Development of CG Scorecard in Albania

Everything started when Albania signed the Stabilization and Association Agreement with EU on June 12, 2006. Referring to the requirement of regional integration and regional economic relations Albania started the adoption of many important laws and one of them is the new law on Commercial companies approved on 2008. The aim of this new law is to provide a simple, clear and up to date system capable of attracting foreign investment and make the current investments more sustainable. This new law reflects new standards and for the first time established main standards of corporate governance in compliance with EU and international standards such as protection of shareholders rights, protections of the rights of minority shareholders, insider dealings, conflicts of interests etc.

Due to some spectacular company collapses in Europe and the USA, the role of companies has been subject of intense international debate and continues legal regulation in recent years. Referring to the experience of the economy of other countries and the international debate on corporate governance for regulatory interventions and the establishment of Corporate Governance Codes IFC in cooperation with Ministry of Economy during year 2012 started the cooperation for drafting Corporate Governance Code a “soft law” with intention to become a law from companies itself.

The main purpose for drafting CG Code was to help businesses in implementing the code and principles of corporate governance to cope with the ongoing economic crisis and create an appeal and reliable environment for attracting investment in society.

This code is prepared referring to some specific condition that Albanian market represent, first of all not having listed companies, not having an active stock exchange and not having a develop capital market.

Corporate Governance code is prepared from experts of IFC in cooperation with experts of ministry based in the best international practices adopted for unlisted companies and Albanian legal framework to be used from joint stock companies and limited liability companies.
The Corporate Governance Code for Unlisted Joint-Stock Companies in Albania ("the Code") focuses on specificities of corporate governance for unlisted companies. Most unlisted companies are owned and controlled by single individual or coalition of company insiders (e.g. a family). Good governance of unlisted companies, in the context of CG Code, is not a question of protecting the interests of absentee shareholders. Rather, it is concerned with establishment of a framework of company processes and attitudes that add value to the business and help ensure long-term continuity and success.

The CG Code is only a best practice reference for unlisted companies in Albania, aimed at designing a framework of best practices being over and above the minimum legal requirements. Thus it is not a regulation that companies would be obliged to comply with. Also, it is not a soft-law document in relation to which companies will have to report if they comply with or to explain why they do not comply with it ("comply-or-explain" principle). Rather, it is an overview of the best practices in relation to governance of unlisted companies in the moment of its preparation, and it is intended to serve as reference and inspiration for Albanian companies to develop sound governance framework.

CG Code is approved from Business Advisory Council and since its approval few companies have adopted it in their company policies. Still companies are not aware enough about the importance of such code. But the work with CG Code did not finish with its approval. Again IFC with the Corporate Governance Institute of Albania offered to Albanian companies a tool scorecard in order for companies to be able and make a self assessment to their corporate governance issues. The Ministry of Economy supported such tool and the continuance of the work to help and support businesses and took over to endorse such tool to companies as a very important tool for the implementation of CG Code.

There is still too much work to do from arising the awareness of businesses regarding the importance of corporate governance practices and the implementation of CG code, to the use of scorecards to make companies more transparent and accountable for investors, shareholders, stakeholders and community.