

Doing Business 2011

Afghanistan

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Interactive map on the ease of doing business

<http://rru.worldbank.org/businessplanet>

Contents

Introduction
and Aggregate Rankings

5 - Year Measure of
Cumulative Change

Starting a Business

Dealing with
Construction Permits

Registering Property

Getting Credit

Protecting Investors

Paying Taxes

Trading Across Borders

Enforcing Contracts

Closing a Business

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 Afghanistan. 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).

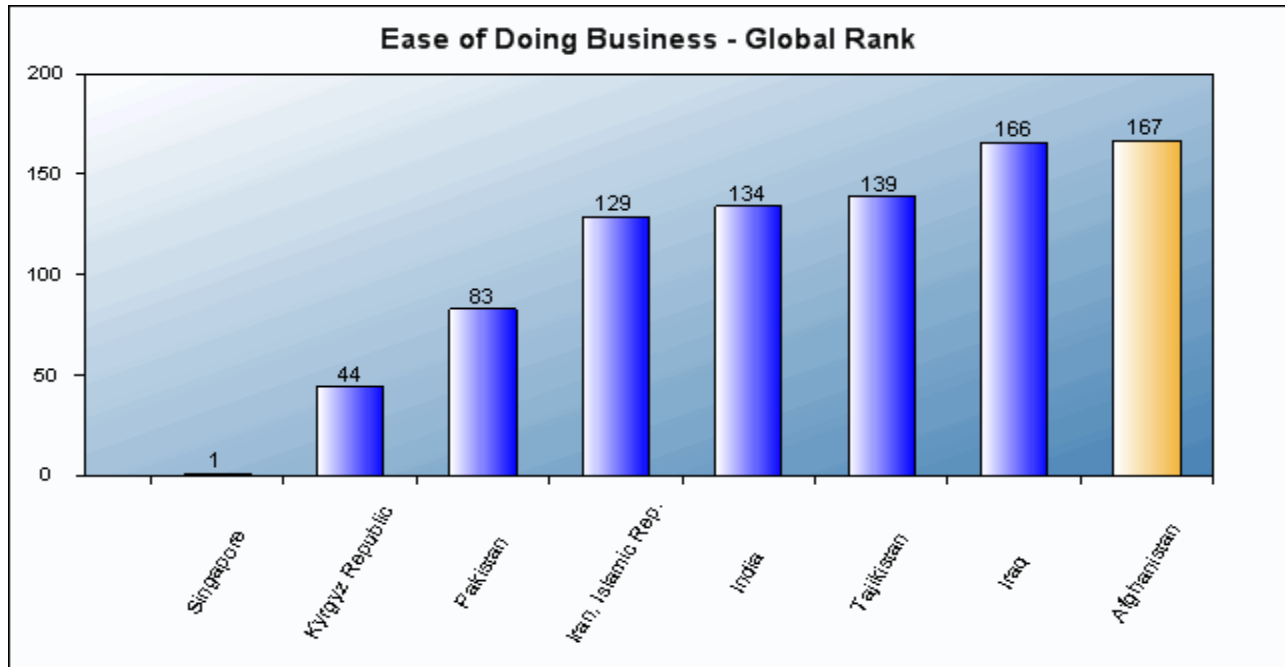
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

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

Afghanistan is ranked 167 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

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



Afghanistan's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	167
Starting a Business	25
Dealing with Construction Permits	149
Registering Property	170
Getting Credit	128
Protecting Investors	183
Paying Taxes	53
Trading Across Borders	183
Enforcing Contracts	162
Closing a Business	183

Summary of Indicators - Afghanistan

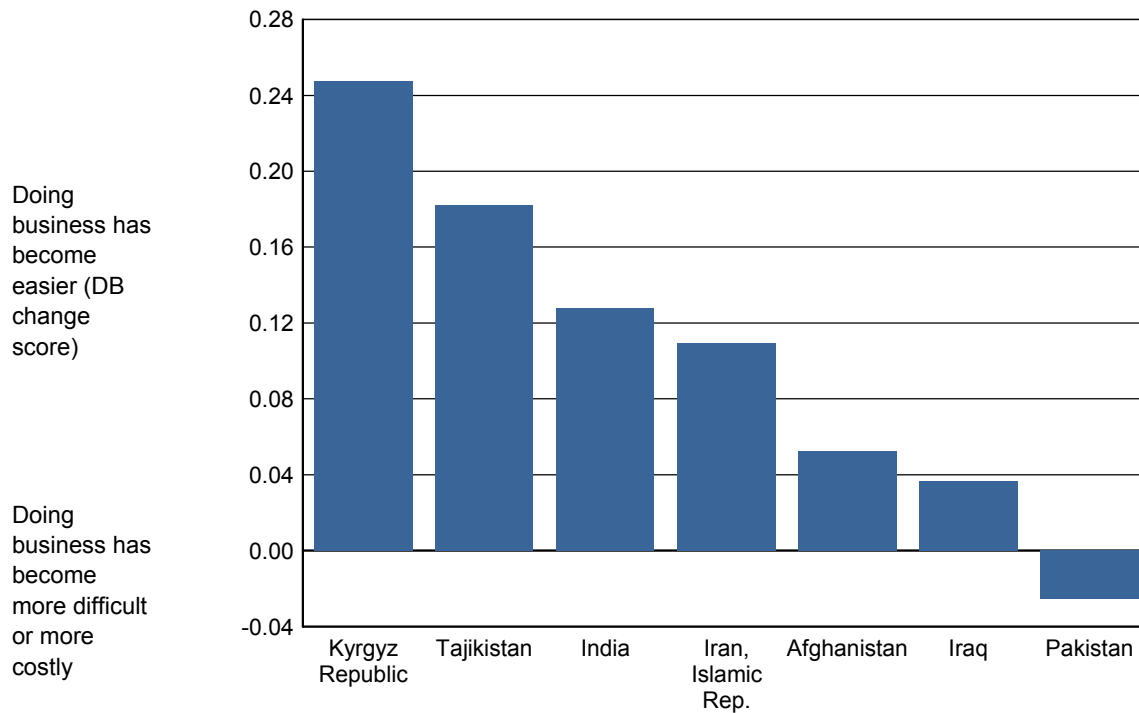
Starting a Business	Procedures (number)	4
	Time (days)	7
	Cost (% of income per capita)	26.7
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	13
	Time (days)	340
	Cost (% of income per capita)	11355.3
Registering Property	Procedures (number)	9
	Time (days)	250
	Cost (% of property value)	5.0
Getting Credit	Strength of legal rights index (0-10)	6
	Depth of credit information index (0-6)	0
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	0.0
Protecting Investors	Extent of disclosure index (0-10)	1
	Extent of director liability index (0-10)	1
	Ease of shareholder suits index (0-10)	1
	Strength of investor protection index (0-10)	1.0
Paying Taxes	Payments (number per year)	8
	Time (hours per year)	275
	Profit tax (%)	0.0
	Labor tax and contributions (%)	0.0
	Other taxes (%)	36.4
	Total tax rate (% profit)	36.4
Trading Across Borders	Documents to export (number)	12
	Time to export (days)	74
	Cost to export (US\$ per container)	3865
	Documents to import (number)	11
	Time to import (days)	77
	Cost to import (US\$ per container)	3830

Enforcing Contracts	Procedures (number)	47
	Time (days)	1642
	Cost (% of claim)	25.0
Closing a Business	Recovery rate (cents on the dollar)	0.0
	Time (years)	no practice
	Cost (% of estate)	no practice

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)

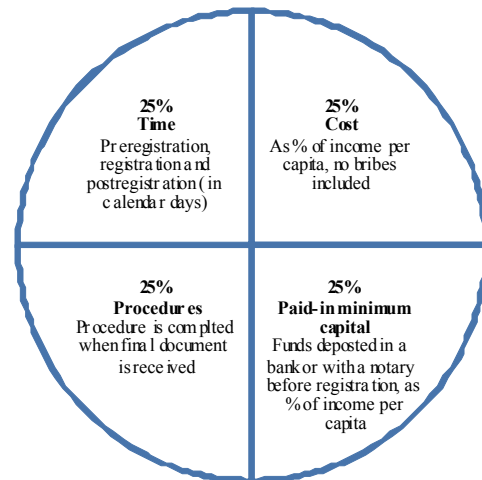
- Official costs only, no bribes
- No professional fees unless services required by law

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.

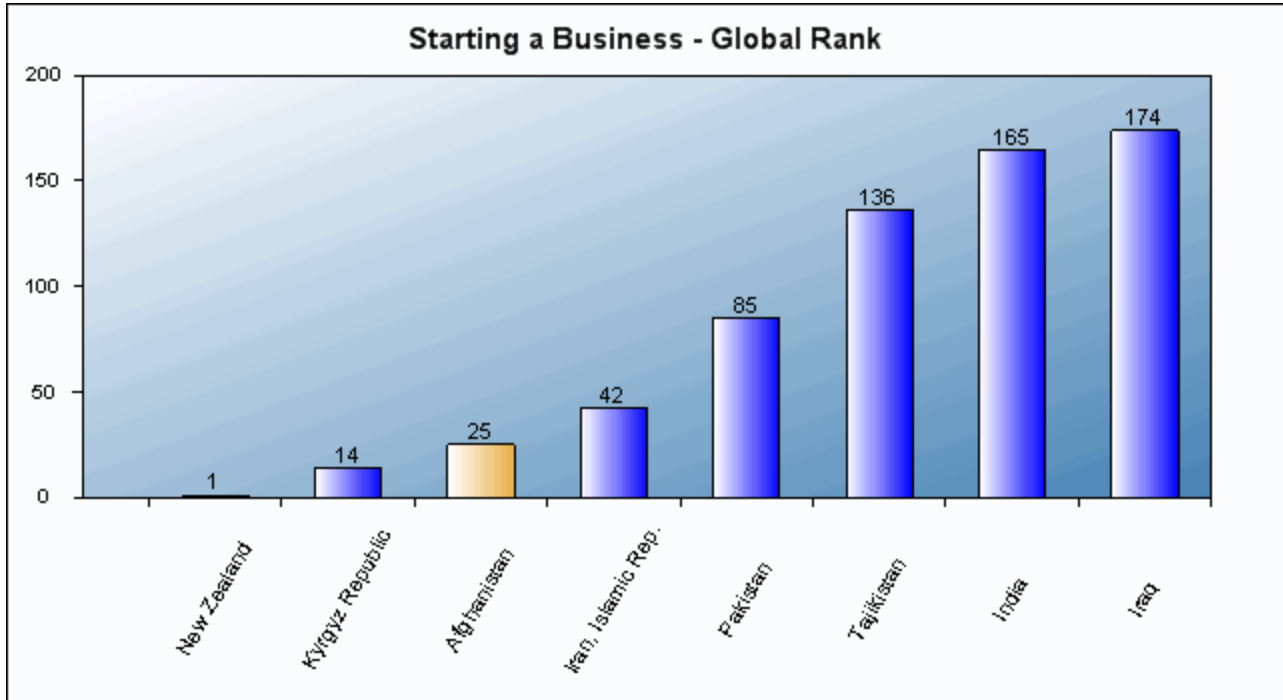
The business:

- 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:

Afghanistan is ranked 25 overall for Starting a Business.

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



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

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

<i>Selected Economy</i>				
Afghanistan	4	7	26.7	0.0

<i>Comparator Economies</i>				
India	12	29	56.5	188.8
Iran, Islamic Rep.	6	8	4.0	0.8
Iraq	11	77	107.8	43.6
Kyrgyz Republic	2	10	3.7	0.0
Pakistan	10	21	10.7	0.0
Tajikistan	8	27	36.9	8.5

* The following economies are also good practice economies for :

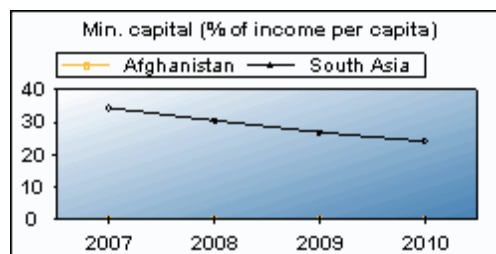
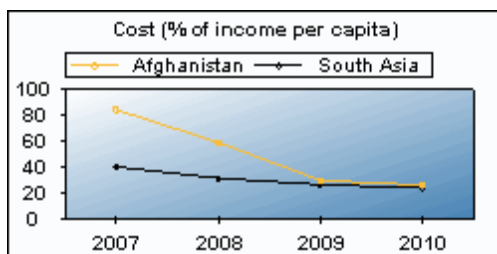
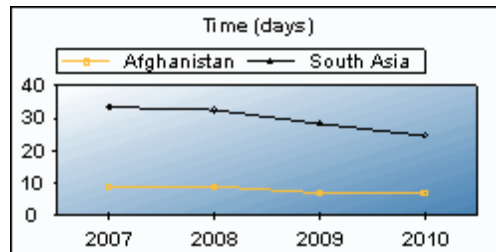
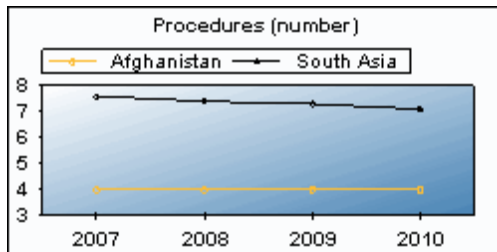
Procedures (number): Canada

Cost (% of income per capita): Slovenia

2. Historical data: Starting a Business in Afghanistan

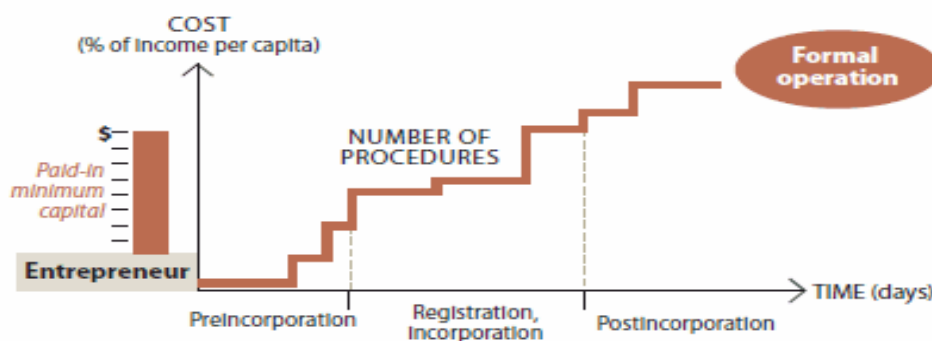
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	24	25
Procedures (number)	4	4	4	4
Time (days)	9	9	7	7
Cost (% of income per capita)	84.6	59.5	30.2	26.7
Min. capital (% of income per capita)	0.0	0.0	0.0	0.0

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



Starting a Business Summary - Afghanistan

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 Afghanistan.

STANDARDIZED COMPANY

Legal Form: Private Limited Liability Company

City: Kabul

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Register at the Afghanistan Central Business Registry (ACBR) and obtain Tax Identification Number (TIN)	1	included in procedure 2.
2	Pay registration and publication fees at Da Afghanistan Bank (DAB) branch	1	AFN 500 (registration) + AFN 1,000 (publication)
3	Obtain business license from AISA	5	USD 100
4	* Receive inspection (AISA)	1	no charge

* Takes place simultaneously with another procedure.

Starting a Business Details - Afghanistan

Procedure	1	Register at the Afghanistan Central Business Registry (ACBR) and obtain Tax Identification Number (TIN)
Time to complete:	1	
Cost to complete:		included in procedure 2.
Comment:		<p>The applicant must provide the following documents to register:</p> <ul style="list-style-type: none">• An application form (available online)• Copy of ID or passport of the Director(s)• 2 sets of color passport photographs of Director(s)• Articles of Incorporation <p>Specifications of all new businesses and investments are collected by the ACBR office and sent to the Ministry of Justice in Kabul for publication in the Official Gazette. The text is drafted by the ACBR. Businesses can draft their own text if they would like to do so. The gazette entry will include, at a minimum, the following information:</p> <ul style="list-style-type: none">• Name of the company• Name of the president and vice president of the company• Location• Initial Capital• Type of Operation• Type of Activity
Procedure	2	Pay registration and publication fees at Da Afghanistan Bank (DAB) branch
Time to complete:	1	
Cost to complete:		AFN 500 (registration) + AFN 1,000 (publication)
Comment:		The ACBR issues a bill, which can be paid at the DAB branch in Kabul.
Procedure	3	Obtain business license from AISA
Time to complete:	5	
Cost to complete:		USD 100
Comment:		Obtaining business license is done at the Afghanistan Investment Support Agency (AISA)
Procedure	4	Receive inspection (AISA)
Time to complete:	1	
Cost to complete:		no charge
Comment:		AISA visits the company premises to check its equipment and activities. If the inspection results are fully satisfactory, AISA representative will write up the report on site, give the entrepreneur a

copy, and place a public copy on file at AISA.

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

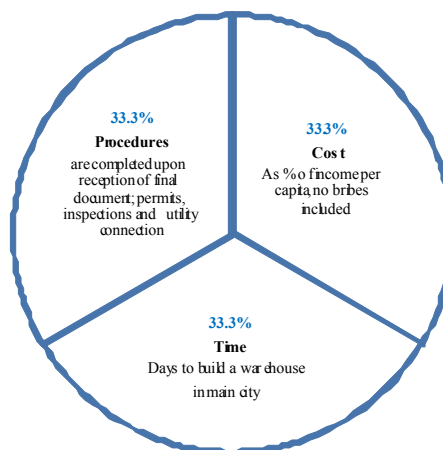
Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Dealing with Construction Permits:

building a warehouse

Rankings are based on 3 subindicators



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

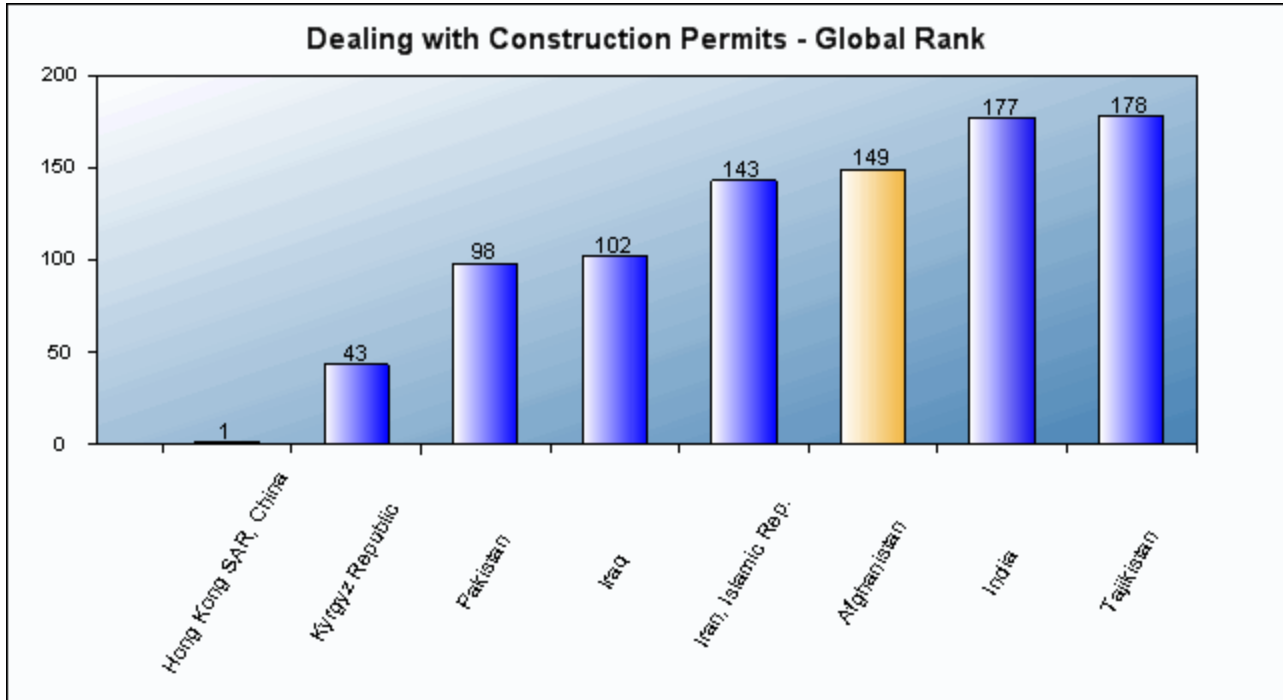
The warehouse:

- 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)

1. Benchmarking Dealing with Construction Permits Regulations:

Afghanistan is ranked 149 overall for Dealing with Construction Permits.

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



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

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

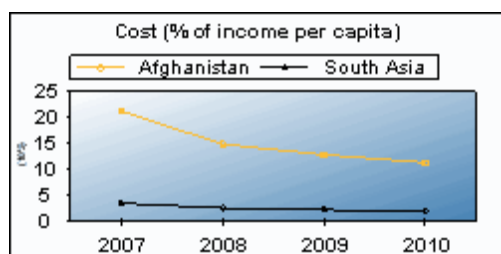
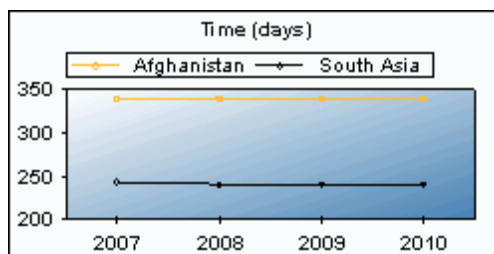
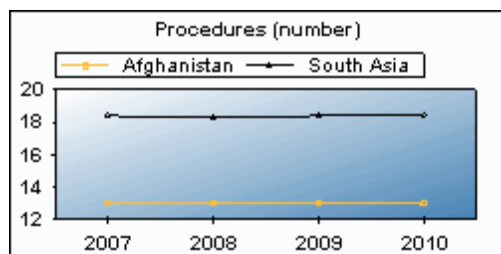
<i>Selected Economy</i>			
Afghanistan	13	340	11355.3

<i>Comparator Economies</i>			
India	37	195	2143.7
Iran, Islamic Rep.	17	322	382.3
Iraq	14	215	506.8
Kyrgyz Republic	13	143	153.9
Pakistan	12	223	575.7
Tajikistan	30	228	996.1

2. Historical data: Dealing with Construction Permits in Afghanistan

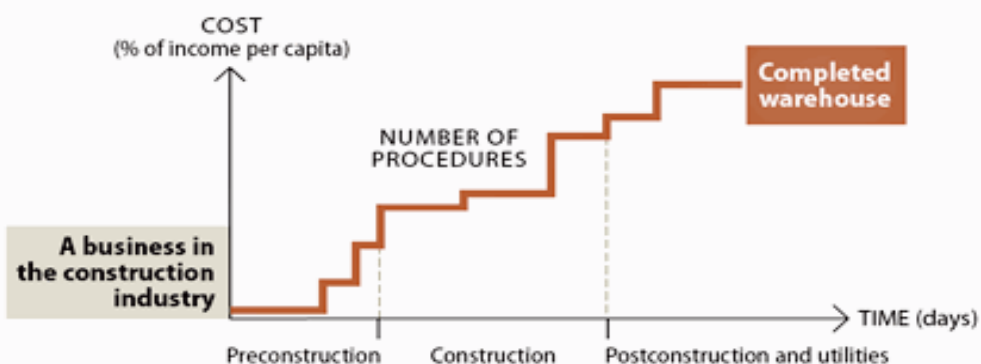
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	147	149
Procedures (number)	13	13	13	13
Time (days)	340	340	340	340
Cost (% of income per capita)	21230.8	14918.9	12877.6	11355.3

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



Dealing with Construction Permits in Afghanistan

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 Afghanistan.

BUILDING A WAREHOUSE

City: Kabul

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain copy of the land deed	7 days	AFN 3,000
2	Obtain zoning approval from Ministry of Urban Planning	7 days	no charge
3	Obtain building permit from Kabul municipality	270 days	AFN 2,000
4	Receive random inspection from municipality	1 day	no charge
5	Receive random inspection from the police	1 day	no charge
6	Receive random inspection from municipality	1 day	no charge
7	Receive random inspection from the police	1 day	no charge
8	Receive random inspection from municipality	1 day	no charge
9	Receive random inspection from the police	1 day	no charge
10	Drill well for temporary water supply	7 days	USD 10,000

11	Buy and install generator to obtain electricity connection	7 days	USD 30,000
12	Build septic tank for sewage	30 days	USD 15,000
13	Obtain fixed telephone line	7 days	USD 100

Dealing with Construction Permits Details - Afghanistan

Procedure 1 Obtain copy of the land deed

Time to complete: 7 days

Cost to complete: AFN 3,000

Agency: Appeal court of Kabul

Comment: After decades of conflict, most people have lost their deeds, relying on informal ownership claims to land. In post-conflict Kabul, a copy of the title deed is part of the documentation needed to apply for a building permit. BuildCo must file a written claim to the appeal court of Kabul stating they lost their deed. The claim must contain the property specification, deed number, district number, and number of the court that issued the deed. It takes about a week to obtain a valid copy of the title deed.

Procedure 2 Obtain zoning approval from Ministry of Urban Planning

Time to complete: 7 days

Cost to complete: no charge

Agency: Ministry of Urban Planning

Comment: BuildCo must go to the municipality and to the Ministry of Urban Planning to check the Kabul Master Plan and to obtain a zoning approval. The master plan is 15–20 years old and has not been recently updated. If everything is in order and BuildCo pays a bribe, it may receive zoning approval in a couple of days. However, without paying a bribe, approval takes about a week.

Procedure 3 Obtain building permit from Kabul municipality

Time to complete: 270 days

Cost to complete: AFN 2,000

Agency: Kabul Municipality

Comment: BuildCo submits a copy of the title deed, the zoning approval, the building design(s), and proof of the employees' qualifications. If the property is inside the Kabul Master Plan, the designs are sent to the Engineering Department and a committee will approve them. BuildCo then pays the building permit fee. The municipality sends approval copies to various municipal departments (e.g., the police).

By paying bribes, BuildCo can obtain a building permit within a month of submitting an application. Without bribes, the application process could take between 6 months and a year, or even longer.

Procedure 4 Receive random inspection from municipality

Time to complete: 1 day

Cost to complete: no charge

Agency: Kabul Municipality

Comment: On average, either the Kabul municipality or its police department will visit the construction site every month (about six inspections for a 30-week project). Inspectors often demand bribes of AFN 5,000 to AFN 10,000 for each visit. The Doing Business project, however, does not account for any of these informal payments.

Procedure 5 Receive random inspection from the police

Time to complete: 1 day

Cost to complete: no charge

Agency: Police

Comment: On average, either the Kabul municipality or its police department will visit the construction site every month (about six inspections for a 30-week project). Inspectors often demand bribes of AFN 5,000 to AFN 10,000 for each visit. The Doing Business project, however, does not account for any of these informal payments.

Procedure 6 Receive random inspection from municipality

Time to complete: 1 day

Cost to complete: no charge

Agency: Kabul Municipality

Comment: On average, either the Kabul municipality or its police department visit the construction site every month (about six inspections for a 30-week project). Inspectors often demand bribes of AFN 5,000 to AFN 10,000 for each visit. The Doing Business project, however, does not account for any of these informal payments.

Procedure 7 Receive random inspection from the police

Time to complete: 1 day

Cost to complete: no charge

Agency: Police

Comment: On average, either the Kabul municipality or its police department will visit the construction site every month (about six inspections for a 30-week project). Inspectors often demand bribes of AFN 5,000 to AFN 10,000 for each visit. The Doing Business project, however, does not account for any of these informal payments.

Procedure 8 Receive random inspection from municipality

Time to complete: 1 day

Cost to complete: no charge

Agency: Kabul Municipality

Comment: On average, either the Kabul municipality or its police department will visit the construction site every month (about six inspections for a 30-week project). Inspectors often demand bribes of AFN 5,000 to AFN 10,000 for each visit. The Doing Business project, however, does not account for any of these informal payments.

Procedure 9 Receive random inspection from the police

Time to complete: 1 day

Cost to complete: no charge

Agency: Police

Comment: On average, either the Kabul municipality or its police department will visit the construction every month (about six inspections for a 30-week project). Inspectors often demand bribes of AFN 5,000 to AFN 10,000 for each visit. The Doing Business project, however, does not account for any of these informal payments.

Procedure 10 Drill well for temporary water supply

Time to complete: 7 days

Cost to complete: USD 10,000

Comment: No city water supply exists, so BuildCo must dig its own well.

Procedure 11 Buy and install generator to obtain electricity connection

Time to complete: 7 days

Cost to complete: USD 30,000

Agency: ETC Power

Comment: In early 2007, access to electricity on the city power grid averaged 4 hours, every other night. Thus, most firms buy and run their own generators.

Procedure 12 Build septic tank for sewage

Time to complete: 30 days

Cost to complete: USD 15,000

Agency: Central Authority for Water and Sewerage

Comment: In the absence of a waste management system, Afghan businesses must build their own septic tanks.

Procedure 13 Obtain fixed telephone line

Time to complete: 7 days

Cost to complete: USD 100

Agency: Afghan Telecom

Comment:

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)

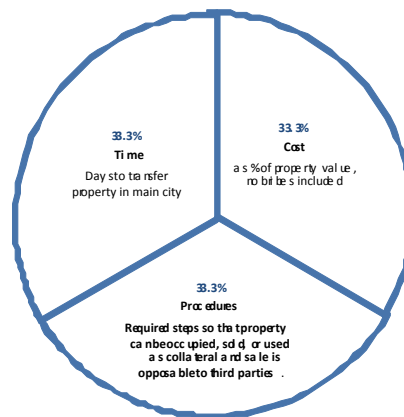
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Postregistration (for example, transactions with the local authority, tax authority or cadastre)

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.

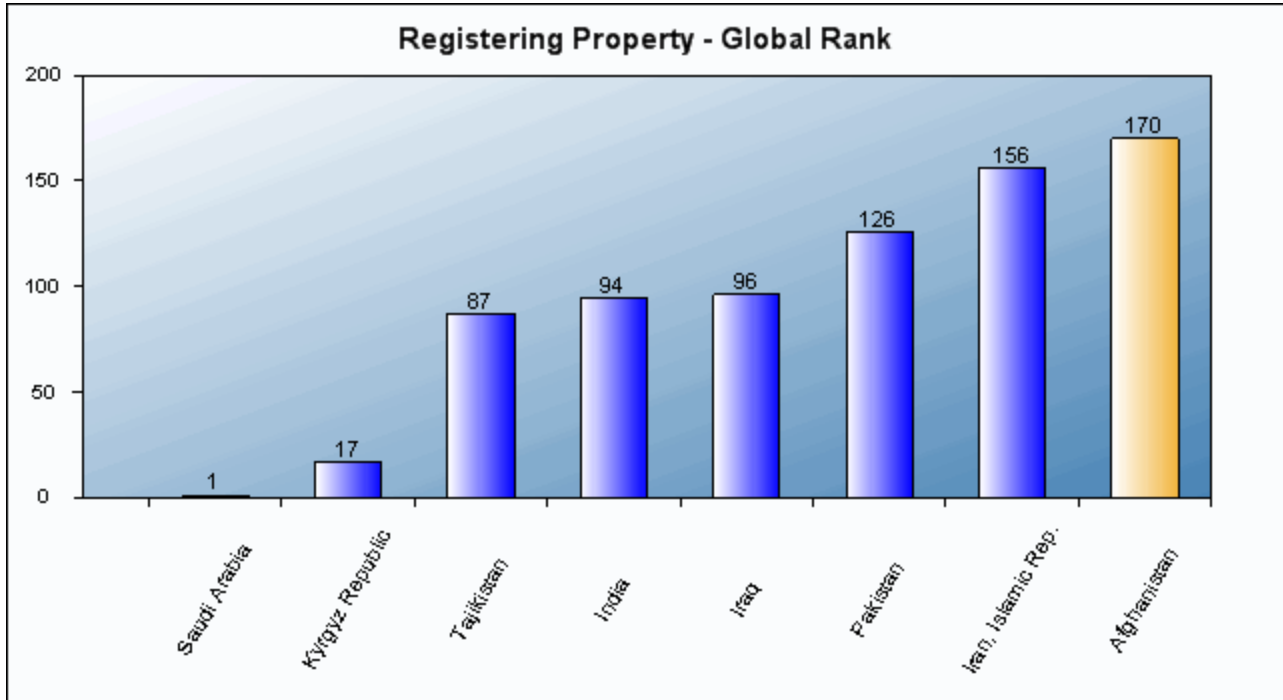
The property (fully owned by the seller):

- 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 a 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:

Afghanistan is ranked 170 overall for Registering Property.

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



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

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

<i>Selected Economy</i>			
Afghanistan	9	250	5.0

<i>Comparator Economies</i>			
India	5	44	7.4
Iran, Islamic Rep.	9	36	10.5
Iraq	5	51	6.4
Kyrgyz Republic	4	5	2.3
Pakistan	6	50	9.2
Tajikistan	6	37	5.5

* The following economies are also good practice economies for :

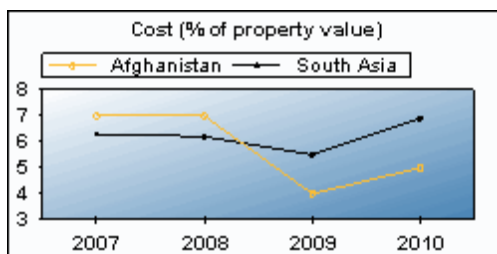
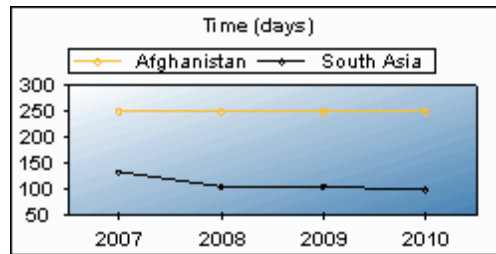
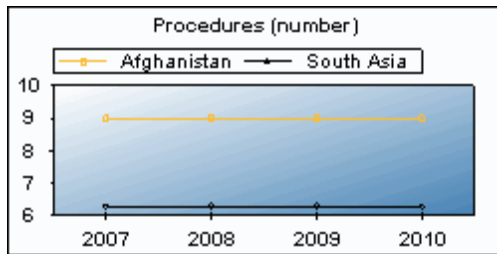
Procedures (number): United Arab Emirates

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

2. Historical data: Registering Property in Afghanistan

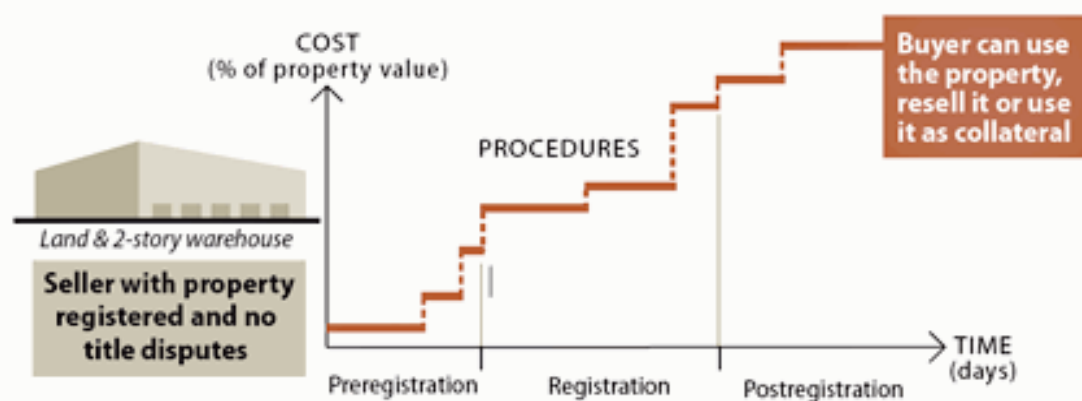
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	165	170
Procedures (number)	9	9	9	9
Time (days)	250	250	250	250
Cost (% of property value)	7.0	7.0	4.0	5.0

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



Registering Property in Afghanistan

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 Afghanistan.

STANDARDIZED PROPERTY

Property Value: 1,220,867.78

City: Kabul

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain application form and two Circular forms from Primary Court	3 days	no cost
2	The signed Circular Form is then submitted to the Chief of Makhzan to initiate the search of registered deeds	8 days	no cost
3	Circular Forms are submitted to the property Office (Milkiat-ha) in the Municipality	15 days	1% of the property value (paid in Procedure 7)
4	The Circular Form is submitted to the Revenues and Collection office of the Mustufiat (Ministry of Finance Provincial Revenue Department)	5 days	1% of the property value (paid in Procedure 7)
5	Submit the Circular Form to the Human Resource Directorate for certification of signatures	3 days	no cost
6	The completed Circular Form is submitted back to the Primary Court judge	1 day	no cost

7	Seller pays property taxes at a designated bank	1 day	3% of property value (registration fees for property values above AFN 1 million; otherwise the rate is 2%) + 1% of property value (Proc 4, the Circular Form) + 1% of property value (Proc 3, Municipality)
8	Submit the completed Circular Form, with payment receipts, to the Primary Court	31 days	no cost
9	The buyer applies for title transfer	1 to 365 days	no cost

Registering Property Details - Afghanistan

Procedure	1	Obtain application form and two Circular forms from Primary Court
Time to complete:	3 days	
Cost to complete:	no cost	
Agency:	Primary Court	
Comment:	The applicant obtains the application form and two copies of the Circular Form from the Primary Court. The Judge of the Primary Court signs the application form in order to initiate a search of Makhzan records.	
Procedure	2	The signed Circular Form is then submitted to the Chief of Makhzan to initiate the search of registered deeds
Time to complete:	8 days	
Cost to complete:	no cost	
Agency:	Chief of Makhzan	
Comment:	The applicant gives the signed Circular forms to the Makhzan to initiate the search of the Makhzan historical records of registered deeds. The Makhzan keeper searches for deeds in archives based on the details provided by the applicant (registry number and photos). The clerk then ensures that the information on the Circular form matches the records of the Makhzan. The keeper gives the deed book and the owner's property deed to the Chief of Makhzan, who will check for the correctness of ownership and sign again the Circular Form.	
Procedure	3	Circular Forms are submitted to the property Office (Milkiat-ha) in the Municipality
Time to complete:	15 days	
Cost to complete:	1% of the property value (paid in Procedure 7)	
Agency:	Municipal Land Office (Imlak)	
Comment:	The applicant takes the Circular Form to the Milkiat-ha for certification of location and valuation of property and checking of the ownership. An Imlak committee establishes the value of the land after an inspection of the property. The value is entered on the Circular Form and 1% on that is charged, to be paid at the bank.	
Procedure	4	The Circular Form is submitted to the Revenues and Collection office of the Mustufiat (Ministry of Finance Provincial Revenue Department)
Time to complete:	5 days	
Cost to complete:	1% of the property value (paid in Procedure 7)	
Agency:	Ministry of Finance Provincial Revenue Department (Mustufiat)	

Comment: The applicant takes the Circular Form to the Tax Collection Office of the financial department of the local Mustofiat for certification of property taxes owed. The Ministry of Finance also charges 1% on the value determined by the Municipal committee.

Procedure 5 Submit the Circular Form to the Human Resource Directorate for certification of signatures

Time to complete: 3 days

Cost to complete: no cost

Agency: Mustofiat

Comment: The Circular Form is submitted to the Human Resources Directorate to certify the signatures of the local and provincial (regional) Mustofiat staff.

Procedure 6 The completed Circular Form is submitted back to the Primary Court judge

Time to complete: 1 day

Cost to complete: no cost

Agency: Primary Court

Comment: The completed Circular Form is reviewed by the Primary Court judge. The clerk writes a tarif for the applicant to pay the taxes.

Procedure 7 Seller pays property taxes at a designated bank

Time to complete: 1 day

Cost to complete: 3% of property value (registration fees for property values above AFN 1 million; otherwise the rate is 2%) + 1% of property value (Proc 4, the Circular Form) + 1% of property value (Proc 3, Municipality)

Agency: Bank

Comment: The seller pays the property taxes, indicated in the Circular Form, at a designated bank.

For property values below AF 1 million, the registration fee is 2%. For property values above AFN 1 million (DB case), the registration fee is 3% of total property value (this is not a sliding scale). The Presidential decree and the decision of commune commission of two chambers of Parliament published on April 9th, 2009 introduced a fee schedule for registration fees in Afghanistan.

Procedure 8 Submit the completed Circular Form, with payment receipts, to the Primary Court

Time to complete: 31 days

Cost to complete: no cost

Agency: Primary Court

Comment: The applicant returns to the Primary Court with the completed Circular Form and the receipts

as proof of payment.

The judge will order the clerk to prepare a new deed in two copies. The new deed is scrutinized by the Primary Court Judge, who signs both copies.

The Konda (stub copy) is maintained in the Primary Court until the full record book is passed on to the Makhzan for storage. This takes place at the end of every financial year.

The property transfer tax of 5% has been eliminated by Presidential decree dated July 14, 2008.

Procedure 9 **The buyer applies for title transfer**

Time to complete: 1 to 365 days

Cost to complete: no cost

Agency: Milkiat-ha Directorate

Comment: The applicant brings the new Deed to the Milkiat-ha Directorate to change the names in the books, as well as for all utilities. Time to complete depends on when in the financial year this step is conducted.

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?

Getting Credit: collateral rules and credit information

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)

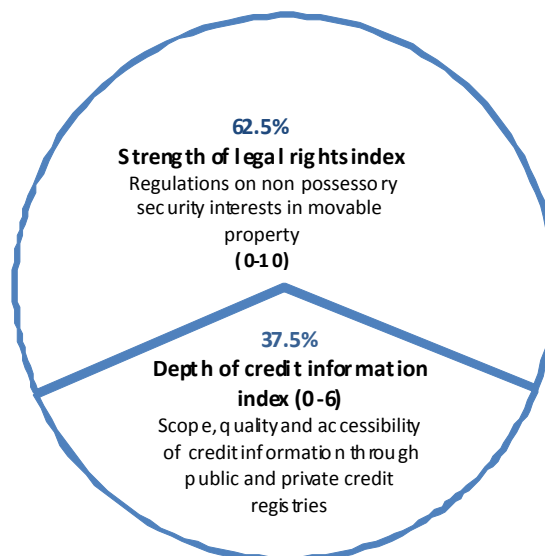
- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

Public credit registry coverage (% of adults)

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

Private credit bureau coverage (% of adults)

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



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)

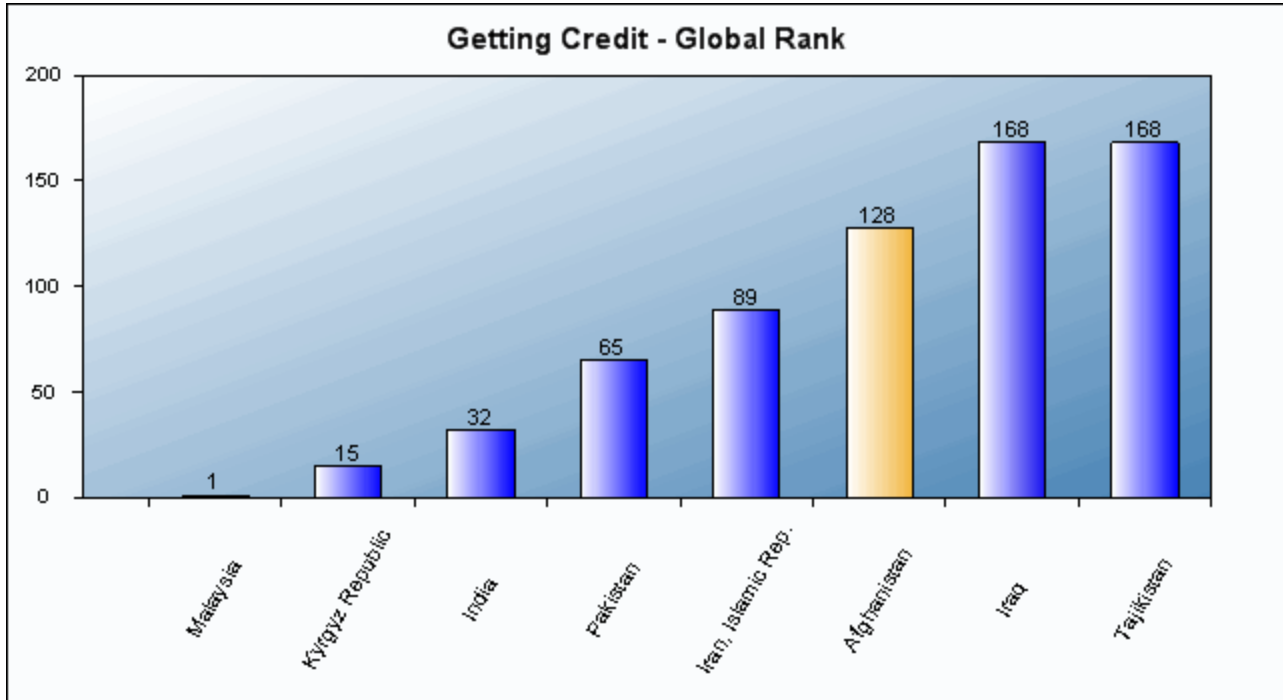
The Debtor

- 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:

Afghanistan is ranked 128 overall for Getting Credit.

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



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

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Afghanistan	6	0	0.0	0.0

<i>Comparator Economies</i>				
India	8	4	0.0	10.0
Iran, Islamic Rep.	4	4	22.7	4.5
Iraq	3	0	0.0	0.0
Kyrgyz Republic	10	3	0.0	11.9
Pakistan	6	4	5.8	1.4
Tajikistan	3	0	0.0	0.0

* The following economies are also good practice economies for :

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

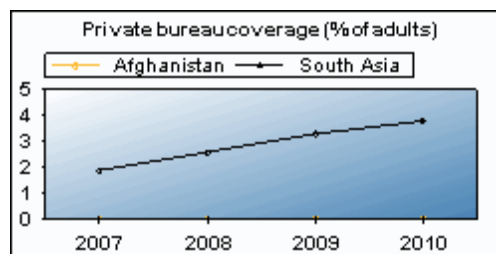
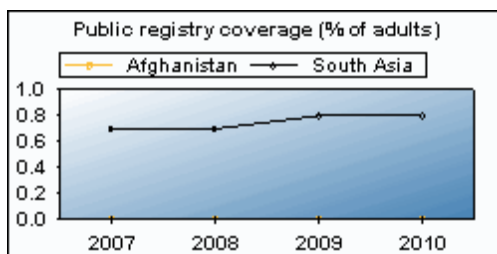
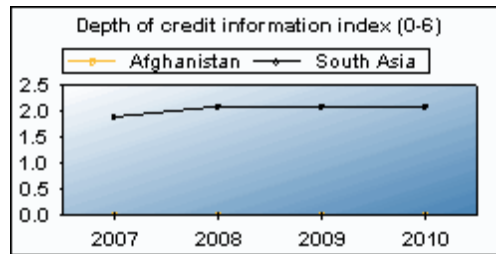
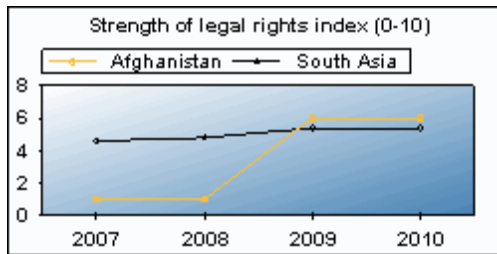
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

2. Historical data: Getting Credit in Afghanistan

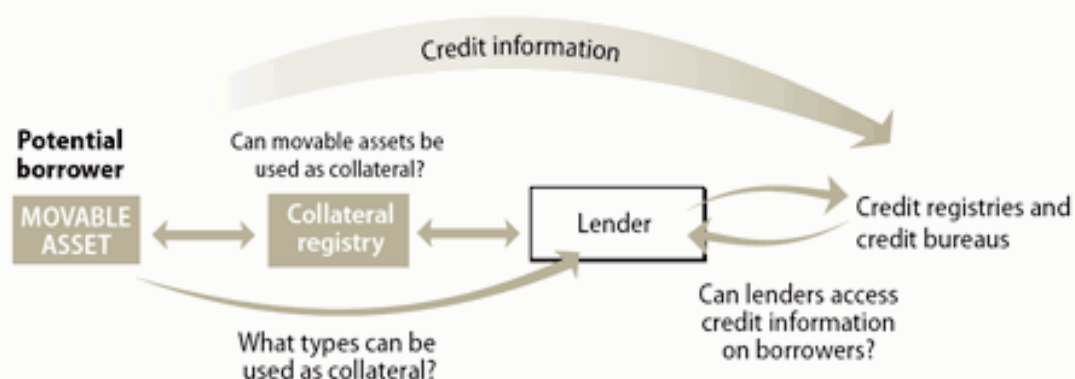
Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	125	128
Strength of legal rights index (0-10)	1	1	6	6
Depth of credit information index (0-6)	0	0	0	0
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

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



Getting Credit in Afghanistan

**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 Afghanistan.

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	0
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
Coverage	0.0	0.0	
Number of individuals		0	0
Number of firms		0	0

Strength of legal rights index (0-10)

6

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
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?	Yes
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 ?	Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	No
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	No
Does the law authorize parties to agree on out of court enforcement?	Yes

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

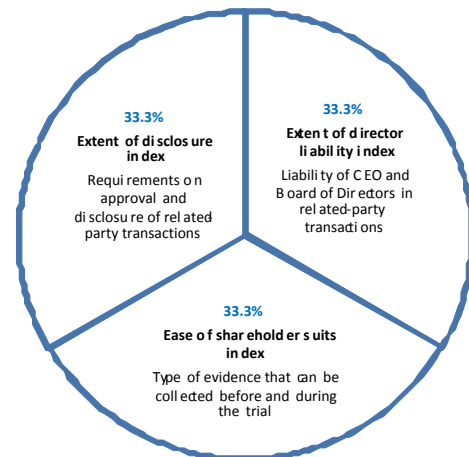
Ease of shareholder suits index (0–10)

- 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.

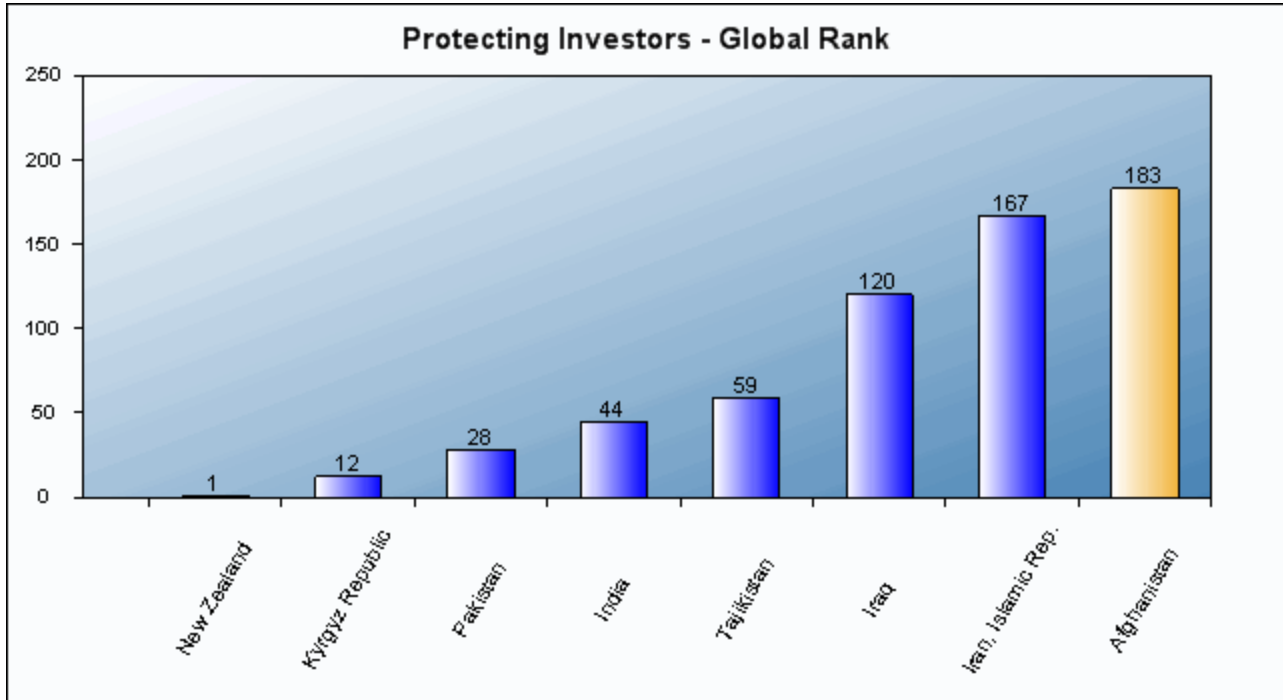
The transaction

- 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:

Afghanistan is ranked 183 overall for Protecting Investors.

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



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

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

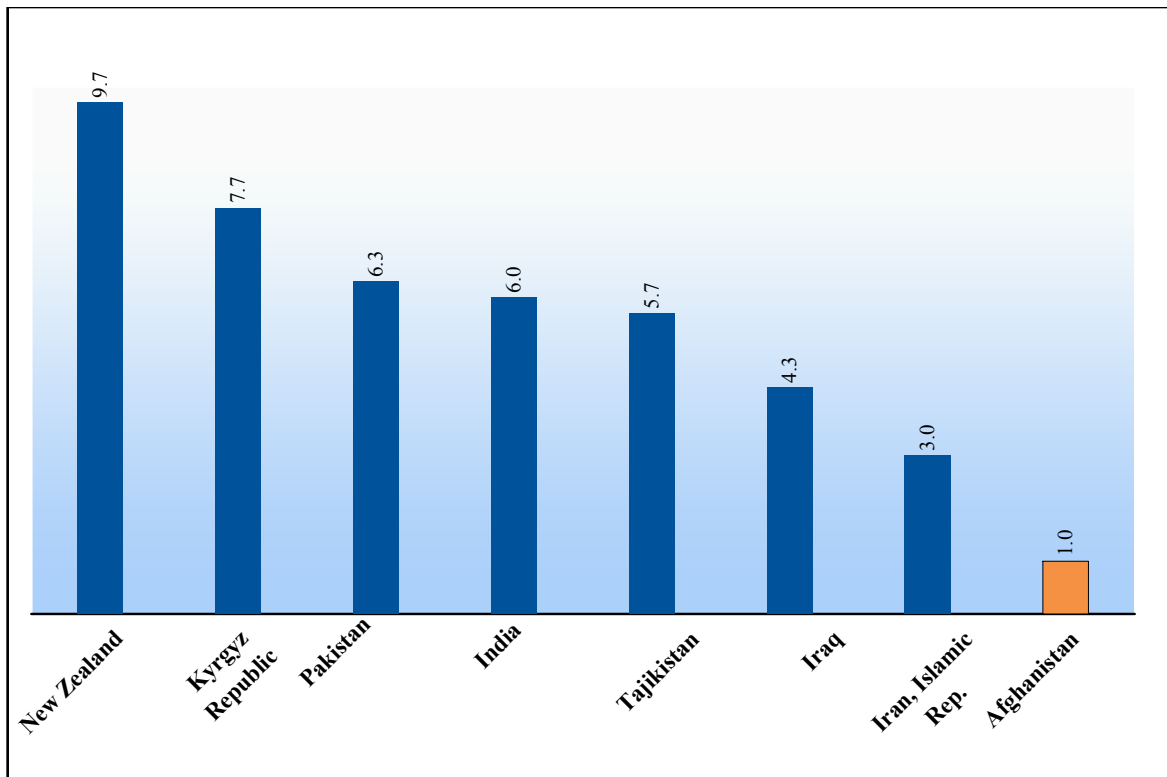
<i>Selected Economy</i>	
Afghanistan	1.0

<i>Comparator Economies</i>	
India	6.0
Iran, Islamic Rep.	3.0
Iraq	4.3
Kyrgyz Republic	7.7
Pakistan	6.3
Tajikistan	5.7

2. Historical data: Protecting Investors in Afghanistan

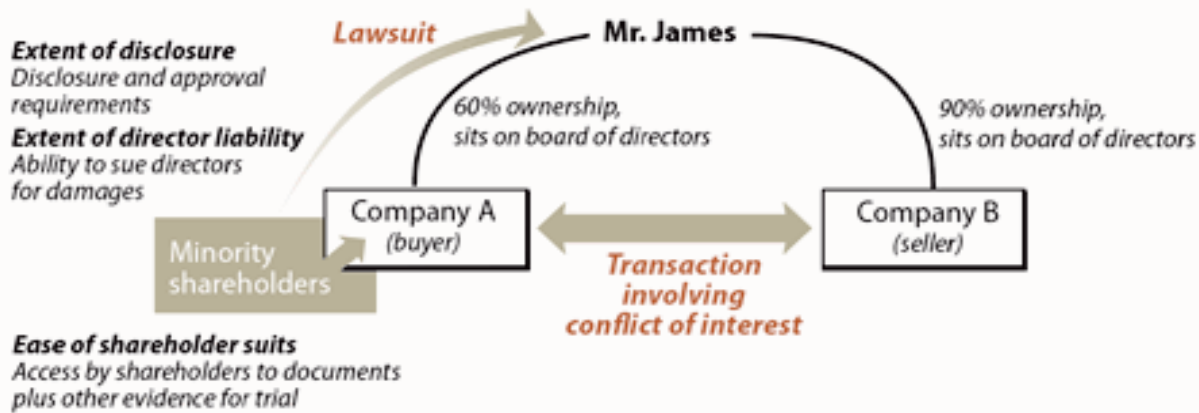
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	183	183
Strength of investor protection index (0-10)	1.0	1.0	1.0	1.0

3. The following graph illustrates the Protecting Investors index in Afghanistan 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 Afghanistan.

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	1
What corporate body provides legally sufficient approval for the transaction?	0
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	0
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	1
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	1
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
Ease of shareholder suits index (0-10)	1
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	0
Whether the plaintiff can directly question the defendant and witnesses during trial?	0
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
Strength of investor protection index (0-10)	1.0

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)

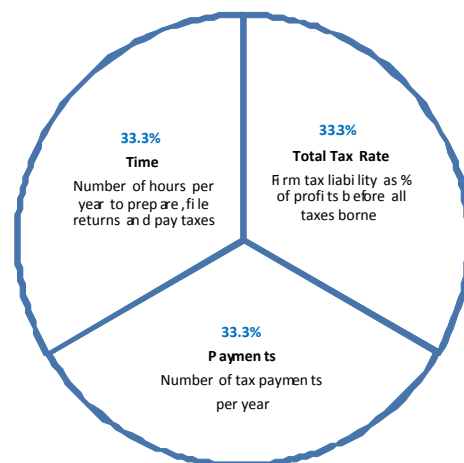
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

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



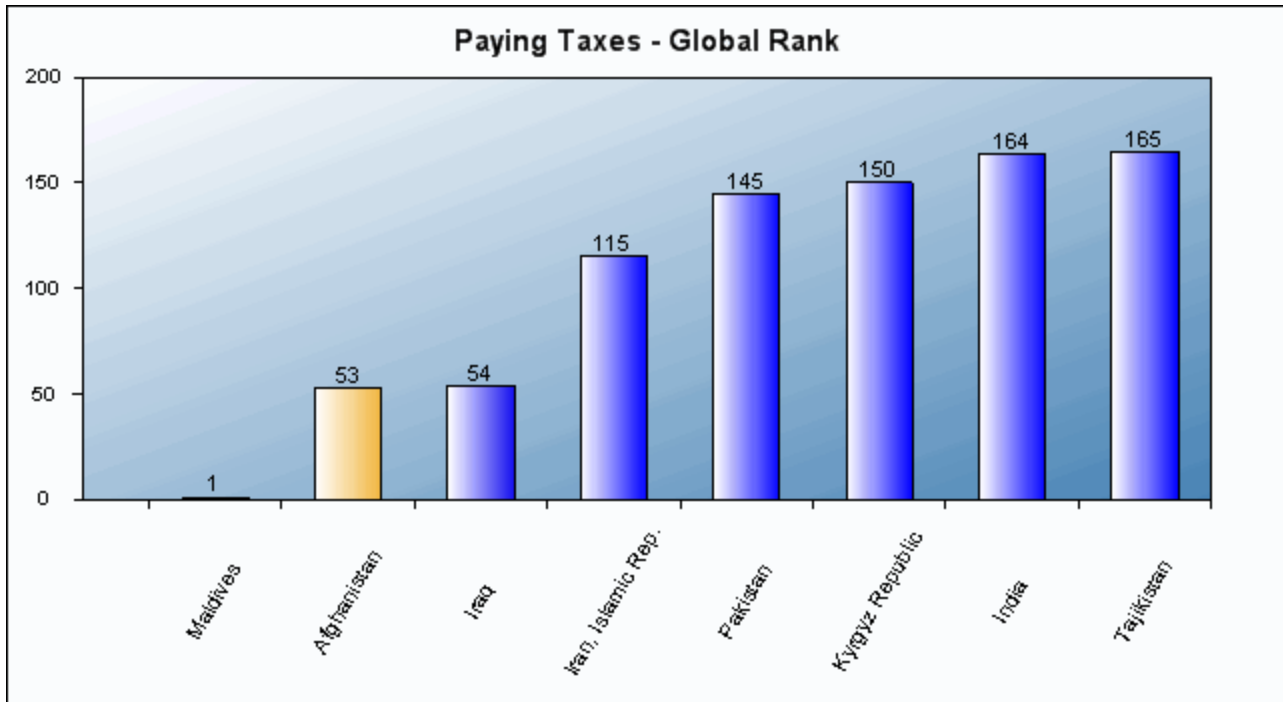
Case Study Assumptions

- 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:

Afghanistan is ranked 53 overall for Paying Taxes.

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



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

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Afghanistan	8	275	36.4

<i>Comparator Economies</i>			
India	56	258	63.3
Iran, Islamic Rep.	20	344	44.1
Iraq	13	312	28.4
Kyrgyz Republic	48	202	57.2
Pakistan	47	560	31.6
Tajikistan	54	224	86.0

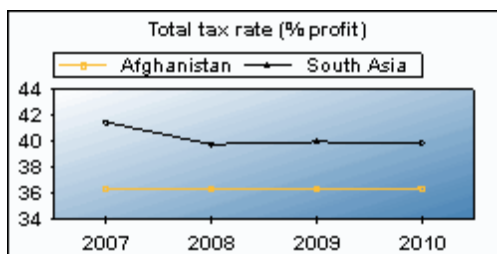
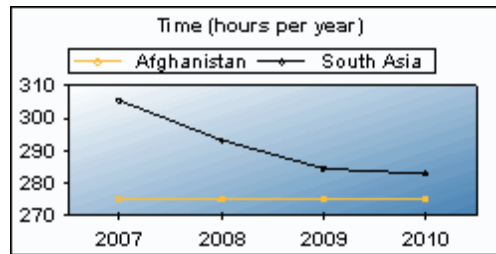
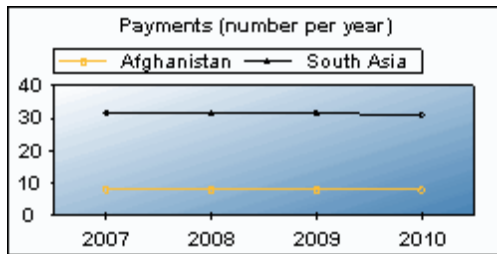
* The following economies are also good practice economies for :

Payments (number per year): Qatar

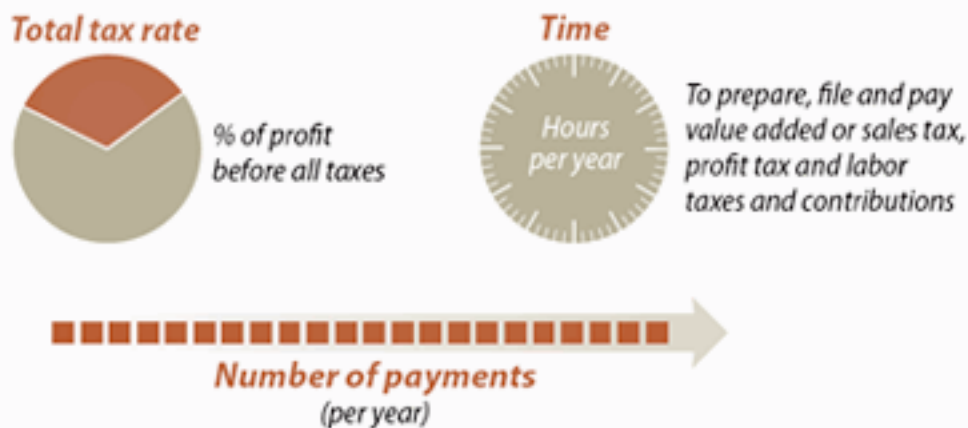
2. Historical data: Paying Taxes in Afghanistan

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	55	53
Total tax rate (% profit)	36.4	36.4	36.4	36.4
Payments (number per year)	8	8	8	8
Time (hours per year)	275	275	275	275

3. The following graphs illustrate the Paying Taxes sub indicators in Afghanistan 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 Afghanistan, 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
Vehicle registration tax	1				various rates		
Labor tax			120				
Corporate income tax	1		77	20.0%	taxable profit	0.00	
Fuel	1			5.0%	import duty for fuel	0.20	
Road toll tax	1			AFN 7,500		0.90	
Sales tax	4		78	2.0%	sales	35.40	
Totals	8		275			36.4	

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 in 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)

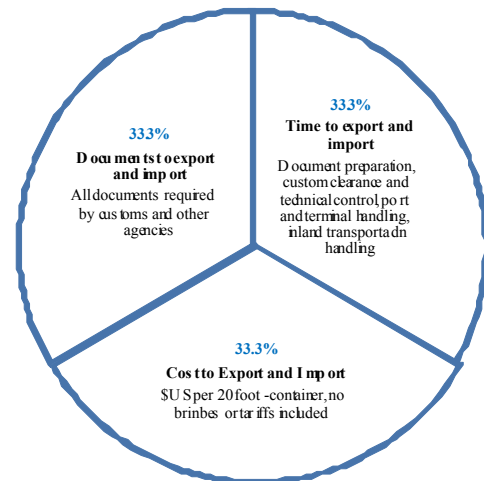
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

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:

Afghanistan is ranked 183 overall for Trading Across Borders.

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



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

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Afghanistan	12	74	3865	11	77	3830

<i>Comparator Economies</i>						
India	8	17	1055	9	20	1025
Iran, Islamic Rep.	7	25	1090	8	32	1735
Iraq	10	80	3550	10	83	3650
Kyrgyz Republic	7	63	3010	7	72	3280
Pakistan	9	21	611	8	18	680
Tajikistan	10	82	3350	9	83	4550

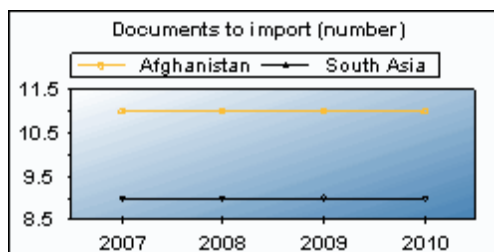
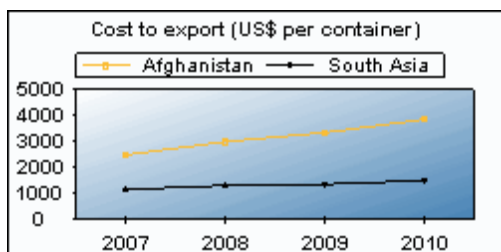
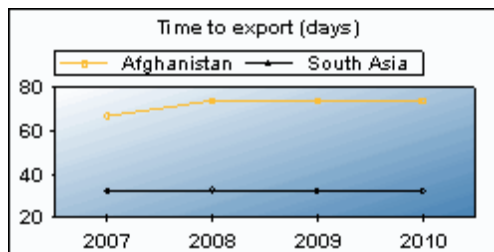
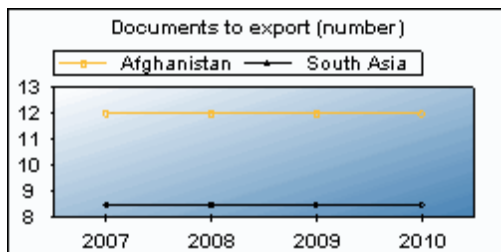
* The following economies are also good practice economies for :

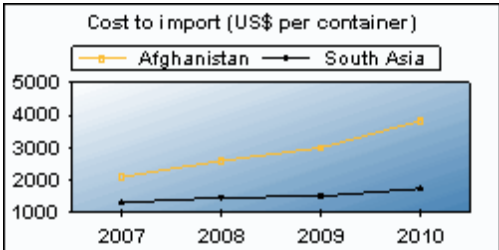
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Afghanistan

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	183	183
Cost to export (US\$ per container)	2500	3000	3350	3865
Cost to import (US\$ per container)	2100	2600	3000	3830
Documents to export (number)	12	12	12	12
Documents to import (number)	11	11	11	11
Time to export (days)	67	74	74	74
Time to import (days)	71	77	77	77

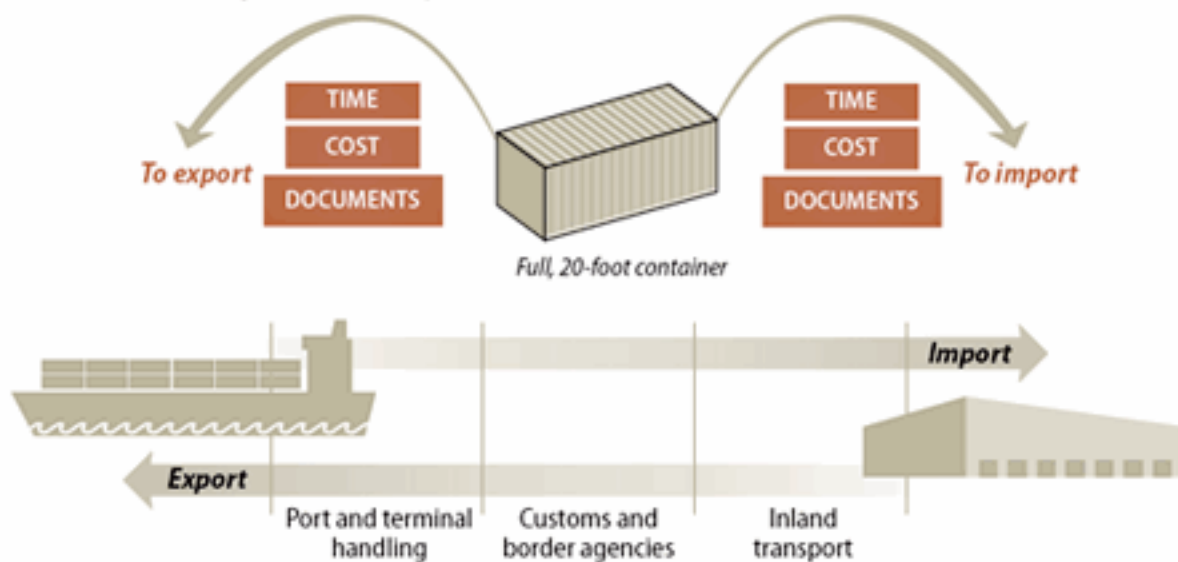
3. The following graphs illustrate the Trading Across Borders sub indicators in Afghanistan over the past 4 years:





Trading Across Borders in Afghanistan

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 Afghanistan. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	44	590
Customs clearance and technical control	8	600
Ports and terminal handling	4	175
Inland transportation and handling	18	2500
Totals	74	3865

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	49	680
Customs clearance and technical control	7	350
Ports and terminal handling	5	200
Inland transportation and handling	16	2600
Totals	77	3830

Documents for Export and Import

Export
Bill of lading
Certificate of origin
Clean inspection report of findings
Commercial invoice
Customs export declaration
Customs transit document
Duties exemption form
Insurance certificate
Packing list
Tax certificate
Terminal handling receipts
NOC/Transit permit

Import
Bill of lading
Cargo release order
Commercial invoice
Customs import declaration
Import license
Insurance certificate
Packing list
Tax certificate
Technical standard/health certificate
Terminal handling receipts
NOC/Transit permit

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?

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

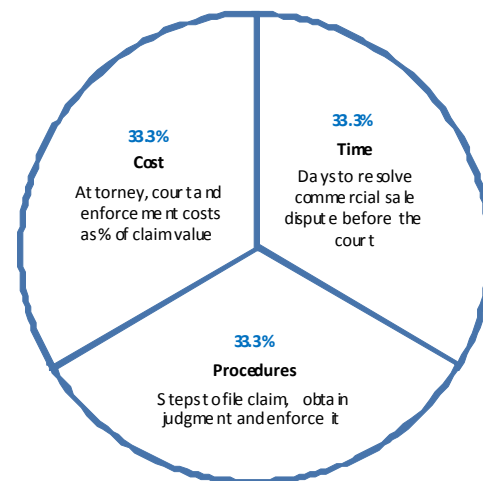
Time required to complete procedures (calendar days)

- 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

Enforcing Contracts: resolving a commercial dispute through the courts
Rankings are based on 3 sub-indicators



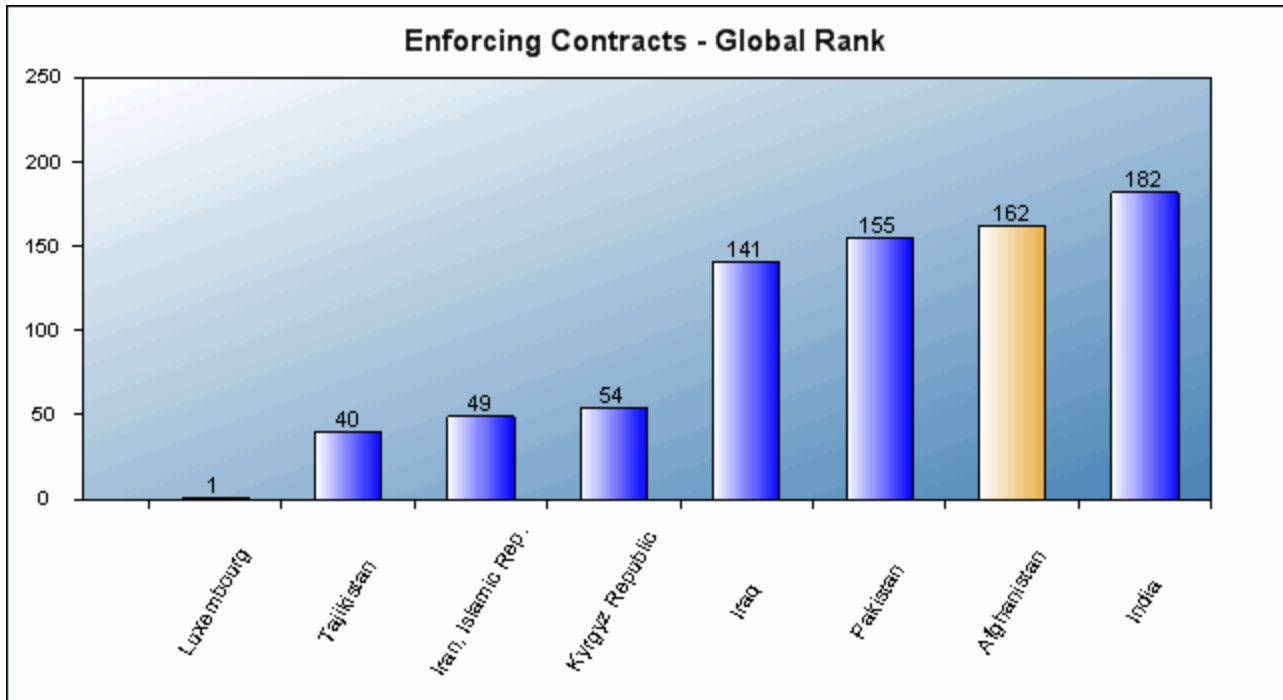
Case Study Assumptions

- 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:

Afghanistan is ranked 162 overall for Enforcing Contracts.

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



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

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

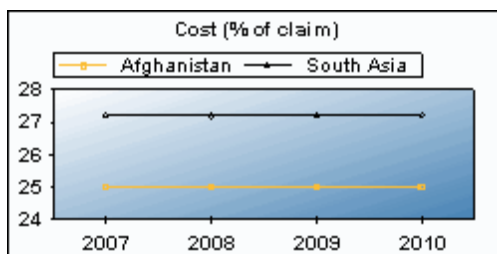
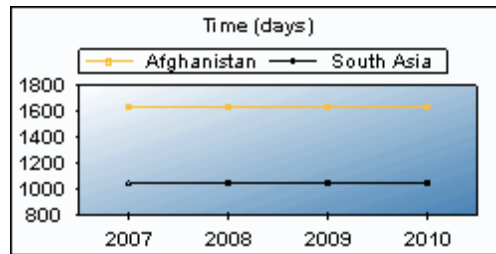
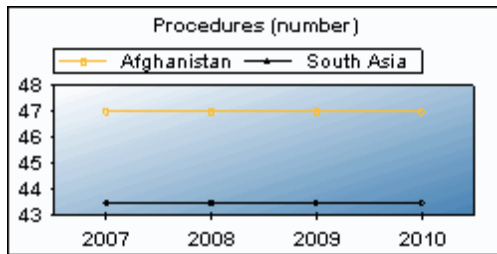
<i>Selected Economy</i>			
Afghanistan	47	1642	25.0

<i>Comparator Economies</i>			
India	46	1420	39.6
Iran, Islamic Rep.	39	505	17.0
Iraq	51	520	28.1
Kyrgyz Republic	39	260	29.0
Pakistan	47	976	23.8
Tajikistan	34	430	25.5

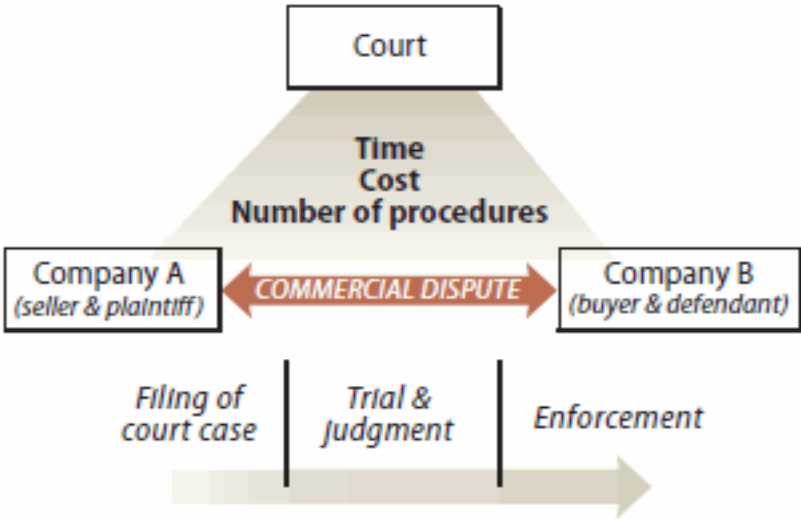
2. Historical data: Enforcing Contracts in Afghanistan

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	161	162
Procedures (number)	47	47	47	47
Time (days)	1642	1642	1642	1642
Cost (% of claim)	25.0	25.0	25.0	25.0

3. The following graphs illustrate the Enforcing Contracts sub indicators in Afghanistan 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 Afghanistan.

Nature of Procedure (2010)	Indicator
Procedures (number)	47
Time (days)	1642
Filing and service	40.0
Trial and judgment	1,420.0
Enforcement of judgment	182.0
Cost (% of claim)*	25.00
Attorney cost (% of claim)	24.0
Court cost (% of claim)	1.0
Enforcement Cost (% of claim)	0.0

Court information: Kabul Commercial 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)

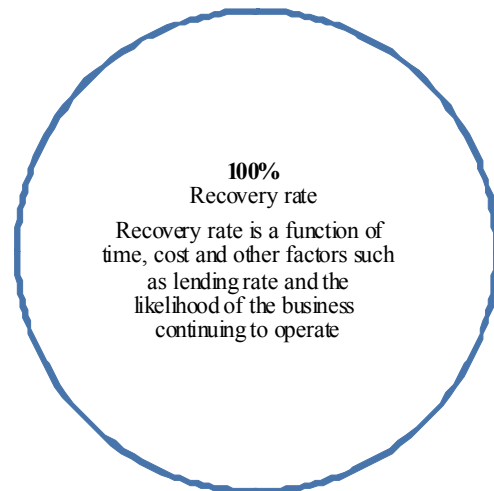
- Measured in calendar years
- Appeals and requests for extension are included

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:

Afghanistan is ranked 183 overall for Closing a Business.

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



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

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

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

<i>Comparator Economies</i>			
India	16.3	7.0	9
Iran, Islamic Rep.	23.1	4.5	9
Iraq	0.0	no practice	no practice
Kyrgyz Republic	15.3	4.0	15
Pakistan	36.5	2.8	4
Tajikistan	37.4	1.7	9

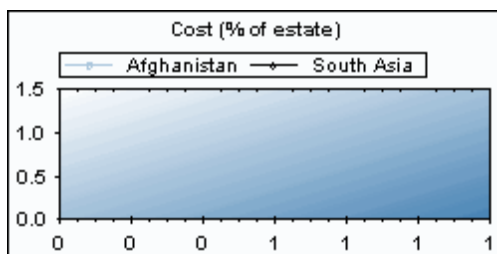
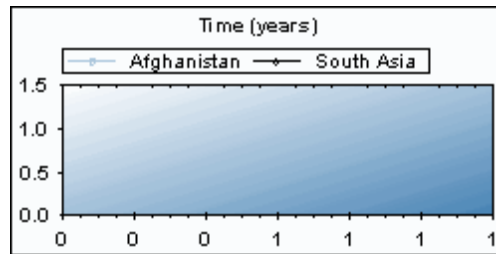
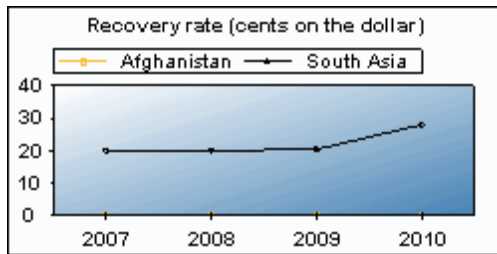
* The following economies are also good practice economies for :

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

2. Historical data: Closing Business in Afghanistan

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	183	183
Time (years)	no practice	no practice	no practice	no practice
Cost (% of estate)	no practice	no practice	no practice	no practice
Recovery rate (cents on the dollar)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Closing Business sub indicators in Afghanistan 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.

Brunei Darussalam	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.
Cape Verde	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.
Grenada	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.
Hungary	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.
India	India eased business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with an online version. India reduced the administrative burden of paying taxes by abolishing the fringe benefit tax and improving electronic payment.
Iran, Islamic Rep.	The Islamic Republic of Iran eased business start-up by installing a web portal allowing entrepreneurs to search for and reserve a unique company name. The establishment of a new private credit bureau improved access to credit information. The Islamic Republic of Iran made enforcing contracts easier and faster by introducing electronic filing of some documents, text message notification and an electronic case management system.
Kazakhstan	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.
Kyrgyz Republic	The Kyrgyz Republic eased business start-up by eliminating the requirement to have the signatures of company founders notarized. The Kyrgyz Republic streamlined insolvency proceedings and updated requirements for administrators, but new formalities added to prevent abuse of proceedings made closing a business more difficult.
Pakistan	Pakistan made registering property more expensive by doubling the capital value tax to 4%. Pakistan reduced the time to export by improving electronic communication between the Karachi Port authorities and the private terminals, which have also boosted efficiency by introducing new equipment.
Peru	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.

Rwanda	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.
Tajikistan	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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