

# Doing Business 2010

## Armenia

COMPARING REGULATION IN 183 ECONOMIES



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# Introduction

*Doing Business 2010: Reforming Through Difficult Times* is the seventh 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 183 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 2010: Reforming Through Difficult Times* are current as of June 1, 2009\*. 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 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 27 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 Armenia. 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 2010: Reforming Through Difficult Times* 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](http://www.doingbusiness.org)).

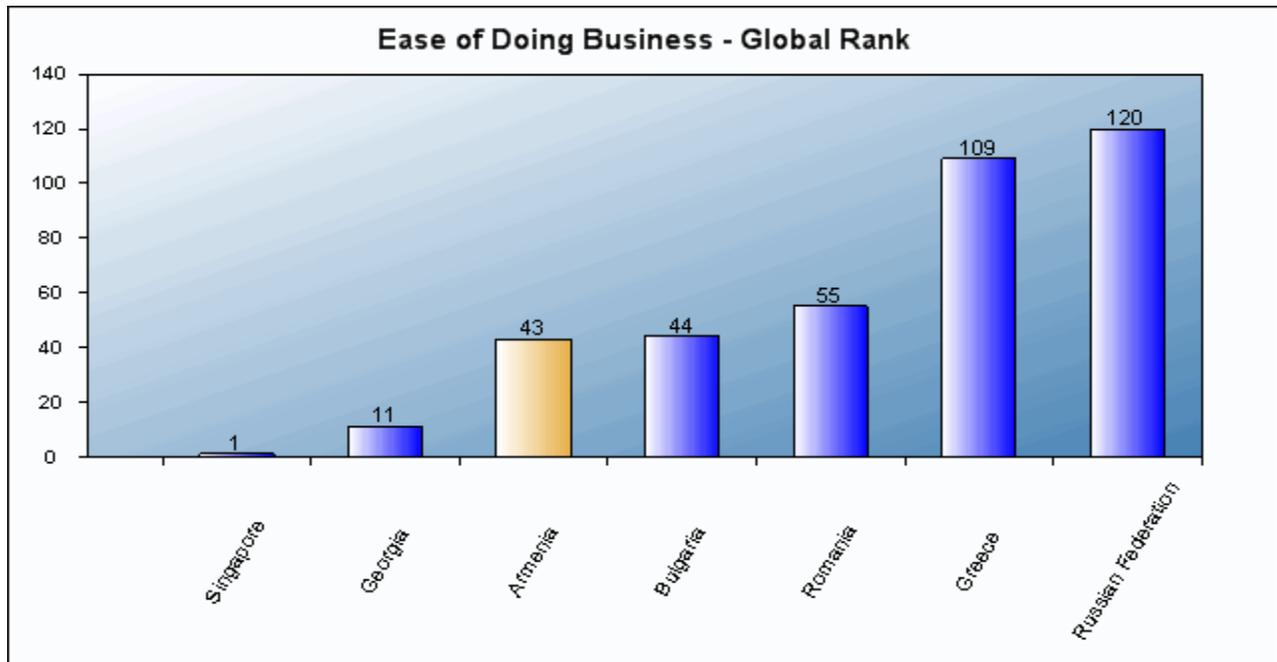
\* Except for the Paying Taxes indicator that refers to the period January to December of 2008.

*Note: Doing Business 2008 and Doing Business 2009 data and rankings have been recalculated to reflect changes to the methodology and the addition of new countries (in the case of the rankings).*

## Economy Rankings - Ease of Doing Business

Armenia is ranked 43 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

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



### Armenia's ranking in Doing Business 2010

Rank	Doing Business 2010
Ease of Doing Business	43
Starting a Business	21
Dealing with Construction Permits	72
Employing Workers	62
Registering Property	5
Getting Credit	43
Protecting Investors	93
Paying Taxes	153
Trading Across Borders	102
Enforcing Contracts	62
Closing a Business	49

## Summary of Indicators - Armenia

<b>Starting a Business</b>	Procedures (number)	6
	Time (days)	15
	Cost (% of income per capita)	2.6
	Min. capital (% of income per capita)	0.0
<b>Dealing with Construction Permits</b>	Procedures (number)	20
	Time (days)	137
	Cost (% of income per capita)	104.9
<b>Employing Workers</b>	Difficulty of hiring index (0-100)	33
	Rigidity of hours index (0-100)	20
	Difficulty of redundancy index (0-10)	10
	Rigidity of employment index (0-100)	21
	Redundancy costs (weeks of salary)	13
<b>Registering Property</b>	Procedures (number)	3
	Time (days)	4
	Cost (% of property value)	0.3
<b>Getting Credit</b>	Strength of legal rights index (0-10)	6
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	4.4
	Private bureau coverage (% of adults)	34.5
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	5
	Extent of director liability index (0-10)	2
	Ease of shareholder suits index (0-10)	8
	Strength of investor protection index (0-10)	5.0
<b>Paying Taxes</b>	Payments (number per year)	50
	Time (hours per year)	958
	Profit tax (%)	12.1
	Labor tax and contributions (%)	23.0
	Other taxes (%)	1.1
	Total tax rate (% profit)	36.2

<b>Trading Across Borders</b>	Documents to export (number)	5
	Time to export (days)	17
	Cost to export (US\$ per container)	1731
	Documents to import (number)	7
	Time to import (days)	20
	Cost to import (US\$ per container)	2096
<b>Enforcing Contracts</b>	Procedures (number)	48
	Time (days)	285
	Cost (% of claim)	19.0
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	41.8
	Time (years)	1.9
	Cost (% of estate)	4

# 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 up the process or may decide to run their businesses informally.

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.

## Methodology

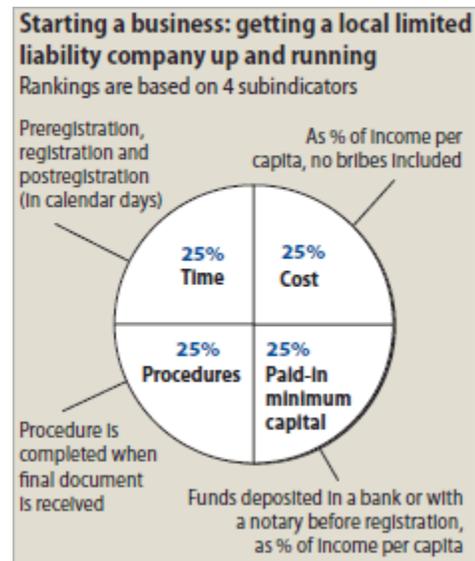
The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. 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.

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.

## Survey Case Study

*The business:*

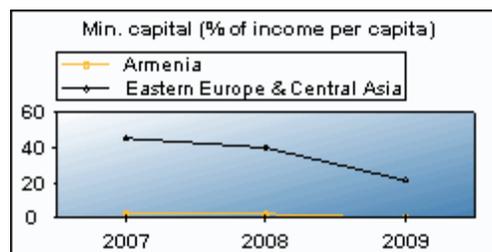
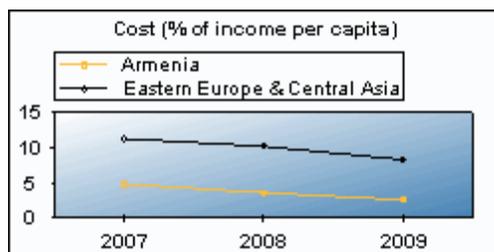
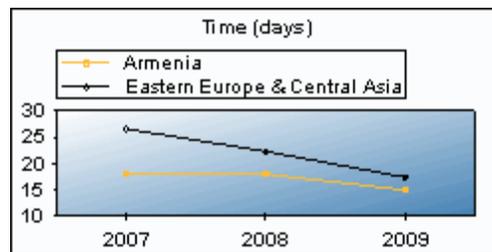
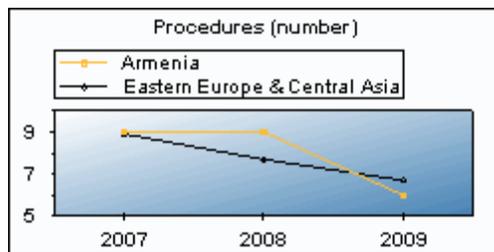
- is a limited liability company conducting general commercial activities
- is located in the largest business city
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has between 10 and 50 employees
- does not qualify for any special benefits
- does not own real estate



## 1. Historical data: Starting a Business in Armenia

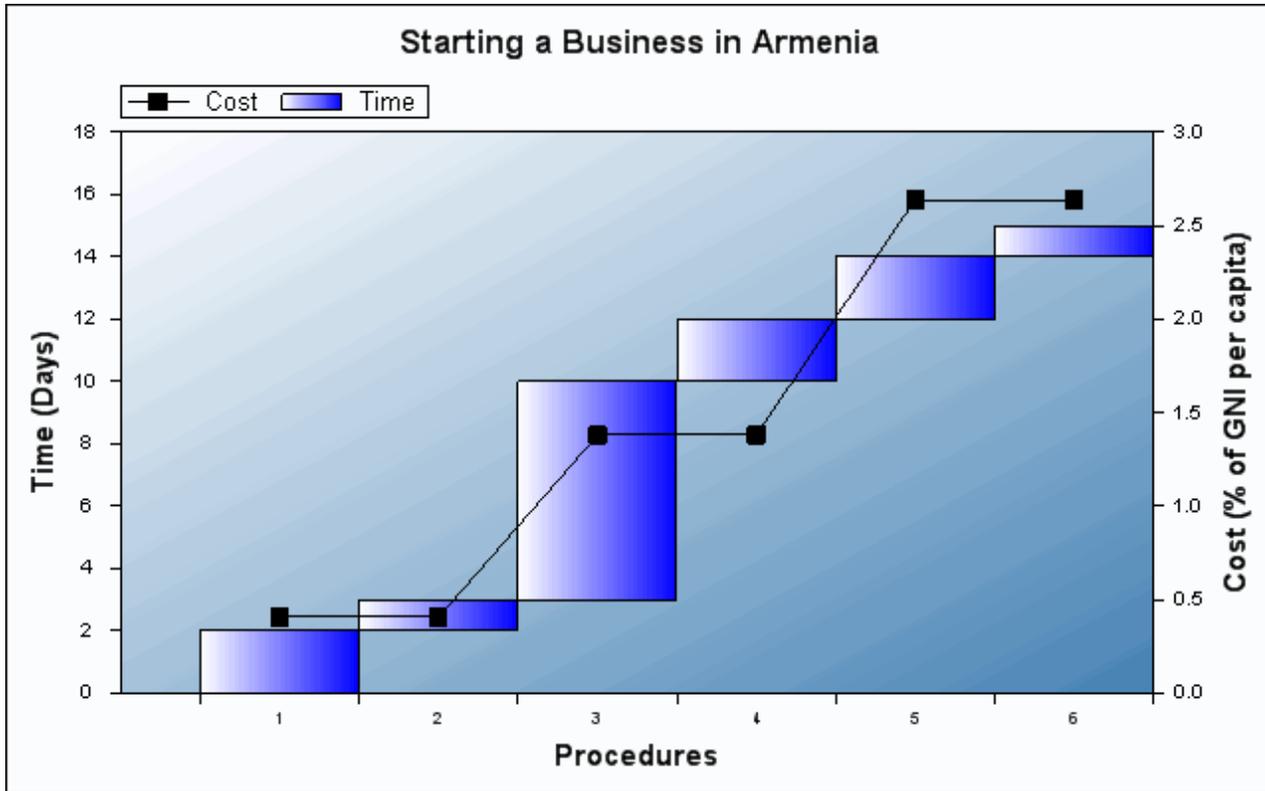
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	65	21
Procedures (number)	9	9	6
Time (days)	18	18	15
Cost (% of income per capita)	4.8	3.6	2.6
Min. capital (% of income per capita)	3.1	2.3	0.0

2. The following graphs illustrates the Starting a Business indicators in Armenia over the past 3 years:



### 3. Steps to Starting a Business in Armenia

It requires 6 procedures, takes 15 days, and costs 2.64 % GNI per capita to start a business in Armenia.



#### List of Procedures:

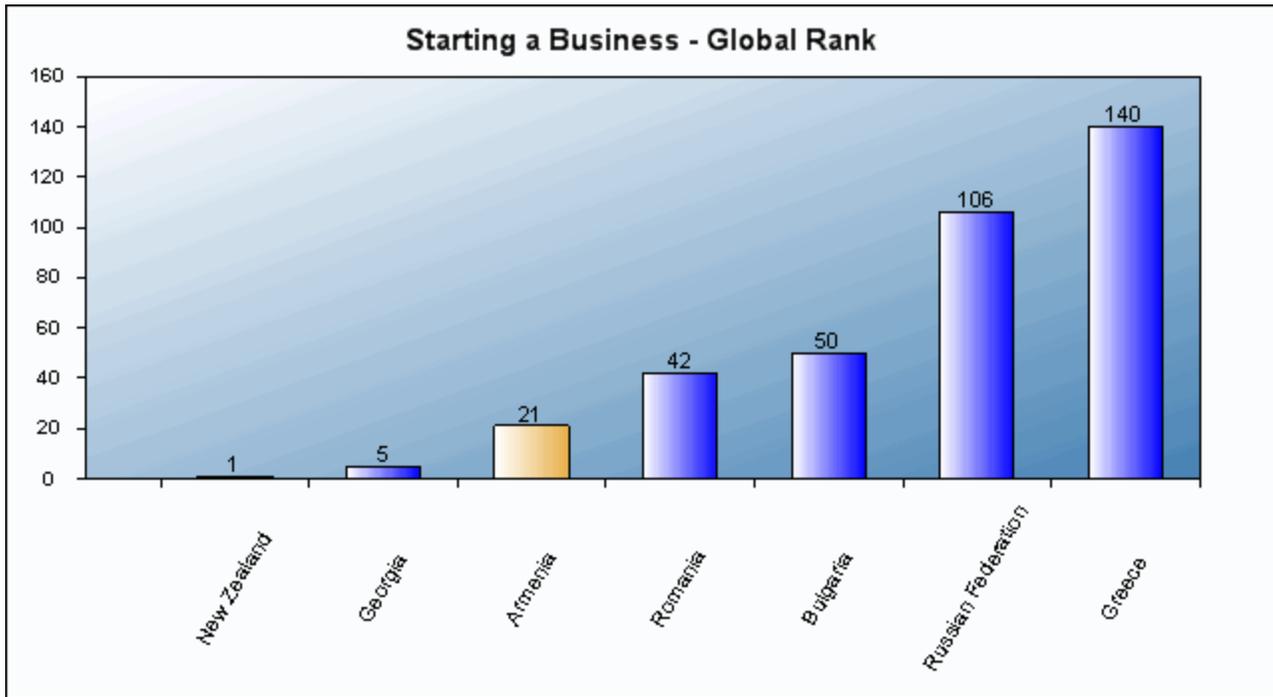
1. Register the name of the company at the State Patent Department
2. Pay the registration fee at any bank
3. Register with the State Registrar
4. Register with tax authorities and obtain a tax identification number (TIN)
5. Order a seal
6. Register with statistical office

More detail is included in the appendix.

#### 4. Benchmarking Starting a Business Regulations:

Armenia is ranked 21 overall for Starting a Business.

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



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

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>	<b>Min. capital (% of income per capita)</b>
<b>Denmark*</b>			0.0	
<b>New Zealand*</b>	1	1		0.0

<i>Selected Economy</i>				
<b>Armenia</b>	6	15	2.6	0.0

<i>Comparator Economies</i>				
<b>Bulgaria</b>	4	18	1.7	20.7
<b>Georgia</b>	3	3	3.7	0.0
<b>Greece</b>	15	19	10.9	21.4
<b>Romania</b>	6	10	2.9	0.9
<b>Russian Federation</b>	9	30	2.7	1.8

\* The following economies are also good practice economies for :

**Procedures (number):** **Canada**

**Cost (% of income per capita):** **Slovenia**

# 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. 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. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

## Methodology

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.

## Survey Case Study

### The business:

- is a small to medium-size limited liability company
- is located in the largest business city
- is domestically owned and operated, in the construction business
- has 20 qualified employees

### The warehouse to be built:

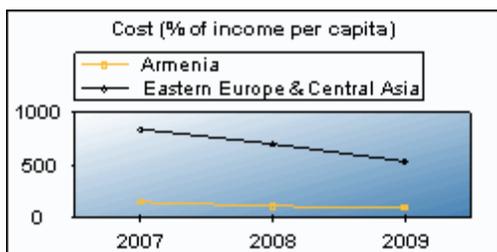
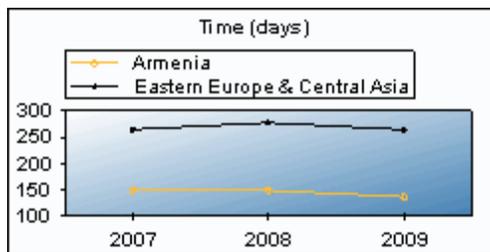
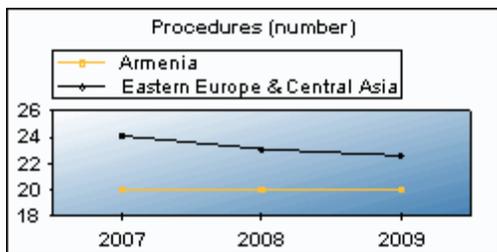
- is a new construction (there was no previous construction on the land)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each 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).



### 1. Historical data: Dealing with Construction Permits in Armenia

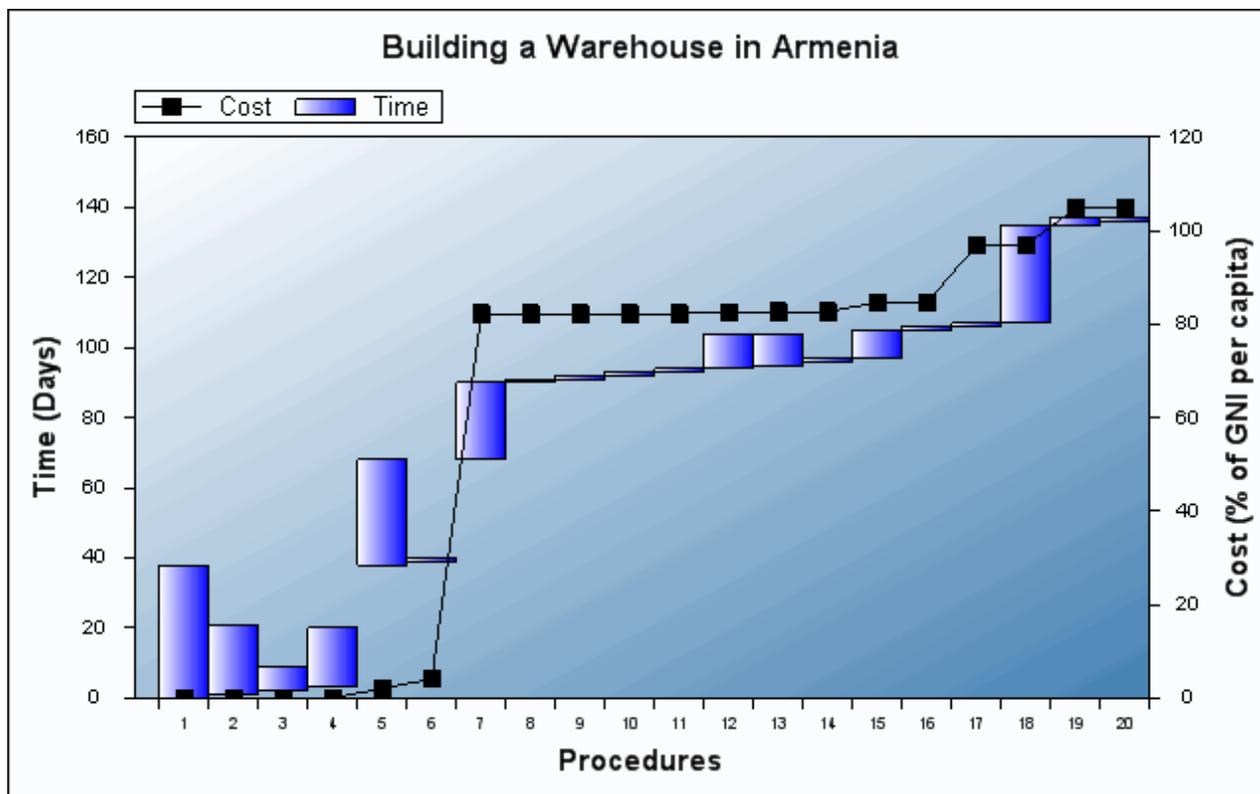
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	75	72
Procedures (number)	20	20	20
Time (days)	149	149	137
Cost (% of income per capita)	152.0	113.3	104.9

2. The following graphs illustrates the Dealing with Construction Permits indicators in Armenia over the past 3 years:



### 3. Steps to Building a Warehouse in Armenia

It requires 20 procedures, takes 137 days, and costs 104.88 % GNI per capita to build a warehouse in Armenia.



#### List of Procedures:

- |  |  |
|--|--|
| 1. Apply and obtain architectural- constructional assignment (API3)                            | 10. Receive Inspection by State Inspection of Urban Development of Ministry of Urban Development |
| 2. Request and obtain technical conditions approval from water authority                       | 11. Receive Inspection by State Inspection of Urban Development of Ministry of Urban Development |
| 3. Request and obtain architectural plan approval from telecommunications provider             | 12. Request and connect to electricity services  |
| 4. Request and obtain architectural plan approval from electricity provider                    | 13. Request water and sewage services  |
| 5. Request and obtain ecological expertise approval  | 14. Receive water and sewage inspection and connect  |
| 6. Hire a licensed expert/ company to conduct the expertise approval of architectural drawings | 15. Request and connect to telephone   |
| 7. Request and obtain building permit from Yerevan Municipality                                | 16. Request final municipal inspection to obtain occupancy permit                                |
| 8. Receive inspection by Municipal Construction Inspection                                     | 17. Receive final inspection from the municipality   |
| 9. Receive inspection by Municipal Construction Inspection                                     | 18. Obtain occupancy permit from Municipality  |
|  | 19. Register the building with the Cadastre  |
|  | 20. Receive on-site inspection for building registration   |

More detail is included in the appendix.

#### 4. Benchmarking Dealing with Construction Permits Regulations:

Armenia is ranked 72 overall for Dealing with Construction Permits.

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



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

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Qatar</b>			0.6
<b>Singapore</b>		25	

<i>Selected Economy</i>			
<b>Armenia</b>	20	137	104.9

<i>Comparator Economies</i>			
<b>Bulgaria</b>	24	139	436.5
<b>Georgia</b>	10	98	21.6
<b>Greece</b>	15	169	50.7
<b>Romania</b>	17	243	87.9
<b>Russian Federation</b>	54	704	2140.7

# Employing Workers

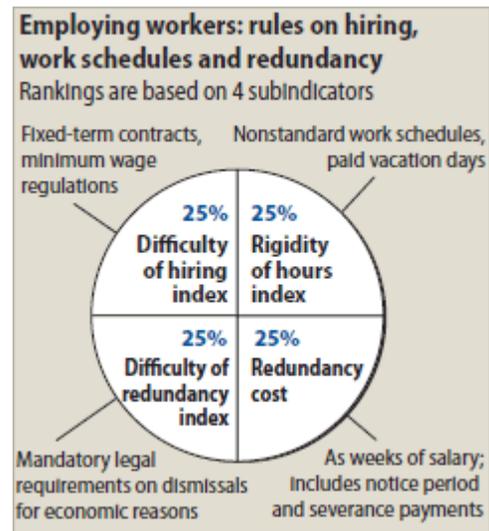
Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety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

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. 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.

## Methodology

Two measures are presented: a rigidity of employment index and a redundancy cost measure. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours and difficulty of redundancy. 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 taking into account legal provisions that refer specifically to small to medium-size companies in the manufacturing industry in which continuous operation is economically necessary, as well as mandated days of annual leave with pay. The difficulty of redundancy 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 Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

## Survey Case Study

*The business:*

- is a limited liability company operating in the manufacturing sector
- is located in the largest business city
- is 100% domestically owned
- has 60 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.

## 1. Historical data: Employing Workers in Armenia

Employing Workers data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	57	62
Redundancy costs (weeks of salary)	13	13	13
Rigidity of employment index (0-100)	21	21	21

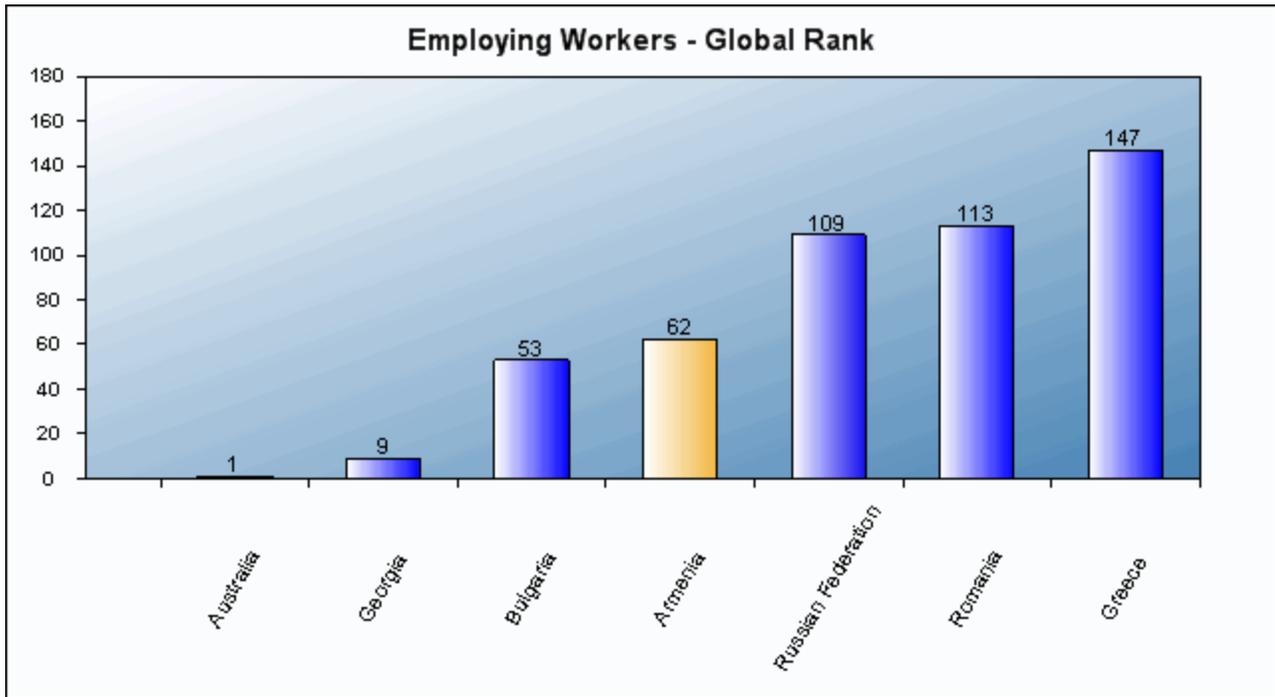
2. The following graphs illustrates the Employing Workers indicators in Armenia over the past 3 years:



### 3. Benchmarking Employing Workers Regulations:

Armenia is ranked 62 overall for Employing Workers.

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



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

<b>Good Practice Economies</b>	<b>Rigidity of employment index (0-100)</b>	<b>Redundancy costs (weeks of salary)</b>
<b>Hong Kong, China*</b>	0	
<b>New Zealand*</b>		0

<i>Selected Economy</i>		
<b>Armenia</b>	21	13

<i>Comparator Economies</i>		
<b>Bulgaria</b>	19	9
<b>Georgia</b>	7	4
<b>Greece</b>	50	24
<b>Romania</b>	46	8
<b>Russian Federation</b>	38	17

\* The following economies are also good practice economies for :

**Rigidity of employment index (0-100):** Australia, Brunei Darussalam, Kuwait, Marshall Islands, Singapore, St. Lucia, Uganda, United States

**Redundancy costs (weeks of salary):** Denmark, Iraq, Marshall Islands, Micronesia, Fed. Sts., 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.

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.

## Methodology

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)

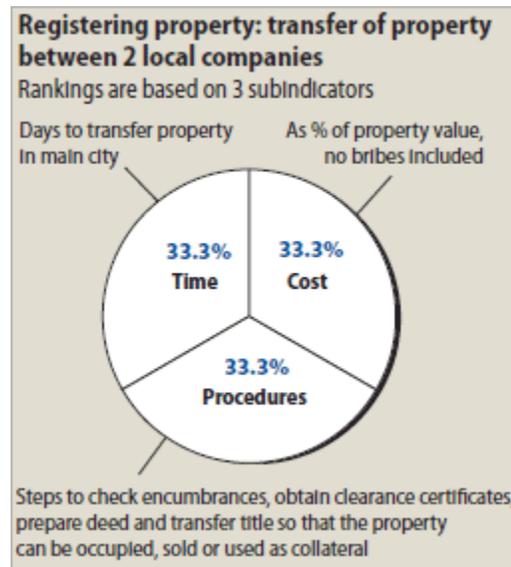
## Survey Case Study

*The buyer and seller:*

- are limited liability companies
- are private nationals (no foreign ownership)
- are located in periurban area of the largest business city
- conduct general commercial activities

*The property:*

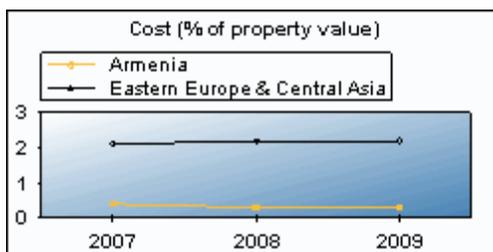
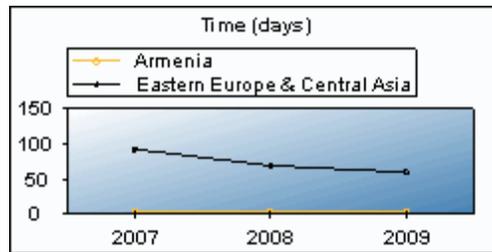
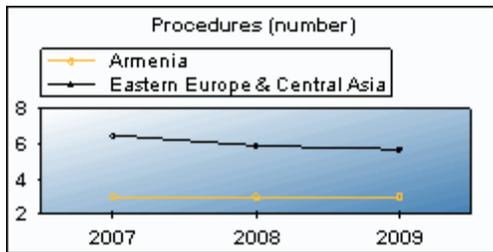
- consists of land and a 2-story building (warehouse)
- is located in the periurban commercial zone of the largest business city
- The land area is 557.4 m<sup>2</sup> (6,000 square feet).
- The warehouse has a total area of 929 m<sup>2</sup> (10,000 square feet).
- has a value equal to 50 times income per capita
- The seller company owned the property for the last 10 years.
- is registered in the land registry and/or cadastre and is free of all disputes.



## 1. Historical data: Registering Property in Armenia

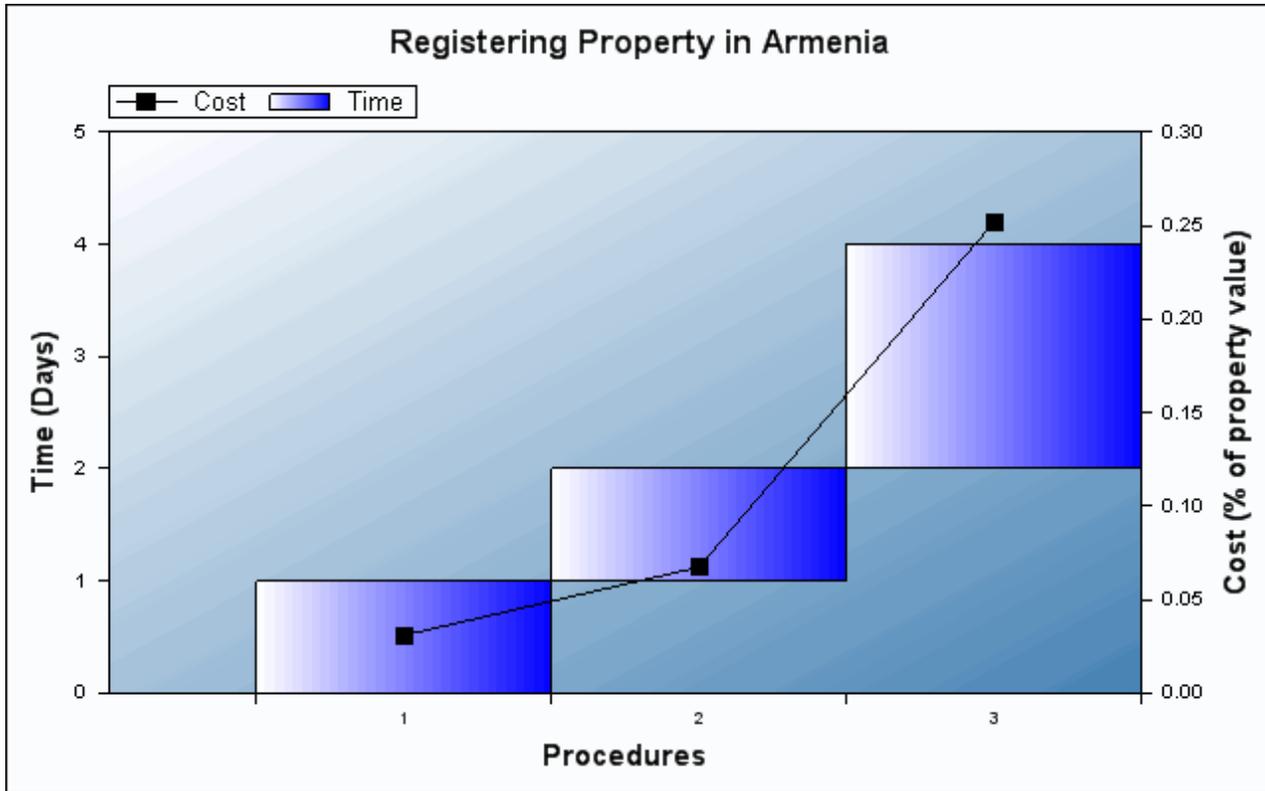
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	6	5
Procedures (number)	3	3	3
Time (days)	4	4	4
Cost (% of property value)	0.4	0.3	0.3

2. The following graphs illustrates the Registering Property indicators in Armenia over the past 3 years:



### 3. Steps to Registering Property in Armenia

It requires 3 procedures, takes 4 days, and costs 0.25 % of property value to register the property in Armenia.



#### List of Procedures:

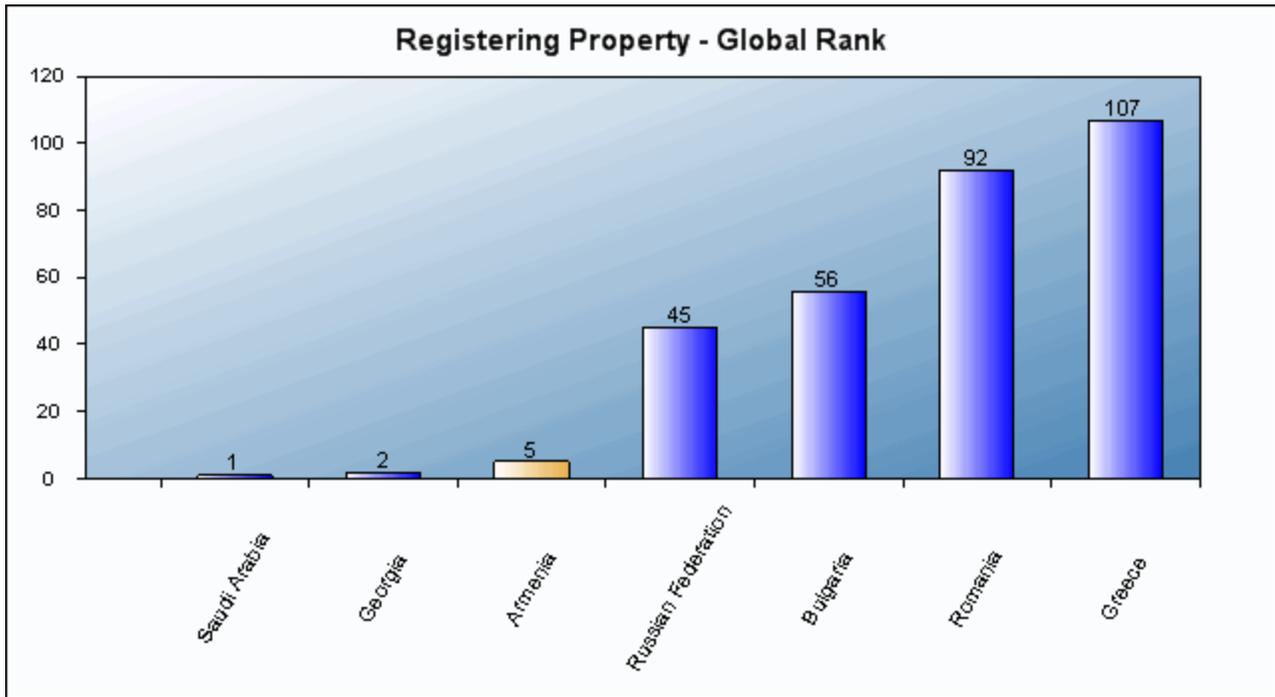
1. Seller obtains a special reference on restrictions on the property at the State Committee of the Real Property Cadastre of the Republic of Armenia (SCRPC)
2. Payment of stamp duty and notarization of sale-purchase agreement by public notary
3. The local office of the SCRPC registers the title and provides a registration certificate to the new owner

More detail is included in the appendix.

#### 4. Benchmarking Registering Property Regulations:

Armenia is ranked 5 overall for Registering Property.

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



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

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand*</b>		2	
<b>Norway*</b>	1		
<b>Saudi Arabia</b>			0.0

<i>Selected Economy</i>			
<b>Armenia</b>	3	4	0.3

<i>Comparator Economies</i>			
<b>Bulgaria</b>	8	15	2.3
<b>Georgia</b>	2	3	0.0
<b>Greece</b>	11	22	4.0
<b>Romania</b>	8	48	1.3
<b>Russian Federation</b>	6	43	0.1

\* The following economies are also good practice economies for :

**Procedures (number): United Arab Emirates**

**Time (days): Saudi Arabia, Thailand, United Arab Emirates**

# 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. They also free entrepreneurs from having to rely on personal connections alone when trying to obtain credit.

## Methodology

Credit information: three indicators are constructed

- 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

Legal Rights: the strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Ten points are analyzed:

- Can a business use movable assets as collateral while keeping possession of the assets, and can any financial institution accept such assets as collateral?
- Does the law allow 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?
- Does the law allow a business to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?
- Can a security right extend to future or after-acquired assets and extend automatically to the products, proceeds or replacements of the original assets?
- Is general description of debts and obligations 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?
- Is a collateral registry in operation that is unified geographically and by asset type as well as being indexed by the name of the grantor of a security right?
- Are secured creditors paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated?
- Are secured creditors subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure?
- Are parties allowed to agree in a collateral agreement that the lender may enforce its security right out of court?

## Legal Rights Survey Case Study

*The Debtor:*

- is a Private Limited Liability Company
- has its headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both debtor and creditor are 100% domestically owned.

## Getting credit: collateral rules and credit information

Rankings are based on 2 subindicators

Regulations on nonpossessory security interests in movable property

62.5%  
Strength of legal rights index  
(0-10)

37.5%  
Depth of credit information index  
(0-6)

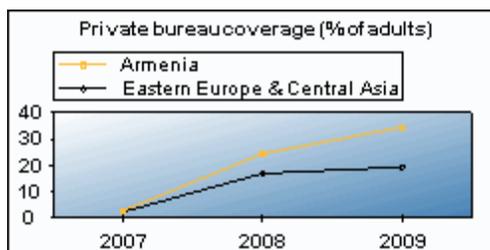
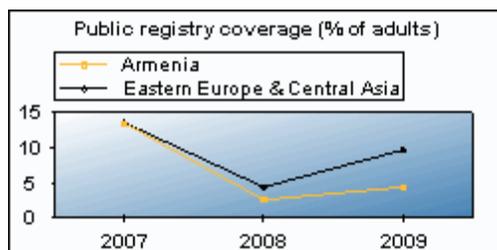
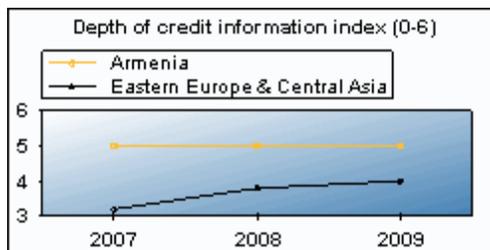
Scope, quality and accessibility of credit information through public and private credit registries

Note: Private bureau coverage and public registry coverage are measured but do not count for the rankings.

## 1. Historical data: Getting Credit in Armenia

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	41	43
Strength of legal rights index (0-10)	6	6	6
Depth of credit information index (0-6)	5	5	5
Private bureau coverage (% of adults)	2.8	24.4	34.5
Public registry coverage (% of adults)	13.5	2.6	4.4

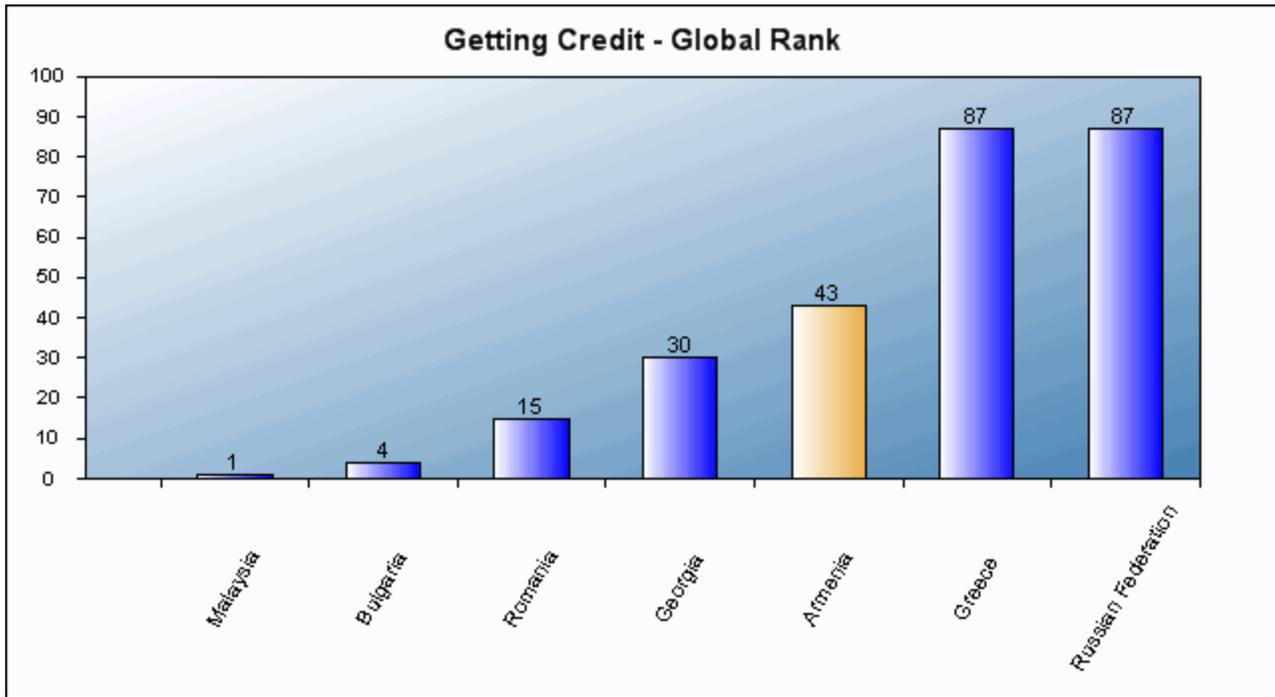
## 2. The following graphs illustrates the Getting Credit indicators in Armenia over the past 3 years:



### 3. Benchmarking Getting Credit Regulations:

Armenia is ranked 43 overall for Getting Credit.

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



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

<b>Good Practice Economies</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
<b>New Zealand*</b>				100.0
<b>Portugal</b>			81.3	
<b>Singapore*</b>	10			
<b>United Kingdom</b>		6		

<i>Selected Economy</i>				
<b>Armenia</b>	6	5	4.4	34.5

<i>Comparator Economies</i>				
<b>Bulgaria</b>	8	6	34.8	6.2
<b>Georgia</b>	6	6	0.0	12.2
<b>Greece</b>	3	5	0.0	46.9
<b>Romania</b>	8	5	5.7	30.2
<b>Russian Federation</b>	3	5	0.0	14.3

\* The following economies are also good practice economies for :

**Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia**

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

**27 countries have the highest credit information index.**

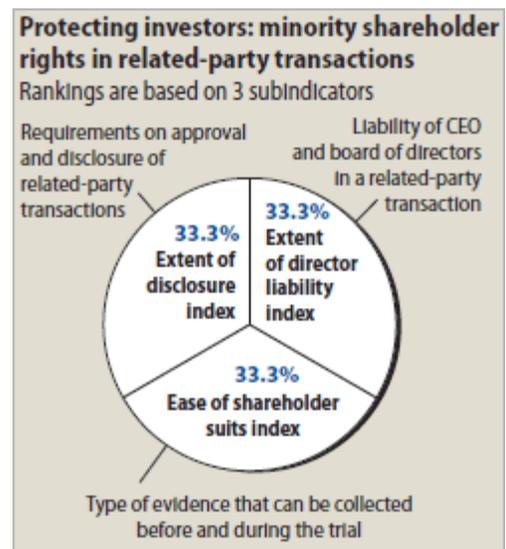
# Protecting Investors

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. However, 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.

## Methodology

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. 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 three indices are:

- 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.

## Survey case study

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:

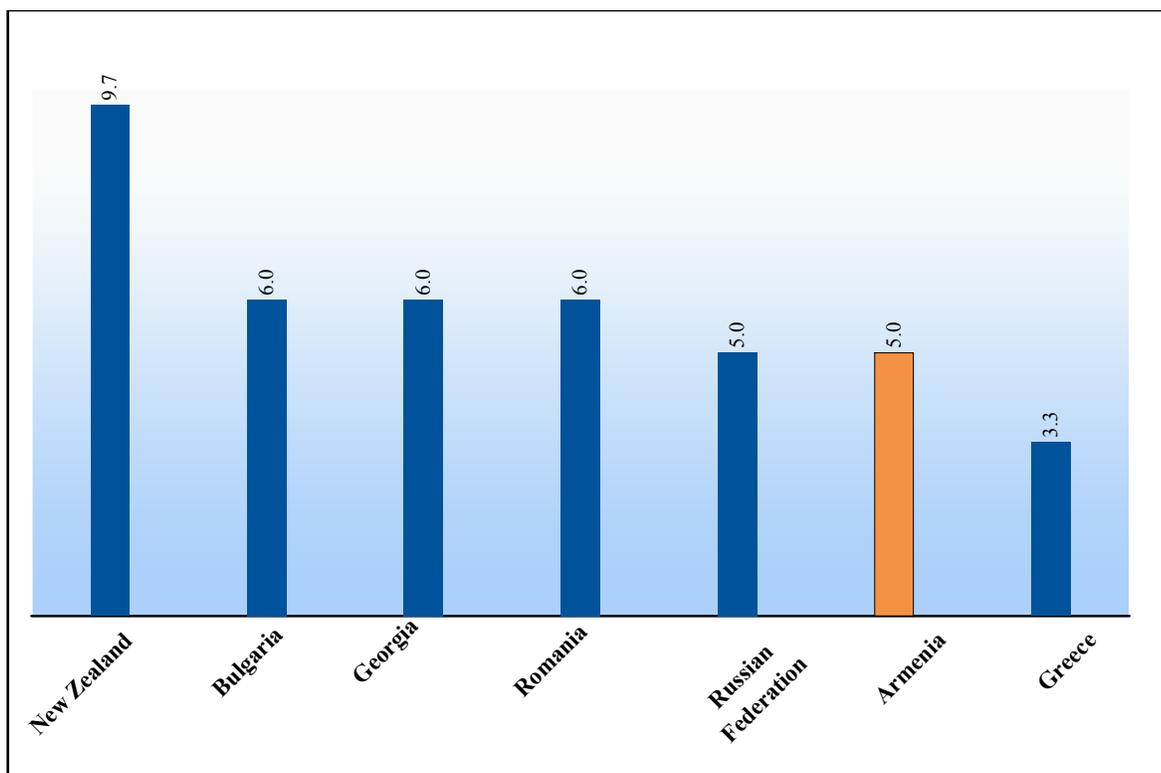
- Who approves the transaction?
- What information must be disclosed?
- What company documents can investors access?
- What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James?

\*Doidge, Kardy and Stulz (2007)

**1. Historical data: Protecting Investors in Armenia**

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	88	93
Strength of investor protection index (0-10)	5.0	5.0	5.0

**2. The following graph illustrates the Protecting Investors index in Armenia compared to best practice and selected Economies:**

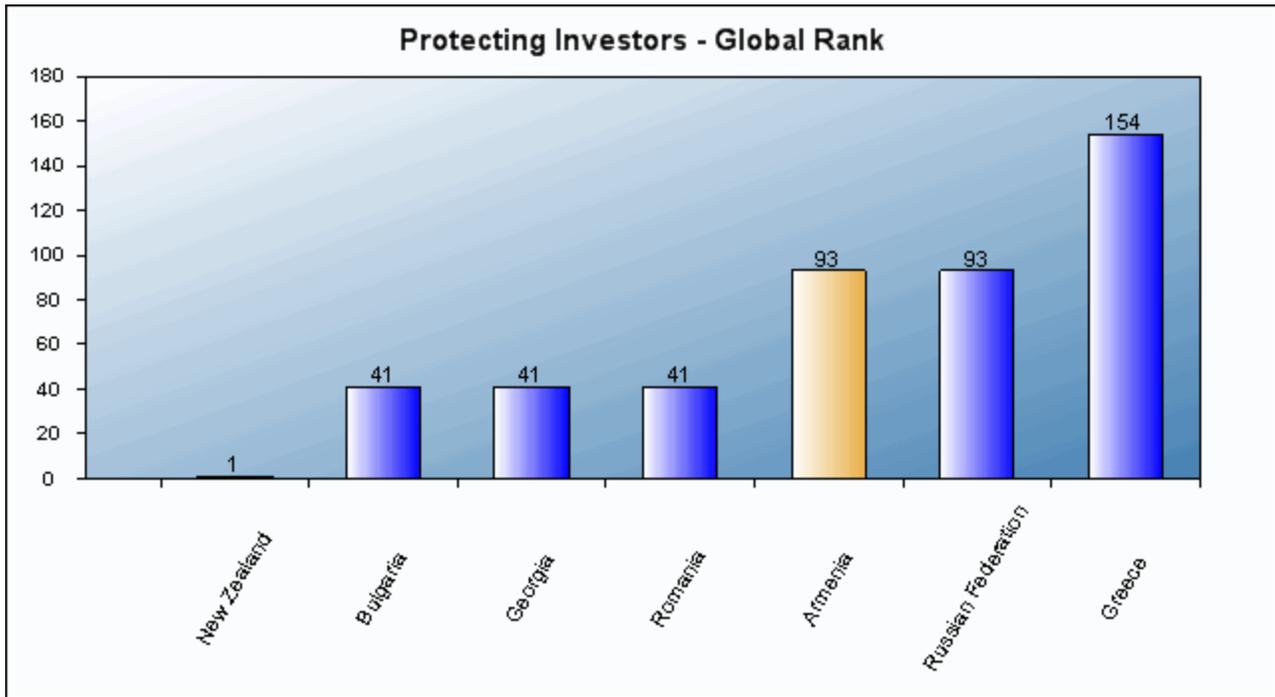


Note: The higher the score, the greater the investor protection.

### 3. Benchmarking Protecting Investors Regulations:

Armenia is ranked 93 overall for Protecting Investors.

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



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

<b>Good Practice Economies</b>	<b>Strength of investor protection index (0-10)</b>
<b>New Zealand</b>	9.7

<i>Selected Economy</i>	
<b>Armenia</b>	5.0

<i>Comparator Economies</i>	
<b>Bulgaria</b>	6.0
<b>Georgia</b>	6.0
<b>Greece</b>	3.3
<b>Romania</b>	6.0
<b>Russian Federation</b>	5.0

# 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.

## Methodology

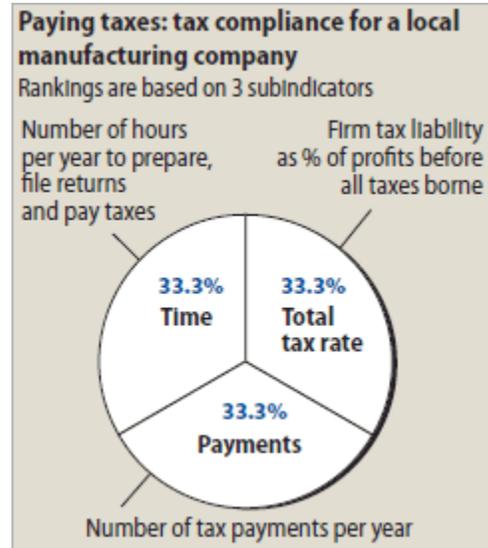
The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so.

Three indicators are constructed:

- number of tax payments, which takes in to 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.

## Survey case study

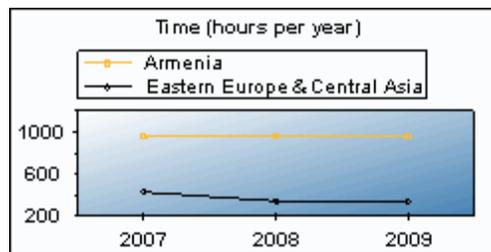
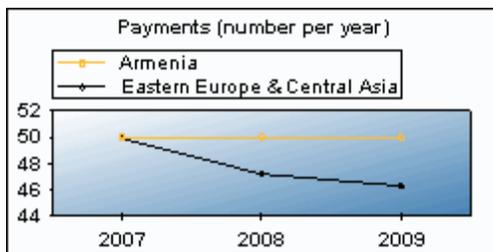
- TaxpayerCo is a medium-size business that started operations last year. Doing Business asks tax practitioners in 183 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory 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.



## 1. Historical data: Paying Taxes in Armenia

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	151	153
Total tax rate (% profit)	36.2	36.2	36.2
Payments (number per year)	50	50	50
Time (hours per year)	958	958	958

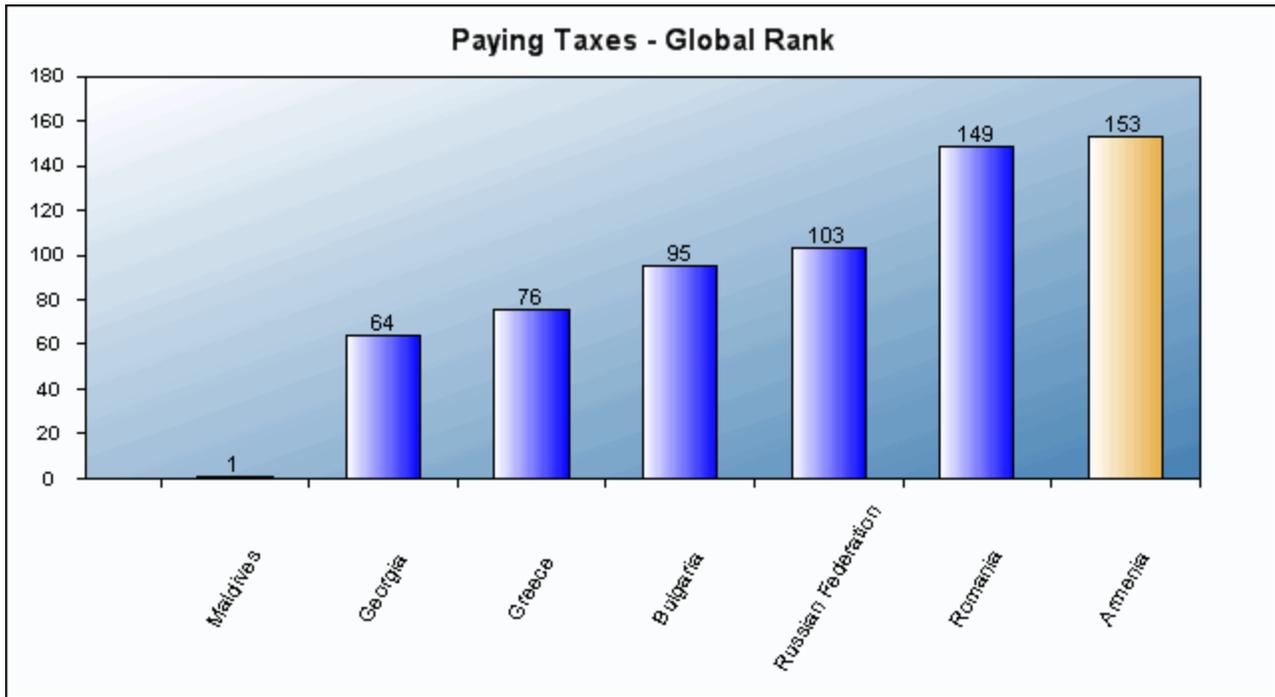
## 2. The following graphs illustrates the Paying Taxes indicators in Armenia over the past 3 years:



### 3. Benchmarking Paying Taxes Regulations:

Armenia is ranked 153 overall for Paying Taxes.

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



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

<b>Good Practice Economies</b>	<b>Payments (number per year)</b>	<b>Time (hours per year)</b>	<b>Total tax rate (% profit)</b>
<b>Maldives*</b>	1	0	
<b>Timor-Leste</b>			0.2

<i>Selected Economy</i>			
<b>Armenia</b>	50	958	36.2

<i>Comparator Economies</i>			
<b>Bulgaria</b>	17	616	31.4
<b>Georgia</b>	18	387	15.3
<b>Greece</b>	10	224	47.4
<b>Romania</b>	113	202	44.6
<b>Russian Federation</b>	11	320	48.3

\* The following economies are also good practice economies for :

**Payments (number per year): Qatar**

# 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.

## Methodology

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.

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.

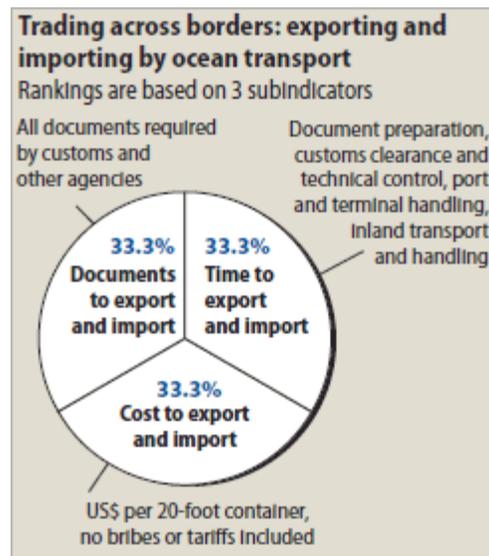
All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

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.

## Survey case study

To make the data comparable across countries, several assumptions about the business and the traded goods are used:

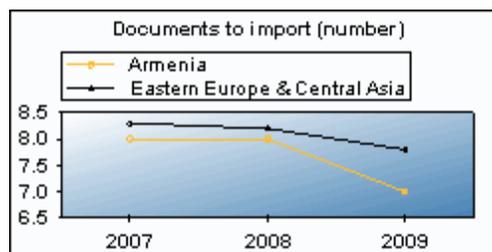
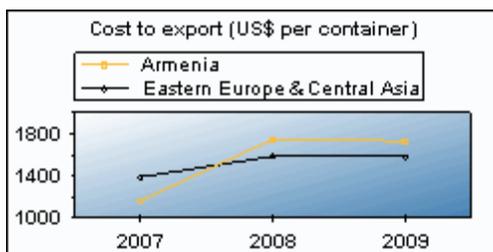
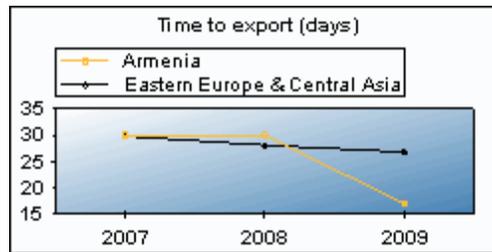
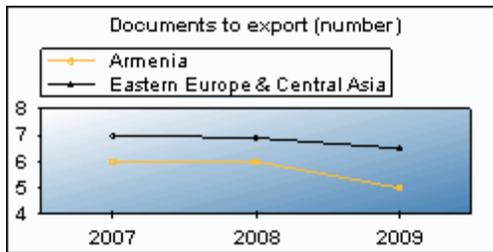
- The business is of medium size.
- The business employs 60 people.
- The business is located in the peri-urban area of the economy's largest business city.
- The business is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.
- The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.

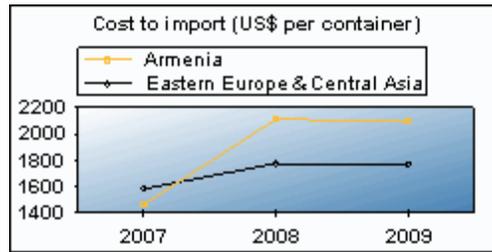
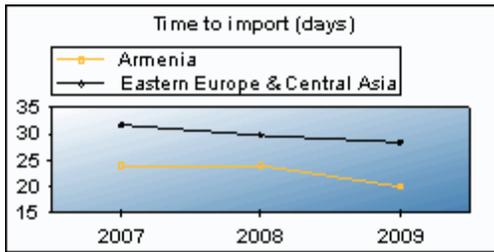


## 1. Historical data: Trading Across Borders in Armenia

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	136	102
Cost to export (US\$ per container)	1165	1746	1731
Cost to import (US\$ per container)	1465	2111	2096
Documents to export (number)	6	6	5
Documents to import (number)	8	8	7
Time to export (days)	30	30	17
Time to import (days)	24	24	20

2. The following graphs illustrates the Trading Across Borders indicators in Armenia over the past 3 years:

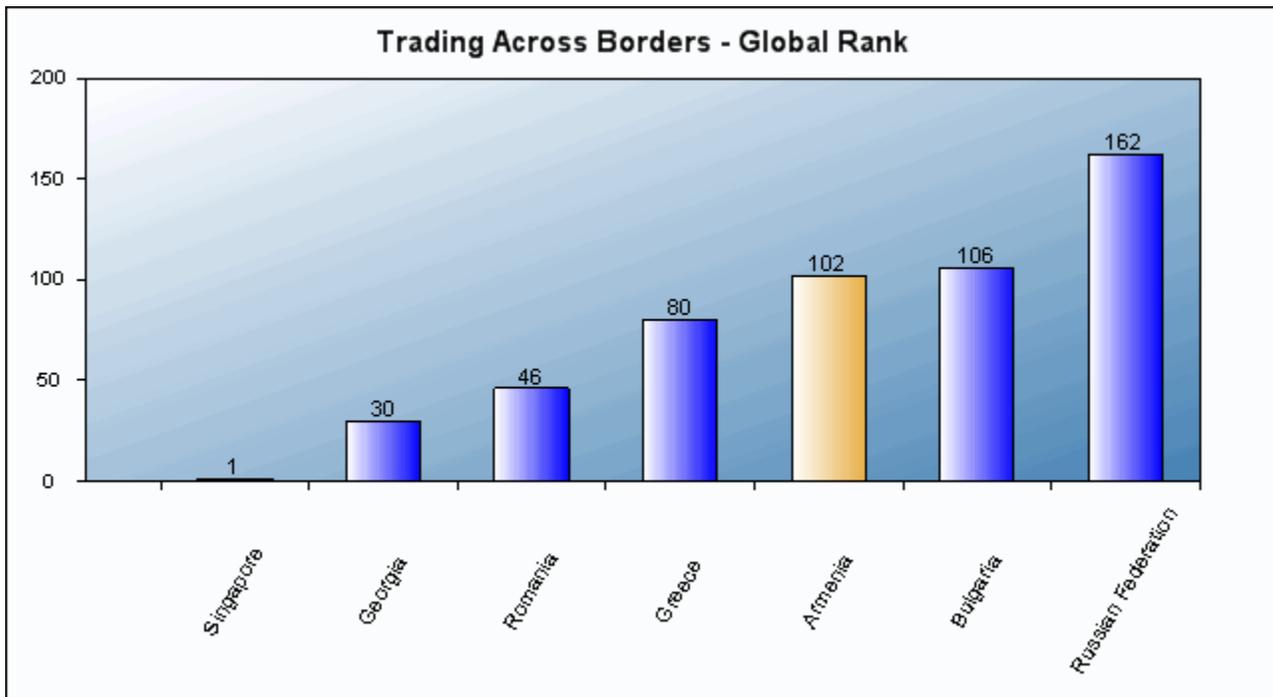




### 3. Benchmarking Trading Across Borders Regulations:

Armenia is ranked 102 overall for Trading Across Borders.

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



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

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

<i>Selected Economy</i>						
<b>Armenia</b>	5	17	1731	7	20	2096

<i>Comparator Economies</i>						
<b>Bulgaria</b>	5	23	1551	7	21	1666
<b>Georgia</b>	4	10	1270	4	13	1250
<b>Greece</b>	5	20	1153	6	25	1265
<b>Romania</b>	5	12	1275	6	13	1175
<b>Russian Federation</b>	8	36	1850	13	36	1850

\* The following economies are also good practice economies for :

**Time to export (days): Estonia**

# 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).

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.

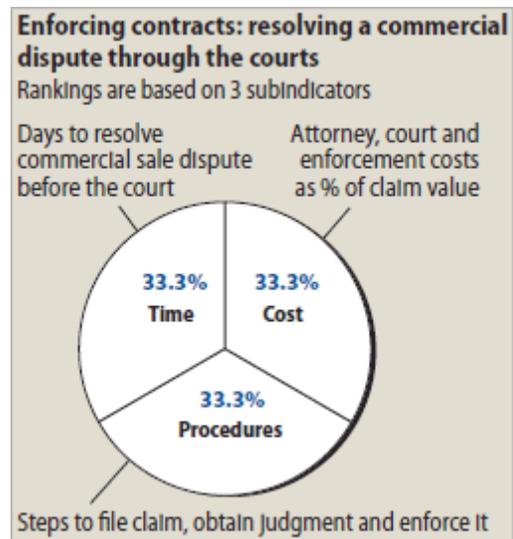
## Methodology

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.

## Survey case Study

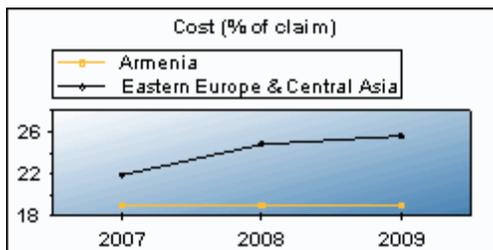
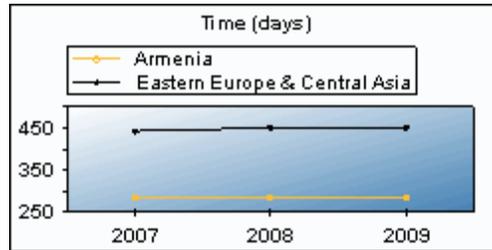
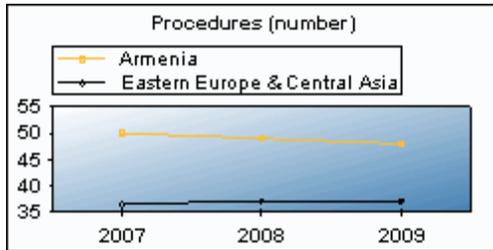
- The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer).
- Both are located in the economy's largest business city.
- The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds 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.
- The Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.



## 1. Historical data: Enforcing Contracts in Armenia

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	61	62
Procedures (number)	50	49	48
Time (days)	285	285	285
Cost (% of claim)	19.0	19.0	19.0

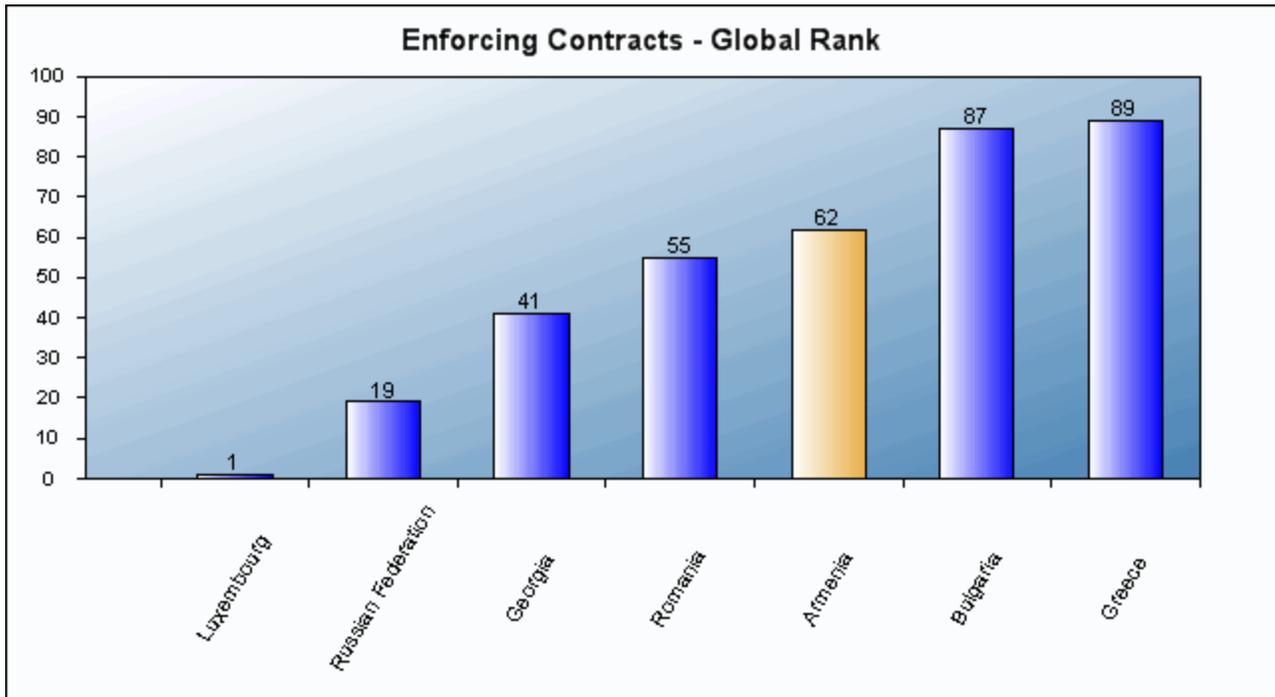
2. The following graphs illustrates the Enforcing Contracts indicators in Armenia over the past 3 years:



### 3. Benchmarking Enforcing Contracts Regulations:

Armenia is ranked 62 overall for Enforcing Contracts.

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



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

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of claim)</b>
<b>Bhutan</b>			0.1
<b>Ireland</b>	20		
<b>Singapore</b>		150	

<i>Selected Economy</i>			
<b>Armenia</b>	48	285	19.0

<i>Comparator Economies</i>			
<b>Bulgaria</b>	39	564	23.8
<b>Georgia</b>	36	285	29.9
<b>Greece</b>	39	819	14.4
<b>Romania</b>	31	512	28.9
<b>Russian Federation</b>	37	281	13.4

# Closing a 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.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, 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.

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.

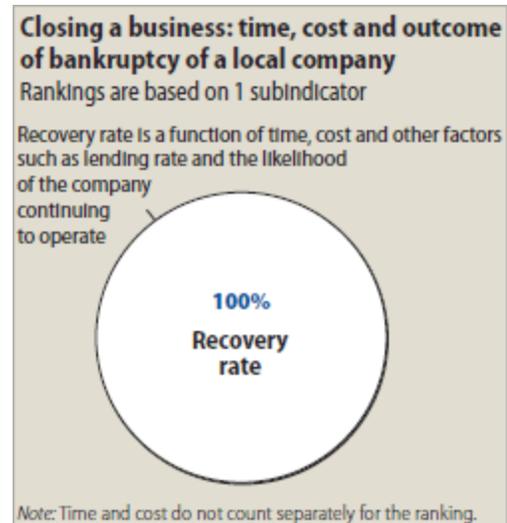
## Methodology

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.

## Survey case study

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:

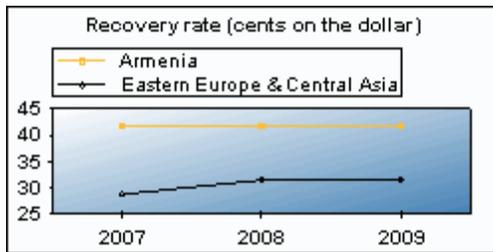
- the company is a domestically owned
- the company is a limited liability corporation operating a hotel in the country's largest business city
- the company has 201 employees, 1 main secured creditor and 50 unsecured creditors
- Assumptions are also made about the future cash flows.
- The case is designed 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.



## 1. Historical data: Closing Business in Armenia

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	49	49
Time (years)	1.9	1.9	1.9
Cost (% of estate)	4	4	4
Recovery rate (cents on the dollar)	41.7	41.8	41.8

## 2. The following graphs illustrates the Closing Business indicators in Armenia over the past 3 years:



### 3. Benchmarking Closing Business Regulations:

Armenia is ranked 49 overall for Closing a Business.

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



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

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

<i>Selected Economy</i>			
<b>Armenia</b>	41.8	1.9	4

<i>Comparator Economies</i>			
<b>Bulgaria</b>	32.1	3.3	9
<b>Georgia</b>	27.9	3.3	4
<b>Greece</b>	44.2	2.0	9
<b>Romania</b>	28.5	3.3	11
<b>Russian Federation</b>	28.2	3.8	9

\* The following economies are also good practice economies for :

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

# Doing Business 2010 Reforms

## Number of reforms in Doing Business 2010

Rank	Economy	Reforms									Total number of reforms	
		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
1	Rwanda	✓		✓	✓	✓	✓		✓		✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓			7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓				7
4	Belarus	✓	✓	✓	✓			✓	✓			6
5	United Arab Emirates	✓	✓						✓			3
6	Moldova	✓			✓			✓				3
7	Colombia	✓	✓		✓	✓	✓	✓	✓		✓	8
8	Tajikistan	✓	✓		✗	✓	✓				✓	5
9	Egypt, Arab Rep.	✓	✓			✓			✓			4
10	Liberia	✓	✓					✓				3
	Armenia	✓				✓		✓				3
	Greece					✓						1
	Romania		✗		✓			✗			✗	1
	Bulgaria	✓			✓							2
	Georgia		✓					✓				2
	Russian Federation				✓			✓			✓	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.

<b>Armenia</b>	Armenia strengthened access to credit information by establishing a legal framework for credit bureaus and regulating credit information collection and the preparation of credit reports. Business start-up was eased by removing the minimum capital requirement and the need to obtain an approval from the national police department to prepare the company seal, and by making registration forms available online. By encouraging competition in banking, transportation, and customs brokerage services, as well as reducing the number of goods requiring inspection and streamlining the number of documents needed to clear goods, Armenia has sped trade across borders.
<b>Belarus</b>	Belarus eased the process for getting construction permits by simplifying approval processes. Restrictions relating to redundancy dismissals were eased by raising the threshold for prior notification requirements. Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses. Property registration continues to improve, with faster processing and elimination of the requirement for notarization. Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval. Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
<b>Bulgaria</b>	Bulgaria eased business start-up by reducing the paid-in minimum capital requirement to about 24 percent of gross national income per capita and making the company registry more efficient. An integrated Web-based property register providing online access to the ownership and cadastre status of properties shortened the time required to register property.
<b>Colombia</b>	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators. The government eased the construction permit process with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents. Access to credit improved thanks to a new credit information law that guarantees the right of borrowers to inspect their own data and new rules that make it mandatory for credit providers to consult and share information with credit bureaus. The tax burden on businesses was eased with the introduction of electronic tax filing and payment, and some payments were reduced. An amendment to the Company Law strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was made easier by making it possible to obtain required certificates online and by making standard preliminary sale agreements available free of charge. Business start-up was made easier by creating a public-private health provider that enables faster affiliation of employees and through a tool that allows online pre-enrollment with the social security office. Implementation of an electronic declaration system has expedited customs clearance.
<b>Egypt, Arab Rep.</b>	The Arab Republic of Egypt, a former global leading reformer and a regional leading reformer in 2008/09, continued to make it easier to deal with construction permits by issuing executive articles for the 2008 construction law and eliminating most preapprovals for construction permits. Contract enforcement was expedited with the creation of commercial courts. Access to credit information has expanded with the addition of retailers to the database of the private credit bureau. Finally, company start-up was eased by the removal of the minimum capital requirement.
<b>Georgia</b>	Georgia eased the process for dealing with construction permits by introducing a simplified process for obtaining confirmation from utilities, a risk-based approval process for building permits, and new time limits for the occupancy certificate. The documentation requirements for import and export were simplified, and there was a significant decrease in the cost of trade.
<b>Greece</b>	Greece's private credit bureau, Tiresias, expanded the amount of information it distributes in its credit reports, enhancing access to credit information.

<b>Kyrgyz Republic</b>	The Kyrgyz Republic eased the process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections. Requirements relating to redundancy dismissals and worker reassignment were eased. Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets. The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several. Surveying and notarization requirements were made optional for property registration, and business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration. The elimination of six previously required documents and the simplification of inspection procedures has sped up trading across borders.
<b>Liberia</b>	Liberia eased the process for getting construction permits by lowering the permit fee and cost of obtaining a power generator, abolishing the requirement to obtain a tax waiver certificate before submitting documents to obtain a building permit, and making fixed telephone connections more readily available for public use with the reopening of the national phone company. Business start-up was eased by removing the need to obtain an environmental impact assessment when forming a general trading company. The trade process was expedited by creating a one-stop shop bringing together various ministries and agencies, and streamlining the inspection regime.
<b>Macedonia, FYR</b>	The Former Yugoslav Republic of Macedonia has been reforming the construction permit process, shortening waiting times but raising fees. Worker hiring was made more flexible by allowing greater use of fixed-term contracts, easing restrictions on working hours, and making redundancy dismissals more flexible. The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold. Social security payments were classified in five groups, and social security contribution rates reduced. Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court. Business start-up was simplified by integrating procedures at a one-stop shop.
<b>Moldova</b>	Moldova lowered the rates for social security contributions paid by employers. Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5. Business start-up was eased by implementing an expedited company registration service.
<b>Romania</b>	Romania increased the cost of insolvency procedures by requiring that 1.5 percent of the amount recovered from each insolvency procedure be transferred to a fund that reimburses the expenses of insolvency administrators when debtors have no assets. Construction permit costs rose because of a new fee equal to 0.05 percent of the project value. In addition, labor taxes were increased. Property registration was expedited with the introduction of new procedures at the land registry and cadastre.
<b>Russian Federation</b>	The Russian Federation introduced several changes to its insolvency law to speed up liquidation and strengthen the legal status of secured creditors. The corporate income tax rate was cut from 24 percent to 20 percent. Property registration was expedited by introducing new documentation requirements—such as cadastral passports—in lieu of inventory documents and cadastral maps.

**Rwanda**

Rwanda improved the process for dealing with distressed companies with a new law aimed at streamlining reorganization. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts, as well as by allowing redundancy procedures to be more flexible, with consultation and notification of third parties no longer required. Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out of court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A new company law has strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information. Property registration was simplified by decreasing the number of days required to transfer a property. Business start-up was eased by eliminating a notarization requirement; introducing standardized memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications. By implementing administrative changes—such as increased operating hours and enhanced cooperation at the border, along with the removal of some documentation requirements for importers and exporters—Rwanda has improved trading times.

**Tajikistan**

Tajikistan amended its insolvency law, aiming to reduce statutory time limits and the costs of proceedings. Changes were introduced that simplified the construction permit process, reducing procedures and time. A new law on credit histories improves access to credit information by creating a private credit bureau. Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded. The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value. Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.

**United Arab Emirates**

The United Arab Emirates shortened the time for delivering building permits by improving its online system for processing applications. Business start-up was eased by simplifying the documents needed for registration, abolishing the minimum capital requirement, and removing the requirement that proof of deposit of capital be shown for registration. Greater capacity at the container terminal, elimination of the terminal handling receipt as a required document, and an increase in trade finance products, have improved trade processes.

## APPENDICES

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### Starting a Business in Armenia

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This table summarizes the procedures and costs associated with setting up a business in Armenia.

#### STANDARDIZED COMPANY

Legal Form: ApS

Minimum Capital Requirement:

City: Yerevan

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Register the name of the company at the State Patent Department	2	5000
2	Pay the registration fee at any bank	1	0
3	Register with the State Registrar	7	12000
4	Register with tax authorities and obtain a tax identification number (TIN)	2	0
5	Order a seal	2	15500
6	Register with statistical office	1	0

**Procedure 1 Register the name of the company at the State Patent Department**

**Time to complete:** 2

**Cost to complete:** 5000

**Comment:** The application form should be submitted to the State Registrar, who coordinates with the State Patent Department and registers the company name.

**Procedure 2 Pay the registration fee at any bank**

**Time to complete:** 1

**Cost to complete:** 0

**Comment:**

**Procedure 3 Register with the State Registrar**

**Time to complete:** 7

**Cost to complete:** 12000

**Comment:** According to a recent government decision, the State Registrar must either approve or deny registration applications within 5 working days. According to the law on state registry of enterprises, a registration may be refused only if the legal entity's founding documents are either incomplete or inaccurate. The registration fee is AMD 12,000 for all business entity types, except for banks, investment funds, and insurance companies, where the fee is AMD 40,000.

**Procedure 4 Register with tax authorities and obtain a tax identification number (TIN)**

**Time to complete:** 2

**Cost to complete:** 0

**Comment:** The company must file the registration certificate with the State Registrar. Within 30 days of registering with the state, all legal entities are required to register with the tax authorities and obtain a tax identification number (TIN). Within 2 weeks of submitting the application, the local tax inspectorate issues an eight-digit TIN, and the entity is considered officially registered with the tax authorities. Social security registration is conducted by the tax authorities as well.

**Procedure 5 Order a seal**

**Time to complete:** 2

**Cost to complete:** 15500

**Comment:** The company files for the TIN certificate with the tax authorities. Moreover and by government decree, legal persons must register and obtain a company seal for all official company transactions to be obtained from the Ministry of Internal Affairs within 1 to 30 days. The fee for seal issuance varies according to turnaround time as following.  
- 1 day: AMD 15,500.  
- 30 days: AMD 2,800.

**Procedure 6 Register with statistical office**

**Time to complete:** 1

**Cost to complete:** 0

**Comment:**

## Dealing with Construction Permits in Armenia

The table below summarizes the procedures, time, and costs to build a warehouse in Armenia.

### BUILDING A WAREHOUSE

Date as of: January 2009

Estimated Warehouse Value:

City: Yerevan

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Apply and obtain architectural- constructional assignment (AII3)	38 days	no charge
2 *	Request and obtain technical conditions approval from water authority	20 days	no charge
3 *	Request and obtain architectural plan approval from telecommunications provider	7 days	no charge
4 *	Request and obtain architectural plan approval from electricity provider	17 days	no charge
5	Request and obtain ecological expertise approval	30 days	AMD 25,000
6 *	Hire a licensed expert/ company to conduct the expertise approval of architectural drawings	1 day	AMD 25,000
7	Request and obtain building permit from Yerevan Municipality	22 days	AMD 963,340
8	Receive inspection by Municipal Construction Inspection	1 day	no charge
9	Receive inspection by Municipal Construction Inspection	1 day	no charge
10	Receive Inspection by State Inspection of Urban Development of Ministry of Urban Development	1 day	no charge
11	Receive Inspection by State Inspection of Urban Development of Ministry of Urban Development	1 day	no charge
12	Request and connect to electricity services	10 days	AMD 2,600
13 *	Request water and sewage services	9 days	AMD 2,600
14 *	Receive water and sewage inspection and connect	1 day	no charge

15 *	Request and connect to telephone	8 days	AMD 24,000
16	Request final municipal inspection to obtain occupancy permit	1 day	no charge
17	Receive final inspection from the municipality	1 day	AMD 150,000
18	Obtain occupancy permit from Municipality	28 days	no charge
19	Register the building with the Cadastre	2 days	AMD 99,397
20 *	Receive on-site inspection for building registration	1 day	no charge

\* Takes place simultaneously with another procedure.

**Procedure 1 Apply and obtain architectural- constructional assignment (AII3)**

**Time to complete:** 38 days

**Cost to complete:** no charge

**Comment:** The company submits an application form to the Architectural and Urban Development Department of the Yerevan Municipality with the following information: the purpose of usage, building type and address, and the name(s) and license number (s) of the design firm(s). As part of this process, the owner receives technical conditions from appropriate authorities for drawing, building, and using the building’s engineering substructures. The fee and time line are determined by the agreement with the company.

For BuildCo to obtain a building permit, the municipality awards an architectural-constructional engineering assignment contract to a licensed building design firm, upon receiving the application and the drawings. The design firm prepares the drawing(s) with information on technical, urban, and other necessary conditions. The architectural drawing undergoes a review performed by a specialized institution. The drawings are then approved by the Yerevan municipality, citing the duration of the construction. Until May 2008, a architectural construction assignment and building permit would not be issued without contributing AMD 3–5 million to a charitable ”Yerevan Fund” designated by the municipal authority. There was no specific law or norm about this fund. However, Mayor of Erevan abolished this requirement through a municipal decision. This came as result of order by Prime Minister of Republic of Armenia on January 15, 2008 (Cabinet Meeting Protocol #2-2). Companies are no longer required to pay this fee. To further enforce the implementation of the decision , Mayor’s Office launched a public campaign among construction sector, following allegations of recurring use of this contribution.

According to legislation the official time limit to issue the APZ is 20 days. However, because the technical conditions are obtained individually the APZ is issued subsequent to having all technical conditions from utilities.

Following the issuance of APZ, Build CO start developing all aspects of construction documents. It is assumed that a geologist would be part of BuildCo staff. It is also assumed that the technical supervision expert, normally hired by developers-investors to oversee the quality of works done by builders, in case of BuildCo would be part of its core staff, and do not need to be hired separately. Both companies and individual technical supervision experts can be licensed according to Government Resolution N 26 (12 December 2008) that becomes effective 21 June 2009.

**Procedure 2 Request and obtain technical conditions approval from water authority**

**Time to complete:** 20 days

**Cost to complete:** no charge

**Comment:** According regulation #1473 (2002), applicants must seek individual technical condition approvals from each authority. All technical conditions must be free of charge.

Response time is about a month.

Before starting earthwork, BuildCo must apply to utility providers, citing the planned route(s) of underground communications. Upon starting work, BuildCo must request the presence of utility company representatives during connecting communications of the building.

**Procedure 3 Request and obtain architectural plan approval from telecommunications provider**

**Time to complete:** 7 days

**Cost to complete:** no charge

**Comment:**

#### **Procedure 4 Request and obtain architectural plan approval from electricity provider**

**Time to complete:** 17 days

**Cost to complete:** no charge

**Comment:** After obtaining conditions from the utilities, BuildCo assigns an architect or a licensed building design firm to prepare the architectural drawings. During the whole construction process, the drawing company must conduct copyright control to ensure compliance of construction with the architectural-engineering drawings, according to the agreement concluded between the owner and the drawing company.

#### **Procedure 5 Request and obtain ecological expertise approval**

**Time to complete:** 30 days

**Cost to complete:** AMD 25,000

**Comment:** If projects are larger than 1000 sq. m.. they will be subject to simple expertise of project documents. This requirement is stipulated in paragraph 2 of Article 4 of the Law "On Expert Examination of Environmental Impact", as of 20 November 1995, and implemented by Article 7 of the Government Resolution #193, as of March 30, 1999. According to regulation the ecological expertise takes 120 days. This expertise is obtained before submitting documents to expertise of architectural drawings.

#### **Procedure 6 Hire a licensed expert/ company to conduct the expertise approval of architectural drawings**

**Time to complete:** 1 day

**Cost to complete:** AMD 25,000

**Comment:** The architectural drawings undergo a review performed by a licensed expertise institution.

A number of licensed private organizations exist in Armenia with expertise in architectural drawing. In Armenia, architectural drawing is subject to both engineering and ecological expertise review. The results of expertise are then submitted to Municipality along with other documents for building permit.

#### **Procedure 7 Request and obtain building permit from Yerevan Municipality**

**Time to complete:** 22 days

**Cost to complete:** AMD 963,340

**Comment:** The company must resubmit the approved architectural drawings to the municipality.

According to Decision #91 (2002) the permit must be issued in 7 days.

Since 2005, the construction permit and the construction document approvals are granted

simultaneously. In Yerevan, the mayor grants the construction permit. The local construction permit fee is up to AMD 70,000. In some regions and districts, as determined by the central authorities, the fee ranges from AMD 21,000 to AMD 350,000.

According to Decision #91 (2002), Art. 27 after obtaining the building permit, BuildCo will need to notify State Inspection of Urban Development of Ministry of Urban Development. BuildCo writes a letter 3 days prior to construction works, and does not await for approval.

According to Resolution of Yerevan Mayor's Office # 245 as of 23 February 2006, additional fees apply to industrial rubbish produced by BuildCo. It consists of two components: infrastructure use fee and earth excavation and rubbish fee. The fee would be assessed by a municipal company- Technical Decisions Implementation Agency for Development of Yerevan (, created in second half of 2007 by Yerevan Mayor's Office. The fee for industrial earth excavation and rubbish AMD 300 for each truck, and infrastructure use fee AMD 960 sq. m.. Total cost is: 1) AMD 300 x 10 trucks= AMD 3000 + 2) AMD 960 x 1300.6 = AMD 1,248,576 = AMD 1,251,576

**Procedure 8 Receive inspection by Municipal Construction Inspection**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The construction site may be visited during entire duration of project at least twice, provided all works are done properly. There is no need to stop works. Inspections occur on random basis. According to Law on Inspection all inspections must take place only once a year. However, so called 'operational inspections' are widespread.

**Procedure 9 Receive inspection by Municipal Construction Inspection**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The construction site may be visited during entire duration of project at least twice, provided all works are done properly. There is no need to stop works. Inspections occur on random basis. According to Law on Inspection all inspections must take place only once a year. However, so called 'operational inspections' are widespread.

**Procedure 10 Receive Inspection by State Inspection of Urban Development of Ministry of Urban Development**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The construction site may be visited during entire duration of project at least twice, even if works are conducted properly. There is no need to stop works. Inspections occur on random basis. According to Law on Inspection all inspections must take place only once a year. However, so called 'operational inspections' are widespread.

**Procedure 11 Receive Inspection by State Inspection of Urban Development of Ministry of Urban Development**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The construction site may be visited during entire duration of project at least twice, even if works are conducted properly. There is no need to stop works. Inspections occur on random basis. According to Law on Inspection all inspections must take place only once a year. However, so called 'operational inspections' are widespread.

#### **Procedure 12 Request and connect to electricity services**

**Time to complete:** 10 days

**Cost to complete:** AMD 2,600

**Comment:** An additional facilitation fee of AMD 200–300 is required to expedite the process.

#### **Procedure 13 Request water and sewage services**

**Time to complete:** 9 days

**Cost to complete:** AMD 2,600

**Comment:** An additional facilitation fee of AMD 200–300 is required to expedite the process.

#### **Procedure 14 Receive water and sewage inspection and connect**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

#### **Procedure 15 Request and connect to telephone**

**Time to complete:** 8 days

**Cost to complete:** AMD 24,000

**Comment:** An additional facilitation fee of AMD 200-300 is required to expedite the process.

#### **Procedure 16 Request final municipal inspection to obtain occupancy permit**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The completion of construction certificate, obtained upon completion through joint meeting of investor and builder, is required to file for the final inspection process. This is required to obtain the occupancy permit from the municipality. The application is made to receive final inspection by municipality. State Inspection of Ruban Development under the Ministry of Urban Development, must be notified as well.

#### **Procedure 17 Receive final inspection from the municipality**

<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	AMD 150,000
<b>Comment:</b>	By ministerial decree, the municipality must undertake the final inspection within 15 days of receiving the application. After the inspection, the application is forwarded to the state expert office for final approval. This takes another 10–15 business days. Inspection by State Inspection of Urban Development of Ministry of Urban Development takes place separately. After all signatures are signed the occupancy permit is issued by the Mayor's Office.

#### **Procedure 18 Obtain occupancy permit from Municipality**

<b>Time to complete:</b>	28 days
<b>Cost to complete:</b>	no charge
<b>Comment:</b>	After all signatures are signed the occupancy permit is issued by the Mayor's Office.

#### **Procedure 19 Register the building with the Cadastre**

<b>Time to complete:</b>	2 days
<b>Cost to complete:</b>	AMD 99,397
<b>Comment:</b>	<p>The company must register the building with the cadastre by submitting the land title, the allocation permit, the building permit, and the construction plans. The next step is an on-site inspection, required for metering the building.</p> <p>As of second half of 2009 the State Cadastre introduced new fast track options whereby transactions can be done in 2, 4 and 7 days.</p> <p>Fee schedule for registration:</p> <ul style="list-style-type: none"> <li>- Registration: AMD 10,000 (Registration fee).</li> <li>- Building metering: AMD 20 x 929+ AMD 20 x 1300.6= AMD 86,397 (fast track – 2 days)</li> <li>- Building sketch: AMD 1,000 (for each page- 2 pages)= AMD 2,000.</li> <li>- Stamp duty: AMD 1,000.</li> </ul> <p>Total: AMD 99 397</p> <p>Documents to be submitted:</p> <ul style="list-style-type: none"> <li>Construction permits;</li> <li>Architectural construction assignment;</li> <li>Occupancy permit.</li> </ul>

#### **Procedure 20 Receive on-site inspection for building registration**

<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	no charge
<b>Comment:</b>	Inspection of site is done for all projects, both first time and re-sale of property. The mapping team visits the site and thereafter draws all relevant measurements in the records. BuildCo representative must be present at the moment of inspection.

## Employing Workers in Armenia

Employing workers indices are based on responses to survey questions. The table below shows these responses in Armenia.

Employing Workers Indicators (2009)	Answer	Score
<b>Difficulty of hiring index (0-100)</b>		<b>33.3</b>
Are fixed-term contracts prohibited for permanent tasks?	Yes	1
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	60	0.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.20	0.00
<b>Difficulty of redundancy index (0-10)</b>		<b>10.0</b>
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	No	0
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 9 redundant workers?	No	0
Does the employer need the approval of a third party to terminate a group of 9 redundant workers?	No	0
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	Yes	1
Are there priority rules applying to redundancies?	No	0
Are there priority rules applying to re-employment?	No	0
<b>Redundancy costs (weeks of salary)</b>		<b>13.0</b>
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		8.7
What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)		4.3
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)		0.0
<b>Rigidity of employment index (0-100)</b>		<b>21.1</b>
<b>Rigidity of hours index (0-100)</b>		<b>20.0</b>
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0

What is the maximum number of working days per week?	6	0
Are there restrictions on night work and do these apply when continuous operations are economically necessary?	Yes	1.00
Are there restrictions on "weekly holiday" work and do these apply when continuous operations are economically necessary?	No	0.00
What is the paid annual vacation (in working days) for an employee with 20 years of service?	20	0

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

## Registering Property in Armenia

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This topic examines the steps, time, and cost involved in registering property in Armenia.

### STANDARDIZED PROPERTY

Property Value: 61,589,436.38

City: Yerevan

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Seller obtains a special reference on restrictions on the property at the State Committee of the Real Property Cadastre of the Republic of Armenia (SCRPC)	2 days (regular procedure) or 1 day (expedited procedure)	AMD 7,000 (regular procedure) or AMD 14,000 (expedited procedure) - AMD 5,000 (for the survey). Total for expedited procedure- AMD 19,000
2	Payment of stamp duty and notarization of sale-purchase agreement by public notary	1 day	AMD 5,000 (Stamp duty for Notarization) + AMD 15,000 – 20,000 (Notary fees)
3	The local office of the SCRPC registers the title and provides a registration certificate to the new owner	7 days (regular procedure), 4 days (faster procedure), or 2 days (fastest procedure)	AMD 40,000 (Stamp duty for registration) + AMD 10,000 (registration fee) + AMD 1,000 (cost of cameral works) + AMD per square meter (cost of measurement works for land) + AMD 20 per square meter (cost of measurement works for buildings and constructions) The costs of both measurements and the cameral works are doubled to have the procedure done in 4 days, and tripled to have it done in only 2 days

**Procedure 1 Seller obtains a special reference on restrictions on the property at the State Committee of the Real Property Cadastre of the Republic of Armenia (SCRPC)**

**Time to complete:** 2 days (regular procedure) or 1 day (expedited procedure)

**Cost to complete:** AMD 7,000 (regular procedure) or AMD 14,000 (expedited procedure) + AMD 5,000 (for the survey). Total for expedited procedure- AMD 19,000

**Comment:** The seller has to obtain information about the encumbrances and other restrictions (mortgage, easement, etc.) on the real property. In this regard, the seller has to apply to the local office of the SCRPC to obtain the appropriate reference, which is valid within 7 days of the issuing. For public and industrial property of more than 200 sq. meters the fee for property survey shall be applied, which is calculated in the following way:  
from 200 sq. m. to 500 sq. m. – AMD 2,500;  
from 500 sq. m. to 1,000 sq. m. – AMD 5,000;  
from 1,000 sq. m. to 5,000 sq. m. – AMD 15,000;  
from 5,000 sq. m. to 10,000 sq. m. – AMD 30,000;  
for more than 10,000 sq. m. – AMD 60,000  
Note that in this case, land is 557.4 square meters.  
The documentation shall include:  
Application (in the established form)

**Procedure 2 Payment of stamp duty and notarization of sale-purchase agreement by public notary**

**Time to complete:** 1 day

**Cost to complete:** AMD 5,000 (Stamp duty for Notarization) + AMD 15,000 – 20,000 (Notary’s fees)

**Comment:** Previously, stamp duty for notarization was paid to the respective settlement account at a commercial bank – however, it is now possible to pay this stamp duty directly at the notary office. According to the legislation, the sale-purchase agreement is subject to notarization.  
The notary explains to the parties the point and significance of the contract, and checks whether the provisions of the contract comply with the intention of the parties and whether it does not contradict the law. Along with the status of the property rights and the absence of prohibition, the notary checks the authority of the representatives and legal entities of the contract parties and notarizes the agreement.  
In order to get the agreement notarized the seller must provide evidence of his title to the property, i.e. the registration certificate and the reference information mentioned in Procedure 1.  
There is no legal requirement for the agreement to be prepared by a lawyer. Accordingly, the parties are free to prepare the agreement themselves.  
The documentation for notarization of sale-purchase agreement shall include:  
Sale-purchase agreement  
Registration certificate (in possession of the seller)  
Reference on restrictions (Obtained in Procedure 1)  
Corporate documents of the parties, i.e. charters, foundation agreements, powers of attorney

**Procedure 3 The local office of the SCRPC registers the title and provides a registration certificate to the new owner**

**Time to complete:** 7 days (regular procedure), 4 days (faster procedure), or 2 days (fastest procedure)

**Cost to complete:** AMD 40,000 (Stamp duty for registration) + AMD 10,000 (registration fee) + AMD 1,000 (cost of cameral works) + AMD 3 per square meter (cost of measurement works for land) + AMD 20 per square meter (cost of measurement works for buildings and constructions)

The costs of both measurements and the cameral works are doubled to have the procedure done in 4 days, and tripled to have it done in only 2 days.

**Comment:** According to the legislation, within 30 days of the notarization of the sale and purchase contract the buyer shall apply to the SCRPC for the state registration of the transfer of title.

SCRPC inspects the authenticity of the presented documents, including verification through the database, surveys building and land, makes a decision about registration, registers in the registry and issues a certificate of title registration to the new owner.

The measurement works are done only in the cases when the first time registration is done and there is a change in the property layout after issuing new certificate of ownership.

According to the law the ownership right arises only after the registration has been completed.

Stamp duty in this case equals AMD 40,000. For the dwelling space, as well as for the property of public and industrial use less than 200 square meters, the stamp duty is AMD 20,000.

Stamp duty for registration can be paid in Procedure 3 to the respective settlement account at a commercial bank.

All other payments shall be made at the local office of SCRPC.

The cost of the measurement works is AMD 3 per square meter of land and AMD 20 per square meter of buildings and constructions. For the property described in the case study the measurement works cost (for the expedited procedure) AMD 836.1 for 92.9 square meters of land (the measurement works are done only for the land plot not covered by the building) and AMD 55,740 for 929 square meters for the building (warehouse).

For residential property, lands without constructions, as well as for the property of public and industrial use less than 200 sq. meters the accomplishment time is 2 days. For public and industrial property of more than 200 sq. meters the accomplishment time is 7 days, which could be cut to 4 days or 2 days by paying the double or triple of the costs of cameral works and the land and building measurement works.

Property transfers as a rule are subject to a 20% VAT, except if the parties are natural persons.

The documentation shall include:

Application (in the established form)

One copy of the notarized sale purchase agreement

Corporate documents of the new owner

## Getting Credit in Armenia

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Armenia.

Getting Credit Indicators (2009)			Indicator
			score
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	5
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	Yes	1
<b>Coverage</b>		34.5	4.4
Number of individuals		841,336	103,106
Number of firms		14,352	5,137

Strength of legal rights index (0-10)		6
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?		Yes
Does the law allow businesses to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets ?		No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets ?		No
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?		No
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?		Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?		Yes
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?		Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?		Yes

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

No

Does the law authorize parties to agree on out of court enforcement?

Yes

## Protecting Investors in Armenia

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Armenia.

Protecting Investors Data (2009)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>5</b>
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	3
Immediate disclosure to the public and/or shareholders (0-2; see notes)	0
Disclosures in published periodic filings (0-2; see notes)	0
Disclosures by Mr. James to board of directors (0-2; see notes)	2
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
<b>Extent of director liability index (0-10)</b>	<b>2</b>
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	0
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
<b>Ease of shareholder suits index (0-10)</b>	<b>8</b>
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	3
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	2
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	1

Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	1

<b>Strength of investor protection index (0-10)</b>	<b>5.0</b>
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**Notes:**

**Extent of Disclosure Index**

*What corporate body provides legally sufficient approval for the transaction?*

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

*Immediate disclosure to the public and/or shareholders*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures in published periodic filings*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures by Mr. James to board of directors*

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

**Director Liability Index**

*Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company*

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

*Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company*

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

*Whether a court can void the transaction upon a successful claim by a shareholder plaintiff*

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

*Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company*

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

**Shareholder Suits Index**

*Documents available to the plaintiff from the defendant and witnesses during trial*

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

*Ability of plaintiffs to directly question the defendant and witnesses during trial*

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

## Paying Taxes in Armenia

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Armenia, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	12		454	20.00%	value added, land sale		
Environmental pollution charge for vehicles	1			AMD 50 per horsepower	engine of the vehicle (in horsepower)	0.02	
Vehicle tax	4			(1) 1-120 horsepower - AMD 200 per horsepower; (2) 121-250 horsepower - AMD 300 per horsepower, and additional AMD 1000 per each horsepower in excess of 150 horsepower; (3) 251 and more horsepower - AMD 500 per horsepower, and additional AMD 1000 per each	engine of the vehicle (in horsepower)	0.04	
Property tax on Building	4			0.300%	cadastral value	0.29	
Land Tax	4			1.0%	cadastral value	0.76	
Corporate income tax	13		152	0.2	taxable profit	12.14	

Social security contributions	12	352	(i) AMD 7,000 for first AMD 20,000 of monthly salary; (ii) AMD 7,000 plus 15% of the monthly salary exceeding AMD 20,000; (ii) AMD 19,000 plus 5% of the monthly salary exceeding AMD 100,000.	gross salaries	22.95
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<b>Totals</b>	<b>50</b>	<b>958</b>			<b>36.2</b>
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**Notes:**

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

## Trading Across Borders in Armenia

These tables list the procedures necessary to import and exports a standardized cargo of goods in Armenia. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	10	246
Customs clearance and technical control	1	85
Ports and terminal handling	2	250
Inland transportation and handling	4	1150
Totals	17	1731

Nature of Import Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	10	261
Customs clearance and technical control	2	135
Ports and terminal handling	3	250
Inland transportation and handling	5	1450
Totals	20	2096

### Export

Bill of lading

Commercial invoice

Customs export declaration

Packing list

Export Permission Pre-release letter

### Import

Bill of lading

Certificate of origin

Commercial Invoice

Customs import declaration

Preliminary customs import declaration

Packing list

## Enforcing Contracts in Armenia

This topic looks at the efficiency of contract enforcement in Armenia.

Nature of Procedure (2009)	Indicator
Procedures (number)	48
Time (days)	285
Filing and service	20.0
Trial and judgment	145.0
Enforcement of judgment	120.0
Cost (% of claim)*	19.00
Attorney cost (% of claim)	12.0
Court cost (% of claim)	2.0
Enforcement Cost (% of claim)	5.0

**Court information:** Yerevan Court of First Instance("Yndhanur iravasutyany dataran")

\* Claim assumed to be equivalent to 200% of income per capita.





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