

Doing business in Albania...How easy and difficult is it

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Abstract

This paper is based on a study conducted by the World Bank, which analyzes all phases and procedures concerning the entry and operation of a business in a specific market. The aim of this paper is to focus on telling about how easy or difficult is doing business in Albania, which are the challenges and opportunities of this market and how capable we, as a new generation, must be in order to transform the challenges and weaknesses in opportunities and powers. Also, for each of these phases we make a comparison between Albania and other countries that is another part of this study.

Keywords: Albania, Business, Challenges and Opportunities, Reforms

1. Starting a Business

When the entrepreneur has developed a business plan, the first thing that should do is to follow the procedures pursuant to which he will record the business in order for it to function legally. Different countries change on the severity of the rules of the entry of a new business. From 181 countries Albania is ranked 67 as regards the rules of the entry. Our country is characterized from the absence of legal barriers to entry in market and effective administrative procedures.

According to this study starting a business in Albania is done by following six procedures, requires an average of 8 days and a cost of 24.84% of GNI per capital. List of procedures:

1. Searching and finding a unique name of the company.
2. Notification of the necessary documents.
3. Requirement and finding of the certificate of Registration in NRC and the unique number of identification of the business.
4. Registration for membership in the Chamber of Commerce and Industry.
5. Registration in local bodies.
6. Buying of the company seal.

2. Human Resources

Global economy has established a system of laws and institutions to protect employers and guaranteeing a minimum subsistence level for population. The rules of employment are implemented with a view to have an effective relationship between employees and employers, and protect employers from discrimination and unfair treatment from employees. This article considers the flexibility of rules of engagement, working hours and dismissal and how these rules are consistent with those established by the Convention ILO (International Labour Organization) and according to this study as aligned and

implemented to be regulations regarding the employment with the rules of this convention so efficient are the rules for employment in an economy. Exactly, starting in determining compliance, this study is based on two criteria: the severity of employment firing costs. The severity of employment is average of three indexes and relevant assessment of this study for 2009 (how much higher the index is the hardest are the rules, the index takes values between 0 and 100)

- Difficulty of employment 44
(It has to do with the ease of signing the contracts)
- Loads of working hours 20
(It has to do with hours of work per week, paid holidays etc..)
- Difficulties firing 10
(Covers the legal protection of employees against dismissal, including conditions allowed the dismissal and dismissal procedures). Albania was ranked 108 in this aspect.

Human resources are one of the most important resources of the business. Every company must have appropriate procedures for the recruitment, selection, training and career development. In Albania lacks such a culture and few are the companies that have to implement such a system. Majority of companies do not implement a formal process of hiring employees, the process which would affect growth performance and quality of the work, but based on informal methods.

Albania is characterized by a relatively young average age, which ranges around 32 years old and currently are the country with the youngest population in Europe, a fact very positive impact on the development of large potentials of our country.

One other fact that should be mentioned in connection with this point is the informal economy (constitutes currently about 33% of Gross Domestic Product) which is the part of the legitimate economy that does not respect the legal

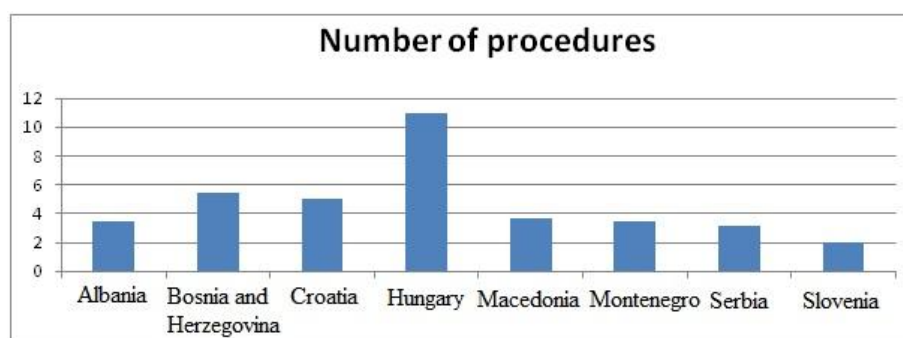
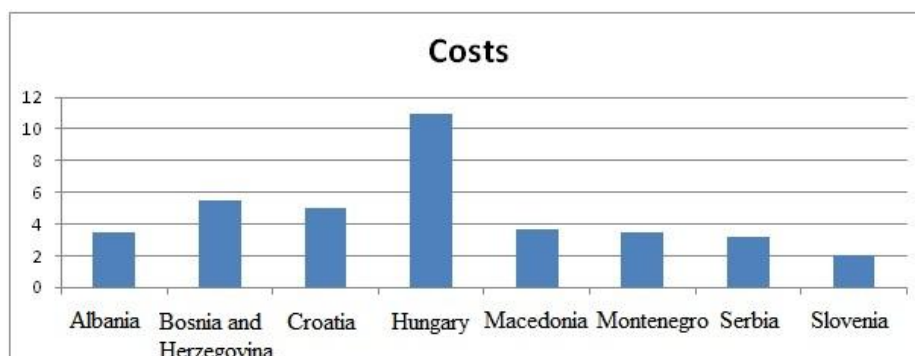
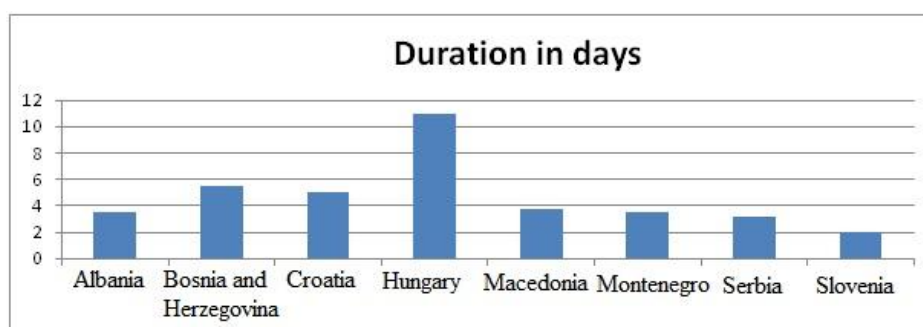
framework in force and which would be object to taxation if reported in fiscal bodies. In Albania, the number of insured persons is very thin, a fact negative as workers, as positive for employers who report no exact number of Workers in fiscal bodies causing, tax liability them to be much lower than the real one.

3. Property Registration

One of the most problematic issues is the question of property. The change of the system and then the transition years have created many problems among former owners, new owners and public properties. Sixty (60%) of total complaints of corruption on the part of citizens is precisely on this matter. "Lack of institutional cooperation to tackle the issue of transparency favors sharp and not

corruption. "Year after year these problems have gone from a government program to another, this issue has begun to resolve, but spent more time and showing lack of efficiency in project implementation. Another problem that causes unfair competition is not law enforcement to copyright and intellectual property. This important law, which was approved in April 2005-s, but is not seen in practice. Businesses often waste time and money with the procedures of purchasing and registering property. This process ends when business can use it as collateral for a bank loan. Albania chart positions regarding the registration of property, on three aspects:

- Number of procedures = 6 procedures
- Duration in days = 42 days
- Cost (as% of Assets) = 3.4



4. Lending

What prevents the credit?

1. Uncertainty makes short-term credits to be about 50% of its
2. Poor infrastructure bank, lack of the organization especially in certain branches as agriculture
3. Interest of treasury bonds has been very attractive to private banks

4. Injustice in court decisions withdraw the banks in lending.
 5. The payment system was relatively weak and has removed the client from bank
 6. Lack of real estate market and the uncertainty in the mortgage fraud problem in the records of collateral
 7. Lack of correct relations and tradition-bank borrowers
- What encourages lending?*

1. There are adding new banks in Albania and have opened their branches in all countries.
2. Bank of Albania(BOA)has cut interest rates by year basis for the year and therefore reducing loan interest
3. Banks have to know the client better, businesses and labor market in Albania. Capital of banks is growing and growing and so will tee mass ratio of credit to customers whether businesses or individuals
4. The economy has stabilized in all directions as the rule, policy, corruption, and events in the region (which have direct impact on the Albanian economy partly)

5. Protection of Investments

Companies have increasing opportunities to obtain a bank loan or by attracting investors to invest directly in companies. The second, more preferably from companies, as there is a need to provide collateral or repay debt taken. To attract investors to invest, seek legal protection from their money. A study shows that the presence of a system of protective laws explains up to 73% of decisions to invest. While the individual characteristics of the companies explains the 4% to 22% of these decisions. The best protection of investors associated with larger markets and active capital. Transparency is something very important to bear in mind to protect looms large. This relates to public disclosure of various transactions to the public as well as for small shareholders in order to avoid arbitrary and misleading. For this reason, for any particular action should be notified to all stakeholders through the correct procedures. You must also send all required reports before making that decision so that everything be transparent to all. According to a study, made by the World Bank in 181 countries, Albania is ranked 14 in terms of protecting investors.

6. Taxes

Taxes are very important because without them it would be impossible to investments were made public, whether in infrastructure or various public services, which are very important that a country's economy move forward. Moreover, if the tax system is not suitable, small companies and medium may choose to operate informally, which constitutes one of the most serious problems in the Albanian economy. One way to increase cooperation with the tax system is to ease the tax system if the complexity of mind and structures or procedures only needed to complete everything. Types of taxes that are paid: income tax, turnover tax, charges for social and health insurance, property taxes, income tax on dividends, capital gain tax on financial transactions, taxes on vehicles, taxes on sales to and other small taxes.

According to a study by the World Bank, Albania ranked 143 out of 181 countries in the study, regarding the tax system. Businesses want to know what taxes they pay go (or invested for infrastructure and social services useful). Efficient tax systems tend to be less complexity concerning the way how they are administered and the existence of clear laws. In economies where it already exists, taxpayers

get much more tax they pay. Simplicity of administration of moderate and fast and free tax system means less burden on businesses, more revenues collected and more efficient public services.

This should be the goal of Albania and after tax regimes that create a heavy burden on the taxpayer means an open path for tax evasion. According to a study by the World Bank has three indications for which they were compared to 181 countries.

Indicators are:

- ≠ Number of payments, which takes into account the mode of payment, payment frequency and number of agencies that participate in this transaction: Albania, this indicator is 44.
- ≠ Time, which measures the number of hours required during a year to prepare and record taxes, as well as to pay taxes on profit, VAT, sales taxes, social insurance contributions, etc.: this indicator for Albania is 244 hours
- ≠ The total tax rate which measures the amount of tax and mandatory contributions that a company must pay. This amount, expressed as a percentage trader profit split, is the total of all taxes after accounting of all deductions and exemptions: this indicator for Albania is 50.5

7. Economic relations with foreigners

Trade with neighboring countries has improved since the 2003 when the first bilateral agreement of free trade, entered into force.

Major reforms in Albania:

- Reduce the level of income tax from 20% to 10% and the introduction of online payment of taxes for big business.
- Albania has made progress on credit, through the creation of public registration of credit.
- Albania has strengthened the protection of the rights of investors and shareholders, through the new law on commercial companies.
- Starting a new business has become easier as a result of the consolidation of certain proceedings before the National Registration Center for Business and reduction of registration fee.

Regarding reform causes as Albania is named in honor states that have implemented more reforms to facilitate business and is ranked second and is not yet identified a negative reform.

Doing business includes procedural requirements for trading. Any procedures and associated documents, time and costs for import and export of the goods is recorded, starting with the contractual agreement, between two parties and ending with the delivery of goods. Economies that have efficient customs, good transport links and a few requests for documents, I make the procedures of import and export with the quick and inexpensive. Galleries of these issues presents these advantages and disadvantages compared with the region

Advantages	Disadvantages
Cost of export per container \$ 770, minimum is in the region	Number of documents required for eksport 7, only to Montenegro are the advantage of which requires 9
Cost of import per container \$ 775, minimum is in the region	The transport time required for export 21 long days in the region
	Number of documents required for imports 9, the maximum compared with the region
	The time required for the transportation of imports 22 days, longer in region

8. Closing the business

In many developing countries, bankruptcy is so inefficient, that that creditors hardly to use it. In such countries, the reform should focus on improving contract enforcement outside bankruptcy. The data of closing a business are derived from questionnaires answered by the legal representatives of private firms. Three mates are constructed from responses considered; time to go through a bankruptcy process; the cost to go through the return process and norms. Albania is inefficient in this direction but despite that ,there are procedures and inefficiency of structures bureaucracies have brought the above mentioned problems. It ranks last in the region under study done.

9. Market Opportunities

Sectors that have more growth perspective in Albania are: Energy, Oil and Gas, Telecommunications, Agriculture, Tourism, Transportation, Financial Sector, Services and Military Sector. Albania has many natural resources like oil, gas, iron, chrome, etc.. The concessions law in December 2006 has led to the signing of many contracts in the field of energy production through new generation of wind technology in the field of industry and minerals regarding equipment, machinery and investment. The telecommunications sector has had a staggering growth during the last four years while expected to be the fourth potential investment of this nature. Agriculture is another sector with an extremely large potential for domestic products cover only 1/8 of the application. Packaging, service, storage, and quality control are some of the potential services that Albania needs in this sector. Tourism, this sector represents one of the most important sources of incomes of the ecobomy. Geographical position, climate, archeology, historical and religious places unexplored, especially in the north of our country provide more favorable conditions for investment and development of this sector. The government has undertaken an ambitious investment plan in the transport sector. The largest project is the corridor Durres-Kukes which is toward the end and this project will greatly help in exploring of the resources and development of the north area of Albania. Inclusion of Albania in NATO plays an important role in creating a safe environment for foreign investors causing our country to be more attractive to foreign investment. The insurance sector is still in development and represents great opportunities.

12. Bibliography

Doing Business 2009 Albania. Comparing regulation in 181 economies

10. Market Challenges

Lack of infrastructure: Despite numerous improvements that have bars in recent years, is underdeveloped physical infrastructures while some progress was made in the financial infrastructure.

Considered inefficient public administration, despite the many efforts have been made to enhance their performance. Tax and customs administration remains difficult and not transparent. Unilateral implementation of law and corruption remain major concerns for investors.

Weak judicial system: Despite the reforms undertaken, the judicial system remains slow, inefficient and subject to political pressures and corruption. Implementation of decisions is also a challenge.

Property Issues: Cadastral system for property titles to real estate is not maintained and is incomplete Corruption in restitution and compensation for the property are serious problems, that require solutions as soon as possible. Currently is being undertaken a reform on this problem ,but still remains much to do.

Lack of insolvency proceedings, the high cost of closing a business and the informal economy are also challenges that must be passed. Some markets remain not very competitive because of very strong conjunctures and weak sanctions for anti-competitive activities.

Unfair competition. Although the Competition Authority has recently been active in sectors such as insurance, telecommunications and the oil market, there is much to improve in this area.

11. Conclusions

- Albania has major problems regarding the efficiency of implementing reforms, procedures, communication with the business. Reforms are needed for this special direction.
- Albania tells us about the cost advantage in most of the problems and disadvantages in relation to time and number of procedures.
- Albania has made progress in improving practices for the process of starting a business, the environment in which place, but there is enough uncertainty in the practice of closing.
- The main problems still remain: Problems of ownership, informality and unfair competition.
- Albania is in the path of reforms and is improving every day business environment.

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