

# Doing Business 2011

Moldova

## Making a Difference for Entrepreneurs

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Doing Business 2011  
Business Reforms

*Doing Business 2011: Making a Difference for Entrepreneurs* is the eighth 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 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010\*. 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, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Moldova. The data used for this economy 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 2011: Making a Difference for Entrepreneurs* 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)).

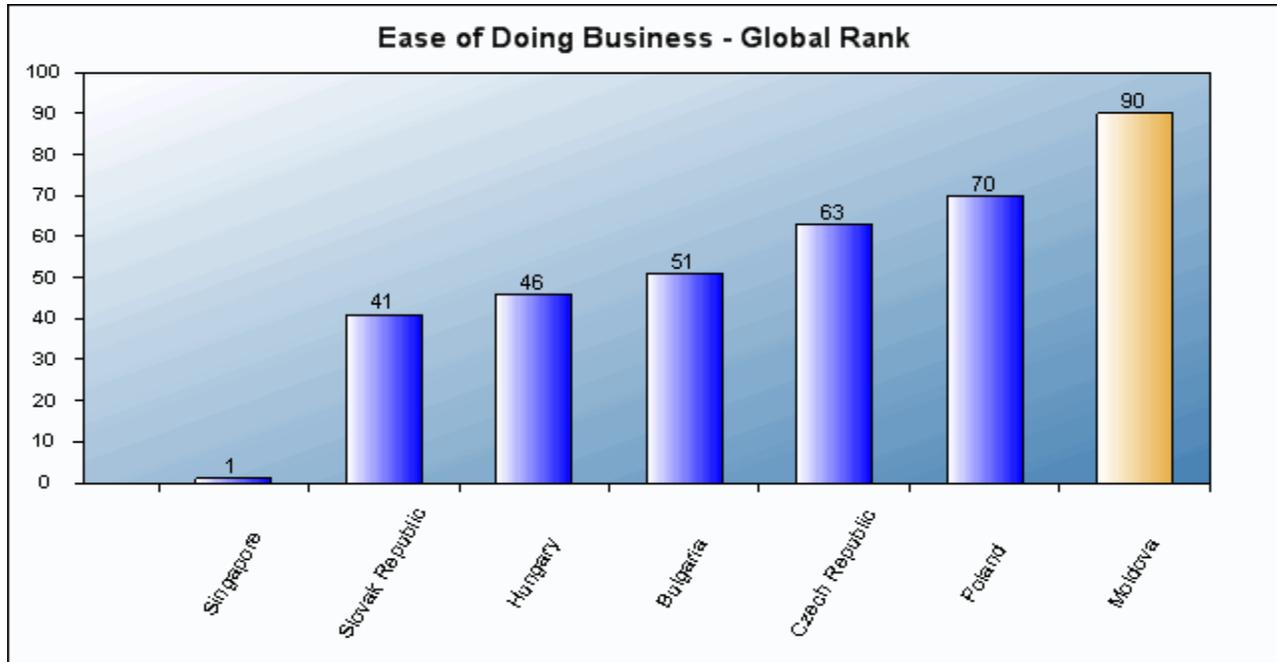
\* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

## Economy Rankings - Ease of Doing Business

Moldova is ranked 90 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

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



### Moldova's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	90
Starting a Business	94
Dealing with Construction Permits	159
Registering Property	18
Getting Credit	89
Protecting Investors	109
Paying Taxes	106
Trading Across Borders	141
Enforcing Contracts	20
Closing a Business	92

## Summary of Indicators - Moldova

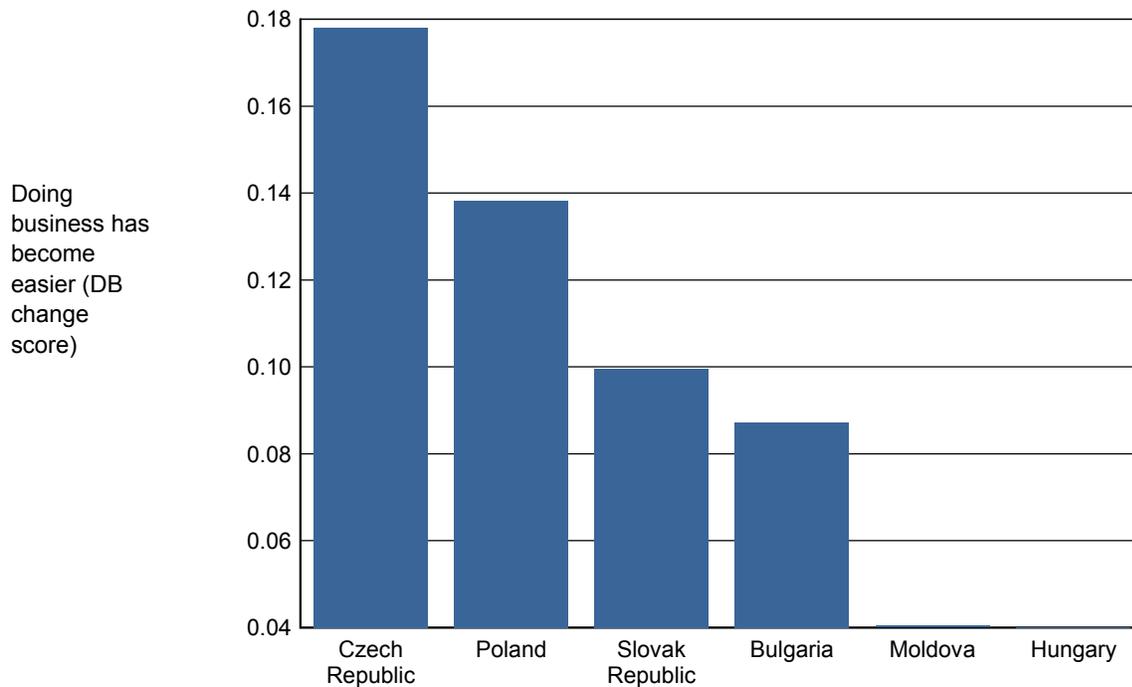
<b>Starting a Business</b>	Procedures (number)	8
	Time (days)	10
	Cost (% of income per capita)	10.9
	Min. capital (% of income per capita)	11.9
<b>Dealing with Construction Permits</b>	Procedures (number)	30
	Time (days)	292
	Cost (% of income per capita)	120.9
<b>Registering Property</b>	Procedures (number)	5
	Time (days)	5
	Cost (% of property value)	0.9
<b>Getting Credit</b>	Strength of legal rights index (0-10)	8
	Depth of credit information index (0-6)	0
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	0.0
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	7
	Extent of director liability index (0-10)	1
	Ease of shareholder suits index (0-10)	6
	Strength of investor protection index (0-10)	4.7
<b>Paying Taxes</b>	Payments (number per year)	48
	Time (hours per year)	228
	Profit tax (%)	0.0
	Labor tax and contributions (%)	30.2
	Other taxes (%)	0.7
	Total tax rate (% profit)	30.9
<b>Trading Across Borders</b>	Documents to export (number)	6
	Time to export (days)	32
	Cost to export (US\$ per container)	1765
	Documents to import (number)	7
	Time to import (days)	35
	Cost to import (US\$ per container)	1960

<b>Enforcing Contracts</b>	Procedures (number)	31
	Time (days)	365
	Cost (% of claim)	20.9
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	28.2
	Time (years)	2.8
	Cost (% of estate)	9

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators—such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

#### Some reform outcomes

*In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.*

*In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.*

*In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.*

#### What does Starting a Business measure?

##### Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

##### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

##### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

##### Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

**Starting a Business:** getting a local limited liability company up and running  
Rankings are based on 4 subindicators



#### Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

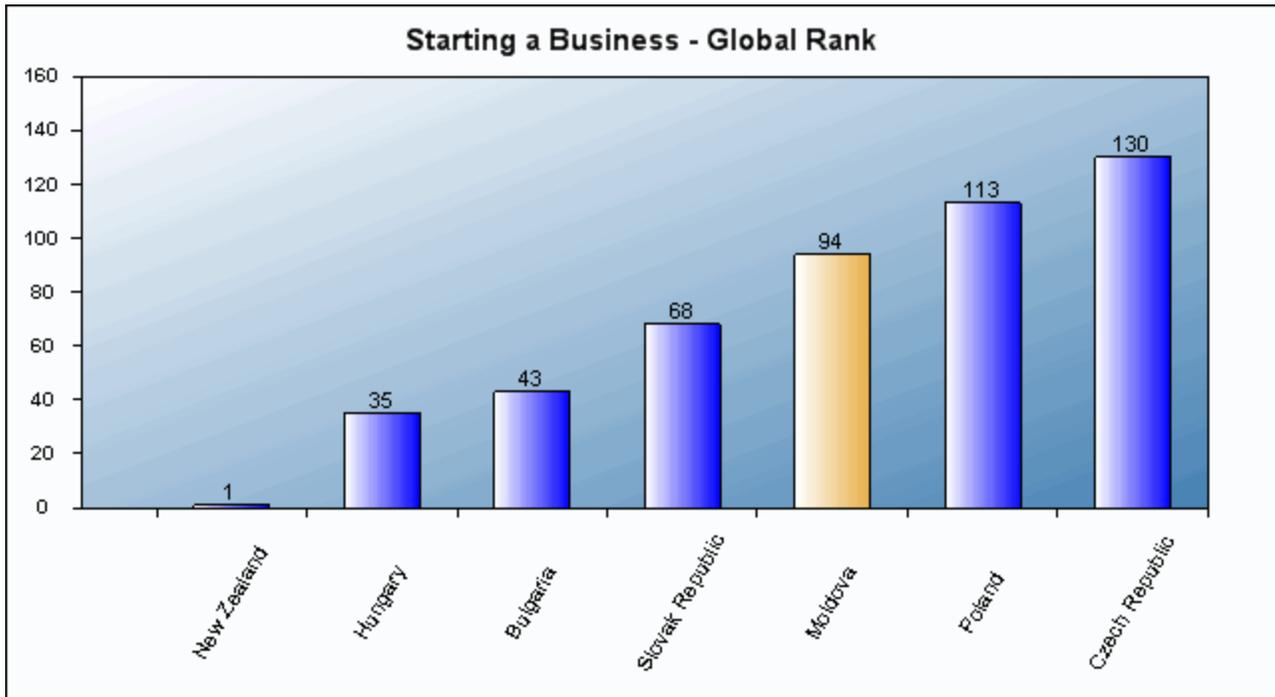
#### The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- 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 at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

## 1. Benchmarking Starting a Business Regulations:

Moldova is ranked 94 overall for Starting a Business.

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



The following table shows Starting a Business data for Moldova 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>Moldova</b>	<b>8</b>	<b>10</b>	<b>10.9</b>	<b>11.9</b>

<i>Comparator Economies</i>				
<b>Bulgaria</b>	4	18	1.6	0.0
<b>Czech Republic</b>	9	20	9.3	30.9
<b>Hungary</b>	4	4	8.2	10.2
<b>Poland</b>	6	32	17.5	14.7
<b>Slovak Republic</b>	6	16	1.9	22.2

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

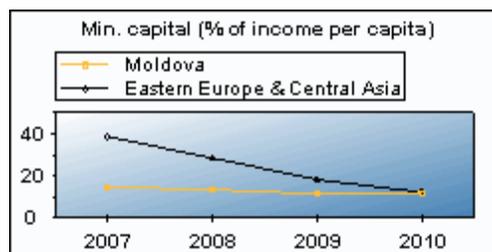
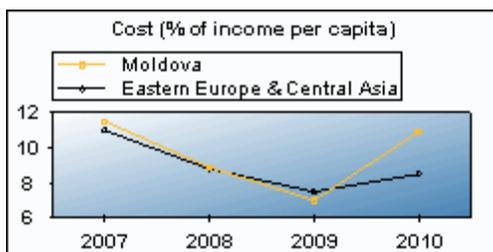
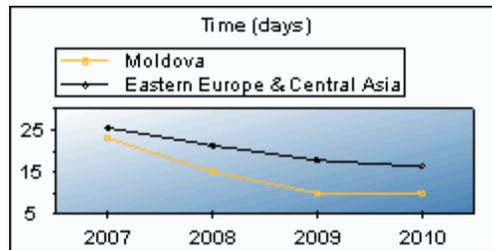
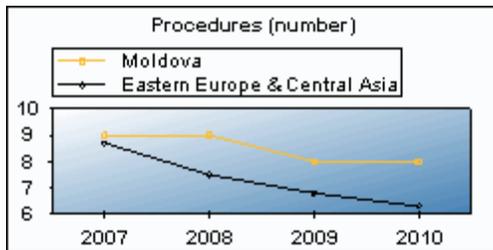
**Procedures (number):** **Canada**

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

## 2. Historical data: Starting a Business in Moldova

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	78	94
Procedures (number)	9	9	8	8
Time (days)	23	15	10	10
Cost (% of income per capita)	11.5	8.9	7.0	10.9
Min. capital (% of income per capita)	14.6	13.4	11.4	11.9

## 3. The following graphs illustrate the Starting a Business sub indicators in Moldova over the past 4 years:



## What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



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

### STANDARDIZED COMPANY

Legal Form: Limited Liability Company

City: Chisinau

### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	File all the documents with the State Registration Chamber for the registration of the company; obtain IDNO number	1	MDL 1,981
2	* Open a temporary bank account and deposit at least 40% of the registered capital of the company; pay the registration fee	1	no charge
3	* Obtain the registration certificate and constitutive act; obtain an official stamp from the Department of Information Technologies (Ministry of Information Development)	1	no charge
4	Register with the local Tax Inspectorate of the Ministry of Finance	2	no charge
5	Register the company with the Statistics Department of Republic of Moldova (National Bureau of Statistics)	1	no charge
6	Convert the company's temporary bank account to a permanent one	1	no charge
7	Register the company with the Social Security Fund	1	no charge

\* Takes place simultaneously with another procedure.

## Starting a Business Details - Moldova

<b>Procedure</b>	<b>1</b>	<b>File all the documents with the State Registration Chamber for the registration of the company; obtain IDNO number</b>
<b>Time to complete:</b>	1	
<b>Cost to complete:</b>	MDL 1,981	
<b>Comment:</b>	<p>Under the Law on the state registration of the legal entities and individual entrepreneurs (No. 220 of 19.10.2007, in force from 30.05.2008) the term for registration of the company is 5 working days. However, an expedited option is available in which company registration can be completed within 24 hours.</p> <p>Fee schedule for registering companies with the State Registration Chamber under the expedited procedure:</p> <ul style="list-style-type: none"><li>-State registration: MDL 1000 for expedited (4 hour) registration;</li><li>-Incorporation document preparation (editing) expedited: MDL 432;</li><li>-Name verification: MDL 39;</li><li>-Certification of signatures by the State Registrar: MDL 10;</li><li>-Publication: MDL 54;</li><li>-Extract (for permanent bank account) - expedited - 4 hours: MDL 252;</li><li>-Official company stamp: MDL 150;</li><li>-License fee (authorization for stamp manufacturing): MDL 9;</li><li>-Company name approval: MDL 20;</li><li>-Approval of stamp text: MDL 15</li></ul> <p>In accordance with the Law, the following documents must be submitted to the State Registration Chamber (SRC) in order to register a limited liability company:</p> <ol style="list-style-type: none"><li>Filled application form (template provided by the SRC);</li><li>Decision on incorporation of the company approved by founder/s;</li><li>Incorporation documents;</li><li>Document confirming payment of share capital;</li><li>Document confirming payment of applicable registration fees.</li></ol> <p>In practice the SRC also requests submittal of documents confirming the legal address of the company. Also as a matter of practice, the SRC drafts the incorporation documents and a founder decision in a special form that is supplementary to the decision provided by the founder. An unique state identification number is attributed to each legal entity at the date of its registration. It is inserted in the Registration Certificate and in the constitutive act.</p>	
<b>Procedure</b>	<b>2</b>	<b>Open a temporary bank account and deposit at least 40% of the registered capital of the company; pay the registration fee</b>
<b>Time to complete:</b>	1	
<b>Cost to complete:</b>	no charge	
<b>Comment:</b>	<p>At registration, at least 40% of each founder's declared contribution to company capital should be paid in. The other 60% must be paid in within 6 months of registration.</p>	
<b>Procedure</b>	<b>3</b>	<b>Obtain the registration certificate and constitutive act; obtain an official stamp from the Department of Information Technologies (Ministry of Information Development)</b>

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** The company files the bank certificate with the Registrar, confirming the founders' transfer of their capital contributions into the temporary bank account. While submitting the registration documents, the company submits the company stamp order. After registering the company, the Registrar will issue the stamp along with the registration certificate and other documents.

**Procedure 4 Register with the local Tax Inspectorate of the Ministry of Finance**

**Time to complete:** 2

**Cost to complete:** no charge

**Comment:** Newly registered companies should register with the Tax Inspectorate. Only companies that intend to sell VAT-taxable goods and services for an amount exceeding MDL 300,000 during 12 consecutive months must obtain a VAT code by registering with the local fiscal inspectorate.

**Procedure 5 Register the company with the Statistics Department of Republic of Moldova (National Bureau of Statistics)**

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** After the registration is completed, the company must register with the Statistics Department of the Republic of Moldova, which will assign the company a statistics code. This code will be assigned according to the activities established in the company's constitutive act and according to the company's territorial location.

**Procedure 6 Convert the company's temporary bank account to a permanent one**

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** To convert the company's temporary bank account to a permanent account, the founder must present to the bank (a) the notary-certified copies of the certificate of registration; (b) the incorporation documents; (c) the excerpt for the bank, confirming the name and address of the director; (d) the notarized signature cards; and (e) the company seal.

Fee schedule for notary certification:  
Set of documents: MDL 180 (based on MDL 6 per page).

**Procedure 7 Register the company with the Social Security Fund**

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** Every company should receive an individual social security number for each employee. The Law of the Republic of Moldova No. 383-XV (of November 11, 2004), "On the State Social Security Budget 2005," states that the company must complete a questionnaire for each employee and to present it, along with the copy of the employee's passport, to the National Social Security Fund within 10 days of registration or the signing of the labor contract. Later, the company should present the report every 3 months to the National Social Security Fund.

**Procedure 8 Register the company with the National Medical Insurance Company**

**Time to complete:** 2

**Cost to complete:** no charge

**Comment:** After registering with the State Registration Chamber, the company must register with the local office of National Medical Insurance Company in 10 days. The medical insurance agreement must be concluded. The company must present, every 3 months, 10 days before the end of the current month, the report on the calculation and the transfer of compulsory insurance payments.

In many economies, especially developing 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.

### Some reform outcomes

*In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.*

*Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.*

### What does the Dealing with Construction Permits indicator measure?

#### Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

### Case Study Assumptions

#### The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

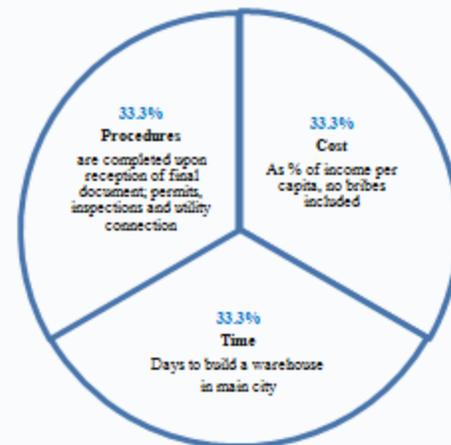
#### The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- 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 a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

### Dealing with Construction Permits:

#### Building a warehouse

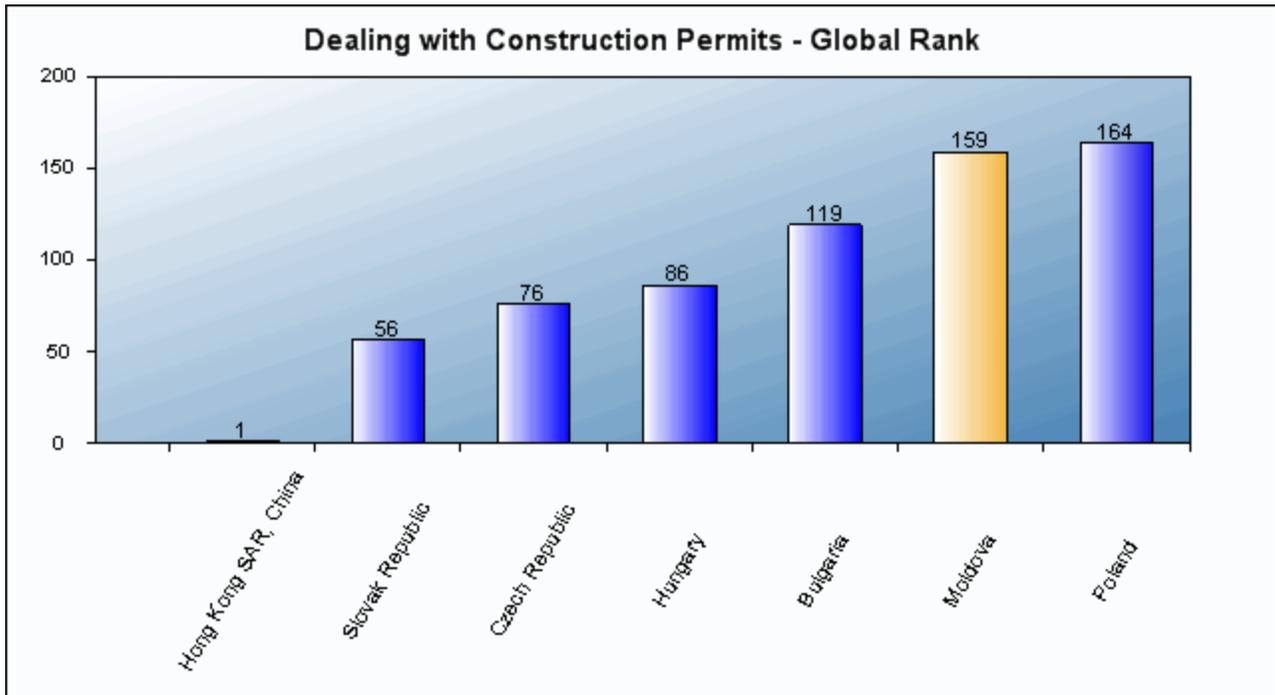
Rankings are based on 3 subindicators



## 1. Benchmarking Dealing with Construction Permits Regulations:

Moldova is ranked 159 overall for Dealing with Construction Permits.

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



The following table shows Dealing with Construction Permits data for Moldova 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>			0.8
<b>Singapore</b>		25	

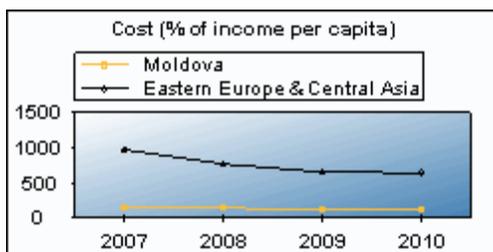
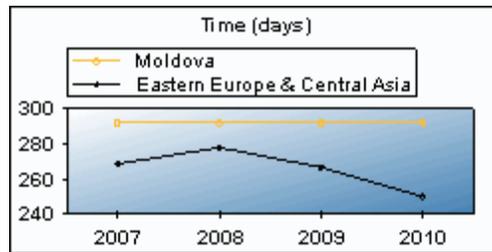
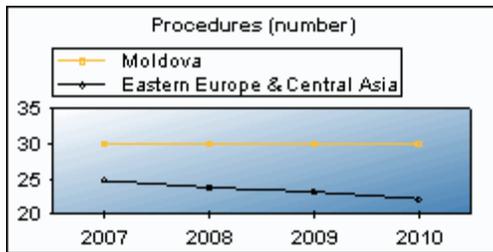
<i>Selected Economy</i>			
<b>Moldova</b>	<b>30</b>	<b>292</b>	<b>120.9</b>

<i>Comparator Economies</i>			
<b>Bulgaria</b>	24	139	442.3
<b>Czech Republic</b>	36	150	16.4
<b>Hungary</b>	31	189	9.8
<b>Poland</b>	32	311	121.8
<b>Slovak Republic</b>	13	287	12.7

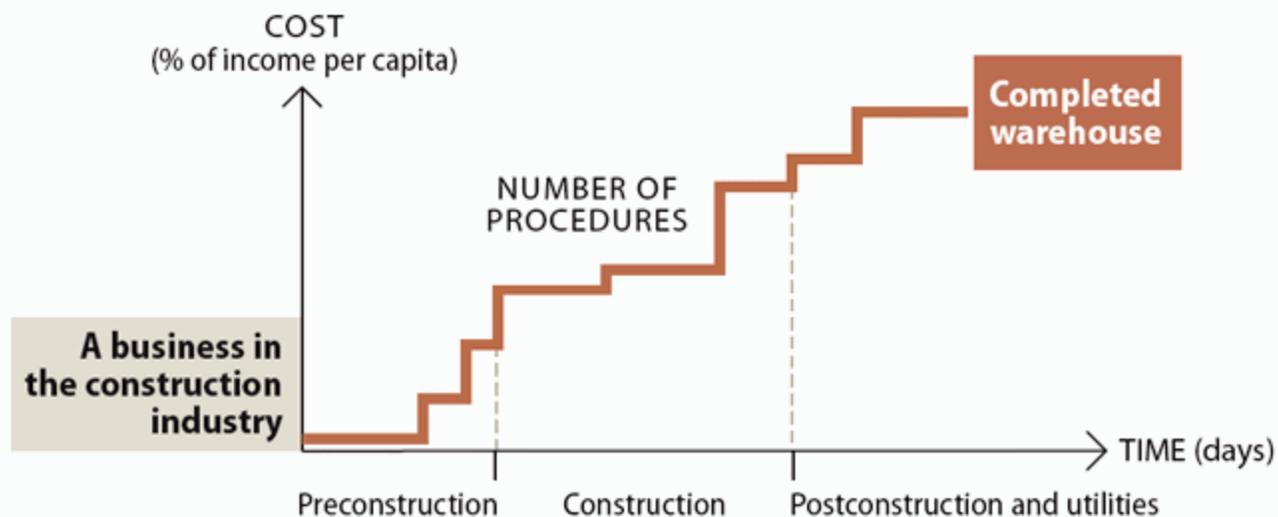
## 2. Historical data: Dealing with Construction Permits in Moldova

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	163	159
Procedures (number)	30	30	30	30
Time (days)	292	292	292	292
Cost (% of income per capita)	154.2	142.2	120.5	120.9

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Moldova over the past 4 years:



## What are the time, cost and number of procedures to comply with formalities to build a warehouse?



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

### BUILDING A WAREHOUSE

City: Chisinau

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain project according to city planning documentation from the Design Institute of Moldova on Engineering and Research Works	1 day	MDL 1,500
2 *	Request and obtain location clearance from the Fire Department	7 days	MDL 250
3 *	Request and obtain location clearance from the Health Department	30 days	MDL 500
4 *	Request and obtain location clearance from the Environmental Protection Agency	14 days	MDL 500
5 *	Request and obtain technical conditions for electricity connection from Union Fenosa	30 days	no charge
6 *	Request and obtain technical conditions for electricity connection from street lighting service provider Lumteh (public lighting provider)	30 days	MDL 300
7 *	Request and obtain technical conditions for water and industrial sewage system from Apa Canal	14 days	MDL 343

8 *	Request and obtain technical conditions for sewage system from Exdrupo	7 days	MDL 200
9 *	Request and obtain technical conditions for telephone connection from MoldTelecom	7 days	MDL 136
10 *	Request and obtain technical conditions for heating services from Termokom	14 days	MDL 832
11 *	Request and obtain clearance from the zoning and road construction division of the municipality (Directia General Cai de Transport si Comunicatii)	18 days	MDL 600
12 *	Request and obtain expertise clearance from the Fire Department	8 days	no charge
13 *	Request and obtain expertise clearance from the Health Department	21 days	MDL 300
14 *	Request and obtain expertise clearance from the Environmental Protection Agency	30 days	MDL 250
15	Request and obtain a city planning certificate	45 days	MDL 23
16	Request and obtain expertise of project documents at the State Service for Verification and Expertise of Projects in Construction	14 days	MDL 3,000
17	Request and obtain building permit from the local City Planning Services Agency (Municipality)	45 days	MDL 6,000
18	Notify construction authorities of the start of construction	1 day	no charge
19	Receive inspection on foundation works by the State Construction Inspectorate (1)	1 day	no charge
20	Receive inspection on structure works by the State Construction Inspectorate (2)	1 day	no charge
21	Receive inspection of roofing by the State Construction Inspectorate (3)	1 day	no charge
22	Request and connect to water and sewage services	22 days	MDL 1,056
23 *	Request power connection services and sign contract	1 day	MDL 4,620
24 *	Receive inspection	10 days	no charge
25 *	Connect to power services	11 days	no charge
26 *	Request and connect to telephone services	30 days	MDL 900

27	Receive final inspection by the State Construction Inspectorate and sign the Act of Completion of Construction	1 day	no charge
28	Request and obtain the act of completion of construction from the Working Commission	30 days	no charge
29	Request and receive the act of completion of construction from the State Commission	60 days	MDL 330
30	Register the building at the Bureau of Technical Inventory (BTI)	18 days	MDL 250

\* Takes place simultaneously with another procedure.

## Dealing with Construction Permits Details - Moldova

### Procedure 1 Request and obtain project according to city planning documentation from the Design Institute of Moldova on Engineering and Research Works

**Time to complete:** 1 day

**Cost to complete:** MDL 1,500

**Agency:** Design Institute of Moldova on Engineer and Research Works

**Comment:** BuildCo hires a licensed design institute to prepare a complete, relevant set of city planning documents. It should obtain technical conditions from many agencies (the price is negotiable), then submit them to the design institute for incorporation into the design documents.

### Procedure 2 Request and obtain location clearance from the Fire Department

**Time to complete:** 7 days

**Cost to complete:** MDL 250

**Agency:** Fire Authorities

**Comment:** BuildCo must receive approval from the Fire Department, which is then considered by the design institute in developing the city planning documentation. This procedure is the first in a series of initial procedures that could run in parallel.

Although Cabinet Decision No. 920, dated August 30, 2005, states that this process is free of charge, in practice, a cost is incurred.

### Procedure 3 Request and obtain location clearance from the Health Department

**Time to complete:** 30 days

**Cost to complete:** MDL 500

**Agency:** Sanitary Authorities

**Comment:** BuildCo must receive approval from the sanitary authorities, which is then considered by the design institute in developing the city planning documentation. Officially, this procedure should take no more than 10 days. However, in practice, it takes on average 30 days.

The cost is not provided by any law or cabinet decision. In practice, the authorities charge internal fees.

The Law on Basic Principles for Entrepreneurial Activity, which took effect on July 11, 2007 officially eliminated this charge. The law states that all payments should be stated in a law.

### Procedure 4 Request and obtain location clearance from the Environmental Protection Agency

**Time to complete:** 14 days

**Cost to complete:** MDL 500

**Agency:** Ecological Services

**Comment:** BuildCo must receive approval from the Ecological Services, which is then considered by the design institute in developing the city planning documentation. Although Cabinet Decision No. 920, dated August 30, 2005, stipulates a statutory time limit of 10 days, in practice, the process takes 14 days.

**Procedure 5 Request and obtain technical conditions for electricity connection from Union Fenosa**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Union Fenosa

**Comment:** At this stage, BuildCo requests technical conditions. Due to a backlog at Union Fenosa caused by a massive number of small projects, the average time required to obtain the clearance is 30 days. Payment is made when concluding the agreement on electricity supply.

**Procedure 6 Request and obtain technical conditions for electricity connection from street lighting service provider Lumteh (public lighting provider)**

**Time to complete:** 30 days

**Cost to complete:** MDL 300

**Agency:** Lumteh

**Comment:** Lumteh sometimes imposes additional costs for designing a public utility lighting network in the nearby area. The costs of this procedure could amount to up to 30% of the total design costs of a project. This procedure applies to both private and public projects.

**Procedure 7 Request and obtain technical conditions for water and industrial sewage system from Apa Canal**

**Time to complete:** 14 days

**Cost to complete:** MDL 343

**Agency:** Apa Canal

**Comment:** After the application is submitted, it takes a week for it to be considered and another week for BuildCo to receive an answer. Technical conditions for water and sewerage are obtained at this stage.

**Procedure 8 Request and obtain technical conditions for sewage system from Exdrupo**

**Time to complete:** 7 days

**Cost to complete:** MDL 200

**Agency:** Exdrupo

**Comment:** A separate specification is obtained from Exdrupo (the urban roads and bridges management authority) on rainwater drainage.

**Procedure 9 Request and obtain technical conditions for telephone connection from MoldTelecom**

**Time to complete:** 7 days

**Cost to complete:** MDL 136

**Agency:** MoldTelecom

**Comment:** This procedure takes 7–30 days depending on the district where the plot is located. The technical conditions are valid for a year. Since 2006, MoldTelecom has started installing wireless telephone service under CDMA 2000. Many companies opt for this because of the low cost and speed of obtaining service.

#### **Procedure 10 Request and obtain technical conditions for heating services from Termokom**

**Time to complete:** 14 days

**Cost to complete:** MDL 832

**Agency:** Termokom

**Comment:** The Department of Verification and Expertise will not issue its approval of the project without obtaining the conditions from Termokom. This procedure is linked to fire safety regulations in effect during winter.

#### **Procedure 11 Request and obtain clearance from the zoning and road construction division of the municipality (Directia General Cai de Transport si Comunicatii)**

**Time to complete:** 18 days

**Cost to complete:** MDL 600

**Agency:** Municipality (Directia General Cai de Transport si Comunicatii)

**Comment:** BuildCo must contact the State Road Inspectorate if the building is less than 10 meters from an existing road. This authority has discretionary power and often requires other documents in addition to the ones publicly listed.

#### **Procedure 12 Request and obtain expertise clearance from the Fire Department**

**Time to complete:** 8 days

**Cost to complete:** no charge

**Agency:** Fire Department

**Comment:** The Fire Department must approve the completed set of designs and drawings after the conditions have been assigned. The company must visit the Fire Department to obtain the expertise consultation rather than go through the Department of Verification and Expertise.

#### **Procedure 13 Request and obtain expertise clearance from the Health Department**

**Time to complete:** 21 days

**Cost to complete:** MDL 300

**Agency:** Health Department

**Comment:** The Health Department must approve the completed set of designs and drawings after the conditions have been assigned. The company must visit the Health Department to obtain the expertise consultation rather than go through the Department of Verification and Expertise.

**Procedure 14 Request and obtain expertise clearance from the Environmental Protection Agency**

**Time to complete:** 30 days

**Cost to complete:** MDL 250

**Agency:** Environmental Protection Agency (EPA)

**Comment:** The Environmental Protection Agency will not issue any clearance unless the Health and Fire Departments have previously issue their clearances. By law, this takes 30 days.

**Procedure 15 Request and obtain a city planning certificate**

**Time to complete:** 45 days

**Cost to complete:** MDL 23

**Agency:** General Direction on Architecture, Urbanism and Land Relations (Municipal Counsel )

**Comment:** Under Government Resolution No. 360 (changes of 2006), to obtain the city planning certificate, the applicant must pay a fee for a standard form at the local municipality and submit it to the local registrar along with a confirmation of payment.

The local architectural authorities define the amount to be paid, based on the size of the plot declared by the applicant. In the case considered here, the cost is MDL 10 + MDL 0.01 per square meter, which is a total of MDL 23.

The City Planning certificate is filled out in accordance with all necessary requirements agreed upon with the chief architect of the city and district, and taking into consideration the following:

- The application is properly addressed to the relevant authority,
- The form is properly filled out.
- The information on the plot is sufficient and comprehensive.

If there are discrepancies or mistakes on the form, the application is returned to the applicant within 10 days from the registration date. The fees are not reimbursed. The time limit, as specified by Cabinet Decision No. 360, dated April 18, 1997, is 30 days. However, this takes on average 2 to 3 months. The certificate is valid for a period extending from 3 to 24 months, depending on the planning zones of the city. At the applicant's request, it can be extended for another maximum term of 12 months.

It is expected that, as of the end of 2007, according to the draft Law on Authorizing Execution of Works in Construction, the certificate will be issued within 15 days at a cost of MDL 10 plus MDL 0.01 for each square meter.

**Procedure 16 Request and obtain expertise of project documents at the State Service for Verification and Expertise of Projects in Construction**

**Time to complete:** 14 days

**Cost to complete:** MDL 3,000

**Agency:** State Service for Verification and Expertise of Projects in Constructions

**Comment:** The State Service for Verification and Expertise of Projects in Construction was reformed in September 2006, giving it responsibility for undertaking an internal verification of technical conditions with all the utilities authorities.

**Procedure 17 Request and obtain building permit from the local City Planning Services Agency (Municipality)**

**Time to complete:** 45 days

**Cost to complete:** MDL 6,000

**Agency:** City Planning Services Agency (Municipality)

**Comment:** The applicant, under Government Resolution on Construction Certificates and Permits No. 360 (changes of 2006), submits the following documents to the local authority:

- An application for issuance of the building permit.
- A standard form obtained for a fee at the local government (one copy if the permit is issued by Pimeria, the local district level).
- Documents requesting a permit (two copies), consisting of a city planning certificate, proof of land ownership, a construction permit (проекта для разрешения на строительство (ППС)), a technical expertise consultation performed by the relevant authorities, a project of execution of works (проект организации выполнения работ (ПОП); this can be done internally), relevant clearances specified by the city planning certificate.
- Proof of payment; документ.
- A construction management plan (проект организации строительства (ПОС)) that contains all the works required by the project (within its limits and outside), including the areas that are occupied temporarily (all on a scale defined by a professional). This documentation is required for all types of projects. The construction management plan can be prepared by BuildCo. For small projects, it is combined with the situation layout; for large projects, it is submitted on a separate sheet. If a construction management plan is not submitted, a separate request/application is submitted to obtain a building permit.

The building permit is valid for 12 months from the date it is issued. If construction does not begin during that time, the permit ceases to be valid. The permit may be extended once, for another year at the most.

The permit is issued either directly to the applicant or sent via regular mail within 30 days from the date it is registered internally. This time line is not respected in practice, however, and often averages 45 days.

The building permit is signed in the following order by:

1. The chairperson/secretary of the local region, chief architect for investment.
2. The secretary, chief architect of the municipality for investment.
3. The secretary, responsible people of the prefecture.

The signed permit must be registered internally at the State Inspectorate of Construction. The company also receives the technical passport along with the building permit.

The cost is MDL 6,000, according to a formula established by the Government Resolution on City Planning Certificate and Construction Permit No. 1245, dated October 30, 2006.

**Procedure 18 Notify construction authorities of the start of construction**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Construction Authorities and State Inspectorate

**Comment:** At least 5 days before starting construction \, the company must notify the authority (the State Inspectorate of Construction) in writing. The written notification is submitted in person and must be also filed with the State Inspectorate of Construction no less than 30 days prior to the start of construction. If construction begins without prior written notification, certain sanctions would be applied against the company.

The construction period begins the day the permit is issued. Relevant authorities and ministries may require the company to provide valid proof of the legality of the start of construction work.

#### **Procedure 19 Receive inspection on foundation works by the State Construction Inspectorate (1)**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** State Construction Inspectorate

**Comment:**

#### **Procedure 20 Receive inspection on structure works by the State Construction Inspectorate (2)**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** State Construction Inspectorate

**Comment:**

#### **Procedure 21 Receive inspection of roofing by the State Construction Inspectorate (3)**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** State Construction Inspectorate

**Comment:**

#### **Procedure 22 Request and connect to water and sewage services**

**Time to complete:** 22 days

**Cost to complete:** MDL 1,056

**Agency:** Apa Canal

**Comment:** BuildCo requests a connection from the utilities. BuildCo must extend the pipelines to the connection points (10 meters). The inspector visits the site, approves the connection by sealing it, and opens the water shafts.

#### **Procedure 23 Request power connection services and sign contract**

**Time to complete:** 1 day

**Cost to complete:** MDL 4,620

**Agency:** Union Fenosa

**Comment:** BuildCo must sign a contract with the electricity provider, which then conducts an inspection.

#### **Procedure 24 Receive inspection**

**Time to complete:** 10 days

**Cost to complete:** no charge

**Agency:** Commission (local authority, health department, fire department, and environmental department)

**Comment:** The final inspection is carried out by a commission, including the local authority, the Health Department, the Fire Department, and the Environmental Protection Department.

#### **Procedure 25 Connect to power services**

**Time to complete:** 11 days

**Cost to complete:** no charge

**Agency:** Union Fenosa

**Comment:**

#### **Procedure 26 Request and connect to telephone services**

**Time to complete:** 30 days

**Cost to complete:** MDL 900

**Agency:** MoldTelecom

**Comment:** Telephone service installation could take as long as 6 months if the company wants an E1 connection, which consists of 32 lines. This delay happens because the incumbent operator. Small companies in remote areas, where MoldTelecom has no wires, would actually have to pay the cost of installing a minimum of 10 lines, even if they need only one.

#### **Procedure 27 Receive final inspection by the State Construction Inspectorate and sign the Act of Completion of Construction**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** State Construction Inspectorate

**Comment:**

**Procedure 28 Request and obtain the act of completion of construction from the Working Commission**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Working Commission (water and sewage authority, sanitary services, power services, and fire safety)

**Comment:** After the completion of construction, the company convenes the Working Commission, consisting of representatives from the water and sewage authority, the sanitary services, power services, and fire safety. The final approval is made by the chair of commission, according to Cabinet Decision No. 285, dated May 23, 1996; the investor’s representative; and the local authority’s representative (in the case of the municipality of Chisinau, the representative of the LPA is the chair of the commission).

According to the same cabinet decision, the commission is to be created within 15 days. However, that time limit is not respected in practice.

**Procedure 29 Request and receive the act of completion of construction from the State Commission**

**Time to complete:** 60 days

**Cost to complete:** MDL 330

**Agency:** Ministry of Construction and other agencies

**Comment:** The main authority in charge of issuing the occupancy permit is the Ministry of Construction; the chief architect has the definitive word on the decision. The other authorities that must sign the occupancy permit are the sanitary services, the Bureau of Technical Inventory (BTI), and the fire safety services, among others .

As a rule, the commission does not meet. Instead, the company must request the signatures on an individual basis. The agencies that issue technical conditions must also give their approval. According to Cabinet Decision No. 285, final approval is completed within 15 days of the guaranteed term provided in the contract, which could be 5 days or 60. On average, it takes 60 days to obtain the occupancy permit.

**Procedure 30 Register the building at the Bureau of Technical Inventory (BTI)**

**Time to complete:** 18 days

**Cost to complete:** MDL 250

**Agency:** Bureau of Technical Inventory (BTI)

**Comment:** Seals are put on six copies of the blueprints; the company is given one copy.

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

### Some reform outcomes

*Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.*

*Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.*

### What does the Registering Property indicator measure?

**Registering Property:** transfer of property between 2 local companies

Rankings are based on 3 subindicators

### Procedures to legally transfer title on immovable property (number)

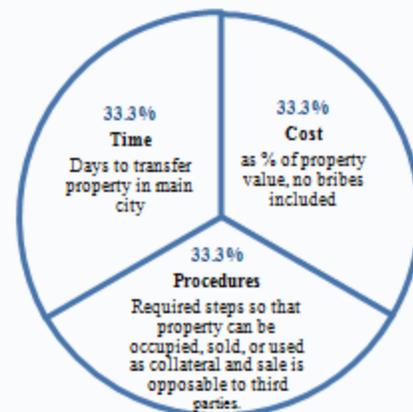
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

### Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



### Case Study Assumptions

#### The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

#### The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

## 1. Benchmarking Registering Property Regulations:

Moldova is ranked 18 overall for Registering Property.

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



The following table shows Registering Property data for Moldova 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>Moldova</b>	<b>5</b>	<b>5</b>	<b>0.9</b>

<i>Comparator Economies</i>			
<b>Bulgaria</b>	8	15	3.0
<b>Czech Republic</b>	4	43	3.0
<b>Hungary</b>	4	17	5.0
<b>Poland</b>	6	152	0.4
<b>Slovak Republic</b>	3	17	0.0

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

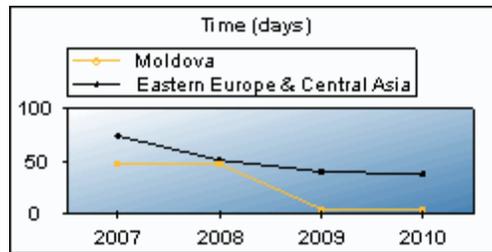
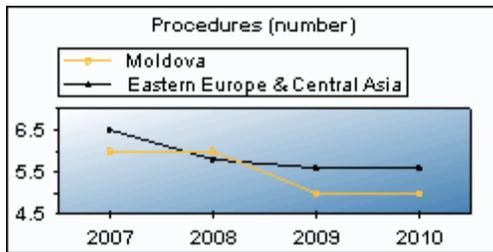
**Procedures (number): United Arab Emirates**

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

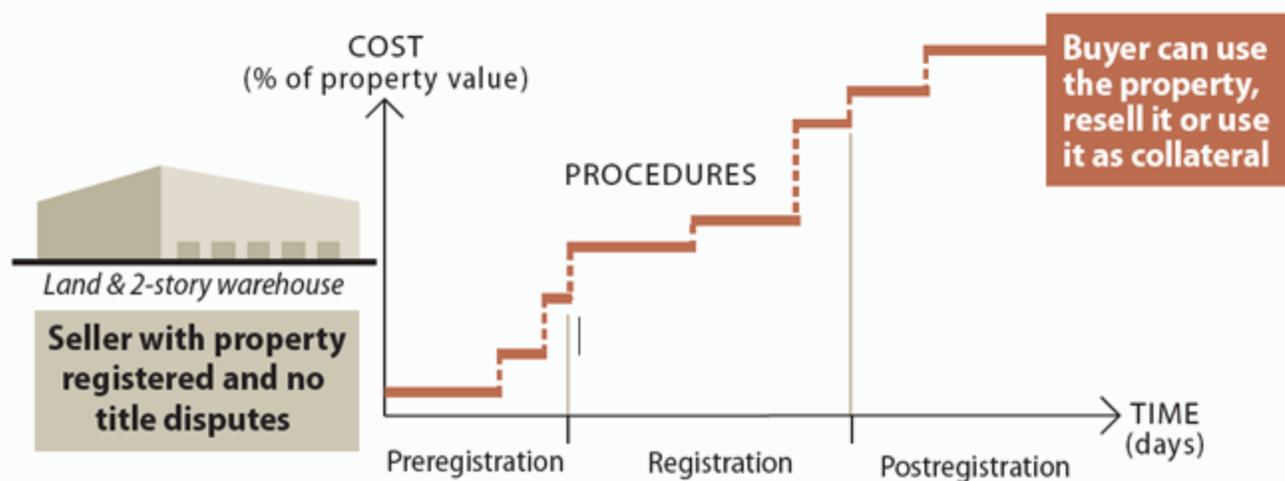
## 2. Historical data: Registering Property in Moldova

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	17	18
Procedures (number)	6	6	5	5
Time (days)	48	48	5	5
Cost (% of property value)	0.9	0.8	0.9	0.9

3. The following graphs illustrate the Registering Property sub indicators in Moldova over the past 4 years:



## What are the time, cost and number of procedures required to transfer a property between 2 local companies?



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

### STANDARDIZED PROPERTY

Property Value: 905,187.51

City: Chisinau

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1 *	Obtain a non-encumbrance certificate from the Cadastre	1 day	MDL 51 (regular service) or MDL 255 (expedited service)
2 *	Obtain a company registration certificate	1 day	MDL 130
3 *	Obtain a tax clearance certificate from the Tax Office	1 day (simultaneous with procedures 1 and 2)	no cost

4	Execution of the transfer deed by a public notary	1 day	<p>MDL 0.2% land price (state duty) + 0.5% of building price (state tax) + Notary's fees according to the values determined in the following table:</p> <p>Value of property Notary's fees</p> <p>Up to MDL 20,000 3 %, but not less than MDL 180</p> <p>From MDL 20,001 to 50,000 1%</p> <p>From MDL 50,001 to 100,000 0.9%</p> <p>From MDL 100,001 to 200,000 0.8%</p> <p>From MDL 200,001 to 400,000 0.6%</p> <p>From MDL 400,001 to 600,000 0.5%</p> <p>From MDL 600,001 to 800,000 0.3%</p> <p>From MDL 800,001 to 1,000,000 0.2%</p> <p>More than MDL 1,000,000 0.1%</p>
5	Submit the application for registration to the Cadastre	7 days (normal option), 3 days (fast option) or 1 day (fastest option)	MDL 570 (regular option – 7 days), 1710 (fast option – 3 days), MDL 2850 (fastest option – 1 day)

\* Takes place simultaneously with another procedure.

## Registering Property Details - Moldova

<b>Procedure</b>	<b>1</b>	<b>Obtain a non-encumbrance certificate from the Cadastre</b>
<b>Time to complete:</b>	1 day	
<b>Cost to complete:</b>	MDL 51 (regular service) or MDL 255 (expedited service)	
<b>Agency:</b>	Territorial Cadastral Office	
<b>Comment:</b>	<p>A certificate containing information regarding the encumbrances on the property must be obtained from the Territorial Cadastral Office (an office like this exists in each district of the country). Generally, all services have an expedited option, which generally costs 10 times the usual fee amount to receive the needed document in 1 working day. The notary will also request a certificate at the Territorial Cadastre Office, concerning the value of the property put on sale, according to the Law regarding the Methodology for calculating notary fees adopted in 2000.</p>	
<b>Procedure</b>	<b>2</b>	<b>Obtain a company registration certificate</b>
<b>Time to complete:</b>	1 day	
<b>Cost to complete:</b>	MDL 130	
<b>Agency:</b>	Company registrar	
<b>Comment:</b>	<p>Notary law lists the documents that need to be submitted to a notary for notarization of the sale-purchase agreement. If this property is part of the social capital of the company the notarized copy of the charter documents is required for the transfer procedure. If this property is not in the charter capital, then only the following documents are needed:</p> <ul style="list-style-type: none"><li>• Copy of registration certificate (this document states who is the authorized person to act on company's behalf) – it is valid for 3 months, doesn't have to be renewed routinely.</li><li>• Non-encumbrance certificate</li><li>• Sale-purchase agreement</li></ul> <p>In cases where property is part of the company's social capital, both parties must produce notarized copies of the company charter. The purchaser will need two copies (for notarization and registration purposes), while the seller will only require one (for notarization). However, if the parties (seller and buyer) notarize a sale purchase agreement, the copy of the charter is then not needed for registration. It is sufficient to produce a copy of the company's registration certificate. The notary fee is MDL 6.50 per certified page (including notary fees). For this, the figure of MDL 130 is provided on the basis of an assumption of a 10-page charter in both cases.</p>	
<b>Procedure</b>	<b>3</b>	<b>Obtain a tax clearance certificate from the Tax Office</b>
<b>Time to complete:</b>	1 day (simultaneous with procedures 1 and 2)	
<b>Cost to complete:</b>	no cost	
<b>Agency:</b>	Tax Office	

**Comment:** A tax clearance certificate from the Tax Office should be produced to confirm the existence or absence of unpaid taxes for the real estate involved in the transaction. No fees are charged for this document.

#### Procedure 4 Execution of the transfer deed by a public notary

**Time to complete:** 1 day

**Cost to complete:** MDL 0.2% land price (state duty) + 0.5% of building price (state tax) + Notary's fees according to the values determined in the following table:

Value of property	Notary's fees
Up to MDL 20,000	1,3 %, but not less than MDL 180
From MDL 20,001 to 50,000	1%
From MDL 50,001 to 100,000	0.9%
From MDL 100,001 to 200,000	0.8%
From MDL 200,001 to 400,000	0.6%
From MDL 400,001 to 600,000	0.5%
From MDL 600,001 to 800,000	0.3%
From MDL 800,001 to 1,000,000	0.2%
More than MDL 1,000,000	0.1%

**Agency:** Public Notary

**Comment:** The public notary will execute the contract in the form required by the law, in three original or notary-certified copies. Previously, under the old Soviet-era Civil Code, the deeds (contracts) for alienation of property on immovable assets were subject to mandatory notary-certification. The new Civil Code does not contain such a requirement. The requirement on notarization of land sale and purchase agreements subsisted in the Law on Normative Price of Land. Other types of land alienation and all types of building alienation transactions do not require notarization. However, the Cadastral Offices are reluctant to register transfer of property rights on immovable assets, based on such contracts, if they are not notary-certified. Still, there are cases when Territorial Cadastre Offices register sale purchase agreements in respect to real estate (other than plots) which are not notary-certified, especially when the parties are assisted by a lawyer. Upon execution of deed at the notary there is a state tax to be paid as well in the following amount:

For certification of deed of land sale: a state duty of 0.2% of land value if the transaction takes place between two private persons. When the state /Government sells land to private individuals a different state duty applies: MDL 5 if the land is outside locality boundaries and MDL 10 if the land plot is within locality boundaries.

For certification of deed of sale of buildings: 0.5% from the building price. The state tax may be paid to the notary in cash.

The notary will usually request the submission of the non-encumbrance certificate from the cadastre (obtained in Procedure 1).

#### Procedure 5 Submit the application for registration to the Cadastre

**Time to complete:** 7 days (normal option), 3 days (fast option) or 1 day (fastest option)

**Cost to complete:** MDL 570 (regular option – 7 days), 1710 (fast option – 3 days), MDL 2850 (fastest option – 1 day)

**Agency:** Cadastre

**Comment:** The Cadastre Office ([http://www.cadastre.md/?lang=en&menu\\_id=217](http://www.cadastre.md/?lang=en&menu_id=217)) will examine the documentation filed and register it in the Immovable Asset Register. The registration of title is conducted by applying a stamp on all originals or notary-certified copies of the title documents. A transfer of property is usually registered within 7 business days (10 calendar days).

Registration of transfer of ownership over the property (warehouse and land) with the Registry of Immovable Property, within 7 business days (10 calendar days) costs MDL 0,17% of the land price (but not less than MDL 83 and not more than MDL 415) + 0,06% of the warehouse price (but not less than MDL 267 and not more than MDL 1335). It takes either 3 or 5 times more to get the property registered under the expedited options - within 3, and respectively 1 business day.

Territorial Cadastre Office in Chisinau also provides registration services (under the Law) within 3 business days (4 calendar days) in which case it charges a fee of 5 times the regular amount, or 400 MDL. As soon as the sale-purchase transaction is completed the seller must pay VAT which is currently equal to 20% to the state budget. The documentation shall include:

Executed transfer deed, confirming the transfer of the right of ownership (obtained in Procedure 3)

Where the application is submitted by an agent he must attach power of attorney or other document conforming powers.

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the 'information asymmetry' in lending and enable lenders to view a borrower's financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor's rights has been associated with higher ratios of private sector credit to GDP.

#### Some reform outcomes

*After Vietnam's new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).*

*In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.*

#### What do the Getting Credit indicators measure?

##### Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors' rights through bankruptcy laws

##### Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

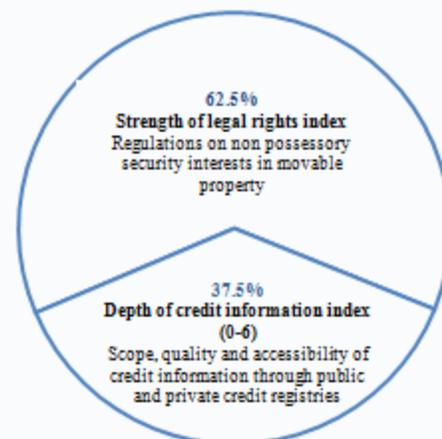
##### Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of a adult population

##### Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

#### Getting Credit: collateral rules and credit information



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

#### Case Study Assumptions (applying to the Legal Rights Index only)

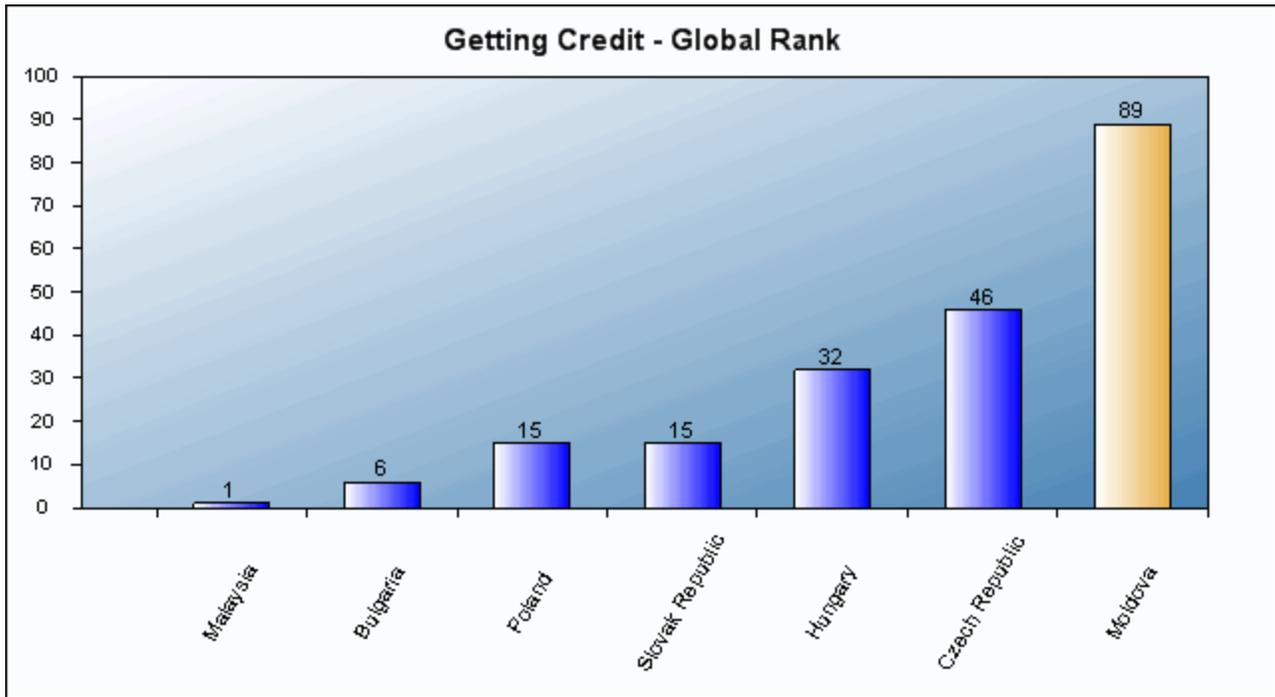
##### The Debtor

- 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 creditor and debtor are 100% domestically owned.

## 1. Benchmarking Getting Credit Regulations:

Moldova is ranked 89 overall for Getting Credit.

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



The following table shows Getting Credit data for Moldova 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>			67.1	
<b>Singapore*</b>	10			
<b>United Kingdom</b>		6		

<i>Selected Economy</i>				
<b>Moldova</b>	<b>8</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>

<i>Comparator Economies</i>				
<b>Bulgaria</b>	8	6	37.0	13.1
<b>Czech Republic</b>	6	5	4.9	73.2
<b>Hungary</b>	7	5	0.0	11.4
<b>Poland</b>	9	4	0.0	91.7
<b>Slovak Republic</b>	9	4	2.2	44.5

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

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

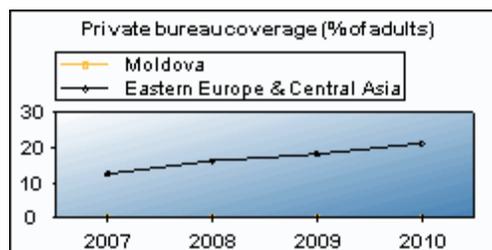
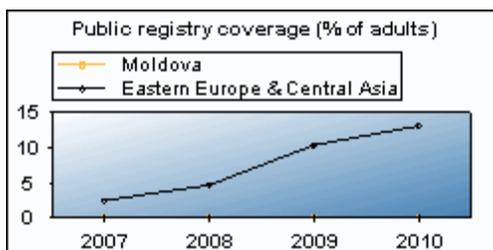
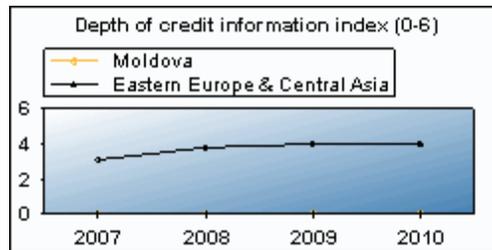
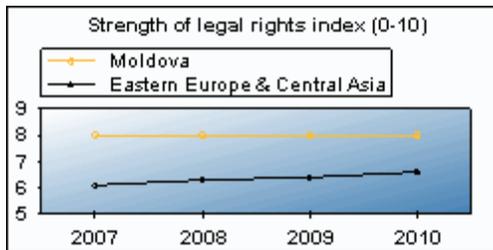
**Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States**

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

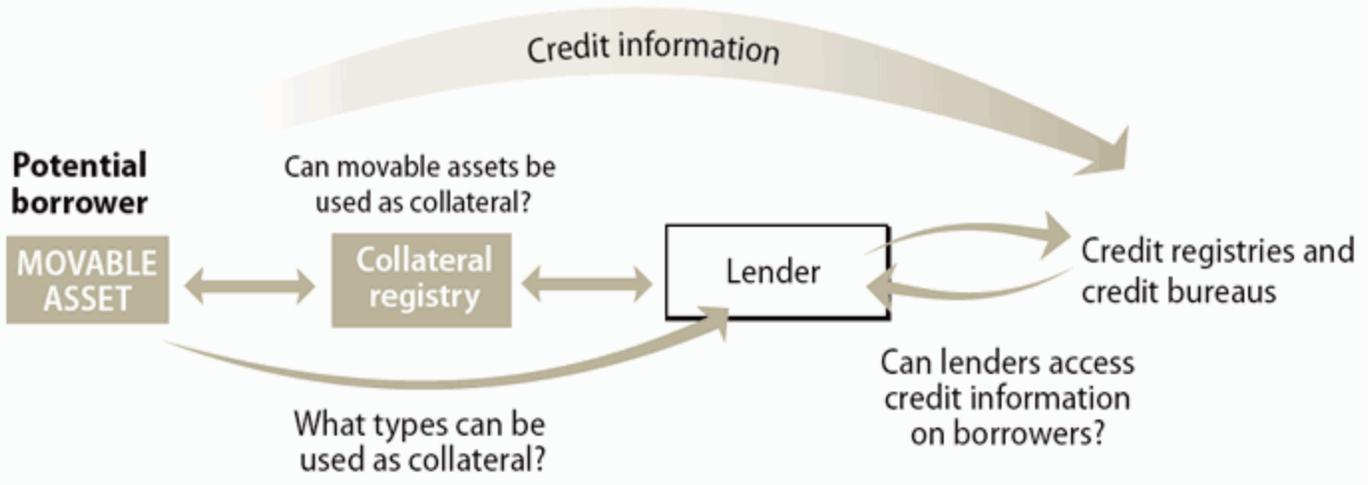
## 2. Historical data: Getting Credit in Moldova

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	87	89
Strength of legal rights index (0-10)	8	8	8	8
Depth of credit information index (0-6)	0	0	0	0
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

## 3. The following graphs illustrate the Getting Credit sub indicators in Moldova over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?  
Is the law favorable to borrowers and lenders using movable assets as collateral?**



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

Getting Credit Indicators (2010)			Indicator
<b>Private bureau coverage (% of adults)</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>0</b>
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative data distributed?	No	No	0
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?	No	No	0
Is data on all loans below 1% of income per capita distributed?	No	No	0
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
<b>Coverage</b>	0.0	0.0	
Number of individuals		0	0
Number of firms		0	0

**Strength of legal rights index (0-10)****8**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?

---

Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?

---

Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?

---

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 ?

---

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 ?

---

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 ?

---

Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?

---

Do secured creditors have absolute priority to their collateral in bankruptcy procedures?

---

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

---

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

---

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

### Some reform outcomes

*In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).*

*After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.*

### What do the Protecting Investors indicators measure?

#### Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

#### Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

#### Ease of shareholder suits index (0–10)

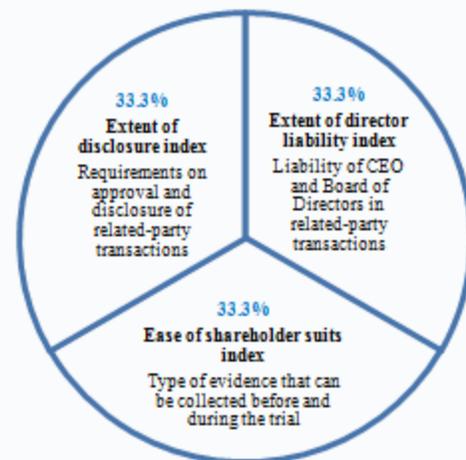
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

#### Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

**Protecting Investors:** minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



### Case Study Assumptions

#### The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders),
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

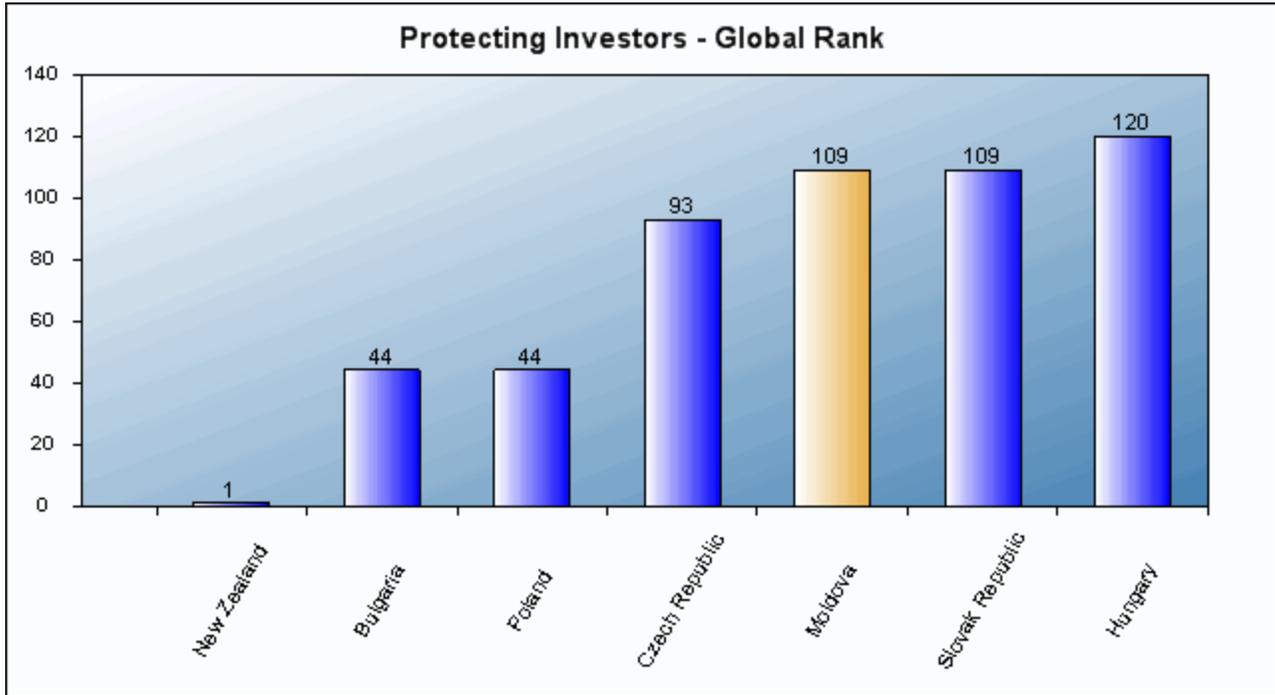
#### The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but 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.

## 1. Benchmarking Protecting Investors Regulations:

Moldova is ranked 109 overall for Protecting Investors.

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



The following table shows Protecting Investors data for Moldova 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

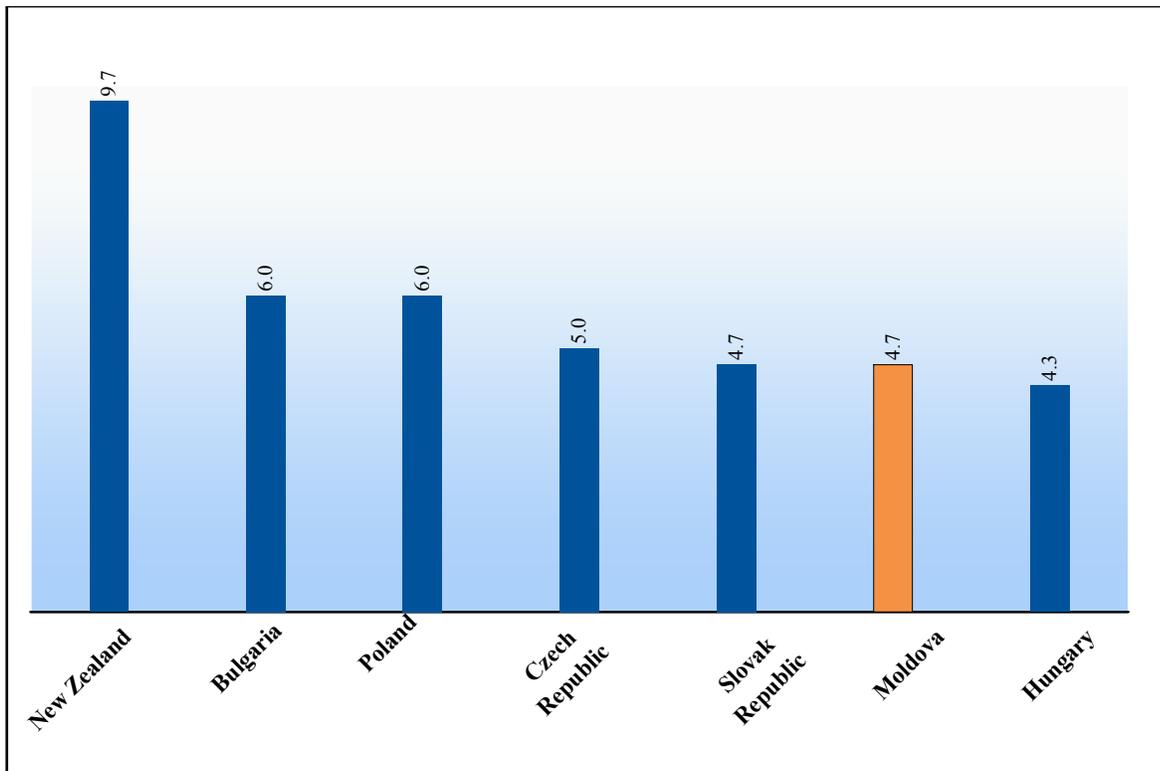
<i>Selected Economy</i>	
<b>Moldova</b>	<b>4.7</b>

<i>Comparator Economies</i>	
<b>Bulgaria</b>	6.0
<b>Czech Republic</b>	5.0
<b>Hungary</b>	4.3
<b>Poland</b>	6.0
<b>Slovak Republic</b>	4.7

**2. Historical data: Protecting Investors in Moldova**

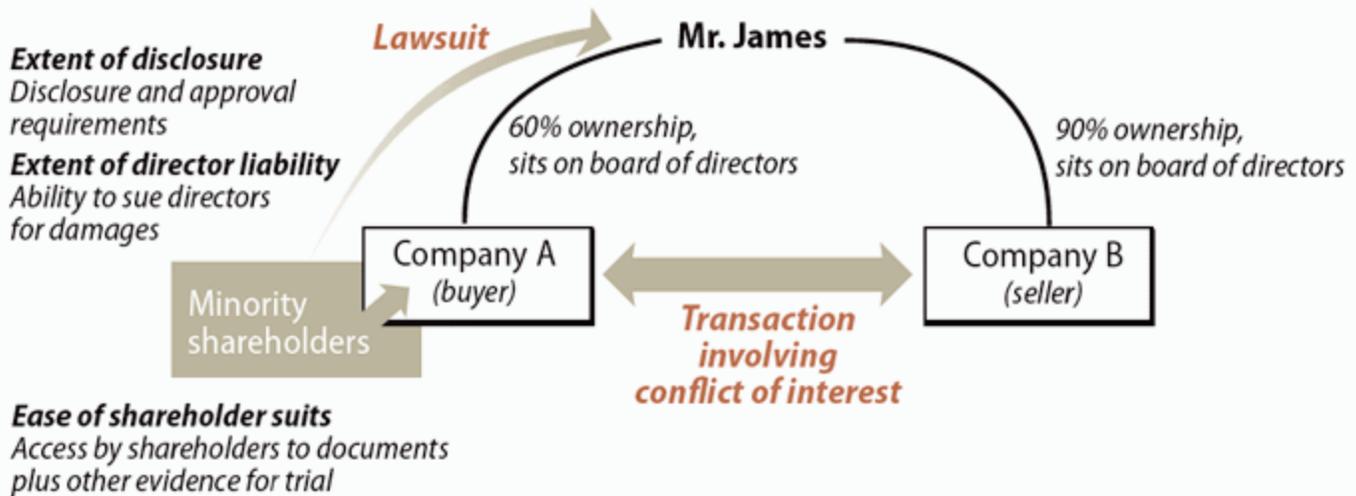
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	108	109
Strength of investor protection index (0-10)	4.7	4.7	4.7	4.7

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



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

## How well are minority shareholders protected against self-dealing in related-party transactions?



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

Protecting Investors Data (2010)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>7</b>
What corporate body provides legally sufficient approval for the transaction?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	1
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	1
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	2
Whether an external body must review the terms of the transaction before it takes place?	1
<b>Extent of director liability index (0-10)</b>	<b>1</b>
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
<b>Ease of shareholder suits index (0-10)</b>	<b>6</b>
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	3
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the level of proof required for civil suits is lower than that of criminal cases?	0
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
<b>Strength of investor protection index (0-10)</b>	<b>4.7</b>

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

### Some reform outcomes

*Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.*

*Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.*

### What do the Paying taxes indicators measure?

**Tax payments for a manufacturing company in 2009**  
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

**Time required to comply with 3 major taxes** (hours per year)

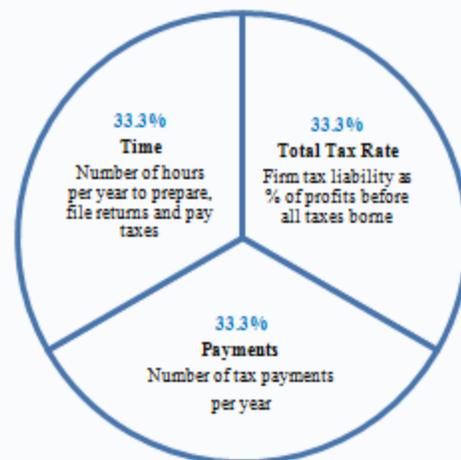
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

**Total tax rate** (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

**Paying Taxes:** tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



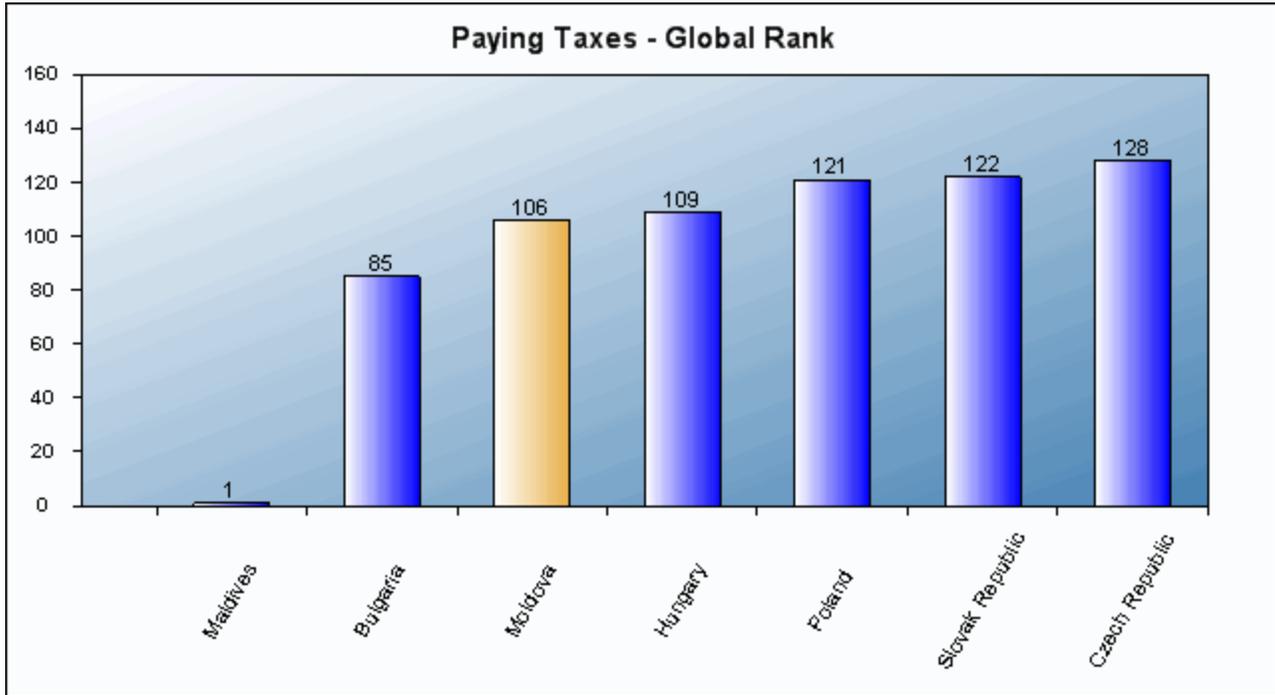
### Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as 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
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

## 1. Benchmarking Paying Taxes Regulations:

Moldova is ranked 106 overall for Paying Taxes.

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



The following table shows Paying Taxes data for Moldova 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>	3	0	
<b>Timor-Leste</b>			0.2

<i>Selected Economy</i>			
<b>Moldova</b>	<b>48</b>	<b>228</b>	<b>30.9</b>

<i>Comparator Economies</i>			
<b>Bulgaria</b>	17	616	29.0
<b>Czech Republic</b>	12	557	48.8
<b>Hungary</b>	14	277	53.3
<b>Poland</b>	29	325	42.3
<b>Slovak Republic</b>	31	257	48.7

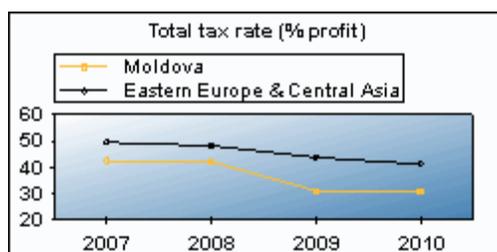
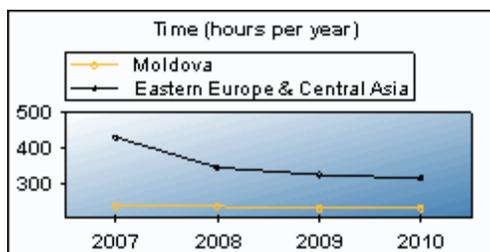
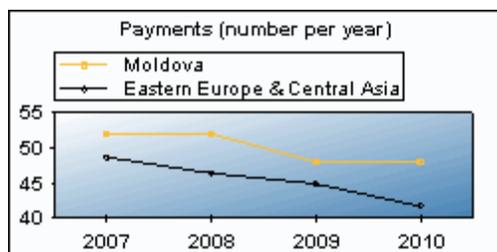
\* The following economies are also good practice economies for :

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

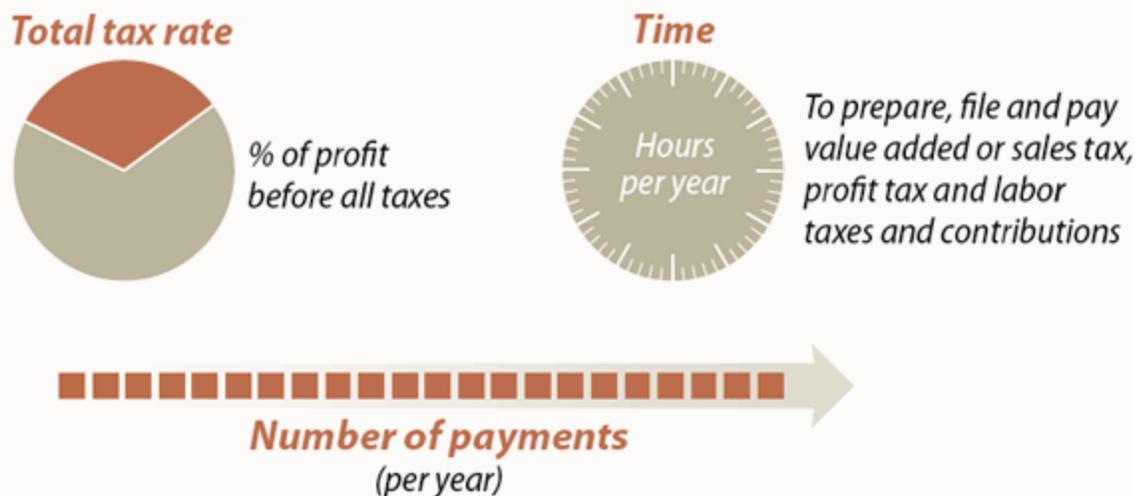
## 2. Historical data: Paying Taxes in Moldova

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	102	106
Total tax rate (% profit)	42.6	42.1	31.1	30.9
Payments (number per year)	52	52	48	48
Time (hours per year)	234	234	228	228

## 3. The following graphs illustrate the Paying Taxes sub indicators in Moldova over the past 4 years:



## What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Moldova, 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		60	20.0%	value added		
Land tax	1			MDL 30 per 100 square meters	property area	0.00	
Corporate income tax	1		80	0.0%	taxable profit	0.00	
Tax on immovable property	4			0.1%	book value of property	0.10	
Road tax	1			fixed fee (MDL 360)	weight of vehicle	0.10	
Land improvement tax	4			MDL 40	per employee	0.40	
Fuel tax	1			MDL 1800 per ton	included in fuel price	0.50	
Health insurance contribution	12			3.5%	gross salaries	3.90	
Social security contributions	12		88	23.0%	gross salaries	25.90	

Totals

48

228

30.9

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

### Some reform outcomes

*In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.*

*In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.*

### What do the Trading Across Borders indicators measure?

**Trading Across Borders:** exporting and importing by ocean transport

Rankings are based on 3 subindicators

#### Documents required to export and import (number)

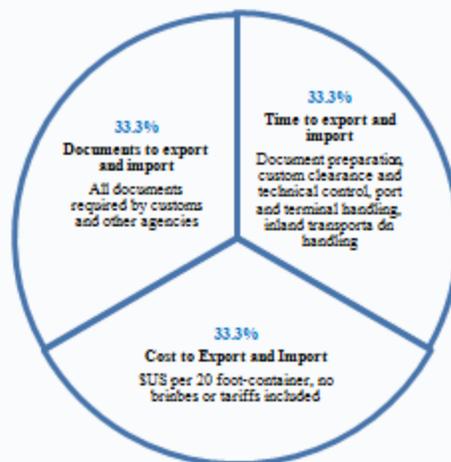
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

#### Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

#### Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



### Case Study Assumptions

#### The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

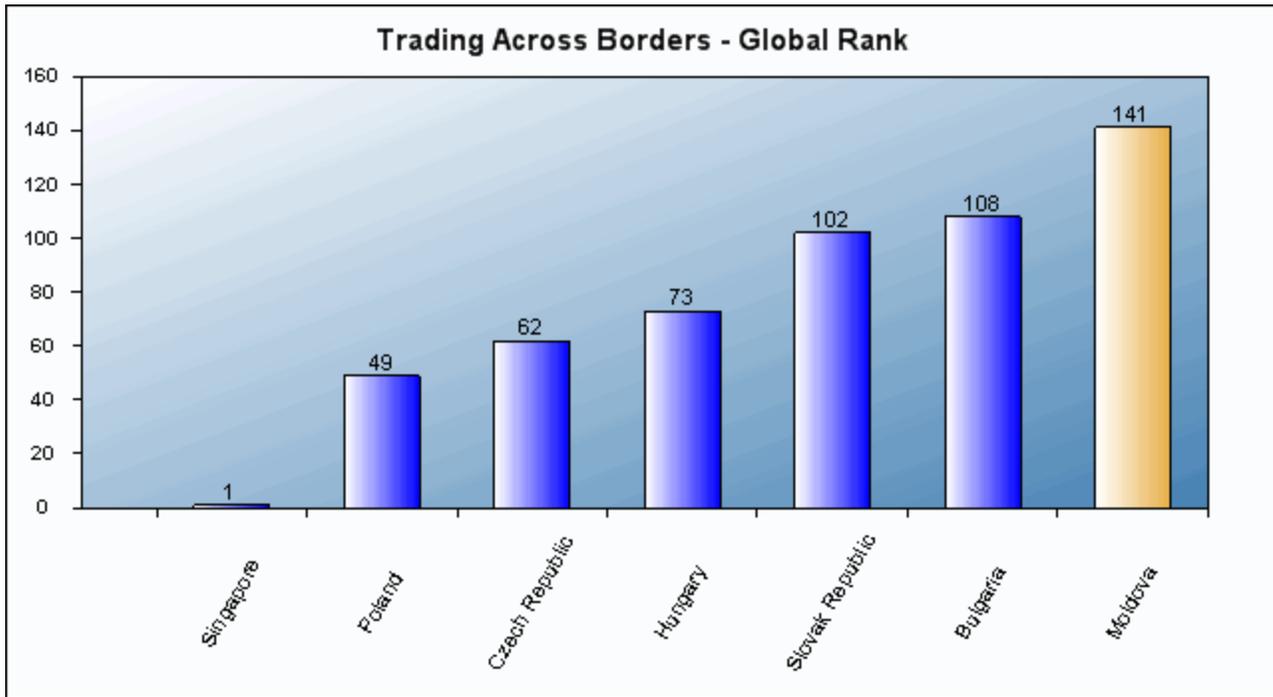
#### The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

## 1. Benchmarking Trading Across Borders Regulations:

Moldova is ranked 141 overall for Trading Across Borders.

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



The following table shows Trading Across Borders data for Moldova 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>					4	439

<i>Selected Economy</i>						
<b>Moldova</b>	<b>6</b>	<b>32</b>	<b>1765</b>	<b>7</b>	<b>35</b>	<b>1960</b>

<i>Comparator Economies</i>						
<b>Bulgaria</b>	5	23	1551	7	21	1666
<b>Czech Republic</b>	4	17	1060	7	20	1165
<b>Hungary</b>	5	18	1225	7	17	1215
<b>Poland</b>	5	17	884	5	25	884
<b>Slovak Republic</b>	6	17	1530	8	19	1505

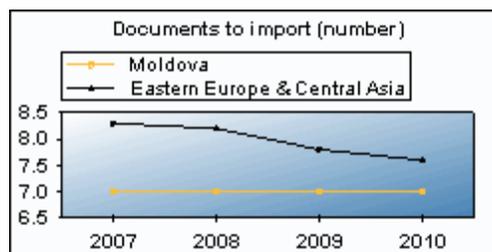
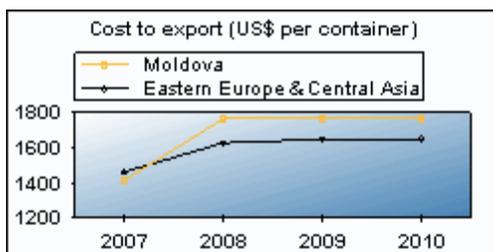
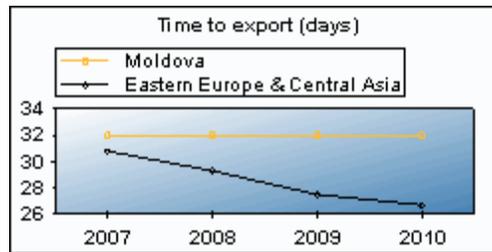
\* The following economies are also good practice economies for :

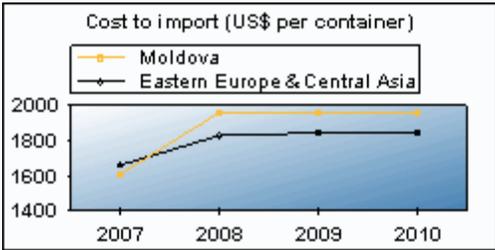
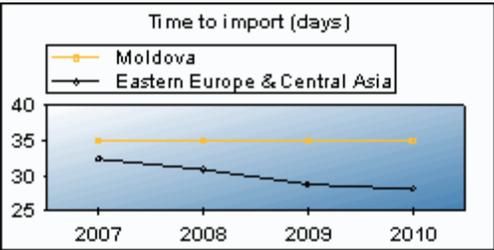
**Time to export (days): Estonia**

## 2. Historical data: Trading Across Borders in Moldova

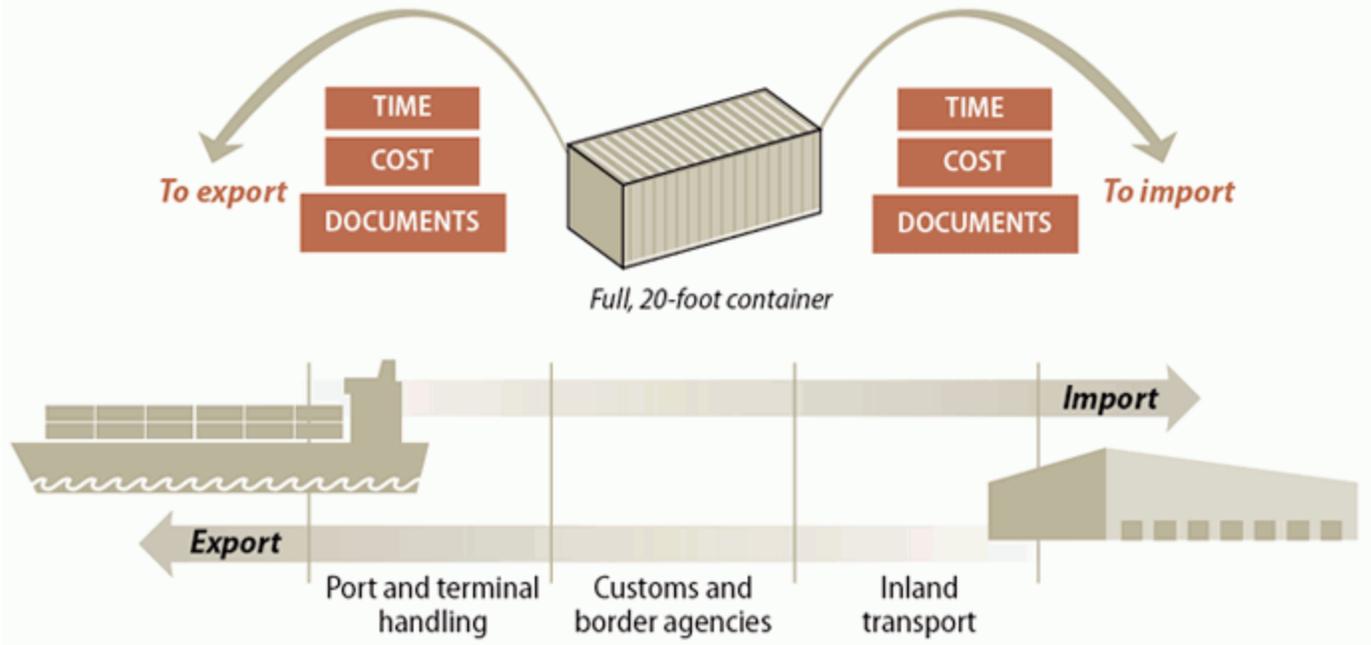
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	141	141
Cost to export (US\$ per container)	1415	1765	1765	1765
Cost to import (US\$ per container)	1610	1960	1960	1960
Documents to export (number)	6	6	6	6
Documents to import (number)	7	7	7	7
Time to export (days)	32	32	32	32
Time to import (days)	35	35	35	35

3. The following graphs illustrate the Trading Across Borders sub indicators in Moldova over the past 4 years:





## How much time, how many documents and what cost to export and import across borders by ocean transport?



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

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	20	60
Customs clearance and technical control	3	35
Ports and terminal handling	5	370
Inland transportation and handling	4	1300
Totals	32	1765

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	21	110
Customs clearance and technical control	6	80
Ports and terminal handling	5	370
Inland transportation and handling	3	1400
Totals	35	1960

**Documents for Export and Import**

**Export**

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs export declaration
- Customs transit document
- Packing list

**Import**

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs import declaration
- Customs transit document
- Packing list
- Terminal handling receipts

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are 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).

#### Some reform outcomes

*In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.*

*In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.*

#### What do the Enforcing Contracts indicators measure?

**Enforcing Contracts:** resolving a commercial dispute through the courts

Rankings are based on 3 subindicators

#### Procedures to enforce a contract (number)

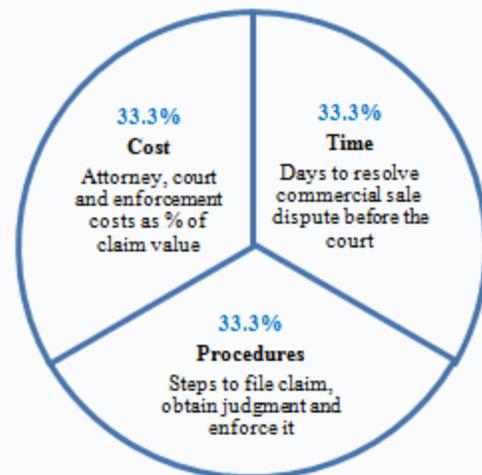
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

#### Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

#### Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs



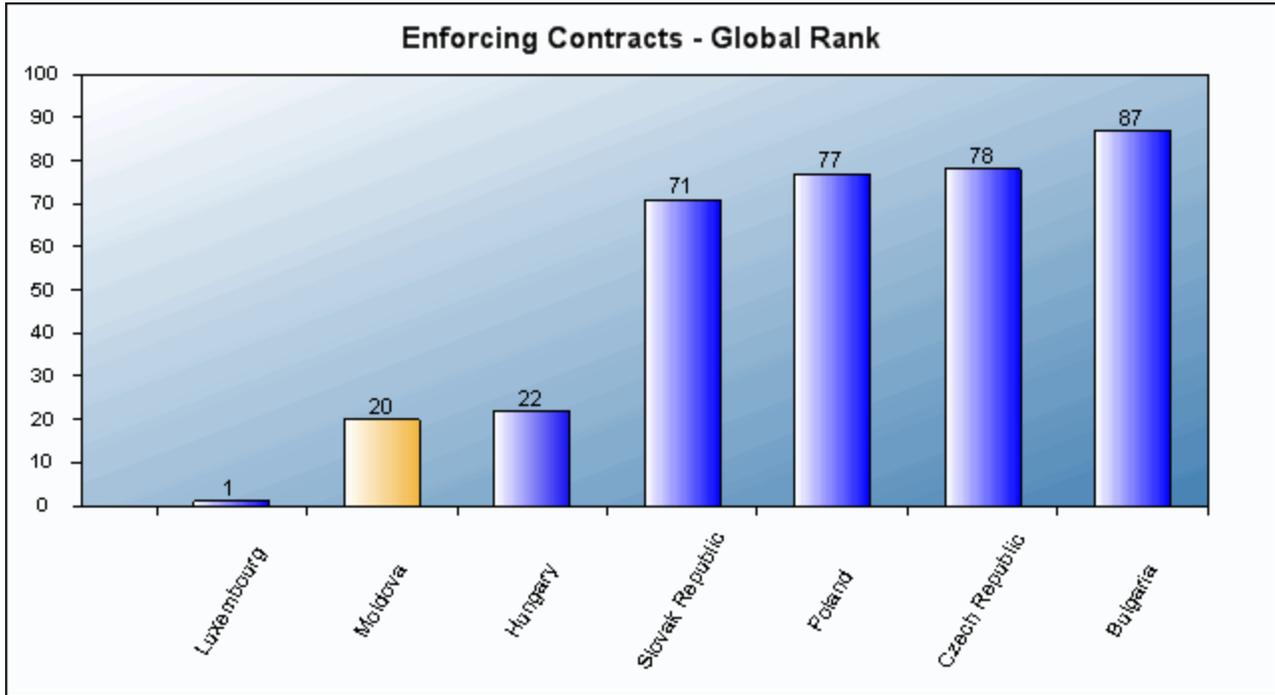
#### Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

## 1. Benchmarking Enforcing Contracts Regulations:

Moldova is ranked 20 overall for Enforcing Contracts.

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



The following table shows Enforcing Contracts data for Moldova 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	

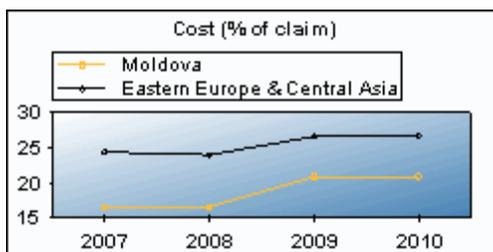
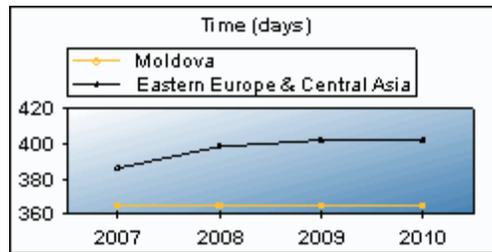
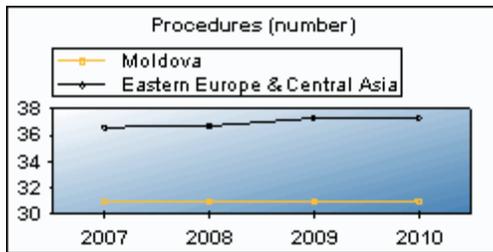
<i>Selected Economy</i>			
<b>Moldova</b>	<b>31</b>	<b>365</b>	<b>20.9</b>

<i>Comparator Economies</i>			
<b>Bulgaria</b>	39	564	23.8
<b>Czech Republic</b>	27	611	33.0
<b>Hungary</b>	35	395	15.0
<b>Poland</b>	38	830	12.0
<b>Slovak Republic</b>	31	565	30.0

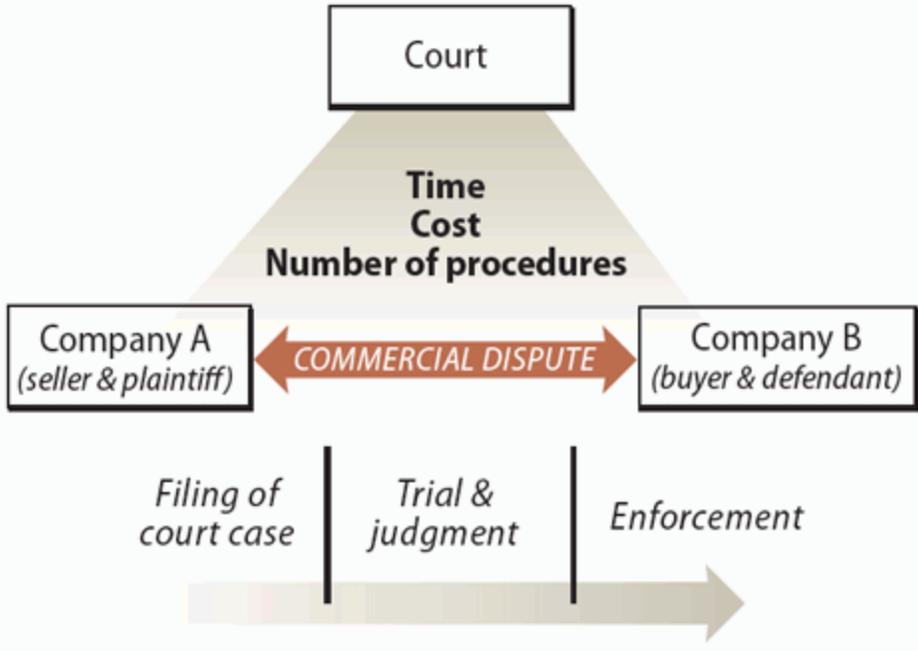
## 2. Historical data: Enforcing Contracts in Moldova

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	20	20
Procedures (number)	31	31	31	31
Time (days)	365	365	365	365
Cost (% of claim)	16.6	16.6	20.9	20.9

3. The following graphs illustrate the Enforcing Contracts sub indicators in Moldova over the past 4 years:



**What are the time, cost and number of procedures to resolve a commercial dispute through the courts?**



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

Nature of Procedure (2010)	Indicator
Procedures (number)	31
Time (days)	365
Filing and service	42.0
Trial and judgment	180.0
Enforcement of judgment	143.0
<b>Cost (% of claim)*</b>	<b>20.90</b>
Attorney cost (% of claim)	10.6
Court cost (% of claim)	6.0
Enforcement Cost (% of claim)	4.3

**Court information:** Chişinău District Commercial ("Judecatoria Economica de Circumscripție")  
Court

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

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

### Some reform outcomes

*A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.*

*Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.*

### What does the Closing a Business indicator measure?

**Closing a Business:** insolvency proceedings against local company

#### Time required to recover debt (years)

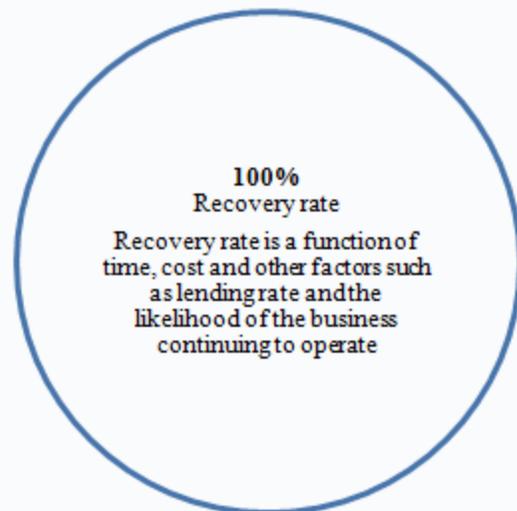
- Measured in calendar years
- Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

#### Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



### *Case Study Assumptions*

#### The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

## 1. Benchmarking Closing Business Regulations:

Moldova is ranked 92 overall for Closing a Business.

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



The following table shows Closing Business data for Moldova 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>	92.7		
<b>Singapore*</b>			1

<i>Selected Economy</i>			
<b>Moldova</b>	<b>28.2</b>	<b>2.8</b>	<b>9</b>

<i>Comparator Economies</i>			
<b>Bulgaria</b>	31.0	3.3	9
<b>Czech Republic</b>	55.9	3.2	17
<b>Hungary</b>	37.9	2.0	15
<b>Poland</b>	31.3	3.0	20
<b>Slovak Republic</b>	55.3	4.0	18

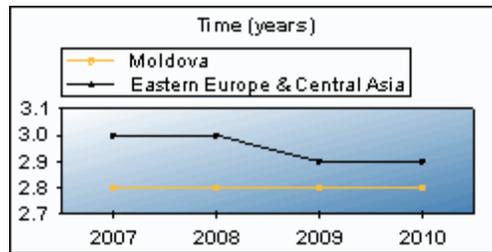
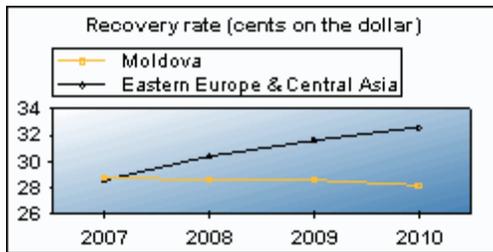
\* The following economies are also good practice economies for :

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

## 2. Historical data: Closing Business in Moldova

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	91	92
Time (years)	2.8	2.8	2.8	2.8
Cost (% of estate)	9	9	9	9
Recovery rate (cents on the dollar)	28.8	28.6	28.6	28.2

## 3. The following graphs illustrate the Closing Business sub indicators in Moldova over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . \* Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

## The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓		✓			
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓						✓	✓		

 Positive Change  
 Negative Change

\* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

## **Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.**

<b>Brunei Darussalam</b>	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
<b>Bulgaria</b>	Bulgaria eased business start-up by reducing the minimum capital requirement from 5,000 leva (\$3,250) to 2 leva (\$1.30). Bulgaria reduced employer contribution rates for social security.
<b>Cape Verde</b>	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
<b>Czech Republic</b>	The Czech Republic simplified its labor tax processes and reduced employer contribution rates for social security. The Czech Republic made it easier to deal with insolvency by introducing further legal amendments to restrict setoffs in insolvency cases and suspending for some insolvent debtors the obligation to file for bankruptcy.
<b>Grenada</b>	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
<b>Hungary</b>	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
<b>Kazakhstan</b>	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
<b>Moldova</b>	Moldova reduced employer contribution rates for social security.
<b>Peru</b>	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
<b>Poland</b>	Poland eased property registration by computerizing its land registry.
<b>Rwanda</b>	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
<b>Tajikistan</b>	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

**Vietnam**

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

**Zambia**

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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