



# Bosnia and Herzegovina

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## Modernizing Lending Procedures

**SARAJEVO, Bosnia and Herzegovina** - In a country with two entities and one smaller jurisdiction—The Federation of Bosnia and Herzegovina, the Republika Srpska, and the district of Brcko—a maze of legislation sometimes hinders the development of businesses.

A World Bank-financed Business Environment Structural Adjustment Credit is helping make things easier. It is introducing simpler business registration and inspection processes, and implementing bankruptcy reform. The most successful reform thus far has been the creation of a unified modern secured financing system involving movable property. The project is being implemented by the United States Agency for International Development (USAID), with support from the World Bank.

### Rethinking lending

Prior to the Business Environment Credit, the process of granting a loan secured with movables—i.e. a vehicle, equipment, or receivables—was complex, time consuming, and costly. A request for one had to involve a judge. Further, there was no law or public institution which allowed financial institutions acquire information about preexisting claims. Multiple legal and administrative systems further complicated the process.



USAID developed a legislative framework for the functioning of a single, centralized, state-of-the-art registry through which financial institutions could register their claims against movable property online, thereby reducing administration cost and risk of manipulation.

“The new unified system makes the registration and searching process immediate and inexpensive, but most importantly a security against third parties.” stresses Yair Baranes, Chief of Party for the USAID Pledge Registry Project (USAID PRP).

Financial institutions can obtain or record information regarding any person or company instantly on-line by using unique identifiers of persons or property. Consequently, they can release the secured credit from any part and to any person in Bosnia and Herzegovina. The creation of a centralized system put this country at the forefront of modern secured financing systems.

### The registry at work

No matter how attractive the idea sounded, the system would not come to life without nationwide implementation. USAID PRP held numerous seminars and workshops with local counterparts, including specialized training sessions, prior to the registry’s inauguration in October 2004. It provided financial institutions with a template of the registry and asked them to tinker with it and provide feedback on what could be improved, resulting in almost zero errors during implementation.



“The registry builds trust between creditors by allowing us to share information,” explains Edin Hadžimusić, credit analyst for the Investment Guarantee Agency (IGA). “Although it is still the beginning, the registry already gives us a secure feeling.”

Thus far, the registry has put forth impressive statistics. In nine months, 10,000 registrations had been made, with fifty new transactions per day and growing. Financial institutions throughout the country are using the registry, including banks, leasing companies, and other creditors. Knowledge of what movable property means has also increased, with companies pledging tangible and intangible property.

Volksbank, an Austrian bank, has been doing business in Bosnia and Herzegovina since 2000. Its employees have witnessed the changes first hand. “We are happy to have such a reliable system now,”

says Ismar Ćeramida, head of strategic planning at Volksbank. "We are beginning a public service campaign to educate ordinary people about pledging movable property."

The future for the business environment looks a little brighter in Bosnia, thanks to the new secured financing system, bankruptcy legislation, and with additional reforms on the way under the Business Adjustment Credit program. As Mr. Baranes pointed out, "With this program's push, rationality prevailed over politics."

\* \* \*

This development was made possible thanks to a \$44 million **Business Enabling Environment Structural Adjustment Credit**. To read documents related to this World Bank project, click [here](#).

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