are based on the indicators in *Doing Business 2018: Reforming to Create Jobs*, the 15th in a series of annual reports published by the World Bank Group.

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### METHODOLOGY

The data for *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* were collected in a standardized way. To start, the team customized the *Doing Business*

questionnaires for the specific study in Croatia, the Czech Republic, Portugal and Slovakia and translated them into Croatian, Czech, Portuguese and Slovak. The questionnaires use a simple business case to ensure comparability across locations and economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires were administered to local experts, including lawyers, business consultants, architects, engineers, public officials, magistrates and other professionals routinely administering or advising on legal and regulatory requirements. These experts had several rounds of interaction with the project team, involving conference calls, written correspondence and visits by the team. The data from questionnaires were subjected to numerous rounds of verification, leading to revisions or expansions of the information collected.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of locations and economies. Because standard assumptions are used in the

data collection, comparisons and benchmarks are valid across locations. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed.

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### LIMITS TO WHAT IS MEASURED

The *Doing Business* methodology has four limitations that should be considered when interpreting the data. First, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses (for example, sole proprietorships). Second, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues that a business encounters. Third, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to

## Economy characteristics

### Gross national income per capita

*Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* relies on 2016 income per capita data as published in the World Bank's *World Development Indicators 2017*. Income is calculated using the Atlas method (in current U.S. dollars). For cost indicators expressed as a percentage of income per capita, 2016 gross national income (GNI) per capita in current U.S. dollars is used as the denominator. Croatia's income per capita for 2016 is \$12,110 (HRK 79,803), the Czech Republic's is \$17,570 (CZK 420,720), Portugal's is \$19,850 (EUR 17,544), and Slovakia's is \$16,810 (EUR 14,857).

### Region and income group

*Doing Business* uses the World Bank regional and income group classifications, available at <http://data.worldbank.org/about/country-and-lending-groups>. Regional averages presented in figures and tables in *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* include economies from all income groups (low, lower middle, upper middle and high income).

### Exchange rates

The exchange rates for the U.S. dollar used in *Doing Business in the European Union 2018: Croatia, the Czech Republic, Portugal and Slovakia* are as follows: \$1 = 6.5899 Croatian kunas (HRK); \$1 = 23.9454 Czech koruny (CZK); and \$1 = 0.8838 euros (EUR), the currency used in Portugal and Slovakia. The exchange rates for the euro used in the report are the European Central Bank rates as of February 15, 2018: EUR 1 = CZK 25.37; and EUR 1 = HRK 7.44.

disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business* would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other firm-level surveys.

## STARTING A BUSINESS

*Doing Business* records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement (figure 8.1). These procedures include the processes entrepreneurs undergo when obtaining all necessary approvals, licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

The ranking of locations on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are

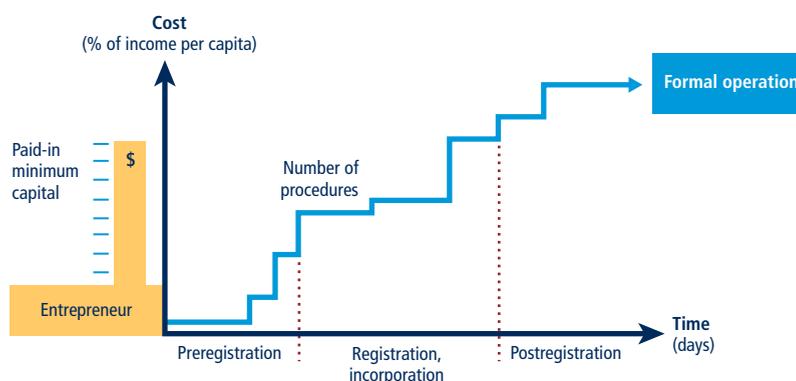
the simple average of the distance to frontier scores for each of the component indicators (figure 8.2). The distance to frontier score shows the distance of an economy or location to the "frontier," which is derived from the most efficient practice or highest score achieved on each indicator.

Two types of local limited liability companies are considered under the starting a business methodology. They are identical

in all respects except that one company is owned by five married women and the other by five married men. The distance to frontier score for each indicator is the average of the scores obtained for each of the component indicators for both of these standardized companies.

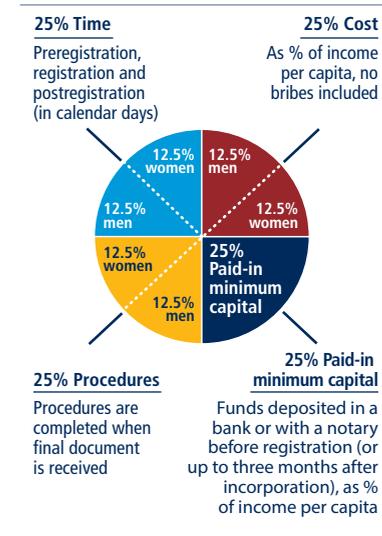
After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and

**FIGURE 8.1** What are the time, cost, paid-in minimum capital and number of procedures to get a local limited liability company up and running?



**FIGURE 8.2 Starting a business: getting a local limited liability company up and running**

*Rankings are based on distance to frontier scores for four indicators*



cost to comply with each procedure under normal circumstances and the paid-in minimum capital requirement. Subsequently, local incorporation lawyers, notaries and government officials complete and verify the data.

Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across locations, several assumptions about the businesses and the procedures are used.

### Assumptions about the business

The business:

- Is a limited liability company (or its legal equivalent). If there is more than one type of limited liability company in the economy, the limited liability form most common among domestic firms is chosen. Information on the most common form is obtained from

incorporation lawyers or the statistical office.

- Operates in the selected city.
- Is 100% domestically owned and has five owners, none of whom is a legal entity.
- Has start-up capital of 10 times income per capita.
- Performs general industrial or commercial activities, such as the production or sale to the public of products or services. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant or offices and is not a proprietor of real estate. The amount of the annual lease for the office space is equivalent to income per capita. The size of the entire office space is approximately 929 square meters (10,000 square feet).
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees one month after the commencement of operations, all of them domestic nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

The owners:

- Have reached the legal age of majority and are capable of making decisions as an adult. If there is no legal age of majority, they are assumed to be 30 years old.
- Are sane, competent and in good health and have no criminal record.
- Are married and their marriages are monogamous and registered with the authorities.

### Procedures

A procedure is defined as any interaction of the company founders with external parties (for example, government agencies, lawyers, auditors or notaries) or spouses (if legally required). Interactions

between company founders or company officers and employees are not counted as procedures. Procedures that must be completed in the same building but in different offices or at different counters are counted as separate procedures. If the founders have to visit the same office several times for different sequential procedures, each is counted separately. The founders are assumed to complete all procedures themselves, without middlemen, facilitators, accountants or lawyers, unless the use of such a third party is mandated by law or solicited by the majority of entrepreneurs. If the services of professionals are required, procedures conducted by such professionals on behalf of the company are counted as separate procedures. Each electronic procedure is counted as a separate procedure. Obtaining approval from a spouse to own a business or leave the home is considered a procedure if it is required by law or if by failing to do so an individual will suffer consequences under the law, such as the loss of rights to financial maintenance. Documents or permissions required for only one gender for registering and operating a company, opening a bank account or obtaining a national identification card are considered additional procedures.

Both pre- and postincorporation procedures that are officially required or commonly done in practice for an entrepreneur to formally operate a business are recorded (table 8.1). Any interaction with an external party within three months of registration is considered a procedure except value added tax or goods and services tax registration, which is counted whenever the assumed turnover exceeds the determined threshold.

Procedures required for official correspondence or transactions with public agencies are also included. For example, if a company seal or stamp is required on official documents, such as tax declarations, obtaining the seal or stamp is counted. Similarly, if a company must

**TABLE 8.1** What do the starting a business indicators measure?**Procedures to legally start and formally operate a company (number)**

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

Registration in the selected city

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

Obtaining approval from spouse to start a business, to leave the home to register the company, or to open a bank account

Obtaining any gender-specific document for company registration and operation, national identification card or the opening of a bank account

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

Does not include time spent gathering information

Each procedure starts on a separate day (two procedures cannot start on the same day)—though procedures that can be fully completed online are an exception to this rule

Registration process considered completed once final incorporation document is received or company can officially start operating

No prior contact with officials takes place

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

Official costs only, no bribes

No professional fees unless services required by law or commonly used in practice

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

Funds deposited in a bank or with a notary before registration (or up to three months after incorporation)

open a bank account in order to complete any subsequent procedure—such as registering for value added tax or showing proof of minimum capital deposit—this transaction is included as a procedure. Shortcuts are counted only if they fulfill four criteria: they are legal, they are available to the general public, they are used by the majority of companies, and avoiding them causes delays.

Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses conducting general commercial or industrial activities.

Procedures that the company undergoes to connect to electricity, water, gas or waste disposal services are not included in the starting a business indicators.

**Time**

Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers or notaries indicate is necessary in practice to complete a procedure with minimum follow-up with government agencies and no unofficial payments. It is assumed that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the time required is recorded as half a day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days), again with the exception of procedures that can be fully completed online. A registration process is considered completed once the company has received the final incorporation document or can officially commence business operations. If a procedure can be accelerated legally for an additional cost, the fastest procedure is chosen if that option is more beneficial to the location's ranking. For obtaining a spouse's approval, it is assumed that permission is granted at no additional cost unless the permission needs to be notarized. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is not taken into account. It is assumed that the entrepreneur is aware of all entry requirements and their sequence from the beginning but has had no prior contact with any of the officials involved.

**Cost**

Cost is recorded as a percentage of the economy's income per capita. It includes all official fees and fees for legal or professional services if such services

are required by law or commonly used in practice. Fees for purchasing and legalizing company books are included if these transactions are required by law. Although value added tax registration can be counted as a separate procedure, value added tax is not part of the incorporation cost. The company law, the commercial code, and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates by incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

**Paid-in minimum capital**

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration or up to three months after incorporation and is recorded as a percentage of the economy's income per capita. The amount is typically specified in the commercial code or the company law. Many economies require minimum capital but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation. In Turkey in June 2017, for example, the minimum capital requirement was 10,000 Turkish liras, of which one-fourth needed to be paid before registration. The paid-in minimum capital recorded for Turkey is therefore 2,500 Turkish liras, or 7.8% of income per capita.

*The data details on starting a business can be found at <http://www.doingbusiness.org>. This methodology was developed by Simeon Djankov, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer ("The Regulation of Entry," Quarterly Journal of Economics 117, no. 1 [2002]: 1–37) and is adopted here with minor changes.*

## DEALING WITH CONSTRUCTION PERMITS

*Doing Business* records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure. In addition, *Doing Business* compiles the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements. Information is collected through a questionnaire administered to experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations, including approvals, permit issuance and inspections.

The ranking of locations on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure 8.3).

## EFFICIENCY OF CONSTRUCTION PERMITTING

*Doing Business* divides the process of building a warehouse into distinct procedures in the questionnaire and solicits data for calculating the time and cost to complete each procedure (figure 8.4). These procedures include but are not limited to:

- Obtaining and submitting to the authorities all relevant project-specific documents (for example, building plans, site maps and certificates of urbanism).
- Hiring external third-party supervisors, engineers or inspectors (if necessary).

- Obtaining all necessary clearances, licenses, permits and certificates.
- Submitting all required notifications.
- Requesting and receiving all necessary inspections (unless completed by a private, third-party inspector).

*Doing Business* also records procedures for obtaining connections for water and sewerage. Procedures necessary to register the warehouse so that it can be used as collateral or transferred to another entity are also counted.

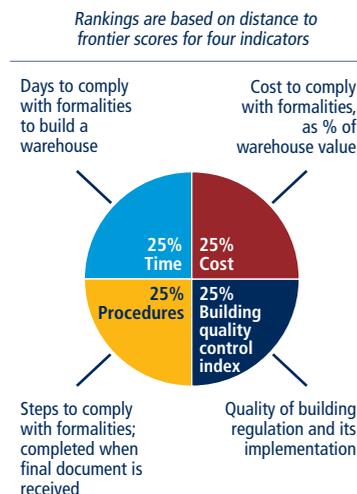
To make the data comparable across locations, several assumptions about the construction company, the warehouse project and the utility connections are used.

## Assumptions about the construction company

The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent).
- Operates in the selected city.
- Is 100% domestically and privately owned.
- Has five owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.
- Has 60 builders and other employees, all of them nationals with the technical expertise and professional experience

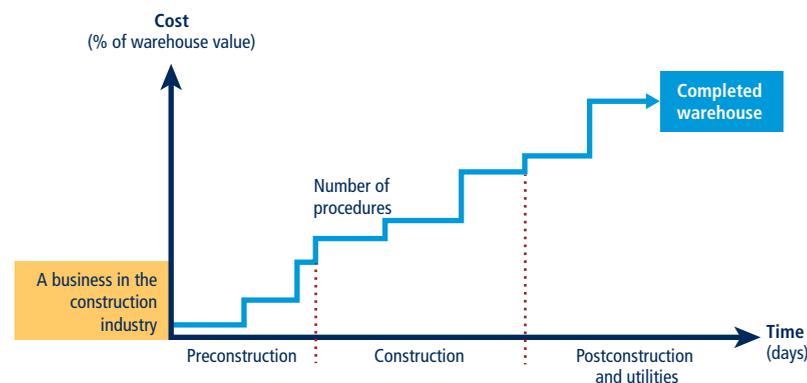
FIGURE 8.3 Dealing with construction permits: efficiency and quality of building regulation



necessary to obtain construction permits and approvals.

- Has a licensed architect and a licensed engineer, both registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accident insurance for construction workers and third-person liability insurance).

FIGURE 8.4 What are the time, cost and number of procedures to comply with formalities to build a warehouse?



- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.

### Assumptions about the warehouse

The warehouse:

- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high.
- Will have road access and be located in the periurban area of the selected city (that is, on the fringes of the city but still within its official limits).
- Will not be located in a special economic or industrial zone.
- Will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.
- Is valued at 50 times income per capita.
- Will be a new construction (there was no previous construction on the land), with no trees, natural water sources, natural reserves or historical monuments of any kind on the plot.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will include all technical equipment required to be fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

### Assumptions about the utility connections

The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the location, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.
- Will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

### Procedures

A procedure is any interaction of the company's employees or managers, or any party acting on behalf of the company, with external parties, including government agencies, notaries, the land registry, the cadastre, utility companies and public inspectors—and the hiring of external private inspectors and technical experts where needed. Interactions between company employees, such as development of the warehouse plans and inspections conducted by employees, are not counted as procedures. However, interactions with external parties that are required for the architect to prepare the plans and drawings (such as obtaining topographic or geological surveys), or to have such documents approved or stamped by external parties, are

counted as procedures. Procedures that the company undergoes to connect the warehouse to water and sewerage are included. All procedures that are legally required, or that are done in practice by the majority of companies, to build a warehouse are counted, even if they may be avoided in exceptional cases. This includes obtaining technical conditions for electricity or clearance of the electrical plans only if they are required to obtain a building permit (table 8.2).

### Time

Time is recorded in calendar days. The measure captures the median duration that local experts indicate is necessary to complete a procedure in practice. It is assumed that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the time required is recorded as half a day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days),

**TABLE 8.2** What do the indicators on the efficiency of construction permitting measure?

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

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

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

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

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

Does not include time spent gathering information

Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule

Procedure considered completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

again with the exception of procedures that can be fully completed online. If a procedure can be accelerated legally for an additional cost and the accelerated procedure is used by the majority of companies, the fastest procedure is chosen. It is assumed that BuildCo does not waste time and commits to completing each remaining procedure without delay. The time that BuildCo spends on gathering information is not taken into account. It is assumed that BuildCo is aware of all building requirements and their sequence from the beginning.

### Cost

Cost is recorded as a percentage of the warehouse value (assumed to be 50 times income per capita). Only official costs are recorded. All the fees associated with completing the procedures to legally build a warehouse are recorded, including those associated with obtaining land use approvals and preconstruction design clearances; receiving inspections before, during and after construction; obtaining utility connections; and registering the warehouse property. Nonrecurring taxes required for the completion of the warehouse project are also recorded. Sales taxes (such as value added tax) or capital gains taxes are not recorded. Nor are deposits that must be paid up front and are later refunded. The building code, information from local experts, and specific regulations and fee schedules are used as sources for costs. If several local partners provide different estimates, the median reported value is used.

### BUILDING QUALITY CONTROL

The building quality control index is based on six other indices—the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices (table 8.3). The indicator is based on the same case study assumptions as the measures of efficiency.

### Quality of building regulations index

The quality of building regulations index has two components:

- Whether building regulations are easily accessible. A score of 1 is assigned if building regulations (including the building code) or regulations dealing with construction permits are available on a website that is updated as new regulations are passed; 0.5 if the building regulations are available free of charge (or for a nominal fee) at the relevant permit-issuing authority; 0 if the building regulations must be purchased or if they are not made easily accessible anywhere.
- Whether the requirements for obtaining a building permit are clearly specified. A score of 1 is assigned if the building regulations (including the building code) or any accessible website, brochure or pamphlet clearly specifies the list of required documents to submit, the fees to be paid and all required preapprovals of the drawings or plans (for example, electrical, water and sewerage, or environmental clearances) by the relevant agencies; 0 if none of these sources specify any of these requirements or if these sources specify fewer than the three requirements mentioned here.

The index ranges from 0 to 2, with higher values indicating clearer and more transparent building regulations. In New Zealand, for example, all relevant legislation can be found on an official government website (a score of 1). The legislation specifies the list of required documents to submit, the fees to be paid, and all required preapprovals of the drawings or plans by the relevant agencies (a score of 1). Adding these numbers gives New Zealand a score of 2 on the quality of building regulations index.

TABLE 8.3 What do the indicators on building quality control measure?

<b>Quality of building regulations index (0–2)</b>
Accessibility of building regulations
Clarity of requirements for obtaining a building permit
<b>Quality control before construction index (0–1)</b>
Whether licensed or technical experts approve building plans
<b>Quality control during construction index (0–3)</b>
Types of inspections legally mandated during construction
Implementation of legally mandated inspections in practice
<b>Quality control after construction index (0–3)</b>
Final inspection legally mandated after construction
Implementation of legally mandated final inspection in practice
<b>Liability and insurance regimes index (0–2)</b>
Parties held legally liable for structural flaws after building occupancy
Parties legally mandated to obtain insurance to cover structural flaws after building occupancy or insurance commonly obtained in practice
<b>Professional certifications index (0–4)</b>
Qualification requirements for individual who approves building plans
Qualification requirements for individual who supervises construction or conducts inspections
<b>Building quality control index (0–15)</b>
Sum of the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices

### Quality control before construction index

The quality control before construction index has one component:

- Whether by law a licensed architect or licensed engineer is part of the committee or team that reviews and approves building permit applications and whether that person has the authority to refuse an application if the plans are not in compliance with the building regulations. A score of 1 is assigned if the national association of architects or engineers (or its equivalent) must review the building

plans, if an independent firm or expert who is a licensed architect or engineer must review the plans, if the architect or engineer who prepared the plans must submit an attestation to the permit-issuing authority stating that the plans are in compliance with the building regulations or if a licensed architect or engineer is part of the committee or team that approves the plans at the relevant permit-issuing authority; 0 if no licensed architect or engineer is involved in the review of the plans to ensure their compliance with the building regulations.

The index ranges from 0 to 1, with higher values indicating better quality control in the review of the building plans. In Rwanda, for example, the City Hall in Kigali must review the building permit application, including the plans and drawings, and both a licensed architect and a licensed engineer are part of the team that reviews the plans and drawings. Rwanda therefore receives a score of 1 on the quality control before construction index.

### Quality control during construction index

The quality control during construction index has two components:

- Whether inspections are mandated by law during the construction process. A score of 2 is assigned if an in-house supervising engineer (that is, an employee of the building company), an external supervising engineer or a government agency is legally mandated to conduct risk-based inspections. A score of 1 is assigned if an in-house supervising engineer (that is, an employee of the building company), an external supervising engineer or an external inspections firm is legally mandated to conduct technical inspections at different stages during the construction of the building or if a government agency is legally mandated only to conduct technical inspections at different stages during the construction. A

score of 0 is assigned if a government agency is legally mandated to conduct unscheduled inspections or if no technical inspections are mandated by law.

- Whether inspections during construction are implemented in practice. A score of 1 is assigned if the legally mandated inspections during construction always occur in practice; 0 if the legally mandated inspections do not occur in practice, if the inspections occur most of the time but not always or if inspections are not mandated by law regardless of whether or not they commonly occur in practice.

The index ranges from 0 to 3, with higher values indicating better quality control during the construction process. In Antigua and Barbuda, for example, the Development Control Authority is legally mandated to conduct phased inspections under the Physical Planning Act of 2003 (a score of 1). However, the Development Control Authority rarely conducts these inspections in practice (a score of 0). Adding these numbers gives Antigua and Barbuda a score of 1 on the quality control during construction index.

### Quality control after construction index

The quality control after construction index has two components:

- Whether a final inspection is mandated by law in order to verify that the building was built in accordance with the approved plans and existing building regulations. A score of 2 is assigned if an in-house supervising engineer (that is, an employee of the building company), an external supervising engineer or an external inspections firm is legally mandated to verify that the building has been built in accordance with the approved plans and existing building regulations or if a government agency is legally mandated to conduct a final inspection upon completion of the building; 0 if no final inspection is

mandated by law after construction and no third party is required to verify that the building has been built in accordance with the approved plans and existing building regulations.

- Whether the final inspection is implemented in practice. A score of 1 is assigned if the legally mandated final inspection after construction always occurs in practice or if a supervising engineer or firm attests that the building has been built in accordance with the approved plans and existing building regulations; 0 if the legally mandated final inspection does not occur in practice, if the legally mandated final inspection occurs most of the time but not always or if a final inspection is not mandated by law regardless of whether or not it commonly occurs in practice.

The index ranges from 0 to 3, with higher values indicating better quality control after the construction process. In Haiti, for example, the Municipality of Port-au-Prince is legally mandated to conduct a final inspection under the national Building Code of 2012 (a score of 2). However, most of the time the final inspection does not occur in practice (a score of 0). Adding these numbers gives Haiti a score of 2 on the quality control after construction index.

### Liability and insurance regimes index

The liability and insurance regimes index has two components:

- Whether any parties involved in the construction process are held legally liable for latent defects such as structural flaws or problems in the building once it is in use. A score of 1 is assigned if at least two of the following parties are held legally liable for structural flaws or problems in the building once it is in use: the architect or engineer who designed the plans for the building, the professional or agency that conducted technical inspections, or the construction company; 0.5 if only one of the parties

is held legally liable for structural flaws or problems in the building once it is in use; 0 if no party is held legally liable for structural flaws or problems in the building once it is in use, if the project owner or investor is the only party held liable, if liability is determined in court or if liability is stipulated in a contract.

- Whether any parties involved in the construction process are legally required to obtain a latent defect liability—or decennial (10-year) liability—insurance policy to cover possible structural flaws or problems in the building once it is in use. A score of 1 is assigned if the architect or engineer who designed the plans for the building, the professional or agency that conducted the technical inspections, the construction company, or the project owner or investor is required by law to obtain either a decennial liability insurance policy or a latent defect liability insurance policy to cover possible structural flaws or problems in the building once it is in use or if a decennial liability insurance policy or a latent defect liability insurance policy is commonly obtained in practice by the majority of any of these parties even if not required by law. A score of 0 is assigned if no party is required by law to obtain either a decennial liability insurance policy or a latent defect liability insurance policy and such insurance is not commonly obtained in practice by any party, if the requirement to obtain an insurance policy is stipulated in a contract, if any party must obtain a professional insurance or all-risk insurance policy to cover the safety of workers or any other defects during construction but not a decennial liability insurance or latent defect liability insurance policy that would cover defects after the building is in use, or if any party is required to pay for any damages caused on their own without having to obtain an insurance policy.

The index ranges from 0 to 2, with higher values indicating more stringent latent defect liability and insurance regimes. In Madagascar, for example, under article 1792 of the Civil Code both the architect who designed the plans and the construction company are held legally liable for latent defects for a period of 10 years after the completion of the building (a score of 1). However, there is no legal requirement for any party to obtain a decennial liability insurance policy to cover structural defects, nor do most parties obtain such insurance in practice (a score of 0). Adding these numbers gives Madagascar a score of 1 on the liability and insurance regimes index.

### Professional certifications index

The professional certifications index has two components:

- The qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with the building regulations. A score of 2 is assigned if this professional must have a minimum number of years of practical experience, must have a university degree (a minimum of a bachelor's) in architecture or engineering and must also either be a registered member of the national order (association) of architects or engineers or pass a qualification exam. A score of 1 is assigned if the professional must have a university degree (a minimum of a bachelor's) in architecture or engineering and must also *either* have a minimum number of years of practical experience *or* be a registered member of the national order (association) of architects or engineers or pass a qualification exam. A score of 0 is assigned if the professional must meet only one of the requirements, if the professional must meet two of the requirements but neither of the two is to have a university degree, or if the professional is subject to no qualification requirements.

- The qualification requirements for the professional who conducts the technical inspections during construction. A score of 2 is assigned if the regulation mandates that the professional must have a minimum number of years of practical experience, must have a university degree (a minimum of a bachelor's) in engineering and must also either be a registered member of the national order of engineers or pass a qualification exam. A score of 1 is assigned if the regulation mandates that the professional must have a university degree (a minimum of a bachelor's) in engineering and must also *either* have a minimum number of years of practical experience *or* be a registered member of the national order (association) of engineers or architects or pass a qualification exam. A score of 0 is assigned if the regulation mandates that the professional must meet only one of the requirements, if they mandate that the professional must meet two of the requirements but neither of the two is to have a university degree, or if no national or state regulation determines the professional's qualification requirements.

The index ranges from 0 to 4, with higher values indicating greater professional certification requirements.

In Albania, for example, the professional conducting technical inspections during construction must have a minimum number of years of experience as well as a relevant university degree and must also be a registered architect or engineer (a score of 2). However, the professional responsible for verifying that the architectural plans or drawings are in compliance with building regulations must only have a minimum number of years of experience and a university degree in architecture or engineering (a score of 1). Adding these numbers gives Albania a score of 3 on the professional certifications index.

### Building quality control index

The building quality control index is the sum of the scores on the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices. The index ranges from 0 to 15, with higher values indicating better quality control and safety mechanisms in the construction regulatory system.

The data details on dealing with construction permits can be found at <http://www.doingbusiness.org>.

## GETTING ELECTRICITY

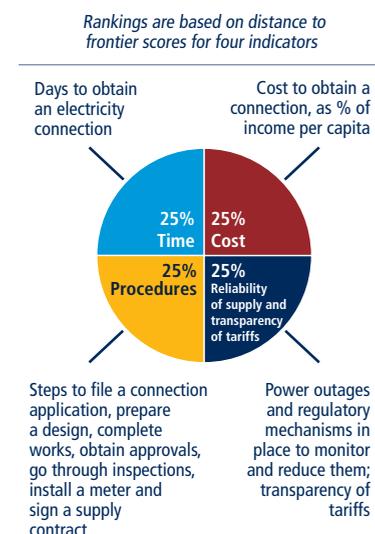
*Doing Business* records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse (figure 8.5). These procedures include applications and contracts with electricity utilities, all necessary inspections and clearances from the distribution utility and other agencies, and the external and final connection works. The questionnaire divides the process of getting an electricity connection into distinct procedures and solicits data for calculating the time and cost to complete each procedure.

In addition, *Doing Business* compiles the reliability of supply and transparency of tariffs index (included in the aggregate distance to frontier score and ranking on the ease of doing business) and measures the price of electricity (omitted from these aggregate measures). The reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages (such as a requirement to compensate customers or pay fines when outages exceed a certain cap).

The ranking of locations on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for all the component indicators except the price of electricity (figure 8.6).

Data on reliability of supply are collected from the electricity distribution utilities or regulators, depending on the specific

FIGURE 8.6 Getting electricity: efficiency, reliability and transparency



Note: The price of electricity is measured but does not count for the rankings.

technical nature of the data. The rest of the data, including data on the transparency of tariffs and the procedures for obtaining an electricity connection, are collected from all market players—the electricity distribution utility, electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility consulted is the one serving the area (or areas) where warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

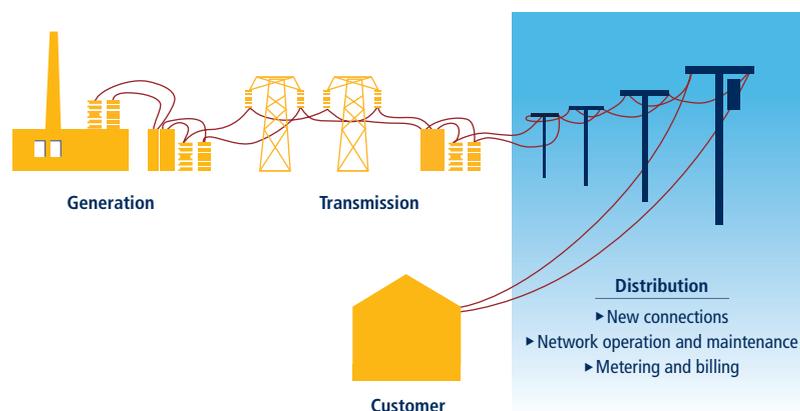
To make the data comparable across locations, several assumptions about the warehouse, the electricity connection and the monthly consumption are used.

### Assumptions about the warehouse

The warehouse:

- Is owned by a local entrepreneur.
- Is located in the selected city.
- Is located in an area where similar warehouses are typically located. In this area a new electricity connection

FIGURE 8.5 *Doing Business* measures the connection process at the level of distribution utilities



is not eligible for a special investment promotion regime (offering special subsidization or faster service, for example).

- Is located in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.
- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).
- Is used for the storage of goods.

### Assumptions about the electricity connection

The electricity connection:

- Is a permanent one.
- Is a three-phase, four-wire Y connection with a subscribed capacity of 140 kilovolt-amperes (kVA) with a power factor of 1, when 1 kVA = 1 kilowatt (kW).
- Has a length of 150 meters. The connection is to either the low-voltage or the medium-voltage distribution network and is either overhead or underground, whichever is more common in the area where the warehouse is located.
- Requires works that involve the crossing of a 10-meter-wide road (by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Includes only negligible length in the customer's private domain.
- Does not require work to install the internal wiring of the warehouse. This has already been completed up to and including the customer's service panel or switchboard and the meter base.

### Assumptions about the monthly consumption for March

- The warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (8

hours a day), with equipment utilized at 80% of capacity on average, and there are no electricity cuts (assumed for reasons of simplicity).

- The monthly energy consumption is 26,880 kilowatt-hours (kWh); hourly consumption is 112 kWh.
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse. Although March has 31 days, for calculation purposes only 30 days are used.

### Procedures

A procedure is defined as any interaction of the company's employees or its main electrician or electrical engineer (that is, the one who may have done the internal wiring) with external parties, such as the electricity distribution utility, electricity supply utilities, government agencies, electrical contractors and electrical firms. Interactions between company employees and steps related to the internal electrical wiring, such as the design and execution of the internal electrical installation plans, are not counted as procedures. Procedures that must be completed with the same utility but with different departments are counted as separate procedures (table 8.4).

The company's employees are assumed to complete all procedures themselves unless the use of a third party is mandated (for example, if only an electrician registered with the utility is allowed to submit an application). If the company can, but is not required to, request the services of professionals (such as a private firm rather than the utility for the external works), these procedures are recorded if they are commonly done. For all procedures, only the most likely cases (for example, more than 50% of the time the utility has the material) and those followed in practice for connecting a warehouse to electricity are counted.

**TABLE 8.4** What do the getting electricity indicators measure?

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

Submitting all relevant documents and obtaining all necessary clearances and permits

Completing all required notifications and receiving all necessary inspections

Obtaining external installation works and possibly purchasing material for these works

Concluding any necessary supply contract and obtaining final supply

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

Is at least one calendar day

Each procedure starts on a separate day

Does not include time spent gathering information

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

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

Official costs only, no bribes

Value added tax excluded

#### Reliability of supply and transparency of tariffs index (0–8)

Duration and frequency of power outages

Tools to monitor power outages

Tools to restore power supply

Regulatory monitoring of utilities' performance

Financial deterrents aimed at limiting outages

Transparency and accessibility of tariffs

#### Price of electricity (cents per kilowatt-hour)

Price based on monthly bill for commercial warehouse in case study

*Note:* While *Doing Business* measures the price of electricity, it does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity.

### Time

Time is recorded in calendar days. The measure captures the median duration that the electricity utility and experts indicate is necessary in practice, rather than required by law, to complete a procedure with minimum follow-up and no extra payments. It is assumed that the minimum time required for each procedure is one day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days).

It is assumed that the company does not waste time and commits to completing each remaining procedure without delay. The time that the company spends on gathering information is not taken into account. It is assumed that the company is aware of all electricity connection requirements and their sequence from the beginning.

### Cost

Cost is recorded as a percentage of the economy's income per capita. Costs are recorded exclusive of value added tax. All the fees and costs associated with completing the procedures to connect a warehouse to electricity are recorded, including those related to obtaining clearances from government agencies, applying for the connection, receiving inspections of both the site and the internal wiring, purchasing material, getting the actual connection works and paying a security deposit. Information from local experts and specific regulations and fee schedules are used as sources for costs. If several local partners provide different estimates, the median reported value is used. In all cases the cost excludes bribes.

### Security deposit

Utilities may require security deposits as a guarantee against the possible failure of customers to pay their consumption bills. For this reason the security deposit for a new customer is most often calculated as a function of the customer's estimated consumption.

*Doing Business* does not record the full amount of the security deposit. If the deposit is based on the customer's actual consumption, this basis is the one assumed in the case study. Rather than the full amount of the security deposit, *Doing Business* records the present value of the losses in interest earnings experienced by the customer because the utility holds the security deposit over a prolonged period, in most cases until the end of the contract (assumed to be after five years). In cases where the security deposit is used to

cover the first monthly consumption bills, it is not recorded. To calculate the present value of the lost interest earnings, the end-2016 lending rates from the International Monetary Fund's *International Financial Statistics* are used. In cases where the security deposit is returned with interest, the difference between the lending rate and the interest paid by the utility is used to calculate the present value.

In some economies the security deposit can be put up in the form of a bond: the company can obtain from a bank or an insurance company a guarantee issued on the assets it holds with that financial institution. In contrast to the scenario in which the customer pays the deposit in cash to the utility, in this scenario the company does not lose ownership control over the full amount and can continue using it. In return the company will pay the bank a commission for obtaining the bond. The commission charged may vary depending on the credit standing of the company. The best possible credit standing and thus the lowest possible commission are assumed. Where a bond can be put up, the value recorded for the deposit is the annual commission times the five years assumed to be the length of the contract. If both options exist, the cheaper alternative is recorded.

In Hong Kong SAR, China, a customer requesting a 140-kVA electricity connection in March 2017 would have had to put up a security deposit of 63,600 Hong Kong dollars (about \$7,850) in cash or check, and the deposit would have been returned only at the end of the contract. The customer could instead have invested this money at the prevailing lending rate of 5.0%. Over the five years of the contract, this would imply a present value of lost interest earnings of 13,760 Hong Kong dollars (\$1,700). In contrast, if the customer chose to settle the deposit with a bank guarantee at an annual rate of 1.5%, the amount lost over the five years would be just 4,770 Hong Kong dollars (\$590).

### Reliability of supply and transparency of tariffs index

*Doing Business* uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages in each of the selected locations. SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators on SAIDI and SAIFI. Both SAIDI and SAIFI estimates should include planned and unplanned outages as well as load shedding.

A location is eligible to obtain a score on the reliability of supply and transparency of tariffs index if the utility collects data on electricity outages (measuring the average total duration of outages per customer and the average number of outages per customer) and the SAIDI value is below a threshold of 100 hours and the SAIFI value below a threshold of 100 outages.

Because the focus is on measuring the reliability of the electricity supply, a location is not eligible to obtain a score if outages are too frequent or long-lasting for the electricity supply to be considered reliable—that is, if the SAIDI or SAIFI value exceeds the determined threshold. A location is also not eligible to obtain a score if data on power outages are not collected or are collected only partially (for example, if data on planned outages or load shedding are not included in the calculation of SAIDI and SAIFI) and if the minimum outage time considered for calculation of SAIDI and SAIFI is more than five minutes.

For all locations that meet the criteria as determined by *Doing Business*, a score on the reliability of supply and transparency of tariffs index is calculated on the basis of the following six components:

- What the SAIDI and SAIFI values are. If SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below, a score of 1 is assigned. If SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below, 1 additional point is assigned. Finally, if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below, 1 more point is assigned.
- What tools are used by the distribution utility to monitor power outages. A score of 1 is assigned if the utility uses automated tools, such as the supervisory control and data acquisition (SCADA) system; 0 if it relies solely on calls from customers and records and monitors outages manually.
- What tools are used by the distribution utility to restore power supply. A score of 1 is assigned if the utility uses automated tools, such as the SCADA system; 0 if it relies solely on manual resources for service restoration, such as field crews or maintenance personnel.
- Whether a regulator—that is, an entity separate from the utility—monitors the utility’s performance on reliability of supply. A score of 1 is assigned if the regulator performs periodic or real-time reviews; 0 if it does not monitor power outages and does not require the utility to report on reliability of supply.
- Whether financial deterrents exist to limit outages. A score of 1 is assigned if the utility compensates customers when outages exceed a certain cap, if the utility is fined by the regulator when outages exceed a certain cap or if both these conditions are met; 0 if no compensation mechanism of any kind is available.
- Whether electricity tariffs are transparent and easily available. A score of 1 is assigned if effective tariffs are available online and customers are notified of a change in tariff a full billing cycle (that is, one month) ahead of time; 0 if not.

The index ranges from 0 to 8, with higher values indicating greater reliability of electricity supply and greater transparency of tariffs. In the United Kingdom, for example, the distribution utility company UK Power Networks uses SAIDI and SAIFI metrics to monitor and collect data on power outages. In 2016 the average total duration of power outages in London was 0.326 hours per customer and the average number of outages experienced by a customer was 0.166. Both SAIDI and SAIFI are below the threshold and indicate that there was less than one outage a year per customer, for a total duration of less than one hour. So the economy not only meets the eligibility criteria for obtaining a score on the index, it also receives a score of 3 on the first component of the index. The utility uses the automatic GE PowerOn Control System to identify faults in the network (a score of 1) and to restore electricity service (a score of 1). The Office of Gas and Electricity Markets, an independent national regulatory authority, actively reviews the utility’s performance in providing reliable electricity service (a score of 1) and requires the utility to compensate customers if outages last longer than a maximum period defined by the regulator (a score of 1). Customers are notified of a change in tariffs ahead of the next billing cycle and can easily check effective tariffs online (a score of 1). Adding these numbers gives the United Kingdom a total score of 8 on the reliability of supply and transparency of tariffs index.

On the other hand, several economies receive a score of 0 on the reliability of supply and transparency of tariffs index. The reason may be that outages occur more than once a month and none of the mechanisms and tools measured by the index are in place. A location may also receive a score of 0 if either the SAIDI or SAIFI value (or both) exceeds the threshold of 100 or if not all outages were considered when calculating the indices. In Suriname, for example, the utility does not

include load shedding in the calculation of SAIDI and SAIFI. Thus based on the criteria established, Suriname cannot receive a score on the index even though the utility uses automated systems for monitoring outages and restoring power supply and there is transparency around electricity tariffs.

If an economy issued no electricity connections between June 2016 and June 2017, or if electricity was not provided during that period, the economy receives a “no practice” mark on the procedures, time and cost indicators. In addition, a “no practice” economy receives a score of 0 on the reliability of supply and transparency of tariffs index even if, for example, there is regulatory oversight of utilities on power interruptions, among others.

### Price of electricity

*Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity. The data are available on the *Doing Business* website (<http://www.doingbusiness.org>) and are based on standardized assumptions to ensure comparability across economies.

The price of electricity is measured in US\$ cents per kilowatt-hour. On the basis of the assumptions about monthly consumption, a monthly bill for a commercial warehouse in each of the selected locations is computed for the month of March. As noted, the warehouse uses electricity 30 days a month, from 9:00 a.m. to 5:00 p.m., so different tariff schedules may apply if a time-of-use tariff is available.

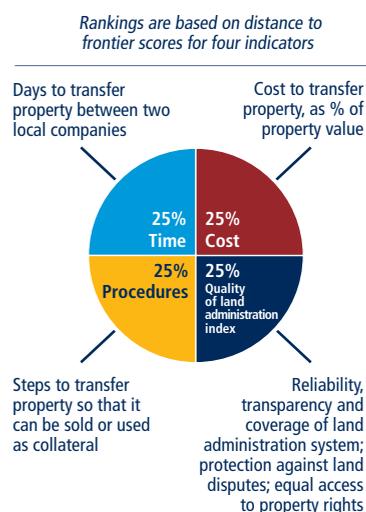
*The data details on getting electricity can be found at <http://www.doingbusiness.org>. The initial methodology was developed by Carolin Geginat and Rita Ramalho (“Electricity Connections and Firm Performance in 183 Countries,” *Global Indicators Group, World Bank Group, Washington, DC, 2015*) and is adopted here with minor changes.*

## REGISTERING PROPERTY

*Doing Business* records the full sequence of procedures necessary for a business (the buyer) to purchase a property from another business (the seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding its business, use the property as collateral in taking new loans or, if necessary, sell the property to another business. It also measures the time and cost to complete each of these procedures. In addition, *Doing Business* measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights.

The ranking of locations on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure 8.7).

**FIGURE 8.7** Registering property: efficiency and quality of land administration system



## EFFICIENCY OF TRANSFERRING PROPERTY

As recorded by *Doing Business*, the process of transferring property starts with obtaining the necessary documents, such as a copy of the seller's title if necessary, and conducting due diligence if required. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it (figure 8.8). Every procedure required by law or necessary in practice is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf. Local property lawyers, notaries and property registries provide information on procedures as well as the time and cost to complete each of them.

### Assumptions about the parties

The parties (buyer and seller):

- Are limited liability companies (or the legal equivalent).
- Are located in the periurban area of the selected city.
- Are 100% domestically and privately owned.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

### Assumptions about the property

The property:

- Has a value of 50 times income per capita. The sale price equals the value.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 557.4 square meters (6,000 square feet). A two-story warehouse of 929 square meters (10,000 square feet) is located on the land. The warehouse is 10 years old, is

in good condition and complies with all safety standards, building codes and other legal requirements. It has no heating system. The property of land and building will be transferred in its entirety.

- Will not be subject to renovations or additional building following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants, and no other party holds a legal interest in it.

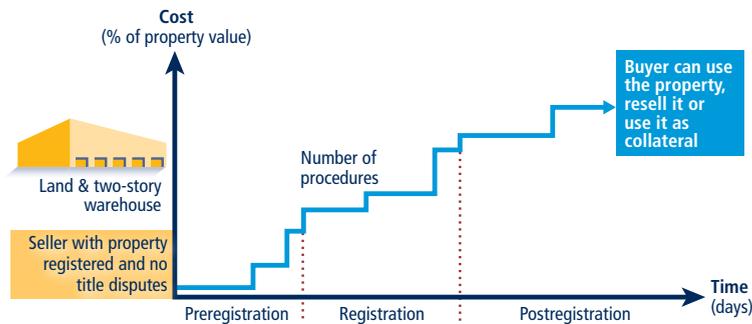
### Procedures

A procedure is defined as any interaction of the buyer or the seller, their agents (if an agent is legally or in practice required) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally or in practice required for registering property are recorded, even if they may be avoided in exceptional cases (table 8.5). It is assumed that the buyer follows the fastest legal option available and used by the majority of property owners. Although the buyer may use lawyers or other professionals where necessary in the registration process, it is assumed that the buyer does not employ an outside facilitator in the registration process unless legally or in practice required to do so.

### Time

Time is recorded in calendar days. The measure captures the median duration that property lawyers, notaries or registry officials indicate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the time required is recorded as half a day. Although procedures may take place

FIGURE 8.8 What are the time, cost and number of procedures required to transfer property between two local companies?



simultaneously, they cannot start on the same day, again with the exception of procedures that can be fully completed online. It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest legal procedure available and used by the majority of property owners is chosen. If procedures can be undertaken simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all

requirements and their sequence from the beginning. Time spent on gathering information is not considered. If time estimates differ among sources, the median reported value is used.

### Cost

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

### QUALITY OF LAND ADMINISTRATION

The quality of land administration index is composed of five other indices: the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights indices (table 8.6). Data are collected for each of the selected locations.

### Reliability of infrastructure index

The reliability of infrastructure index has six components:

- How land titles are kept at the registry of the selected location. A score of 2 is assigned if the majority of land titles are fully digital; 1 if the majority are scanned; 0 if the majority are kept in paper format.
- Whether there is an electronic database for checking for encumbrances. A score of 1 is assigned if yes; 0 if no.
- How maps of land plots are kept at the mapping agency of the selected location. A score of 2 is assigned if the majority of maps are fully digital; 1 if the majority are scanned; 0 if the majority are kept in paper format.
- Whether there is a geographic information system—an electronic database for recording boundaries, checking plans and providing cadastral information. A score of 1 is assigned if yes; 0 if no.
- How the land ownership registry and mapping agency are linked. A score of 1 is assigned if land ownership information and maps are kept in a single database or in linked databases; 0 if there is no connection between the different databases.
- How immovable property is identified. A score of 1 is assigned if there is a unique number to identify property for the majority of land plots; 0 if there are multiple identifiers.

The index ranges from 0 to 8, with higher values indicating a higher quality of infrastructure for ensuring the reliability of information on property titles and boundaries. In Turkey, for example, the land registry offices in Istanbul maintain titles in a fully digital format (a score of 2) and have a fully electronic database to check for encumbrances (a score of 1). The Cadastral Directorate offices in Istanbul have digital maps (a score of 2), and the Geographical Information Directorate has a public portal allowing users to check the plans and cadastral information on parcels along with satellite images (a score of

TABLE 8.5 What do the indicators on the efficiency of transferring property measure?

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

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

Registration procedures in the selected city

Postregistration procedures (for example, filing title with municipality)

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

Does not include time spent gathering information

Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule

Procedure considered completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

No value added or capital gains taxes included

TABLE 8.6 What do the indicators on the quality of land administration measure?

Reliability of infrastructure index (0–8)
Type of system for archiving information on land ownership
Availability of electronic database to check for encumbrances
Type of system for archiving maps
Availability of geographic information system
Link between property ownership registry and mapping system
Transparency of information index (0–6)
Accessibility of information on land ownership
Accessibility of maps of land plots
Publication of fee schedules, lists of registration documents, service standards
Availability of a specific and separate mechanism for complaints
Publication of statistics about the number of property transactions
Geographic coverage index (0–8)
Coverage of land registry at the level of the selected location and the economy
Coverage of mapping agency at the level of the selected location and the economy
Land dispute resolution index (0–8)
Legal framework for immovable property registration
Mechanisms to prevent and resolve land disputes
Equal access to property rights index (-2–0)
Unequal ownership rights to property between unmarried men and women
Unequal ownership rights to property between married men and women
Quality of land administration index (0–30)
Sum of the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights indices

1). Databases about land ownership and maps are linked through the TAKBIS system, an integrated information system for the land registry offices and cadastral offices (a score of 1). Finally, there is a unique identifying number for properties (a score of 1). Adding these numbers gives Turkey a score of 8 on the reliability of infrastructure index.

### Transparency of information index

The transparency of information index has 10 components:

- Whether information on land ownership is made publicly available. A score of 1 is assigned if information on land ownership is accessible by anyone; 0 if access is restricted.
- Whether the list of documents required for completing any type of property transaction is made publicly available. A score of 0.5 is assigned

if the list of documents is accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person.

- Whether the fee schedule for completing any type of property transaction is made publicly available. A score of 0.5 is assigned if the fee schedule is accessible online or on a public board, free of charge; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether the agency in charge of immovable property registration commits to delivering a legally binding document that proves property ownership within a specific time frame. A score of 0.5 is assigned if the service standard is accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person.

- Whether there is a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration. A score of 1 is assigned if there is a specific and separate mechanism for filing a complaint; 0 if there is only a general mechanism or no mechanism.
- Whether there are publicly available official statistics tracking the number of transactions at the immovable property registration agency. A score of 0.5 is assigned if statistics are published about property transfers in the selected location in the past calendar year; 0 if no such statistics are made publicly available.
- Whether maps of land plots are made publicly available. A score of 0.5 is assigned if maps are accessible by anyone; 0 if access is restricted.
- Whether the fee schedule for accessing maps is made publicly available. A score of 0.5 is assigned if the fee schedule is accessible online or on a public board, free of charge; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether the mapping agency commits to delivering an updated map within a specific time frame. A score of 0.5 is assigned if the service standard is accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether there is a specific and separate mechanism for filing complaints about a problem that occurred at the mapping agency. A score of 0.5 is assigned if there is a specific and separate mechanism for filing a complaint; 0 if there is only a general mechanism or no mechanism.

The index ranges from 0 to 6, with higher values indicating greater transparency in the land administration system. In the Netherlands, for example, anyone who pays a fee can consult the land ownership database (a score of 1). Information can be obtained at the office, by mail

or online using the Kadaster website (<http://www.kadaster.nl>). Anyone can also get information online about the list of documents to submit for property registration (a score of 0.5), the fee schedule for registration (a score of 0.5) and the service standards (a score of 0.5). And anyone facing a problem at the land registry can file a complaint or report an error by filling in a specific form online (a score of 1). In addition, the Kadaster makes statistics about land transactions available to the public, reporting a total of 214,793 property transfers in Amsterdam in 2016 (a score of 0.5). Moreover, anyone who pays a fee can consult online cadastral maps (a score of 0.5). It is also possible to get public access to the fee schedule for map consultation (a score of 0.5), the service standards for delivery of an updated plan (a score of 0.5) and a specific mechanism for filing a complaint about a map (a score of 0.5). Adding these numbers gives the Netherlands a score of 6 on the transparency of information index.

### Geographic coverage index

The geographic coverage index has four components:

- How complete the coverage of the land registry is at the level of the selected location. A score of 2 is assigned if all privately held land plots in the location are formally registered at the land registry; 0 if not.
- How complete the coverage of the land registry is at the level of the economy. A score of 2 is assigned if all privately held land plots in the economy are formally registered at the land registry; 0 if not.
- How complete the coverage of the mapping agency is at the level of the selected location. A score of 2 is assigned if all privately held land plots in the location are mapped; 0 if not.
- How complete the coverage of the mapping agency is at the level of the economy. A score of 2 is assigned if all privately held land plots in the economy are mapped; 0 if not.

The index ranges from 0 to 8, with higher values indicating greater geographic coverage in land ownership registration and cadastral mapping. In the Republic of Korea, for example, all privately held land plots are formally registered at the land registry in Seoul (a score of 2) and in the economy as a whole (a score of 2). In addition, all privately held land plots are mapped in Seoul (a score of 2) and in the economy as a whole (a score of 2). Adding these numbers gives Korea a score of 8 on the geographic coverage index.

### Land dispute resolution index

The land dispute resolution index assesses the legal framework for immovable property registration and the accessibility of dispute resolution mechanisms. The index has eight components:

- Whether the law requires that all property sale transactions be registered at the immovable property registry to make them opposable to third parties. A score of 1.5 is assigned if yes; 0 if no.
- Whether the formal system of immovable property registration is subject to a guarantee. A score of 0.5 is assigned if either a state or a private guarantee over immovable property registration is required by law; 0 if no such guarantee is required.
- Whether there is a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry. A score of 0.5 is assigned if yes; 0 if no.
- Whether the legal system requires verification of the legal validity of the documents necessary for a property transaction. A score of 0.5 is assigned if there is a review of legal validity, either by the registrar or by a professional (such as a notary or lawyer); 0 if there is no review.
- Whether the legal system requires verification of the identity of the parties to a property transaction.

A score of 0.5 is assigned if there is verification of identity, either by the registrar or by a professional (such as a notary or lawyer); 0 if there is no verification.

- Whether there is a national database to verify the accuracy of identity documents. A score of 1 is assigned if such a national database is available; 0 if not.
- How much time it takes to obtain a decision from a court of first instance (without appeal) in a standard land dispute between two local businesses over tenure rights worth 50 times income per capita and located in the selected location. A score of 3 is assigned if it takes less than one year; 2 if it takes between one and two years; 1 if it takes between two and three years; 0 if it takes more than three years.
- Whether there are publicly available statistics on the number of land disputes in the first instance. A score of 0.5 is assigned if statistics are published about land disputes in the economy in the past calendar year; 0 if no such statistics are made publicly available.

The index ranges from 0 to 8, with higher values indicating greater protection against land disputes. In Lithuania, for example, according to the Civil Code and the Law on the Real Property Register, property transactions must be registered at the land registry to make them opposable to third parties (a score of 1.5). The property transfer system is guaranteed by the state (a score of 0.5) and has a compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on an error by the registry (a score of 0.5). A notary verifies the legal validity of the documents in a property transaction (a score of 0.5) and the identity of the parties (a score of 0.5), in accordance with the Law on the Notary Office (Law I-2882). Lithuania has a national database to verify the accuracy of

identity documents (a score of 1). In a land dispute between two Lithuanian companies over the tenure rights of a property worth \$770,000, the Vilnius District Court gives a decision in less than one year (a score of 3). Finally, statistics about land disputes are collected and published; there were a total of 549 land disputes in the country in 2016 (a score of 0.5). Adding these numbers gives Lithuania a score of 8 on the land dispute resolution index.

### Equal access to property rights index

The equal access to property rights index has two components:

- Whether unmarried men and unmarried women have equal ownership rights to property. A score of –1 is assigned if there are unequal ownership rights to property; 0 if there is equality.
- Whether married men and married women have equal ownership rights to property. A score of –1 is assigned if there are unequal ownership rights to property; 0 if there is equality.

Ownership rights cover the ability to manage, control, administer, access, encumber, receive, dispose of and transfer property. Each restriction is considered if there is a differential treatment for men and women in the law considering the default marital property regime. For customary land systems, equality is assumed unless there is a general legal provision stating a differential treatment.

The index ranges from –2 to 0, with higher values indicating greater inclusiveness of property rights. In Mali, for example, unmarried men and unmarried women have equal ownership rights to property (a score of 0). Similarly, married men and married women can use their property in the same way (a score of 0). Adding these numbers gives Mali a score of 0 on the equal access to property rights index—which indicates equal property rights between men and women. Conversely,

in Tonga, according to the Land Act [Cap 132], sections 7, 45 and 82, unmarried men and unmarried women do not have equal ownership rights to property (a score of –1), and married men and married women are not permitted to use their property in the same way (a score of –1). Adding these numbers gives Tonga a score of –2 on the equal access to property rights index—which indicates unequal property rights between men and women.

### Quality of land administration index

The quality of land administration index is the sum of the scores on the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights indices. The index ranges from 0 to 30, with higher values indicating better quality of the land administration system.

If private sector entities were unable to register property transfers in an economy between June 2016 and June 2017, the economy receives a “no practice” mark on the procedures, time and cost indicators. A “no practice” economy receives a score of 0 on the quality of land administration index even if its legal framework includes provisions related to land administration.

*The data details on registering property can be found at <http://www.doingbusiness.org>.*

## ENFORCING CONTRACTS

*Doing Business* measures the time and cost for resolving a commercial dispute through a local first-instance court and also compiles the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. The data are collected through study of the codes of civil procedure and other court regulations as well as questionnaires completed by local litigation lawyers and

judges. The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores for enforcing contracts. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure 8.9).

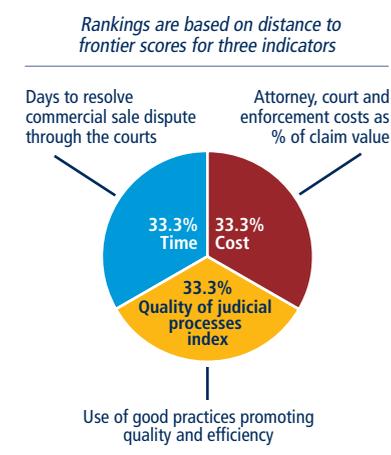
### EFFICIENCY OF RESOLVING A COMMERCIAL DISPUTE

The data on time and cost are built by following the step-by-step evolution of a commercial sale dispute (figure 8.10; table 8.7). The data are collected for a specific court for each location covered, under the assumptions about the case described below. The court is the one with jurisdiction over disputes worth 200% of income per capita or \$5,000, whichever is greater. The name of the relevant court in each economy is published on the *Doing Business* website at <http://www.doingbusiness.org/data/exploretopics/enforcing-contracts>.

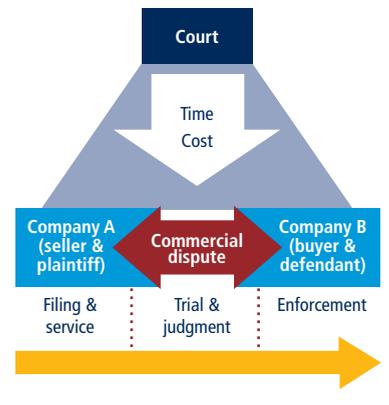
### Assumptions about the case

- The value of the claim is equal to 200% of the economy’s income per capita or \$5,000, whichever is greater.
- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the selected city. Pursuant to a contract

**FIGURE 8.9** Enforcing contracts: efficiency and quality of commercial dispute resolution



**FIGURE 8.10** What are the time and cost to resolve a commercial dispute through the courts?



**TABLE 8.7** What do the indicators on the efficiency of resolving a commercial dispute measure?

**Time required to enforce a contract through the courts (calendar days)**

Time to file and serve the case

Time for trial and to obtain the judgment

Time to enforce the judgment

**Cost required to enforce a contract through the courts (% of claim)**

Average attorney fees

Court costs

Enforcement costs

between the businesses, Seller sells some custom-made furniture to Buyer worth 200% of the economy's income per capita or \$5,000, whichever is greater. After Seller delivers the goods to Buyer, Buyer refuses to pay the contract price, alleging that the goods are not of adequate quality. Because they were custom-made, Seller is unable to sell them to anyone else.

- Seller (the plaintiff) sues Buyer (the defendant) to recover the amount under the sales agreement. The dispute is brought before the court located in the selected location with jurisdiction over commercial cases worth 200% of income per capita or \$5,000, whichever is greater.

- At the outset of the dispute, Seller decides to attach Buyer's movable assets (for example, office equipment and vehicles) because Seller fears that Buyer may hide its assets or otherwise become insolvent.

- The claim is disputed on the merits because of Buyer's allegation that the quality of the goods was not adequate. Because the court cannot decide the case on the basis of documentary evidence or legal title alone, an expert opinion is given on the quality of the goods. If it is standard practice in the economy for each party to call its own expert witness, the parties each call one expert witness. If it is standard practice for the judge to appoint an independent expert, the judge does so. In this case the judge does not allow opposing expert testimony.

- Following the expert opinion, the judge decides that the goods delivered by Seller were of adequate quality and that Buyer must pay the contract price. The judge thus renders a final judgment that is 100% in favor of Seller.

- Buyer does not appeal the judgment. Seller decides to start enforcing the judgment as soon as the time allocated by law for appeal lapses. Seller takes all required steps for prompt enforcement of the judgment. The money is successfully collected through a public sale of Buyer's movable assets (for example, office equipment and vehicles). It is assumed that Buyer has no money in its bank account, making it impossible for the judgment to be enforced through a seizure of Buyer's account.

### Time

Time is recorded in calendar days, counted from the moment Seller decides to file the lawsuit in court until payment. This includes both the days when actions take place and the waiting periods in between. The average duration of the following three stages of dispute resolution is recorded: (i) filing and service; (ii) trial and judgment;

and (iii) enforcement. Time is recorded considering the case study assumptions detailed above and only as applicable to the competent court. Time is recorded in practice, regardless of time limits set by law if such time limits are not respected in the majority of cases.

The filing and service phase includes the following:

- The time for Seller to try to obtain payment out of court through a nonlitigious demand letter, including the time to prepare the letter and the deadline provided to Buyer to comply.
- The time necessary for a local lawyer to write the initial complaint and gather all supporting documents needed for filing, including authenticating or notarizing them if required.
- The time necessary to file the complaint at the court.
- The time necessary for Buyer (defendant) to be served, including the processing time at the court and the waiting periods between unsuccessful attempts to serve Buyer, if more than one attempt is usually required.

The trial and judgment phase includes the following:

- The time between the moment a notice of the case is served on Buyer and the moment a pretrial conference is held, if a pretrial conference is part of the case management techniques used by the competent court.
- The time between the pretrial conference and the first hearing, if a pretrial conference is part of the case management techniques used by the competent court. If not, the time between the moment a notice of the case is served on Buyer and the moment the first hearing is held.
- The time to conduct all trial activities, including exchanges of briefs and evidence, multiple hearings, waiting times in between hearings and the obtaining of an expert opinion.

- The time necessary for the judge to issue a written final judgment once the evidence period has closed.
- The time limit for appeal.

The enforcement phase includes the following:

- The time it takes to obtain an enforceable copy of the judgment and contact the relevant enforcement office.
- The time it takes to locate, identify, seize and transport Buyer’s (losing party) movable assets (including the time necessary to obtain an order from the court to attach and seize the assets, if applicable).
- The time it takes to advertise, organize and hold the auction. If more than one auction is usually required to fully recover the value of the claim in a case comparable to the standardized case, the time between multiple auction attempts is recorded.
- The time it takes for Seller (winning party) to fully recover the value of the claim once the auction is successfully completed.

**Cost**

Cost is recorded as a percentage of the claim, assumed to be equivalent to 200% of income per capita or \$5,000, whichever is greater. Three types of costs are recorded: average attorney fees, court costs and enforcement costs.

Average attorney fees are the fees that Seller (plaintiff) must advance to a local attorney to represent Seller in the standardized case, regardless of final reimbursement. Court costs include all costs that Seller (plaintiff) must advance to the court, regardless of the final cost borne by Seller. Court costs include the fees that must be paid to obtain an expert opinion. Enforcement costs are all costs that Seller (plaintiff) must advance to enforce the judgment through a public sale of Buyer’s movable assets, regardless of the final cost borne by Seller. Bribes are not taken into account.

**QUALITY OF JUDICIAL PROCESSES**

The quality of judicial processes index measures whether each location has adopted a series of good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution (table 8.8).

**Court structure and proceedings index**

The court structure and proceedings index has five components:

- Whether a specialized commercial court or a section dedicated solely to hearing commercial cases is in place. A score of 1.5 is assigned if yes; 0 if no.
- Whether a small claims court or a fast-track procedure for small claims is in place. A score of 1 is assigned if such a court or procedure is in place,

it is applicable to all civil cases and the law sets a cap on the value of cases that can be handled through this court or procedure. If small claims are handled by a stand-alone court, the point is assigned only if this court applies a simplified procedure. An additional score of 0.5 is assigned if parties can represent themselves before this court or during this procedure. If no small claims court or simplified procedure is in place, a score of 0 is assigned.

- Whether plaintiffs can obtain pretrial attachment of the defendant’s movable assets if they fear that the assets may be moved out of the jurisdiction or otherwise dissipated. A score of 1 is assigned if yes; 0 if no.
- Whether cases are assigned randomly and automatically to judges throughout the competent court. A score of 1 is assigned if the

TABLE 8.8 What do the indicators on the quality of judicial processes measure?
<b>Court structure and proceedings index (0–5)</b>
Availability of specialized commercial court, division or section
Availability of small claims court or simplified procedure for small claims
Availability of pretrial attachment
Criteria used to assign cases to judges
Evidentiary weight of a woman’s testimony
<b>Case management index (0–6)</b>
Regulations setting time standards for key court events
Regulations on adjournments or continuances
Availability of performance measurement mechanisms
Availability of pretrial conference
Availability of electronic case management system for judges
Availability of electronic case management system for lawyers
<b>Court automation index (0–4)</b>
Ability to file initial complaint electronically
Ability to serve initial complaint electronically
Ability to pay court fees electronically
Publication of judgments
<b>Alternative dispute resolution index (0–3)</b>
Arbitration
Voluntary mediation or conciliation
<b>Quality of judicial processes index (0–18)</b>
Sum of the court structure and proceedings, case management, court automation and alternative dispute resolution indices

assignment of cases is random and automated; 0.5 if it is random but not automated; 0 if it is neither random nor automated.

- Whether a woman's testimony carries the same evidentiary weight in court as a man's. A score of -1 is assigned if the law differentiates between the evidentiary value of a woman's testimony and that of a man's testimony; 0 if it does not.

The index ranges from 0 to 5, with higher values indicating a more sophisticated and streamlined court structure. In Bosnia and Herzegovina, for example, a specialized commercial court is in place (a score of 1.5), and small claims can be resolved through a dedicated court in which self-representation is allowed (a score of 1.5). Plaintiffs can obtain pretrial attachment of the defendant's movable assets if they fear dissipation during trial (a score of 1). Cases are assigned randomly through an electronic case management system (a score of 1). Adding these numbers gives Bosnia and Herzegovina a score of 5 on the court structure and proceedings index.

### Case management index

The case management index has six components:

- Whether any of the applicable laws or regulations on civil procedure contain time standards for at least three of the following key court events: (i) service of process; (ii) first hearing; (iii) filing of the statement of defense; (iv) completion of the evidence period; (v) filing of testimony by expert; and (vi) submission of the final judgment. A score of 1 is assigned if such time standards are available and respected in more than 50% of cases; 0.5 if they are available but not respected in more than 50% of cases; 0 if there are time standards for less than three of these key court events.
- Whether there are any laws regulating the maximum number of adjournments or continuances that can be granted, whether adjournments are limited by law to unforeseen

and exceptional circumstances and whether these rules are respected in more than 50% of cases. A score of 1 is assigned if all three conditions are met; 0.5 if only two of the three conditions are met; 0 if only one of the conditions is met or if none are.

- Whether there are any performance measurement reports that can be generated about the competent court to monitor the court's performance, to track the progress of cases through the court and to ensure compliance with established time standards. A score of 1 is assigned if at least two of the following four reports are made publicly available: (i) time to disposition report (measuring the time the court takes to dispose or adjudicate its cases); (ii) clearance rate report (measuring the number of cases resolved relative to the number of incoming cases); (iii) age of pending cases report (providing a snapshot of all pending cases according to case type, case age, last action held and next action scheduled); and (iv) single case progress report (providing a snapshot of the status of one case). A score of 0 is assigned if only one of these reports is available or if none are.
- Whether a pretrial conference is among the case management techniques used before the competent court and at least three of the following issues are discussed during the pretrial conference: (i) scheduling (including the time frame for filing motions and other documents with the court); (ii) case complexity and projected length of trial; (iii) possibility of settlement or alternative dispute resolution; (iv) exchange of witness lists; (v) evidence; (vi) jurisdiction and other procedural issues; and (vii) the narrowing down of contentious issues. A score of 1 is assigned if a pretrial conference in which at least three of these events are discussed is held within the competent court; 0 if not.

- Whether judges within the competent court can use an electronic case management system for at least four of the following purposes: (i) to access laws, regulations and case law; (ii) to automatically generate a hearing schedule for all cases on their docket; (iii) to send notifications (for example, e-mails) to lawyers; (iv) to track the status of a case on their docket; (v) to view and manage case documents (briefs, motions); (vi) to assist in writing judgments; (vii) to semiautomatically generate court orders; and (viii) to view court orders and judgments in a particular case. A score of 1 is assigned if an electronic case management system is available that judges can use for at least four of these purposes; 0 if not.
- Whether lawyers can use an electronic case management system for at least four of the following purposes: (i) to access laws, regulations and case law; (ii) to access forms to be submitted to the court; (iii) to receive notifications (for example, e-mails); (iv) to track the status of a case; (v) to view and manage case documents (briefs, motions); (vi) to file briefs and documents with the court; and (vii) to view court orders and decisions in a particular case. A score of 1 is assigned if an electronic case management system is available that lawyers can use for at least four of these purposes; 0 if not.

The index ranges from 0 to 6, with higher values indicating a higher-quality and more efficient case management system. In Australia, for example, time standards for at least three key court events are established in applicable civil procedure instruments and are respected in more than 50% of cases (a score of 1). The law stipulates that adjournments can be granted only for unforeseen and exceptional circumstances, and this rule is respected in more than 50% of cases (a score of 0.5). A time to disposition report, a clearance rate report and an age of pending cases report can be

generated about the competent court (a score of 1). A pretrial conference is among the case management techniques used before the District Court of New South Wales (a score of 1). An electronic case management system satisfying the criteria outlined above is available to judges (a score of 1) and to lawyers (a score of 1). Adding these numbers gives Australia a score of 5.5 on the case management index, the highest score attained by any economy on this index.

### Court automation index

The court automation index has four components:

- Whether the initial complaint can be filed electronically through a dedicated platform (not e-mail or fax) within the relevant court. A score of 1 is assigned if such a platform is available and litigants are not required to follow up with a hard copy of the complaint; 0 if not. Electronic filing is acknowledged regardless of the percentage of users, as long as no additional in-person interactions are required and local experts have used it enough to be able to confirm that it is fully functional.
- Whether the initial complaint can be served on the defendant electronically, through a dedicated system or by e-mail, fax or SMS (short message service). A score of 1 is assigned if electronic service is available and no further service of process is required; 0 if not. Electronic service is acknowledged regardless of the percentage of users, as long as no additional in-person interactions are required and local experts have used it enough to be able to confirm that it is fully functional.
- Whether court fees can be paid electronically, either through a dedicated platform or through online banking. A score of 1 is assigned if fees can be paid electronically and litigants are not required to follow up with a hard copy of the receipt or produce a stamped copy of the receipt; 0 if not. Electronic payment is acknowledged regardless of the percentage of users, as long as

no additional in-person interactions are required and local experts have used it enough to be able to confirm that it is fully functional.

- Whether judgments rendered by local courts are made available to the general public through publication in official gazettes, in newspapers or on the internet. A score of 1 is assigned if judgments rendered in commercial cases at all levels are made available to the general public; 0.5 if only judgments rendered at the appeal and supreme court level are made available to the general public; 0 in all other instances. No points are awarded if judgments need to be individually requested from the court or if the case number or parties' details are required in order to obtain a copy of a judgment.

The index ranges from 0 to 4, with higher values indicating a more automated, efficient and transparent court system. In Estonia, for example, the initial summons can be filed online (a score of 1), it can be served on the defendant electronically (a score of 1), and court fees can be paid electronically as well (a score of 1). In addition, judgments in commercial cases at all levels are made publicly available through the internet (a score of 1). Adding these numbers gives Estonia a score of 4 on the court automation index.

### Alternative dispute resolution index

The alternative dispute resolution index has six components:

- Whether domestic commercial arbitration is governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects. A score of 0.5 is assigned if yes; 0 if no.
- Whether commercial disputes of all kinds—aside from those dealing with public order, public policy, bankruptcy, consumer rights, employment issues or intellectual property—can be submitted to arbitration. A score of 0.5 is assigned if yes; 0 if no.

- Whether valid arbitration clauses or agreements are enforced by local courts in more than 50% of cases. A score of 0.5 is assigned if yes; 0 if no.
- Whether voluntary mediation, conciliation or both are a recognized way of resolving commercial disputes. A score of 0.5 is assigned if yes; 0 if no.
- Whether voluntary mediation, conciliation or both are governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects. A score of 0.5 is assigned if yes; 0 if no.
- Whether there are any financial incentives for parties to attempt mediation or conciliation (for example, if mediation or conciliation is successful, a refund of court filing fees, an income tax credit or the like). A score of 0.5 is assigned if yes; 0 if no.

The index ranges from 0 to 3, with higher values associated with greater availability of mechanisms of alternative dispute resolution. In Israel, for example, arbitration is regulated through a dedicated statute (a score of 0.5), all relevant commercial disputes can be submitted to arbitration (a score of 0.5), and valid arbitration clauses are usually enforced by the courts (a score of 0.5). Voluntary mediation is a recognized way of resolving commercial disputes (a score of 0.5), it is regulated through a dedicated statute (a score of 0.5), and part of the filing fees is reimbursed if the process is successful (a score of 0.5). Adding these numbers gives Israel a score of 3 on the alternative dispute resolution index.

### Quality of judicial processes index

The quality of judicial processes index is the sum of the scores on the court structure and proceedings, case management, court automation and alternative dispute resolution indices. The index ranges from 0 to 18, with higher values indicating better and more efficient judicial processes.

*The data details on enforcing contracts can be found for each economy at <http://www.doingbusiness.org>. This methodology was initially developed by Simeon Djankov, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer ("Courts," Quarterly Journal of Economics 118, no. 2 [2003]: 453–517) and is adopted here with several changes. The quality of judicial processes index was introduced in Doing Business 2016. The good practices tested in this index were developed on the basis of internationally recognized good practices promoting judicial efficiency.*

# City Snapshots

## CROATIA

### OSIJEK (Croatia)

<b>Starting a business</b>	(rank among 25 cities)	<b>13</b>
	(rank within country)	<b>3</b>
Distance to frontier score (0–100)		85.50
Procedures (number)		8
Time (days)		10.5
Cost (% of income per capita)		7.3
Paid-in minimum capital (% of income per capita)		12.5

<b>Getting electricity</b>	(rank among 25 cities)	<b>17</b>
	(rank within country)	<b>4</b>
Distance to frontier score (0–100)		81.70
Procedures (number)		4
Time (days)		55
Cost (% of income per capita)		237.1
Reliability of supply and transparency of tariffs index (0–8)		5

<b>Enforcing contracts</b>	(rank among 25 cities)	<b>2</b>
	(rank within country)	<b>1</b>
Distance to frontier score (0–100)		74.24
Time (days)		510
Cost (% of claim value)		15.7
Quality of judicial processes index (0–18)		13.0

<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>12</b>
	(rank within country)	<b>2</b>
Distance to frontier score (0–100)		61.10
Procedures (number)		22
Time (days)		143
Cost (% of warehouse value)		6.8
Building quality control index (0–15)		12

<b>Registering property</b>	(rank among 25 cities)	<b>21</b>
	(rank within country)	<b>1</b>
Distance to frontier score (0–100)		75.86
Procedures (number)		5
Time (days)		32
Cost (% of property value)		4.0
Quality of land administration index (0–30)		23.5

### RIJEKA (Croatia)

<b>Starting a business</b>	(rank among 25 cities)	<b>10</b>
	(rank within country)	<b>2</b>
Distance to frontier score (0–100)		87.59
Procedures (number)		7
Time (days)		8
Cost (% of income per capita)		7.4
Paid-in minimum capital (% of income per capita)		12.5

<b>Getting electricity</b>	(rank among 25 cities)	<b>13</b>
	(rank within country)	<b>2</b>
Distance to frontier score (0–100)		82.87
Procedures (number)		4
Time (days)		73
Cost (% of income per capita)		237.1
Reliability of supply and transparency of tariffs index (0–8)		6

<b>Enforcing contracts</b>	(rank among 25 cities)	<b>17</b>
	(rank within country)	<b>4</b>
Distance to frontier score (0–100)		65.67
Time (days)		825
Cost (% of claim value)		15.6
Quality of judicial processes index (0–18)		13.0

<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>12</b>
	(rank within country)	<b>2</b>
Distance to frontier score (0–100)		61.10
Procedures (number)		22
Time (days)		136
Cost (% of warehouse value)		7.2
Building quality control index (0–15)		12

<b>Registering property</b>	(rank among 25 cities)	<b>22</b>
	(rank within country)	<b>2</b>
Distance to frontier score (0–100)		75.02
Procedures (number)		5
Time (days)		39
Cost (% of property value)		4.0
Quality of land administration index (0–30)		23.5

SPLIT (Croatia)			
<b>Starting a business</b>	(rank among 25 cities)	<b>9</b>	
	(rank within country)	<b>1</b>	
Distance to frontier score (0–100)		89.55	
Procedures (number)		6	
Time (days)		6	
Cost (% of income per capita)		7.4	
Paid-in minimum capital (% of income per capita)		12.5	
<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>25</b>	
	(rank within country)	<b>5</b>	
Distance to frontier score (0–100)		43.67	
Procedures (number)		23	
Time (days)		227	
Cost (% of warehouse value)		15.1	
Building quality control index (0–15)		12	
<b>Getting electricity</b>	(rank among 25 cities)	<b>15</b>	
	(rank within country)	<b>3</b>	
Distance to frontier score (0–100)		82.66	
Procedures (number)		4	
Time (days)		75	
Cost (% of income per capita)		237.1	
Reliability of supply and transparency of tariffs index (0–8)		6	
<b>Registering property</b>	(rank among 25 cities)	<b>25</b>	
	(rank within country)	<b>5</b>	
Distance to frontier score (0–100)		71.08	
Procedures (number)		5	
Time (days)		72	
Cost (% of property value)		4.0	
Quality of land administration index (0–30)		23.5	
<b>Enforcing contracts</b>	(rank among 25 cities)	<b>18</b>	
	(rank within country)	<b>5</b>	
Distance to frontier score (0–100)		65.56	
Time (days)		837	
Cost (% of claim value)		15	
Quality of judicial processes index (0–18)		13.0	
VARAZDIN (Croatia)			
<b>Starting a business</b>	(rank among 25 cities)	<b>14</b>	
	(rank within country)	<b>4</b>	
Distance to frontier score (0–100)		85.38	
Procedures (number)		8	
Time (days)		11	
Cost (% of income per capita)		7.3	
Paid-in minimum capital (% of income per capita)		12.5	
<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>8</b>	
	(rank within country)	<b>1</b>	
Distance to frontier score (0–100)		66.20	
Procedures (number)		21	
Time (days)		112	
Cost (% of warehouse value)		5.3	
Building quality control index (0–15)		12	
<b>Getting electricity</b>	(rank among 25 cities)	<b>10</b>	
	(rank within country)	<b>1</b>	
Distance to frontier score (0–100)		84.29	
Procedures (number)		4	
Time (days)		60	
Cost (% of income per capita)		237.1	
Reliability of supply and transparency of tariffs index (0–8)		6	
<b>Registering property</b>	(rank among 25 cities)	<b>23</b>	
	(rank within country)	<b>3</b>	
Distance to frontier score (0–100)		74.07	
Procedures (number)		5	
Time (days)		47	
Cost (% of property value)		4.0	
Quality of land administration index (0–30)		23.5	
<b>Enforcing contracts</b>	(rank among 25 cities)	<b>12</b>	
	(rank within country)	<b>3</b>	
Distance to frontier score (0–100)		69.49	
Time (days)		685	
Cost (% of claim value)		15.6	
Quality of judicial processes index (0–18)		13.0	

**ZAGREB (Croatia)**

<b>Starting a business</b>	(rank among 25 cities)	<b>24</b>
	(rank within country)	<b>5</b>
Distance to frontier score (0–100)		82.49
Procedures (number)		8
Time (days)		22.5
Cost (% of income per capita)		7.2
Paid-in minimum capital (% of income per capita)		12.5

<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>23</b>
	(rank within country)	<b>4</b>
Distance to frontier score (0–100)		54.77
Procedures (number)		22
Time (days)		146
Cost (% of warehouse value)		11.7
Building quality control index (0–15)		12

<b>Getting electricity</b>	(rank among 25 cities)	<b>18</b>
	(rank within country)	<b>5</b>
Distance to frontier score (0–100)		80.43
Procedures (number)		4
Time (days)		65
Cost (% of income per capita)		298.5
Reliability of supply and transparency of tariffs index (0–8)		5

<b>Registering property</b>	(rank among 25 cities)	<b>23</b>
	(rank within country)	<b>3</b>
Distance to frontier score (0–100)		74.07
Procedures (number)		5
Time (days)		47
Cost (% of property value)		4.0
Quality of land administration index (0–30)		23.5

<b>Enforcing contracts</b>	(rank among 25 cities)	<b>9</b>
	(rank within country)	<b>2</b>
Distance to frontier score (0–100)		70.60
Time (days)		650
Cost (% of claim value)		15.2
Quality of judicial processes index (0–18)		13.0

**CZECH REPUBLIC****BRNO (Czech Republic)**

<b>Starting a business</b>	(rank among 25 cities)	<b>18</b>
	(rank within country)	<b>4</b>
Distance to frontier score (0–100)		84.55
Procedures (number)		8
Time (days)		20.5
Cost (% of income per capita)		1.0
Paid-in minimum capital (% of income per capita)		0.0

<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>16</b>
	(rank within country)	<b>1</b>
Distance to frontier score (0–100)		57.90
Procedures (number)		20
Time (days)		236
Cost (% of warehouse value)		0.2
Building quality control index (0–15)		8

<b>Getting electricity</b>	(rank among 25 cities)	<b>2</b>
	(rank within country)	<b>2</b>
Distance to frontier score (0–100)		89.92
Procedures (number)		3
Time (days)		110
Cost (% of income per capita)		25.9
Reliability of supply and transparency of tariffs index (0–8)		8

<b>Registering property</b>	(rank among 25 cities)	<b>7</b>
	(rank within country)	<b>2</b>
Distance to frontier score (0–100)		80.10
Procedures (number)		4
Time (days)		24.5
Cost (% of property value)		4.0
Quality of land administration index (0–30)		25

<b>Enforcing contracts</b>	(rank among 25 cities)	<b>25</b>
	(rank within country)	<b>7</b>
Distance to frontier score (0–100)		51.95
Time (days)		840
Cost (% of claim value)		33.8
Quality of judicial processes index (0–18)		9.5



**OSTRAVA (Czech Republic)**

<b>Starting a business</b>	(rank among 25 cities)	<b>15</b>	<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>19</b>
	(rank within country)	<b>3</b>		(rank within country)	<b>3</b>
Distance to frontier score (0–100)		85.31	Distance to frontier score (0–100)		56.89
Procedures (number)		8	Procedures (number)		20
Time (days)		17.5	Time (days)		250
Cost (% of income per capita)		1.0	Cost (% of warehouse value)		0.2
Paid-in minimum capital (% of income per capita)		0.0	Building quality control index (0–15)		8

<b>Getting electricity</b>	(rank among 25 cities)	<b>21</b>	<b>Registering property</b>	(rank among 25 cities)	<b>6</b>
	(rank within country)	<b>3</b>		(rank within country)	<b>1</b>
Distance to frontier score (0–100)		69.89	Distance to frontier score (0–100)		80.22
Procedures (number)		6	Procedures (number)		4
Time (days)		172	Time (days)		23.5
Cost (% of income per capita)		283.2	Cost (% of property value)		4.0
Reliability of supply and transparency of tariffs index (0–8)		8	Quality of land administration index (0–30)		25

<b>Enforcing contracts</b>	(rank among 25 cities)	<b>21</b>
	(rank within country)	<b>3</b>
Distance to frontier score (0–100)		56.05
Time (days)		690
Cost (% of claim value)		33.8
Quality of judicial processes index (0–18)		9.5

**PLZEN (Czech Republic)**

<b>Starting a business</b>	(rank among 25 cities)	<b>18</b>	<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>22</b>
	(rank within country)	<b>4</b>		(rank within country)	<b>6</b>
Distance to frontier score (0–100)		84.55	Distance to frontier score (0–100)		55.38
Procedures (number)		8	Procedures (number)		21
Time (days)		20.5	Time (days)		257
Cost (% of income per capita)		1.0	Cost (% of warehouse value)		0.2
Paid-in minimum capital (% of income per capita)		0.0	Building quality control index (0–15)		8

<b>Getting electricity</b>	(rank among 25 cities)	<b>22</b>	<b>Registering property</b>	(rank among 25 cities)	<b>11</b>
	(rank within country)	<b>4</b>		(rank within country)	<b>6</b>
Distance to frontier score (0–100)		69.67	Distance to frontier score (0–100)		79.74
Procedures (number)		6	Procedures (number)		4
Time (days)		174	Time (days)		27.5
Cost (% of income per capita)		282.8	Cost (% of property value)		4.0
Reliability of supply and transparency of tariffs index (0–8)		8	Quality of land administration index (0–30)		25

<b>Enforcing contracts</b>	(rank among 25 cities)	<b>20</b>
	(rank within country)	<b>2</b>
Distance to frontier score (0–100)		56.32
Time (days)		680
Cost (% of claim value)		33.8
Quality of judicial processes index (0–18)		9.5



## PORTUGAL

## BRAGA (Portugal)

<b>Starting a business</b>	(rank among 25 cities)	<b>1</b>	<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>7</b>
	(rank within country)	<b>1</b>		(rank within country)	<b>7</b>
Distance to frontier score (0–100)		90.88	Distance to frontier score (0–100)		66.58
Procedures (number)		6	Procedures (number)		14
Time (days)		6.5	Time (days)		259
Cost (% of income per capita)		2.1	Cost (% of warehouse value)		0.8
Paid-in minimum capital (% of income per capita)		0.0	Building quality control index (0–15)		11
<b>Getting electricity</b>	(rank among 25 cities)	<b>16</b>	<b>Registering property</b>	(rank among 25 cities)	<b>16</b>
	(rank within country)	<b>7</b>		(rank within country)	<b>4</b>
Distance to frontier score (0–100)		82.27	Distance to frontier score (0–100)		79.31
Procedures (number)		6	Procedures (number)		1
Time (days)		65	Time (days)		2
Cost (% of income per capita)		38.8	Cost (% of property value)		7.3
Reliability of supply and transparency of tariffs index (0–8)		8	Quality of land administration index (0–30)		20
<b>Enforcing contracts</b>	(rank among 25 cities)	<b>3</b>			
	(rank within country)	<b>2</b>			
Distance to frontier score (0–100)		73.78			
Time (days)		540			
Cost (% of claim value)		17.2			
Quality of judicial processes index (0–18)		13.5			

## COIMBRA (Portugal)

<b>Starting a business</b>	(rank among 25 cities)	<b>1</b>	<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>9</b>
	(rank within country)	<b>1</b>		(rank within country)	<b>8</b>
Distance to frontier score (0–100)		90.88	Distance to frontier score (0–100)		65.93
Procedures (number)		6	Procedures (number)		14
Time (days)		6.5	Time (days)		265
Cost (% of income per capita)		2.1	Cost (% of warehouse value)		0.9
Paid-in minimum capital (% of income per capita)		0.0	Building quality control index (0–15)		11
<b>Getting electricity</b>	(rank among 25 cities)	<b>4</b>	<b>Registering property</b>	(rank among 25 cities)	<b>18</b>
	(rank within country)	<b>1</b>		(rank within country)	<b>6</b>
Distance to frontier score (0–100)		87.49	Distance to frontier score (0–100)		79.07
Procedures (number)		4	Procedures (number)		1
Time (days)		65	Time (days)		4
Cost (% of income per capita)		36.1	Cost (% of property value)		7.3
Reliability of supply and transparency of tariffs index (0–8)		7	Quality of land administration index (0–30)		20
<b>Enforcing contracts</b>	(rank among 25 cities)	<b>1</b>			
	(rank within country)	<b>1</b>			
Distance to frontier score (0–100)		74.60			
Time (days)		510			
Cost (% of claim value)		17.2			
Quality of judicial processes index (0–18)		13.5			



**FUNCHAL (Portugal)**

<b>Starting a business</b>	(rank among 25 cities)	<b>1</b>
	(rank within country)	<b>1</b>
Distance to frontier score (0–100)		90.88
Procedures (number)		6
Time (days)		6.5
Cost (% of income per capita)		2.1
Paid-in minimum capital (% of income per capita)		0.0

<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>6</b>
	(rank within country)	<b>6</b>
Distance to frontier score (0–100)		72.83
Procedures (number)		14
Time (days)		159
Cost (% of warehouse value)		1.5
Building quality control index (0–15)		11

<b>Getting electricity</b>	(rank among 25 cities)	<b>9</b>
	(rank within country)	<b>4</b>
Distance to frontier score (0–100)		84.96
Procedures (number)		5
Time (days)		50
Cost (% of income per capita)		34.2
Reliability of supply and transparency of tariffs index (0–8)		7

<b>Registering property</b>	(rank among 25 cities)	<b>13</b>
	(rank within country)	<b>1</b>
Distance to frontier score (0–100)		79.43
Procedures (number)		1
Time (days)		1
Cost (% of property value)		7.3
Quality of land administration index (0–30)		20

<b>Enforcing contracts</b>	(rank among 25 cities)	<b>5</b>
	(rank within country)	<b>4</b>
Distance to frontier score (0–100)		72.82
Time (days)		575
Cost (% of claim value)		17.2
Quality of judicial processes index (0–18)		13.5

**LISBON (Portugal)**

<b>Starting a business</b>	(rank among 25 cities)	<b>1</b>
	(rank within country)	<b>1</b>
Distance to frontier score (0–100)		90.88
Procedures (number)		6
Time (days)		6.5
Cost (% of income per capita)		2.1
Paid-in minimum capital (% of income per capita)		0.0

<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>5</b>
	(rank within country)	<b>5</b>
Distance to frontier score (0–100)		73.10
Procedures (number)		14
Time (days)		160
Cost (% of warehouse value)		1.3
Building quality control index (0–15)		11

<b>Getting electricity</b>	(rank among 25 cities)	<b>5</b>
	(rank within country)	<b>2</b>
Distance to frontier score (0–100)		86.45
Procedures (number)		5
Time (days)		65
Cost (% of income per capita)		36.1
Reliability of supply and transparency of tariffs index (0–8)		8

<b>Registering property</b>	(rank among 25 cities)	<b>20</b>
	(rank within country)	<b>8</b>
Distance to frontier score (0–100)		78.35
Procedures (number)		1
Time (days)		10
Cost (% of property value)		7.3
Quality of land administration index (0–30)		20

<b>Enforcing contracts</b>	(rank among 25 cities)	<b>13</b>
	(rank within country)	<b>8</b>
Distance to frontier score (0–100)		67.91
Time (days)		755
Cost (% of claim value)		17.2
Quality of judicial processes index (0–18)		13.5

PONTA DELGADA (Portugal)			
<b>Starting a business</b>	(rank among 25 cities)	<b>1</b>	
	(rank within country)	<b>1</b>	
Distance to frontier score (0–100)		90.88	
Procedures (number)		6	
Time (days)		6.5	
Cost (% of income per capita)		2.1	
Paid-in minimum capital (% of income per capita)		0.0	
<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>2</b>	
	(rank within country)	<b>2</b>	
Distance to frontier score (0–100)			73.59
Procedures (number)			14
Time (days)			169
Cost (% of warehouse value)			0.4
Building quality control index (0–15)			11
<b>Getting electricity</b>	(rank among 25 cities)	<b>8</b>	
	(rank within country)	<b>3</b>	
Distance to frontier score (0–100)		85.12	
Procedures (number)		4	
Time (days)		58	
Cost (% of income per capita)		38.6	
Reliability of supply and transparency of tariffs index (0–8)		6	
<b>Registering property</b>	(rank among 25 cities)	<b>13</b>	
	(rank within country)	<b>1</b>	
Distance to frontier score (0–100)			79.43
Procedures (number)			1
Time (days)			1
Cost (% of property value)			7.3
Quality of land administration index (0–30)			20
<b>Enforcing contracts</b>	(rank among 25 cities)	<b>5</b>	
	(rank within country)	<b>4</b>	
Distance to frontier score (0–100)		72.82	
Time (days)		575	
Cost (% of claim value)		17.2	
Quality of judicial processes index (0–18)		13.5	
PORTO (Portugal)			
<b>Starting a business</b>	(rank among 25 cities)	<b>1</b>	
	(rank within country)	<b>1</b>	
Distance to frontier score (0–100)		90.88	
Procedures (number)		6	
Time (days)		6.5	
Cost (% of income per capita)		2.1	
Paid-in minimum capital (% of income per capita)		0.0	
<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>1</b>	
	(rank within country)	<b>1</b>	
Distance to frontier score (0–100)			74.04
Procedures (number)			14
Time (days)			159
Cost (% of warehouse value)			0.6
Building quality control index (0–15)			11
<b>Getting electricity</b>	(rank among 25 cities)	<b>14</b>	
	(rank within country)	<b>6</b>	
Distance to frontier score (0–100)		82.71	
Procedures (number)		6	
Time (days)		61	
Cost (% of income per capita)		36.2	
Reliability of supply and transparency of tariffs index (0–8)		8	
<b>Registering property</b>	(rank among 25 cities)	<b>19</b>	
	(rank within country)	<b>7</b>	
Distance to frontier score (0–100)			78.59
Procedures (number)			1
Time (days)			8
Cost (% of property value)			7.3
Quality of land administration index (0–30)			20
<b>Enforcing contracts</b>	(rank among 25 cities)	<b>8</b>	
	(rank within country)	<b>7</b>	
Distance to frontier score (0–100)		71.32	
Time (days)		630	
Cost (% of claim value)		17.2	
Quality of judicial processes index (0–18)		13.5	

## SLOVAKIA

## BRATISLAVA (Slovakia)

<b>Starting a business</b>	(rank among 25 cities)	<b>25</b>
	(rank within country)	<b>5</b>
Distance to frontier score (0–100)		81.97
Procedures (number)		8
Time (days)		26.5
Cost (% of income per capita)		1.1
Paid-in minimum capital (% of income per capita)		17.2

<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>15</b>
	(rank within country)	<b>4</b>
Distance to frontier score (0–100)		59.33
Procedures (number)		14
Time (days)		300
Cost (% of warehouse value)		0.2
Building quality control index (0–15)		8

<b>Getting electricity</b>	(rank among 25 cities)	<b>12</b>
	(rank within country)	<b>4</b>
Distance to frontier score (0–100)		83.19
Procedures (number)		5
Time (days)		89
Cost (% of income per capita)		244.5
Reliability of supply and transparency of tariffs index (0–8)		8

<b>Registering property</b>	(rank among 25 cities)	<b>4</b>
	(rank within country)	<b>4</b>
Distance to frontier score (0–100)		90.17
Procedures (number)		3
Time (days)		16.5
Cost (% of property value)		0.0
Quality of land administration index (0–30)		25.5

<b>Enforcing contracts</b>	(rank among 25 cities)	<b>16</b>
	(rank within country)	<b>5</b>
Distance to frontier score (0–100)		66.12
Time (days)		775
Cost (% of claim value)		20.5
Quality of judicial processes index (0–18)		13.5

## KOSICE (Slovakia)

<b>Starting a business</b>	(rank among 25 cities)	<b>22</b>
	(rank within country)	<b>4</b>
Distance to frontier score (0–100)		83.72
Procedures (number)		8
Time (days)		19.5
Cost (% of income per capita)		1.1
Paid-in minimum capital (% of income per capita)		17.2

<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>14</b>
	(rank within country)	<b>2</b>
Distance to frontier score (0–100)		60.74
Procedures (number)		14
Time (days)		280
Cost (% of warehouse value)		0.2
Building quality control index (0–15)		8

<b>Getting electricity</b>	(rank among 25 cities)	<b>7</b>
	(rank within country)	<b>3</b>
Distance to frontier score (0–100)		85.29
Procedures (number)		5
Time (days)		75
Cost (% of income per capita)		57.2
Reliability of supply and transparency of tariffs index (0–8)		8

<b>Registering property</b>	(rank among 25 cities)	<b>2</b>
	(rank within country)	<b>2</b>
Distance to frontier score (0–100)		91.24
Procedures (number)		3
Time (days)		7.5
Cost (% of property value)		0.0
Quality of land administration index (0–30)		25.5

<b>Enforcing contracts</b>	(rank among 25 cities)	<b>10</b>
	(rank within country)	<b>1</b>
Distance to frontier score (0–100)		69.95
Time (days)		635
Cost (% of claim value)		20.5
Quality of judicial processes index (0–18)		13.5

PRESOV (Slovakia)			
<b>Starting a business</b>	(rank among 25 cities)	<b>16</b>	
	(rank within country)	<b>1</b>	
Distance to frontier score (0–100)		84.73	
Procedures (number)		8	
Time (days)		15.5	
Cost (% of income per capita)		1.1	
Paid-in minimum capital (% of income per capita)		17.2	
<b>Getting electricity</b>	(rank among 25 cities)	<b>6</b>	
	(rank within country)	<b>2</b>	
Distance to frontier score (0–100)		86.27	
Procedures (number)		5	
Time (days)		66	
Cost (% of income per capita)		57.0	
Reliability of supply and transparency of tariffs index (0–8)		8	
<b>Enforcing contracts</b>	(rank among 25 cities)	<b>11</b>	
	(rank within country)	<b>2</b>	
Distance to frontier score (0–100)		69.81	
Time (days)		640	
Cost (% of claim value)		20.5	
Quality of judicial processes index (0–18)		13.5	
TRNAVA (Slovakia)			
<b>Starting a business</b>	(rank among 25 cities)	<b>21</b>	
	(rank within country)	<b>3</b>	
Distance to frontier score (0–100)		83.98	
Procedures (number)		8	
Time (days)		18.5	
Cost (% of income per capita)		1.1	
Paid-in minimum capital (% of income per capita)		17.2	
<b>Getting electricity</b>	(rank among 25 cities)	<b>19</b>	
	(rank within country)	<b>5</b>	
Distance to frontier score (0–100)		80.07	
Procedures (number)		5	
Time (days)		89	
Cost (% of income per capita)		244.5	
Reliability of supply and transparency of tariffs index (0–8)		7	
<b>Enforcing contracts</b>	(rank among 25 cities)	<b>14</b>	
	(rank within country)	<b>3</b>	
Distance to frontier score (0–100)		67.90	
Time (days)		710	
Cost (% of claim value)		20.5	
Quality of judicial processes index (0–18)		13.5	
<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>10</b>	
	(rank within country)	<b>1</b>	
Distance to frontier score (0–100)		62.91	
Procedures (number)		14	
Time (days)		250	
Cost (% of warehouse value)		0.2	
Building quality control index (0–15)		8	
<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>11</b>	
	(rank within country)	<b>2</b>	
Distance to frontier score (0–100)		61.39	
Procedures (number)		15	
Time (days)		258	
Cost (% of warehouse value)		0.2	
Building quality control index (0–15)		8	
<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>1</b>	
	(rank within country)	<b>1</b>	
Distance to frontier score (0–100)		91.48	
Procedures (number)		3	
Time (days)		5.5	
Cost (% of property value)		0.0	
Quality of land administration index (0–30)		25.5	

ZILINA (Slovakia)			
<b>Starting a business</b>	(rank among 25 cities)	<b>16</b>	
	(rank within country)	<b>1</b>	
Distance to frontier score (0–100)		84.73	
Procedures (number)		8	
Time (days)		15.5	
Cost (% of income per capita)		1.1	
Paid-in minimum capital (% of income per capita)		17.2	
<b>Getting electricity</b>	(rank among 25 cities)	<b>3</b>	
	(rank within country)	<b>1</b>	
Distance to frontier score (0–100)		88.41	
Procedures (number)		4	
Time (days)		56	
Cost (% of income per capita)		55.2	
Reliability of supply and transparency of tariffs index (0–8)		7	
<b>Enforcing contracts</b>	(rank among 25 cities)	<b>15</b>	
	(rank within country)	<b>4</b>	
Distance to frontier score (0–100)		67.08	
Time (days)		740	
Cost (% of claim value)		20.5	
Quality of judicial processes index (0–18)		13.5	
<b>Dealing with construction permits</b>	(rank among 25 cities)	<b>16</b>	
	(rank within country)	<b>5</b>	
Distance to frontier score (0–100)		57.90	
Procedures (number)		14	
Time (days)		320	
Cost (% of warehouse value)		0.2	
Building quality control index (0–15)		8	
<b>Registering property</b>	(rank among 25 cities)	<b>3</b>	
	(rank within country)	<b>3</b>	
Distance to frontier score (0–100)		91.00	
Procedures (number)		3	
Time (days)		9.5	
Cost (% of property value)		0.0	
Quality of land administration index (0–30)		25.5	

# Indicator Snapshots

City (Country)	STARTING A BUSINESS						
	Ease of starting a business (rank among 25 cities)	Ease of starting a business (rank within country)	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in minimum capital (% of income per capita)
Osijek (Croatia)	13	3	85.50	8	10.5	7.3	12.5
Rijeka (Croatia)	10	2	87.59	7	8	7.4	12.5
Split (Croatia)	9	1	89.55	6	6	7.4	12.5
Varazdin (Croatia)	14	4	85.38	8	11	7.3	12.5
Zagreb (Croatia)	24	5	82.49	8	22.5	7.2	12.5
Brno (Czech Republic)	18	4	84.55	8	20.5	1.0	0.0
Liberec (Czech Republic)	18	4	84.55	8	20.5	1.0	0.0
Olomouc (Czech Republic)	11	1	85.56	8	16.5	1.0	0.0
Ostrava (Czech Republic)	15	3	85.31	8	17.5	1.0	0.0
Plzen (Czech Republic)	18	4	84.55	8	20.5	1.0	0.0
Prague (Czech Republic)	23	7	83.55	8	24.5	1.0	0.0
Usti nad Labem (Czech Republic)	11	1	85.56	8	16.5	1.0	0.0
Braga (Portugal)	1	1	90.88	6	6.5	2.1	0.0
Coimbra (Portugal)	1	1	90.88	6	6.5	2.1	0.0
Evora (Portugal)	1	1	90.88	6	6.5	2.1	0.0
Faro (Portugal)	1	1	90.88	6	6.5	2.1	0.0
Funchal (Portugal)	1	1	90.88	6	6.5	2.1	0.0
Lisbon (Portugal)	1	1	90.88	6	6.5	2.1	0.0
Ponta Delgada (Portugal)	1	1	90.88	6	6.5	2.1	0.0
Porto (Portugal)	1	1	90.88	6	6.5	2.1	0.0
Bratislava (Slovakia)	25	5	81.97	8	26.5	1.1	17.2
Kosice (Slovakia)	22	4	83.72	8	19.5	1.1	17.2
Presov (Slovakia)	16	1	84.73	8	15.5	1.1	17.2
Trnava (Slovakia)	21	3	83.98	8	18.5	1.1	17.2
Zilina (Slovakia)	16	1	84.73	8	15.5	1.1	17.2

DEALING WITH CONSTRUCTION PERMITS							
City (Country)	Ease of dealing with construction permits (rank among 25 cities)	Ease of dealing with construction permits (rank within country)	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of warehouse value)	Building quality control index (0–15)
Osijek (Croatia)	12	2	61.10	22	143	6.8	12
Rijeka (Croatia)	12	2	61.10	22	136	7.2	12
Split (Croatia)	25	5	43.67	23	227	15.1	12
Varazdin (Croatia)	8	1	66.20	21	112	5.3	12
Zagreb (Croatia)	23	4	54.77	22	146	11.7	12
Brno (Czech Republic)	16	1	57.90	20	236	0.2	8
Liberec (Czech Republic)	20	4	56.67	21	239	0.3	8
Olomouc (Czech Republic)	24	7	54.45	21	270	0.2	8
Ostrava (Czech Republic)	19	3	56.89	20	250	0.2	8
Plzen (Czech Republic)	22	6	55.38	21	257	0.2	8
Prague (Czech Republic)	21	5	56.17	21	246	0.2	8
Usti nad Labem (Czech Republic)	18	2	57.24	20	245	0.3	8
Braga (Portugal)	7	7	66.58	14	259	0.8	11
Coimbra (Portugal)	9	8	65.93	14	265	0.9	11
Evora (Portugal)	3	3	73.53	14	169	0.4	11
Faro (Portugal)	4	4	73.42	14	170	0.4	11
Funchal (Portugal)	6	6	72.83	14	159	1.5	11
Lisbon (Portugal)	5	5	73.10	14	160	1.3	11
Ponta Delgada (Portugal)	2	2	73.59	14	169	0.4	11
Porto (Portugal)	1	1	74.04	14	159	0.6	11
Bratislava (Slovakia)	15	4	59.33	14	300	0.2	8
Kosice (Slovakia)	14	3	60.74	14	280	0.2	8
Presov (Slovakia)	10	1	62.91	14	250	0.2	8
Trnava (Slovakia)	11	2	61.39	15	258	0.2	8
Zilina (Slovakia)	16	5	57.90	14	320	0.2	8

City (Country)	GETTING ELECTRICITY						
	Ease of getting electricity (rank among 25 cities)	Ease of getting electricity (rank within country)	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of income per capita)	Reliability of supply and transparency of tariffs index (0–8)
Osijek (Croatia)	17	4	81.70	4	55	237.1	5
Rijeka (Croatia)	13	2	82.87	4	73	237.1	6
Split (Croatia)	15	3	82.66	4	75	237.1	6
Varazdin (Croatia)	10	1	84.29	4	60	237.1	6
Zagreb (Croatia)	18	5	80.43	4	65	298.5	5
Brno (Czech Republic)	2	2	89.92	3	110	25.9	8
Liberec (Czech Republic)	25	7	66.32	5	217	193.0	7
Olomouc (Czech Republic)	24	6	67.09	6	169	282.5	7
Ostrava (Czech Republic)	21	3	69.89	6	172	283.2	8
Plzen (Czech Republic)	22	4	69.67	6	174	282.8	8
Prague (Czech Republic)	1	1	95.35	3	60	25.9	8
Usti nad Labem (Czech Republic)	23	5	67.70	5	233	193.0	8
Braga (Portugal)	16	7	82.27	6	65	38.8	8
Coimbra (Portugal)	4	1	87.49	4	65	36.1	7
Evora (Portugal)	11	5	84.19	5	57	36.1	7
Faro (Portugal)	20	8	78.83	6	68	36.1	7
Funchal (Portugal)	9	4	84.96	5	50	34.2	7
Lisbon (Portugal)	5	2	86.45	5	65	36.1	8
Ponta Delgada (Portugal)	8	3	85.12	4	58	38.6	6
Porto (Portugal)	14	6	82.71	6	61	36.2	8
Bratislava (Slovakia)	12	4	83.19	5	89	244.5	8
Kosice (Slovakia)	7	3	85.29	5	75	57.2	8
Presov (Slovakia)	6	2	86.27	5	66	57.0	8
Trnava (Slovakia)	19	5	80.07	5	89	244.5	7
Zilina (Slovakia)	3	1	88.41	4	56	55.2	7

REGISTERING PROPERTY							
City (Country)	Ease of registering property (rank among 25 cities)	Ease of registering property (rank within country)	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of property value)	Quality of land administration index (0–30)
Osijek (Croatia)	21	1	75.86	5	32	4.0	23.5
Rijeka (Croatia)	22	2	75.02	5	39	4.0	23.5
Split (Croatia)	25	5	71.08	5	72	4.0	23.5
Varazdin (Croatia)	23	3	74.07	5	47	4.0	23.5
Zagreb (Croatia)	23	3	74.07	5	47	4.0	23.5
Brno (Czech Republic)	7	2	80.10	4	24.5	4.0	25.0
Liberec (Czech Republic)	9	4	79.98	4	25.5	4.0	25.0
Olomouc (Czech Republic)	9	4	79.98	4	25.5	4.0	25.0
Ostrava (Czech Republic)	6	1	80.22	4	23.5	4.0	25.0
Plzen (Czech Republic)	11	6	79.74	4	27.5	4.0	25.0
Prague (Czech Republic)	11	6	79.74	4	27.5	4.0	25.0
Usti nad Labem (Czech Republic)	7	2	80.10	4	24.5	4.0	25.0
Braga (Portugal)	16	4	79.31	1	2	7.3	20.0
Coimbra (Portugal)	18	6	79.07	1	4	7.3	20.0
Evora (Portugal)	17	5	79.19	1	3	7.3	20.0
Faro (Portugal)	13	1	79.43	1	1	7.3	20.0
Funchal (Portugal)	13	1	79.43	1	1	7.3	20.0
Lisbon (Portugal)	20	8	78.35	1	10	7.3	20.0
Ponta Delgada (Portugal)	13	1	79.43	1	1	7.3	20.0
Porto (Portugal)	19	7	78.59	1	8	7.3	20.0
Bratislava (Slovakia)	4	4	90.17	3	16.5	0.0	25.5
Kosice (Slovakia)	2	2	91.24	3	7.5	0.0	25.5
Presov (Slovakia)	4	4	90.17	3	16.5	0.0	25.5
Trnava (Slovakia)	1	1	91.48	3	5.5	0.0	25.5
Zilina (Slovakia)	3	3	91.00	3	9.5	0.0	25.5

City (Country)	ENFORCING CONTRACTS					
	Ease of enforcing contracts (rank among 25 cities)	Ease of enforcing contracts (rank within country)	Distance to frontier score (0–100)	Time (days)	Cost (% of claim value)	Quality of judicial processes index (0–18)
Osijek (Croatia)	2	1	74.24	510	15.7	13.0
Rijeka (Croatia)	17	4	65.67	825	15.6	13.0
Split (Croatia)	18	5	65.56	837	15.0	13.0
Varazdin (Croatia)	12	3	69.49	685	15.6	13.0
Zagreb (Croatia)	9	2	70.60	650	15.2	13.0
Brno (Czech Republic)	25	7	51.95	840	33.8	9.5
Liberec (Czech Republic)	24	6	53.86	770	33.8	9.5
Olomouc (Czech Republic)	22	4	55.64	705	33.8	9.5
Ostrava (Czech Republic)	21	3	56.05	690	33.8	9.5
Plzen (Czech Republic)	20	2	56.32	680	33.8	9.5
Prague (Czech Republic)	19	1	56.38	678	33.8	9.5
Usti nad Labem (Czech Republic)	23	5	54.96	730	33.8	9.5
Braga (Portugal)	3	2	73.78	540	17.2	13.5
Coimbra (Portugal)	1	1	74.60	510	17.2	13.5
Evora (Portugal)	4	3	73.23	560	17.2	13.5
Faro (Portugal)	7	6	72.28	595	17.2	13.5
Funchal (Portugal)	5	4	72.82	575	17.2	13.5
Lisbon (Portugal)	13	8	67.91	755	17.2	13.5
Ponta Delgada (Portugal)	5	4	72.82	575	17.2	13.5
Porto (Portugal)	8	7	71.32	630	17.2	13.5
Bratislava (Slovakia)	16	5	66.12	775	20.5	13.5
Kosice (Slovakia)	10	1	69.95	635	20.5	13.5
Presov (Slovakia)	11	2	69.81	640	20.5	13.5
Trnava (Slovakia)	14	3	67.90	710	20.5	13.5
Zilina (Slovakia)	15	4	67.08	740	20.5	13.5

# Indicator Details

## STARTING A BUSINESS IN CROATIA - PROCEDURES REQUIRED TO START A BUSINESS, BY CITY

Standard company/legal form: Društvo s ograničenom odgovornošću (D.O.O.)  
Paid-in minimum capital requirement: HRK 10,000  
Data as of: February 15, 2018

	Ostijek	Rijeka	Split	Varazdin	Zagreb	Comments
1. Check the availability of the company name/ Reserve the company name	Time (days) 2	0.5	0.5	0.5	3	Checking company name availability is free and can be done online in less than a day. Name reservation is not mandatory but it has proven necessary in practice to avoid rejection after the registration application is submitted. The fee for name reservation is HRK 10. The Court Registry checks the name within 2-3 days.
	Cost (HRK) 10	no cost	no cost	no cost	10	
2. The notary prepares the memorandum of association	Time (days) 1	1	1	1	1	The Public Notary prepares the documentation, which is then signed by the business founders and notarized.
	Cost (HRK) (see procedure 3)	(see procedure 3)	(see procedure 3)	(see procedure 3)	(see procedure 3)	
3. Register the company with the Commercial Court*	Time (days) 3	3	2	5	14**	Electronic registration is completed within 24 hours. However, after electronic registration, companies have to submit all documentation in hard copy and obtain the court decision in original, which is typically provided 1 to 4 days later. The deadline for in person registration is 15 days.
	Cost (HRK) 5,545	5,725***	5,925***	5,545	5,545	
4. Order official seal	Time (days) 1	1	(included in procedure 3)	1	1	Making a seal is not mandatory, but done in practice in most cases. Official seals are readily available at special seal-making shops. Seals can also be ordered through Hitro.hr offices for an additional fee, as it is done in Split.
	Cost (HRK) 100 to 250	100 to 250	100 to 250	100 to 250	100 to 250	
5. Apply for statistical registration number	Time (days) 1	(included in procedure 3)	(included in procedure 3)	1	1	Applying for a statistical number can be done at the Croatian Bureau of Statistics (in Zagreb only), through Hitro.hr offices (against a fee of HRK 25) or by mail.
	Cost (HRK) 80	80	80	80	55	
6. Open a bank account	Time (days) 1	1	1	1	1	When establishing a company, the founders open a temporary account for the purpose of payment of start-up capital. When the Court inscribes the newly founded company into the Court Register and issues a ruling, the bank transforms the existing temporary account into the company's transaction account.
	Cost (HRK) no cost	no cost	no cost	no cost	no cost	
7. Register for VAT and employee income tax withdrawals****	Time (days) 1	1	1	1	1	Once a company is registered at the Commercial Court Register and the State Bureau of Statistics, the company information is automatically entered in the taxpayer register. If the company's total taxable annual income exceeds HRK 300,000, it must register itself as an entity in the VAT system as well.
	Cost (HRK) no cost	no cost	no cost	no cost	no cost	
8. Register with the Croatian Institute for Pension Insurance (HZMO) and Croatian Institute for Health Insurance (HZZO)****	Time (days) 0.5	0.5	0.5	0.5	0.5	The Company must register with the Croatian Institute for Pension Insurance within 24 hours from the start of its operation. The Company must also register its employees, which is done exclusively online. Based on the data delivered to the Croatian Institute for Pension, the application for health insurance is done automatically.
	Cost (HRK) no cost	no cost	no cost	no cost	no cost	

Source: Doing Business database.

\*Half or more of new limited liability companies in Rijeka and Split apply for registration at Hitro.hr offices--where they can also simultaneously apply for registration with the Statistical office. The uptake of Hitro.hr services is lower in the other cities.

\*\*Among the cities surveyed, Zagreb is the only one where the majority of limited liability companies are not incorporated using the e-company service.

\*\*\*Includes fee for HITRO services and cost for registration with the Statistical office (in Split, it also includes the cost for ordering company seal at Hitro.hr).

\*\*\*\*Takes place simultaneously with previous procedure.

## STARTING A BUSINESS IN THE CZECH REPUBLIC - PROCEDURES REQUIRED TO START A BUSINESS, BY CITY

Standard company legal form: *Společnost s ručením*

*Omezeným (SRO)*

Paid-in minimum capital requirement: CZK 1

Data as of: February 15, 2018

	Brno	Liberec	Olomouc	Ostrava	Prague	Pizen	Usti nad Labem	Comments
1. Check the uniqueness of the company's name	0.5 no cost	Business founders can verify the uniqueness of their company's name using a database on the Ministry of Justice's website ( <a href="http://www.justice.cz">www.justice.cz</a> ). Name reservation is also possible through pre-registration of a company at the Commercial Registry against a fee of CZK 1,000.						
2. Notarize Articles of Association and Lease Agreement	1 2,030	For the articles of association of a simple limited liability company, the cost of notarization is CZK 2,000. The company must also certify its building lease agreement with a public notary. The cost to certify the lease agreement with a notary is CZK 30 + 21% VAT.						
3. Obtain confirmation of the administrator of the capital contribution of the company, along with the confirmation of the bank that the capital contribution is held in the company's special bank account	2 no cost	Until the company is registered, the paid-in capital is typically blocked in the special bank account. Banks typically require notarized articles of association to open a corporate bank account.						
4. Register with the Trade Licensing Office and obtain extract of the trade license	2 1,000	2 1,000	2 1,000	1 1,000	2 1,000	2 1,000	2 1,000	The company must register its business activities with the Trade License Office to obtain an extract of its trade license. The Trade License Office must complete the registration process within 5 working days from the day when all required documents were submitted, and typically does so in 1-3 days.
5. Register in the Commercial Registry of the Regional Court through a notary	1 1,300	Notaries are able to register a limited liability company's (s.r.o.) information into the commercial register online. The cost of notary services for simplified registration is CZK 1,000 notarial deed + CZK 300 notary fee. Upon company registration, the Commercial Register notifies the Ministry of Interior regarding new company formation triggering automatic set-up of an electronic data box.						
6. Register for income tax and VAT	14 no cost	14 no cost	10 no cost	12 no cost	18 no cost	14 no cost	10 no cost	Companies can apply for VAT registration jointly with income tax registration. For VAT, the tax authority performs various checks such as: plans for taxable economic activity, financial, human and other resources available, physical seat of the company. Upon registration, the company receives a tax identification number.
7. Register for social security*	1 no cost	The company must register with social security within 8 days of the date when the first employee starts work. Application may be submitted either online through a data box or in person.						
8. Register for health insurance*	1 no cost	The company must register for health insurance within 8 days of the date when the first employee starts work. It is possible to do so online, although each health insurance company has its own website. Applications can be submitted through the data box, or in person.						

Source: *Doing Business* database.

\*Takes place simultaneously with previous procedure.

## STARTING A BUSINESS IN PORTUGAL - PROCEDURES REQUIRED TO START A BUSINESS, BY CITY

Standard company legal form: Sociedade por Quotas  
Paid-in minimum capital requirement: none  
Data as of: February 15, 2018

	Braga	Coimbra	Evora	Faro	Funchal	Lisbon	Ponta Delgada	Porto	Comments
1. Register at the one-stop shop	1	1	1	1	1	1	1	1	"On the Spot Firm" (Empresa na Hora) enables to set up a company in less than an hour at a single contact point. Applicants choose a name from the list of pre-approved names and one of the pre-approved standard company deeds. The company founders receive a code to access the certificate of incorporation, the corporate identification card, the Social Security number, and the original by-laws.
	360	360	360	360	360	360	360	360	
Time (days)	1	1	1	1	1	1	1	1	
Cost (EUR)	no cost	no cost	Business founders must open a bank account and obtain a Bank Identification Number (IBAN).						
2. Open a bank account and obtain a Bank Identification Number (IBAN)	1	1	1	1	1	1	1	1	
Time (days)	1	1	1	1	1	1	1	1	
Cost (EUR)	no cost	no cost	The declaration of commencement of activity has to be submitted to the Tax Authority along with evidence that the company was incorporated. Only certified accountants can file the declaration with tax authorities. VAT registration is done when submitting the declaration of commencement of activity.						
3. File the declaration of commencement of activity with the Tax Authority and register for VAT	1	1	1	1	1	1	1	1	
Time (days)	1	1	1	1	1	1	1	1	
Cost (EUR)	no cost	no cost	The company needs to communicate the admission of employees at <a href="http://www.seg-social.pt">www.seg-social.pt</a> . When registering employees for the first time, the employer will have to request login credentials on the Social security website. The credentials are sent by post and the employer can now register online the employees.						
4. Register with Social Security	2	2	2	2	2	2	2	2	
Time (days)	2	2	2	2	2	2	2	2	
Cost (EUR)	no cost	no cost	In order to guarantee an effective compensation of damages arising from work accidents, the Portuguese legislator requires from the employer the transfer of all its responsibility to insurance companies, before the entry into force of the relevant agreements.						
5. Register for the workers' accident insurance at a private insurer	1	1	1	1	1	1	1	1	
Time (days)	1	1	1	1	1	1	1	1	
Cost (EUR)	no cost	no cost	According to the Portuguese labor law, employees shall be registered in two Labor Compensation Funds. Registration at FGCT takes place automatically once one registers with FCT. Registration is done online, using the same platform and same credentials, as for the social security registration.						
6. Register employees with the Labor Compensation Funds (FCT and FGCT)*	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
Time (days)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
Cost (EUR)	no cost	no cost							

Source: Doing Business database.

\*Takes place simultaneously with previous procedure.

## STARTING A BUSINESS IN SLOVAKIA - PROCEDURES REQUIRED TO START A BUSINESS, BY CITY

Standard company legal form: *Spoločnosť s ručením obmedzeným (s.r.o.)*

Paid-in minimum capital requirement: EUR 2,500

Data as of: February 15, 2018

	Bratislava	Kosice	Presov	Trnava	Zilina	Comments
1. Check the uniqueness of the proposed company name	Time (days)	0.5	0.5	0.5	0.5	Information on the website of the Commercial Register ( <a href="http://www.orrsi.sk">www.orrsi.sk</a> ), which is not legally binding, is accessible immediately and without charge.
	Cost (EUR)	no cost	no cost	no cost	no cost	
2. Certify signatures on articles of association and related documents	Time (days)	1	1	1	1	The fee for the verification of a signature by a Notary is EUR 1.99 (excluding VAT). The municipal Registrar's Office and the District Authority are also authorized to verify signatures. The fee for the verification of a signature at the Registrar's Office is EUR 1.50 or EUR 7.50 for the verification of 5 signatures.
	Cost (EUR)	7.5	7.5	7.5	7.5	
3. Pay capital contributions and receive an affidavit from a custodian of funds	Time (days)	1	1	1	1	The minimum shareholder contribution is EUR 750. Before registering a company, at least 30% of each shareholder's contribution and 50% (EUR 2,500) of the minimum registered capital must be paid. The trustee is obliged to issue an affidavit concerning the paid in capital contribution in written form.
	Cost (EUR)	no cost	no cost	no cost	no cost	
4. Obtain at the tax authority office a form showing the partners tax arrears	Time (days)	5	2	3	3	To start up a limited liability company, it is necessary to obtain at the tax authority office a form showing the partners tax arrears. If the tax debits of each partner exceed EUR 170, it is not possible to start up a limited liability company.
	Cost (EUR)	no cost	no cost	no cost	no cost	
5. Apply at the One-stop shop for trade license, register for income tax and with the District Court	Time (days)	9	5	7	5	At the Trade Licensing Office, one can apply for trade license, commercial registration and income tax with one application form. The electronic application for a standard trade license is free of charge and it's done on the spot. The fee for online commercial registration is EUR 150 and is done within 2 days. Tax registration can take between 2 and 6 days.
	Cost (EUR)	150	150	150	150	
6. Register for VAT	Time (days)	10	6	6	5	A company is obliged by law to register for VAT if the company reaches turnover of at least EUR 49 790. In addition, companies can register for VAT voluntarily, as soon as they are registered into the Company Register in order to satisfy their business needs.
	Cost (EUR)	no cost	no cost	no cost	no cost	
7. Register with pension, sickness, and disability insurance and unemployment insurance at the local social insurance company*	Time (days)	1	1	1	1	For social security, the company must register itself as an employer within eight days following the day it started to employ at least one employee; it must also register all new employees with the Social Insurance Company before they begin to work.
	Cost (EUR)	no cost	no cost	no cost	no cost	
8. Register the employer and employees at a health insurance company*	Time (days)	1	1	1	1	Once a new company becomes an employer, it has to register as such with the health insurance company/companies of choice. If employees are insured in multiple health insurance companies, the company has to be registered as employer in all of the relevant ones.
	Cost (EUR)	no cost	no cost	no cost	no cost	

Source: *Doing Business* database.

\*Takes place simultaneously with previous procedure.

## LIST OF PROCEDURES DEALING WITH CONSTRUCTION PERMITS

### CROATIA

#### Osijek (Croatia)

Warehouse value: HRK 3,990,156 (USD 605,500)

Data as of: February 15, 2018

#### Procedure 1. Obtain geomechanics study (soil study)

**Agency:** Private Firm

**Time:** 15 days

**Cost:** HRK 12,750

#### Procedure 2\*. Hire a geodetic engineer to produce a geodetic study

**Agency:** Private Firm

**Time:** 15 days

**Cost:** HRK 7,250

#### Procedure 3\*. Obtain notification on conditions from waste collection department

**Agency:** Waste Collection Department

**Time:** 14 days

**Cost:** No cost

#### Procedure 4\*. Obtain notification on conditions from the local water authority

**Agency:** Waterworks Osijek

**Time:** 14 days

**Cost:** No cost

#### Procedure 5\*. Obtain notification on conditions from the Inspectorate for Fire at the Ministry of Interior Affairs

**Agency:** Inspectorate for Fire at the Ministry of Interior Affairs

**Time:** 11 days

**Cost:** No cost

#### Procedure 6\*. Obtain notification on conditions from National Croatian Electric Grid

**Agency:** HEP Distribution System Operator - Elektroslovanija Osijek

**Time:** 11 days

**Cost:** No cost

#### Procedure 7. Receive clearance from the National Croatian Electric Grid

**Agency:** HEP Distribution System Operator - Elektroslovanija Osijek

**Time:** 25 days

**Cost:** No cost

#### Procedure 8\*. Receive clearance from the Local Water Authority

**Agency:** Waterworks Osijek

**Time:** 13 days

**Cost:** HRK 626

#### Procedure 9\*. Receive clearance from the Sanitary Inspection

**Agency:** Sanitary inspection

**Time:** 10 days

**Cost:** HRK 70

#### Procedure 10\*. Receive clearance from the Inspectorate for Fire at the Ministry of Interior Affairs

**Agency:** Inspectorate for Fire at the Ministry of Interior Affairs

**Time:** 7 days

**Cost:** HRK 350

#### Procedure 11\*. Obtain excerpt from the Land Registry for subject and bordering lands

**Agency:** Land Registry

**Time:** 1 day

**Cost:** HRK 20

#### Procedure 12. Request and obtain building permit

**Agency:** Municipal office for physical planning and construction

**Time:** 30 days

**Cost:** HRK 1,070

#### Procedure 13. Obtain decision from the Municipal Authority regarding utilities

**Agency:** Municipal Authority

**Time:** 30 days

**Cost:** HRK 117,045

#### Procedure 14\*. Pay water contribution to the state company Croatian Waters (Hrvatske Vode)

**Agency:** Croatian Waters (Hrvatske Vode)

**Time:** 30 days

**Cost:** HRK 39,210

#### Procedure 15\*. Hire an external supervising engineer to conduct inspections during construction

**Agency:** Private Firm

**Time:** 1 day

**Cost:** HRK 79,803

#### Procedure 16. Submit commencement notice

**Agency:** Municipal office for physical planning and construction

**Time:** 1 day

**Cost:** HRK 20

#### Procedure 17\*. Receive random inspection from labor inspectorate regarding work safety

**Agency:** Labor Inspectorate

**Time:** 1 day

**Cost:** No cost

#### Procedure 18\*. Receive random inspection from the Ministry of Construction and Physical Planning

**Agency:** Ministry of Construction and Physical Planning - Building Inspection

**Time:** 1 day

**Cost:** No cost

#### Procedure 19. Obtain water and sewerage connection

**Agency:** Osijek Waterworks

**Time:** 15 days

**Cost:** HRK 9,000

#### Procedure 20\*. Apply for occupancy (use) permit

**Agency:** Municipal office for physical planning and construction

**Time:** 1 day

**Cost:** HRK 20

#### Procedure 21. Receive final inspection

**Agency:** Municipal office for physical planning and construction

**Time:** 1 day

**Cost:** HRK 2,000

#### Procedure 22. Receive occupancy (use) permit

**Agency:** Municipal office for physical planning and construction

**Time:** 21 days

**Cost:** HRK 1,070

## DEALING WITH CONSTRUCTION PERMITS

### Rijeka (Croatia)

Warehouse value: HRK 3,990,156 (USD 605,500)

Data as of: February 15, 2018

#### Procedure 1. Obtain geomechanics study (soil study)

**Agency:** Private Firm

**Time:** 15 days

**Cost:** HRK 25,000

#### Procedure 2\*. Hire a geodetic engineer to produce a geodetic study

**Agency:** Private Firm

**Time:** 15 days

**Cost:** HRK 13,000

\*Simultaneous with previous procedure

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**Procedure 3\*. Obtain notification on conditions from National Croatian Electric Grid**

**Agency:** HEP Distribution System Operator - Elektroprimorje Rijeka  
**Time:** 22 days  
**Cost:** No cost

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**Procedure 4\*. Obtain notification on conditions from the local water authority**

**Agency:** Waterworks Rijeka  
**Time:** 17 days  
**Cost:** No cost

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**Procedure 5\*. Obtain notification on conditions from the Inspectorate for Fire at the Ministry of Interior Affairs**

**Agency:** Inspectorate for Fire at the Ministry of Interior Affairs  
**Time:** 17 days  
**Cost:** No cost

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**Procedure 6\*. Obtain notification on conditions from waste collection department**

**Agency:** Waste Collection Department  
**Time:** 9 days  
**Cost:** No cost

---

**Procedure 7. Receive clearance from the Sanitary Inspection**

**Agency:** Sanitary inspection  
**Time:** 15 days  
**Cost:** HRK 70

---

**Procedure 8\*. Receive clearance from the local water authority**

**Agency:** Waterworks Rijeka  
**Time:** 15 days  
**Cost:** No cost

---

**Procedure 9\*. Receive clearance from the Inspectorate for Fire at the Ministry of Interior Affairs**

**Agency:** Inspectorate for Fire at the Ministry of Interior Affairs  
**Time:** 15 days  
**Cost:** HRK 350

---

**Procedure 10\*. Receive clearance from the National Croatian Electric Grid**

**Agency:** HEP Distribution System Operator - Elektroprimorje Rijeka  
**Time:** 9 days  
**Cost:** No cost

---

**Procedure 11\*. Obtain excerpt from the Land Registry for subject and bordering lands**

**Agency:** Land Registry  
**Time:** 1 day  
**Cost:** HRK 20

---

**Procedure 12. Request and obtain building permit**

**Agency:** Municipal office for physical planning and construction  
**Time:** 30 days  
**Cost:** HRK 1,070

---

**Procedure 13. Obtain decision from the Municipal Authority regarding utilities**

**Agency:** Municipal Authority  
**Time:** 23 days  
**Cost:** HRK 107,915

---

**Procedure 14\*. Pay water contribution to the state company Croatian Waters (Hrvatske Vode)**

**Agency:** Croatian Waters (Hrvatske Vode)  
**Time:** 15 days  
**Cost:** HRK 39,210

---

**Procedure 15\*. Hire an external supervising engineer to conduct inspections during construction**

**Agency:** Private Firm  
**Time:** 1 day  
**Cost:** HRK 79,803

---

**Procedure 16. Submit commencement notice**

**Agency:** Municipal office for physical planning and construction  
**Time:** 1 day  
**Cost:** HRK 20

---

**Procedure 17\*. Receive random inspection from labor inspectorate regarding work safety**

**Agency:** Labor Inspectorate  
**Time:** 1 day  
**Cost:** No cost

---

**Procedure 18\*. Receive random inspection from the Ministry of Construction and Physical Planning**

**Agency:** Ministry of Construction and Physical Planning - Building Inspection  
**Time:** 1 day  
**Cost:** No cost

---

**Procedure 19. Obtain water and sewerage connection**

**Agency:** Waterworks Rijeka  
**Time:** 23 days  
**Cost:** HRK 17,000

---

**Procedure 20\*. Apply for occupancy (use) permit**

**Agency:** Municipal office for physical planning and construction  
**Time:** 1 day  
**Cost:** HRK 20

---

**Procedure 21. Receive final inspection**

**Agency:** Municipal office for physical planning and construction  
**Time:** 1 day  
**Cost:** HRK 2,040

---

**Procedure 22. Receive occupancy (use) permit**

**Agency:** Municipal office for physical planning and construction  
**Time:** 15 days  
**Cost:** HRK 1,070

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**DEALING WITH CONSTRUCTION PERMITS**
**Split (Croatia)**

*Warehouse value: HRK 3,990,156 (USD 605,500)  
 Data as of: February 15, 2018*

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**Procedure 1. Obtain geomechanics study (soil study)**

**Agency:** Private Firm  
**Time:** 15 days  
**Cost:** HRK 20,000

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**Procedure 2\*. Hire a geodetic engineer to produce a geodetic study**

**Agency:** Private Firm  
**Time:** 15 days  
**Cost:** HRK 11,500

---

**Procedure 3\*. Obtain notification on conditions from National Croatian Electric Grid**

**Agency:** HEP Distribution System Operator - Elektrodalmacija Split  
**Time:** 30 days  
**Cost:** No cost

---

**Procedure 4\*. Obtain notification on conditions from the Inspectorate for Fire at the Ministry of Interior Affairs**

**Agency:** Inspectorate for Fire at the Ministry of Interior Affairs  
**Time:** 12 days  
**Cost:** No cost

**Procedure 5\*. Obtain notification on conditions from waste collection department**

**Agency:** Waste Collection Department  
**Time:** 12 days  
**Cost:** No cost

**Procedure 6\*. Obtain notification on conditions from the local water authority**

**Agency:** Waterworks and sewerage Split  
**Time:** 12 days  
**Cost:** No cost

**Procedure 7. Receive clearance from the National Croatian Electric Grid**

**Agency:** HEP Distribution System Operator - Elektrodalmacija Split  
**Time:** 20 days  
**Cost:** No cost

**Procedure 8\*. Receive clearance from the Inspectorate for Fire at the Ministry of Interior Affairs**

**Agency:** Inspectorate for Fire at the Ministry of Interior Affairs  
**Time:** 20 days  
**Cost:** HRK 350

**Procedure 9\*. Receive clearance from the waste collection department**

**Agency:** Waste Collection Department  
**Time:** 10 days  
**Cost:** No cost

**Procedure 10\*. Receive clearance from the Sanitary Inspection**

**Agency:** Sanitary inspection  
**Time:** 10 days  
**Cost:** HRK 70

**Procedure 11\*. Receive clearance from the local water authority**

**Agency:** Waterworks and sewerage Split  
**Time:** 10 days  
**Cost:** No cost

**Procedure 12\*. Obtain excerpt from the Land Registry for subject and bordering lands**

**Agency:** Land Registry  
**Time:** 3 days  
**Cost:** HRK 20

**Procedure 13. Request and obtain building permit**

**Agency:** Municipal office for physical planning and construction  
**Time:** 90 days  
**Cost:** HRK 1,070

**Procedure 14. Obtain decision from the Municipal Authority regarding utilities**

**Agency:** Municipal Authority  
**Time:** 20 days  
**Cost:** HRK 458,621

**Procedure 15\*. Pay water contribution to the state company Croatian Waters (Hrvatske Vode)**

**Agency:** Croatian Waters (Hrvatske Vode)  
**Time:** 15 days  
**Cost:** HRK 39,210

**Procedure 16\*. Hire an external supervising engineer to conduct inspections during construction**

**Agency:** Private Firm  
**Time:** 1 day  
**Cost:** HRK 59,852

**Procedure 17. Submit commencement notice**

**Agency:** Municipal office for physical planning and construction  
**Time:** 1 day  
**Cost:** HRK 20

**Procedure 18\*. Receive random inspection from labor inspectorate regarding work safety**

**Agency:** Labor Inspectorate  
**Time:** 1 day  
**Cost:** No cost

**Procedure 19\*. Receive random inspection from the Ministry of Construction and Physical Planning**

**Agency:** Ministry of Construction and Physical Planning - Building Inspection  
**Time:** 1 day  
**Cost:** No cost

**Procedure 20. Obtain water and sewerage connection**

**Agency:** Waterworks and Sewerage Split  
**Time:** 30 days  
**Cost:** HRK 8,000

**Procedure 21\*. Apply for occupancy (use) permit**

**Agency:** Municipal office for physical planning and construction  
**Time:** 1 day  
**Cost:** HRK 20

**Procedure 22. Receive final inspection**

**Agency:** Municipal office for physical planning and construction  
**Time:** 1 day  
**Cost:** HRK 2,000

**Procedure 23. Receive occupancy (use) permit**

**Agency:** Municipal office for physical planning and construction  
**Time:** 30 days  
**Cost:** HRK 1,070

## DEALING WITH CONSTRUCTION PERMITS

**Varazdin (Croatia)**

*Warehouse value: HRK 3,990,156 (USD 605,500)  
 Data as of: February 15, 2018*

**Procedure 1. Obtain geomechanics study (soil study)**

**Agency:** Private Firm  
**Time:** 15 days  
**Cost:** HRK 12,000

**Procedure 2\*. Hire a geodetic engineer to produce a geodetic study**

**Agency:** Private Firm  
**Time:** 15 days  
**Cost:** HRK 9,000

**Procedure 3\*. Obtain notification on conditions from the Inspectorate for Fire at the Ministry of Interior Affairs**

**Agency:** Inspectorate for Fire at the Ministry of Interior Affairs  
**Time:** 14 days  
**Cost:** No cost

**Procedure 4\*. Obtain notification on conditions from National Croatian Electric Grid**

**Agency:** HEP Distribution System Operator - Elektra Varazdin  
**Time:** 14 days  
**Cost:** No cost

**Procedure 5\*. Obtain notification on conditions from waste collection department**

**Agency:** Waste Collection Department  
**Time:** 14 days  
**Cost:** No cost

**Procedure 6\*. Obtain notification on conditions from the local water authority**

**Agency:** Water and sewerage - Varkom d.d.  
**Time:** 14 days  
**Cost:** No cost

**Procedure 7. Receive clearance from the Local Water Authority**

**Agency:** Water and sewerage - Varkom d.d.  
**Time:** 14 days  
**Cost:** HRK 358

\*Simultaneous with previous procedure

**Procedure 8\*. Receive clearance from the National Croatian Electric Grid****Agency:** HEP Distribution System Operator - Elektra Varazdin**Time:** 8 days**Cost:** No cost**Procedure 9\*. Receive clearance from the Sanitary Inspection****Agency:** Sanitary inspection**Time:** 5 days**Cost:** HRK 70**Procedure 10\*. Receive clearance from the Inspectorate for Fire at the Ministry of Interior Affairs****Agency:** Inspectorate for Fire at the Ministry of Interior Affairs**Time:** 8 days**Cost:** HRK 350**Procedure 11\*. Obtain excerpt from the Land Registry for subject and bordering lands****Agency:** Land Registry**Time:** 1 day**Cost:** HRK 20**Procedure 12. Request and obtain building permit****Agency:** Municipal office for physical planning and construction**Time:** 15 days**Cost:** HRK 1,070**Procedure 13. Obtain decision from the Municipal Authority regarding utilities****Agency:** Municipal Authority**Time:** 30 days**Cost:** HRK 58,520**Procedure 14\*. Pay water contribution to the state company Croatian Waters (Hrvatske Vode)****Agency:** Croatian Waters (Hrvatske Vode)**Time:** 15 days**Cost:** HRK 39,210**Procedure 15\*. Hire an external supervising engineer to conduct inspections during construction****Agency:** Private Firm**Time:** 1 day**Cost:** HRK 79,803**Procedure 16. Submit commencement notice****Agency:** Municipal office for physical planning and construction**Time:** 1 day**Cost:** HRK 20**Procedure 17\*. Receive random inspection from the Ministry of Construction and Physical Planning****Agency:** Ministry of Construction and Physical Planning - Building Inspection**Time:** 1 day**Cost:** No cost**Procedure 18. Obtain water and sewerage connection****Agency:** Waterworks Varazdin**Time:** 10 days**Cost:** HRK 7,000**Procedure 19\*. Apply for occupancy (use) permit****Agency:** Municipal office for physical planning and construction**Time:** 1 day**Cost:** HRK 20**Procedure 20. Receive final inspection****Agency:** Municipal office for physical planning and construction**Time:** 1 day**Cost:** HRK 2,375**Procedure 21. Receive occupancy (use) permit****Agency:** Municipal office for physical planning and construction**Time:** 21 days**Cost:** HRK 1,070

## DEALING WITH CONSTRUCTION PERMITS

**Zagreb (Croatia)***Warehouse value: HRK 3,990,156 (USD 605,500)**Data as of: February 15, 2018***Procedure 1. Obtain geomechanics study (soil study)****Agency:** Private Firm**Time:** 15 days**Cost:** HRK 25,000**Procedure 2\*. Hire a geodetic engineer to produce a geodetic study****Agency:** Private Firm**Time:** 15 days**Cost:** HRK 10,000**Procedure 3\*. Obtain notification on conditions from the Inspectorate for Fire at the Ministry of Interior Affairs****Agency:** Inspectorate for Fire at the Ministry of Interior Affairs**Time:** 15 days**Cost:** No cost**Procedure 4\*. Obtain notification on conditions from National Croatian Electric Grid****Agency:** HEP Distribution System Operator - Elektra Zagreb**Time:** 15 days**Cost:** No cost**Procedure 5\*. Obtain notification on conditions from waste collection department****Agency:** Waste Collection Department**Time:** 15 days**Cost:** No cost**Procedure 6\*. Obtain notification on conditions from the local water authority****Agency:** Zagreb Holding d.o.o. - Water and sewerage**Time:** 15 days**Cost:** No cost**Procedure 7. Receive clearance from the waste collection department****Agency:** Waste Collection Department**Time:** 30 days**Cost:** No cost**Procedure 8\*. Receive clearance from the Sanitary Inspection****Agency:** Sanitary Inspection**Time:** 24 days**Cost:** HRK 70**Procedure 9\*. Receive clearance from the National Croatian Electric Grid****Agency:** HEP Distribution System Operator - Elektra Zagreb**Time:** 15 days**Cost:** No cost**Procedure 10\*. Receive clearance from the local water authority****Agency:** Zagreb Holding d.o.o. - Water and sewerage**Time:** 14 days**Cost:** No cost

\*Simultaneous with previous procedure

**Procedure 11\*. Receive clearance from the Inspectorate for Fire at the Ministry of Interior Affairs****Agency:** Inspectorate for Fire at the Ministry of Interior Affairs**Time:** 25 days**Cost:** HRK 350**Procedure 12\*. Obtain excerpt from the Land Registry for subject and bordering lands****Agency:** Land Registry**Time:** 1 day**Cost:** HRK 20**Procedure 13. Request and obtain building permit****Agency:** Municipal office for physical planning and construction**Time:** 30 days**Cost:** HRK 1,070**Procedure 14. Obtain decision from the Municipal Authority regarding utilities****Agency:** Municipal Authority**Time:** 22 days**Cost:** HRK 292,613**Procedure 15\*. Pay water contribution to the state company Croatian Waters (Hrvatske Vode)****Agency:** Croatian Waters (Hrvatske Vode)**Time:** 15 days**Cost:** HRK 65,272**Procedure 16\*. Hire an external supervising engineer to conduct inspections during construction****Agency:** Private Firm**Time:** 1 day**Cost:** HRK 59,852**Procedure 17. Submit commencement notice****Agency:** Municipal office for physical planning and construction**Time:** 1 day**Cost:** HRK 20**Procedure 18\*. Receive random inspection from the Ministry of Construction and Physical Planning****Agency:** Ministry of Construction and Physical Planning - Building Inspection**Time:** 1 day**Cost:** No cost**Procedure 19. Obtain water and sewerage connection****Agency:** Zagreb Holding d.o.o. - Water and sewerage**Time:** 20 days**Cost:** HRK 8,000**Procedure 20\*. Apply for occupancy (use) permit****Agency:** Municipal office for physical planning and construction**Time:** 1 day**Cost:** HRK 20**Procedure 21. Receive final inspection****Agency:** Municipal office for physical planning and construction**Time:** 1 day**Cost:** HRK 2,040**Procedure 22. Receive occupancy (use) permit****Agency:** Municipal office for physical planning and construction**Time:** 21 days**Cost:** HRK 1,070

## DEALING WITH CONSTRUCTION PERMITS

**CZECH REPUBLIC****Brno (Czech Republic)***Warehouse value: CZK 21,036,007 (USD 878,500)**Data as of: February 15, 2018***Procedure 1 . Obtain project design clearance for the zoning permit from the Public Health Office****Agency:** Public Health Office**Time:** 30 days**Cost:** No cost**Procedure 2\*. Confirm possibility to connect and obtain technical conditions from the local water and sewerage company****Agency:** Brněnské vodárny a kanalizace, a.s.**Time:** 30 days**Cost:** No cost**Procedure 3\*. Obtain project design clearance for the zoning permit from the Environmental Department****Agency:** Municipality, Environmental Department**Time:** 30 days**Cost:** No cost**Procedure 4\*. Obtain project design clearance for the zoning permit from the Fire Department****Agency:** Fire Department**Time:** 30 days**Cost:** No cost**Procedure 5\*. Obtain project design clearance for the zoning permit from the Transport Office****Agency:** Municipality, Transport Office**Time:** 25 days**Cost:** CZK 500**Procedure 6\*. Confirm possibility to connect and obtain technical conditions from the local electricity distribution company****Agency:** E.ON Distribuce, a.s.**Time:** 23 days**Cost:** No cost**Procedure 7. Request and obtain the zoning permit****Agency:** Municipality, Building Office**Time:** 55 days**Cost:** CZK 20,000**Procedure 8. Obtain project design clearance for the construction permit from the Transport Office****Agency:** Municipality, Transport Office**Time:** 30 days**Cost:** No cost**Procedure 9\*. Obtain project design clearance from the local water and sewerage company****Agency:** Brněnské vodárny a kanalizace, a.s.**Time:** 25 days**Cost:** No cost**Procedure 10\*. Obtain project design clearance from the electricity distribution company****Agency:** E.ON Distribuce, a.s.**Time:** 20 days**Cost:** No cost**Procedure 11\*. Obtain project design clearance for the construction permit from the Public Health Office****Agency:** Public Health Office**Time:** 21 days**Cost:** No cost

\*Simultaneous with previous procedure

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### Procedure 12\*. Obtain project design clearance for the construction permit from the Fire Department

**Agency:** Fire Department  
**Time:** 18 days  
**Cost:** No cost

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### Procedure 13. Request and obtain the construction permit

**Agency:** Municipality, Building Office  
**Time:** 41 days  
**Cost:** CZK 10,000

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### Procedure 14. Request and obtain water and sewerage connection

**Agency:** Brněnské vodárny a kanalizace, a.s.  
**Time:** 18 days  
**Cost:** CZK 4,000

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### Procedure 15\*. Request a private geodesist to survey the land after construction

**Agency:** Authorized Geodesist  
**Time:** 23 days  
**Cost:** CZK 15,000

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### Procedure 16\*. Request the occupancy permit

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** CZK 1,000

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### Procedure 17. Receive the final inspection

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** No cost

---

### Procedure 18. Receive the occupancy permit

**Agency:** Municipality, Building Office  
**Time:** 15 days  
**Cost:** No cost

---

### Procedure 19. Request and obtain the evidence number for the building

**Agency:** Municipality, Building Office  
**Time:** 7 days  
**Cost:** No cost

---

### Procedure 20. Register the building with the Cadaster

**Agency:** Cadastral Office  
**Time:** 30 days  
**Cost:** No cost

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## DEALING WITH CONSTRUCTION PERMITS

### Liberec (Czech Republic)

*Warehouse value: CZK 21,036,007 (USD 878,500)  
 Data as of: February 15, 2018*

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### Procedure 1. Hold a preliminary meeting with the Environmental Department

**Agency:** Municipality, Environmental Department  
**Time:** 1 day  
**Cost:** No cost

---

### Procedure 2. Confirm possibility to connect and obtain technical conditions from the local water and sewerage company

**Agency:** Severočeské vodovody a kanalizace, a.s.  
**Time:** 30 days  
**Cost:** No cost

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### Procedure 3\*. Confirm possibility to connect and obtain technical conditions from the local electricity distribution company

**Agency:** ČEZ Distribuce, a.s.  
**Time:** 30 days  
**Cost:** No cost

---

### Procedure 4\*. Obtain project design clearance for the zoning permit from the Environmental Department

**Agency:** Municipality, Environmental Department  
**Time:** 30 days  
**Cost:** No cost

---

### Procedure 5\*. Obtain project design clearance for the zoning permit from the Public Health Office

**Agency:** Public Health Office  
**Time:** 30 days  
**Cost:** No cost

---

### Procedure 6\*. Obtain project design clearance for the zoning permit from the Transport Office

**Agency:** Municipality, Transport Office  
**Time:** 30 days  
**Cost:** CZK 500

---

### Procedure 7\*. Obtain project design clearance for the zoning permit from the Fire Department

**Agency:** Fire Department  
**Time:** 30 days  
**Cost:** No cost

---

### Procedure 8. Request and obtain the zoning permit

**Agency:** Municipality, Building Office  
**Time:** 60 days  
**Cost:** CZK 20,000

---

### Procedure 9. Obtain project design clearance for the construction permit from the Public Health Office

**Agency:** Public Health Office  
**Time:** 30 days  
**Cost:** No cost

---

### Procedure 10\*. Obtain project design clearance from the local water and sewerage company

**Agency:** Severočeské vodovody a kanalizace, a.s.  
**Time:** 30 days  
**Cost:** No cost

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### Procedure 11\*. Obtain project design clearance for the construction permit from the Fire Department

**Agency:** Fire Department  
**Time:** 30 days  
**Cost:** No cost

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### Procedure 12\*. Obtain project design clearance for the construction permit from the Transport Office

**Agency:** Municipality, Transport Office  
**Time:** 28 days  
**Cost:** No cost

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### Procedure 13\*. Obtain project design clearance from the electricity distribution company

**Agency:** ČEZ Distribuce, a.s.  
**Time:** 15 days  
**Cost:** No cost

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### Procedure 14. Request and obtain the construction permit

**Agency:** Municipality, Building Office  
**Time:** 30 days  
**Cost:** CZK 10,000

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### Procedure 15. Request and obtain water and sewerage connection

**Agency:** Severočeské vodovody a kanalizace, a.s.  
**Time:** 30 days  
**Cost:** CZK 6,250

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### Procedure 16\*. Request a private geodesist to survey the land after construction

**Agency:** Authorized Geodesist  
**Time:** 15 days  
**Cost:** CZK 15,000

\*Simultaneous with previous procedure

**Procedure 17\*. Request the occupancy permit****Agency:** Municipality, Building Office**Time:** 1 day**Cost:** CZK 1,000**Procedure 18. Receive the final inspection****Agency:** Municipality, Building Office**Time:** 1 day**Cost:** No cost**Procedure 19. Receive the occupancy permit****Agency:** Municipality, Building Office**Time:** 15 days**Cost:** No cost**Procedure 20. Request and obtain the evidence number for the building****Agency:** Municipality, Building Office**Time:** 5 days**Cost:** No cost**Procedure 21. Register the building with the Cadaster****Agency:** Cadastral Office**Time:** 30 days**Cost:** No cost

## DEALING WITH CONSTRUCTION PERMITS

**Olomouc (Czech Republic)***Warehouse value: CZK 21,036,007 (USD 878,500)**Data as of: February 15, 2018***Procedure 1. Hold a preliminary meeting with the Environmental Department****Agency:** Municipality, Environmental Department**Time:** 1 day**Cost:** No cost**Procedure 2. Obtain project design clearance for the zoning permit from the Environmental Department****Agency:** Municipality, Environmental Department**Time:** 30 days**Cost:** No cost**Procedure 3\*. Obtain project design clearance for the zoning permit from the Transport Office****Agency:** Municipality, Transport Office**Time:** 30 days**Cost:** CZK 500**Procedure 4\*. Obtain project design clearance for the zoning permit from the Public Health Office****Agency:** Public Health Office**Time:** 30 days**Cost:** No cost**Procedure 5\*. Obtain project design clearance for the zoning permit from the Fire Department****Agency:** Fire Department**Time:** 30 days**Cost:** No cost**Procedure 6\*. Confirm possibility to connect and obtain technical conditions from the local water and sewerage company****Agency:** Moravská vodárenská, a.s.**Time:** 22 days**Cost:** No cost**Procedure 7\*. Confirm possibility to connect and obtain technical conditions from the local electricity distribution company****Agency:** ČEZ Distribuce, a.s.**Time:** 22 days**Cost:** No cost**Procedure 8. Request and obtain the zoning permit****Agency:** Municipality, Building Office**Time:** 60 days**Cost:** CZK 20,000**Procedure 9. Obtain project design clearance for the construction permit from the Fire Department****Agency:** Fire Department**Time:** 45 days**Cost:** No cost**Procedure 10\*. Obtain project design clearance from the electricity distribution company****Agency:** ČEZ Distribuce, a.s.**Time:** 25 days**Cost:** No cost**Procedure 11\*. Obtain project design clearance from the local water and sewerage company****Agency:** Moravská vodárenská, a.s.**Time:** 30 days**Cost:** No cost**Procedure 12\*. Obtain project design clearance for the construction permit from the Public Health Office****Agency:** Public Health Office**Time:** 30 days**Cost:** No cost**Procedure 13\*. Obtain project design clearance for the construction permit from the Transport Office****Agency:** Municipality, Transport Office**Time:** 30 days**Cost:** No cost**Procedure 14. Request and obtain the construction permit****Agency:** Municipality, Building Office**Time:** 45 days**Cost:** CZK 10,000**Procedure 15. Request and obtain water and sewerage connection****Agency:** Moravská vodárenská, a.s.**Time:** 30 days**Cost:** CZK 5,008**Procedure 16\*. Request a private geodesist to survey the land after construction****Agency:** Authorized Geodesist**Time:** 25 days**Cost:** CZK 15,000**Procedure 17\*. Request the occupancy permit****Agency:** Municipality, Building Office**Time:** 1 day**Cost:** CZK 1,000**Procedure 18. Receive the final inspection****Agency:** Municipality, Building Office**Time:** 1 day**Cost:** No cost**Procedure 19. Receive the occupancy permit****Agency:** Municipality, Building Office**Time:** 15 days**Cost:** No cost**Procedure 20. Request and obtain the evidence number for the building****Agency:** Municipality, Building Office**Time:** 10 days**Cost:** No cost

\*Simultaneous with previous procedure

**Procedure 21. Register the building with the Cadaster****Agency:** Cadastral Office**Time:** 30 days**Cost:** No cost

## DEALING WITH CONSTRUCTION PERMITS

**Ostrava (Czech Republic)***Warehouse value: CZK 21,036,007 (USD 878,500)**Data as of: February 15, 2018***Procedure 1. Obtain project design clearance for the zoning permit from the Environmental Department****Agency:** Municipality, Environmental Department**Time:** 30 days**Cost:** No cost**Procedure 2\*. Confirm possibility to connect and obtain technical conditions from the local water and sewerage company****Agency:** Ostravské vodárny a kanalizace, a.s.**Time:** 30 days**Cost:** No cost**Procedure 3\*. Obtain project design clearance for the zoning permit from the Public Health Office****Agency:** Public Health Office**Time:** 30 days**Cost:** No cost**Procedure 4\*. Obtain project design clearance for the zoning permit from the Fire Department****Agency:** Fire Department**Time:** 25 days**Cost:** No cost**Procedure 5\*. Obtain project design clearance for the zoning permit from the Transport Office****Agency:** Municipality, Transport Office**Time:** 25 days**Cost:** CZK 500**Procedure 6\*. Confirm possibility to connect and obtain technical conditions from the local electricity distribution company****Agency:** ČEZ Distribuce, a.s.**Time:** 20 days**Cost:** No cost**Procedure 7. Request and obtain the zoning permit****Agency:** Municipality, Building Office**Time:** 60 days**Cost:** CZK 20,000**Procedure 8. Obtain project design clearance from the local water and sewerage company****Agency:** Ostravské vodárny a kanalizace, a.s.**Time:** 30 days**Cost:** No cost**Procedure 9\*. Obtain project design clearance from the electricity distribution company****Agency:** ČEZ Distribuce, a.s.**Time:** 30 days**Cost:** No cost**Procedure 10\*. Obtain project design clearance for the construction permit from the Public Health Office****Agency:** Public Health Office**Time:** 30 days**Cost:** No cost**Procedure 11\*. Obtain project design clearance for the construction permit from the Transport Office****Agency:** Municipality, Transport Office**Time:** 30 days**Cost:** No cost**Procedure 12\*. Obtain project design clearance for the construction permit from the Fire Department****Agency:** Fire Department**Time:** 23 days**Cost:** No cost**Procedure 13. Request and obtain the construction permit****Agency:** Municipality, Building Office**Time:** 48 days**Cost:** CZK 10,000**Procedure 14. Request and obtain water and sewerage connection****Agency:** Ostravské vodárny a kanalizace, a.s.**Time:** 30 days**Cost:** CZK 5,000**Procedure 15\*. Request a private geodesist to survey the land after construction****Agency:** Authorized Geodesist**Time:** 22 days**Cost:** CZK 15,000**Procedure 16\*. Request the occupancy permit****Agency:** Municipality, Building Office**Time:** 1 day**Cost:** CZK 1,000**Procedure 17. Receive the final inspection****Agency:** Municipality, Building Office**Time:** 1 day**Cost:** No cost**Procedure 18. Receive the occupancy permit****Agency:** Municipality, Building Office**Time:** 11 days**Cost:** No cost**Procedure 19. Request and obtain the evidence number for the building****Agency:** Municipality, Building Office**Time:** 13 days**Cost:** No cost**Procedure 20. Register the building with the Cadaster****Agency:** Cadastral Office**Time:** 22 days**Cost:** No cost

## DEALING WITH CONSTRUCTION PERMITS

**Plzen (Czech Republic)***Warehouse value: CZK 21,036,007 (USD 878,500)**Data as of: February 15, 2018***Procedure 1. Hold a preliminary meeting with the Environmental Department****Agency:** Municipality, Environmental Department**Time:** 1 day**Cost:** No cost**Procedure 2. Confirm possibility to connect and obtain technical conditions from the local water and sewerage company****Agency:** Vodárna Plzeň, a.s.**Time:** 30 days**Cost:** No cost**Procedure 3\*. Obtain project design clearance for the zoning permit from the Environmental Department****Agency:** Municipality, Environmental Department**Time:** 30 days**Cost:** No cost

\*Simultaneous with previous procedure

**Procedure 4\*. Obtain project design clearance for the zoning permit from the Public Health Office**

**Agency:** Public Health Office  
**Time:** 30 days  
**Cost:** No cost

**Procedure 5\*. Obtain project design clearance for the zoning permit from the Fire Department**

**Agency:** Fire Department  
**Time:** 30 days  
**Cost:** No cost

**Procedure 6\*. Confirm possibility to connect and obtain technical conditions from the local electricity distribution company**

**Agency:** ČEZ Distribuce, a.s.  
**Time:** 20 days  
**Cost:** No cost

**Procedure 7\*. Obtain project design clearance for the zoning permit from the Transport Office**

**Agency:** Municipality, Transport Office  
**Time:** 15 days  
**Cost:** CZK 500

**Procedure 8. Request and obtain the zoning permit**

**Agency:** Municipality, Building Office  
**Time:** 60 days  
**Cost:** CZK 20,000

**Procedure 9. Obtain project design clearance from the local water and sewerage company**

**Agency:** Vodárna Plzeň, a.s.  
**Time:** 30 days  
**Cost:** No cost

**Procedure 10\*. Obtain project design clearance from the electricity distribution company**

**Agency:** ČEZ Distribuce, a.s.  
**Time:** 30 days  
**Cost:** No cost

**Procedure 11\*. Obtain project design clearance for the construction permit from the Public Health Office**

**Agency:** Public Health Office  
**Time:** 30 days  
**Cost:** No cost

**Procedure 12\*. Obtain project design clearance for the construction permit from the Transport Office**

**Agency:** Municipality, Transport Office  
**Time:** 30 days  
**Cost:** No cost

**Procedure 13\*. Obtain project design clearance for the construction permit from the Fire Department**

**Agency:** Fire Department  
**Time:** 30 days  
**Cost:** No cost

**Procedure 14. Request and obtain the construction permit**

**Agency:** Municipality, Building Office  
**Time:** 40 days  
**Cost:** CZK 10,000

**Procedure 15. Request and obtain water and sewerage connection**

**Agency:** Vodárna Plzeň, a.s.  
**Time:** 30 days  
**Cost:** CZK 6,000

**Procedure 16\*. Request a private geodesist to survey the land after construction**

**Agency:** Authorized Geodesist  
**Time:** 30 days  
**Cost:** CZK 15,000

**Procedure 17\*. Request the occupancy permit**

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** CZK 1,000

**Procedure 18. Receive the final inspection**

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** No cost

**Procedure 19. Receive the occupancy permit**

**Agency:** Municipality, Building Office  
**Time:** 12 days  
**Cost:** No cost

**Procedure 20. Request and obtain the evidence number for the building**

**Agency:** Municipality, Building Office  
**Time:** 15 days  
**Cost:** No cost

**Procedure 21. Register the building with the Cadaster**

**Agency:** Cadastral Office  
**Time:** 30 days  
**Cost:** No cost

## DEALING WITH CONSTRUCTION PERMITS

**Prague (Czech Republic)**

*Warehouse value: CZK 21,036,007 (USD 878,500)  
 Data as of: February 15, 2018*

**Procedure 1. Hold a preliminary meeting with the Environmental Department**

**Agency:** Municipality, Environmental Department  
**Time:** 1 day  
**Cost:** No cost

**Procedure 2. Obtain project design clearance for the zoning permit from the Public Health Office**

**Agency:** Public Health Office  
**Time:** 30 days  
**Cost:** No cost

**Procedure 3\*. Confirm possibility to connect and obtain technical conditions from the local water and sewerage company**

**Agency:** Pražské vodovody a kanalizace, a.s.  
**Time:** 30 days  
**Cost:** No cost

**Procedure 4\*. Obtain project design clearance for the zoning permit from the Environmental Department**

**Agency:** Municipality, Environmental Department  
**Time:** 30 days  
**Cost:** No cost

**Procedure 5\*. Confirm possibility to connect and obtain technical conditions from the local electricity distribution company**

**Agency:** PREdistribuce, a.s.  
**Time:** 20 days  
**Cost:** No cost

**Procedure 6\*. Obtain project design clearance for the zoning permit from the Transport Office**

**Agency:** Municipality, Transport Office  
**Time:** 20 days  
**Cost:** CZK 500

\*Simultaneous with previous procedure

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**Procedure 7\*. Obtain project design clearance for the zoning permit from the Fire Department**

**Agency:** Fire Department  
**Time:** 10 days  
**Cost:** No cost

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**Procedure 8. Request and obtain the zoning permit**

**Agency:** Municipality, Building Office  
**Time:** 60 days  
**Cost:** CZK 20,000

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**Procedure 9. Obtain project design clearance for the construction permit from the Public Health Office**

**Agency:** Public Health Office  
**Time:** 30 days  
**Cost:** No cost

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**Procedure 10\*. Obtain project design clearance for the construction permit from the Transport Office**

**Agency:** Municipality, Transport Office  
**Time:** 30 days  
**Cost:** No cost

---

**Procedure 11\*. Obtain project design clearance from the local water and sewerage company**

**Agency:** Pražské vodovody a kanalizace, a.s.  
**Time:** 30 days  
**Cost:** No cost

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**Procedure 12\*. Obtain project design clearance for the construction permit from the Fire Department**

**Agency:** Fire Department  
**Time:** 20 days  
**Cost:** No cost

---

**Procedure 13\*. Obtain project design clearance from the electricity distribution company**

**Agency:** PREdistribuce, a.s.  
**Time:** 20 days  
**Cost:** No cost

---

**Procedure 14. Request and obtain the construction permit**

**Agency:** Municipality, Building Office  
**Time:** 37 days  
**Cost:** CZK 10,000

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**Procedure 15. Request and obtain water and sewerage connection**

**Agency:** Pražské vodovody a kanalizace, a.s.  
**Time:** 30 days  
**Cost:** CZK 5,500

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**Procedure 16\*. Request a private geodesist to survey the land after construction**

**Agency:** Authorized Geodesist  
**Time:** 30 days  
**Cost:** CZK 15,000

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**Procedure 17\*. Request the occupancy permit**

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** CZK 1,000

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**Procedure 18. Receive the final inspection**

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** No cost

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**Procedure 19. Receive the occupancy permit**

**Agency:** Municipality, Building Office  
**Time:** 15 days  
**Cost:** No cost

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**Procedure 20. Request and obtain the evidence number for the building**

**Agency:** Municipality, Building Office  
**Time:** 7 days  
**Cost:** No cost

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**Procedure 21. Register the building with the Cadaster**

**Agency:** Cadastral Office  
**Time:** 30 days  
**Cost:** No cost

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**DEALING WITH CONSTRUCTION PERMITS**
**Usti nad Labem (Czech Republic)**

*Warehouse value: CZK 21,036,007 (USD 878,500)  
 Data as of: February 15, 2018*

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**Procedure 1. Confirm possibility to connect and obtain technical conditions from the local water and sewerage company**

**Agency:** Severočeské vodovody a kanalizace, a.s.  
**Time:** 30 days  
**Cost:** No cost

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**Procedure 2\*. Confirm possibility to connect and obtain technical conditions from the local electricity distribution company**

**Agency:** ČEZ Distribuce, a.s.  
**Time:** 30 days  
**Cost:** No cost

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**Procedure 3\*. Obtain project design clearance for the zoning permit from the Public Health Office**

**Agency:** Public Health Office  
**Time:** 30 days  
**Cost:** No cost

---

**Procedure 4\*. Obtain project design clearance for the zoning permit from the Environmental Department**

**Agency:** Municipality, Environmental Department  
**Time:** 30 days  
**Cost:** No cost

---

**Procedure 5\*. Obtain project design clearance for the zoning permit from the Transport Office**

**Agency:** Municipality, Transport and property ownership office  
**Time:** 30 days  
**Cost:** CZK 500

---

**Procedure 6\*. Obtain project design clearance for the zoning permit from the Fire Department**

**Agency:** Fire Department  
**Time:** 21 days  
**Cost:** No cost

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**Procedure 7. Request and obtain the zoning permit**

**Agency:** Municipality, Building Office  
**Time:** 60 days  
**Cost:** CZK 20,000

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**Procedure 8. Obtain project design clearance from the local water and sewerage company**

**Agency:** Severočeské vodovody a kanalizace, a.s.  
**Time:** 30 days  
**Cost:** No cost

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**Procedure 9\*. Obtain project design clearance from the electricity distribution company**

**Agency:** ČEZ Distribuce, a.s.  
**Time:** 30 days  
**Cost:** No cost

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**Procedure 10\*. Obtain project design clearance for the construction permit from the Public Health Office**

**Agency:** Public Health Office  
**Time:** 30 days  
**Cost:** No cost

\*Simultaneous with previous procedure

**Procedure 11\*. Obtain project design clearance for the construction permit from the Transport Office**

**Agency:** Municipality, Transport and property ownership office  
**Time:** 30 days  
**Cost:** No cost

**Procedure 12\*. Obtain project design clearance for the construction permit from the Fire Department**

**Agency:** Fire Department  
**Time:** 23 days  
**Cost:** No cost

**Procedure 13. Request and obtain the construction permit**

**Agency:** Municipality, Building Office  
**Time:** 45 days  
**Cost:** CZK 10,000

**Procedure 14. Request and obtain water and sewerage connection**

**Agency:** Severočeské vodovody a kanalizace, a.s.  
**Time:** 30 days  
**Cost:** CZK 7,000

**Procedure 15\*. Request a private geodesist to survey the land after construction**

**Agency:** Authorized Geodesist  
**Time:** 20 days  
**Cost:** CZK 15,000

**Procedure 16\*. Request the occupancy permit**

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** CZK 1,000

**Procedure 17. Receive the final inspection**

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** No cost

**Procedure 18. Receive the occupancy permit**

**Agency:** Municipality, Building Office  
**Time:** 15 days  
**Cost:** No cost

**Procedure 19. Request and obtain the evidence number for the building**

**Agency:** Municipality, Office for city development and investment  
**Time:** 7 days  
**Cost:** No cost

**Procedure 20. Register the building with the Cadaster**

**Agency:** Cadastral Office  
**Time:** 20 days  
**Cost:** No cost

## DEALING WITH CONSTRUCTION PERMITS

**PORTUGAL****Braga (Portugal)**

*Warehouse value: EUR 877,206 (USD 992,500)  
 Data as of: February 15, 2018*

**Procedure 1. Obtain approval of project designs from Municipality and other relevant entities**

**Agency:** Municipality  
**Time:** 150 days  
**Cost:** EUR 114 EUR

**Procedure 2. Obtain building permit and pay fee**

**Agency:** Municipality  
**Time:** 30 days  
**Cost:** EUR 1,626

**Procedure 3. Inform the Municipality about the beginning of construction**

**Agency:** Municipality  
**Time:** 1 day  
**Cost:** EUR 20

**Procedure 4\*. Inform the Labor Conditions Agency about the new construction site**

**Agency:** Labor Conditions Agency  
**Time:** 1 day  
**Cost:** No cost

**Procedure 5. Receive inspection from the Labor Conditions Agency**

**Agency:** Labor Conditions Agency  
**Time:** 1 day  
**Cost:** No cost

**Procedure 6\*. Receive inspection from Municipality**

**Agency:** Municipality  
**Time:** 1 day  
**Cost:** No cost

**Procedure 7\*. Receive inspection from the Institute of Public Markets, Real Estate and Construction**

**Agency:** Institute of Public Procurement, Real Estate and Construction (IMPIC)  
**Time:** 1 day  
**Cost:** No cost

**Procedure 8\*. Submit application for a water and sewerage connection at the Water and Sanitation Authority**

**Agency:** Water and Sanitation Authority  
**Time:** 1 day  
**Cost:** No cost

**Procedure 9. Receive inspection by Water and Sanitation Authority**

**Agency:** Water and Sanitation Authority  
**Time:** 1 day  
**Cost:** EUR 44

**Procedure 10. Obtain water and sewerage connection**

**Agency:** Water and Sanitation Authority  
**Time:** 30 days  
**Cost:** EUR 3,715

**Procedure 11. Apply for occupancy permit**

**Agency:** Municipality  
**Time:** 1 day  
**Cost:** EUR 7

**Procedure 12. Obtain occupancy permit**

**Agency:** Municipality  
**Time:** 30 days  
**Cost:** EUR 1,165

**Procedure 13. Register the building with the Tax Authority**

**Agency:** Tax Authority  
**Time:** 1 day  
**Cost:** No cost

**Procedure 14. Register the building with the Real Estate Registry**

**Agency:** Real Estate Registry  
**Time:** 10 days  
**Cost:** EUR 60

## DEALING WITH CONSTRUCTION PERMITS

**Coimbra (Portugal)**

*Warehouse value: EUR 877,206 (USD 992,500)  
 Data as of: February 15, 2018*

**Procedure 1. Obtain approval of project designs from Municipality and other relevant entities**

**Agency:** Municipality  
**Time:** 180 days  
**Cost:** EUR 105

**Procedure 2. Obtain building permit and pay fee**

**Agency:** Municipality  
**Time:** 15 days  
**Cost:** EUR 105

\*Simultaneous with previous procedure

**Procedure 3. Inform the Municipality about the beginning of construction****Agency:** Municipality**Time:** 1 day**Cost:** No cost**Procedure 4\*. Inform the Labor Conditions Agency about the new construction site****Agency:** Labor Conditions Agency**Time:** 1 day**Cost:** No cost**Procedure 5. Receive inspection from the Labor Conditions Agency****Agency:** Labor Conditions Agency**Time:** 1 day**Cost:** No cost**Procedure 6\*. Receive inspection from Municipality****Agency:** Municipality**Time:** 1 day**Cost:** No cost**Procedure 7\*. Receive inspection from the Institute of Public Markets, Real Estate and Construction****Agency:** Institute of Public Procurement, Real Estate and Construction (IMPIC)**Time:** 1 day**Cost:** No cost**Procedure 8\*. Submit application for a water and sewerage connection at the Water and Sanitation Authority****Agency:** Water and Sanitation Authority**Time:** 1 day**Cost:** No cost**Procedure 9. Receive inspection by Water and Sanitation Authority****Agency:** Water and Sanitation Authority**Time:** 1 day**Cost:** EUR 65**Procedure 10. Obtain water and sewerage connection****Agency:** Water and Sanitation Authority**Time:** 30 days**Cost:** EUR 7,845**Procedure 11. Apply for occupancy permit and pay fees****Agency:** Municipality**Time:** 1 day**Cost:** EUR 100**Procedure 12. Obtain occupancy permit****Agency:** Municipality**Time:** 21 days**Cost:** No cost**Procedure 13. Register the building with the Tax Authority****Agency:** Tax Authority**Time:** 1 day**Cost:** No cost**Procedure 14. Register the building with the Real Estate Registry****Agency:** Real Estate Registry**Time:** 10 days**Cost:** EUR 60

## DEALING WITH CONSTRUCTION PERMITS

**Evora (Portugal)***Warehouse value: EUR 877,206 (USD 992,500)**Data as of: February 15, 2018***Procedure 1. Obtain approval of project designs from Municipality and other relevant entities****Agency:** Municipality**Time:** 75 days**Cost:** No cost**Procedure 2. Obtain building permit and pay fee****Agency:** Municipality**Time:** 30 days**Cost:** EUR 1,762**Procedure 3. Inform the Municipality about the beginning of construction****Agency:** Municipality**Time:** 1 day**Cost:** No cost**Procedure 4\*. Inform the Labor Conditions Agency about the new construction site****Agency:** Labor Conditions Agency**Time:** 1 day**Cost:** No cost**Procedure 5. Receive inspection from the Labor Conditions Agency****Agency:** Labor Conditions Agency**Time:** 1 day**Cost:** No cost**Procedure 6\*. Receive inspection from Municipality****Agency:** Municipality**Time:** 1 day**Cost:** No cost**Procedure 7\*. Receive inspection from the Institute of Public Markets, Real Estate and Construction****Agency:** Institute of Public Procurement, Real Estate and Construction (IMPIC)**Time:** 1 day**Cost:** No cost**Procedure 8\*. Submit application for a water and sewerage connection at the Water and Sanitation Authority****Agency:** Water and Sanitation Authority**Time:** 1 day**Cost:** No cost**Procedure 9. Receive inspection by Water and Sanitation Authority****Agency:** Water and Sanitation Authority**Time:** 1 day**Cost:** EUR 30**Procedure 10. Obtain water and sewerage connection****Agency:** Water and Sanitation Authority**Time:** 15 days**Cost:** EUR 850**Procedure 11. Apply for occupancy permit and pay fees****Agency:** Municipality**Time:** 1 day**Cost:** EUR 823**Procedure 12. Obtain occupancy permit****Agency:** Municipality**Time:** 30 days**Cost:** No cost**Procedure 13. Register the building with the Tax Authority****Agency:** Tax Authority**Time:** 1 day**Cost:** No cost**Procedure 14. Register the building with the Real Estate Registry****Agency:** Real Estate Registry**Time:** 10 days**Cost:** EUR 60

\*Simultaneous with previous procedure

## DEALING WITH CONSTRUCTION PERMITS

## Faro (Portugal)

Warehouse value: EUR 877,206 (USD 992,500)  
Data as of: February 15, 2018

**Procedure 1. Obtain approval of project designs from Municipality and other relevant entities**

**Agency:** Municipality  
**Time:** 90 days  
**Cost:** EUR 31

**Procedure 2. Obtain building permit and pay fee**

**Agency:** Municipality  
**Time:** 30 days  
**Cost:** EUR 1,671

**Procedure 3. Inform the Municipality about the beginning of construction**

**Agency:** Municipality  
**Time:** 1 day  
**Cost:** No cost

**Procedure 4\*. Inform the Labor Conditions Agency about the new construction site**

**Agency:** Labor Conditions Agency  
**Time:** 1 day  
**Cost:** No cost

**Procedure 5. Receive inspection from the Labor Conditions Agency**

**Agency:** Labor Conditions Agency  
**Time:** 1 day  
**Cost:** No cost

**Procedure 6\*. Receive inspection from Municipality**

**Agency:** Municipality  
**Time:** 1 day  
**Cost:** No cost

**Procedure 7\*. Receive inspection from the Institute of Public Markets, Real Estate and Construction**

**Agency:** Institute of Public Procurement, Real Estate and Construction (IMPIC)  
**Time:** 1 day  
**Cost:** No cost

**Procedure 8\*. Submit application for a water and sewerage connection at the Water and Sanitation Authority**

**Agency:** Water and Sanitation Authority  
**Time:** 1 day  
**Cost:** No cost

**Procedure 9. Receive inspection by Water and Sanitation Authority**

**Agency:** Water and Sanitation Authority  
**Time:** 1 day  
**Cost:** EUR 161

**Procedure 10. Obtain water and sewerage connection**

**Agency:** Water and Sanitation Authority  
**Time:** 15 days  
**Cost:** EUR 1,250

**Procedure 11. Apply for occupancy permit and pay fees**

**Agency:** Municipality  
**Time:** 1 day  
**Cost:** EUR 630

**Procedure 12. Obtain occupancy permit**

**Agency:** Municipality  
**Time:** 21 days  
**Cost:** No cost

**Procedure 13. Register the building with the Tax Authority**

**Agency:** Tax Authority  
**Time:** 1 day  
**Cost:** No cost

**Procedure 14. Register the building with the Real Estate Registry**

**Agency:** Real Estate Registry  
**Time:** 5 days  
**Cost:** EUR 60

## DEALING WITH CONSTRUCTION PERMITS

## Funchal (Portugal)

Warehouse value: EUR 877,206 (USD 992,500)  
Data as of: February 15, 2018

**Procedure 1. Obtain approval of project designs from Municipality and other relevant entities**

**Agency:** Municipality  
**Time:** 90 days  
**Cost:** EUR 14

**Procedure 2. Obtain building permit and pay fee**

**Agency:** Municipality  
**Time:** 30 days  
**Cost:** EUR 11,368

**Procedure 3. Inform the Municipality about the beginning of construction**

**Agency:** Municipality  
**Time:** 1 day  
**Cost:** No cost

**Procedure 4\*. Inform the Labor Conditions Agency about the new construction site**

**Agency:** Regional Directorate for Labor Inspection  
**Time:** 1 day  
**Cost:** No cost

**Procedure 5. Receive inspection from the Labor Conditions Agency**

**Agency:** Regional Directorate for Labor Inspection  
**Time:** 1 day  
**Cost:** No cost

**Procedure 6\*. Receive inspection from Municipality**

**Agency:** Municipality  
**Time:** 1 day  
**Cost:** No cost

**Procedure 7\*. Receive inspection from the Institute of Public Markets, Real Estate and Construction**

**Agency:** Institute of Public Procurement, Real Estate and Construction (IMPIC)  
**Time:** 1 day  
**Cost:** No cost

**Procedure 8\*. Submit application for a water and sewerage connection at the Water and Sanitation Authority**

**Agency:** Water and Sanitation Authority  
**Time:** 1 day  
**Cost:** No cost

**Procedure 9. Receive inspection by Water and Sanitation Authority**

**Agency:** Water and Sanitation Authority  
**Time:** 1 day  
**Cost:** No cost

**Procedure 10. Obtain water and sewerage connection**

**Agency:** Water and Sanitation Authority  
**Time:** 15 days  
**Cost:** EUR 1,158

**Procedure 11. Apply for occupancy permit and pay fees**

**Agency:** Municipality  
**Time:** 1 day  
**Cost:** EUR 904

**Procedure 12. Obtain occupancy permit**

**Agency:** Municipality  
**Time:** 10 days  
**Cost:** No cost

\*Simultaneous with previous procedure

**Procedure 13. Register the building with the Tax Authority****Agency:** Tax Authority**Time:** 1 day**Cost:** No cost**Procedure 14. Register the building with the Real Estate Registry****Agency:** Real Estate Registry**Time:** 5 days**Cost:** EUR 60

## DEALING WITH CONSTRUCTION PERMITS

**Lisbon (Portugal)***Warehouse value: EUR 877,206 (USD 992,500)**Data as of: February 15, 2018***Procedure 1. Obtain approval of project designs from Municipality and other relevant entities****Agency:** Municipality**Time:** 75 days**Cost:** EUR 379**Procedure 2. Obtain building permit and pay fee****Agency:** Municipality**Time:** 30 days**Cost:** EUR 2,235**Procedure 3. Inform the Municipality about the beginning of construction****Agency:** Municipality**Time:** 1 day**Cost:** No cost**Procedure 4\*. Inform the Labor Conditions Agency about the new construction site****Agency:** Labor Conditions Agency**Time:** 1 day**Cost:** No cost**Procedure 5. Receive inspection from the Labor Conditions Agency****Agency:** Labor Conditions Agency**Time:** 1 day**Cost:** No cost**Procedure 6\*. Receive inspection from Municipality****Agency:** Municipality**Time:** 1 day**Cost:** No cost**Procedure 7\*. Receive inspection from the Institute of Public Markets, Real Estate and Construction****Agency:** Institute of Public Procurement, Real Estate and Construction (IMPIC)**Time:** 1 day**Cost:** No cost**Procedure 8\*. Submit application for a water and sewerage connection at the Water and Sanitation Authority****Agency:** Water and Sanitation Authority**Time:** 1 day**Cost:** No cost**Procedure 9. Receive inspection by Water and Sanitation Authority****Agency:** Water and Sanitation Authority**Time:** 1 day**Cost:** EUR 451**Procedure 10. Obtain water and sewerage connection****Agency:** Water and Sanitation Authority**Time:** 31 days**Cost:** EUR 7,571**Procedure 11. Apply for occupancy permit****Agency:** Municipality**Time:** 1 day**Cost:** No cost**Procedure 12. Obtain occupancy permit****Agency:** Municipality**Time:** 10 days**Cost:** EUR 387**Procedure 13. Register the building with the Tax Authority****Agency:** Tax Authority**Time:** 1 day**Cost:** No cost**Procedure 14. Register the building with the Real Estate Registry****Agency:** Real Estate Registry**Time:** 5 days**Cost:** EUR 60

## DEALING WITH CONSTRUCTION PERMITS

**Ponta Delgada (Portugal)***Warehouse value: EUR 877,206 (USD 992,500)**Data as of: February 15, 2018***Procedure 1. Obtain approval of project designs from Municipality and other relevant entities****Agency:** Municipality**Time:** 90 days**Cost:** EUR 31**Procedure 2. Obtain building permit and pay fee****Agency:** Municipality**Time:** 30 days**Cost:** EUR 1,705**Procedure 3. Inform the Municipality about the beginning of construction****Agency:** Municipality**Time:** 1 day**Cost:** No cost**Procedure 4\*. Inform the Labor Conditions Agency about the new construction site****Agency:** Regional Inspectorate for Labor**Time:** 1 day**Cost:** No cost**Procedure 5. Receive inspection from the Labor Conditions Agency****Agency:** Regional Inspectorate for Labor**Time:** 1 day**Cost:** No cost**Procedure 6\*. Receive inspection from Municipality****Agency:** Municipality**Time:** 1 day**Cost:** No cost**Procedure 7\*. Receive inspection from the Institute of Public Markets, Real Estate and Construction****Agency:** Institute of Public Procurement, Real Estate and Construction (IMPIC)**Time:** 1 day**Cost:** No cost**Procedure 8\*. Submit application for a water and sewerage connection at the Water and Sanitation Authority****Agency:** Water and Sanitation Authority**Time:** 1 day**Cost:** No cost

\*Simultaneous with previous procedure

**Procedure 9. Receive inspection by Water and Sanitation Authority****Agency:** Water and Sanitation Authority**Time:** 1 day**Cost:** No cost**Procedure 10. Obtain water and sewerage connection****Agency:** Water and Sanitation Authority**Time:** 15 days**Cost:** EUR 950**Procedure 11. Apply for occupancy permit and pay fees****Agency:** Municipality**Time:** 1 day**Cost:** EUR 367**Procedure 12. Obtain occupancy permit****Agency:** Municipality**Time:** 15 days**Cost:** No cost**Procedure 13. Register the building with the Tax Authority****Agency:** Tax Authority**Time:** 1 day**Cost:** No cost**Procedure 14. Register the building with the Real Estate Registry****Agency:** Real Estate Registry**Time:** 10 days**Cost:** EUR 60

## DEALING WITH CONSTRUCTION PERMITS

**Porto (Portugal)***Warehouse value: EUR 877,206 (USD 992,500)**Data as of: February 15, 2018***Procedure 1. Obtain approval of project designs from Municipality and other relevant entities****Agency:** Municipality**Time:** 100 days**Cost:** No cost**Procedure 2\*. Obtain building permit and pay fee****Agency:** Municipality**Time:** 45 days**Cost:** EUR 3,219**Procedure 3. Inform the Municipality about the beginning of construction****Agency:** Municipality**Time:** 1 day**Cost:** No cost**Procedure 4\*. Inform the Labor Conditions Agency about the new construction site****Agency:** Labor Conditions Agency**Time:** 1 day**Cost:** No cost**Procedure 5. Receive inspection from the Labor Conditions Agency****Agency:** Labor Conditions Agency**Time:** 1 day**Cost:** No cost**Procedure 6\*. Receive inspection from Municipality****Agency:** Municipality**Time:** 1 day**Cost:** No cost**Procedure 7\*. Receive inspection from the Institute of Public Markets, Real Estate and Construction****Agency:** Institute of Public Procurement, Real Estate and Construction (IMPIC)**Time:** 1 day**Cost:** No cost**Procedure 8\*. Submit application for a water and sewerage connection at the Water and Sanitation Authority****Agency:** Water and Sanitation Authority**Time:** 1 day**Cost:** No cost**Procedure 9. Receive inspection by Water and Sanitation Authority****Agency:** Water and Sanitation Authority**Time:** 1 day**Cost:** EUR 16**Procedure 10. Obtain water and sewerage connection****Agency:** Water and Sanitation Authority**Time:** 30 days**Cost:** EUR 1,014**Procedure 11. Apply for occupancy permit****Agency:** Municipality**Time:** 1 day**Cost:** No cost**Procedure 12. Obtain occupancy permit****Agency:** Municipality**Time:** 10 days**Cost:** EUR 648**Procedure 13. Register the building with the Tax Authority****Agency:** Tax Authority**Time:** 1 day**Cost:** No cost**Procedure 14. Register the building with the Real Estate Registry****Agency:** Real Estate Registry**Time:** 10 days**Cost:** EUR 60

## DEALING WITH CONSTRUCTION PERMITS

**SLOVAKIA****Bratislava (Slovakia)***Warehouse value: EUR 728,246 (USD 840,500)**Data as of: February 15, 2018***Procedure 1. Obtain clearance for the investment project****Agency:** Municipality**Time:** 30 days**Cost:** No cost**Procedure 2\*. Obtain environmental clearance****Agency:** District Office, Environmental Department**Time:** 30 days**Cost:** No cost**Procedure 3\*. Obtain fire safety clearance****Agency:** Fire Department**Time:** 30 days**Cost:** No cost**Procedure 4\*. Obtain health and sanitation clearance****Agency:** Regional Public Health Office**Time:** 30 days**Cost:** EUR 50**Procedure 5\*. Obtain consent from water company and request technical conditions****Agency:** Bratislavská vodárenská spoločnosť, a.s.**Time:** 26 days**Cost:** EUR 18**Procedure 6\*. Obtain certificate of ownership of the land and the cadastral map****Agency:** District Office, Cadastral Department**Time:** 1 day**Cost:** EUR 16*\*Simultaneous with previous procedure*

**Procedure 7. Request and obtain location permit****Agency:** Municipality, Building Office**Time:** 90 days**Cost:** EUR 100**Procedure 8. Request and obtain construction permit****Agency:** Municipality, Building Office**Time:** 80 days**Cost:** EUR 600**Procedure 9\*. Receive on-site inspection before construction****Agency:** Municipality, Building Office**Time:** 1 day**Cost:** No cost**Procedure 10. Obtain water and sewerage connection****Agency:** Bratislavská vodárenská spoločnosť, a.s.**Time:** 7 days**Cost:** EUR 332**Procedure 11\*. Request occupancy permit****Agency:** Municipality, Building Office**Time:** 1 day**Cost:** EUR 400**Procedure 12. Receive final inspection****Agency:** Municipality, Building Office**Time:** 1 day**Cost:** No cost**Procedure 13. Obtain occupancy permit****Agency:** Municipality, Building Office**Time:** 29 days**Cost:** No cost**Procedure 14. Register the building with the Cadaster****Agency:** District Office, Cadastral Department**Time:** 60 days**Cost:** No cost

## DEALING WITH CONSTRUCTION PERMITS

**Kosice (Slovakia)***Warehouse value: EUR 728,246 (USD 840,500)**Data as of: February 15, 2018***Procedure 1. Obtain clearance for the investment project****Agency:** Municipality**Time:** 45 days**Cost:** No cost**Procedure 2\*. Obtain environmental clearance****Agency:** District Office, Environmental Department**Time:** 30 days**Cost:** No cost**Procedure 3\*. Obtain fire safety clearance****Agency:** Fire Department**Time:** 30 days**Cost:** No cost**Procedure 4\*. Obtain health and sanitation clearance****Agency:** Regional Public Health Office**Time:** 30 days**Cost:** EUR 50**Procedure 5\*. Obtain consent from water company and request technical conditions****Agency:** Východoslovenská vodárenská spoločnosť, a.s.**Time:** 30 days**Cost:** EUR 21**Procedure 6\*. Obtain certificate of ownership of the land and the cadastral map****Agency:** District Office, Cadastral Department**Time:** 1 day**Cost:** EUR 16**Procedure 7. Request and obtain location permit****Agency:** Municipality, Building Office**Time:** 75 days**Cost:** EUR 100**Procedure 8. Request and obtain construction permit****Agency:** Municipality, Building Office**Time:** 60 days**Cost:** EUR 600**Procedure 9\*. Receive on-site inspection before construction****Agency:** Municipality, Building Office**Time:** 1 day**Cost:** No cost**Procedure 10. Obtain water and sewerage connection****Agency:** Východoslovenská vodárenská spoločnosť, a.s.**Time:** 14 days**Cost:** EUR 500**Procedure 11\*. Request occupancy permit****Agency:** Municipality, Building Office**Time:** 1 day**Cost:** EUR 400**Procedure 12. Receive final inspection****Agency:** Municipality, Building Office**Time:** 1 day**Cost:** No cost**Procedure 13. Obtain occupancy permit****Agency:** Municipality, Building Office**Time:** 30 days**Cost:** No cost**Procedure 14. Register the building with the Cadaster****Agency:** District Office, Cadastral Department**Time:** 55 days**Cost:** No cost

## DEALING WITH CONSTRUCTION PERMITS

**Presov (Slovakia)***Warehouse value: EUR 728,246 (USD 840,500)**Data as of: February 15, 2018***Procedure 1. Obtain clearance for the investment project****Agency:** Municipality**Time:** 30 days**Cost:** No cost**Procedure 2\*. Obtain environmental clearance****Agency:** District Office, Environmental Department**Time:** 30 days**Cost:** No cost**Procedure 3\*. Obtain fire safety clearance****Agency:** Fire Department**Time:** 30 days**Cost:** No cost**Procedure 4\*. Obtain health and sanitation clearance****Agency:** Regional Public Health Office**Time:** 30 days**Cost:** EUR 50**Procedure 5\*. Obtain consent from water company and request technical conditions****Agency:** Východoslovenská vodárenská spoločnosť, a.s.**Time:** 30 days**Cost:** EUR 21*\*Simultaneous with previous procedure*

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### Procedure 6\*. Obtain certificate of ownership of the land and the cadastral map

**Agency:** District Office, Cadastral Department  
**Time:** 1 day  
**Cost:** EUR 16:

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### Procedure 7. Request and obtain location permit

**Agency:** Municipality, Building Office  
**Time:** 60 days  
**Cost:** EUR 100

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### Procedure 8. Request and obtain construction permit

**Agency:** Municipality, Building Office  
**Time:** 60 days  
**Cost:** EUR 600

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### Procedure 9\*. Receive on-site inspection before construction

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** No cost

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### Procedure 10. Obtain water and sewerage connection

**Agency:** Východoslovenská vodárenská spoločnosť, a.s.  
**Time:** 7 days  
**Cost:** EUR 500

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### Procedure 11\*. Request occupancy permit

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** EUR 400

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### Procedure 12. Receive final inspection

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** No cost

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### Procedure 13. Obtain occupancy permit

**Agency:** Municipality, Building Office  
**Time:** 28 days  
**Cost:** No cost

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### Procedure 14. Register the building with the Cadaster

**Agency:** District Office, Cadastral Department  
**Time:** 60 days  
**Cost:** No cost

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## DEALING WITH CONSTRUCTION PERMITS

### Trnava (Slovakia)

*Warehouse value: EUR 728,246 (USD 840,500)  
 Data as of: February 15, 2018*

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### Procedure 1. Informational meeting at the Building Office

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** No cost

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### Procedure 2. Obtain clearance for the investment project

**Agency:** Municipality  
**Time:** 30 days  
**Cost:** No cost

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### Procedure 3\*. Obtain environmental clearance

**Agency:** District Office, Environmental Department  
**Time:** 30 days  
**Cost:** No cost

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### Procedure 4\*. Obtain fire safety clearance

**Agency:** Fire Department  
**Time:** 30 days  
**Cost:** No cost

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### Procedure 5\*. Obtain health and sanitation clearance

**Agency:** Regional Public Health Office  
**Time:** 30 days  
**Cost:** EUR 50

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### Procedure 6\*. Obtain consent from water company and request technical conditions

**Agency:** Trnavská vodárenská spoločnosť, a.s.  
**Time:** 30 days  
**Cost:** EUR 26

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### Procedure 7\*. Obtain certificate of ownership of the land and the cadastral map

**Agency:** District Office, Cadastral Department  
**Time:** 1 day  
**Cost:** EUR 16

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### Procedure 8. Request and obtain location permit

**Agency:** Municipality, Building Office  
**Time:** 75 days  
**Cost:** EUR 100

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### Procedure 9. Request and obtain construction permit

**Agency:** Municipality, Building Office  
**Time:** 60 days  
**Cost:** EUR 600

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### Procedure 10\*. Receive on-site inspection before construction

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** No cost

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### Procedure 11. Obtain water and sewerage connection

**Agency:** Trnavská vodárenská spoločnosť, a.s.  
**Time:** 9 days  
**Cost:** EUR 115

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### Procedure 12\*. Request occupancy permit

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** EUR 400

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### Procedure 13. Receive final inspection

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** No cost

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### Procedure 14. Obtain occupancy permit

**Agency:** Municipality, Building Office  
**Time:** 28 days  
**Cost:** No cost

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### Procedure 15. Register the building with the Cadaster

**Agency:** District Office, Cadastral Department  
**Time:** 50 days  
**Cost:** No cost

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## DEALING WITH CONSTRUCTION PERMITS

### Zilina (Slovakia)

*Warehouse value: EUR 728,246 (USD 840,500)  
 Data as of: February 15, 2018*

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### Procedure 1. Obtain clearance for the investment project

**Agency:** Municipality  
**Time:** 30 days  
**Cost:** No cost

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### Procedure 2\*. Obtain environmental clearance

**Agency:** District Office, Environmental Department  
**Time:** 30 days  
**Cost:** No cost

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**Procedure 3\*. Obtain fire safety clearance**

**Agency:** Fire Department  
**Time:** 30 days  
**Cost:** No cost

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**Procedure 4\*. Obtain health and sanitation clearance**

**Agency:** Regional Public Health Office  
**Time:** 30 days  
**Cost:** EUR 50

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**Procedure 5\*. Obtain consent from water company and request technical conditions**

**Agency:** Severoslovenské vodárne a kanalizácie, a.s.  
**Time:** 30 days  
**Cost:** EUR 18

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**Procedure 6\*. Obtain certificate of ownership of the land and the cadastral map**

**Agency:** District Office, Cadastral Department  
**Time:** 1 day  
**Cost:** EUR 16

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**Procedure 7. Request and obtain location permit**

**Agency:** Municipality, Building Office  
**Time:** 90 days  
**Cost:** EUR 100

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**Procedure 8. Request and obtain construction permit**

**Agency:** Municipality, Building Office  
**Time:** 75 days  
**Cost:** EUR 600

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**Procedure 9\*. Receive on-site inspection before construction**

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** No cost

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**Procedure 10. Obtain water and sewerage connection**

**Agency:** Severoslovenské vodárne a kanalizácie, a.s.  
**Time:** 30 days  
**Cost:** EUR 301

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**Procedure 11\*. Request occupancy permit**

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** EUR 400

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**Procedure 12. Receive final inspection**

**Agency:** Municipality, Building Office  
**Time:** 1 day  
**Cost:** No cost

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**Procedure 13. Obtain occupancy permit**

**Agency:** Municipality, Building Office  
**Time:** 30 days  
**Cost:** No cost

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**Procedure 14. Register the building with the Cadaster**

**Agency:** District Office, Cadastral Department  
**Time:** 60 days  
**Cost:** No cost

DEALING WITH CONSTRUCTION PERMITS – BUILDING QUALITY CONTROL INDEX								
	CROATIA		CZECH REPUBLIC		PORTUGAL		SLOVAKIA	
	Answer	Score	Answer	Score	Answer	Score	Answer	Score
<b>Building quality control index (0–15)</b>		<b>12</b>		<b>8</b>		<b>11</b>		<b>8</b>
Quality of building regulations index (0–2)		2		2		2		2
In what way are the building regulations (including the building code) or any regulations dealing with construction permits made available? (0–1)	Available online; Free of charge.	1	Available online; Free of charge.	1	Available online; Free of charge.	1	Available online; Free of charge.	1
Which requirements for obtaining a building permit are clearly specified by the building regulations or by any accessible website, brochure or pamphlet? (0–1)	List of required documents; Fees to be paid; Required preapprovals.	1	List of required documents; Fees to be paid; Required preapprovals.	1	List of required documents; Fees to be paid; Required preapprovals.	1	List of required documents; Fees to be paid; Required preapprovals.	1
<b>Quality control before construction index (0–1)</b>		<b>0</b>		<b>0</b>		<b>1</b>		<b>0</b>
Who is part of the committee or team that reviews and approves building permit applications in the relevant permit-issuing agency? (0–1)	Civil servant.	0	Civil servant.	0	Licensed architect; Licensed engineer.	1	Civil servant.	0
<b>Quality control during construction index (0–3)</b>		<b>2</b>		<b>2</b>		<b>2</b>		<b>2</b>
What types of inspections (if any) are required by law to be carried out during construction? (0–2)	Inspections by external engineer or firm; Unscheduled inspections.	1	Inspections by in-house engineer.	1	Inspections by in-house engineer; Unscheduled inspections.	1	Inspections by in-house engineer.	1
Do legally mandated inspections occur in practice during construction? (0–1)	Mandatory inspections are always done in practice.	1	Mandatory inspections are always done in practice.	1	Mandatory inspections are always done in practice.	1	Mandatory inspections are always done in practice.	1
<b>Quality control after construction index (0–3)</b>		<b>3</b>		<b>3</b>		<b>3</b>		<b>3</b>
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0–2)	Yes, final inspection is done by government agency; Yes, external engineer submits report for final inspection.	2	Yes, final inspection is done by government agency; Yes, in-house engineer submits report for final inspection.	2	Yes, in-house supervising engineer submits report for final inspection.	2	Yes, final inspection is done by government agency; Yes, in-house engineer submits report for final inspection.	2
Do legally mandated final inspections occur in practice? (0–1)	Final inspection always occurs in practice.	1	Final inspection always occurs in practice.	1	Final inspection always occurs in practice.	1	Final inspection always occurs in practice.	1
<b>Liability and insurance regimes index (0–2)</b>		<b>1</b>		<b>1</b>		<b>1</b>		<b>1</b>
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use? (0–1)	Architect or engineer; Professional in charge of the supervision; Construction company.	1	Architect or engineer; Professional in charge of the supervision; Construction company.	1	Architect or engineer; Professional in charge of the supervision; Construction company.	1	Architect or engineer; Professional in charge of the supervision; Construction company.	1
Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use? (0–1)	No party is required by law to obtain insurance.	0	No party is required by law to obtain insurance.	0	No party is required by law to obtain insurance.	0	No party is required by law to obtain insurance.	0
<b>Professional certifications index (0–4)</b>		<b>4</b>		<b>0</b>		<b>2</b>		<b>0</b>
What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0–2)	Minimum number of years of experience; University degree in architecture or engineering; Being a registered architect or engineer.	2	Minimum number of years of experience; Passing a certification exam.	0	University degree in architecture or engineering; Being a registered architect or engineer.	1	Minimum number of years of experience; Passing a certification exam.	0
What are the qualification requirements for the professional who supervises the construction on the ground? (0–2)	Minimum number of years of experience; University degree in engineering, construction or construction management; Being a registered architect or engineer; Passing a certification exam.	2	Minimum number of years of experience; Passing a certification exam.	0	University degree in engineering, construction or construction management; Being a registered architect or engineer.	1	Minimum number of years of experience; Passing a certification exam.	0

Source: Doing Business database.

## LIST OF PROCEDURES GETTING ELECTRICITY

### CROATIA

#### Osijek (Croatia)

Name of Utility: HEP ODS Elektroslavonija Osijek  
Data as of: February 15, 2018

#### Procedure 1: Submit application and receive preliminary connection approval and contract

**Agency:** HEP ODS - Elektroslavonija Osijek  
**Time:** 15 days  
**Cost:** None

#### Procedure 2: Accept estimate and await completion of external works by utility

**Agency:** HEP ODS - Elektroslavonija Osijek  
**Time:** 30 days  
**Cost:** HRK 189,184 [HRK 1,350 per kVA for the connection fees (1,350\*140=HRK 189,000) + HRK 184 administrative fees]

#### Procedure 3: Submit internal wiring certificate to utility and request final connection

**Agency:** HEP ODS - Elektroslavonija Osijek  
**Time:** 9 days  
**Cost:** None

#### Procedure 4: Receive visit by utility to open the meter

**Agency:** HEP ODS - Elektroslavonija Osijek  
**Time:** 1 day  
**Cost:** None

#### GETTING ELECTRICITY

#### Rijeka (Croatia)

Name of Utility: HEP ODS Elektroprimorje Rijeka  
Data as of: February 15, 2018

#### Procedure 1: Submit application and receive preliminary connection approval and contract

**Agency:** HEP ODS Elektroprimorje Rijeka  
**Time:** 28 days  
**Cost:** None

#### Procedure 2: Accept estimate and await completion of external works by utility

**Agency:** HEP ODS Elektroprimorje Rijeka  
**Time:** 30 days  
**Cost:** HRK 189,184 [HRK 1,350 per kVA for the connection fees (1,350\*140=HRK 189,000) + HRK 184 administrative fees]

#### Procedure 3: Submit internal wiring certificate to utility and request final connection

**Agency:** HEP ODS Elektroprimorje Rijeka  
**Time:** 14 days  
**Cost:** None

#### Procedure 4: Receive visit by utility to open the meter

**Agency:** HEP ODS Elektroprimorje Rijeka  
**Time:** 1 day  
**Cost:** None

#### GETTING ELECTRICITY

#### Split (Croatia)

Name of Utility: HEP ODS Elektrodalmacija Split  
Data as of: February 15, 2018

#### Procedure 1: Submit application and receive preliminary connection approval and contract

**Agency:** HEP ODS - Elektrodalmacija Split  
**Time:** 30 days  
**Cost:** None

#### Procedure 2: Accept estimate and await completion of external works by utility

**Agency:** HEP ODS - Elektrodalmacija Split  
**Time:** 30 days  
**Cost:** HRK 189,184 [HRK 1,350 per kVA for the connection fees (1,350\*140=HRK 189,000) + HRK 184 administrative fees]

#### Procedure 3: Submit internal wiring certificate to utility and request final connection

**Agency:** HEP ODS - Elektrodalmacija Split  
**Time:** 14 days  
**Cost:** None

#### Procedure 4: Receive visit by utility to open the meter

**Agency:** HEP ODS - Elektrodalmacija Split  
**Time:** 1 day  
**Cost:** None

#### GETTING ELECTRICITY

#### Varazdin (Croatia)

Name of Utility: HEP ODS Elektra Varazdin  
Data as of: February 15, 2018

#### Procedure 1: Submit application and receive preliminary connection approval and contract

**Agency:** HEP ODS Elektra Varazdin  
**Time:** 20 days  
**Cost:** None

#### Procedure 2: Accept estimate and await completion of external works by utility

**Agency:** HEP ODS Elektra Varazdin  
**Time:** 30 days  
**Cost:** HRK 189,184 [HRK 1,350 per kVA for the connection fees (1,350\*140=HRK 189,000) + HRK 184 administrative fees]

#### Procedure 3: Submit internal wiring certificate to utility and request final connection

**Agency:** HEP ODS Elektra Varazdin  
**Time:** 9 days  
**Cost:** None

#### Procedure 4: Receive visit by utility to open the meter

**Agency:** HEP ODS Elektra Varazdin  
**Time:** 1 day  
**Cost:** None

#### GETTING ELECTRICITY

#### Zagreb (Croatia)

Name of Utility: HEP Distribution System Operator  
Data as of: February 15, 2018

#### Procedure 1: Submit application and receive preliminary connection approval and contract

**Agency:** HEP Distribution System Operator  
**Time:** 25 days  
**Cost:** None

#### Procedure 2: Accept estimate and await completion of external works by utility

**Agency:** HEP Distribution System Operator  
**Time:** 30 days  
**Cost:** HRK 238,184 [HRK 1,700 per kVA for the connection fees (1,700\*140=HRK 238,000) +HRK 184 administrative fees]

#### Procedure 3: Submit internal wiring certificate to utility and request final connection

**Agency:** HEP Distribution System Operator  
**Time:** 9 days  
**Cost:** None

#### Procedure 4: Receive visit by utility to open the meter

**Agency:** HEP Distribution System Operator  
**Time:** 1 day  
**Cost:** None

## GETTING ELECTRICITY

**CZECH REPUBLIC****Brno (Czech Republic)**

Name of Utility: E.ON Distribuce, a.s.  
Data as of: February 15, 2018

**Procedure 1. Apply for connection, receive connection agreement, and pay connection fee**

**Agency:** E.ON Distribuce, a.s.

**Time:** 15 days

**Cost:** CZK 100,000 [CZK 500 per ampere for the connection fees (500\*200= CZK 100,000)]

**Procedure 2. Await completion of external works by E.ON Distribuce**

**Agency:** E.ON Distribuce, a.s.

**Time:** 90 days

**Cost:** CZK 9,000 [The cost of creating project design for the external connection before handing it over to E.ON]

**Procedure 3. Sign supply contract and await meter installation**

**Agency:** Electricity supplier and E.ON Servisni, s.r.o

**Time:** 5 days

**Cost:** None

## GETTING ELECTRICITY

**Liberec (Czech Republic)**

Name of Utility: ČEZ Distribuce, a.s.  
Data as of: February 15, 2018

**Procedure 1. Apply for connection, receive preliminary contract, and pay connection fee**

**Agency:** CEZ Distribuce, a.s.

**Time:** 12 days

**Cost:** CZK 112,000 [CZK 800 per kVA for the connection fees (800\*140= CZK 112,000)]

**Procedure 2. Await completion of external works by CEZ Distribuce**

**Agency:** CEZ Distribuce, a.s.

**Time:** 200 days

**Cost:** None

**Procedure 3\*. Await approval of project design by CEZ Distribuce**

**Agency:** CEZ Distribuce, a.s.

**Time:** 14 days

**Cost:** None

**Procedure 4\*. Install private substation**

**Agency:** Private electrical contractor

**Time:** 7 days

**Cost:** CZK 700,000

**Procedure 5. Sign supply contract and await meter installation**

**Agency:** Electricity supplier and CEZ Distribuce, a.s.

**Time:** 5 days

**Cost:** None

## GETTING ELECTRICITY

**Olomouc (Czech Republic)**

Name of Utility: ČEZ Distribuce, a.s.  
Data as of: February 15, 2018

**Procedure 1. Apply for connection, receive preliminary contract, and pay connection fee**

**Agency:** CEZ Distribuce, a.s.

**Time:** 14 days

**Cost:** CZK 112,000 [CZK 800 per kVA for the connection fees (800\*140= CZK 112,000)]

**Procedure 2. Await completion of external works by CEZ Distribuce**

**Agency:** CEZ Distribuce, a.s.

**Time:** 150 days

**Cost:** None

**Procedure 3\*. Await approval of project design by CEZ Distribuce**

**Agency:** CEZ Distribuce, a.s.

**Time:** 14 days

**Cost:** None

**Procedure 4\*. Obtain excavation permit for connection works**

**Agency:** Municipality, Building office, Transport Office

**Time:** 18 days

**Cost:** CZK 1,450 [CZK 1,000 for the excavation permit fee + CZK 1 per square meter per day for the tax for using public land (150sq.m.\*3 days=CZK 450)]

**Procedure 5\*. Build external connection and install private substation**

**Agency:** Private electrical contractor

**Time:** 14 days

**Cost:** CZK 1,075,000 [CZK 700,000 for the substation + CZK 2,500 per meter for excavating and building the external connection (2,500\*150 = CZK 375,000)]

**Procedure 6. Sign supply contract and await meter installation**

**Agency:** Electricity supplier and CEZ Distribuce, a.s.

**Time:** 5 days

**Cost:** None

## GETTING ELECTRICITY

**Ostrava (Czech Republic)**

Name of Utility: ČEZ Distribuce, a.s.  
Data as of: February 15, 2018

**Procedure 1. Apply for connection, receive preliminary contract, and pay connection fee**

**Agency:** CEZ Distribuce, a.s.

**Time:** 17 days

**Cost:** CZK 112,000 [CZK 800 per kVA for the connection fees (800\*140= CZK 112,000)]

**Procedure 2. Await completion of external works by CEZ Distribuce**

**Agency:** CEZ Distribuce, a.s.

**Time:** 150 days

**Cost:** None

**Procedure 3\*. Await approval of project design by CEZ Distribuce**

**Agency:** CEZ Distribuce, a.s.

**Time:** 14 days

**Cost:** None

**Procedure 4\*. Obtain excavation permit for connection works**

**Agency:** Municipality, Transport Office

**Time:** 12 days

**Cost:** CZK 4,600 [CZK 100 for the excavation permit fee + CZK 10 per square meter per day for the tax for using public land (10\* 150sq.m.\*3 days=CZK 4,500)]

**Procedure 5\*. Build external connection and install private substation**

**Agency:** Private electrical contractor

**Time:** 14 days

**Cost:** CZK 1,075,000 [CZK 700,000 for the substation + CZK 2,500 per meter for excavating and building the external connection (2,500\*150 = CZK 375,000)]

**Procedure 6. Sign supply contract and await meter installation**

**Agency:** Electricity supplier and CEZ Distribuce, a.s.

**Time:** 5 days

**Cost:** None

## GETTING ELECTRICITY

**Pízen (Czech Republic)**

Name of Utility: ČEZ Distribuce, a.s.  
Data as of: February 15, 2018

**Procedure 1. Apply for connection, receive preliminary contract, and pay connection fee**

**Agency:** CEZ Distribuce, a.s.

**Time:** 19 days

**Cost:** CZK 112,000 [CZK 800 per kVA for the connection fees (800\*140= CZK 112,000)]

\*Simultaneous with previous procedure

### Procedure 2. Await completion of external works by CEZ Distribuce

**Agency:** CEZ Distribuce, a.s.

**Time:** 150 days

**Cost:** None

### Procedure 3\*. Await approval of project design by CEZ Distribuce

**Agency:** CEZ Distribuce, a.s.

**Time:** 14 days

**Cost:** None

### Procedure 4\*. Obtain excavation permit for connection works

**Agency:** Municipality, Transport Office

**Time:** 14 days

**Cost:** CZK 2,800 [CZK 100 for the excavation permit fee + CZK 6 per square meter per day for the tax for using public land (6\*150sq.m.\*3 days=CZK 2,700)]

### Procedure 5\*. Build external connection and install private substation

**Agency:** Private electrical contractor

**Time:** 14 days

**Cost:** CZK 1,075,000 [CZK 700,000 for the substation + CZK 2,500 per meter for excavating and building the external connection (2,500\*150 = CZK 375,000)]

### Procedure 6. Sign supply contract and await meter installation

**Agency:** Electricity supplier and CEZ Distribuce, a.s.

**Time:** 5 days

**Cost:** None

#### GETTING ELECTRICITY

### Prague (Czech Republic)

*Name of Utility:* PREdistribuce, a.s.

*Data as of:* February 15, 2018

### Procedure 1. Apply for connection, receive preliminary contract, and pay connection fee

**Agency:** PREdistribuce, a.s.

**Time:** 17 days

**Cost:** CZK 100,000 [CZK 500 per ampere for the connection fees (500\*200= CZK 100,000)]

### Procedure 2. Await completion of external works by PREdistribuce

**Agency:** PREdistribuce, a.s.

**Time:** 38 days

**Cost:** CZK 9,000 [The cost of creating project design for the external connection before handing it over to PREdistribuce]

### Procedure 3. Sign supply contract and await meter installation

**Agency:** Electricity supplier and PREmereni, a.s.

**Time:** 5 days

**Cost:** None

#### GETTING ELECTRICITY

### Usti nad Labem (Czech Republic)

*Name of Utility:* ČEZ Distribuce, a.s.

*Data as of:* February 15, 2018

### Procedure 1. Apply for connection, receive preliminary contract, and pay connection fee

**Agency:** CEZ Distribuce, a.s.

**Time:** 28 days

**Cost:** CZK 112,000 [CZK 800 per kVA for the connection fees (800\*140= CZK 112,000)]

### Procedure 2. Await completion of external works by CEZ Distribuce

**Agency:** CEZ Distribuce, a.s.

**Time:** 200 days

**Cost:** None

### Procedure 3\*. Await approval of project design by CEZ Distribuce

**Agency:** CEZ Distribuce, a.s.

**Time:** 20 days

**Cost:** None

### Procedure 4\*. Install private substation

**Agency:** Private electrical contractor

**Time:** 7 days

**Cost:** CZK 700,000

### Procedure 5. Sign supply contract and await meter installation

**Agency:** Electricity supplier and CEZ Distribuce, a.s.

**Time:** 5 days

**Cost:** None

#### GETTING ELECTRICITY

### PORTUGAL

### Braga (Portugal)

*Name of Utility:* EDP

*Data as of:* February 15, 2018

### Procedure 1. Submit an application for a new connection to EDP and await estimate

**Agency:** EDP Distribuição

**Time:** 18 days

**Cost:** EUR 6,236 [Fees set by the regulator: EUR 37 for the connection services fee + EUR 11 per kVA for capacity charges. If works are carried out by the utility, an additional cost for the external works is charged, at EUR 29 per meter for shared networks plus EUR 1,243 for exclusive use of networks]

### Procedure 2\*. Receive a site visit by EDP for preparation of the cost estimate

**Agency:** EDP Distribuição

**Time:** 1 day

**Cost:** None

### Procedure 3. Obtain an excavation permit from the Municipal Chamber of Braga

**Agency:** Municipal Chamber of Braga

**Time:** 24 days

**Cost:** EUR 468 [Fees for a permit for works on a public road: EUR 97 for issuing a license for works + EUR 14 for authorizing works during one month on a public road + EUR 2 per meter for occupying a public space for a month, per the Municipal Fee Schedule for 2018]

### Procedure 4. The client's electrical contractor carries out the external connection works

**Agency:** Private electrical contractor

**Time:** 19 days

**Cost:** None

### Procedure 5\*. Receive internal inspection and certificate from certifying entity

**Agency:** Private inspection entity

**Time:** 15 days

**Cost:** EUR 99 [Lowest cost for the certification of a 140-kVA installation. Costs are charged by inspection entities based on market prices]

### Procedure 6. Sign supply contract and receive meter installation by the electricity retailer

**Agency:** Electricity retailer

**Time:** 4 days

**Cost:** None

#### GETTING ELECTRICITY

### Coimbra (Portugal)

*Name of Utility:* EDP

*Data as of:* February 15, 2018

### Procedure 1. Submit an application for a new connection to EDP and await estimate

**Agency:** EDP Distribuição

**Time:** 15 days

**Cost:** EUR 6,236 [Fees set by the regulator: EUR 37 for the connection services fee + EUR 11 per kVA for capacity charges. If works are carried out by the utility, an additional cost for the external works is charged, at EUR 29 per meter for shared networks plus EUR 1,243 for exclusive use of networks]

\*Simultaneous with previous procedure

### Procedure 2. Receive external works from EDP

**Agency:** EDP Distribuição

**Time:** 45 days

**Cost:** None

### Procedure 3\*. Receive internal inspection and certificate from certifying entity

**Agency:** Private inspection entity

**Time:** 18 days

**Cost:** EUR 99 [Lowest cost for the certification of a 140-kVA installation. Costs are charged by inspection entities based on market prices]

### Procedure 4. Sign supply contract and receive meter installation by the electricity retailer

**Agency:** Electricity retailer

**Time:** 5 days

**Cost:** None

GETTING ELECTRICITY

#### Evora (Portugal)

*Name of Utility:* EDP

*Data as of:* February 15, 2018

### Procedure 1. Submit an application for a new connection to EDP and await estimate

**Agency:** EDP Distribuição

**Time:** 19 days

**Cost:** EUR 6,236 [Fees set by the regulator: EUR 37 for the connection services fee + EUR 11 per kVA for capacity charges. If works are carried out by the utility, an additional cost for the external works is charged, at EUR 29 per meter for shared networks plus EUR 1,243 for exclusive use of networks]

### Procedure 2\*. Receive a site visit by EDP for preparation of the cost estimate

**Agency:** EDP Distribuição

**Time:** 1 day

**Cost:** None

### Procedure 3. The client's electrical contractor carries out the external connection works

**Agency:** Private electrical contractor

**Time:** 33 days

**Cost:** None

### Procedure 4\*. Receive internal inspection and certificate from certifying entity

**Agency:** Private inspection entity

**Time:** 18 days

**Cost:** EUR 99 [Lowest cost for the certification of a 140-kVA installation. Costs are charged by inspection entities based on market prices]

### Procedure 5. Sign supply contract and receive meter installation by the electricity retailer

**Agency:** Electricity retailer

**Time:** 5 days

**Cost:** None

GETTING ELECTRICITY

#### Faro (Portugal)

*Name of Utility:* EDP

*Data as of:* February 15, 2018

### Procedure 1. Submit an application for a new connection to EDP and await estimate

**Agency:** EDP Distribuição

**Time:** 23 days

**Cost:** EUR 6,236 [Fees set by the regulator: EUR 37 for the connection services fee + EUR 11 per kVA for capacity charges. If works are carried out by the utility, an additional cost for the external works is charged, at EUR 29 per meter for shared networks plus EUR 1,243 for exclusive use of networks]

### Procedure 2\*. Receive a site visit by EDP for preparation of the cost estimate

**Agency:** EDP Distribuição

**Time:** 1 day

**Cost:** None

### Procedure 3. Obtain an excavation permit from the Municipal Chamber of Faro

**Agency:** Municipal Chamber of Faro

**Time:** 20 days

**Cost:** None

### Procedure 4. The client's electrical contractor carries out the external connection works

**Agency:** Private electrical contractor

**Time:** 19 days

**Cost:** None

### Procedure 5\*. Receive internal inspection and certificate from certifying entity

**Agency:** Private inspection entity

**Time:** 15 days

**Cost:** EUR 99 [Lowest cost for the certification of a 140-kVA installation. Costs are charged by inspection entities based on market prices]

### Procedure 6. Sign supply contract and receive meter installation by the electricity retailer

**Agency:** Electricity retailer

**Time:** 6 days

**Cost:** None

GETTING ELECTRICITY

#### Funchal (Portugal)

*Name of Utility:* EEM

*Data as of:* February 15, 2018

### Procedure 1. Submit an application for a new connection to EEM and await estimate

**Agency:** Empresa de Eletricidade da Madeira (EEM)

**Time:** 13 days

**Cost:** EUR 5,862 [Fees set by the regulator: EUR 37 for the connection services fee + EUR 11 per kVA for capacity charges. If works are carried out by the utility, an additional cost for the external works is charged, at EUR 29 per meter]

### Procedure 2. Obtain an excavation permit from the Municipal Chamber of Funchal

**Agency:** Municipal Chamber of Funchal

**Time:** 15 days

**Cost:** EUR 132 [Fee of EUR 13 per meter to obtain a permit for works on a public road, per art. 25-16 of the Municipal Fee Schedule]

### Procedure 3. The client's electrical contractor carries out the external connection works

**Agency:** Private electrical contractor

**Time:** 19 days

**Cost:** None

### Procedure 4\*. Notify the Regional Directorate for the Economy and Transports (DRET) of the completion of the internal electrical installation

**Agency:** Regional Directorate for the Economy and Transports (DRET)

**Time:** 5 days

**Cost:** None

### Procedure 5. Conclude supply contract and receive meter installation by EEM

**Agency:** Empresa de Eletricidade da Madeira (EEM)

**Time:** 3 days

**Cost:** None

\*Simultaneous with previous procedure

## GETTING ELECTRICITY

## Lisbon (Portugal)

Name of Utility: EDP

Data as of: February 15, 2018

**Procedure 1. Submit an application for a new connection to EDP and await estimate****Agency:** EDP Distribuição**Time:** 18 days**Cost:** EUR 6,236 [Fees set by the regulator: EUR 37 for the connection services fee + EUR 11 per kVA for capacity charges. If works are carried out by the utility, an additional cost for the external works is charged, at EUR 29 per meter for shared networks plus EUR 1,243 for exclusive use of networks]**Procedure 2\*. Receive a site visit by EDP for preparation of the cost estimate****Agency:** EDP Distribuição**Time:** 1 day**Cost:** None**Procedure 3. Receive external works from EDP****Agency:** EDP Distribuição**Time:** 45 days**Cost:** None**Procedure 4\*. Receive internal inspection and certificate from certifying entity****Agency:** Private inspection entity**Time:** 12 days**Cost:** EUR 99 [Lowest cost for the certification of a 140-kVA installation. Costs are charged by inspection entities based on market prices]**Procedure 5. Sign supply contract and receive meter installation by the electricity retailer****Agency:** Electricity retailer**Time:** 2 days**Cost:** None

## GETTING ELECTRICITY

## Ponta Delgada (Portugal)

Name of Utility: EDA

Data as of: February 15, 2018

**Procedure 1. Submit an application for a new connection to EDA and await estimate****Agency:** Electricidade dos Açores (EDA)**Time:** 11 days**Cost:** EUR 4,993 [Fees set by the regulator: EUR 37 for the connection services fee + EUR 11 per

kVA for capacity charges. If works are carried out by the utility, an additional cost for the external works is charged, at EUR 29 per meter for shared networks plus EUR 1,778.36 for exclusive use of networks]

**Procedure 2\*. Receive a site visit by EDA for preparation of the cost estimate****Agency:** Electricidade dos Açores (EDA)**Time:** 1 day**Cost:** None**Procedure 3. Receive external works from EDA****Agency:** Electricidade dos Açores (EDA)**Time:** 45 days**Cost:** None**Procedure 4. Conclude supply contract and receive meter activation by EDA****Agency:** Electricidade dos Açores (EDA)**Time:** 2 days**Cost:** None

## GETTING ELECTRICITY

## Porto (Portugal)

Name of Utility: EDP

Data as of: February 15, 2018

**Procedure 1. Submit an application for a new connection to EDP and await estimate****Agency:** EDP Distribuição**Time:** 17 days**Cost:** EUR 6,236 [Fees set by the regulator: EUR 37 for the connection services fee + EUR 11 per kVA for capacity charges. If works are carried out by the utility, an additional cost for the external works is charged, at EUR 29 per meter for shared networks plus EUR 1,243 for exclusive use of networks]**Procedure 2\*. Receive a site visit by EDP for preparation of the cost estimate****Agency:** EDP Distribuição**Time:** 1 day**Cost:** None**Procedure 3. Obtain an excavation permit from the Municipal Chamber of Porto****Agency:** Municipal Chamber of Porto**Time:** 18 days**Cost:** EUR 12 [Fees for a permit for works on a public road: EUR 11.60, per art. 1-8 of the Municipal Fee Schedule]**Procedure 4. The client's electrical contractor carries out the external connection works****Agency:** Private electrical contractor**Time:** 19 days**Cost:** None**Procedure 5\*. Receive internal inspection and certificate from certifying entity****Agency:** Private inspection entity**Time:** 14 days**Cost:** EUR 99 [Lowest cost for the certification of a 140-kVA installation. Costs are charged by inspection entities based on market prices]**Procedure 6. Sign supply contract and receive meter installation by the electricity retailer****Agency:** Electricity retailer**Time:** 7 days**Cost:** None

## GETTING ELECTRICITY

## SLOVAKIA

## Bratislava (Slovakia)

Name of Utility: Západoslovenská distribučná

Data as of: February 15, 2018

**Procedure 1. Apply for connection, receive connection agreement, and pay connection fee****Agency:** Zapadoslovenska distribucna, a.s.**Time:** 24 days**Cost:** EUR 7,606 [EUR 54 per kVA for the connection fees (54\*140=EUR 7606)]**Procedure 2. Await approval of project design by Zapadoslovenska distribucna****Agency:** Zapadoslovenska distribucna, a.s.**Time:** 30 days**Cost:** None**Procedure 3. Await completion of external works by Zapadoslovenska distribucna****Agency:** Zapadoslovenska distribucna, a.s.**Time:** 30 days**Cost:** None**Procedure 4\*. Install private substation****Agency:** Private electrical contractor**Time:** 20 days**Cost:** EUR 28,000 [Total price for the substation including installation, materials, substation itself, labor, and equipment]

\*Simultaneous with previous procedure

### Procedure 5. Sign supply contract and await meter installation

**Agency:** Zapadoslovenska distribucna, a.s. and electricity supplier

**Time:** 5 days

**Cost:** None

#### GETTING ELECTRICITY

### Kosice (Slovakia)

*Name of Utility:* Východoslovenská distribučná

*Data as of:* February 15, 2018

### Procedure 1. Apply for connection and await technical conditions for connection

**Agency:** Vychodoslovenska distribucna, a.s.

**Time:** 20 days

**Cost:** None

### Procedure 2. Await approval of project design by Vychodoslovenska distribucna

**Agency:** Vychodoslovenska distribucna, a.s.

**Time:** 20 days

**Cost:** None

### Procedure 3. Obtain excavation permit for the connection works

**Agency:** Municipality, Transport Office

**Time:** 23 days

**Cost:** EUR 152 [EUR 80 for the excavation permit + EUR 0.16 per square meter per day for the tax for using public land (0.16\* 150sq.m.\*3 days= EUR 72)]

### Procedure 4. Build the external connection

**Agency:** Private electrical contractor

**Time:** 7 days

**Cost:** EUR 6,000 [Total price for excavation, materials, labor, and equipment]

### Procedure 5. Complete connection agreement, sign joint supply contract, pay connection fee, and await meter installation

**Agency:** Vychodoslovenska distribucna, a.s. and electricity supplier

**Time:** 5 days

**Cost:** EUR 2,180 [Connection fees]

#### GETTING ELECTRICITY

### Presov (Slovakia)

*Name of Utility:* Východoslovenská distribučná

*Data as of:* February 15, 2018

### Procedure 1. Apply for connection and await technical conditions for connection

**Agency:** Vychodoslovenska distribucna, a.s.

**Time:** 20 days

**Cost:** None

### Procedure 2. Await approval of project design by Vychodoslovenska distribucna

**Agency:** Vychodoslovenska distribucna, a.s.

**Time:** 20 days

**Cost:** None

### Procedure 3. Obtain excavation permit for the connection works

**Agency:** Municipality, Transport Office

**Time:** 14 days

**Cost:** EUR 122 [EUR 50 for excavation permit + EUR 0.16 per square meter per day for the tax for using public land (0.16\* 150sq.m.\*3 days= EUR 72)]

### Procedure 4. Build the external connection

**Agency:** Private electrical contractor

**Time:** 7 days

**Cost:** EUR 6,000 [Total price for excavation, materials, labor, and equipment]

### Procedure 5. Complete connection agreement, sign joint supply contract, pay connection fee, and await meter installation

**Agency:** Vychodoslovenska distribucna, a.s. and electricity supplier

**Time:** 5 days

**Cost:** EUR 2,180 [Connection fees]

#### GETTING ELECTRICITY

### Trnava (Slovakia)

*Name of Utility:* Západoslovenská distribučná

*Data as of:* February 15, 2018

### Procedure 1. Apply for connection, receive connection agreement, and pay connection fee

**Agency:** Zapadoslovenska distribucna, a.s.

**Time:** 24 days

**Cost:** EUR 7,606 [EUR 54 per kVA for the connection fees (54\*140=EUR 7606)]

### Procedure 2. Await approval of project design by Zapadoslovenska distribucna

**Agency:** Zapadoslovenska distribucna, a.s.

**Time:** 30 days

**Cost:** None

### Procedure 3. Await completion of external works by Zapadoslovenska distribucna

**Agency:** Zapadoslovenska distribucna, a.s.

**Time:** 30 days

**Cost:** None

### Procedure 4\*. Install private substation

**Agency:** Private electrical contractor

**Time:** 20 days

**Cost:** EUR 28,000 [Total price for the substation including installation, materials, substation itself, labor, and equipment]

### Procedure 5. Sign supply contract and await meter installation

**Agency:** Zapadoslovenska distribucna, a.s. and electricity supplier

**Time:** 5 days

**Cost:** None

#### GETTING ELECTRICITY

### Zilina (Slovakia)

*Name of Utility:* Stredoslovenská energetika

- Distribúcia

*Data as of:* February 15, 2018

### Procedure 1. Apply for connection, receive connection agreement, and pay connection fee

**Agency:** Stredoslovenska distribucna, a.s.

**Time:** 30 days

**Cost:** EUR 1,787 [Connection fees]

### Procedure 2. Obtain excavation permit for connection works

**Agency:** Municipality, Transport Office

**Time:** 14 days

**Cost:** EUR 250 [EUR 70 for excavation permit + EUR 0.40 per square meter per day for the tax for using public land (0.40\* 150sq.m.\*3 days= EUR 180)]

### Procedure 3. Build external connection and send affidavit about its readiness

**Agency:** Private electrical contractor

**Time:** 7 days

**Cost:** EUR 6,000 [Total price for excavation, materials, labor, and equipment]

### Procedure 4. Sign supply contract and await meter installation

**Agency:** Stredoslovenska distribucna, a.s. and electricity supplier

**Time:** 5 days

**Cost:** None

\*Simultaneous with previous procedure

GETTING ELECTRICITY - RELIABILITY OF SUPPLY AND TRANSPARENCY OF TARIFFS INDEX				
	CROATIA	CZECH REPUBLIC	PORTUGAL	SLOVAKIA
Reliability of supply and transparency of tariffs index (0–8)	6 (Rijeka, Split, Varazdin) 5 (Osijek, Zagreb)	8 (5 cities) 7 (Liberec, Olomouc)	8 (Braga, Lisbon, Porto) 7 (Coimbra, Evora, Faro, Funchal) 6 (Ponta Delgada)	8 (Bratislava, Kosice, Presov) 7 (Trnava, Zilina)
Total duration and frequency of outages per customer a year (0–3)	2 (Rijeka, Split, Varazdin) 1 (Osijek, Zagreb)	3 (5 cities) 2 (Liberec, Olomouc)	3 (Braga, Lisbon, Porto, Funchal) 2 (Coimbra, Evora, Faro, Ponta Delgada)	3 (Bratislava, Kosice, Presov) 2 (Trnava, Zilina)
System average interruption duration index (SAIDI)	1.90 (Varazdin) 2.57 (Split) 2.73 (Rijeka) 4.97 (Zagreb) 5.49 (Osijek)	0.50 (Plzen) 0.50 (Prague) 0.65 (Usti nad Labem) 0.70 (Ostrava) 0.78 (Brno) 0.82 (Olomouc) 1.42 (Liberec)	0.39 (Funchal) 0.50 (Braga) 0.56 (Porto) 0.64 (Lisbon) 0.92 (Evora) 1.50 (Coimbra) 1.52 (Ponta Delgada) 1.62 (Faro)	0.16 (Presov) 0.73 (Kosice) 0.76 (Bratislava) 1.02 (Trnava) 3.07 (Zilina)
System average interruption frequency index (SAIFI)	1.14 (Varazdin) 1.57 (Split) 1.67 (Zagreb) 1.80 (Rijeka) 3.61 (Osijek)	0.30 (Prague) 0.36 (Brno) 0.64 (Plzen) 0.69 (Ostrava) 0.83 (Usti nad Labem) 1.16 (Olomouc) 1.56 (Liberec)	0.28 (Funchal) 0.45 (Porto) 0.61 (Braga) 0.78 (Coimbra) 0.82 (Lisbon) 1.20 (Ponta Delgada) 1.83 (Faro) 1.91 (Evora)	0.07 (Presov) 0.18 (Kosice) 0.54 (Bratislava) 0.88 (Trnava) 1.80 (Zilina)
Mechanisms for monitoring outages (0–1)	1	1	1	1
Does the distribution utility use automated tools to monitor outages?	Yes	Yes	Yes	Yes
Mechanisms for restoring service (0–1)	1	1	1 (6 cities) 0 (Funchal, Ponta Delgada)	1
Does the distribution utility use automated tools to restore service?	Yes	Yes	Yes (6 cities) No (Funchal, Ponta Delgada)	Yes
Regulatory monitoring (0–1)	1	1	1	1
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	Yes	Yes	Yes	Yes
Financial deterrents aimed at limiting outages (0–1)	0	1	1	1
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	No	Yes	Yes	Yes
Communication of tariffs and tariff changes (0–1)	1	1	1	1
Are effective tariffs available online?	Yes	Yes	Yes	Yes
Are customers notified of a change in tariff ahead of the billing cycle?	Yes	Yes	Yes	Yes

Source: Doing Business database.

## REGISTERING PROPERTY IN CROATIA

*Procedures required to register a property, by city*  
*Property value: HRK 3,990,155.80 (EUR 536,433.80)*  
*Data as of: February 15, 2018*

		Osijek	Rijeka	Split	Varazdin	Zagreb	Comments
1. Obtain the land registry extract from the competent Land Registry Office	Time (days)	1	1	1	1	1	As part of the due diligence, the buyer needs to verify the status of the land registry. In practice, the buyer obtains a land registration extract in person at the the Land Registry Office of the Municipal Court, although it is possible to obtain informal extracts online.
	Cost (HRK)	20	20	20	20	20	
2. Notary notarizes the sale contract	Time (days)	1	1	1	1	1	A notary must notarize the sale and purchase agreement. The notary fee for certification of the seller's signature is HRK 40 (EUR 5.38).
	Cost (HRK)	40	40	40	40	40	
3. Register the title transfer at the Land Registry Office	Time (days)	28	37	70	45	45	The parties submit the request for property registration to the Land Registry Office. The registration fee payable to the Land Registry Office is HRK 200 (EUR 26.89), and the stamp duty is HRK 50 (EUR 6.67). Since 2017, lawyers and notaries with special certification can take care of the entire registration process on behalf of their clients and directly submit the application online.
	Cost (HRK)	250	250	250	250	250	
4. Submit the sale contract to the municipal tax administration to receive an estimate of the land transfer taxes	Time (days)	29*	30*	30*	30*	30*	The buyer usually submits the sale contract to the municipal tax administration (although the notary is legally mandated to do the same as well).
	Cost (HRK)	-	-	-	-	-	
5. Pay land transfer taxes, stamp duty and registration fees at the commercial bank or post office	Time (days)	1*	1*	1*	1*	1*	In addition to the registration fee payable to the Land Registry Office and the stamp duty, the buyer must pay the real estate transfer tax, which was reduced on January 1, 2017, from 5% of the property value to 4%.
	Cost (HRK)	159,606	159,606	159,606	159,606	159,606	

Source: *Doing Business* database.

\*Takes place simultaneously with another procedure.

## REGISTERING PROPERTY IN THE CZECH REPUBLIC

Procedures required to register a property, by city  
 Property value: CZK 21 036,006.70 (EUR829,169)  
 Data as of: February 15, 2018

	Brno	Liberec	Olomouc	Ostrava	Pízen	Prague	Usti nad Labem	Comments
1. The buyer checks for encumbrances on the property	Time (days)	0.5	0.5	0.5	0.5	0.5	0.5	In practice, the buyer, or a lawyer on behalf of the buyer, verifies whether the property has any encumbrances on it. Encumbrances are usually checked on-line.
	Cost (CZK)	100	100	100	100	100	100	
2. A notary certifies the signatures of the transfer agreement	Time (days)	1	1	1	1	1	1	By law, the transfer agreement does not have to be executed in the form of notarial deed and the signatures of the contractual parties on the transfer agreement do not have to be certified. However, the Cadastral Office must verify (as specified by law) the identity of the parties and manifestation of their will. Therefore, it is useful and common practice to have the signatures certified by a notary. But this can also be done by a civil servant—at a cadastral office, a registrar's office (matrka), or in one of the Czech Point service centers. The notarization takes place without delay and costs CZK 30 per each signature + 21% VAT.
	Cost (CZK)	60	60	60	60	60	60	
3. Apply for registration at the Cadastral Office	Time (days)	22	23	21	25	25	22	Parties apply for registration at the Cadastral Office either in person or electronically. There is a CZK 1000 lump sum fee payable for the registration into the cadastre. Upon receipt of the application for title registration, the Cadastral Office has 48 hours to issue a seal on the property and inform all the relevant parties. A 20-day stay period starts upon the issuance of the seal. During this 20-day period nothing can be done with the application and no registration can be performed.
	Cost (CZK)	1,000	1,000	1,000	1,000	1,000	1,000	
4. Pay the Real Estate Transfer Tax	Time (days)	1	1	1	1	1	1	The Cadastre is responsible for informing the tax authority about the transfer so that they record it and can collect the tax. Registration of the transfer is not conditional upon payment of the tax. The tax rate is 4 % of the higher of the purchase price and the value (as estimated by an expert to be paid by the parties to the transfer agreement). The tax on Real Estate Acquisition can be paid at the Tax authority, at a commercial bank, or even online. The tax on Real Estate Acquisition must be paid to the tax authority within 3 months following the month of the registration.
	Cost (CZK)	841,440	841,440	841,440	841,440	841,440	841,440	

Source: Doing Business database.

## REGISTERING PROPERTY IN PORTUGAL

Procedures required to register a property, by city  
 Property value: EUR 877,206.50  
 Data as of: February 15, 2018

	Braga	Coimbra	Evora	Faro	Funchal	Lisbon	Ponta Delgada	Porto	Comments
1. Register the property at the Casa Pronta service desk	2	4	3	1	1	10	1	8	The buyer usually needs to make an appointment at a Casa Pronta service desk where s/he will be allowed to prepare a deed, pay taxes, and transfer the property on the spot. The fees to register a property transfer at a Casa Pronta service desk are regulated and apply throughout the country. Under the standard procedure they amount to EUR 375. In addition, a municipal property transfer tax is payable at a single rate of 6.5% of the property value, and a stamp duty of 0.8% is due for the registration of the public deed in the land registry office.
Cost (EUR)	64,411	64,411	64,411	64,411	64,411	64,411	64,411	64,411	

Source: Doing Business database.

## REGISTERING PROPERTY IN SLOVAKIA

Procedures required to register a property, by city  
 Property value: EUR 728,246.20  
 Data as of: February 15, 2018

	Bratislava	Kosice	Presov	Trnava	Zilina	Comments
1. Each party obtains extracts from the commercial register held by the respective court	0.5	0.5	0.5	0.5	0.5	Diligent entrepreneurs will obtain an extract (online) from the commercial registry at the district court.
Time (days)	0.5	0.5	0.5	0.5	0.5	
Cost (EUR)	0	0	0	0	0	
2. Confirm the signature authenticity of the seller before applying for registration	1	1	1	1	1	The signatures on the sale and purchase agreement are usually certified by a notary or at a registrar's office (matrika). The fees for signature verification at the matrika amount to EUR 6. In practice, four copies of sale and purchase agreement are made: two for the cadastre and one for each party. Each of the four signatures costs EUR 1.50.
Time (days)	6	6	6	6	6	
Cost (EUR)	6	6	6	6	6	
3. Submit the application for registration of the transfer (the proposal for entry into the cadastre) with the competent district office cadastral department	15	6	15	4	8	In practice, the buyer visits the district office cadastral department in person to register the property transfer, although it is possible to submit the application online. The fees for registering a property transfer under the expedited procedure amount to EUR 266 when the registration is submitted in paper form; EUR 133 when it is submitted electronically
Time (days)	266	266	266	266	266	
Cost (EUR)	266	266	266	266	266	

Source: Doing Business database.

REGISTERING PROPERTY - QUALITY OF LAND ADMINISTRATION INDEX								
	CROATIA		CZECH REPUBLIC		PORTUGAL		SLOVAKIA	
	Answer	Score	Answer	Score	Answer	Score	Answer	Score
<b>Quality of land administration index (0–30)</b>		<b>23.5</b>		<b>25</b>		<b>20</b>		<b>25.5</b>
Reliability of infrastructure index (0–8)		6		8		6		6
In what format are the majority of title or deed records kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)? (0–2)	Computer/ Fully digital	2	Computer/ Fully digital	2	Computer/ Fully digital	2	Paper	0
Is there an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)? (0–1)	Yes	1	Yes	1	Yes	1	Yes	1
In what format are the majority of maps of land plots kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)? (0–2)	Computer/ Scanned	1	Computer/ Fully digital	2	Computer/ Fully digital	2	Computer/ Fully digital	2
Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)? (0–1)	Yes	1	Yes	1	Yes	1	Yes	1
Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked databases or in separate databases? (0–1)	Different databases but linked	1	Single database	1	Separate databases	0	Different databases but linked	1
Do the immovable property registration agency and cadastral or mapping agency use the same identification number for properties? (0–1)	No	0	Yes	1	No	0	Yes	1
<b>Transparency of information index (0–6)</b>		<b>3.5</b>		<b>4</b>		<b>4.5</b>		<b>5.5</b>
Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city? (0–1)	Anyone who pays the official fee	1	Freely accessible by anyone	1	Freely accessible by anyone	1	Freely accessible by anyone	1
Is the list of documents that are required to complete any type of property transaction made publicly available—and if so, how? (0–0.5)	Yes, online	0.5	Yes, online	0.5	Yes, online	0.5	Yes, on public boards	0.5
Is the applicable fee schedule for any property transaction at the agency in charge of immovable property registration in the largest business city made publicly available—and if so, how? (0–0.5)	Yes, online	0.5	Yes, online	0.5	Yes, online	0.5	Yes, online	0.5

REGISTERING PROPERTY - QUALITY OF LAND ADMINISTRATION INDEX (continued)								
	CROATIA		CZECH REPUBLIC		PORTUGAL		SLOVAKIA	
	Answer	Score	Answer	Score	Answer	Score	Answer	Score
Does the agency in charge of immovable property registration commit to delivering a legally binding document that proves property ownership within a specific time frame—and if so, how does it communicate the service standard? (0–0.5)	No	0	Yes, online	0.5	Yes, online	0.5	Yes, online	0.5
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration? (0–1)	No	0	No	0	Yes	1	Yes	1
Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency? (0–0.5)	Yes	0.5	Yes, online	0.5	Yes	0.5	No	0
Who is able to consult maps of land plots in the largest business city? (0–0.5)	Freely accessible by anyone	0.5	Freely accessible by anyone	0.5	Anyone who pays the official fee	0.5	Freely accessible by anyone	0.5
Is the applicable fee schedule for accessing maps of land plots made publicly available—and if so, how? (0–0.5)	Yes, online	0.5	Yes, online	0.5	Yes, in person	0	Yes, online	0.5
Does the cadastral or mapping agency commit to delivering an updated map within a specific time frame—and if so, how does it communicate the service standard? (0–0.5)	No	0	No	0	No	0	Yes, online	0.5
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency? (0–0.5)	No	0	No	0	No	0	Yes	0.5
<b>Geographic coverage index (0–8)</b>		<b>8</b>		<b>8</b>		<b>4</b>		<b>8</b>
Are all privately held land plots in the economy formally registered at the immovable property registry? (0–2)	Yes	2	Yes	2	No	0	Yes	2
Are all privately held land plots in the business city formally registered at the immovable property registry? (0–2)	Yes	2	Yes	2	Yes	2	Yes	2
Are all privately held land plots in the economy mapped? (0–2)	Yes	2	Yes	2	No	0	Yes	2
Are all privately held land plots in the business city mapped? (0–2)	Yes	2	Yes	2	Yes	2	Yes	2

REGISTERING PROPERTY - QUALITY OF LAND ADMINISTRATION INDEX (continued)								
	CROATIA		CZECH REPUBLIC		PORTUGAL		SLOVAKIA	
	Answer	Score	Answer	Score	Answer	Score	Answer	Score
Land dispute resolution index (0–8)		6		5		5.5		6
Does the law require that all property sale transactions be registered at the immovable property registry to make them opposable to third parties? (0–1.5)	Yes	1.5	Yes	1.5	Yes	1.5	Yes	1.5
Is the system of immovable property registration subject to a state or private guarantee? (0–0.5)	Yes	0.5	Yes	0.5	Yes	0.5	Yes	0.5
Is there a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry? (0–0.5)	Yes	0.5	No	0	Yes	0.5	No	0
Does the legal system require a control of legality of the documents necessary for a property transaction (e.g., checking the compliance of contracts with requirements of the law)? (0–0.5)	Yes	0.5	Yes	0.5	Yes	0.5	Yes	0.5
Does the legal system require verification of the identity of the parties to a property transaction? (0–0.5)	Yes	0.5	Yes	0.5	Yes	0.5	Yes	0.5
Is there a national database to verify the accuracy of identity documents? (0–1)	No	0	No	0	Yes	1	Yes	1
How long does it take on average to obtain a decision from the first-instance court for such a case (without appeal)? (0–3)	Between 1 and 2 years	2	Between 1 and 2 years	2	Between 2 and 3 years	1	Between 1 and 2 years	2
Are there any statistics on the number of land disputes in the first instance? (0–0.5)	Yes	0.5	No	0	No	0	No	0
<b>Equal access to property rights index (-2–0)</b>		<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>
Do unmarried men and unmarried women have equal ownership rights to property?	Yes	0	Yes	0	Yes	0	Yes	0
Do married men and married women have equal ownership rights to property?	Yes	0	Yes	0	Yes	0	Yes	0

Source: Doing Business database.

ENFORCING CONTRACTS - TIME AND COST TO RESOLVE A COMMERCIAL DISPUTE, BY CITY								
City (Country)	Time (days)				Cost (% of claim)			
	Filing and service	Trial and judgment	Enforcement of judgment	Total time	Attorney fees	Court costs	Enforcement costs	Total cost
Osijek (Croatia)	40	280	190	510	8.6	4.5	2.6	15.7
Rijeka (Croatia)	45	300	480	825	8.6	4.4	2.6	15.6
Split (Croatia)	75	397	365	837	8.0	4.4	2.6	15.0
Varazdin (Croatia)	130	255	300	685	8.6	4.4	2.6	15.6
Zagreb (Croatia)	50	365	235	650	8.6	4.0	2.6	15.2
Brno (Czech Republic)	60	600	180	840	13.1	5.7	15.0	33.8
Liberec (Czech Republic)	90	530	150	770	13.1	5.7	15.0	33.8
Olomouc (Czech Republic)	75	510	120	705	13.1	5.7	15.0	33.8
Ostrava (Czech Republic)	90	480	120	690	13.1	5.7	15.0	33.8
Plzen (Czech Republic)	75	480	125	680	13.1	5.7	15.0	33.8
Prague (Czech Republic)	88	410	180	678	13.1	5.7	15.0	33.8
Usti nad Labem (Czech Republic)	70	510	150	730	13.1	5.7	15.0	33.8
Braga (Portugal)	30	330	180	540	10.7	6.0	0.5	17.2
Coimbra (Portugal)	30	300	180	510	10.7	6.0	0.5	17.2
Evora (Portugal)	30	350	180	560	10.7	6.0	0.5	17.2
Faro (Portugal)	30	385	180	595	10.7	6.0	0.5	17.2
Funchal (Portugal)	30	365	180	575	10.7	6.0	0.5	17.2
Lisbon (Portugal)	30	545	180	755	10.7	6.0	0.5	17.2
Ponta Delgada (Portugal)	30	365	180	575	10.7	6.0	0.5	17.2
Porto (Portugal)	30	420	180	630	10.7	6.0	0.5	17.2
Bratislava (Slovakia)	70	525	180	775	14.0	6.4	0.1	20.5
Kosice (Slovakia)	55	455	125	635	14.0	6.4	0.1	20.5
Presov (Slovakia)	60	455	125	640	14.0	6.4	0.1	20.5
Trnava (Slovakia)	70	490	150	710	14.0	6.4	0.1	20.5
Zilina (Slovakia)	70	490	180	740	14.0	6.4	0.1	20.5

Source: Doing Business database.

ENFORCING CONTRACTS - QUALITY OF JUDICIAL PROCESSES INDEX								
	CROATIA		CZECH REPUBLIC		PORTUGAL		SLOVAKIA	
	Answer	Score	Answer	Score	Answer	Score	Answer	Score
<b>Quality of judicial processes index (0–18)</b>		<b>13.0</b>		<b>9.5</b>		<b>13.5</b>		<b>13.5</b>
<b>Court structure and proceedings (0–5)</b>		<b>5.0</b>		<b>1.5</b>		<b>3.5</b>		<b>3.5</b>
1. Is there a court or division of a court dedicated solely to hearing commercial cases? (0–1.5)	Yes	1.5	No	0.0	No	0.0	No	0.0
2. Small claims court (0–1.5)		1.5		0.0		1.5		1.5
2.a. Is there a small claims court or a fast-track procedure for small claims?	Yes		No		Yes		Yes	
2.b. If yes, is self-representation allowed?	Yes		N/A		Yes		Yes	
3. Is pretrial attachment available? (0–1)	Yes	1.0	Yes	1.0	Yes	1.0	Yes	1.0
4. Are new cases assigned randomly to judges? (0–1)	Yes, automatically	1.0	Yes, but manual	0.5	Yes, automatically	1.0	Yes, automatically	1.0
5. Does a woman's testimony carry the same evidentiary weight in court as a man's? (-1–0)	Yes	0.0	Yes	0.0	Yes	0.0	Yes	0.0
<b>Case management (0–6)</b>		<b>3.5</b>		<b>3.0</b>		<b>5.0</b>		<b>4.0</b>
1. Time standards (0–1)		1.0		0.0		1.0		0.0
1.a. Are there laws setting overall time standards for key court events in a civil case?	Yes		No		Yes		Yes	
1.b. If yes, are the time standards set for at least three court events?	Yes		N/A		Yes		No	
1.c. Are these time standards respected in more than 50% of cases?	Yes		N/A		Yes		Yes	
2. Adjourments (0–1)		0.5		0.0		0.0		0.0
2.a. Does the law regulate the maximum number of adjourments that can be granted?	No		No		No		No	
2.b. Are adjourments limited to unforeseen and exceptional circumstances?	Yes		No		No		No	
2.c. If rules on adjourments exist, are they respected in more than 50% of cases?	Yes		N/A		N/A		N/A	
3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report? (0–1)	Yes	1.0	Yes	1.0	Yes	1.0	Yes	1.0
4. Is a pretrial conference among the case management techniques used before the competent court? (0–1)	Yes	1.0	Yes	1.0	Yes	1.0	Yes	1.0
5. Are there any electronic case management tools in place within the competent court for use by judges? (0–1)	No	0.0	Yes	1.0	Yes	1.0	Yes	1.0

ENFORCING CONTRACTS - QUALITY OF JUDICIAL PROCESSES INDEX (continued)								
	CROATIA		CZECH REPUBLIC		PORTUGAL		SLOVAKIA	
	Answer	Score	Answer	Score	Answer	Score	Answer	Score
6. Are there any electronic case management tools in place within the competent court for use by lawyers? (0–1)	No	0.0	No	0.0	Yes	1.0	Yes	1.0
<b>Court automation (0–4)</b>		<b>2.0</b>		<b>3.0</b>		<b>2.5</b>		<b>4.0</b>
1. Can the initial complaint be filed electronically through a dedicated platform within the competent court? (0–1)	No	0.0	Yes	1.0	Yes	1.0	Yes	1.0
2. Is it possible to carry out service of process electronically for claims filed before the competent court? (0–1)	No	0.0	Yes	1.0	No	0.0	Yes	1.0
3. Can court fees be paid electronically within the competent court? (0–1)	Yes	1.0	Yes	1.0	Yes	1.0	Yes	1.0
4. Publication of judgments (0–1)		<b>1.0</b>		<b>0.0</b>		<b>0.5</b>		<b>1.0</b>
4.a. Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	Yes		No		No		Yes	
4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	Yes		No		Yes		Yes	
<b>Alternative dispute resolution (0–3)</b>		<b>2.5</b>		<b>2.0</b>		<b>2.5</b>		<b>2.0</b>
1. Arbitration (0–1.5)		<b>1.5</b>		<b>1.5</b>		<b>1.5</b>		<b>0.5</b>
1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects?	Yes		Yes		Yes		Yes	
1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration?	No		No		No		Yes	
1.c. Are valid arbitration clauses or agreements usually enforced by the courts?	Yes		Yes		Yes		No	
2. Mediation/Conciliation (0–1.5)		<b>1.0</b>		<b>0.5</b>		<b>1.0</b>		<b>1.5</b>
2.a. Is voluntary mediation or conciliation available?	Yes		Yes		Yes		Yes	
2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects?	Yes		No		Yes		Yes	
2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)?	No		No		No		Yes	

Source: Doing Business database.

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