

Doing Business

2009

Albania

COMPARING REGULATION IN 181 ECONOMIES

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Introduction

Doing Business 2009 is the sixth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 181 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 10 stages of a business's life are measured : starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in Doing Business 2009 are current as of June 1, 2008*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 181 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks.

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

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

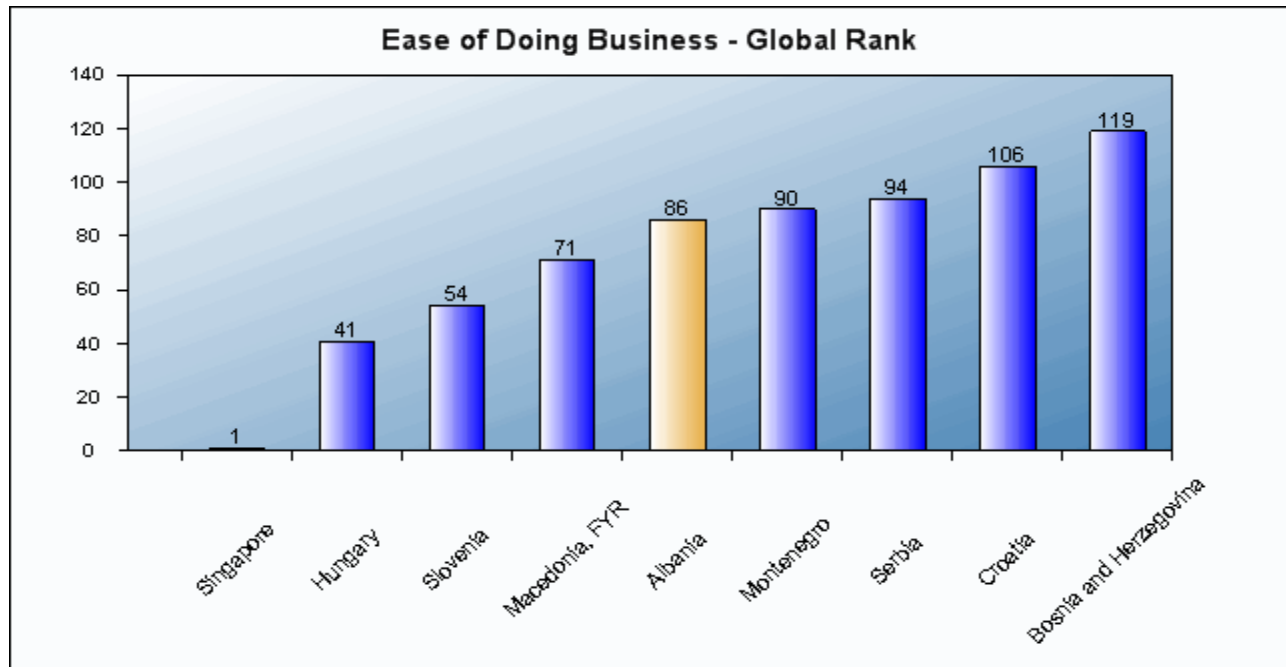
More information is available in the full report. Doing Business 2009 presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

* Except for the Paying Taxes indicator that refers to the period January to December of 2007.

Economy Rankings - Ease of Doing Business

Albania is ranked 86 out of 181 economies. Singapore is the top ranked economy in the Ease of Doing Business.

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



Albania's ranking in Doing Business 2009

Rank	Doing Business 2009
Ease of Doing Business	86
Starting a Business	67
Dealing with Licenses	170
Employing Workers	108
Registering Property	62
Getting Credit	12
Protecting Investors	14
Paying Taxes	143
Trading Across Borders	77
Enforcing Contracts	89
Closing a Business	181

Summary of Indicators - Albania

Starting a Business	Procedures (number)	6
	Duration (days)	8
	Cost (% GNI per capita)	25.8
	Paid in Min. Capital (% of GNI per capita)	32.3
Dealing with Licenses	Procedures (number)	24
	Duration (days)	331
	Cost (% of income per capita)	435.0
Employing Workers	Difficulty of Hiring Index	44
	Rigidity of Hours Index	40
	Difficulty of Firing Index	20
	Rigidity of Employment Index	35
	Firing costs (weeks of salary)	56
Registering Property	Procedures (number)	6
	Duration (days)	42
	Cost (% of property value)	3.4
Getting Credit	Legal Rights Index	9
	Credit Information Index	4
	Public registry coverage (% adults)	8.3
	Private bureau coverage (% adults)	0.0
Protecting Investors	Disclosure Index	8
	Director Liability Index	9
	Shareholder Suits Index	5
	Investor Protection Index	7.3
Paying Taxes	Payments (number)	44
	Time (hours)	244
	Profit tax (%)	16.7

Paying Taxes	Labor tax and contributions (%)	28.6
	Other taxes (%)	5.2
	Total tax rate (% profit)	50.5
Trading Across Borders	Documents for export (number)	7
	Time for export (days)	21
	Cost to export (US\$ per container)	770
	Documents for import (number)	9
	Time for import (days)	22
	Cost to import (US\$ per container)	775
Enforcing Contracts	Procedures (number)	39
	Duration (days)	390
	Cost (% of claim)	38.7
Closing a Business	Time (years)	no practice
	Cost (% of estate)	no practice
	Recovery rate (cents on the dollar)	0.0



Starting a Business

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed the process or may decide to run their business informally.

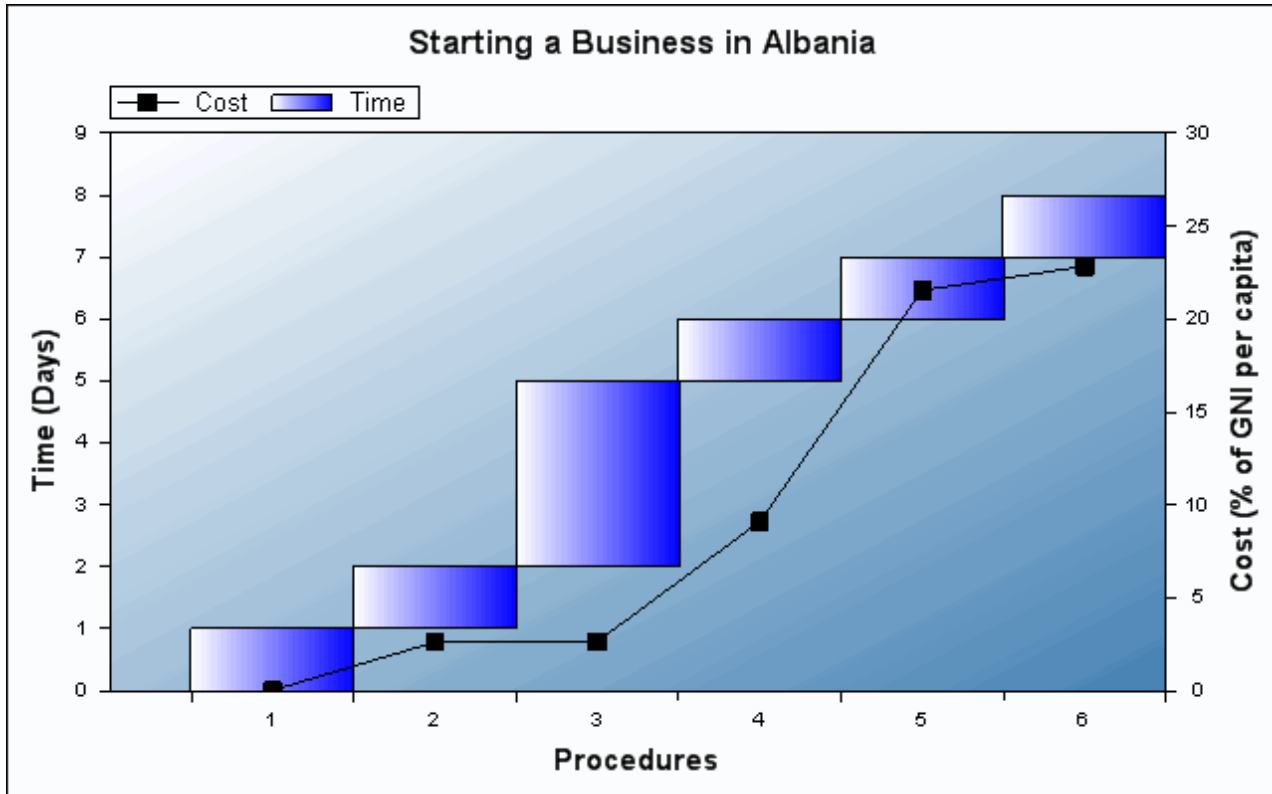
The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. These include obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. The time and cost required to complete each procedure under normal circumstances are calculated, as well as the minimum capital that must be paid in. It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

To make the data comparable across economies, detailed assumptions about the type of business are used. Among these assumptions are the following: the business is a limited liability company conducting general commercial activities in the largest business city; it is 100% domestically owned, with a start-up capital of 10 times income per capita, a turnover of at least 100 times income per capita and between 10 and 50 employees; and it does not qualify for any special benefits, nor does it own real estate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

Cumbersome entry procedures are associated with more corruption, particularly in developing economies. Each procedure is a point of contact, a potential opportunity to extract a bribe. Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices and fuel corruption.

1. Steps to Starting a Business in Albania

It requires 6 procedures, takes 8 days, and costs 25.84% GNI per capita to start a business in Albania.



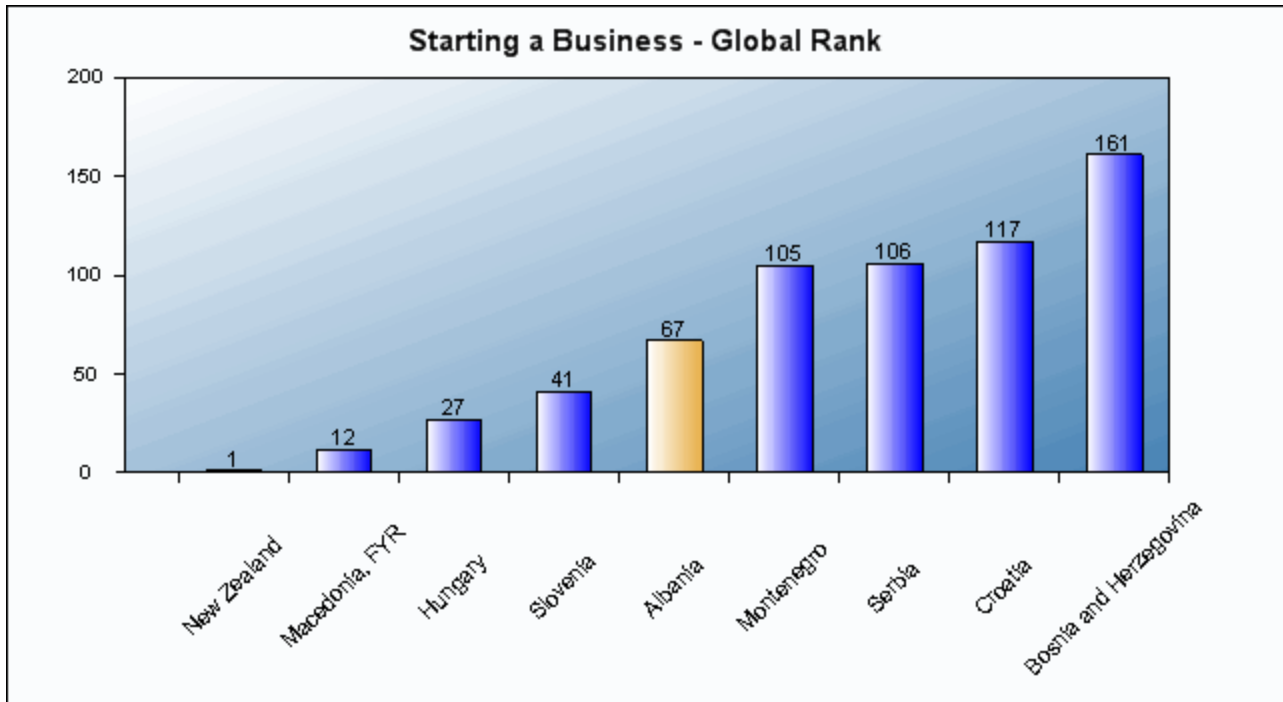
List of Procedures:

1. Search for a unique company name
2. Notarize the incorporation documents
3. Request and obtain the Registration Certification and unique business identification number with National Registration Center, NRC (Qendra Kombëtare për Regjistrim,QRK)
4. Register for the membership with the Chamber of Commerce and Industry
5. Registration with the Municipality Bureau of Internal Revenue
6. Make a company seal

2. Benchmarking Starting a Business Regulations:

Albania is ranked 67 overall for Starting a Business.

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



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

Good Practice Economies	Procedures (number)	Duration (days)	Cost (% GNI per capita)	Paid in Min. Capital (% of GNI per
Denmark			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Albania	6	8	25.8	32.3

<i>Comparator Economies</i>				
Bosnia and Herzegovina	12	60	30.8	36.3
Croatia	8	40	11.5	16.6
Hungary	4	5	8.4	10.8
Macedonia, FYR	7	9	3.8	0.0
Montenegro	15	21	4.4	0.0
Serbia	11	23	7.6	6.9
Slovenia	5	19	0.1	46.8

* The following economies are also good practice economies for :

Procedures (number): Canada

Dealing with Construction Permits

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure from government to comply with inspections, with licensing and safety regulations, from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation; the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many economies, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

The indicators on dealing with construction permits record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

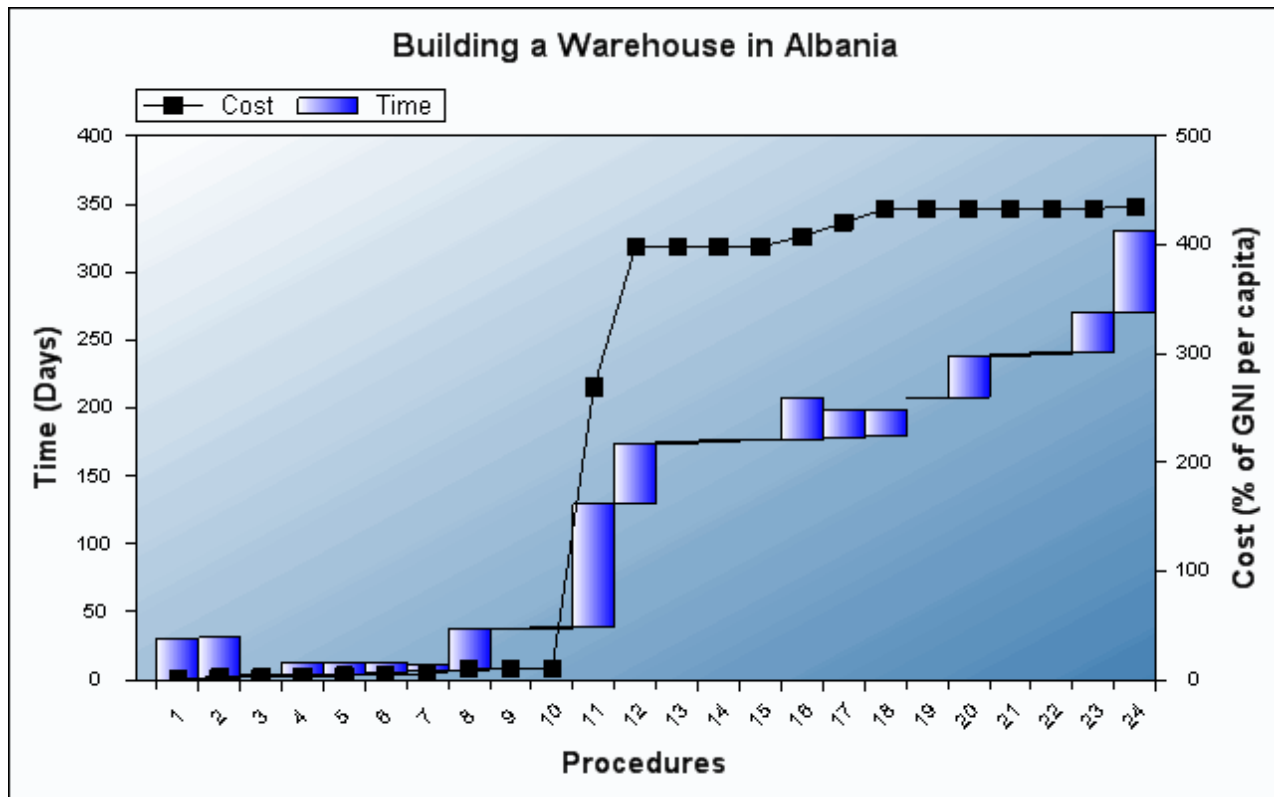
To make the data comparable across economies, several assumptions about the business and its operations are used. The business is a small to medium-size limited liability company, located in the largest business city, domestically owned and operated, in the construction business, with 20 qualified employees. The warehouse to be built:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.
- Will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- Will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off.

1. Steps to Building a Warehouse in Albania

It requires 24 procedures, takes 331 days, and costs 435.02% GNI per capita to build a warehouse in Albania.



List of Procedures:

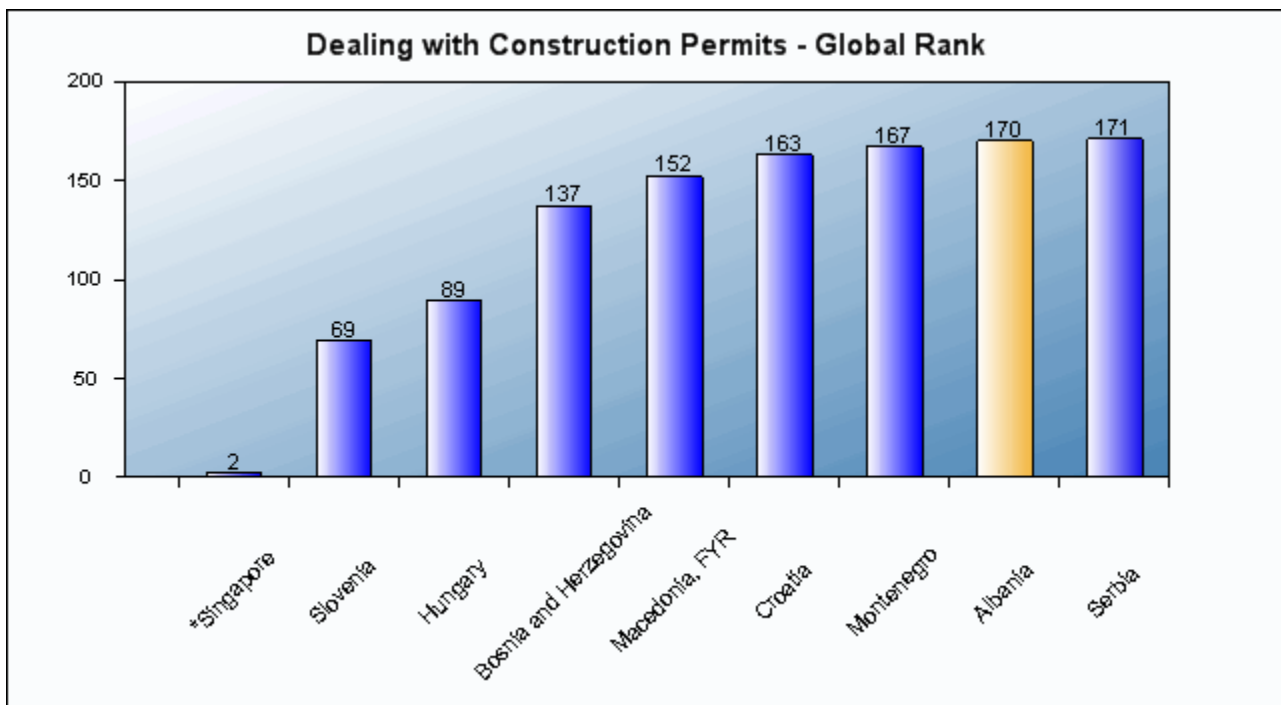
- | | |
|---|--|
| 1. Request and obtain recent property certificate | 10. Receive inspection from Technical Commission |
| 2. Request and obtain Extract of Master Plan of the Plot from the Urban Planning Department | 11. Request and obtain decision of the Territory Adjustment Commission |
| 3. Request and obtain document attesting that the firm has no unpaid environmental fines | 12. Request and obtain Building Permit |
| 4. Request and obtain opinion of the District Urban Planning Department | 13. Receive on-site inspection of construction foundations |
| 5. Request and obtain Project Clearance from Water Authority | 14. Receive on-site inspection of the completion of construction skeleton |
| 6. Request and obtain Project Clearance from Environmental Protection Agency | 15. Receive on-site inspection of the adjustment of the surroundings of the building according to the drawings |
| 7. Request and obtain Electricity Authority Approval | 16. Request and connect to telecommunications services |
| 8. Request and obtain Fire Department Approval for Land Permit and Fire Permit | 17. Request and connect to water and sewage services |
| 9. Request a Land Permit from Urban Planning Department (Technical Commission) | 18. Request and connect to electricity services |
| | 19. Submit Report on the Completion of Works and request on-site inspection by an authorized expert |

20. Receive on-site inspection by an authorized expert and obtain approval
21. Receive inspection from Municipality
22. Receive compliance report after inspection
23. Obtain Occupancy permit
24. Register with the Real Estate Registry

2. Benchmarking Dealing with Construction Permits Regulations:

Albania is ranked 170 overall for Dealing with Construction Permits.

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



** The following economies are also good practice economies for Building a Warehouse: Belize, New Zealand, St. Vincent and the Grenadines*

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

Good Practice Economies	Procedures (number)	Duration (days)	Cost (% of income per capita)
Denmark	6		
Korea		34	
Malaysia*			7.9

<i>Selected Economy</i>			
Albania	24	331	435.0

<i>Comparator Economies</i>			
Bosnia and Herzegovina	16	296	666.9
Croatia	19	410	655.2
Hungary	31	204	10.3
Macedonia, FYR	21	198	1862.8
Montenegro	20	248	1323.2
Serbia	20	279	2177.7
Slovenia	15	208	112.2

* The following economies are also good practice economies for :

Cost (% of income per capita): Brunei, Palau, Qatar, St. Kitts and Nevis, Trinidad and Tobago, United Arab Emirates



Employing Workers

Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws. Doing Business examines government regulation in the area of employment.

Two measures are presented: a rigidity of employment index and a firing cost measure. The rigidity of employment index is the average of three subindices: difficulty of hiring, rigidity of hours and difficulty of firing. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek, and mandated days of annual leave with pay. The difficulty of firing index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective): notification and approval requirements, retraining or reassignment obligations and priority rules for dismissals and reemployment.

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

To make the data comparable across economies, a range of assumptions about the worker and the company are used. The company is assumed to be a limited liability manufacturing corporation that operates in the economy's most populous city, is 100% domestically owned and has 201 employees. The company is also assumed to be subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. In its indicators on employing workers, Doing Business measures flexibility in the regulation of hiring, working hours and dismissal in a manner consistent with the conventions of the International Labour Organization (ILO). An economy can have the most flexible labor regulations as measured by Doing Business while ratifying and complying with all conventions directly relevant to the factors measured by Doing Business and with the ILO core labor standards. No economy can achieve a better score by failing to comply with these conventions.

Governments all over the world face the challenge of finding the right balance between worker protection and labor market flexibility. But in developing countries especially, regulators often err to one extreme, pushing employers and workers into the informal sector. Analysis across economies shows that while employment regulation generally increases the tenure and wages of incumbent workers, overly rigid regulations may have undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills, all of which may reduce productivity growth. When economies err on the side of excessive rigidity, it is to the detriment of businesses and workers alike.

1. Benchmarking Employing Workers Regulations:

Albania is ranked 108 overall for Employing Workers.

Ranking of Albania in Employing Workers - Compared to good practice and selected economies:



* The following economies are also good practice economies for Employing Workers: Marshall Islands, Singapore

The following table shows Employing Workers data for Albania compared to good practice and comparator economies:

Good Practice Economies	Rigidity of Employment Index	Firing costs (weeks of salary)
Hong Kong, China*	0	
New Zealand*		0

<i>Selected Economy</i>		
Albania	35	56

<i>Comparator Economies</i>		
Bosnia and Herzegovina	46	31
Croatia	50	39
Hungary	30	35
Macedonia, FYR	47	26
Montenegro	38	39
Serbia	39	25
Slovenia	59	37

* The following economies are also good practice economies for :

Rigidity of Employment Index: Maldives, Marshall Islands, Singapore, United States

Firing costs (weeks of salary): Afghanistan, Denmark, Iraq, Marshall Islands, Micronesia, Palau, Puerto Rico, Tonga, United States



Registering Property

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal credit markets. But a large share of property in developing economies is not formally registered. Informal titles cannot be used as security in obtaining loans, which limits financing opportunities for businesses. Many governments have recognized this and started extensive property titling programs. But bringing assets into the formal sector is only part of the story. The more difficult and costly it is to formally transfer property, the greater the chances that formalized titles will quickly become informal again. Eliminating unnecessary obstacles to registering and transferring property is therefore important for economic development.

Doing Business records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name. The property of land and building will be transferred in its entirety. The transaction is considered complete when the buyer can use the property as collateral for a bank loan.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most economies the data are based on responses from both. Based on the responses, three indicators are constructed.

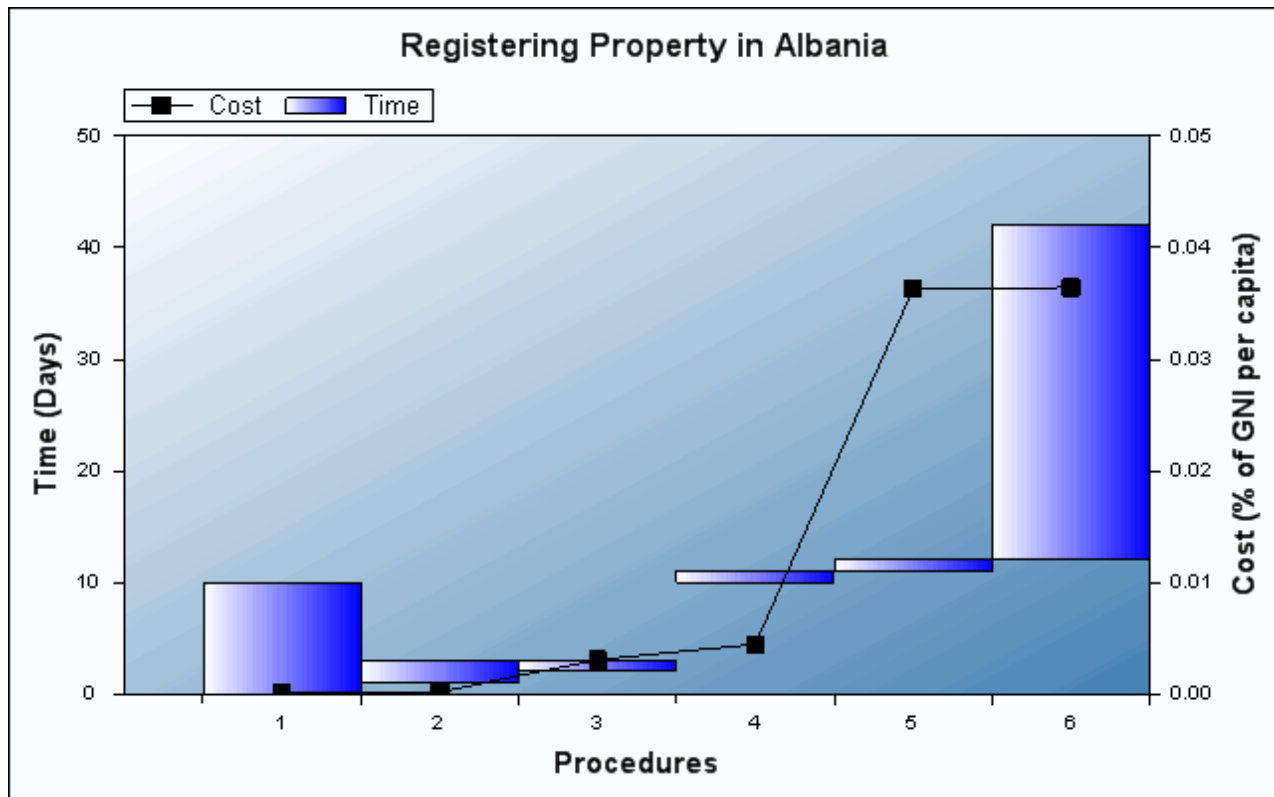
- Number of procedures to register property.
- Time to register property (in calendar days).
- Official costs to register property (as a percentage of the property value).

Many titling programs in Africa were futile because people bought and sold property informally, neglecting to update the title records in the property registry. Why? Doing Business shows that completing a simple formal property transfer in the largest business city of an African economy cost 10% of the value of the property and takes on average 90 days. Worse, the property registries are so poorly organized that they provide little security of ownership.

Efficient property registration reduces transaction costs and helps to formalize property titles. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this. Twenty-four economies made it easier to register property in 2007/08. The most popular reform: lowering the cost of registration by reducing the property transfer tax, registration fees or stamp duty.

1. Steps to Registering Property in Albania

It requires 6 procedures, takes 42 days, and costs 3.43% GNI per capita to register the property in Albania.



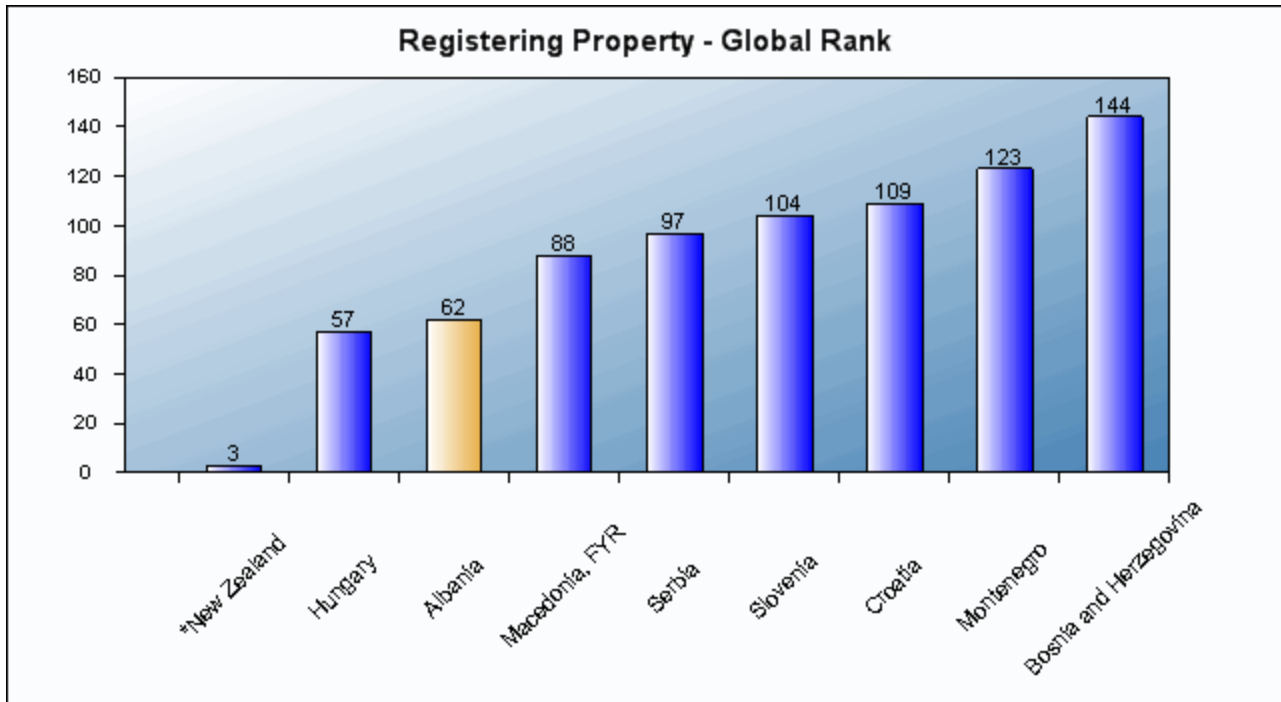
List of Procedures:

1. The seller obtains an ownership title certificate
2. Verification of property certificate and relevant map at the Real Estate Property Registry
3. Comparison of property map with the real situation and position of the land
4. Notarization of the sale and purchase contract by a notary public
5. Payment of income tax at a second-tier bank
6. Apply for registration at the Real Estate Registry Office

2. Benchmarking Registering Property Regulations:

Albania is ranked 62 overall for Registering Property.

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



* The following economies are also good practice economies for Registering Property: Georgia, Saudi Arabia

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

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

<i>Selected Economy</i>			
Albania	6	42	3.4

<i>Comparator Economies</i>			
Bosnia and Herzegovina	7	128	5.2
Croatia	5	174	5.0
Hungary	4	17	11.0
Macedonia, FYR	6	66	3.4
Montenegro	8	86	3.3
Serbia	6	111	2.9
Slovenia	6	391	2.0

* The following economies are also good practice economies for :

Procedures (number): Sweden

Duration (days): Saudi Arabia, Sweden, Thailand



Getting Credit

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function: one on credit registries and the other on legal rights of borrowers and lenders. Credit registries, institutions that collect and distribute credit information on borrowers, can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. And they free entrepreneurs from having to rely on personal connections alone when trying to obtain credit. Three indicators are constructed to measure the sharing of credit information:

- Depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information.
- Public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population.
- Private bureau coverage, which reports the number of individuals and firms, covered by a private credit bureau as a percentage of the adult population.

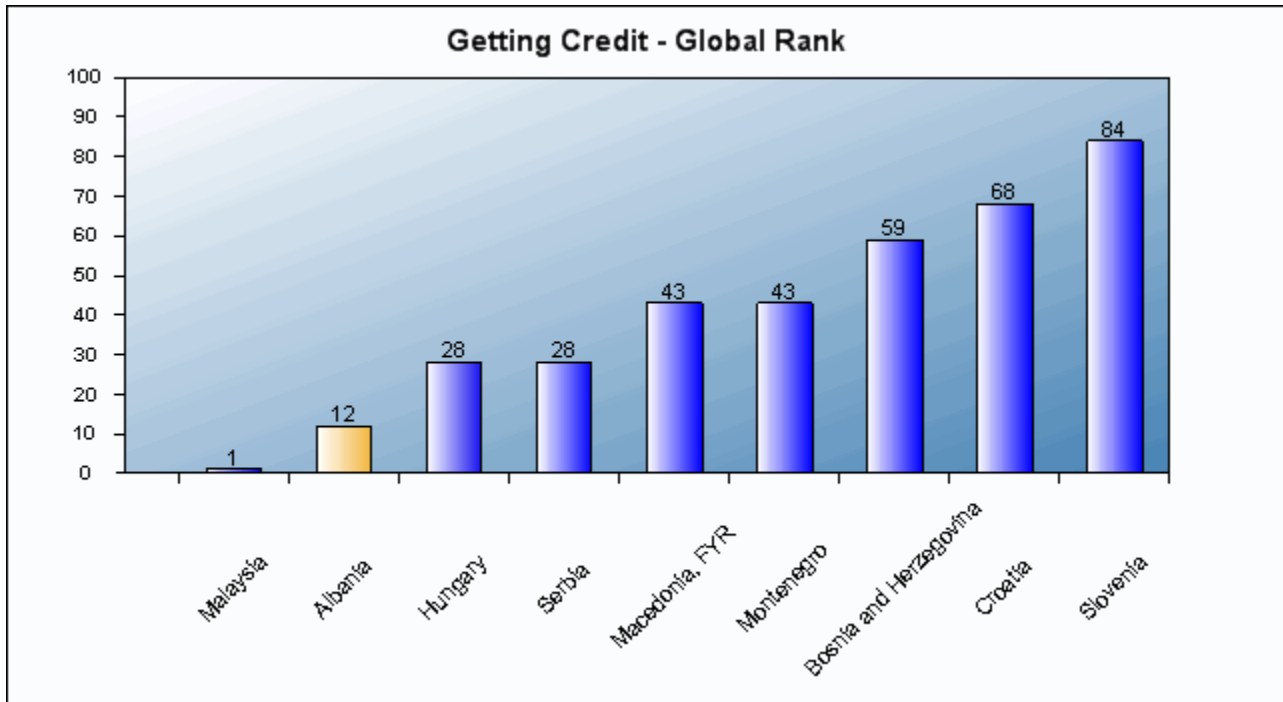
The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. This year, three main changes were made; first, a standardized case scenario with specific assumptions was introduced to bring this indicator into line with other Doing Business indicators. Second, the indicator now focuses not on tangible movable collateral, such as equipment, but on revolving movable collateral, such as accounts receivable and inventory. Third, the indicator no longer considers whether management remains in place during a reorganization procedure, better accommodating economies that adopt reorganization procedures. The strength of legal rights index includes 8 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law:

- Any business may use movable assets as collateral while keeping possession of the assets, and any financial institution may accept such assets as collateral.
- The law allows a business to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets.
- The law allows a business to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets.
- A security right may extend to future or after-acquired assets and may extend automatically to the products, proceeds or replacements of the original assets.
- General description of debts and obligations is permitted in collateral agreements and in registration documents, so that all types of obligations and debts can be secured by stating a maximum rather than a specific amount between the parties.
- A collateral registry is in operation that is unified geographically and by asset type and that is indexed by the name of the grantor of a security right.
- Secured creditors are paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated.
- Secured creditors are not subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure.
- The law allows parties to agree in a collateral agreement that the lender may enforce its security right out of court.

1. Benchmarking Getting Credit Regulations:

Albania is ranked 12 overall for Getting Credit.

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



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

Good Practice Economies	Legal Rights Index	Credit Information Index	Public registry coverage (%)	Private bureau coverage (%)
Malaysia*	10			
New Zealand*				100.0
Portugal			76.4	
United Kingdom		6		

<i>Selected Economy</i>				
Albania	9	4	8.3	0.0

<i>Comparator Economies</i>				
Bosnia and Herzegovina	5	5	0.0	69.2
Croatia	6	3	0.0	71.8
Hungary	7	5	0.0	10.0
Macedonia, FYR	7	4	6.5	0.0
Montenegro	9	2	26.3	0.0
Serbia	7	5	0.0	91.9
Slovenia	6	2	2.7	0.0

* The following economies are also good practice economies for :

Legal Rights Index: Hong Kong, China, Kenya, Singapore

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



Protecting Investors

Companies grow by raising capital, either through a bank loan or by attracting equity investors. Selling shares allows companies to expand without the need to provide collateral and repay bank loans. But investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections. To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gain.

The case facts are straightforward. Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company. Shareholders sue the interested parties and the members of the board of directors. Several questions arise. Who approves the transaction? What information must be disclosed? What company documents can investors access? What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James? Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure.

- The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.
- The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.
- The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.

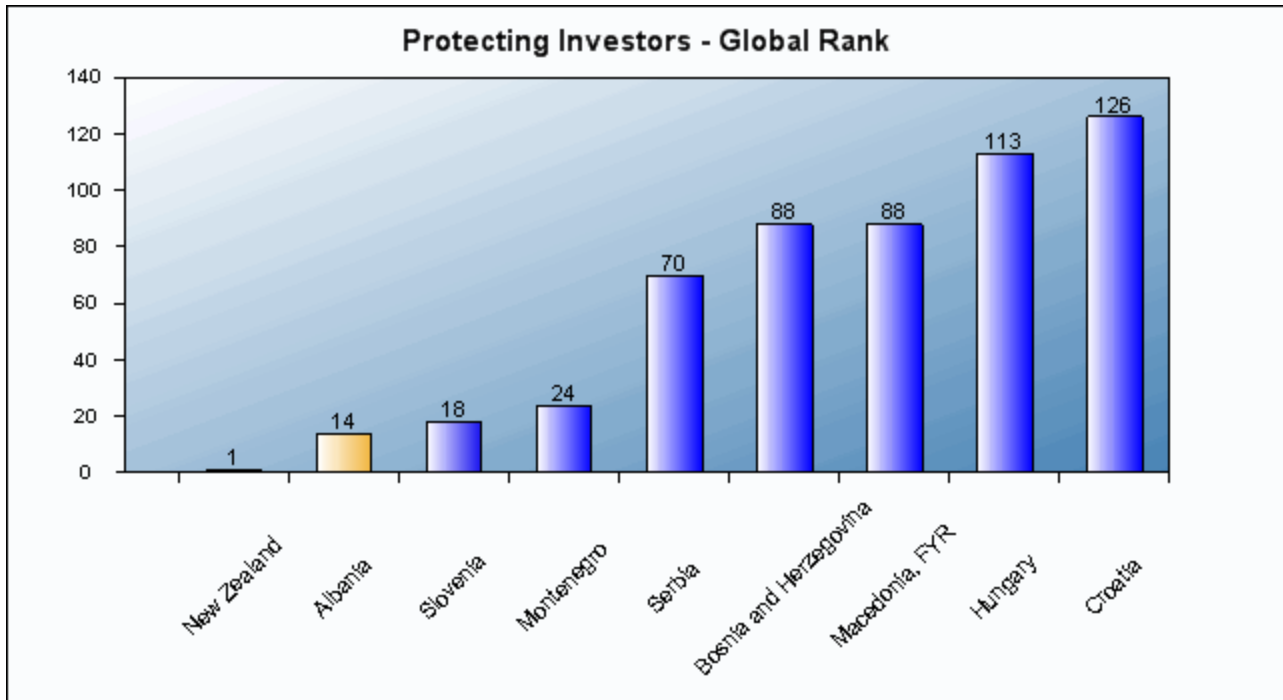
These three indices are averaged to create the strength of investor protection index. This index ranges from 0 to 10, with higher values indicating better investor protection.

*Doidge, Karayi and Stulz (2007)

1. Benchmarking Protecting Investors Regulations:

Albania is ranked 14 overall for Protecting Investors.

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



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

Good Practice Economies	Investor Protection Index
New Zealand	9.7

<i>Selected Economy</i>	
Albania	7.3

<i>Comparator Economies</i>	
Bosnia and Herzegovina	5.0
Croatia	4.0
Hungary	4.3
Macedonia, FYR	5.0
Montenegro	6.3
Serbia	5.3
Slovenia	6.7



Paying Taxes

Taxes are essential. Without them there would be no money to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. But particularly for small and medium size companies, they may opt out and choose to operate in the informal sector. One way to enhance tax compliance is to ease and simplify the process of paying taxes for such businesses.

The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so. Imagine a medium-size business, TaxpayerCo, that started operations last year. Doing Business asks tax practitioners in 181 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.

The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded. Taxes and mandatory contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor taxes and contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax, sales tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.

Three indicators are constructed:

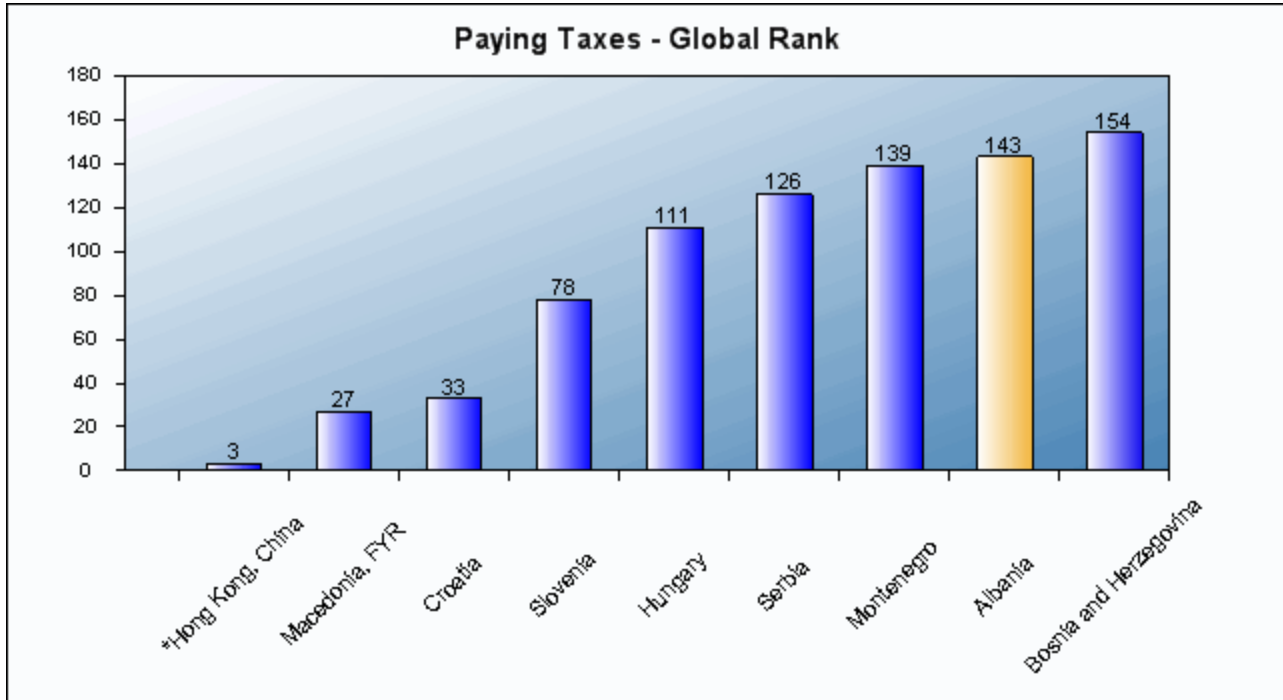
- Number of tax payments, which takes into account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- Time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value added tax, sales tax or goods and service tax and labor taxes and mandatory contributions.
- Total tax rate, which measures the amount of taxes and mandatory contributions payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

Businesses care about what they get for their taxes and contributions, such as the quality of infrastructure and social services. Efficient tax systems tend to have less complex tax arrangements, comprising of straightforward compliance procedures and clear laws. Taxpayers in such economies often get more from their taxes. Simple, moderate taxes and fast, cheap administration mean less hassle for businesses, and also more revenue collected and better public services. More burdensome tax regimes create an incentive to evade taxes.

2. Benchmarking Paying Taxes Regulations:

Albania is ranked 143 overall for Paying Taxes.

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



* The following economies are also good practice economies for Paying Taxes: Maldives, Qatar

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

Good Practice Economies	Payments (number)	Time (hours)	Total tax rate (% profit)
Luxembourg*		59	
Sweden*	2		
Vanuatu			8.4

<i>Selected Economy</i>			
Albania	44	244	50.5

<i>Comparator Economies</i>			
Bosnia and Herzegovina	51	428	44.1
Croatia	17	196	32.5
Hungary	14	330	57.5
Macedonia, FYR	40	75	18.4
Montenegro	89	372	31.8
Serbia	66	279	34.0
Slovenia	22	260	36.7

* The following economies are also good practice economies for :

Payments (number): Maldives, Qatar

Time (hours): Bahamas, Bahrain, Maldives, Qatar, United Arab Emirates



Trading Across Borders

The benefits of trade are well documented; as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with bigger ships and faster planes, the world is shrinking. Global and regional trade agreements have reduced trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. Many entrepreneurs face numerous hurdles to exporting or importing goods, including delays at the border. They often give up. Others never try. In fact, the potential gains from trade facilitation may be greater than those arising from only tariff reductions.

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every procedure and the associated documents, time and cost, for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the importer's warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit. Payment is by letter of credit and the time and cost for issuing or securing a letter of credit is taken into account.

To make the data comparable across countries, several assumptions about the business and the traded goods are used. The business is of medium size, employs 60 people, and is located in the periurban area of the economy's most populous city. It is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy. The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.

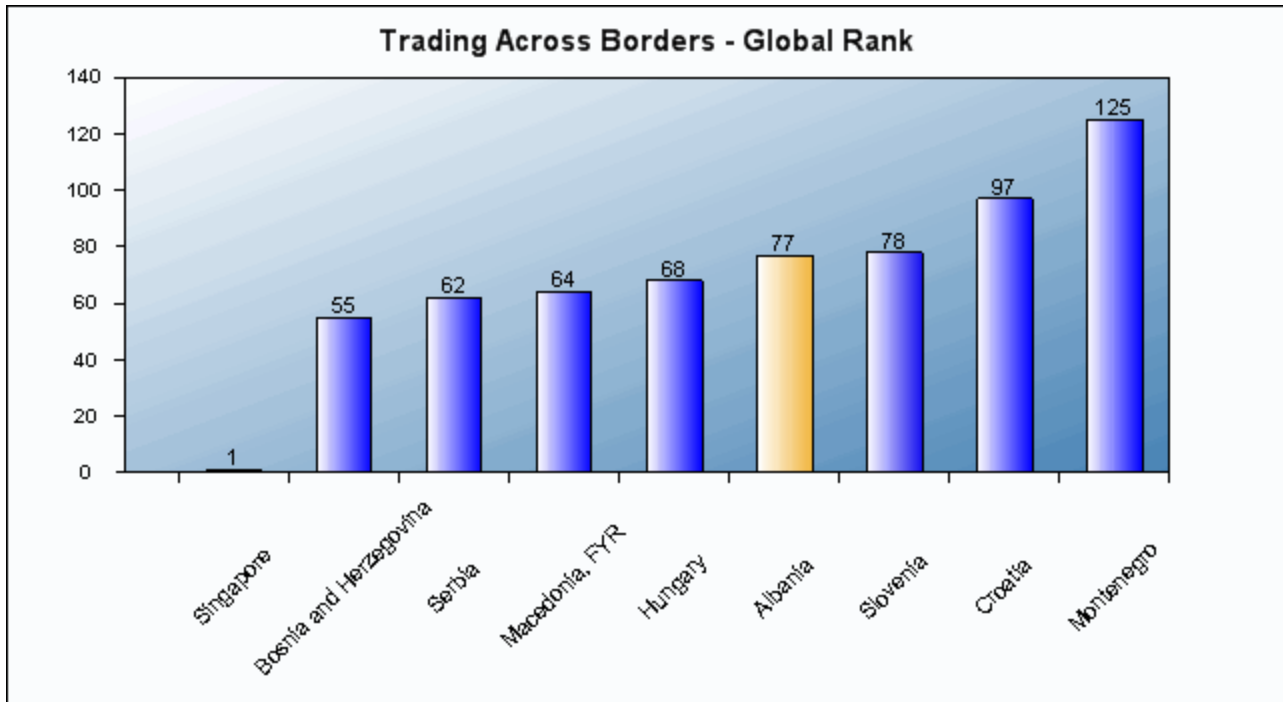
Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction. Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders may avoid customs altogether. Instead, they smuggle goods across the border. This defeats the very purpose in having border control of trade to levy taxes and ensure high quality of goods.

1. Benchmarking Trading Across Borders Regulations:

Albania is ranked 77 overall for Trading Across Borders.

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



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

Good Practice Economies	Documents for export (number)	Time for export (days)	Cost to export (US\$ per container)	Documents for import (number)	Time for import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					3	439

<i>Selected Economy</i>						
Albania	7	21	770	9	22	775

<i>Comparator Economies</i>						
Bosnia and Herzegovina	6	16	1070	7	16	1035
Croatia	7	20	1281	8	16	1141
Hungary	5	18	1300	7	17	1290
Macedonia, FYR	6	17	1315	6	15	1325
Montenegro	9	18	1710	7	19	1910
Serbia	6	12	1398	6	14	1559
Slovenia	6	20	1075	8	21	1130

* The following economies are also good practice economies for :

Time for export (days): **Estonia, Singapore**



Enforcing Contracts

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data is collected through study of the codes of civil procedure and other court regulations as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer) both located in the economy's largest business city.

The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds that they were not of adequate quality.

The Seller sues the Buyer to recover the amount under the sales agreement (200% of the economy's income per capita). The claim is filed before a court in the economy's largest business city with jurisdiction over commercial cases worth 200% of the income per capita and is disputed on the merits. Judgment is 100% in favor of the Seller and is not appealed. Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.

Rankings on enforcing contracts are based on 3 sub-indicators:

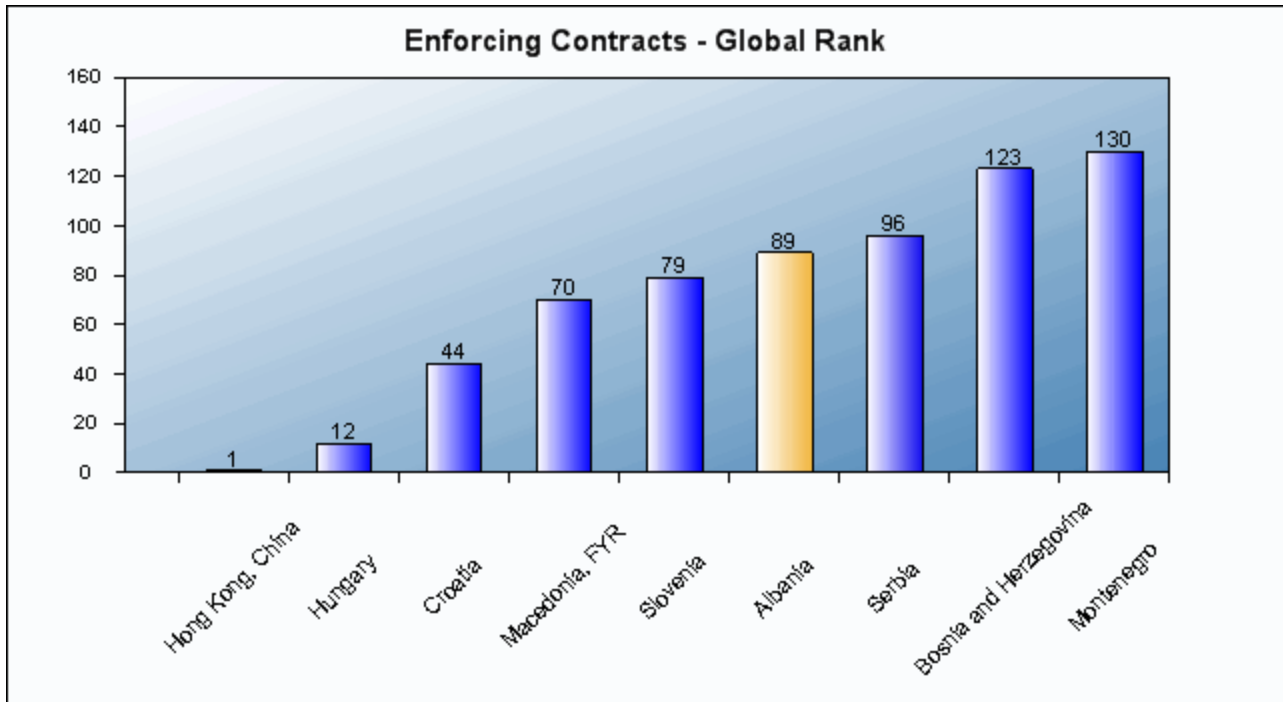
- Number of procedures, which are defined as any interaction between the parties or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- Time, which counts the number of calendar days from the moment the Seller files the lawsuit in court until payment is received. This includes both the days on which actions take place and the waiting periods in between.
- Cost, which is recorded as a percentage of the claim (assumed to be equivalent to 200% of income per capita). Three types of costs are recorded: court costs (including expert fees), enforcement costs (including costs for a public sale of Buyer's assets) and attorney fees.

Justice delayed is often justice denied. And in many economies only the rich can afford to go to court. For the rest, justice is out of reach. In the absence of efficient courts, firms undertake fewer investments or business transactions. And they prefer to involve only a small group of people who know each other from previous dealings.

1. Benchmarking Enforcing Contracts Regulations:

Albania is ranked 89 overall for Enforcing Contracts.

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



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

Good Practice Economies	Procedures (number)	Duration (days)	Cost (% of claim)
Iceland*			6.2
Ireland	20		
Singapore		150	

<i>Selected Economy</i>			
Albania	39	390	38.7

<i>Comparator Economies</i>			
Bosnia and Herzegovina	38	595	38.4
Croatia	38	561	13.8
Hungary	33	335	13.0
Macedonia, FYR	38	385	33.1
Montenegro	49	545	25.7
Serbia	36	635	28.9
Slovenia	32	1350	18.6

* The following economies are also good practice economies for :

Cost (% of claim): Bhutan



Closing Business

The economic crises of the 1990s in emerging markets, from East Asia to Latin America, from Russia to Mexico, raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that the company is a domestically owned, limited liability corporation operating a hotel in the country's largest business city. The company has 201 employees, 1 main secured creditor and 50 unsecured creditors. Assumptions are also made about the debt structure and future cash flows. The case is designed so that the company has a higher value as a going concern, that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation. The data are derived from questionnaires answered by attorneys at private law firms.

Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate, how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy is used, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

1. Benchmarking Closing Business Regulations:

Albania is ranked 181 overall for Closing a Business.

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



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

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.5		
Singapore*			1

<i>Selected Economy</i>			
Albania	0.0	no practice	no practice

<i>Comparator Economies</i>			
Bosnia and Herzegovina	35.9	3.3	9
Croatia	30.5	3.1	15
Hungary	38.4	2.0	15
Macedonia, FYR	16.7	3.7	28
Montenegro	43.7	2.0	8
Serbia	25.4	2.7	23
Slovenia	45.5	2.0	8

* The following economies are also good practice economies for :

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

DB2009 Reforms

Number of reforms in Doing Business 2009

Rank	Economy	Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Total number of reforms
1	Azerbaijan	✓		✓	✓	✓	✓	✓		✓		7
2	Albania	✓				✓	✓	✓				4
3	Kyrgyz Republic	✓	✓				✓					3
4	Belarus	✓	✓		✓	✓			✓	✓		6
5	Senegal	✓			✓				✓			3
6	Burkina Faso		✓	✓	✓				✓			4
7	Botswana	✓					✓	✗	✓			2
8	Colombia	✓	✓						✓	✓	✓	5
9	Dominican Republic	✓			✓				✓	✓		4
10	Egypt	✓	✓		✓	✓	✓		✓			6
	Bosnia and Herzegovina		✓		✓				✓		✓	4
	Croatia		✓						✓			2
	Hungary	✓			✓							2
	Macedonia, FYR	✓			✓	✓			✓	✓	✓	6
	Montenegro		✗			✓						0
	Serbia		✗		✓							0
	Slovenia	✓		✓			✓					3

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

Albania

Albania, a top reformer globally and regionally, established a public credit registry allowing financial institutions to share credit information and covering 8.3 percent of the adult population. This reform allows banks to better evaluate the creditworthiness of potential borrowers, facilitating access to credit for firms and individuals. Albania also strengthened investor protections. A new company law requires that disinterested shareholders approve transactions between interested parties and obligates those parties to disclose all information on the transaction to the public. The law also reinforces directors' duties and requires directors, when found liable, to pay damages and return profits to the company. Starting a business became easier with online publication, reduction of the registration cost, and the consolidation of tax, health insurance, and labor registration into a single application. The corporate income tax rate was reduced from 20 percent to 10 percent effective January 1, 2008.

Azerbaijan

Azerbaijan, the top reformer globally and regionally, eliminated the minimum threshold for reporting loans to the public credit registry in September 2007. The public registry now records information on all loans made by the financial system, more than doubling the coverage of borrowers with a credit history. Substantial amendments to the labor code in May 2007 made hiring workers easier by allowing employers to use fixed-term contracts for permanent tasks, easing restrictions on night work, and reducing requirements for redundancy dismissals. Azerbaijan created a second commercial court in Baku, increasing the number of judges dealing with commercial cases from five to nine. The average time to enforce a contract through the courts fell from 267 days to 237. A new law strengthens investor protections by requiring that transactions between interested parties be approved by shareholders. Interested parties are allowed to vote on the matter. Other provisions protect investors because directors who are held liable must pay damages and disgorge profits. Azerbaijan introduced a new unified property registry, reducing the number of procedures required to register property from seven to four. In addition, the State Register Service introduced the option of expediting two of the four procedures, making it possible to register property in 11 days. Similarly, the country created a one-stop shop for company registration, cutting the number of procedures from 13 to six and reducing the time required by half. Azerbaijan reduced the tax burden by introducing an online filing and payment system with advanced accounting software for calculating taxes due. This saves more than 500 hours a year on average in dealing with paperwork.

Belarus

In Belarus, a top reformer globally and regionally, the public credit registry expanded credit information by eliminating the minimum threshold for loans recorded in its database. It also guaranteed the right of borrowers to review their data, improving accuracy. Starting a business became easier: a unified registry database was created, a time limit was introduced for registration, and the minimum capital requirement was cut by half. Belarus created a one-stop shop for property registration and introduced a broad administrative simplification program that set strict time limits at the registry and computerized its records. As a result, the time required to register property in Minsk fell from 231 days to 21. The time required for dealing with construction permits fell by 140 days, thanks to new statutory time limits for preapproval clearances and building permits. Belarus eased the tax burden by abolishing the "Chernobyl tax" (3 percent) and unemployment tax (1 percent) and amending the simplified tax system for small businesses. A new customs code and new banking regulations reduced the time to export

Bosnia and Herzegovina

Bosnia and Herzegovina tightened professional requirements for trustees to speed bankruptcy procedures. The corporate income tax rate was reduced from 30 percent to 10 percent effective January 1, 2008. Profit distribution (including dividends) is now tax exempt, and tax losses can be carried forward for five years. The computerization of files at the Land Registry in Sarajevo has sped property registration. As a result, the time required to transfer a title dropped by 203 days. The reform at the Land Registry has also benefited entrepreneurs dealing with construction permits, reducing the time to obtain a cadastre excerpt before construction and to register the newly completed building in the cadastre and land book by 171 days.

Botswana

Botswana improved its business environment by speeding the start-up process through computerization. A similar effort, which included training customs officers in using an electronic data interchange system, sped the processing of trade documents and reduced the time to export by two days and the time to import by a day. A new Company Act has come into force, requiring that shareholders approve related-party transactions and that directors repay damages and surrender profits if held liable. Finally, since January 2008, companies have been required to pay 0.2 percent of turnover for the training of workers.

Burkina Faso	Burkina Faso eliminated random inspections during construction. It also introduced a new one-stop shop for construction permits, which reduced approval fees and combined five separate payments into a single one. A new labor code, approved in May 2008, makes hiring workers easier by allowing employers to use fixed-term contracts for permanent tasks, removing the 48-month limit on the duration of such contracts, and easing restrictions on determining the weekly rest day. Requirements for redundancy dismissals were also eased: third-party notification and consent are no longer required for dismissal of a single worker, and priority rules for dismissals were abolished. Burkina Faso made it easier to transfer property by eliminating the requirement for authorization from the municipality, merging two taxes at the Land Registry (Conservation Foncière), and reducing the transfer tax. The changes reduced the time required by 46 days and the cost by 2 percent of the property value. Finally, Burkina Faso reduced the corporate income tax rate from 35 percent to 30 percent (effective January 1, 2008), and the tax on dividends from 15 percent to 12.5 percent.
Colombia	Colombia, a top global and regional reformer, improved in five of the 10 Doing Business indicators. It reduced the time and cost to start a business by simplifying registration formalities, including speeding up processes at the registry and eliminating the need to obtain a certificate of compliance with zoning regulations. A silence-is-consent principle for building permits is now applied, reducing the total time for dealing with construction permits by 32 days. A new unified application form was introduced. Colombia made electronic tax payments mandatory for companies with more than 30 employees and created unified electronic forms for filing taxes. Trading across borders was expedited: better banking services and the implementation of e-payments, electronic data interchange, and coordinated inspections in customs reduced the time to export by 10 days and the time to import by five. Authorities also introduced two new insolvency proceedings: a reorganization procedure to restructure insolvent companies and a mandatory liquidation procedure. Its new insolvency law tightens time limits for negotiating reorganization agreements. Before, the term allowed was six months, with a possible extension of eight months. The new law limits the term to four months, and the extension to two.
Croatia	In Croatia a new building code came into force in October 2007 and made it easier to deal with construction permits by eliminating five procedures. Even so, the reform led to an administrative backlog for building and occupancy permits, increasing the overall time required by 20 days. Ongoing improvements to port infrastructure sped terminal handling for exports by two days.
Dominican Republic	The Dominican Republic, a top global and regional reformer, sped up formalities in several areas by making them electronic. An online system for filing and paying taxes, piloted in 2006, is now fully operational. And entrepreneurs can complete several start-up formalities online, including name verification, and commercial and tax registration. The Dominican Republic also reduced the corporate income tax rate from 29% to 25%, and abolished several taxes, including the stamp duty. The cost of property registration fell, thanks to a reduction in the transfer tax from 4.3% to 3%. Transferring property now costs 3.8% of the property value, down from 5.1%. In addition, authorities reduced the time to export by three days by improving the online portal for customs documentation and payment.
Egypt	Egypt was once again among the top 10 global reformers—the third time in 4 years—and top regional reformer this year. Egypt made starting a business easier by reducing the paid-in minimum capital requirement by more than 80%, abolishing bar association fees, and automating tax registration. A new building code introduced in 2008 is aimed at reducing the procedures and time required to deal with construction permits by establishing a single window for processing construction-related approvals. Simplified administrative procedures for registering property and new time limits have reduced the time to transfer property in Cairo from 193 days to 72. The port of Alexandria continued to upgrade its facilities and sped customs clearance, reducing the time to export by 1 day and the time to import by 3. New listing rules for the Cairo Stock Exchange strengthened protections for minority shareholders: now an independent body must assess transactions between interested parties before they are approved. And thanks to new regulations issued by the Central Bank of Egypt, borrowers have the right to inspect their data in the private credit bureau.
Hungary	Hungary cut the time required to register property from 63 to 17 days by opening a new property registration office in Budapest and increasing cooperation among government agencies. It also reduced the minimum capital requirement to start a business by around 80%, introduced online filing and made the use of notaries optional. Site ownership certificate and site map, required for construction permits can be now obtained in 1 day, while before it took 7 days.

Kyrgyz Republic	The Kyrgyz Republic, a top reformer globally and regionally, strengthened investor protections through legal amendments allowing minority investors to take legal actions as shareholders. The amendments also require an independent assessment of a related-party transaction before it is approved. Moreover, directors can be held liable for negligence if they harm minority shareholders and will be forced to pay damages and disgorge profits. A new one-stop shop made it easier to start a business by streamlining and simplifying business registration processes and eliminating certain requirements such as proof of residence. Obtaining a company seal became optional. Dealing with construction permits also became easier, thanks to a one-stop shop making it possible to obtain a designing permit, construction license, and occupancy permit at a single place. This reform eliminated nine steps, reduced the time required by almost 6 months, and lowered the cost from 759 percent of income per capita to 406 percent.
Macedonia, FYR	In the former Yugoslav Republic of Macedonia a new law on personal data protection allows borrowers to check their information at the credit registry, improving its quality and accuracy. The government continued to systematically equip courts with electronic case management systems, and the commercial court in Skopje became operational, speeding contract enforcement in commercial matters. The corporate income tax was reduced to 10 percent effective January 1, 2008. A new cadastre law and a staff increase at the cadastre office helped to reduce the time needed to register property from 98 days to 66. The one-stop shop system was updated to carry out the full range of business start-up processes, reducing both the number of procedures and the time required. The time required to export fell from 19 to 17 days and the time to import from 17 to 15 days, thanks to rationalization of the customs fee schedule and permit structure, improved risk-based inspections, simplification of a customs procedure, and the elimination of a document requirement.
Montenegro	Montenegro created a new public credit registry, increasing the coverage of borrowers from 0 to 26 percent of the adult population. The new registry will facilitate access to credit by providing lenders with credit information on potential borrowers. Obtaining construction permits takes longer compared to last year. Stricter compliance requirements introduced to conform with EU best practices led to an administrative backlog, increasing the time by 51 days.
Senegal	Senegal's one-stop shop for business start-up became fully operational, merging more than half the procedures and speeding the process as a result. Similarly, the introduction of time limits at the Land Registry and the Directorate of Taxes and Property sped property registration. The top reformer globally in easing trade, Senegal introduced a single window for customs clearance, cutting document requirements in half. It also set up an electronic data interchange system, implemented risk-based inspections, extended the operating hours of customs, and improved port and road infrastructure.
Serbia	Serbia reduced the property transfer tax from 5 percent of the property value to 2.5 percent. The total cost to register a property fell from 5.37 percent of the property value to 2.85 percent. An administrative backlog at the Belgrade Municipality's Construction Department added 75 days to the time for obtaining construction permits.
Slovenia	In Slovenia the Employment Relationship Act of 2007 lowered the cost of redundancy dismissals by reducing the notice period from 75 days to 60 and made hiring workers easier by extending the maximum duration of fixed-term contracts. Another new law protects minority investors by allowing them to sue directors on behalf of the company. Slovenia also eased business start-up through single-access points that reduced the cost to establish limited liability companies and simplified administrative procedures. The number of procedures required to start a company fell from nine to five, and the time from 60 days to 19.



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