

# Indicator details

## LIST OF PROCEDURES

Following are the list of procedures and indicator details for each indicator covered by *Doing Business in Hargeisa 2012*. All estimates are based on the case study assumptions as detailed in the Data notes.

*Note:* If a procedure is marked with an asterisk, it can be completed simultaneously with previous procedures.

### 1. STARTING A BUSINESS

#### Hargeisa

*Standard company legal form: Limited Liability Company (LLC)*

*Minimum capital requirement: \$5,000*

*Data as of: May 2012*

#### Procedure 1. Notarize incorporation documents

**Time:** 1 day

**Cost:** \$20

**Comments:** Although the Companies Law of Somaliland (Law No. 25/2004) does not require it, notarizing incorporation documents is common practice and is also required in dealings with the Ministry of Commerce and the Attorney General's Office. The incorporation documents are authenticated and formally witnessed by a notary public in order to verify identity of the company owners and their respective signatures. The average cost of authentication is \$20.

If a notary is to draft the memorandum and articles of association, the cost rises to \$200; however, most companies in Hargeisa prefer that lawyers draft the memorandum and articles of association, given their legal expertise. Section 13 of the Companies Law requires that the memorandum and articles of association be drafted either by a solicitor engaged in company formation (lawyer or notary public) or by a company secretary or company director/s.

#### Procedure 2. Open a bank account with the Bank of Somaliland and deposit the minimum capital

**Time:** 1 day

**Cost:** \$25

**Comments:** The following documents are required:

1. Completed application form;
2. List of company directors/owners and their notarized signatures.

#### Procedure 3. Obtain clearance from the Ministry of Commerce to incorporate with the Attorney General's Office

**Time:** 6 days

**Cost:** No cost

**Comments:** Before a company can be incorporated by the Attorney General, it needs to obtain clearance from the Ministry of Commerce. The company must submit the following:

- a. Application for clearance to incorporate (including information on the nature of business, ownership, and director identification and residence);
- b. Filled-out business categorization form (taken from the Ministry of Commerce);
- c. Notarized memorandum and articles of association; and
- d. Proof of an opened account with the Bank of Somaliland showing a deposit of the paid-in minimum capital.

The Director General or the Director of Commerce of Ministry of Commerce reviews the documents and verifies the identity of the company owners and their places of residence (he may suggest modifications or corrections if he judges the documentation incomplete). He/she also issues guidelines on next steps and clears the request to incorporate.

While the Ministry of Commerce is expected to forward the clearance to incorporate to the Attorney General's Office, most entrepreneurs pick up the documents themselves and submit them to the Attorney General's Office. Usually the ministry does not notify applicants when the permission to incorporate is ready for pick up, so applicants should follow up in order to find out the case status.

#### Procedure 4. Obtain certificate of incorporation from the Attorney General's Office

**Time:** 4 days

**Cost:** No cost

**Comments:** The company submits the following documents:

- a. Business categorization form and clearance from the Ministry of Commerce;
- b. Notarized memorandum and articles of association; and
- c. Proof of an opened bank account with the Bank of Somaliland showing deposit of the paid-in minimum capital.

The incorporation documents are reviewed and an incorporation certificate is issued once signed by the attorney general. When the attorney general is not present in the office, longer waiting time occurs.

#### Procedure 5. Apply for and obtain a commercial license at the Ministry of Commerce

**Time:** 5 days

**Cost:** No cost

**Comments:** According to Section 6 of the Companies Law, if a company's memorandum states that the company is to operate as a general commercial company "the company should apply for a commercial license at the Ministry of Commerce." Once incorporated, the company can apply for the commercial license.

The Director General of the Ministry of Commerce issues a registration bill that must be paid at the Ministry of Finance. The bill names the type of license for which the company has submitted an application. The commercial license fee depends on the type of business and the type of license requested. A detailed fee schedule is posted on the premises of the Ministry of Commerce.

The applicant shows the general receipt (GR) of payment from the Ministry of Finance and submits two photos of the company director. The commercial license is issued once the Minister of Commerce signs it. The Minister occasionally delegates signing power to the Director General of the ministry. The business registration number is displayed in the commercial license.

The Ministry of Commerce strongly recommends, and often requires, registration with the Somaliland Chamber of Commerce (see Procedure 8).

#### Procedure 6. Pay commercial license fee at the Ministry of Finance

**Time:** 1 day

**Cost:** \$21

**Comments:** The Ministry of Finance issues a general receipt (GR) of payment of the commercial license fee. The receipt displays a serial number that will be used to identify the business in future correspondence with authorities.

#### Procedure 7. Apply for local business license at the District Commissioner's Office and receive an on-site inspection of the business premises

**Time:** 3 days

**Cost:** No cost

**Comments:** In addition to the commercial license issued by the Ministry of Commerce, a business needs to obtain a local business license from the municipal authority of the city in which it intends to operate. The issuance of such license is mandated by the Regions and District Self-Administration Law (Law 23; amended in 2002). The following documents are required:

- a. Commercial license issued by the Ministry of Commerce;
- b. Certificate of incorporation; and
- c. Two photos of the company's Chief Executive Officer (CEO) or Director.

The applicant drafts an application letter stating the nature of business, location of the business premises and proof of the names of owners. Once the applicant submits these documents and the application letter, the District Office sends an inspector from the Municipal Department of Planning, but associated with the district, to inspect the business premises and ensure the description in the application form coincides with what is on the ground. The inspector also determines what category the business falls into.

Once the evaluation and business categorization is finished, the District Secretary signs a billing request form that is sent to the Geographical Information System (GIS) section of the municipality. The business location is entered into the GIS and a local municipal license bill is released. The bill is picked up by staff from the District Office.

#### Procedure 8\*. Register with the Somaliland Chamber of Commerce

**Time:** 1 day

**Cost:** \$50

**Comments:** Although it is not required by law, most companies register with the Somaliland Chamber of Commerce. Applicants must submit the following documents:

- a. Two photos of the company CEO or Director;
- b. Application form; and
- c. Notarized copies of the company bylaws (memorandum and articles of association).

A membership card is issued to the applicant once the required documents are submitted and membership fees are paid. One copy of the membership card is kept in the Chamber of Commerce files and another is given to the applicant.

#### Procedure 9. Pay local business license fee at the District Office

**Time:** 1 day

**Cost:** \$140

**Comments:** The Hargeisa Single Business Permit Fee Schedule determines local business license fees based on business categories. Within each of the seven different categories there are different grades that affect the fee. Once the local business license fee is paid, the company can start business operations. The local license fees were increased significantly in 2006.

#### Procedure 10. Obtain local business license from the Mayor's Office

**Time:** 5 days

**Cost:** No cost

**Comments:** Once the local business license fee is paid at the District Office, the District Office notifies the Hargeisa Municipality Mayor's Office, which issues a business license. When the Mayor is out of town, signing power is occasionally delegated to the Deputy Mayor.

#### Procedure 11. Purchase a company seal

**Time:** 2 days

**Cost:** \$20

**Comments:** Although it is not required by law, purchasing a seal is common practice by most companies operating in Hargeisa. All transaction documents or contractual agreements between companies are stamped. In order to buy a seal from an authorized seal shop, the company has to present the commercial license obtained from the Ministry of Commerce and the local business license obtained from the Hargeisa Municipality. Within one month of the start date of operations, the company has to register its employees with the Department of Employee Affairs at the Ministry of Labor.

## 2. DEALING WITH CONSTRUCTION PERMITS

### Hargeisa

Warehouse value: \$357,500

Data as of: May 2012

#### Procedure 1. Apply for land legalization certificate and obtain "check-in form" from the District Office

**Time:** 1 day

**Cost:** \$16

**Comments:** Since the end of the civil war, there have been major land disputes in Hargeisa. Obtaining proper ownership documents is a standard practice for the majority of building projects in Hargeisa because the majority of empty land is not owned through proper documentation. The interaction with the district office starts in order to obtain land ownership rights, define the land plot boundaries, and secure approval to build on it.

At this point, BuildCo submits any documents that prove ownership of the land, as well as all architectural and technical plans, which become part of the application file.

#### Procedure 2. Receive inspection by a district surveyor and obtain land legalization certificate approval from the District Office and the Municipal Land Planning Department

**Time:** 5 days

**Cost:** No cost

**Comments:** The surveyor (geometer) checks the site of the plot and makes sure that the land plot:

- a. Is not located in a public area;
- b. Does not interfere with public roads; and
- c. Has dimensions that coincide with the documents submitted for application.

Once the site surveyor has inspected the site, the Chief District Surveyor, District Secretary, and District Commissioner sign the land legalization certificate. The application file is then transferred to the Municipal Archives Section.

#### Procedure 3. Obtain land file number from the Municipal Archives Section and have application file forwarded to the Municipal Land Revenue Section

**Time:** 3 days

**Cost:** No cost

**Comments:** BuildCo obtains the land file number from the Municipal Archives Section. This file number is used in all future correspondence with various municipal and district departments.

Once BuildCo has obtained the file number, the Municipal Archives Section forwards the application file to the Municipal Land Planning Department, which checks the technical plans and verifies the location against current mapping of the plot; approves the application forms; and returns the documents to the Municipal Archives Section. The Municipal Archives Section then forwards the documents to the Municipal Land Revenue Section.

#### Procedure 4. Pay premium of land (building permit) fee at the Municipal Land Revenue Section

**Time:** 1 day

**Cost:** \$186 (approx. \$0.20 per square meter)

**Comments:** The premium of land (building permit) fee is fixed per square meter regardless of the type of building being built.

#### Procedure 5. Get building approval from Hargeisa Municipality

**Time:** 16 days

**Cost:** No cost

**Comments:** Once BuildCo has paid the premium of land (building permit) fee, the Municipal Land Revenue Section forwards the application file to the Municipal Internal Auditor. The Internal Auditor checks the documents (receipts and other documents) to make sure they are genuine and in order. The auditor also makes sure that all taxes on the property have been paid.

The documents are then sent back to the Archives Section, which forwards them to the Municipal Mapping Section for highlighting on the City Master Plan.

From the Mapping Section, the file is sent back to the Archives Section and then forwarded to the municipal executive officer for signature. The executive officer cannot delegate power so in his absence delays can occur.