

Reforming Business Registration Regulatory Procedures at the National Level

A Reform Toolkit for Project Teams

Small and Medium Enterprise Department
World Bank Group
2006

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Acronyms

ACRONYM	TERM
ABR	Australian Business Register (Australia)
AGATICA	Centre for Social Analysis (Indonesia)
BE	Business Environment
BR	Business Registration
CEFIR	Centre for Economic and Financial Research (Russia)
CFE	Centre de Formalités des Entreprises (France)
DOC	Department of Commerce
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
ICAs	Investment Climate Assessments
ICT	Information and Communication Technology
ID	Identification
IDA	International Development Association
IFI	International Financial Institution
IT	Information Technology
M&E	Monitoring and Evaluation
MCC	Millennium Challenge Corporation
MIIC	Ministry of Industry, Investment and Commerce (Jamaica)
MOTI	Ministry of Trade and Industry (Turkey)
MTCS	Medium-Term Competitiveness Strategy
NGO	Nongovernmental Organization
OCR	Office of Company Registration
ORC	Office of the Registrar of Companies (Jamaica)
OSBR	OneStop Business Registration (Utah, U.S.)
OSS	One-Stop Shop
PDF	Project Development Facility
PEP	Private Enterprise Partnership

ACRONYM	TERM
PPD	Public-Private Dialogue
PSCP	Private Sector Competitiveness Project
PSD	Private Sector Development (IFC and the World Bank)
RFP	Request for Proposals
RNS	Registration Number of the Subject of Entry (Bosnia and Herzegovina)
SBRA	Serbia Business Registration Agency
SEED	Southeast Europe Enterprise Development
SC	Steering Committee
SIN	Single Identification Number
SME	Small and Medium Enterprise
SUAP	Single Office for Productive Activity (Italy)
TIFAs	Trade and Investment Framework Agreements
TRO	Trade Registry Officer (Turkey)
UNCTAD	United Nations Conference on Trade and Development
USAID	U.S. Agency for International Development
YOIKK	Coordination Council for the Improvement of Investment Environment

Executive Summary

The purpose of this toolkit is to guide users through the design and implementation of business-registration reforms. It highlights and draws upon good-practice cases and on reforms already implemented in many countries. In this toolkit the term “business registration” refers to the set of administrative processes for setting up a business as a unique legal entity that can engage legitimately in commercial activities. The World Bank’s *Doing Business* database tells us that the process of setting up a limited liability company in a country’s capital city can take 2–203 days, and involve 2–19 procedures. This toolkit shows how to streamline the procedures an entrepreneur must comply with in order to set up a generic business *before* applying any sector-specific licenses or certifications for activities with particular environmental or health dimensions.

Assumptions

To ensure compatibility with the *Doing Business* methodology we generally use the same limited definition of business registration. *Doing Business* records all generic procedures officially required for starting up an industrial or commercial business. These procedures include (1) obtaining all necessary licenses and permits and (2) completing any required notifications, verifications, or inscriptions with relevant authorities. This approach makes a number of important assumptions about the hypothetical business and about what is meant by procedures. Box 0.1 on the next page lists these assumptions.

It is important to remember that these assumptions lead to a somewhat limiting definition of a newly establishing business, but the assumptions are necessary to ensure that businesses and procedures may be compared across countries. For example, *Doing Business* does not consider the case of very small businesses or proprietorships that do not require limited liability and that typically face somewhat simpler procedures as a result. Many countries require subnational registration procedures in addition to national procedures, although in federal systems registration often occurs at the state level.

Three core functions

The complexity of business registration varies widely across countries, but three core functions are common to all: (1) checking for uniqueness of business name, (2) inscription in a public commercial registry, and (3) registration with tax authorities. Richer countries tend to regulate less and instead rely on a firmly established legal system to govern business behavior. Other countries carry out significant *ex ante* screening of businesses—perhaps because of a mistrust of the private sector, perhaps because of the heritage of a command economy. Legal tradition—common law or civil law—also affects the complexity and the players involved in business start-up. Businesses often have to visit the same institution on multiple occasions and comply with procedures in series rather than in parallel. Complexity ranges from the simple requirement of the three core functions to a long list of overlapping obligations and requirements. Most countries go well beyond the three core functions, and *Doing Business* documents countries that require up to 17 procedures, entailing substantial costs.

Consequences

Business registration is more than just another administrative procedure to complete. It is the gateway through which businesses enter, and thereafter contribute to, the formal economy. Taking that step has consequences for businesses:

- It gives them *rights* to services, fair treatment under law, and (for many) limited liability.
- It gives them *obligations* to pay taxes, provide information, and play by the rules.
- It gives them *opportunities to grow* through better access to finance, potential clients, and public goods and services.

Focus on reform

This toolkit emphasizes the distinction between the process of business registration and the process of business-registration *reform*. The first, the process of business registration, is the set of procedures a business must comply with to establish itself and operate legally. The other, business-registration reform, seeks to make the process of business registration more efficient and equitable. Because going from a prevailing inefficient process to a better one is far from easy, this toolkit aims to help project teams design and implement successful reform processes. It also serves as a guide for country stakeholders, especially public sector officials.

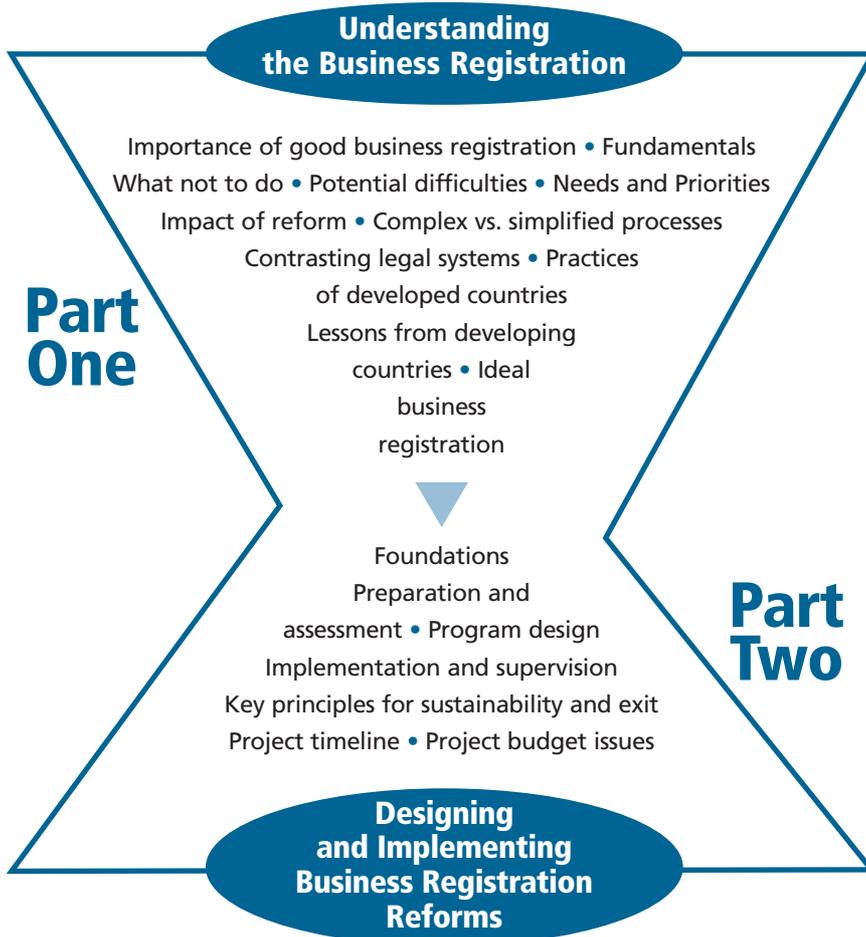
Box 0.1 Assumptions

Assumptions about the business	Assumptions about procedures
<ul style="list-style-type: none"> ■ A limited liability company. If there is more than one type of limited liability company in the country, we choose the most popular limited liability form among domestic firms. We obtain information on the most popular form from incorporation lawyers or the statistical office. ■ Operates in the country's most populous city. ■ Is 100 percent domestically owned and has five owners, none of whom is a legal entity. ■ Has start-up capital of 10 times income per capita at the end of 2004, paid in cash. ■ Performs general industrial or commercial activities, such as the production or sale of products or services to the public. It does not perform foreign trade activities and does not handle products subject to a special tax regime (for example, liquor or tobacco). The business is not using heavily polluting production processes. ■ Does not qualify for investment incentives or any special benefits. ■ Has up to 50 employees one month after the commencement of operations, all of them nationals. ■ Has a turnover at least 100 times income per capita. ■ Has a company deed 10 pages long. 	<ul style="list-style-type: none"> ■ A procedure is defined as any interaction of the company founder with external parties (government agencies, lawyers, auditors, notaries). Interactions between company founders or company officers and employees are not considered separate procedures. ■ The founders complete all procedures themselves, without middlemen, facilitators, accountants, or lawyers, unless the use of such a third party is mandated by law. ■ We ignore procedures not required by law for starting a business. For example, obtaining exclusive rights over the company name is not counted in a country where businesses may use a number as identification. ■ We count shortcuts only if they fulfill three criteria: (1) they are legal; (2) they are available to the general public; and (3) avoiding them causes substantial delays. ■ We cover only the procedures required of all businesses. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses.

Country-specific reform

Business-registration reform must be tailored to each country. In designing such a reform program, we must take into account the circumstances and priorities of different countries. Transition economies of Eastern Europe, for example, have a command-economy heritage but also an opportunity to effect fundamental reforms to legal and institutional systems, such as those affecting business registration. Civil-law countries find it more difficult than common-law countries to make business registration an administrative rather than a judicial process—a distinction that’s important to understand. Some countries have forced registration out of the courts. If the main objective is formalization of the economy, simple solutions that address the needs and aspirations of individual entrepreneurs spread out across the country will be more successful than high-tech solutions that appeal to larger or foreign businesses. There is no universal solution. This toolkit emphasizes the importance of getting the measure of the realities of any country before attempting to design a program for improvement or reform.

Figure 0.1 Toolkit Structure



PART ONE

International Experience and Good Practice

The chapters in this section consider international good practice in business-registration and start-up procedures and good practice in the *reform* of business-registration procedures. Advanced business-registration systems in developed countries have evolved over decades or centuries. They depend on proven legislative and executive systems and may use information-technology (IT) tools beyond the scope of the businesses that developing countries want to embrace in the formal economy. After a brief review of what we mean by business registration and why it is important, Part One investigates, first, good practice in business-registration *processes* and *tools* in developed and developing countries. Then it explores best practice in the *process of reform* of business-registration systems, drawing on a variety of resources and case studies. (Annex A presents four detailed case studies in which a suboptimal situation led to a reform process and, ultimately, an improved situation.) Part One concludes with some core lessons learned about what works (and what does not) and what improvements are practical, effective, and sustainable in many developing-country situations.

Chapter 1

Importance of Good Business Registration

Is business registration so important that inefficiency can seriously limit the growth of a country's private sector? After all, even if business start-up procedures are particularly onerous and time-consuming, businesses need to navigate this process only once. Then why is business registration reform so important?

Economywide perspective

Efficient business registration is important from an economywide perspective. The establishment of a legal entity makes business ventures less risky and increases their longevity and chances of success in several ways.¹

- Successful legal entities tend to outlive their founders and can continue to contribute to the economy over generations—without each generation's having to build (a capital stock, for example) from scratch.
- Resources come together as shareholders join forces in establishing a company's capital and capabilities.
- Limited liability reduces the risks of doing business by giving companies and individuals the freedom to innovate and experiment without large negative consequences. They may undertake experiments that the state might not deem prudent.
- Registered businesses have access to services (provided by public courts or private commercial banks, for example) not available to unregistered businesses.

¹ World Bank. 2004. *Doing Business 2004*, 17. Washington, DC: World Bank.

Individual entrepreneurs

Business registration has particular benefits for individual entrepreneurs, the smallest businesses. By some estimates, more than 30 percent of the developing world's GDP and 70 percent of its workers are outside the official economy.² Most small firms are trapped in low-productivity operations with little access to finance, key government services, or formal customers. Although the informal sector represents an important social safety net or adjustment membrane for shifts in the economy, beyond this function a large informal sector restricts value-adding growth and creates a class of workers without benefits or social protection. Formalization benefits both the entrepreneur and the general public:

- **For the entrepreneur**, formalization (registering as a legal business) helps ensure access to credit, which may mean the purchase, for example, of the first piece of expensive equipment that can increase productivity to the next level. Formalization also helps bring dead capital to life. Although many small businesses fear the costs of exposure that may come with registration, most of them value the prospect of benefiting from proper interaction with government. Various public services become available when a business is formally registered. Access to formal customers and export markets is another key incentive for businesses to become registered.
- **For the public**, formalization helps broaden the tax base and allows the government to make public-policy and investment decisions based on greater knowledge of the private sector.

Private sector and commercial activity

Inefficiency in business registration reduces the contribution of the private sector to the economy and distracts government from its important role of facilitating commercial activity. If an inefficient business-registration system is left unreformed, redundant and time-consuming procedures discourage the private sector from investing in and contributing to the economy. Small businesses see excessive regulation as a necessary evil that absorbs time and energy, and larger companies find ways around cumbersome regulations. Government departments, meanwhile, often fail to see the aggregate burden of government regulations on business and spend time and energy on defending the procedures rather than facilitating entrepreneurial activity. An inefficient business-registration system also confines many companies to the informal sector, in which they find it difficult to grow. In many economies this shutting out of small businesses results in a “missing middle,” a narrow tax base, and a government unable to make informed public-policy or investment decisions.

²World Bank. 2005. “Rising Informality.” *Public Policy for the Private Sector* [vol. No.?] (August) 1 (Note 298). Washington, DC: World Bank.

Donor funding and access to economic groupings

Pragmatic reasons for reform include links between business registration and the conditions conducive to donor funding and access to economic groupings. *Doing Business* highlights business registration as a key process and an indicator of the quality of the business environment—and often a consideration for loans from the Bank. The European Union also encourages the spread of better registration practices as part of association and accession preparations. The U.S. government’s Millennium Challenge Corporation (MCC) has embraced the number of days to register a business, as defined by *Doing Business*, as a key economic-freedom indicator for threshold-country and compact-country disbursements—another direct link between business-registration performance and donor funding.

Broader government efficiency

Reforming the business-registration system also affects broader government efficiency and the perceptions of it. Successful business-registration reform can send positive signals to the international and domestic investment communities. If different ministries or branches of government are seen to be collaborating on a relatively noncontroversial program to improve business registration, it suggests that the foundations and the mechanics may be present for deeper reforms. In Jamaica, for example, the Office of the Registrar of Companies (ORC) was set up as a pilot executive agency before passage of the relevant law, but the pilot’s success made approval of the law much easier. In many respects, business registration also is the peak business-regulation function in a country, and other approvals and registrations flow from it. A single identification number (SIN) created in the business- or tax-registration process often is used for all of a business’s interactions with the administrative system.

Chapter 2

Fundamentals of Good Legislation and Institutional Arrangements

Business registration should not be complex. Some basic principles or target characteristics of a good legal and institutional framework emerge from developed-country systems and from the reform experience of developing countries. For orientation, we list some of these basics before examining developed- and developing-country experience in more detail in Part One, and the process of reform through the lens of the project cycle in Part Two.

Fewest steps

Reduce to a minimum whatever is involved in business registration. Box 2.1 lists the three core procedures that all businesses must complete. Additional steps, such as social security registration or subnational procedures, should be removed from the basic business-registration process, if possible. At least they should require no new information and should be made automatic through the sharing of information. An ideal degree of streamlining may not always be practical, however. Such streamlining may be prevented by legal tradition (civil law, for example) or political rigidities.

Box 2.1 Three Core Procedures

Three Core Procedures

Business registration requires completion of the following three core procedures:

- ✓ Check the uniqueness of the company name.
- ✓ Inscribe the company in the public register.
- ✓ Register with the tax authorities.

Single-point interaction

Aspire to a single point of interaction for all procedures necessary for starting up a business. Regardless of the number of procedures required, the ideal is to have the entrepreneur interact with a single entity. Achieving this goal is much easier when business registration is a streamlined, fully declaratory process requiring no adjudication or decision making. At a minimum, however, the business registry, needs to be linked to the rest of the system as the first step, or peak registry, in the formalization process. Tax authorities still may insist on additional information, and social security agencies may insist on being involved, but at least they should be able to access information already submitted rather than requiring repeat submission. Computerization helps achieve the goal of single-point interaction—whether through online registration or through qualified receiving clerks entering all information related to tax and business registration and distributing it automatically to the appropriate agencies.

Declaratory system

The most efficient business-registration systems are declaratory (to deter bribes and avoid having official decisions made for personal gain), but the feasibility of making them so depends largely on the prevailing legal system (common law *versus* civil law). Some countries (Colombia and Serbia, for instance) have been successful in moving from a court-based system to an administrative one, but such a transition can be contentious. In the process of simplifying its procedures, Paraguay is finding significant opportunities for improvement without taking the risks involved in trying to remove the judiciary from the process. Efficient registration processes in developed countries (such as the United Kingdom, Australia, and Canada) are essentially declaratory.

Time limits

Time limits speed up business registration but are dependent on simplification of the system and on the training of receiving clerks to judge the completeness of applications. Automation helps the process flow by requiring that each step be completed (for example, scanning company deeds or confirming the presence of signatures) before going to the next level. Russian reforms to business registration stipulate a maximum of five days for the process. Jamaica even offers a money-back guarantee in the event of slow service.

Unlimited duration

Doing away with periodic reregistration helps to streamline the process. The requirement for annual reregistration or updates may not necessarily be burdensome to businesses, assuming the cost is nominal, and many countries value it as a means of identifying dormant companies. It does become inconvenient, however, when all companies have to file annual returns by the same day, which leads to long queues and overburdened registries.

Countrywide validity

Countrywide registration is an important issue, because many subnational governments view licensing or registration as a source of revenue. For nationwide validity, either subnational authorities need to be removed from the formal business-registration process, or a registration in one part of the country needs to be accepted throughout the country. Ideally, regional field offices of the central government are empowered to accept or process applications, but subnational licenses or permits are not part of the registration process. Kenya is struggling with this issue. In the United States, companies registered in any state have nationwide recognition, although this does not prevent varying degrees of red tape at state and local levels. Rather than become a barrier to business entry, however, this state-level red tape has led to natural competition for corporate location within the country.

Inexpensive process

Business registration should not be viewed as a revenue-generating mechanism. At the most, it should cover costs (with a margin for upgrading). The objective should be to bring more companies into the formal sector and derive revenue from appropriate taxation of their legal operations. From the perspective of *Doing Business*, the “paid-in minimum capital requirement” is often the most expensive consideration for new businesses, and the better performing countries do not have it. Also, potential costs of registration are reduced by having a simpler process in place for sole proprietorships or “business names,” as in, for example, Jamaica and Guyana.

Database

A good business-registration system not only allows a company to register quickly, but it also effectively incorporates the new company into a national database, and then uses the information appropriately. This is why computerization and simplification are essential to any business-registration reform program.

Chapter 3

What Not To Do

In many ways, fundamental situations to avoid in business registration are the obverse of the recommendations above. Although these points presage the material we will cover in the “case studies” and “lessons learned” sections of this toolkit, you may find it useful to keep them in mind when reading of the experiences of developed and developing countries in the following pages.

Insensitivity to vested interests

Major legal and institutional reforms should not be undertaken lightly. Resistance to change—from powerful vested interests—can significantly slow or even derail the reform process. If at all possible, use existing institutions rather than creating new ones. Use procedural simplification and IT integration to ease the administrative workflow.

Overly ambitious reforms

An overly ambitious reform program—beyond the capacity of a country to absorb—can jeopardize reform. Often, simple reorganization can produce substantial gains.

Separate subnational registrations

Avoid a situation where companies have to register separately in each different subnational jurisdiction.

Premature IT attempts

Avoid attempting IT solutions before the laws and procedures governing business registration have been analyzed and, if necessary, updated.

Proceeding without proper support

Be wary of attempting reform without a strong reform champion and an inclusive steering committee.

Chapter 4

Potential Difficulties

Despite the many potential benefits of an improved business-registration process, reform often proves difficult. Although the ideal business-registration system is declaratory and handled by just one agency, the reality in many countries is that multiple institutions have come to be participants in the process. Because so many government departments tend to be involved at this “public-good gate-keeper” stage of dealing with businesses, it may be much easier to *design* a good business-registration system than to *implement* it. When designing improvements to business registration and other aspects of the public-private interface, it is important to take into account the reasons for this difficulty in implementing reform.

Government distrust of the private sector

Government departments often are distrustful of the private sector, seeing themselves as defenders of the public good. Each relevant government department or agency typically wants to maintain a measure of control over business, not realizing (or perhaps not caring) that the aggregate negative effect on business dynamism is substantial.

Lack of shared vision

Typically, multiple government institutions are involved in the process of business registration and licensing. For various reasons these institutions miss the big picture or the aggregate benefits of more efficient business registration. Without some shared vision for economic development, or a champion at the highest level to push reforms through and enforce their implementation, the reform process likely will be frustrated.

Complicated legislation

Government mistrust of the private sector, combined with the desire of multiple levels and agencies of government to maintain some control over business, often results in complicated legislation. Sometimes the *companies law* or *commercial code* contains the majority of rules and regulations, but often these rules span multiple pieces of sometimes inconsistent legislation.

Small domestic companies fearful of government

Smaller domestic companies in developing countries generally are fearful of the exposure that comes with registration. Such companies, especially those that have experienced a command culture or extremely intrusive economic management, may be mistrustful of government oversight of business. In many cases, however, businesses are eager to register so they can insist on being treated properly by government, and they are frustrated by complicated and nontransparent procedures.

Threat to kickbacks and high fees

A streamlined process would make kickbacks and higher fees less justifiable. For a simple process, for example, a local agency could not justify charging large fees and officials would find it more difficult to extract kickbacks.

Chapter 5

Needs and Priorities

Although each country presents a different set of challenges, certain general needs and priorities apply in any program to reform business registration.

Public-policy objectives

It is important to understand the main public-policy objectives of business start-up procedures and the expectations and concerns associated with registering businesses. Governments register businesses to ensure that their activities are in accordance with the existing legal framework, that the relevant taxes can be levied, and that relevant statistical information is collected. Governments also may be working to promote formalization of the economy or to attract foreign investment. These factors will determine the ultimate mix of legal, institutional, and simplification reforms, the appropriate level of IT, and the entry point.

Delays, complexities, and costs

Before you can design a reform program to address delays, complex procedures, or excessive costs, you need to find where they are in the current system. A reform program must focus on key constraints in the existing business-registration system. If no recent investment-climate assessments, Foreign Investment Advisory Service (FIAS) studies, or other diagnostic data are available, you may use *Doing Business* data as a starting point for identifying constraints. The *Doing Business* waterfall charts, for example, provide a valuable overview of weaknesses in the prevailing system. Detailed mapping of current business-registration processes is an essential step before designing a reform program.

Incentives

Governments and project officers need to understand the incentives for businesses to register. Incentives vary according to the size and nationality of a business. For example, foreign investors will expect to register if they make an investment, but they may assess the nature of the broader business environment based on the complexity of business registration—and may favor a competing national location that is more accommodating. Although large domestic investors cannot avoid the registration process because of their high visibility, inefficient regulatory systems divert their energies from productive activities, to the detriment of the overall economy. Small businesses, however, may resist registration and in some cases need to be persuaded of the advantages of leaving the cover of informality. To counteract the disincentives of financial costs associated with business and tax registration, it is important to emphasize and strengthen the counterbalancing incentives of greater access to public services and finance.

Country-specific reforms

Business-registration reform must be tailored to each country. Transition economies of Eastern Europe have a command-economy heritage, but they also have an opportunity to implement fundamental reforms to legal and institutional systems such as those affecting business registration. Civil-law countries find it more difficult than common-law countries to make business registration an administrative rather than a judicial process, and understanding that difference can facilitate the reform effort. In instances where the main objective is formalization of the economy, simple solutions that address the needs and aspirations of individual entrepreneurs spread out across the country will be more successful than high-tech solutions, which appeal to larger or foreign businesses. Because no universal practical solution exists, it is important to take the measure of the realities of any country before using this toolkit to design an improvement or reform program.

Chapter 6

Impact of Reform

Reform programs do have an impact on business registrations. The *Doing Business* database now has several years of figures documenting the time and cost required to start a business, and each year it highlights the significant reformers.³

Shorter process

In 2003 three dozen countries improved their performance, often through relatively simple changes. Turkey launched a one-stop shop (OSS) and reduced business start-up time from 38 days to 9 days. In Russia, oblasts that followed nationally mandated reforms reduced the number of procedures from 12 to 9. Slovakia introduced a new company law and established time limits for business registration. Other effective changes include single access points and the paralleling of several procedures. Some countries took the brave step (especially for civil-law countries) of eliminating judges or removing registration from the legal system to make it an administrative process.

More businesses registered

Simplified systems result in more business registrations and greater satisfaction among private companies. In France, reforms led to registration of 14,000 new businesses in 2003, a 20 percent increase. Following reforms, Montenegro saw registrations triple from 2002 to 2003, and the continuing public-private dialogue that arose during the reform process indicates increased satisfaction among private companies.

³ World Bank. 2005. *Doing Business 2005*, chapter 3, 1. Washington, DC: World Bank.

Monitoring performance

It is important to measure and document the reformed system's improved performance and the levels of satisfaction of those affected by it. Performance monitoring, both quantitative and qualitative, should be built into any improvement program.

- The *Doing Business* data represent an automatic annual opportunity to benchmark measures of cost and time—against the program's own past performance and against that of other countries.
- Some governments (for example, the municipality of Sidoarjo in Indonesia) take the initiative of pursuing ISO certification for their bureaucratic procedures, inviting inspectors back at regular intervals and publicizing the results.
- You can track other direct measures, such as the number of registrations, even if causality may be difficult to prove (for example, a healthier economy may have contributed). You also can track statistics on compliance with requirements for annual returns. (Changes in the volume of taxpayers should be available through the revenue authorities.)
- Many registries also use customer-satisfaction surveys to capture evidence of improved performance. Success stories will find exposure through the media or word of mouth.

Chapter 7

Complex *versus* Simplified Processes

This section samples the universe of possible institutions and procedures involved in business registration around the world—and pulls from them a set of typical core procedures. Figure 7.1 draws on a variety of sources to paint an overall picture of a complex business-registration process.⁴ The notional country could be a common-law country (in which the registration body might be a government department) or a civil-law country (in which the registration body might be a court or a judicial registry). Figure 7.1 also shows—along the central axis—a set of core procedures common to most business-registration systems.

Cumbersome systems

In cumbersome and inefficient systems, registrants may need to work through procedures 1–18 shown in Figure 7.1. In inefficient systems, the process can take more than three months—often much longer. Generally, registrants must do the following:

- Personally visit multiple offices (sometimes the same office on several occasions).
- Manually submit numerous forms containing duplicate information.
- Perform procedures sequentially, rather than in parallel.

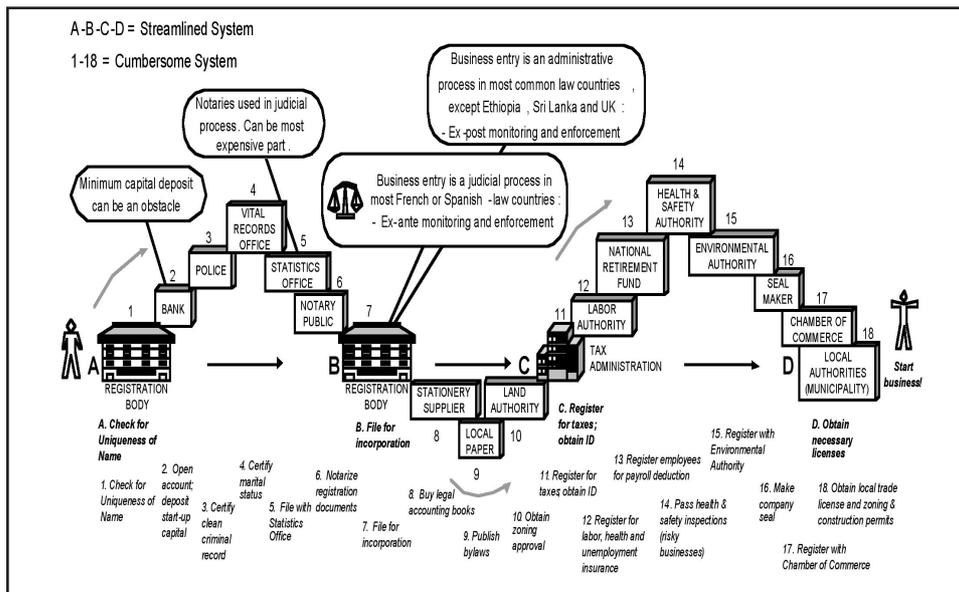
⁴ Djankov, Simeon. 2001. “The Regulation of Entry.” Mimeo (June); World Bank. 2005. *Doing Business 2005* case studies. Washington, DC: World Bank.

Best-practice systems

Best-practice business registration in developed countries may involve only procedures A–D, shown in Figure 7.1, and sometimes even fewer. The process can take fewer than five days, and in some cases only one day. Requirements for registrants generally include the following:

- Interact with only one or two institutions, while one of them—the main registration body—automatically forwards necessary company information to the appropriate institutions, for example, statistics office (No. 5 of the 1–18 shown in Figure 7.1), labor authority (No. 12), national retirement fund (No. 13), health and safety authority (No. 14), environmental authority (No. 15), and local authorities (No. 18).
- Complete only three or four procedures, all of which often can be accomplished online or electronically (e-mail or fax), in one or two days.

Figure 7.1 Universal Start-up Process for a Typical LLC



Sources: Simeon Djankov. "The Regulation of Entry." June 2001, mimeo; World Bank 2005. *Doing Business 2005*.

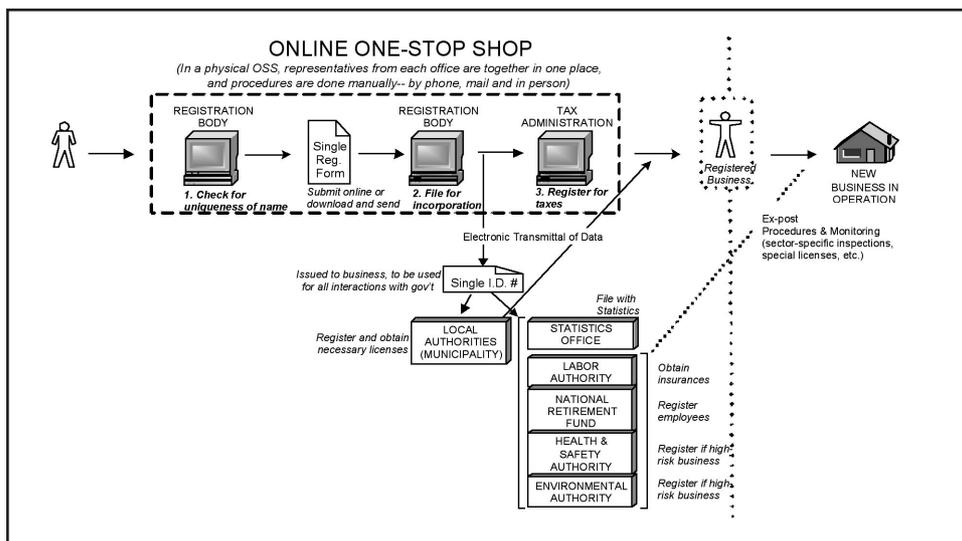
Streamlining

A generic streamlined business registration process can be derived from the core procedures shown in Figure 7.1 as A–D. Figure 7.2 illustrates such a streamlined process, in which only a few procedures need to be completed sequentially. For example, in Canada the sequential procedures are (1) checking for uniqueness of name, (2) filing for incorporation, and (3) registering for taxes. The registration body will not incorporate a business until it is certain that no other business with the same name exists, and the tax administration cannot assign a tax identification (ID) to a nonentity—the business must be incorporated first.

Procedures of streamlined systems

Under a streamlined system, the key registration body handles many of the national and subnational procedures. National and local government agencies that require company information might partner with the central registration body and agree to let that body be the sole collector of start-up company information. The central registration body then is responsible for distributing the information to each agency, where it can be processed simultaneously, rather than sequentially.

Figure 7.2 Streamlined Model



Streamlined sequence

The following list suggests a sequence of procedures completed by the registrant—and the flow of company information—under an ideal streamlined system:

- The registrant checks the online searchable database containing all existing business names to make sure no other business with the same name already exists. If one does exist, the registrant proposes a different name and checks it before applying for company registration.
- The registrant fills out and submits to the OSS (online or via fax or mail) a single registration form, which captures the entire data set needed by every government institution that requires company information (such as the tax administration, statistics office, labor authority, national retirement fund, health and safety authority, environmental authority, and local authorities).
- The registration body issues the SIN that the business will use for all interactions with the government from then on.
- The registration body sends relevant data to each government body on behalf of the registrant. (The e-government network is set up to prevent confidential data from reaching publicly exposed databases.)
- The registration body informs the registrant of the legal obligations of a business owner and how to fulfill them. Under penalties of perjury, owners sign the registration application and thereby assume responsibility for conducting business according to the legal obligations set forth by the government. For example, the start-up business might have to do the following:
 - ✓ Purchase worker's compensation insurance and unemployment insurance.
 - ✓ Arrange withdrawals from employees' paychecks for pension contributions.
 - ✓ Obtain special licenses or permits related to health, safety, and the environment, especially for high-risk businesses.
- The registrant registers with the tax administration for tax purposes. (In this case, as in Canada, tax registration is a separate procedure, not included in the OSS services.)
- Meanwhile, each relevant agency has received information regarding the start-up company and can perform ex post monitoring and enforcement according to each agency's policies.

- If local authorities have partnered with the registration body, the OSS can process local registrations or at least provide necessary application forms to be submitted directly by the registrant. Otherwise, the OSS advises registrants of any registrations and general approvals or licenses necessary to start up a business.

Further refinements

You may want to add further refinements to the streamlined process. In addition to such tools as the OSS, single application form, and SIN, certain legal actions may further streamline business registration. Depending on the country, either laws (requiring parliamentary ratification) or decrees (by individual ministries or the presidency) may result in one or more of the following refinements:

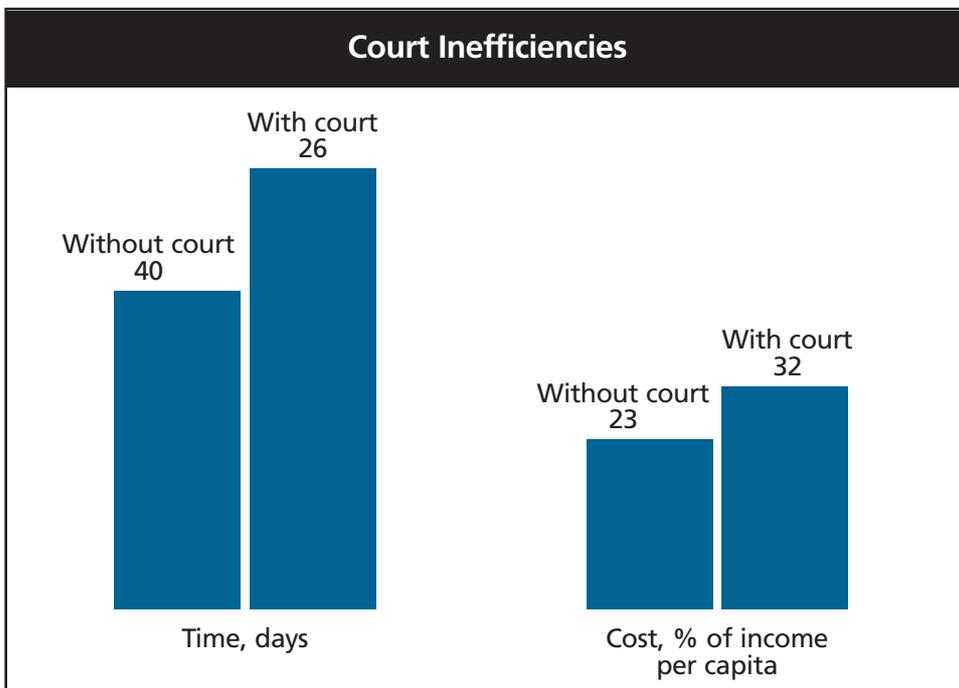
- No minimum capital requirement
- No notarization requirements
- Silence-is-consent rule (If the registrant does not receive approval or rejection within a specified time period, the application is considered to be approved.)
- Electronic signatures and online payments

Chapter 8

Contrasting Legal Systems

Countries with French or Spanish civil-law legal traditions typically administer business registration via the commercial-court system or judicial registries. Although some court systems manage registration or start-up economically and efficiently, it is generally true that reductions in the involvement of courts, notaries, and other legal bodies result in considerable gains in efficiency.⁵

Figure 8.1 Court Inefficiencies⁶



Source: World Bank 2004. "Understanding Regulation." *Doing Business 2004*.27

⁵ World Bank. 2005. *Doing Business 2005*, chapter 3, 7. Washington, DC: World Bank; European Commission, Enterprise Directorate General. 2002. *Benchmarking the Administration of Business Start-ups, Final Report*. (January). Brussels: Centre for Strategy and Evaluation Services (CSES), quoted in Jacobs & Associates (2002).

⁶ World Bank. 2004. "Understanding Regulation." *Doing Business 2004*, 27. Washington, DC: World Bank.

Costliness of judicial registration

Typically, English-style common-law (judiciary-based) business-registration systems are more burdensome than those in civil-law systems. Figure 8.1 shows the differences—in time and cost—to process business registration in court systems as compared with administrative systems. Countries using court systems averaged 56 days and a cost of 32 percent of income per capita. Countries *not* using courts averaged 40 days and a cost of 23 percent of income per capita.

Moving registration out of the courts

Governments are recognizing the costliness of devoting valuable court resources to registration, a process that does not require judicial expertise. Executing registration as an administrative function (rather than a highly legalistic one) can result in greater efficiency and in increased rates of formalization. The benefits of capturing accurate company information and new tax revenues can outweigh *ex ante* monitoring and enforcement. The corruption that characterizes many court systems may be an additional motivation for removing them from the business-registration system. On the one hand, a major reason the courts resist business-registration reform is the loss of revenue from a process that can be quite lucrative. On the other hand, making registration an administrative process frees the courts to deal with backlogged cases such as commercial disputes. Nevertheless, many countries attempting to disempower the court system in this way have faced a major battle, making it important to consider the pros and cons of this reform strategy on a country-specific basis.

Several countries, particularly in Europe, have moved business registration out of the court system—or at least simplified the role of the courts. *Doing Business* emphasizes the absence of courts from the most efficient business-registration systems. Several of the more advanced countries with civil-law traditions—and a growing group of transition economies—have made this change recently. Many of those countries have the advantage of taking this step as part of unavoidable wholesale legal reform, in which there is probably no going back, and the presence of regional peer pressure and precedent (including from the European Union) may contribute to a successful outcome. These reforms are in their early days, however. Outside of Europe and Eurasia, several Latin American countries, including Honduras, Nicaragua, and Chile, have sought to remove registration from the courts. The battle to do so was acrimonious in Honduras and took many years; the Chilean government's firm hold on economic management may have made it easier to push through reform there. The issue of how to remove registration from the courts, and where that action should be in the list of reform priorities, could benefit from further investigation.

Table 8.1 Some Countries Removing Business Registration from Courts

Some Countries Removing Business Registration from Courts		
Developed Countries	Transition Countries	Other Developing Countries
France	Romania	Chile
Italy	Serbia and Montenegro	Honduras
	Slovakia	Nicaragua
	Macedonia (in progress)	

Source: *Doing Business* (various years), Nathan Associates

Winners and losers

Business reform, including registration, inevitably has winners and losers, with special interests often resisting change for fear of a perceived loss of power or revenue. Special interests include notaries and lawyers that have a statutory role in the process and derive income from it, judicial registries for whom registry fees may be a significant source of revenue, and employees who may fear retrenchment. Although specific solutions will depend on the particular situation, in all cases those who fear loss of revenue or power need to have incentives, such as the following, for accepting reform:

- In the context of broad-based commercial legal reform in transition countries, judges invariably are in short supply and can be more useful in commercial courts, and the attraction of registry functions can be lessened by reducing fees.
- Often the stiffest resistance is from private service providers (lawyers and notaries) for whom business registration is a stable and easy source of income, although sometimes (as in Paraguay) lawyers admit that statutory involvement in the process is a burden on them.
- Employment should not be a major issue, because business registries generally do not employ large numbers of people. (Redundancy issues and innovative redeployment solutions in the context of public sector reform are beyond the scope of this toolkit. Registry modernization requires new skills and new job descriptions; governments need to consider providing training and redeploying staff if necessary. Often, those employees who remain can be incentivized in the context of an executive-agency model, as was done in Jamaica. Another solution is for governments to arrange for staff to be deployed in

new functions, as was the case in the municipality of La Paz and in the context of OSS reform in Egypt.)

Effective court-based systems

It is worth remembering that some court-based business-registration systems are reasonably effective. Keeping registration in the judicial system in return for improved efficiency also can be an incentive for the courts to perform better. It may not be the optimal solution, but it avoids conflict. Austria, for example, has an extremely efficient judiciary-based business-registration system and has taken legislative measures to make the process easier for new business owners. Through its “law for the support of young entrepreneurs and business startups,” enacted in 1999, entrepreneurs no longer have to pay for a certificate of good character, for registration at the commercial court, for a business license (from local government), or for membership in the chamber of commerce and industry.

Chapter 9

Practices of Developed Countries

This chapter focuses on some of the institutional approaches and operational tools used by developed countries to make business registration more efficient and customer friendly. For more effective reform efforts, developing countries can draw upon patterns of good practice from developed countries, but differences demonstrate that solutions must remain country-specific. We should not assume that what has worked in developed countries necessarily can be transplanted. Those who design reform programs for a particular developing country must consider each institutional approach or operational tool on its merits.

Core themes

Key themes running through developed-country good practice in business registration are (1) a customer-oriented approach, (2) new institutional approaches, and (3) the use of IT. These themes also affect the *implementation* of different operational tools.

Box 9.1 Possible Locations for Core Functions

Possible Locations for Core Functions

The following are four possible locations for the core business-registration function:

- Government department or agency
- Court or dedicated registry under the judiciary (in civil-law countries)
- Semi-autonomous executive agency
- Private concession or somewhat privately managed solution (such as chamber of commerce)

- *A customer-oriented approach* designs systems that facilitate business interactions with government agencies, and those agencies go out of their way to reduce business start-up burdens. For example, agency-run business service centers not only provide registration windows but also often offer free advice on how to make new businesses successful.
- *New institutional approaches* are visible in the design of core registration bodies and business-interface institutions. Box 9.1 lists four possible locations for the core business-registration function. Generally, countries have not fundamentally changed the ultimate institutional locus, but they have sought ways to change its *face* and make it more responsive to private sector needs—for example, establishing business service centers where businesses can carry out registration procedures and receive information and business help.
- *IT* is indispensable in improving business registration. Other operational tools (such as SINs, OSSs, and single registration forms) become far more powerful through the application of IT. Paper-based systems tend to be cumbersome, and the hard-copy ethic gives rise to many of the bottlenecks that slow business registration, such as the need to visit the same institution multiple times.

Key tools

In this section we will look more closely at some of the key tools that developed countries use for streamlining business registration: OSSs, e-government and IT, single registration forms, SINs, and the silence-is-consent rule.

One-stop shops

OSSs can be physical offices or online Web portals. They provide all the information and forms business registrants need, and the best of them allow registrants to complete almost all registration and start-up procedures in that single location, thereby reducing the need for businesses to visit numerous offices (such as national and local registries, national and local tax authorities, the social security office, and the statistics and labor authorities). Box 9.2 describes an online OSS in the U.S. state of Utah.

Physical OSSs

Physical OSSs are particularly beneficial to rural businesses with limited access to municipal centers. Some countries have only a few physical OSSs, but others have many of them, located throughout the country.

OSS effectiveness

To avoid the creation of a *one-more-stop* shop, the OSS must be part of a larger set of organizational and procedural improvements. Otherwise, the so-called OSS may merely perpetuate old inefficiencies—and become an additional layer itself. An effective OSS depends on collaboration among relevant government authorities that share responsibilities for supporting business start-up. Modern OSSs use IT solutions to facilitate the sharing and protecting of information among the government constituencies involved. Traditionally, OSSs have been effective only when officials appointed to them are vested with sufficient authority and autonomy to make decisions. With the increasing use of IT, qualified clerks are able to evaluate the completeness of applications, if not to approve them. Relevant institutions can access digitized applications immediately, through a “single window,” without their officials having to relocate physically.

Box 9.2 Online OSS in Utah, U.S.

Online OSS in Utah, U.S.

One Stop Online Business Registration



Background

Prior to the establishment of Utah’s OneStop Business Registration (OSBR) system, navigating the process to start up a company was not easy. The main problems were as follows:

- Businesses had to personally visit each state agency
- Businesses had to fill out multiple forms
- Agencies requested duplicate information
- No one agency had ownership of business registration or start-up
- The entire start-up process took weeks or months

Champions of Reform and Cooperation

In 2001, under a gubernatorial mandate to improve the business-registration system, the Department of Commerce (DOC) convened a progressive group of administrators, including key decision makers and an e-government consulting firm, to assess the then-current system and develop a reform strategy.

The planners mapped out the entire current process, identifying the key players. Then they asked what the agencies needed from business registrants, identified common procedures, and determined how they could be combined.

Combining procedures and forging partnerships required extensive negotiations among the parties involved, but the governor insisted they make it happen. The result was an online one-stop shop.

Online OSS in Utah, U.S. (continued)

The Process

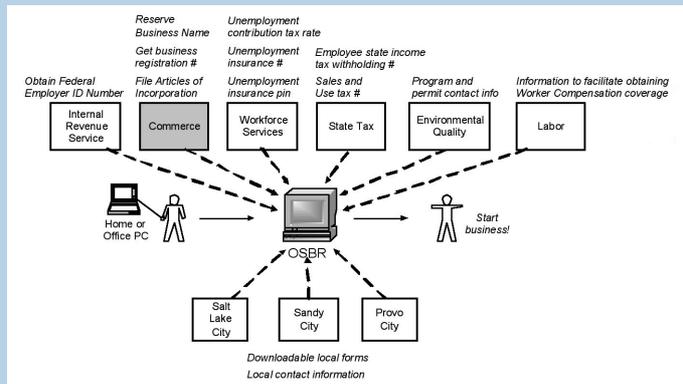
Utah's OSBR allows entrepreneurs to register a business with federal and state entities without having to visit each agency separately. Here's how it works: The OSBR follows a "wizard" approach. Each page is dynamically generated based on the information supplied by the user within a relatively common set of registration steps. Users progress through five main areas of business registration:

1. Declare the business entity
2. Name the business
3. Describe the business and its activities
4. Provide business addresses and locations
5. Define the management or ownership

Vertical Integration

- Federal tax (IRS)
- Utahtax
- Commerce
- Labor Commission
- Workforce Services
- Environmental Quality
- Utah cities and counties

In each area, users answer only the questions that pertain to the type of business they are registering. Streamlining is achieved by arranging questions logically rather than by agency.



The flowchart above shows Utah's online OSS registration process. The formalities (in italics) required by most of the state's agencies (named in the boxes) can be completed online for most types of businesses. City formalities cannot yet be completed online via OSBR, but requirements, forms and city officials' contact information are provided.

Legislative Issues

A memorandum of understanding—signed by key agencies, including the IRS, DOC, Utah State Tax Commission, and Workforce Services—established terms regarding the sharing of company information. IT ensures that information submitted via the online forms is sent only to the appropriate agencies (for example, social security numbers and financial data are routed to tax authorities, but not to the DOC). The need for notaries had already been eliminated in Utah, and electronic signatures were already legally authorized under the governor's e-government initiative.

Online OSS in Utah, U.S. (continued)

Overcoming Challenges

The greatest challenge in developing OSBR was gathering and integrating the requirements of multiple state agencies into one system. By gathering requirements one agency at a time, the architects could see the big picture and understand the process logically, rather than on a form-by-form basis. Another challenge was getting buy-in from attorneys and power filers, because they believed OSBR would take away a lot of their business. Early in the development process the state invited attorneys and power filers to participate in focus groups, which served two purposes: (1) attorneys and power filers became excited about OSBR, and (2) the state designed an application to meet their needs. To further ensure buy-in and an understanding of user needs, state personnel spoke to the Utah Bar Association and CPA groups to educate them about the application. Today, Utah's business registration and start-up system is deemed best in class in the United States. It is possible for a business to complete all registration and start-up requirements online in one day at minimal cost.

Benefits for Business

- One registration combines seven disparate processes into one online process.
- The timeline for new business registration is significantly decreased.
- Registration can be done at the business owner's convenience, any time of day and from anywhere.
- Users have assurance that their registrations are complete.

Benefits for Government

- Considerable reductions in labor-intensive tasks such as data entry and answering telephones
- Applications that are 100 percent complete and avoid errors common in paper applications
- Reduced initial and subsequent costs to the government entities for each registration
- Increase in available information and reporting capability to each agency

E-government and IT solutions

E-government uses IT to make government more efficient and responsive. It helps government institutions accomplish the following:

- Promote more efficient and effective government.
- Make government services more accessible.
- Allow greater public access to information.
- Make government accountable to citizens.

Key uses of IT

E-government is necessary to reap the full benefits of simplification tools such as online OSSs and single registration forms. Important uses of IT include the following:

- Provision of information electronically
- Computerized information and document input (either at a physical location or online)
- Computerization of records of existing entities and business names
- Computerization of new registration requests
- Electronic signatures
- Communication within and between government departments and between different jurisdictions via intranet

Key components of e-government

Important e-government components include the following (but as will be discussed in Part Two, the most advanced levels of sophistication may not always be appropriate for reforms in developing countries):

- *Centralized government portals* are access points for all relevant information and, ultimately, for conducting transactions.
- *Internet-based registers of formalities* enable users to obtain all necessary forms online.
- *Internet-based regulatory transactions* are electronic registers that make it possible for users to fulfill some or all administrative formalities electronically. (Advanced stages occur in the OSS model in which businesses interact online with a single contact point.)
- *Electronic Signatures*—essential in an e-government environment—are legally recognized substitutes for wet signatures to enable online transactions.

Single registration forms

Single registration forms bring together in one document all the information requests of agencies involved in a company's registration or start-up process. Rather than filling out numerous forms that require much of the same information, business registrants only have to provide the information one time. Then it is disseminated to all relevant agencies. Registration-form requirements may change over time, depending on the needs of

Box 9.3 E-Government in Pordenone, Italy⁷**E-Government in Pordenone, Italy****Background and drivers**

In 1998, Italy enacted a national law to ensure that municipalities give companies guidance and support on the procedures necessary for starting up a business. The law delegated to the municipalities the task of instituting the Sportello Unico per le Attività Produttive—Single Office for Productive Activity (SUAP). Three years later, the Friuli-Venezia Giulia region followed through by creating its own law to enable the establishment of SUAPs throughout the 51 municipalities of the province of Pordenone.

SUAPs offer companies access to a single office where, after getting guidance and support, they can carry out all their administrative procedures, no matter how many public administrations are involved. The approach of the project, led by the chamber of commerce, was to understand business needs and reengineer processes (administrative procedures) accordingly. As a result, businesses can download all modules from the Internet, activate the procedures online, sign forms with digital signatures, and conduct payment transactions.

IT

A Web portal, www.amministrazionefuturo.com, is at the center of the system, which has two servers, installed and configured as a cluster with a mutual takeover feature—an innovation that won an award from IBM as the best Italian e-government implementation. At the front end of the process, users answer a number of questions and the system identifies the appropriate administrative procedures. At the back end, workflow software for managing the SUAP applications is integrated with the Italian business database of the chamber of commerce and generates communications between SUAP, businesses, municipalities, and other public administrations involved, all in PDF (permanent document format), which can be printed or digitally signed and transmitted via certified email. Businesses can access e-Services over the counter and via the Internet.

Improvement

Prior to legislative and process reforms, registration and start-up procedures were conducted in the court system and much of the registry information was stored in paper form at local courthouses. The government's strong will to shift from a system of authorizations (in which businesses request authorizations from public administrations) to a self-certification system (in which businesses certify under their own responsibility compliance with the laws and directives) has propelled reforms. Reforms have resulted in dramatic reductions in time and costs necessary to start up a business.

Source: Europa Web site. "E-Government Good Practice Framework: Good Practice Case Studies," http://europa.eu.int/information_society/activities/egovernment_research/gpf/cases/search_country/index_en.htm#italy 2003.

⁷ Europa Web site. 2003. "E-Government Good Practice Framework: Good Practice Case Studies." June 9. http://europa.eu.int/information_society/activities/egovernment_research/gpf/cases/search_country/index_en.htm#italy.

the various agencies involved, making periodic reviews necessary. Box 9.4 describes the use of a single registration form in France.

Box 9.4 Single Registration Form in France⁸

Single Registration Form in France

Background

France's single registration form (Déclaration Unique d'Entreprises) grew out of the establishment of the business procedures centers (Centre de Formalités des Entreprises—CFEs), France's one-stop shops. Before CFEs, start-up businesses had to complete all the individual forms required by all the different partner agencies, even if done in the same place at the same time. Burdened by inefficiency, both applicants and partner agencies accepted the principle of common forms.

Development of common forms

All parties agreed that, despite the seven different types of CFEs (each serving a different sector), not every sector needed different forms. Rather than one universal (and necessarily cumbersome) form, however, they agreed to have four different forms, each covering a range of areas, for all business start-ups. Because one partner agency does not need access to information required by all the others, CFEs use special forms with self-copying sets incorporating hidden or obscured parts, ensuring that agencies receive only the information relevant to them.

Full-scale revision

In 1997 a full-scale revision began, which took three years to complete. With the development of electronic data interchange between CFEs and the introduction of IT, forms became more like data-entry templates. Applicants' information could be entered directly and entries tailored to their particular circumstances. Data could then be directed to each partner agency as appropriate.

Benefits

France's single registration forms have discouraged errors within and between agencies and encouraged agreement on a common administrative language between agencies, making the process much easier for business registrants. Although implementation was rigorous, it is an important step in making the business-government interface work much more efficiently.

Source: European Commission Enterprise Directorate General. 2002. "Benchmarking the Administration of Business Start-Ups." Centre for Strategy & Evaluation Services. January. 121.

Single identification numbers

SINs constitute another simplification tool that makes the registration process easier for both entrepreneurs and public authorities. A business can use the same number for all of its dealings with various government departments and agencies at the national and

⁸ European Commission Enterprise Directorate General. 2002. "Benchmarking the Administration of Business Start-Ups." Centre for Strategy & Evaluation Services. January. 121.

subnational levels. Having one number for each business simplifies the management of databases and the sharing of information about businesses among public authorities. Box 9.5 describes Australia's adaptation of the SIN concept.

Box 9.5 SIN Concept in Australia⁹

SIN Concept in Australia

Single identifier

Australia developed the Australian Business Register (ABR), which uses a SIN called the Australian Business Number (ABN). With the ABN, businesses need only a single identifier for all dealings with the government, including a range of tax-related transactions with the Australian Tax Office and with other businesses. Now that ABR is online, electronic registration and searching of ABNs is available.

Benefits

Australia also developed the ABN Digital Signature Certificate. Direct benefits from the system include reduction in time and costs involved in fulfilling tax-registration obligations and other dealings with government agencies. Electronic registration, with built-in edit checks, lowered the number of errors, and the high percentage of online registration (60 percent of ABN registrations) significantly reduced tax-office resource requirements.

Source: OECD. 2003. "From Red Tape to Smart Tape." 23.

Silence-is-consent rule

Silence-is-consent (*affirma ficta*) is a self-imposed rule by government authorities to prevent unnecessarily long delays in handling applications. Silence-is-consent means that if entrepreneurs have not heard from the government agency within a specified number of days, approval is automatic. The rule is particularly helpful when certain procedures must be completed in sequence and the earlier ones can cause bottlenecks in the registration process. The rule ensures that an applicant, who assumes that all is well with the application, doesn't find out weeks later that the application has been languishing unattended on a desk.

The rule often holds bureaucrats responsible for approvals that resulted from their failure to act within the time limit. When a silence-is-consent rule is in effect, it is particularly important to give applicants clear and precise directions regarding the information requirements. Otherwise, bureaucrats will be forced to choose between having to make a sound administrative decision based on insufficient information or having to honor the time limit.

⁹ OECD. 2003. "From Red Tape to Smart Tape." 23.

Chapter 10

Lessons Learned from Developing Countries

This chapter summarizes lessons learned from successful reforming countries—how they simplified business-registration procedures. We focus on developing countries for two reasons. First, we cannot assume that developing countries can follow the same path that developed countries took to achieve relatively simple systems. The means by which developed countries established their current systems generally involves a solid legal and institutional framework evolved over time, and recent changes have benefited from that foundation. Developing countries, by contrast, don't have the luxury of time for systems to evolve. Instead, they must find ways to surmount legal, institutional, and operational barriers to business registration—all at the same time. Second, developing countries provide clear examples of reform with a starting point, a process, and an outcome. They show how legal, institutional, and operational reforms might be combined or phased for optimal outcomes.

We draw lessons from a variety of good and bad experiences worldwide but, in particular, from four case studies that demonstrate key elements of successful reform. The four headline case studies (see Annex A) provide excellent examples of legal, institutional, and operational reform and of the use of IT and other tools. They also speak clearly to the importance of foundations, champions, and levers for reform.

Foundations and preparations for reform

It is important to have the essential foundations in place and look for gains from simpler, noncontroversial reforms, if feasible. Four issues form the backbone of the project-cycle guide in Part Two; a project officer (or government) considering a business-registration reform program should bear these four issues, or questions, firmly in mind:

- Are the basic foundations in place, or can they be created?
- Are fundamental reforms (of laws and institutions) really necessary? If so, how should they be phased?
- How significant are the potential gains from simplification, such as the removal or paralleling of procedures?
- What simple operational tools can have an impact—in particular, what is the appropriate degree of automation to consider?

Successful reform programs involve solid foundations and thorough preparation. Box 10.1 lists four important elements of a strong foundation, discussed in more detail below.

Box 10.1 Four Foundation Elements

Four Foundation Elements

Following are four important elements of a strong foundation:

- External levers
- Reform champion
- High-level steering committee
- Public-private dialogue

External levers

External levers for reform are essential. The following are examples of external levers that can galvanize governments into action and help forge consensus and a common vision across different parts of the government and the private sector:

- **Exposure.** On one level, leverage results from the exposure provided by World Bank Investment Climate Assessments (ICAs), FIAS diagnostics, and FIAS/USAID (U.S. Agency for International Development) investor roadmaps. These tools, often proprietary to the client government, must fully capture government leaders' attention to serve as a lever, although they have been incorporated into loan conditionalities, often at the request of government.
- **Doing Business indicators.** More recently, the *Doing Business* surveys and measurement of business-registration performance have placed business registration in the limelight. The MCC also has embraced *Doing Business* indicators, thus tying significant funding to business-registration and other reforms for threshold and compact countries.

- **Prospect of membership.** Valuable leverage results from the prospect of membership in regional economic groupings. For example, the attraction of EU association or membership was a powerful force for business-environment reform in eastern and southeastern Europe. Trade and Investment Framework Agreements (TIFAs) that precede U.S. bilateral agreements also provide leverage for reform.
- **Desire for economic competitiveness.** Many small, new, or postconflict countries, or those in transition from command economies, have proactive business and government leaders who are keen reformers and seek to carve a competitive niche in the global economy. This leverage is especially effective when combined with substantial international financial support for reconstruction.

Reform champion

Reform champions at the highest level in a country are critical ingredients for success. Business-environment reforms invariably involve multiple ministries and different branches of government, often reluctant to change or cede authority. A high-level reform champion, such as a prime minister or president, frequently is essential to the process—to forge consensus or drive through reforms, particularly where registration is to be moved from one branch of government (judiciary) to another (executive). Vladimir Putin played such a champion role in Russia, even though only a few oblasts have risen to the challenge proactively, so far. Dzurinda's cabinet played a similar role in Slovakia. The reform experiences of Turkey and Jamaica (see Annex A) also underscore the importance of proactive champions.

High-level steering committee

A high-level steering committee will help ensure success. Sometimes it is necessary to create these bodies from scratch; sometimes you can use existing mechanisms, or at least copy successful models. Ideally, the high-level steering committee has a mandate for broad economic or investment-climate reform, with business registration as one agenda item. Be alert to the larger context: If too many committees are active, the effect of any one committee will be weakened, and this is a real danger in many developing countries. Turkey, for example, set up a high-level economic-reform committee, a business-registration subcommittee of which convened numerous (and still continuing) public-private discussions.

Public-private dialogue

At the steering-committee and working levels, public-private dialogue is important for overall economic development. Only by listening to the users of the system will government understand what the real problems are. Subnational regions in developed countries are increasingly embracing the idea of a public-private coalition as they seek prosperity for their region and realize that a healthy private sector is indispensable.

Legal and institutional issues

It is important to give careful consideration to legal and institutional reform. Although we have examples of extremely successful fundamental legal and institutional reforms—such as moving business registration out of the courts in Italy and in Chile—many other attempts at fundamental reforms have paralyzed the reform process. Costa Rica is still trying to sign a memorandum of understanding among stakeholders three years after designing a reform program, and the battle to remove business registration from the hands of judges in Honduras has been long and bitter. Countries and project officers should consider what they can achieve *without* such fundamental reforms—or at least refrain from trying to rush them. Below are insights regarding (1) core business laws, (2) lesser legal instruments, (3) challenges in civil-law countries, and (4) four institutional choices.

Core business laws

Although it is ultimately necessary to reform core business laws, proper preparation for such reform is critical. Jamaica spent more than 10 years preparing and gaining consensus on company-law reform, meanwhile achieving a marginally less challenging institutional reform and undertaking procedural improvements and comprehensive automation. This time frame provided for ample public-private discussions on the law. By the time the law went into effect, the public viewed it as simply catching up with the extremely efficient public-private interface that was already established and in practice.

You may be wondering, which law reforms are desirable—and are they necessary? Laws and regulations governing the various aspects of business registration are numerous, and they vary from country to country. An important preparatory step in a reform program involves a thorough inventory of relevant laws and a solid legal analysis of them. You might desire, for example, to add a *general objects* clause and eliminate the capital requirement. But first you need to know whether those are really the bottlenecks. *Doing Business* gives a picture of the relative burden of the

capital requirement; good public-private dialogue should reveal whether businesses have problems with the current laws; and solid legal analysis will show whether the laws are easy to change.

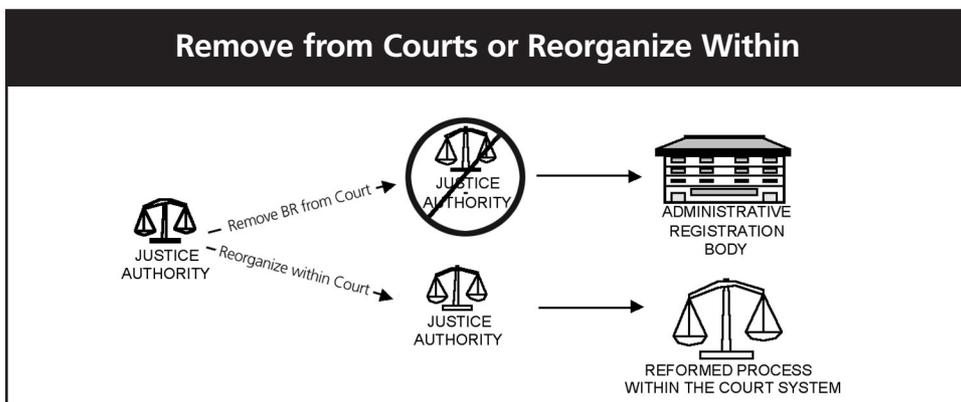
Lesser legal instruments

For business-registration reform, lesser legal instruments, such as decrees, can be as important as laws. For example, implementing regulations that govern the constituent procedures of business registration can produce the desired improvements without lengthy delays. Decrees, for instance, do not require parliamentary approval and can go into effect relatively quickly, avoiding legislative delays (often measured in years). A decree is sufficient to instruct parts of the judiciary to collaborate with other branches of government, or to allow local branches to set up OSSs.

Challenges in civil-law countries

The approach to reform in common-law countries will differ from the approach in civil-law countries. *Doing Business* insists, correctly, that business registration should be an administrative process, and that many significant improvements in performance come from eliminating judges from the process. Figure 10.1 shows two options for improving a cumbersome civil-law business-registration system. Countries and project officers need to consider carefully whether making such changes is likely to be a battle—and if so, whether it is a battle they wish to fight. As a practical matter, legal reform of this kind is also likely to take longer than the typical two or three years.

Figure 10.1 Remove from Courts or Reorganize Within



Overall context

Moving business registration out of the courts is ultimately desirable—but difficult. Each country has its own set of challenges, and the courts question needs to be viewed in the context of overall reform priorities. Successful reforming countries have tended to be those that have a clean slate to work from and that are supported by peer precedent and pressure—or countries with a strong but not necessarily democratic government. Exceptions include France and Italy as well as countries, such as Honduras, that have fought a long battle to realize the change.

Less radical changes

Business-registration systems in civil-law countries also can benefit from less radical changes. Although some countries (Italy, Serbia, and Kosovo) have moved business registration completely out of the courts, others (Montenegro and Bosnia-Herzegovina) have kept the registry in the courts but removed discretionary authority from the judges and implemented other simplification measures. For example, the courts in Montenegro allowed procedures to be undertaken in parallel, introduced automatic approval after seven days, and eliminated the criminal-record requirement. A proposal in Paraguay, rather than excluding the judiciary altogether, would help the judiciary automate the business registries and better integrate them into a governmentwide database.

Four institutional choices

Attempts to change the location of the core business-registration function can stir up significant resistance and be very time-consuming. As with fundamental legal reform, each country has its own set of circumstances, which may present obstacles or may be quite conducive to change. Four possible locations for the business-registration function are (1) a government agency, (2) a court or judicial registry, (3) an executive agency, or (4) a private entity (see also Box 9.1 on page 28). We find effective examples of each, but countries generally are wary about changing the ultimate institutional locus and instead seek to change the “face” of an existing location, making it more responsive and attuned to private sector needs.

Operational and automation improvements

Various operation tools have been successful in improving business-registration performance. The key to their success is that they fit in with established procedures and do not challenge vested interests. For example, guidebooks are simple tools that explain the procedures (to government officials and businesspeople), clarify

the process, and identify opportunities for improvement. Other streamlining tools include single registration forms, SINS, single windows, and OSSs. Not every government institution takes advantage of these improvements, but the pressure on them to do so increases. Three ways to improve performance are (1) eliminating steps, (2) paralleling steps, and (3) automation.

Eliminating steps

Some business-registration steps clearly are redundant. Many redundant steps are relatively easy to remove, either because they have become irrelevant or because no strong special interest resists their removal. An example is the publication of business-registration announcements in newspapers,¹⁰ which at one time was necessary to confirm uniqueness of name, but automation now removes the need for hard-copy publication. Some countries have removed this requirement and instead publish announcements on the registry Web site or rely on a database of company registration to determine whether companies with a particular name already exist. Other requirements—for example, getting a criminal-record statement from the police or confirming marital status—may be holdovers from a command-era economy and no longer serve a useful purpose. For instance, police have access to information about a company or its owners if they need it, but they need not be involved routinely in the registration process.

Paralleling steps

Eliminating steps in the business-registration process results in obvious benefits, but it also invites resistance from special interests that want to preserve them. When it isn't practical to eliminate certain steps, you can accomplish many of the same advantages by paralleling, or *stacking*, steps. Figure 7.2 (on page 21) illustrates paralleling, which keeps institutions involved in the process but does not impede the progress of a business registration. Paralleling—combining multiple steps at one institution into one procedure—meets the need for streamlining and at the same time accommodates institutions with vested interests.

Automation

Automation brings with it many other operation tools. An automated registration system works best, for example, with a single, unified registration form. It also encourages stakeholders to adopt SINS, even though it also makes management of more than one number easier.

¹⁰ World Bank. 2006. *Doing Business 2006*. 12. Washington, DC: World Bank.

Standard technology

Automation and digitization of registry records is standard technology for business registration today—in any country. Automation makes more information more accessible to more people; it makes the process of inscription easier; it is cost-effective; and small-business entrepreneurs need not be technologically skilled for it to improve the system. Automation of the input function democratizes business-registry skill, enabling qualified clerks to judge the completeness of applications and to collect information. A digitized database makes it easier for clients to search company names, and it makes it possible for officials throughout the government to access information they need without having to collect it themselves.

Phasing automation

It is possible to introduce into a business-registration system just as much automation as the institution is able to support. Some countries may start with simple automation of input and output functions for name searches. They can add more automated functions as they are ready. At the other end of the spectrum are the more sophisticated economies, with information and communication technology (ICT) legislation allowing online payments and digital signatures. In these countries, business registration can become virtual and almost instantaneous.

Duration, phasing, and sustainability of reforms

Two key elements of business-registration reform are *preparation* and making the reforms *country-specific*. In general, the more familiar the project team is with the peculiar needs of the system to be reformed, the sooner the reforms can be implemented and the more sustainable they will be.

Duration of the reform process

The duration of the process of business-registration reform varies considerably, depending on the types of reform attempted. Fundamental legal and institutional reforms, for example, can take from five to ten years. More subtle institutional shifts may have an impact in two or three years. The quickest substantial gains come from efforts at simplification (removing redundant procedures or paralleling others) and automation. Allowing for investigation and planning periods, simplification reforms often produce results in less than two years.

Phasing of reforms

Often, business-registration reforms benefit from being phased. Legal, institutional, and operational or automation reforms can be *nested*, for example, as in Jamaica where automation occurred in the midst of a longer process of legal and institutional reform. Simplification reforms also can prepare officials and businesspeople for undertaking more thoroughgoing reforms later. (It is also possible, however, for a proactive champion to push through radical reform quickly with the expectation that it will stimulate better performance in the implementing institutions, as was the case in Russia. Once again, the right solution is country-specific.)

Piloting or phasing operational improvements, especially for automation, makes reform more manageable and has a demonstration effect. Operational improvements can begin with automating current registrations only, then moving to the digitization of historical documents, for example. Also, in larger countries, automation can be rolled out at the capital location first, and later extended to field offices. Success in one of these pilot stages can have a strong demonstration effect, building support for continued reform. Also, success in the business-registration function can build support for the automation of other registration and e-government functions, and subsequent activities can build on automated systems and software.

Sustainability

Once in place, business-registration reforms tend to be sustainable. *Doing Business 2005* notes only a few exceptions—countries in which business-registration performance (measured in time or costs) worsened as a result of implemented reforms. Everywhere else, countries where processes regressed either did nothing or attempted reforms and got stuck. Countries with successful reform projects planned and executed them carefully, and business-registration performance improved. The success stories investigated for this toolkit—especially the four included in Annex A—all saw significant performance improvements that continued after donor support ended, or after the reform agenda was completed. Institutions with increased accountability—such as the ORC as an executive agency in Jamaica—must demonstrate continued improvement each year to the minister in charge. ORC uses a percentage of its income to support continual upgrades of its services and capabilities.

Chapter 11

Ideal Registration for Developing Countries

Doing Business is clear about what best or ideal practice should look like for developing countries:

- **Legal or regulatory.** Business registration should be a declaratory or administrative process involving two, or possibly three, almost simultaneous steps. Because the process involves different ministries or branches of government, the governing legislation probably appears in more than one location (for example, tax act and companies law, at a minimum). A business-registration act is likely to be a derivative summary of other legislation, unless that other legislation somehow omits company registration.
- **Institutional.** Possible locations include a government department, court or judicial registry, executive agency, or private concession (see also Box 9.1 on page 28), none of which constitutes a universal “best” location. The only strong recommendation is that business registration generally should *not* fall under the courts or judiciary.
- **Operational.** In addition to urging countries to reduce the number of steps involved, *Doing Business* emphasizes the advantages of automation for any country. The business-registration process in best-performing countries invariably involves a high level of automation.

Country-specific solutions

Ultimately, the choice of which elements of best practice a reforming developing country will adopt depends on country-specific circumstances and risk-reward calculations. Each country must set its own priorities—and may defer some reform ele-

ments because the risk-reward ratio is too high. For example, removing registration from the courts or eliminating notaries and lawyers from the process may be too difficult to take on in an early phase. Other elements, such as removing or paralleling steps or introducing automation, often have priority. Box 11.1 lists some of the elements of developed-country best practice, some of which are more challenging than others for developing countries to emulate. Project officers need to evaluate the challenges and trade-offs of the various elements and then determine which ones can be achieved with less contentious initiatives, such as simplification.

Box 11.1 Common Features of Best Performers

Common Features of Best Performers

Below are six common features of business registration among the global ten best performers:

6. Courts are not used.
7. Online registration is available countrywide (excluding Romania).
8. The only cost is a fixed registration fee.
9. No journal publication is required.
10. Standard registration form is used.
11. Capital requirement is nominal or zero.

Source: *Doing Business 2006*, p.12

Levels of automation

Any effort to reform business registration will involve automation. Ideally, it will include *internal* automation, *integration* with other government databases, and *online search and registration* by businesses. As a practical matter, however, a particular country's own circumstances will determine the initial level of automation and how or when to phase in additional automated features. Below is a suggested first phase, followed by two alternative phase-two suggestions:

- **Phase One.** It is relatively easy to introduce automation *within* a business registry—possibly beginning with digitization of new registrations (perhaps in parallel with the old system during a pilot phase), then expanding to integrate historical records. Subsequently, but still within this phase, registry staff could use the automated database for the name-search procedure. It is a small step further (telecommunications permitting) for field offices to become part of the automated *internal* system.

- **Phase Two (alternative A).** A next-generation possibility is automating the registration function to allow businesses to register themselves online. (This step requires e-legislation for digital signatures and electronic payments, as well as secure software systems.) The value of this additional investment depends on the level of connectivity of the business population. Estonia has begun to follow the Danish model of advanced automation along these lines, for example, but found initial awareness of automation possibilities to be low among businesses.¹¹
- **Phase Two (alternative B).** The other next-generation automation possibility is integration of business registration with other government databases and systems. This step might include linking or integrating with the tax-registration or exporter-registration systems, for example. Despite the benefits of this kind of integration (such as achieving economies of scale in software development), integrating across government departments can involve working out time-consuming technical and operational challenges. Even in Australia, for example, where both business and tax registration are automated and linked by Web sites, each system uses a different identification number.¹²

Summary of Part One

In designing and overseeing a business-registration reform program, a project officer or project team must take into account international reform experience, taking particular note of the following:

- Good practice in business registration procedures
- Successful approaches to reforming the business-registration process
- Potential risks—and ways to mitigate them
- What *not* to do
- Viability and desirability of specific approaches and tools for the particular country situation
- How to design and implement a reform program for a particular country situation
- How to ensure sustainability and donor exit
- Costs of reform (including project duration, financial resources, and human resources)

¹¹ Kluth, Drescher & Partners. [year?] *Company registration procedures in Estonia: A Comparative Study of the Danish, Estonian and EU procedures for company registration*. Mimeo.

¹² See www.ato.gov.au

Key elements of business-registration reform include understanding the current situation (internal and external factors), lining up high-level support, aiming for simplification, choosing your battles carefully, and phasing improvements rather than trying to do it all at once. Above all, as you consider models that have succeeded in other countries, tailor your own reforms to your country's particular circumstances.

PART TWO

Project Cycle and Activities

In Part Two we convert the issues and lessons of Part One into a toolkit for implementing a reform program. Part Two is designed to guide a project officer through assessing the environment for business-registration reform, then designing and implementing a pragmatic and successful reform program.

This toolkit offers a variety of tools and activities with the expectation that each project team will choose the tools best suited to their own needs—and tailor those tools to their own country’s situation. This toolkit does *not* provide a one-model-fits-all reform program. Nor does it lay out what should and should not be in a particular reform program. The role of this toolkit is to highlight what a project team needs to take into consideration and to provide guidance on how to collect the information needed to make informed decisions and choices.

Part Two is divided into seven chapters, beginning with the four stages of the project cycle: predesign foundation activities (Chapter 12); predesign preparation and assessment activities (Chapter 13); reform-program design (Chapter 14); and reform-program implementation and supervision (Chapter 15). We then discuss the sustainability of reforms and donor exit (Chapter 16) and conclude with one possible business-registration project timeline (Chapter 17) and a consideration of budget issues (Chapter 18).

Table 12.1 Generic Project Cycle

Generic Project Cycle for Business-Registration Reform				
Stage	(A) Predesign Stage: Foundation Phase	(B) Predesign Stage: Preparation and Assessment Phase	(C) Design Stage	(D) Implementation and Supervision Stage
Duration	Variable	About 3 months	About 3 months	About 18 months
Objective	To consider the viability of the program in the larger context of business-environment (BE) improvement. (Many foundation-phase activities may already have been undertaken.)	To inform reform-program design via preparation and assessment activities.	To design the program, combining (a) best practice and toolkit guidance with (b) results of country-specific preparation and assessment work—possibly resulting in separate short- and long-term reform agendas.	To ensure effective implementation, monitoring, and supervision of the program.
Activities	Identify (1) external levers for change and (2) reform champions. Document status quo of business registration (BR). Pose the three conditioning questions on the strategic approach to BR reform. Get buy-in on the strategy from the stakeholder community.	Review and design a strategic approach to BR reform. Conduct a detailed analysis of the framework and processes for the program (checklist; legal, institutional, procedural, and IT assessments). Prepare a simple guidebook for BR reform. Validate existing BR performance data; gather and generate additional indicators for baseline and measurement and evaluation (M&E). Lock-in high-level government support and launch design stage—prepare high-level steering committee (SC) and hold launch conference.	Components of Program Design: 12. Specify objectives and motivations. 13. Agree on approach to BR reform-program design. 14. Mobilize champions, Public-Private Dialogue (PPD), and Intragovernmental Collaboration. 15. Design Legal reforms. 16. Design Institutional reforms. 17. Design Simplification solutions. 18. Design operational tools and automation solutions. 19. Incorporate an appropriate level of automation. 20. Incorporate M&E. 21. Design training activities and operations manual. 22. Ensure sustainability and exit. 23. Specify objectives and motivations. 24. Agree on approach to BR reform-program design. 25. Mobilize champions, Public-Private Dialogue (PPD), and Intragovernmental Collaboration. 26. Design Legal reforms. 27. Design Institutional reforms. 28. Design Simplification solutions.	Consolidate project-implementation mechanisms and supervisory arrangements (SC and working group). Draft overall workplan and subsequent periodic workplans. Draft any necessary legal instruments and changes required by the workplan. Pilot and fine-tune new BR procedures and OSSs. Implement training program and prepare operations manual. Mobilize specialized technical assistance. Conduct M&E and public-outreach activities. Carry out rigorous project reporting.

Table 12.1 Generic Project Cycle (continued)

Generic Project Cycle for Business-Registration Reform				
Stage	(A) Pre-design Stage: Foundation Phase	(B) Pre-design Stage: Preparation and Assessment Phase	(C) Design Stage	(D) Implementation and Supervision Stage
Duration	Variable	About 3 months	About 3 months	About 18 months
Objective			28. Design Simplification solutions. 29. Design operational tools and automation solutions. 30. Incorporate an appropriate level of automation. 31. Incorporate M&E. 32. Design training activities and operations manual. 33. Ensure sustainability and exit.	
Outputs (Examples)	Initial feasibility assessment. Memorandum of understanding (or similar agreement) to go ahead with project. Identification of reform champions.	Baseline BR performance assessment. Legal, institutional and procedural assessments. IT needs assessment. Launch conference or workshop. BR guidebook.	Baseline BR performance assessment. Legal, institutional and procedural assessments. IT needs assessment. Launch conference or workshop. BR guidebook.	Effective SC and Implementation working group. Overall and periodic workplans. Any new or revised legal instruments. Training activities. Regular performance indicator updates. Planning and progress meetings and quarterly reports.

Chapter 12

Predesign Stage: Foundations

We begin with an overview of the generic project cycle, as illustrated by Table 12.1. Note that the predesign stage is divided into a *foundation* phase and a *preparation and assessment* phase:

- **Foundation phase.** During this phase you should gain an understanding of the importance of business registration in the universe of business-environment challenges, and you should understand its relationship to other potential reforms. Before moving beyond this phase, you want to be confident that your country's circumstances are amenable to a business-registration reform program—that key incentives exist, and that important people will support it. The foundation phase may be embedded within a larger private sector development or public sector modernization project, or the design phase thereof.
- **Preparation and assessment phase.** Here you will undertake the preliminary and assessment activities necessary to design and implement a successful business-registration improvement program, once its general viability and desirability has been confirmed.

Foundations are crucial

Much as a builder will check the ownership of the land and the geological soundness of the site before preparing or implementing a construction project, so the appropriate foundations for a business-registration reform project must be in place. The foundation activities of the predesign stage are wrapped up with the broader business-environment reform process. They involve evaluating the general feasibility and scope of a business-registration reform program, and under certain circumstances they constitute the underlying issues that a project team leader needs to consider before recommending a “go” or “no go” decision. In some cases, the foundation phase may be very short, but even then it has the important function of

establishing business-registration improvement in the context of broader business-environment reforms. Answers to the following questions help provide that context:

- How important is business registration, set against other business-environment reforms?
- Is it the most pressing problem; how will it help establish the institutions and mechanisms that will make subsequent reforms easier?
- What light does a broader view of business-environment challenges shed on the ease or difficulty of major legal and institutional reforms?
- What are the possibilities for implementing business-registration reform alongside other business-environment reforms (such as using the same steering committee or similar institutional solutions) with incremental additional effort?

Foundations may already be in place

The foundations for a business-registration reform project may have been laid before the project team leader became involved, but it is important to verify that this is indeed the case. Even if a go-ahead decision already is in effect, working through the foundation steps provides a realistic view of the challenges ahead.

Specialized assistance

The project team leader may have the experience and information needed to complete the foundation stages independently, but specialized assistance from the donor headquarters, or from external consultants, can bring beneficial insights.

Iterative activities

The project team may revisit many of the foundation-phase activities in more detail during the preparation phase. Because an important aspect of the foundation phase is gaining familiarity with the issues involved in business-registration reform, activities in this phase may be somewhat general and cursory in nature. The objective is to achieve a general understanding of the issues, to provide some broad-brush answers, and to reassure sponsors that the project is viable. Below are brief descriptions of the activities involved in the foundation phase.

1. Identify external levers, champions

Identify external levers for reform, and identify high-level champions who can bring in support and help drive the project.

Identify external levers for reform

These levers for change are invaluable for sparking or galvanizing reform. They come in various forms, including the following:

- Exposure—via diagnostic assessments, investor roadmaps, or *Doing Business* surveys—raises awareness of the need for reform. Although governments play a key role in determining how broadly the findings or criticisms are disseminated, many recommendations also find their way into loan conditionalities.
- *Doing Business* performance indicators are particularly valuable levers, because the quantitative-performance measures have been adopted as an IDA 14 trigger and as qualifiers for substantial MCC compact funding from the U.S. government.
- Prospective or contingent membership in regional economic groupings, such as the EU, is a particularly powerful lever.

Identify and get buy-in from champion

High-level reform champions are *internal* levers for reform. Bringing them on board constitutes the initial, crucial stage of securing broad stakeholder buy-in. The indispensable high-level steering committee ultimately will be built around identified reform champions.

2. Document the status quo

Take stock of the current situation, noting any particularly challenging circumstances as well as possible sources of support.

Carry out broad-brush assessment

Conduct a broad-brush assessment of existing legal, institutional, and procedural arrangements for business registration. The purpose of this initial stocktaking is to expose any problems or bottlenecks—not to provide a detailed analysis for reform purposes. An appropriate diagnostic study may already exist and may be sufficient.

Engage specialized assistance

If necessary, engage specialized assistance to carry out the initial assessment. Such assistance may come from donor headquarters or from external sources.

3. Pose conditioning questions on strategic approach

The project team leader—as well as national champions and stakeholders—should answer three conditioning questions on the strategic approach to reform:

Is fundamental reform necessary? Is it viable?

What simplification efforts can produce dividends with the least resistance? How can support for them be mobilized, and their effective implementation be ensured?

What operational tools will be effective in a particular country situation?

Consider in light of three levels of intervention

Consider the three conditioning questions to help assess the scope, scale, and viability of business-registration reform. The project team leader should bear these considerations in mind in making a “go” or “no go” project decision—and throughout subsequent preparation, design, and implementation. Improving the performance of business registration can involve three levels of intervention:

- **First:** fundamental reform of, or changes in, the laws and institutions involved in business registration.
- **Second:** simplification of the procedures and steps involved within an existing general framework.
- **Third:** introduction of operational tools to streamline the procedures and steps involved, to make them quicker or more effective.

Tailor degree of action

Ahead of the preparatory phases it may be sufficient for a project team leader simply to bear the three conditioning questions in mind, or perhaps to mobilize external assistance to provide initial responses to them. (Annex B presents some core issues for each question and serves as a concise primer on business-registration reform.)

4. Get buy-in from stakeholders

To conclude the foundation phase with a “go” decision, you must have stakeholder buy-in, which means you need to inform stakeholders as to your findings thus far.

Organize a business-environment workshop

A high-profile business-environment workshop can serve as the focus of the foundation phase, or mark the end of foundation-phase activities. A business-environment workshop might highlight business-registration challenges in the larger context. Ideally, such an event will produce a pan-governmental commitment to pursue business-registration reform, donor commitment to support it, and some form of memorandum of understanding to seal it. It is important to act on such consensus decisions quickly—before you have a change of participants.

Piggyback on an existing business-environment event

An alternative to organizing a workshop is to piggyback on an existing event, such as a conference to validate *Doing Business* findings. Regional workshops to compare *Doing Business* findings have become popular, and in MCC threshold countries USAID has been cosponsoring such events with the World Bank (in Latin America, for example). In southeastern Europe, FIAS helped organize a regional business-environment event; and IFC's PDFs have sponsored similar initiatives elsewhere. (If foundations already are in place, you could use this piggybacking approach for a concluding event of the preparation phase.)

Expand steering-committee membership

Expand the target membership of the high-level steering committee. By the end of the foundation stage, when a the viability of a “go” decision should be clear, the project team leader will have confirmed members of the steering committee—or identified which existing grouping can be co-opted or adapted.

Chapter 13

Predesign Stage: Preparation and Assessment

The preparation and assessment phase of the predesign stage involves detailed preparatory and assessment activities ahead of formal reform-program design. It focuses on the collection of detailed information geared to designing a business-registration reform project in light of circumstances in a specific country. The project team leader is unlikely to have all the necessary skills, time, or objectivity required to complete this phase without external assistance.

Time frame

The preparation and assessment phase typically spans about 12 weeks. It may begin with a memorandum of understanding or commitment following a foundation-phase business-environment workshop, or with a serious request from the government. It should conclude with a launch conference at which the steering committee formally takes charge of implementation and a working committee officially begins functioning—perhaps coinciding with a *Doing Business* validation event (as discussed below). The conclusion of this phase marks the end of the predesign stage and the beginning of the design stage.

Project initiation

A business-registration reform project may be initiated in several ways. As described in this toolkit, for example, it may be a result of foundation activities. Or, a project team leader may have a mandate to implement a business-registration reform project under a loan or larger project (such as a public sector modernization project). Or, the project team leader may be responding to a request from government to support business-registration reform. Or, the project team leader may be acting

somewhat independently, having decided to investigate the potential for a business-registration project based on general information that it would be beneficial (prior to identifying sources of funding or assistance). The nature of the starting point has important implications for the degree of country support for the project, for the existence and effectiveness of external levers for reform, and for the amount and quality of consideration given to the three conditioning questions for business-registration reform (discussed in detail in Annex B).

Activities and participants

This phase entails a variety of activities, preferably undertaken by a combination of government stakeholders, a project team, and various international experts and donor-organization specialists. Planning and execution of these activities are the responsibility of the project team leader, working in conjunction with other stakeholders and experts. The order of several of the activities described below is flexible.

1. Review and design a strategic approach

In this activity the project team will determine the general strategic direction of the reform program. For example, the team will assess the appetite for major legal and institutional reforms, including necessary procedural improvements or simplifications and the degree of automation being considered.

Engage specialized assistance

Engage specialized assistance—from donor headquarters or from external local and international experts—to conduct preparatory and assessment activities. International assistance is probably desirable for a two- or three-week period to carry out preparatory activities and to produce a viability report or country-specific implementation design, covering implementation costs and needs and technical-assistance needs over the project duration. In-country assistance also is necessary to collect baseline data and help international experts apply best practice to local circumstances. The fieldwork of international experts should take place perhaps five or six weeks after project initiation. This schedule allows time for you to identify and recruit local consultants and gives them time to perform groundwork, including gathering documents, arranging interviews, and so on. Duration of fieldwork also depends on the anticipated scope of or entry point for the project. For example, it will take more time to investigate subnational registration activities in addition to national ones.

Implement checklist

You will need a checklist in conjunction with external and local assistance. (See Annex C for a sample checklist.) The checklist should focus the attention of program designers on country-specific priorities and the appropriate balance across various potential reform activities. It is not designed to produce any quantifiable indicators. Its implementation requires experienced individuals who are aware of international benchmarks. The checklist helps focus on in-country realities that often are ignored in a purely descriptive survey of the business-registration process—realities such as the proximity of elections, the presence of reform champions, or the existence of institutional rigidities. The checklist should be considered jointly with other analytical tools and reports. It can be completed through one-on-one interviews or through focus-group sessions, or both. Results of the checklist should be analyzed for presentation and discussed at the launch conference. In completing and analyzing the checklist, project officers should bear in mind the three conditioning questions (discussed in Annex B) and information relevant to the project entry point (branch of government, for example, or subnational *versus* national level).

2. Conduct detailed analysis of current framework and processes

Often an effective way of conducting this detailed analysis is to follow this sequence: (1) consult existing documents and analyses, (2) solicit opinions from private businesses, and (3) conduct the necessary assessments of official institutions, regulations, and procedures. You may combine several of the assessments recommended below into one or more integrated assessments. You also may be able to base much of the investigation on existing documents.

Gather existing documents as one component

Gather existing information and documents on business registration as one component of the domestic business environment. Some documents—perhaps including FIAS diagnostics, USAID investor roadmap studies, ICAs, UNCTAD’s Investment Gateway and other studies, as well as *Doing Business* data—will be available in the international domain. Some will have been consulted already as part of the foundation activities. The analysis will need to be conducted not only for the foreign and medium-size companies covered by FIAS reports and *Doing Business*, but also for very small businesses (to which a different procedure often applies). Local non-governmental organizations (NGOs) may have investigated the situation facing such small, often informal businesses.

Analyze Doing Business results

Carefully analyze *Doing Business* results. In addition to offering valuable quantitative indicators, *Doing Business*'s waterfall chart highlights particular bottlenecks and costs. It also provides evidence of how many times specific institutions are involved, and thus may reveal opportunities for paralleling existing activities.

Conduct focus groups and interviews

Conduct focus groups and one-on-one interviews as part of a “reality check.” World Bank Group, other donor-agency specialists, and consultants typically provide this service as part of their investigations. It is important, however, to conduct interviews not only with public sector officials but also with private businesspeople, especially small and also informal entrepreneurs. Moreover, interviews and focus groups provide firsthand accounts of the challenges facing entrepreneurs in firms of different sizes and from different sectors. (Annex D provides an example of one way to approach these reality-check focus groups.) The following are some good reasons for performing such a reality check:

- Although the basic business-registration process may not vary substantially across different sectors, these interviews will indicate whether the most important problems lie with general registration or with particular sectoral licenses.
- Business-registration procedures will vary—by size of company, for example—depending on whether limited liability is needed.
- Most importantly, these interviews and focus groups will bring to light the procedures that are the most difficult; the most open to bribery, and so on. The findings may differ somewhat from official interpretations of the process.

Conduct assessment of current laws and regulations

Conduct a legal assessment of current laws and regulations. Use specialized assistance—a combination of international and local legal experts—to create an inventory of relevant laws and regulations. This assessment may result in proposed changes in the legislative framework, but such proposals must be guided by international good practice and the country’s legal culture. Be advised, however, that major legal reforms can be very contentious; the legal assessment should give an indication of priority, difficulty, and potential advantages of any suggested legal change.

Conduct assessment of business-registration procedures

Conduct an assessment of prevailing business-registration procedures for different types of businesses. Such assessments may already exist for some types of companies, but if not, use a standardized approach, such as that of *Doing Business* or Investor Roadmaps, for example.

Conduct institutional-capacity and training-needs assessments

Conduct an institutional-capacity and training-needs assessment of key institutions. At the extreme, this assessment might result in the proposal of a different key institution or alternative institutional arrangement for business registration. As with major legal reform, however, big changes are likely to be contentious. The assessment should include the following actions:

- Consider the effectiveness of the current core institution and other institutions involved, as well as those that might be superfluous or inappropriate.
- Assess the flexibility of the institution and its staff—their willingness to change and their ability to embrace new procedures and technology.
- Determine necessary training, noting current skills and, if necessary, recommending ways to bring in or replace expertise.

Conduct IT and software needs assessment

Because automation is almost certain to be part of any reform program, an initial assessment of IT and software needs is essential. It should consider the appropriate level of automation for the core institution; determine how and to what degree other institutions involved in the business-registration process should be linked (including subnational field and local government offices); and consider what regulations or procedures need to be changed. Local consultants could initiate the investigation, but someone with experience in IT reform in a developing-country registry also should be involved.

Prepare a simple business-registration guidebook

The reason for preparing a guidebook before the reform program begins is twofold:

- It captures in one place relevant information and procedures on the business-registration process. (Many countries embark on a visible, rather unfocused effort to promote business-registration reform without having captured the status quo or being aware of relevant reform efforts that are under way in other parts of the government.)
- It creates a baseline reference point for business-registration procedures.

The task of preparing a guidebook can be initiated by selected local consultants—or PDF staff or interns—and completed during the two- or three-week technical-assistance mission. It should not be a difficult task, if *Doing Business* or other analyses have documented the official procedure, but it should go further in such areas as summarizing key legislation and commenting on procedures for different types of companies.

3. Validate performance data; prepare for monitoring and evaluation

Validation of performance data and preparation for monitoring and evaluation require research and often involve bringing in outside assistance.

Collect baseline information

Collect baseline information on business-registration performance. Baseline indicators are crucial for effective monitoring and evaluation over the project cycle and beyond, but baseline information for business registration is often scarce, requiring concerted efforts to collect it. Existing studies, including *Doing Business*, will provide some statistical and performance data, but often you will need to do some trawling through paper-based registries and perhaps conduct some simple, low-cost surveys. You also may need to do some creative compiling of budget and financial indicators of registry performance and indirect measures of formalization from the tax registry. This work is best suited to a low-key local consultancy or a group of business graduates, for example, supervised by international experts.

4. Lock in high-level government support and launch design phase

The end of this phase marks the conclusion of the predesign stage and the transition to the program-design stage.

Hold a launch conference or a validation workshop

The project team leader, in conjunction with the government (specifically, the high-level champion or steering committee), should arrange a launch conference, which might piggyback on a validation workshop for *Doing Business* data. The conference or workshop should bring together government stakeholders as well as lawyers (especially those used to compile *Doing Business* reports) and notaries (if applicable) involved in the business-registration process. You also should invite a few recently-registered companies. Objectives for the workshop might include the following:

- Validation of *Doing Business* findings
- Discussion of findings from the preparatory stage of the reform program
- Discussion of the scope of the potential reform program, in particular whether the focus is on formalization and microbusinesses, on medium-size businesses (for example, those aspiring to limited liability), or on large or foreign enterprises
- Learning about other relevant reform experience within the government
- Benefiting from the experience of a successful reform practitioner from a nearby peer country

Establish high-level steering committee as oversight mechanism

Establish the high-level steering committee as the accountable oversight mechanism for the business-registration reform program. At the launch conference, the steering committee members are fully confirmed, the committee is formally introduced, and the steering committee takes over the lead role.

Chapter 14

Program Design

This chapter guides the program officer through the design of the reform program, keeping the focus on its core components. Essentially the technical approach to reform, it covers 11 key components of program design (see Box 14.1) and their activities.

Box 14.1 Key Components of Program Design

Key Components of Program Design

Below are the 11 key components of program design discussed in this chapter:

34. Specify objectives and motivations.
35. Agree on the approach to reform-program design.
36. Mobilize champions and intragovernmental and public-private dialogue.
37. Design legal reforms.
38. Design institutional reforms.
39. Design simplification solutions.
40. Design operational tools and automation.
41. Incorporate an appropriate level of automation.
42. Incorporate monitoring and evaluation.
43. Design training activities and operations manual.
44. Ensure sustainability and exit.

Time frame

The design stage effectively begins when the business-registration reform program is officially sanctioned—by the formal launch of a business-registration steering committee at the workshop, the announcement of intent to fund (by a donor or group of donors), or other similar event. The draft program design may take less than a month, but consultations and approval by government and donors can take

much longer. This stage can be made shorter by avoiding fundamental, contentious reforms, or by pursuing such reforms in a separate, longer term agenda.

Review and endorsement

The reform-program design typically will be reviewed several times and then endorsed. The following are typical steps in the process:

Drafting of business-registration reform-program design with local team (ideally in partnership with the high-level steering committee and any appointed task force) and international expertise

- Consultations on draft design
- Revisions to draft design
- Government (and donor) endorsement of design

1. Specify objectives and motivations

To be effective, business-registration reform must take into account the expectations of the parties—government and private sector—involved in or affected by the business-registration process.

Clarify government objectives for the program

Government objectives for business-registration reform should have come to light during the foundation and preparation phases. The following points capture some of the government's motivations and expectations with regard to business-registration reform:

- **Improve effectiveness.** Reform should address business-registration system weaknesses (as exposed by *Doing Business* and other diagnostics) in an effort to improve the effectiveness of government. Although this objective often is an important incentive for reform, it still needs the support of a proactive high-level champion. If exposure is a key driver of reform, the reform program should emphasize monitoring and publicizing (1) compliance or non-compliance with the reform program (naming and shaming) and (2) performance improvements in practice—through Web sites, media, donors, workshops, and so on.
- **Increase formalization.** Formalization brings small businesses into the formal sector, legalizing their operations and making them full participants in the economy. Because most small businesses do not require limited liability (the type of company tracked by *Doing Business*), the costs and procedures

involved in business registration are generally fewer than for larger companies. Single-person companies, for example, often only need to check the uniqueness of a business name and register with the tax authorities. If formalization is a key objective, the program needs to capture the simpler process applicable to small businesses and focus on improving the transparency and user-friendliness of the main institutions involved. If possible, for example, it should ensure access to OSS-style registration facilities at diverse geographic locations. Sometimes small businesses choose not to register for fear of exposure to official interference. To counter this fear, the reform program needs to survey and address the specific concerns that small businesses feel—and publicize the advantages of registration (such as access to finance and certain public services). In many cases, small businesses are predisposed to register in order to put themselves on a solid legal footing, but they find the procedures too complicated—particularly at the subnational level.

- **Deliver broader economic benefits.** Among the broader benefits of reform are economywide job creation and a more informed supply of goods and services for the private sector. Improved business registration and greater participation in the formal sector can result in high-quality jobs by helping companies step up to new levels of productivity through the acquisition of both capital goods and knowledge. Also, by capturing information on more businesses, government can do a better job of tailoring its own investment decisions and service provision, and private sector service providers will arise to supply new formal businesses with more sophisticated demands for goods and services.
- **Improve government interaction with the private sector.** If government expresses the objective of increasing its ability to capture the needs and performance of the private sector for public investment and policy reasons, the reform program needs to emphasize ease and automaticity of registration—so information about a company can be captured by different institutions. The program also needs to help companies be confident that the increased exposure will not lead to government interference in business.
- **Attract foreign investment.** Business registration is the face of doing business in a country—an investor's first experience. The reform effort should focus on identifying steps that can be eliminated and highlight those institutions that are bottlenecks. It is important to address time and procedures (and associated increased risk of corruption) involved in business registration. Although costs will be of limited importance they should at least be brought down to the median. Emphasize enhanced public-private dialogue and steering and operational action committees that can make a difference. For busi-

ness registration *per se*, *Doing Business* indicators are an appropriate resource, because they focus on limited liability companies. Where much foreign direct investment (FDI) is in zones, the performance of zone OSSs should be documented, improved, and highlighted.

Address private sector expectations of the program

Consider business-registration reform from the viewpoint of the private sector. Most businesses expect—or want—to register, but many are dissuaded by a complex process or by the costs involved. Larger companies typically have no choice other than to register, because they are too big to hide. For smaller businesses, costs, time, and geographical distance can be significant disincentives. For foreign companies, business registration is a proxy for the broader business environment in a country. Because the *Doing Business* waterfall charts (and the equivalent for small businesses) give a clear picture of the institutional location of major costs and delays, they can guide the focus of the reform program. Despite the numerous potential benefits of registration for businesses, other reforms may be necessary for these benefits to be realized. Government commitment to undertake complementary reforms is critical for private sector buy-in to business-registration reform. Potential benefits for business include the following:

- Better access to finance at affordable rates
- Access to formal customers and export markets
- Formal recourse to the legal system to resolve commercial disputes and enforce business contracts
- Access to land and the use of that land as collateral, especially commercial land such as industrial estates managed by the public or private sector.

2. Agree on approach

Program design combines knowledge of international good practice (and pitfalls) with country-specific preparation and assessment to produce a country-specific reform program. The checklist analysis and other predesign-stage activities guide the selection of tools and the nature of legal and institutional reform to be proposed.

Clarify the management and supervisory approach

Clarify the best or intended management and supervisory approach to the business-registration reform program. This clarification has implications for how the program is designed. Below are two possible approaches:

- **Request for proposals (RFP).** In this approach, a USAID-style or loan-component-style RFP is prepared and bids solicited from consultants. Consulting consortia then propose a reform-program design based on the parameters specified by the project officer (from the predesign stage). Consultants then typically propose combinations of international expertise, local legal or institutional expertise, and IT capabilities. (Although the consultants also are expected to propose various coordination solutions, both at the steering level and at the working level, the higher level committee should already be in place as a result of foundation and preparation activities.)
- **In-country facility.** In this approach, an in-country business-environment support facility, such as a PDF, prepares the reform-program design, supported by IFC and World Bank Private Sector Development (PSD) expertise and external consultants. The PDF then oversees the implementation of the reform program, working with the government on the identification of consultants and professional services for each stage. Funding comes from a pool of donor funds with potential counterpart funding in cash or kind from the government, or potentially through creative solutions such as collaboration with loan programs or MCC funding. (The PDF-type approach is assumed in this toolkit, but the guidance in this section, and the recommendation to mobilize PSD expertise, is also relevant to designing an RFP and evaluating proposals received.)

Engage specialized assistance

Engage specialized assistance to support the reform-program design. This assistance is important, to ensure application of international best practice to the design process and to avoid common failures. The Bank's SME and other PSD departments (including FIAS as it expands into implementation support) are key repositories of knowledge. Other donors, both multilateral and bilateral, possess key specialized knowledge, often in similar legal and institutional reforms affecting other government functions that have valuable lessons for business registration. For example, Guyana's Land and Surveys Commission has established an executive-agency model that can serve as an institutional-reform model for business registration and other government functions in Guyana and elsewhere.

Consider combinations of simplification and operational tools

Consider the achievements that can result from combining process simplification with the appropriate use of operational tools, including automation. This combination often produces significant impact with little resistance. An overarching message is that project team leaders should assess the opportunities for process simplifica-

tion and the use of appropriate (not necessarily the most sophisticated) operational tools *before* considering major legal and institutional reforms as part of the design program. This approach goes *with* the current rather than against it.

Look for opportunities to ride the wave of major change

If a major change is already in progress, you may find a way for it to support the reform effort. For example, favorable circumstances may arise (such as the legal and institutional reconstruction of the former Soviet Union), or the external lever of membership in an economic bloc (such as EU) may be present. A large, donor-supported public sector modernization program also can serve as a valuable vehicle for change.

Tailor program design to country's level of development

An important aspect of making reforms country-specific is assessing the country's level of development and tailoring the program design to fit the circumstances. For example, in a country where much of the private sector activity is agricultural and small-scale, the program design might emphasize making business registration more accessible for small businesses, including the addition of physical OSSs. In "new" countries (such as those in the former Soviet Union) where many legal systems are being completely redesigned, the circumstances are more supportive of the legal aspects of business-registration reform.

Consider the effect of prevailing legal system

Carefully consider how the prevailing legal system—civil law or common law—may affect the reform-program design. Common-law registration systems generally are much easier to reform. The *Doing Business* ideal system of no more than two days and two procedures, for example, assumes an administrative process that you are more likely to find under common law. Civil-law systems, by contrast, place the burden of proof on the registering company. In civil-law systems, notaries and the judiciary are integral to the process, and removing either of them from the process is likely to prove difficult. Fortunately, however, significant business-registration improvements generally are possible without fighting such battles.

Identify key entry points

Doing Business waterfall charts show clearly the most costly and problematic areas of business registration and can help you identify key entry points for the reform program. These charts, along with other diagnostic studies, quickly locate the main costs or delays in the current process (at the subnational level, for instance, or in

the judiciary, or elsewhere). Delays earlier in the process, for example, are likely to have detrimental effects on subsequent steps, making it prudent to begin the reforms at the earlier point. Often, the key bottleneck is at the subnational level, and many reform programs (especially if formalization is an objective) choose municipalities as the entry point (although nationwide recognition of any municipality's registration needs to be assured). The charts suggest additional opportunities for improvement as well, such as indicating whether current procedures can be conducted in parallel.

Focus on concentrated interactions

Be alert to excessive concentrations of interactions by grouping business-registration procedures under the institutions responsible for them. For example, grouping all the judiciary-related steps together may suggest that simplification of procedures at the judiciary is a logical entry point. Or, numerous steps in the executive branch may recommend the idea of a single window for registration.

Pick low-hanging fruit

Pick “low-hanging fruit”—performance improvements you can make easily. Generally, these easier reforms involve business-registration steps that have no vested interest attached to them, yet they may result in considerable savings in time or costs. Such opportunities for improvement are clearly country-specific. In Paraguay, for example, lawyers seem relatively unattached to their role in the process, which constitutes only a small part of their income. In Honduras, by contrast, lawyers resist any effort to remove them from the process, a situation that has resulted in a prolonged battle. An effective means of identifying low-hanging fruit is a *Doing Business* validation workshop, in which dialogue on the business-registration process among involved institutions, private businesses, and civil society often brings to light these opportunities for easy reform.

3. Mobilize champions, dialogue, collaboration

Once the champions and committees are in place, they need to talk to each other, harmonize their various perspectives, and begin working together toward a common objective.

Create or identify champions (if not already done)

If reform champions in the relevant institutions are not already in place, this is the time to identify and install them. (The project team leader and the overall reform champion should have identified and nurtured these champions during the founda-

tion and preparation phases of the predesign stage.) During this design stage their identity and role in the reform process becomes much more explicit. Remember that the gradualist, diplomatic approach to getting buy-in is always more effective than coercion, which typically isn't possible when multiple *branches* of government (for example, judiciary and executive) are involved.

Establish or identify high-level steering committee (if not already done)

Because business registration invariably involves multiple ministries, and often different branches of government, as well as subnational authorities, a high-level steering committee is critical to building consensus. It should be built around the overall champion and the champions within key institutional targets for reform. Often, senior government officials are overburdened with meetings and committees, making it more advantageous to form your committee by co-opting an existing committee related to business-environment reform—one that is already used to working together and forging consensus. (Again, the groundwork for this committee should have been laid during the foundation and preparation-and-assessment phases, since you cannot create effective committees overnight.)

Assure regular communication with overall champion

Assure dialogue with—and regular, transparent reporting to—the overall reform champion, who should have been identified during the foundation and preparation phases. Because this role will continue to be important throughout the reform process, mechanisms should be in place to ensure that the overall champion is fully informed of problems as they arise.

Establish an operating-level committee (working group)

The operating committee (also referred to as an implementation working group) is responsible for the ongoing implementation of reform activities. This group reports to, and is held responsible by, the steering committee. You may use as a model for this working group any precedent for such collaboration among a similar set of government institutions. Again, representation of all relevant institutions is crucial.

Ensure ample public-private dialogue

Ensure ample opportunities for public-private dialogue during reform-program design and implementation. Private sector stakeholders fall into two categories:

- **Businesses as the users of the system.** Listening to the concerns of businesses is crucial to understanding the nature of the problem. Not all problems demand complicated solutions. For example, alleviating business frustration

with a particular procedure may require only a simple manual rather than the more complex measures of establishing a new window or eliminating a procedure. You may gather the opinions of businesses through focus groups and workshops (especially for larger companies), through entrepreneur surveys (of people standing in queues, for example), or through shadowing selected individual businesses as they seek to register.

- **Professional service providers as part of the process.** Professional service providers involved in the process include lawyers, notaries, and accountants. Engaging them in dialogue can reveal opportunities for improvement, but be aware that they also may have a vested interest in the status quo.

4. Design legal reforms

Legal reforms may be necessary to improve the business-registration process. If so, it is important to understand the current legislation and the consequences (positive and negative) of significant changes.

Inventory and analyze relevant legislation

Although an initial inventory of relevant legislation took place during the preparation phase, a deeper, pragmatic analysis of legal instruments must occur as part of the design process or during implementation. This inventory and analysis evaluates the need for legislative change, possible alternative solutions, and prospects for effective reform. It includes the following:

- This analysis should be pragmatic. For example, avoid making changes to redundant regulations that do not get in the way, or that are ignored in practice. You can flag such a regulation, but leave it alone unless it presents a barrier in practice.
- Sometimes the process of clarification and analysis can reveal misunderstandings. In Paraguay, for example, it has become customary for lawyers to sign company bylaws, but even the lawyers say it is unclear whether the law actually requires this custom. Clarifying this issue could remove one of Paraguay's 17 procedures—without the need for legislative change.
- Lesser legal instruments are easier to change than laws, which need to be approved by the legislature.
- The locus of major legal issues in the business-registration process should be clear from various existing diagnostic studies, *Doing Business* descriptions of the process, and validation workshops involving businesses, and lawyers, and notaries.

- Validation workshops and other dialogues can reveal whether there is significant resistance to legal changes.

Consider the risks and rewards of major legal reforms

Determine whether *major* reforms to laws (rather than to lesser legal instruments) really are urgent and necessary to improve business-registration performance. Look for other ways of improving business-registration performance. If you can achieve significant gains from simplification or the introduction of operational tools, you can apply to other priorities the effort and other resources you might have expended on major legal reform. It is important to avoid undertaking legal reform unless it proves to be unquestionably necessary. Project team leaders should not rely on legal reform targets to produce results over short time horizons. We find limited examples of successful legal reform over the time horizon of either a donor technical-assistance project (two-year horizon) or even a loan program (five-year horizon).

Ensure proper implementation of proposed legal changes

Put in place measures to ensure that proposed legislative changes will be implemented properly. Many reform programs focus on legal revisions that are enacted after much delay and debate in the legislature, only to remain unimplemented by bureaucrats who fail to understand them or choose to ignore them. Legislation is only as good as its implementation. The implementation of new legislation needs careful monitoring. The steering committee and operational committees have important roles in planning for the effective implementation of legislative and procedural changes. Means of ensuring proper implementation include such actions as training those civil servants affected by a change and preparing a formal, detailed operations manual. (See No. 10, below.)

Specify preparation of operations manual and guidebook

It is necessary to provide documentation of the improved business-registration system. Civil servants or other officials charged with implementing new or revised laws or procedures need a detailed operations manual to guide them in putting these changes into practice. This is especially the case with changes in how officials interact with customers. Official guidebooks or guidelines (paper or Web site) help businesses navigate the reformed business-registration system. With the endorsement of all relevant institutions, these publications serve as the official reference for both businesspeople and government officials. You also should build in a feedback mechanism or periodic customer-satisfaction survey to help in fine-tuning new procedures after they are rolled out.

Arrange specialized legal advice

Arrange for legal specialists to advise on appropriate legal steps, when needed. The need for this advice will depend on such factors as general consensus and buy-in to the reform program, and the level of legal reform attempted. Regional legal advice is preferable, especially if it comes from a country that attempted similar legal reforms, whether successfully or not. (See Annex E for a sample company-registration legal instrument.)

5. Consider institutional reform

Institutional reform may involve moving the business-registration function from one government agency to another, from one branch of government to another, or from the public to the private sector. Consider carefully whether such a move is really necessary.

Determine the most viable institutional location

What is the most viable institutional home for the business-registration function? The core business-registration function resides in one of four types of institutions:

- **The registry section of the judiciary.** In most civil-law countries, business registration is a judiciary function and usually specified as such in the law governing the judiciary.
- **A government department under the ministry of commerce or similar ministry.** In most common-law countries, the business registry is a government department staffed by civil servants. In many cases reform programs do not seek to challenge this role and instead focus on increasing performance through simplification and automation. Some Eastern European countries, faced with designing a new system of government, have taken the opportunity to move business registration out of a government department.
- **An executive agency.** In some countries, governments have set up quasi-autonomous executive agencies (following the U.K. model) to house the company registry, although the registry function itself in the United Kingdom is concessioned to the private sector. Jamaica successfully introduced this model (see the Jamaica case study in Annex A).
- **A private or semi-private institution such as a chamber of commerce.** In other countries, governments have concessioned the business-registration function to the private sector or a semi-private chamber of commerce. Companies House in the United Kingdom is one of the best known examples

of this approach. A few developing countries (such as Colombia) have successfully made the transition to private operation, but others (such as Bolivia) have been less successful.

Do not attempt major institutional reforms lightly

As with legal reforms, you may encounter strong resistance to major institutional changes. Particularly in civil-law countries, judiciaries are reluctant to lose registry functions, a major source of income. Government ministries also often resist relinquishing control and are generally keener to pursue simplification reforms or automation alone. Jamaica, managed to change to the executive-agency model by initially treating the change as a pilot reform, but some reforming countries have been successful in removing business registration from the courts—a desirable outcome, *if* it is feasible in a particular country's circumstances.

Consider human resource implications of major realignments

Major institutional realignments typically have an impact on staffing. Transition to an executive agency, for example, may benefit some employees by raising salaries, but others may be laid off because fewer people are necessary to the new operation. These staffing implications may be even stronger when the business-registration function moves to the private sector. In government departments, reforms may necessitate restaffing with IT-capable employees, perhaps in combination with intensive training programs. Although the program design should mitigate the human-resource impact as much as possible, job retention in one government department cannot be an excuse for perpetuating an inefficient system with economywide negative consequences.

Be aware of the risks involved in moving to the private sector

Generally, concessioning the business-registration function to the private sector is particularly risky, although it can be successful under the right circumstances. Chambers of commerce sometimes lobby to take over the function, arguing that its private sector orientation will mean greater efficiency, and that a countrywide network of branches will improve access. Government often does *not* effectively transfer or concession this public function, however, or give up the fees, which means that the chamber of commerce (or other private concern) charges an *additional* fee and becomes a *one-more-stop* shop. Also, the weaknesses of the public sector sometimes are transferred to the private sector. Among developing countries, Colombia is a successful example, but in that case the chamber of commerce already had a reputation for efficiency and professionalism.

Consider an executive-agency model

If well managed, a transition to an executive-agency model is a hybrid solution with benefits such as increased performance and sustainability. Such agencies have a CEO who is accountable for performance and has some jurisdiction over the use of revenues (to invest in improved services such as automation) and hiring and firing—as a quid pro quo for improved performance, including responsibility for improving employee skills. Jamaica’s agency, for example, guarantees efficiency by offering a refund for slow service.

Be sure a move is justified

Before moving a registry from its existing home in either a government ministry or the judiciary, be sure there are compelling reasons to do so and that such a move has a realistic chance of success. First, project officers should determine how much improvement is possible *within* existing institutional arrangements from bringing in automation and simplification. To justify a move, the expected degree of improvement must be great. Some incentives (such as those of an executive agency) can be valuable in boosting the improvement, but the program design needs to consider the larger context, including whether other such agencies (a privatization agency, for example) have been successful.

6. Design simplification solutions

Simplification should be part of any far-reaching legal or institutional reform for business registration, but it also can be effective on its own merit—without threatening the legal and institutional status quo. The advantage of simplification efforts is that they do not seek to challenge prevailing institutional structures or power bases in a government system. By respecting existing jurisdictions they have a greater chance of success.

Identify opportunities for simplification

Use preparation-phase or periodic validation workshops and stakeholder gatherings to identify opportunities for simplification. Such events, along with one-on-one discussions, can reveal which institutions (or offices within them) jealously guard their roles in the process, and whether the issue is power or fee income. These events involve discussions that bring out problem areas that simplification can address.

Identify the main bottlenecks

Use existing analyses (including *Doing Business*) to identify the main bottlenecks. Often one institution will be responsible for much of the delay. If a particularly onerous process can be initiated earlier and in parallel with others, the time savings can be immediate. Then the program design should include a component to simplify the internal workflow processes of the institution responsible for the delay, using the steering and operational committees to build consensus and bring peer pressure. Encouraging reform is easier when there is no attempt to disenfranchise.

Look for opportunities to parallel procedures

Paralleling is a valuable opportunity for simplification and is supported by various automation and networking solutions. The degree to which procedures can occur in parallel is graphically clear from the *Doing Business* waterfall charts, and charts where few bars overlap should serve as an immediate alert to opportunities for paralleling. Again, the steering committee and the implementation working group are the appropriate fora for considering how to do put paralleling into practice, and for building consensus. Sometimes such interaction among stakeholders will reveal that paralleling is possible without changes—and that the only reason it isn't already going on is lack of awareness of the concept.

Analyze procedures to reveal multiple interactions

Analyze procedures in groups, by institutional jurisdiction, to reveal loci of multiple interactions. By grouping procedures, you may discover that a business must visit the judiciary, for example, on four or five occasions. In this case the program design ideally should seek to remove some of the interactions and have the remainder operate through a single window, if possible. Often, multiple interactions at different offices in the same institution are deemed necessary because each office needs to see a particular paper document and there is no method of sharing—not an electronic system or even a simple photocopier. Automation can help simplification by providing digitized documents that can be shared.

Look for opportunities to simplify by removing redundant procedures

Some procedures are redundant because they duplicate other functions. In civil-law countries, for example, both government attorneys and public notaries need to attest that company bylaws are in accord with relevant laws and regulations. In practice, many government attorneys accept the conclusion of the public notary but continue to be involved in the process because legislation requires it. Moreover, the attorney's ministry may still be involved in the process at another stage. Also,

because attorneys invariably are busy, applications linger on their desks for an extended period. Other (hidden) redundancies might come to light if it were possible to share submitted documents—an issue that various degrees of automation can address.

Box 14.2 Operational Tools

Operational Tools

Commonly used operational tools include the following:

- One-stop-shops and single windows
- Single identification numbers
- Temporary licenses
- Silence-is-consent rules
- Performance guarantees
- Improved and single registration forms and simple business-registration guidelines
- Automation of procedures

7. Design operational tools and automation solutions

The purpose of operational tools is to make existing procedures easier. They do not seek to change the basic legal obligations of a business seeking to register, or to impact the role of any institutions involved in the process. Typically, the introduction of operational tools is combined with simplification efforts in order to produce greater improvements. Box 14.2 lists commonly used operational tools. Automation is treated in a separate section below.

Consider appropriate use and place of operational tools

Consider the usefulness of various operational tools and determine how to embed them in the particular approach to registry automation that you've selected. The preparation-phase analysis and checklist should reveal which operational tools are in use already, either in the registries or elsewhere in government.

- **One-stop-shops and single windows.** Box 14.3 describes three types of OSSs. The difference between OSSs and single windows is that OSSs locate multiple registration or approval authorities in the same physical location, but single windows simply provide one place to receive all the elements of an application, which are then distributed (physically or electronically) to the rel-

Box 14.3 Types of OSSs

Types of OSSs

In the context of business registration we consider three types of OSSs:

- **Facilitating OSS.** The OSS does not implement the registration process, but provides information and collects documents (from an entrepreneur) to be distributed to other agencies. Once a certificate of registration is sent back to the OSS, the entrepreneur is notified and arranges collection.
- **Approval OSS.** This type of OSS houses representatives of all relevant government agencies at one location. Each assigned official completes one stage in the process and transfers the application to the next desk for further processing. Theoretically, all approvals are possible under one roof.
- **Empowered OSS.** One agency is authorized by multiple involved ministries or other agencies to process business-registration applications on their behalf

evant approving or registering agency. OSSs may seem more desirable, but in practice they often fall short because key institutions fail to transfer to an off-site location anyone of sufficient rank to approve applications. Single windows typically don't have this problem, and they achieve the less ambitious goal of allowing businesspeople to submit applications in a single location, ideally to a clerk qualified to sign off on the completeness of the application. A digitized single window has the potential to become a virtual OSS.

- **Single identification numbers.** Many developed countries use SINs to help harmonize registration procedures, and the European Union has promoted their use throughout Europe. In conjunction with automation efforts, SINs help integrate registration procedures and provide a clearer picture of business activity in an economy.
- **Temporary licenses.** Some countries issue temporary licenses at a certain point in the registration procedure to allow companies to operate provisionally for up to one year while completing other registration procedures.
- **Silence-is-consent rules.** Many countries use silence-is-consent rules to speed up registration procedures by granting automatic approval to registration requests officially accepted by the authorities if the responsible agency does not respond within a stipulated time period. Mexico successfully introduced such a system, allowing companies to begin operations within seven working days (for

low-risk activities), as contrasted with 46 days before reforms. To implement successful silence-is-consent rules, accepting clerks must be well trained and meet qualification requirements.

- **Performance (money-back) guarantees.** Another tool for improving efficiency is the performance guarantee, whereby officially accepted applications will be processed within a certain time frame—or the application fees are refunded. As with silence-is-consent, effective training and qualification of receiving clerks is essential. Jamaica’s office of the registrar of companies has offered money-back guarantees since its elevation to executive-agency status.
- **Improved and single registration forms and simple business-registration guidelines.** These simple operational tools are valuable pieces of the simplification process. Because different institutions have different application forms and registration numbers but ask many of the same questions, switching to a single form cuts time and complexity out of the process. Some institutions have neither registration forms nor guidelines; introducing these tools improves efficiency.

Design appropriate training

Training is a crucial operational tool. Major delays in business registration often occur because of poor service, resulting in incorrect filings or multiple visits to institutions. Properly trained registration clerks, with the help of automated input systems, can radically reduce such delays (making the time still required to send applications from regional centers to a national headquarters of lesser importance). Effective training of the clerks who receive applications is a valuable investment. In Jamaica, for example, good training resulted in a level of efficiency great enough to allow the ORC to offer its money-back guarantee on processing speed. In many countries, registry staff are unfamiliar with any form of computer operation, making it necessary to design a combination of training and recruitment of younger, IT-aware or IT-qualified staff.

8. Incorporate an appropriate level of automation

Some level of automation is likely to be part of any business-registration reform effort. Advances in computerization have opened up enormous possibilities for improving registry performance as business transactions and public-private transactions have become electronic. Yet, many registries have been left in the dark ages of paper processing.

Even though business registration is a one-time procedure (and so less significant than some other business-government interfaces), it is the *initiating* interaction between government and the private sector, and so has an impact on numerous

downstream activities. In today's computerized environment, a paper-based registry system compromises the efficiency of multiple downstream interactions.

An important reminder: Automation is not a substitute for reform. Efforts to automate an inefficient and convoluted business-registration process—without correcting those system flaws—almost certainly will result in something worse than the status quo and waste considerable resources in a failed attempt.

Determine the appropriate level of automation

Several levels of the business-registry function are candidates for automation—and several levels of automation (software sophistication) are available to address the needs of the business-registration functions. Below are four levels of IT appropriate for the registration process:

- **Automation of output functions.** This level of automation invites the least resistance from current participants in the business-registration process, because it typically does not challenge the vested interests of other government departments, lawyers, or notaries. It can be a large task, however, owing to the large volume of previously manual records to be digitized and recorded in a database. This category also includes creation of a Web site to ensure open access to company information.
- **IT to link business-registration steps in different institutions.** Generally, this level of automation does not challenge vested interests, but it does involve co-opting other agencies that may be less forward-looking or disinclined to cooperate. In such cases, a high-level reform champion may play an important role. Be alert to the overall reform design, however, before implementing this linkage; it is pointless to attempt to link four or five institutions if several should first be removed from the process through simplification efforts.
- **IT to centralize business-registration functions.** This level of automation gives a single institution responsibility for the entire business-registration procedure, removing previously dispersed parts of the procedure from other institutions. For example, this process of automation may remove business-registration powers from the registry and transfer them to the tax agency. This removal of authority often creates resistance among disenfranchised public institutions. High-level champions and open discussion of objectives are important in this case.

Automation of input functions by clerks. In its simplest form this level of automation involves the direct electronic input of information by qualified registry clerks. Automation can help walk clerks through the process to ensure that documents are

not skipped and to reduce the likelihood of incomplete or incorrect application packages. For example, a clerk is required to scan an applicant's identity card and Articles of Association and cannot proceed with an application until that step is complete. This level of automation makes it easier to integrate regional branches, but applicants still need to apply in person.

Automation of input functions by applicants. A much higher level of automation of the input function enables businesses to register via the Internet. This level involves ICT legislation (to authorize electronic signatures and electronic transactions) and secure software installation.

Automation of input and output functions go hand-in-hand

Automation of the input function can ensure accuracy and completeness of applications. Automated input of current applications needs to be complemented by digitization of existing records—which in turn makes checking for uniqueness of company name quicker. Also, without a means of sharing the database of companies with other agencies (interagency networking) the impact of registry automation will be limited.

9. Incorporate monitoring and evaluation

Effective monitoring and evaluation is an essential part of program design. It should be creative and transparent—and viewed as a tool for demonstrating success to the public and the government, thereby justifying public investment and policy decisions, and encouraging additional and deeper reforms that can improve efficiency further.

Incorporate formal annual reviews

Incorporate formal reviews at the end of each year of the program. Ideally these reviews should coincide with the *Doing Business* survey timetable, taking place between the time of data collection and the time of data finalization for publication and incorporation into the *Doing Business* database.

Collect baseline data before or during design stage

Effective monitoring and evaluation requires the collection of baseline data for the selected performance indicators. (Box 14.4 lists sample performance indicators.) Some performance indicators (for example, the number of companies registered and the *Doing Business* indicators) may already exist, but a truly successful program will design more sophisticated indicators and collect the necessary baseline data. It is worth noting that many performance indicators may display a “J-curve” effect (showing a decrease prior to an increase) if the number of companies registered

Box 14.4 Sample Performance Indicators

Sample Business-Registration Performance Indicators

Following are examples of performance indicators:

- Number of businesses registered, monthly registrations, annual net increase
- Cost of registration (official and unofficial costs, with the latter collected through an anonymous survey)
- Time required to register (for different types of businesses—for example, sole proprietorship, limited liability company, and so on)
- Number of procedures and requirements

Below are performance indicators from a public sector management perspective:

- Revenues from registration fees (including per employee)
- Operating costs and overhead
- Coverage of operating costs
- Registrations per employee
- Compliance rate (where annual returns are required)

decreases (because of the weeding out of “dead” companies) or financial performance deteriorates before improving. Careful tracking of indicators from the early stages of the reform program will allow you to capture the real baseline data.

Plan monitoring-and-evaluation indicators

Plan four key types of monitoring-and-evaluation indicators:

- **Direct business-registration and taxation performance indicators.** Examples of these indicators include the number of firms registered, rate of new registrations, rate of compliance (with any annual return requirements), and various ratios of number of firms (registered with tax authorities) to amount of tax collected.
- **Doing Business business-registration process indicators.** Examples include days and procedures to register a business, and costs. These indicators have the benefit of being annually and publicly tracked.
- **Indicators of operating efficiency of business-registration institution.** Examples include operating costs (even broken down into staff and equipment), fee income, investment in upgrading and staffing levels, and various ratios linking them.

- **Customer-satisfaction indicators.** These indicators can be ongoing (completed at the end of the registration process) or periodic.

Ensure open and high-level reporting

Reporting of performance should be made public—even if business registration is in a government department or the judiciary—because it is a public service. Web sites are the easiest medium for this reporting. Regarding progress of the reform process itself, the program design should include an explicit requirement for regular reporting, with accountability, by everyone from the implementation working group to the steering committee.

10. Design training activities and operations manual

The success of a reform program depends on its practical implementation. All who are involved in the day-to-day activities must understand what is required of them and how to perform specific tasks. Good training and the continuing guidance provided by an operations manual are essential.

Prepare a training program as an essential component of reform

A training program is an essential component of reform-program design. Training will be required in the operation, administration, and maintenance of the new system and it must cover familiarity with legal and regulatory changes, new institutional reporting relationships, new registration procedures, and IT requirements. IT training is particularly challenging, because many employees will have little, if any, experience with automated systems.

Address key training considerations

Address the following key training considerations:

- Identify training objectives, requirements for current-employee training, and the need for employees with new skills.
- Find funding for initial training requirements—and include a training component in the yearly operating budget.
- Integrate training into the implementation program.
- Plan for future training—for the organization as a whole and for specific individuals.

Box 14.5 Components of an Effective Operations Manual

Components of an Effective Operations Manual

The following components need to be included in the operations manual:

- **Table of contents**—divided by distinct business operations (for example, name search, processing of company bylaws) and by type of registration (such as sole proprietorship, partnership, LLC)
- List of definitions
- Narrative step-by-step summary of procedures
- Graphical (flowchart) summary of procedures
- **Checklist**—of questions to ask applicants and of required submissions (and acceptable evidence of identity, and so forth)
- Applicable forms and interface screens—blank and sample completions
- Special guidelines and policies
- Initial list of frequently asked questions (which should be kept up to date)
- Index

Plan the preparation of an operations manual

The operations manual will serve as a functional quick-reference guide (and training tool) for registry officials. A well-structured operations manual is key to creating an efficient and effective business system for any institution. It should be user-friendly and contain graphical descriptions (such as flowcharts) of specific procedures, frequently asked questions, standard forms and computer interfaces with instructions, completed examples, and an index. Box 14.5 lists the essential components of an operations manual. It also should cover expectations:

- *What is expected from, or to be provided to, other agencies* should be agreed to with other agencies, and time limits specified where possible.
- *What is expected of the registry and other agencies* should be openly shared within government (and with the business community), and a mechanism (through the working group and steering committee) set in place to highlight bottlenecks.

Complement the operations manual with an official guide

The official guide, derived from the operations manual, should serve as the manifesto of what the registry (and other relevant institutions) will provide, and what the business community can expect.

11. Ensure sustainability and exit

Sustainability or success of a business-registration reform program is determined by many factors. Part One of this toolkit notes examples of successful reform processes and of effective operational tools and institutional solutions from developed-country systems. Conditions necessary for success and sustainability include the presence of a proactive reform champion and effective interagency collaboration at the highest levels of governments (and reflected at the operational level).

Ensure pragmatic, country-specific reform

Be sure the intended reform program is pragmatic in the context of the particular country situation. A pragmatic reform program is likely to provide at least moderate success, whereas an overambitious one may stall. A pragmatic program often pursues rapid gains by simplification and automation—*not* by attempting fundamental legal or institutional reforms as part of a single undertaking. (Fundamental reform of laws and institutions, if really necessary, are best pursued as a parallel agenda to simplification and automation.) In “new” countries, such as Bosnia and Herzegovina, where circumstances make relatively radical reforms practical (including legal, institutional, IT, and procedural changes), such opportunities obviously should be grasped. Elsewhere, simpler improvements that do not attempt to bridge too large a gap have a greater chance of success, and can galvanize support for more difficult reforms to come later.

Be aware that different arrangements need different approaches

Different institutional arrangements imply different approaches to sustainability. Where business registration is kept within the government structure, in an executive or judiciary department, for example, commitment of champions and high-level coordination are important. An implementation partnership with a World Bank or multi-donor facility in the field—a Private Enterprise Partnership (PEP), for example, or a PDF—is helpful. If a country has made the move to an executive-agency model, performance accountability will be in place, and business registration typically will report directly to a minister responsible for personnel performance and the use of fees. Concession to the private sector or a chamber of commerce is most challenging; in some cases, such as Colombia or the United Kingdom, it has worked well, but elsewhere this move has resulted in an additional step.

Design appropriate IT solutions and training to promote sustainability

Applying IT solutions to old-fashioned (such as paper-based) systems that are not encumbered with excessive procedures can produce spectacular gains that justify reform and provide momentum for further improvements. Simple IT solutions (input and digitization of records) can be introduced in even the most challenging situations. They can lower the seniority requirement for personnel who are capable of accepting and processing applications and ensuring their completeness. Proper training of existing staff—including training in very basic computer skills—is important, and flexibility in deploying often younger, more IT-ready staff is equally desirable. For guidance in design and implementation, it is useful to study successful roll-out of IT solutions in other areas of government. IT solutions also lay the foundation for models of the government-service-center sort that provide many services and give businesses multiple incentives to interact with government. Although much IT investment is up-front, you also need to provide for upgrading and maintenance. Although potential benefits of IT solutions are many, you also should be alert to the benefits of simplifying the current procedures. As noted earlier, attempting to apply IT solutions to convoluted procedures involving excessive institutions and requirements can waste resources and lead to reform failure.

Phase reforms and improvements

Aid sustainability by phasing reforms and improvements. Although operational and IT improvements can bring rapid gains, you should not lose sight of the significant advances that come from longer term legal and institutional reforms. Especially in more challenging situations, longer term reform options should be part of the overall plan—but phased in gradually, using shorter term successes as support. An important means of phasing is the pilot program, which can prove the value of reforms before legal and institutional changes come about. In Jamaica, for example, business-registration improvements were in place and functioning prior to enactment of the executive-agency law and the revised companies act.

Ensure that key performance indicators are in the public domain

Sustainability and successful exit are closely linked to effective monitoring and evaluation. Indicators should address government concerns about formalization, institutional efficiency, and increased revenues, and they should address business concerns about quality and speed of service and government responsiveness. Properly presented, even increased tax revenues can be perceived by business as an attractive progress indicator to the degree that it implies a better distribution of the tax burden.

Consider providing international-donor support in the field

Having international donor organizations provide support in the field can do much to promote success and sustainability. The presence of a multi-donor facility can support reform by giving exposure to success and recalcitrance—and through the provision of expertise and funding. In challenging situations, the support may be more intensive, with continual oversight by project officers or experts, but it is just as important to have such support in the form of highly specific technical advice at key junctures in the most proactive, country-driven improvement programs. Local NGOs and thinktanks also should be involved in monitoring and evaluation (for example in conducting customer-satisfaction surveys) and should take on greater responsibilities over time.

Ensure opportunities for private sector feedback on performance

Given the one-time interaction of businesspeople with the company registry (unless annual compliance is required), you may need to use business associations to solicit feedback, or perhaps arrange proactive engagement of businesses by an independent NGO or survey thinktank. Canada and various developed-country subnational governments have used direct-feedback loops, most commonly for repeat processes.

Ensure realistic budget projections and coverage of costs

Ensure realistic operating budget projections and coverage of start-up or transition costs. Implementing a new business-registration system can be relatively expensive. Reform-program design needs to budget for obvious items (start-up hardware and software, for example, and legal and other expert advice), but it also needs to anticipate less obvious costs such as training programs (and downtime resulting from training), the intensive resources required to digitize existing records, and so on. The budget also must include projections of any shortfall between revenues and costs (likely to occur in the early stages) and coverage of such gaps on an ongoing basis, as well as regular software and hardware maintenance and upgrading costs.

Chapter 15

Implementation and Supervision

The previous chapter laid out the possible components of a business-registration reform-program design. This chapter lays out the methodology for implementing and supervising a reform program, once the program is designed. We assume that the project team leader, or program officer—in conjunction with expertise from the World Bank and support from external consultants—has supervised predesign activities, designed the reform program, and will coordinate the recruitment of professional services as necessary. The precise order and frequency of implementation and supervision activities will depend on country circumstances, and will therefore be laid out in the workplan.

Role of the project team and leader

The role of the project team is to help design a reform program tailored to country circumstances—using expertise available within and outside the team—and to provide implementation support for reforms. The project team leader will oversee the provision of financial resources and technical expertise to support the reform program, monitor the performance of the reform project and of the target business-registration function, and ensure appropriate reporting and dissemination of performance indicators. Ultimately, the project team leader is a facilitator of reform, because *country* ownership of the reform program will be critical to its success and sustainability.

Composition of the project team

Successful implementation requires a team of international and local specialists, led by the project team leader and a counterpart assigned by the government of the target country. Key team members from the target country include reform champions and members of the steering committee, members of the implementation working group, and new and existing staff at the business-registration institution. International expertise should include World Bank staff or consultants who understand the process of

reform (and the causes of success and failure) based on broad international experience—practitioners who have experienced successful business-registration reform first-hand on a daily basis. The process also may require specialists in legal and institutional reform and a variety of IT experts such as software designers, hardware technicians, database specialists, and Web specialists. Local consultants will be involved in IT activities, the collection of baseline data, and program design.

1. Consolidate implementation mechanisms and supervisory arrangements

Clearly defined roles and reporting channels are necessary for effective implementation of the reform program.

Ensure full engagement of steering committee for oversight

Be sure the high-level steering committee is fully engaged as the main oversight body for the project that reporting channels are unambiguous, and that regular schedules are established for reporting. Members of the steering committee will have been identified and convened during the preparation phase and the key champion even earlier. The steering committee is fully involved in the preparation of the program design and the workplan. Ideally, given the many commitments of senior government officials, an existing high-level committee may be co-opted or adapted to serve as the steering committee.

Ensure that the working group is fully operational

Be sure the implementation working group is fully operational and that modalities for interacting with the project team are clear. The working group and the project team leader or project officer together constitute the project team and are responsible for implementation of the workplan. The project team reports to the steering committee and funding organizations.

2. Prepare overall workplan and derivative workplans

The overall workplan provides the big picture of the program. Derivative workplans include the details and specific tasks of implementation.

Draft overall workplan

Draft the overall workplan based on the program design. The workplan is the main management tool for the project and lays out activities for the duration of the entire project—perhaps two to three years. It will include performance indicators (draw-

ing upon the baseline studies of business-registration performance) and milestones, reporting schedules, budget, and other monitoring activities such as surveys or new-registrant tracking.

Draft periodic workplans based on overall workplan

Draft the first semiannual or quarterly workplan—and subsequent periodic workplans—based on the overall workplan. The project team prepares these derivative workplans and submits them to the steering committee for ratification. The workplan process is the main tool of the project team leader and the steering committee for managing the reform process. It works as follows:

- Each periodic workplan lays out tasks for the next period and assigns responsibilities.
- At each subsequent workplan session, the project team assesses progress against the previous workplan, covering achievements, failures, and delays, and reasons for them, as appropriate.
- The team makes adjustments for the next workplan and adds new tasks from the overall workplan.
- The team leader submits a progress report—covering inputs, outputs, milestones, and performance indicators—to the steering committee and funding agencies.

3. Draft necessary legal instruments

Draft any decrees or higher legal instruments required by the workplan. These instruments may deal with laws governing business-registration procedures or the jurisdiction of different agencies over the process. The drafting process should involve full consultation with the working group and steering committee, and the ministry or branch of government responsible for the decree or legal drafting should be represented on the committee. Instruments requiring legislative ratification will take longer. New legislation should be discussed in a public-private discussion forum with private sector and civil society participation. The proposed validation conferences (timed to coincide with *Doing Business* data collection) provide one opportunity for this interaction.

4. Pilot and fine-tune procedures, tools, and other arrangements

The approach to piloting and testing business-registration reforms depends on which aspects of the system are being changed. For example:

- **Legal or institutional reforms.** In most cases, gradual or test implementation of legal or institutional reforms is not possible, but you should apply due diligence. Thorough legal analysis should make apparent any and all instruments that need to be changed. You need to capture these new arrangements in the operations manual and any official guidebook. The reform project should ensure transparent and regular reporting by the empowered agency or project team to the steering committee and reform champion.
- **Procedural simplifications.** These reforms also should be captured in the operations manual and official guidebook, accompanied by periodic performance reporting to the steering committee and others, and complemented by tracking of newly registered businesses by a random NGO or thinktank survey. Annual public-private business-environment events also serve to inform on the progress of partial or new reforms.

Pilot automation improvements through phased introduction

Use phased introduction for testing purposes and demonstration effect. It is relatively easy to pilot and test the automation dimensions of business-registration reform, but the automation process should not be initiated until the project team is confident that the necessary procedural simplifications are in effect. Options for piloting and testing automation include the following:

- Automation can begin with sole-proprietorship registrations (that is, business names), which are relatively simple. Because they generally involve only one key interagency link with the tax authorities, it is possible to pilot simple automated interagency communication.
- During the pilot phase, it is possible to conduct automated input of information at a single terminal while work continues manually at other desks. Trainers can work with registry staff (at the automated terminal) in rotation without disturbing workflow. (Legislation generally requires registries to keep hard copies of most documents, which also serve as a back-up.)
- If the business registry has multiple locations, automation can begin at the main agency, with other locations using unchanged procedures for collecting manual applications and then inputting them into the automated system.

Establish feedback mechanisms for users

You might use anonymous surveys (conducted by an NGO or thinktank) of recent registrants as one feedback mechanism. You also should require registry staff to present comments on the strengths or weaknesses of new procedures.

5. Implement training program and prepare operations manual

Registry staff need to have training in the new methods, and they need reference materials they can use on a day-to-day basis as they become familiar with the changes.

Prepare and update the operations manual

As described in Chapter 14, on program design, the operations manual must cover the procedures required by any new legislation or reporting arrangements as well as interagency procedures and internal workflow arrangements. Those involved in compiling the manual most likely will include existing registry staff and the chief officer, in conjunction with outside expertise and in consultation with the steering committee and working group. The manual should be an organic document that is constantly updated and fine-tuned as the new business-registration system is rolled out and piloted.

Conduct ongoing internal and external training

Key training programs typically include basic IT skills (assuming a computerization component) and upgrading of business-registration receiving clerks' skills, including use of new data-imaging and other software, as appropriate.

6. Mobilize specialized technical assistance, as required

Identify and mobilize periodic specialized technical assistance, which may include international project-supervision technical assistance, experienced practitioners from relevant peer countries, and local IT design and installation specialists. Other consultants might include training specialists and legal or institutional reform experts, as necessary.

7. Conduct monitoring and evaluation and public outreach

It is necessary to conduct periodic monitoring and evaluation of the reform program in practice—to identify strengths and weaknesses and to respond with corrections where needed. It is also important to be sure the public is aware of improvements.

Conduct periodic monitoring and evaluation

On a regular basis the reform program should update the performance indicators specified in the workplan, and use other monitoring means as appropriate, including anecdotal stories, milestones, satisfaction surveys, and so on. Ideally, these

monitoring-and-evaluation activities are led by specialists from donor institution headquarters who can share reform experience from other countries and, at the same time, collect experience to share elsewhere.

Ensure periodic publicity and outreach for the reform program

Potential avenues for publicizing reform-program activities include Web-site reporting, newsletters, and periodic public-private workshops. Ideally, an annual workshop should take place between February and April (soon after the collection of *Doing Business* data) and serve as a validation session for performance indicators. The private sector (partly through associations) should be engaged in efforts to publicize the new business-registration regime, highlighting the benefits and obligations of registration.

8. Carry out rigorous project reporting

Transparency and accountability are critical elements of any reform program. It is important to have—and *use*—regular opportunities for clear and thorough communication among all parties involved in business registration.

Hold periodic meetings and submit quarterly progress reports

Hold periodic planning and progress meetings between the project team, steering committee, and funding agencies, and submit quarterly progress reports. These meetings and reports—including an annual validation or progress workshop—are in addition to regular upward reporting from the working group to the steering committee.

Help ensure ownership by government through rigorous project reporting

Reporting should mirror the periodic workplanning process and be characterized by transparency and accountability. The support of a strong reform champion can help the team deal more effectively with weak links in the reform chain.

Chapter 16

Key Principles for Sustainability and Exit

The ingredients of success in business-registration reform are very much country-specific. In some countries, such as Bosnia, a major donor effort and a reform-minded “new” economy can bring success in fundamental reform as well as at the operational level. In other countries, where there are vested interests, a more modest approach to operational improvements is the key to success, with deeper reforms taken slowly.

1. Ensuring sustainability

Some common lessons can be learned from successful experiences worldwide—and from less successful efforts.

Political-economy foundations

Get the political economy foundations right—including a high-level champion, the orchestration of strong intragovernmental collaboration, and improved public-private linkages. These foundations are fundamental to successful reform, and the project team should nurture them from the outset. Impending elections can slow down reform if strong vested interests are affected. It is important to establish collaboration among affected agencies early in the reform process, because changes in high-level personnel can slow reform, as happened in Costa Rica despite careful planning and the incorporation of best practice.

Phasing

Phasing of business registration improvements or reforms is important. Rolling out simpler operational and automation improvements, which are less controversial, can produce rapid results at the same time they build a constituency for more fun-

damental reform. Often it is useful to separate a shorter term (for example, two years) improvement agenda, from a longer term fundamental reform program in a dual-level approach, even if both programs are presented or initiated together. What is presented up-front as part of the longer term agenda will be determined by the likely resistance to fundamental legal or institutional reforms. (As noted earlier, however, some country circumstances support a bolder approach that covers all areas of reform together.)

Publicity

Exposure of performance improvements can help assure sustainability by creating support within the government and in the private sector. As discussed above, key areas of performance monitoring include direct business-registration and taxation performance indicators, *Doing Business*-style process indicators, indicators of institutional operating efficiency, and customer-satisfaction monitoring. Some countries and subnational regions have used innovative monitoring-and-evaluation tools. The District of Sidoarjo in Indonesia, for example, introduced ISO 9000 monitoring of its municipal registration process.

Proper placement of the registration function

Different institutional solutions require slightly different approaches to sustainability. Depending on country circumstances, it may be more advantageous to keep the business-registration function within government, or it might be better to make it more autonomous. Whichever approach you adopt, the financial integrity of the business-registration function will affect sustainability.

- If the function remains within government, then the government must acknowledge the importance of the function and release operating-cost and revenue figures as well as staffing levels—at least within government, and ideally publicly. The government must ensure that sufficient funds are channeled to the department and that it is not used merely as a source of revenue. Also, the issue of appropriate training and staffing may offer particular challenges, especially in the context of public sector institutional rigidities.
- If the function goes to an executive agency or private sector concession, then performance monitoring-and-evaluation becomes a particularly important tool to ensure sustainability. Performance reporting and accountability must be both upward to the responsible ministry or agency and outward to the private sector and civil society. It should cover all four areas of monitoring and evaluation. Jamaica's openness in this respect is a useful model (see Annex A).

Training of officials

The larger the sophistication gap between the existing and the proposed system, the greater the need for training (or for hiring staff with IT skills). Given the antiquated, paper-based systems in many countries, IT training must encompass the range of skills from basic computer literacy to digital interface. Because a key objective of improvement programs is to lower the level of staff who are qualified to accept and process applications, receiving clerks ultimately will need to be more qualified, even though they are assisted by user-friendly application input systems.

Donor support

Donor support and intervention can contribute to sustainability. In the early stages of a reform program, donors or international organizations can contribute technical assistance and knowledge of international best practice, in addition to financial contributions to help cover the cost of automation. Ultimately, success is largely a function of political will, however, and beyond an initial period of perhaps two years the appropriate ongoing contribution should be in the form of exposing success or shortcomings through performance monitoring and benchmarking (the *Doing Business* database being an extremely useful tool for this purpose). Thereafter, donors might offer periodic technical assistance on deeper legal reforms or new technology, but the reform-program design must specifically address how software and technology upgrading will be handled from agency revenues or government funding.

2. Donor exit strategy

Business-registration reform can have a shorter term agenda and a longer term agenda. Donor exit strategies will vary by agenda:

- Longer term legal and institutional reform components can last five or more years and are likely to be part of a larger legal and institutional reform program, such as a public sector modernization program supported by an international financial institution (IFI). Performance milestones and exit criteria are relatively clear and include the passing of relevant laws, the implementing of regulations, and the establishment and performance of new or reformed institutions. IFI technical-assistance facilities (whether in-country or at a distance) can play a role in monitoring these deeper reforms.
- Active donor intervention in operational and automation improvements should target duration of about two years. Duration of slightly longer than two years allows for a start-up conference or validation workshop and two

subsequent annual events or performance reviews. Ideally, these annual reviews or validations should piggyback on the World Bank's *Doing Business* annual evaluation process.

Natural limits

Donor involvement in business-registration reform programs has natural limits. For longer term programs, exit may be determined by the life of the funding or the promulgation of key laws, or by establishment of key institutions. For shorter term agendas, improvements in performance indicators showcased at an annual validation workshop can provide a convenient exit point.

Natural wind-down of shorter projects

Shorter term business-registration projects have a natural wind-down of financial support, because most donor-supported expenditure is concentrated in the early stages (principally IT and legal or operational reform advice). It is crucial, then, to articulate a strategy for recurring expenditures as part of donor exit in any reform plan.

Periodic monitoring

Monitoring the business environment is an ongoing part of World Bank or donor PSD support to client countries. As a public service, donors can remain engaged through periodic monitoring of the business environment as part of an international or national business-environment benchmarking contribution. This service can and should continue as a function of donors or international organizations even when the core start-up funding or technical assistance function has ended.

Chapter 17

Project Timeline

This chapter considers a tentative timeline for the implementation of a business-registration reform project. The tentative timeline assumes a shorter term reform program, including simplification and paralleling of components and automation. As discussed above, it is acceptable to have both longer term and shorter term business-registration reform agendas, but it is important to conceptualize each one independently, even if you present them together. Longer term reform programs may vary considerably in length and are likely to be wrapped up in larger public sector reform projects with many factors affecting their overall duration.

Reasonable timeline for shorter term

A reasonable time horizon for implementing a shorter term business-registration reform project is two to two-and-a-half years. Much of the hard work and expenditure (mainly on automation hardware and software and technical best-practice advice) occurs in the early stages. By the end of the second year, the simplified and automated business-registration system should be fully operational with all old (paper) records digitized. This time horizon also allows time to observe performance and sustainability in the later months.

Four phases

Roughly two-year project duration has four phases and allows for three annual review or validation focal points:

- A tentative timeline assumes a three-to-six-month period for laying the foundations and preparation, concluding with a launch conference that ideally coincides with the collection of *Doing Business* data. Baseline benchmarking of the status quo business-registration performance focuses on this first validation conference.

Chapter 18

Project Budget Issues

This chapter examines two dimensions of costing or budgeting: (1) the cost of implementing a business-registration reform project, and (2) the cost of running a business registry. Many factors influence the cost of a business-registration reform program, and the final cost will be country-specific.

Implementing the reform project

In a simplification-and-automation project, we can identify two categories of costs: (1) those incurred in carrying out the analysis and preparatory work and in supporting design and supervision of the project, and (2) costs identified for the automation component. Most of these costs will be incurred in the early stages of the reform process.

Analysis, preparation, design, supervision, technical assistance

For the analysis, preparation, project design, supervision, and technical assistance, consider a starting guess of \$100,000. One portion of that amount is for international consultants or World Bank experts—to assist with foundation assessment (one week), analysis and preparation (three weeks, including the first validation workshop), design (two weeks), periodic implementation oversight (two weeks), and two additional validation workshops (two weeks), for a total of roughly ten weeks. In addition, you should earmark perhaps \$50,000 for local consultants and to cover logistical costs. Typically, however, these costs are considered to be project-support costs rather than direct project costs, and funding for them comes from project-support budgets (for the project team and specialists from other departments or units) or from a dedicated private sector technical-assistance program, in the case of bilateral funds.

Automation

Costs for the automation component can vary considerably depending on the nature of the assignment. For a small to medium country the cost could run up to \$1 million.¹³ However, the scale and cost of automation depends on the volume of registered companies in a country (as well as the number of registrations per month) and the number of locations (for example, one centralized registry or multiple subnational locations). Automation costs include IT needs assessments, software design, hardware purchase, training and roll-out, and the transition costs (in staff and consultant time) of digitizing existing records. Box 18.1 provides an example of registry automation in Jamaica.

Box 18.1 Registry Automation in Jamaica

Registry Automation in Jamaica

Jamaica's business registry has some 70,000 registered companies and roughly 63,000 business names (single-entrepreneur businesses). Some of the automation of Jamaica's registry was carried out in partnership with a USAID project, which covered 50 percent of the \$400,000 costs, with the remainder funded by the ORC itself. This budget covered best-practice study tours, technology validation, development of an online service, procurement of hardware, programming the user interface, training and public education, and various technical experts. Automation began with the services of an international IT consulting company, however, before USAID support. Thus, the overall cost of the automation component probably was an additional several hundred thousand dollars. Technical expertise on the legal dimensions of companies-law reform was provided under a separate World Bank Public Sector Modernization Loan.

Look for economies of scale in registration software design. Business-registration software may not need to be designed from scratch if other registries have been or are being automated—not only because of the similarity of program requirements, but also because the various government registries or databases should be integrated in any case, to facilitate the sharing of information. If the business registry is the first to be automated, subsequent automation in other registries will benefit from cost savings. Box 18.2 describes registry automation in Serbia.

Running a business registry—offsetting factors

Efficient automated business registration will offset improvement costs through increased revenues. Project costs of \$1 million or more may seem expensive, but efficient business registration will lead to more registered companies, greater com-

¹³ Two comparator projects starting in 2005 lend support to this rough scale of project: (1) a one-year World Bank project to automate the Bhutan Registry, costing \$0.5 million; and (2) a three-year World Bank project to automate and streamline the Bangladesh Registry estimated at \$1 million.

Box 18.2 Registry Automation in Serbia**Registry Automation in Serbia**

Serbia had some 150,000 registered companies and 160,000 business names in 2002. A business-registration automation program, designed with the help of Jacobs & Associates, included many local registration centers and projected costs of up to €1.5 million (roughly \$1.5 million at the time). This amount included hardware and software costs; initial staffing and training costs for a three-month build-up period; and costs of establishing regional business service centers, a publicity campaign, and the digitizing of existing records of some 350,000 companies (many of them ultimately defunct). However, a reduction in project cost of some €200,000 was imputed as a result of cost-sharing with automation of the collateral registry.

pliance, and ultimately an increase in fee revenues. Following automation, the revenues of ORC in Jamaica are increased by slightly less than \$1 million between 2004 and 2005.

Proper use of increased revenues

Often an important source of income for governments, business registries must be properly maintained. A good reform project will ensure that a portion of the revenues is used for continual improvement of services and software. Transparency in performance reporting will help ensure that efficient functioning and continued improvement of the registry is not neglected. Jamaica's ORC, with its executive-agency status, is allowed to put aside 50 percent of revenues for investments in performance upgrading.

Operating surplus

Successfully reformed business registries have revenues significantly above operating costs. An operating surplus clearly is a key performance indicator for business registries, even if the most important revenue impact of improved business-registration procedures is indirect through greater fiscal revenues.

- Operating revenues of ORC (Jamaica) in fiscal 2004 were 48 percent above projections at J\$158 million (\$2.6 million), with operating expenses of J\$119 million (\$1.95 million), to give a revenue surplus ratio of 1.33.
- Projected operating costs and revenues for the new Serbian business registry for 2004 were €1.2 million and €1.9 million respectively, giving an expected revenue surplus ratio of 1.6.

Improved economy

As a public service, business registration should be viewed as a contributor to overall economic improvement rather than as a generator of revenue. Ideally, the registration fee should cover the overhead and salaries of the registry, and the maintenance and upgrading of the database and of the system as a whole.

In conclusion

Business-registration reform and operation can be expensive but will have significant direct and indirect benefits if successful. Efficient business registration can lead to increased revenues for governments to help recoup set-up costs, increased tax revenues, and more information about the business sector. For businesses, an improved system results in more efficient and less costly registration. Moreover, the benefits of compliance include government services and better access to finance. Business-registration reform cannot succeed in a vacuum, however. It must be part of larger reforms, such as use of revenues and information to further improve the operating environment for business, and the elimination of any predatory official practices.

Annex A

Four Case Studies of Good Developing Country Experience

New-business estimates provided by sources referenced for the case studies typically differ from those quoted by the World Bank's *Doing Business* for various reasons.

Estimates unavoidably differ by source:

- Time point may be different.
- *Doing Business* sums estimates for all start-up procedures in “days” and “procedures,” including tax, social security, and other procedures or registrations.
- *Doing Business* considers the minimum time for any single procedures to be one day. Often an on-line name search, for example, takes a few minutes only, and other sources (in particular registry officials) will consider that search closer to “zero” days rather than one.

Case Study: Jamaica

This case study illustrates the gains made from turning a registry into a semi-autonomous agency able to spend its own revenues and modernize registry functions and laws.

Ex ante situation

In 1996, the ORC, under the Ministry of Industry, Investment and Commerce (MIIC) operated business registration, but did not have autonomy to spend any of the revenues it earned. Prereform, the World Bank observed the ex ante situation:

- 14-day turn-around time for registration of business names and companies
- Weak legislative framework, out of step with modern business practices and international practices
- Weak compliance unit with high delinquency rate and low penalties for businesses
- High volume of unregistered businesses, leading to weak regulatory framework and tax collection
- Weak staff skills or academic qualifications and many temporary staff, all using inadequate facilities

Foundations for reform (preparation, drivers, champion) included the following:

- In mid-1990s, Office of Prime Minister established a public sector modernization program
- Reforms encouraged by World Bank Private Sector Modernization Program loan (1996–2002)
- Business-registration reforms championed by Cabinet Secretary in Office of Prime Minister and the Minister with portfolio responsibility for the ORC

Reform process

Nonradical institutional reforms, updating company legislation, and ORC's new-found autonomy as an agency resulted in new incentives and efficiencies, though legal reforms took a decade.

Intragovernmental or public-private dialogue

Role of business:

- Businesses consulted prior to instituting reforms
- Businesses allowed to inform legislative changes

Legal reform:

- Executive Agency Act passed in 2002 (though ORC had already been made into the executive agency)
- 1965 Companies Legislation reviewed and new law passed in 2004, enabling:
 - simpler incorporation of companies
 - incorporation of sole-proprietors
 - stricter corporate governance

Institutional reform:

- In April 1999, ORC made into an executive agency, allowing for greater operational and financial autonomy
- New executive agency ORC had right to retain 50 percent of revenues to undertake improvement projects

Operational improvements or tools:

- **Electronic database** functions enhanced, improving registration and public access to information
 - extensive **computerization** of database, enabling searchability
 - Web site improved to facilitate partial business names-only registration
- **Performance-driven internal processes** established at ORC, including decision to offer a money-back guarantee on core services
- **Single identification number** instituted for individual entrepreneurs and companies

Ex post and impacts

ORC's semi-autonomous status and improved organizational management resulted in the following ex post situation:

- Four days for normal service and one day for expedited (*Doing Business 2006* estimates nine days for business start-up including National Insurance,

Tax, and VAT registration)

- Compliance rates for filing of statutory returns up from 12 percent to 35 percent
- Accessibility of company information improved through searchable database
- Improved skills among staff and customer service—oriented through training and incentives

Continuing reforms

Operational and legislative changes are still in the works, particularly in the area of e-government or e-commerce:

- Online business registration to be available for all companies
- E-government legislation to be enacted, allowing for online transactions and electronic signatures
- Government considering need to simplify the National Insurance application procedures

Case Study: Russia¹⁴

This case study shows that creating a detailed and unified federal law for business registration or start-up—and consolidating its execution under one body—resulted in an improved system.

Ex ante situation

Prior to reforms, registration practices were cumbersome and inefficient. Practices varied among regions owing to lack of a federal law prescribing a detailed and unified business-registration procedure. In September 2001, FIAS and CEFIR reported the following ex ante situation:

- On average: 23 days, 3,900 Rubles (roughly \$135), and 5 different offices
- No unified register of companies, nationally or regionally, and limited company information
- No common form of registration certificate recognized throughout all regions
- Businesses must register at federal, regional, or municipal level, depending on ownership structure
- Separate registrations required for all three state social security funds and statistical agency
- Foundations for reform (preparation, drivers, champions) included the following:
 - In 2000, government adopted Long Term Strategy for Socio-Economic Development
 - In 2001, Ministry of Economic Development and Trade compiled deregulation reform package
 - Vice Prime Minister and several ministers championed business-registration component of reforms

Process

Business registration was federalized and improved through a unified federal law, institutional consolidation under the Tax Service, and operational and procedural simplification tools.

¹⁴ Based on FIAS “Administrative Barriers to Investment in Russia” 2001 and 2004, and CEFIR “Monitoring of Administrative Barriers to Small Business Growth, Rounds 1-4.”

Intragovernmental or public-private dialogue

Public-private roles:

- Vice Prime Minister and Minister of Economic Development collaborated to win needed support.
- Private sector was asked to define and report problems as new system was introduced.

Legal reform:

- July 1, 2002, Law on State Registration of Legal Entities was enacted, stipulating:
 - a maximum of five days and 2,000 Rubles (roughly \$64) for business registration
 - implementation of the one-window approach
 - all existing enterprises to receive new registration certificates from the Tax Service
 - roughly 3 million registration files to be transferred from old registries to the Tax Service
- In 2003, the law was amended, requiring sole proprietors to be registered by the Tax Service.

Institutional reform:

- Registration of all companies was consolidated under the Tax Service.
- Basic company registration functions were removed from regional oblasts.
- All social funds (retirement, medical, and insurance) were to be consolidated under one authority.

Operational improvements or tools:

- **Single registration form** was created by Tax Service.
- **One-window** approach is being instituted gradually with some success in Tatarstan and Moscow.
- **Business registration and tax registration** were simplified by combining into one procedure.

Ex post and impacts

Results have been mixed owing to varying degrees of compliance and implementation among regions. In particular, the tax authorities have not performed well in

providing public access to company information, and businesses remain suspicious of revenue-raising motives of the authorities. However, several regions have realized substantial benefits:

- On average: 14 days, 3,300 Rubles (roughly US\$117), and 3 different offices (*Doing Business 2006* estimates 25 days until Company Seal registration complete; 33 days for complete start-up)
- Eight days, using Tatarstan Republic's one-window approach
- Ten percent fewer intermediaries sought, 21 percent fewer personal connections used, and 11 percent fewer "gifts"¹⁵

Continuing reforms

Further amendments are being developed, because certain laws still prohibit full operation of the one-window principle, for example:

- Even though Tax Service electronically forwards registration information to pension and social insurance funds, their laws still oblige companies to register with them directly.
- To open an account, banks require new businesses to show a registration certificate from the statistics authority, even though registering with statistics is no longer necessary to start a business.
- Consolidation of the social funds under one authority is still in progress throughout the regions.

¹⁵ CEFIR "Monitoring of Administrative Barriers to Small Business Growth, Round 4, 2004

Case Study: Turkey¹⁶

This case study illustrates a reform that shifted authority over business registration from a government body to a private body and mandated the sharing of company information with relevant agencies.

Ex ante situation

Prior to reforms, the process of establishing a company was cumbersome and problematic. FIAS observed the ex ante situation:

- Nineteen procedures, two-and-one-half months
- Few computerized registries (in main business centers), not online
- Many office visits because there is no exchange of information among registries, ministries and the public
- Sequential and interdependent procedures requiring excessive documentation
- Foundations for reform (preparation, drivers, champion) included the following:
 - Preparation for acceptance into European Union
 - FIAS study leads to decree on improving the investment climate
 - Government forms committee (YOIKK) to design and oversee reforms
 - Chair of subcommittee on company establishment (Undersecretary of the Ministry of Trade and Industry) champions business registration reforms

Reform process

Despite resistance, authority over registries was shifted and procedures simplified.

Intragovernmental or public-private dialogue

Public-private dialogue:

- YOIKK convened, bringing together president, ministers, businesses, and NGOs
- More than 25 meetings held to identify needs of all parties and eliminate procedures

¹⁶ Based on FIAS Administrative Barriers to Investment in Turkey, June 2001, and Ministry of Industry and Trade presentation for World Bank-OECD Workshop on Investment Climate, by Dr. Yavuz Cabbar, June 2003.

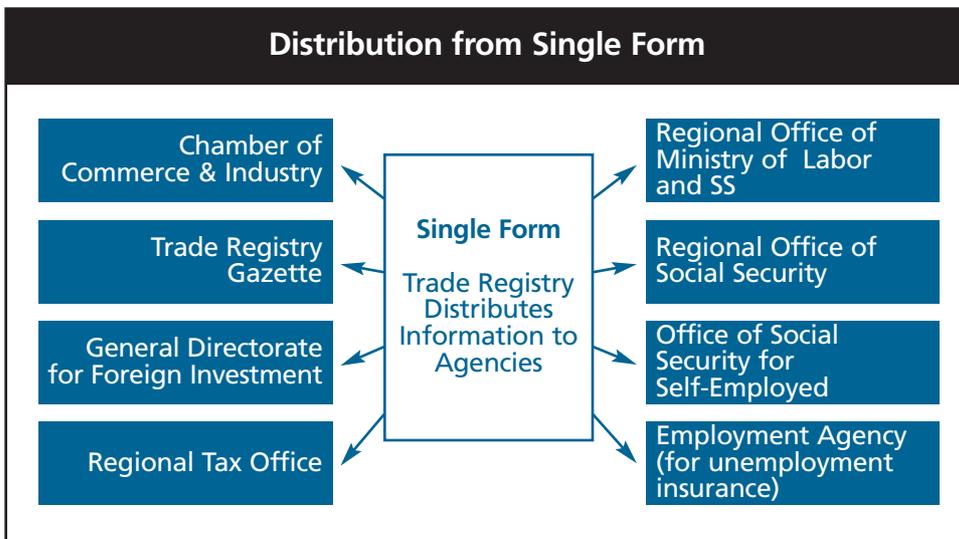
Legal reform

- In November 2003, “Law Amending Turkish Trade Law, Tax Procedure Law, Stamp Duty Law, Labor Law, and Social Insurance Law” was enacted:
 - requiring registries to provide relevant data to tax, labor, and social insurance authorities
 - eliminating requirement for notarizations as well as stamp taxes at regional registries

Institutional reform:

- Delegation of authority over business registration was transferred from Ministry of Trade and Industry (MOTI) to the trade registry office of the chamber of commerce.
- MOTI was removed from registration process except for companies that must demonstrate compliance with special trade laws dictated by the Ministry.
- Creation of YOIKK provided an ongoing high-level mechanism for public-private dialogue on business-registration reforms.

Figure A.1 Distribution from Single Form



Operational improvements or tools:

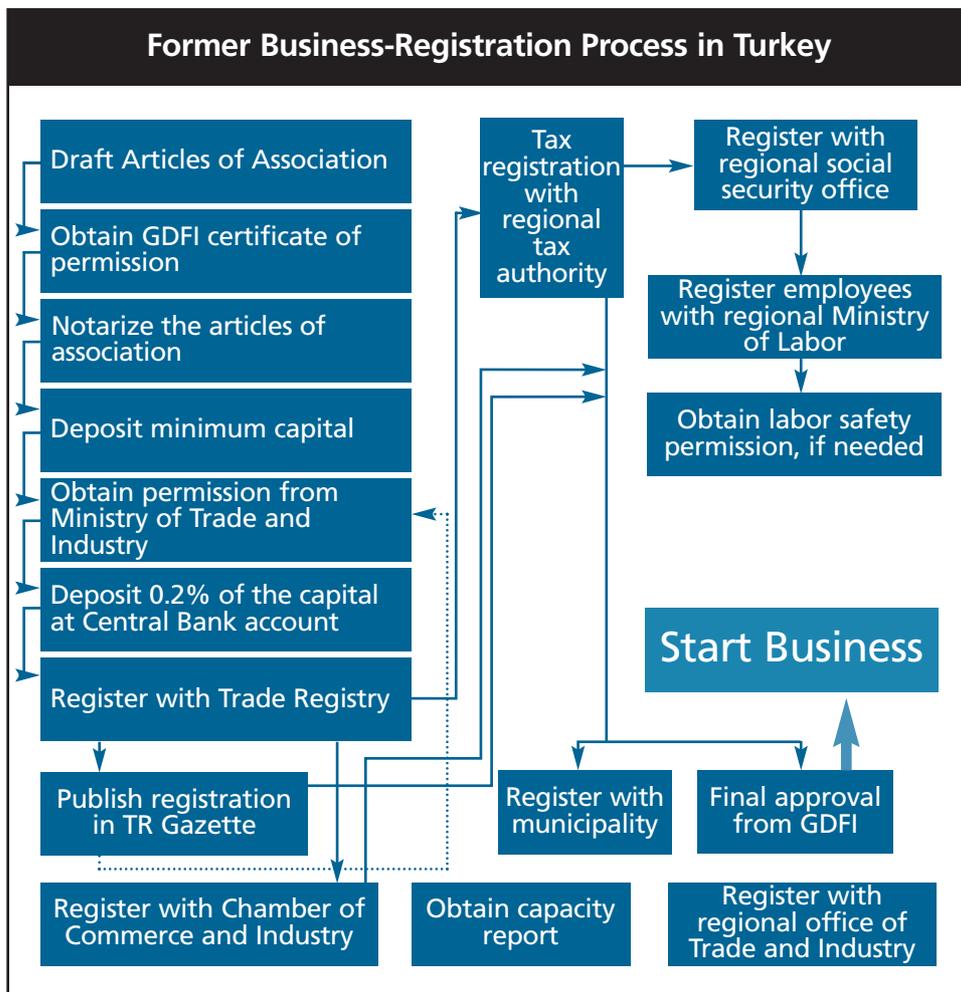
- **Online company registration database**, searchable and accessible to the public
- **Single application form** from which information is distributed by post or courier (See Figure A.1.)

- **One window** for registration with trade registry, tax, labor, and insurance authorities
- **Elimination of unnecessary procedures**, such as MOTI approvals and notarizations

Ex post and impacts

Procedures, costs, and time have been reduced, and numbers of registrations have increased.¹⁷

Figure A.2 Former Process in Turkey



¹⁷ Ministry of Industry and Trade Undersecretary confirmed increase in registrations, though exact data still being gathered

- Two procedures, one day (*Doing Business 2006* estimates four days for procedures until trade-registry-office registration is complete, two days for the trade-registry registration by itself, and nine days for complete start-up)
- No minimum capital requirement

Continuing reforms

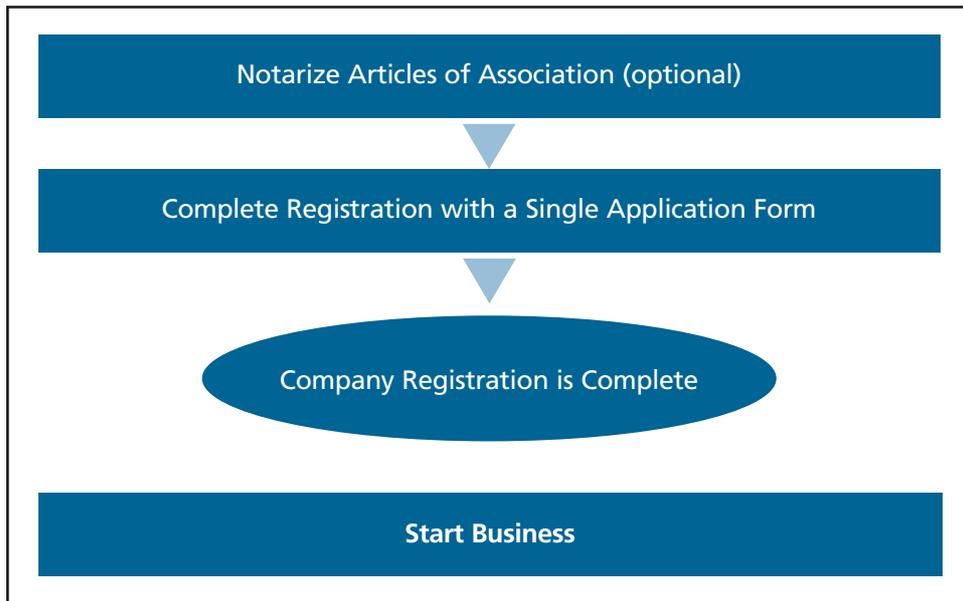
Efficiencies will likely increase as further IT enhancements are made:

- Automation of agencies will enable electronic transmittal of data among them.
- Trade Registration Gazette will soon be automated.
- Application form will be available online when electronic signature regulation is enacted.

Former Process for Business Registration or Start-up in Turkey

The former procedure required companies to register separately with each agency, leading to the complicated process shown in Figure A.2.

Figure A.3 Reformed Process in Turkey



Reformed Process for Business Registration or Start-up in Turkey

The streamlined process shown in Figure A.3 allows companies to register only with the trade registry. Once the form has been submitted, the business is considered registered. The trade registry officer (TRO) is legally responsible for distributing required information within a certain period of time among the relevant government agencies, and may be punished by fine if negligent. In this sense, though employed by the chamber of commerce, TROs assume the responsibilities of civil servants and are subject to the legal provisions of civil servants. It is up to business owners to apply for any necessary sector-specific licenses after registering.

Case Study: Serbia

This case study illustrates how moving registration from a commercial court system into an independent agency and unifying separate registries have increased efficiency and reduced costs.

Ex ante situation

Prereform, business registration was time consuming and uncertain. The system operated through 16 commercial courts and 131 municipalities and was designed to regulate and control rather than collect and process information. The following ex ante situation was observed:¹⁸

- 51 days, 11 procedures, 277 employees, and approximately \$202
- Two separate registration databases—one for “companies” and another for individual “entrepreneurs”
- Most of the data collected in registry databases not reliable (60–80 percent estimated to be incorrect)
- Lack of written instructions for registrants, and data not organized to be accessible to public
- Information deemed confidential by statistical office was made public by municipalities
- Foundations for reform (preparation, drivers, champion) included the following:
 - Investment analyses by donors and consultants led government to decide reforms were needed.
 - Government accepted business-registration reforms as conditions for next World Bank adjustment credit (2003).
 - Government and Swedish IDA concluded grant agreement providing for business-registration reforms (2004).
 - The Ministry of Economy and the Council for Regulatory Reform (an inter-ministerial body established by the government) championed reforms and prepared and proposed the draft laws.

¹⁸ Jacobs & Associates (2002) “Reforming Business Registration in Serbia.”

Reform process

Serbia undertook a radical reform program rather improving on the existing system. Transforming the system into an administrative process was strongly opposed by the commercial courts.

Intragovernmental or public-private dialogue

Public-private dialogue:

- Three public hearings (facilitated by IFC SEED, now IFC PEP-SE) were held with business people to discuss draft laws.
- PR campaign, roundtables, and workshops organized by chamber of commerce and SME support agencies.

Legal reform:

- Company Law and Law on Entrepreneurs revised, eliminating requirement for preinspections of low-risk businesses (2002)
- Law on business registration and Law on Agency for Business Registers adopted (2003), stipulating:
 - business registration to be executed by independent Agency for Business Registers (ABR)
 - Registrar may not verify authenticity of the data and documents in company applications
 - Registrar may not refuse registration if company provides all data and documents
 - Silence-is-consent rule: if decision not issued within five days, registration deemed accepted

Institutional reform:

- Business-registration function was taken out of commercial courts and moved to new independent administrative agency.
- The new ABR established its center in Belgrade and established 12 branch offices across Serbia.

Operational improvements or tools:

- **Unified electronic database** created, containing all companies and individual entrepreneurs
- **Registration form** downloadable from ABR Web site and able to be submitted electronically

- **Basic company information** made available to the public and searchable through ABR Web site

Ex post and impacts

Businesses and the government alike have already realized benefits:

- 21 days, 9 procedures, 85 employees, and approximately \$170 (*Doing Business 2006* estimates 15 days, 10 procedures, and \$156)
- At current pace, rate of newly registered companies will have increased by 42 percent in 2005¹⁹
- Judges left to adjudicate cases and solve disputes rather than manage administrative databases
- Complete publicity and simple access to data and documents without proving legal interest

Continuing reforms

Continuing reforms include:

- Establishing a single identification number to be used by statistics, tax authorities, social security
- Enabling online registration through Web site
- Documents continue to be transferred from paper to electronic form and uploaded on Web site

¹⁹ According to the Ministry of Economy, in the first four months of operation the agency filed 3,000 applications. If this pace continues, the final number of newly registered companies for 2005 will be approximately 9,000, as compared with 6,329 in 2004.

Annex B

Three Conditioning Questions to Guide Reform Design

Improving the performance of business registration can involve three levels of intervention: (1) fundamental reform of, or changes in, the laws and institutions involved; (2) simplification of procedures and steps involved; and (3) use of operational tools to streamline those procedures and steps to make them quicker or more effective. These three levels lead to three basic questions that a program officer and other national and external stakeholders must answer.

1. Is fundamental reform necessary or viable?

Fundamental reform refers to the need to change, create, or remove laws. The difference between laws and lower legal instruments, such as decrees, is important. Laws need to be passed by a legislative body and are inherently more sensitive, and more difficult to change. Decrees can typically be changed, repealed, or issued by a particular branch of government or individual ministry, and are therefore both less sensitive and easier to orchestrate. That said, business registration typically involves multiple branches of government and ministries; the promulgation of a single new decree will rarely suffice, and outdated or contradictory decrees may also need to be changed or repealed.

Fundamental reform is often not necessary to realize substantial improvements in business-registration performance. Often, reorganization or simplification to allow previously serial steps in the registration process to be conducted in parallel will yield major reductions in costs (official and unofficial) and time involved. If such gains can be realized the returns of also attempting fundamental reforms may diminish rapidly, and a government's reform agenda should move on to other low-hanging fruit or other priority issues.

Fundamental reform is often less necessary than imagined. Guided by models of best practice from richer, more developed countries, reformers have a tendency to assume the need for fundamental reform where it is either unnecessary or impractical. These models are often inappropriate, and, if attempted, can engage a degree of effort or political capital that would best be deployed elsewhere. Fundamental reforms may simply fail. Often the battle with vested interests and institutional rigidities has the effect of delaying improvements for many years, when simpler reforms could have produced similar improvements in a much shorter period for much less effort—effort which could be expended, earlier, on another reform priority. In sum, donor organizations and their project team leaders should beware of jumping into a business-registration improvement agenda requiring fundamental reforms.

The viability of fundamental reform is very much specific to the country and its stage of development. Each country and each business-registration reform program must be judged and planned according to particular country circumstances. Fundamental reform may be viable in countries such as Bosnia where the entire legal system and attendant institutions were being redesigned. Concessioning business registration to the chambers of commerce in a civil-law country such as Colombia was possible because of the chamber's excellent reputation, but such a fundamental reform has been less successful elsewhere. Efforts to change business registration from a judicial process into an administrative one in Honduras led to a long drawn-out battle.

If the project team leader and country stakeholders (supported by advice from expert consultants and practitioners from other countries that have attempted business-registration reforms) judge that fundamental reform *is* necessary, the question becomes how to make it viable? In this case, the high-level foundations discussed below become extremely important (for example, presidential-level champions and powerful external levers), and without them the reform program will be difficult. (But, again, the existence of those high-level foundations does not argue for the fundamental reform option where it is not necessary.)

2. What simplification efforts are required—and how to ensure support for them, and implement them?

Simplification refers to the *removal* of unnecessary procedures, or efforts to *parallel* them. Although fundamental reforms will invariably be accompanied by simplification, simplification does not require fundamental reforms—and can bring significant improvements even in their absence. Clear opportunities for simplification exist where a businessperson may be required to visit the same institution on multiple occasions, or cannot proceed to a particular step until previous ones are complete.

Simplification is, therefore, partly a matter of reorganizing procedures, but it also is facilitated by a variety of operational tools. Often, lesser legal instruments such as decrees are needed to eliminate unnecessary and typically uncontroversial steps, but even these lesser legal instruments may be unnecessary. Sometimes a closer look at existing regulations reveals that a procedure is not required, but simply assumed to be required, and the compilation of official guidelines for business people and government officials can suffice to improve business-registration performance. Also, simplification through reorganization can be facilitated by a variety of operational tools. In particular, single windows and automation can help reorganization within a particular ministry or ranch of government, but also across them, as discussed below.

A validation workshop or similar intragovernmental or public-private dialogue can help reveal opportunities for simplification. One potential focus is the *Doing Business* representation of the business-registration process: Has it been captured correctly, and what duplication or complexities does it reveal? In many developing countries the absence of effective intragovernmental or public-private dialogue means that stakeholders are unaware of dependencies across institutions, or of how intent certain institutions are on involvement in the business-registration process. The *Doing Business* description of the steps involved in business registration, along with other analytical studies, is a good starting point, but a locally-owned process of digesting and responding to the findings of these resources is important.

Coordination and consensus building across stakeholder institutions is important for successful business-registration reform. This coordination and consensus building must take place both within government and with the private sector. In the area of business registration, the private sector is not just client businesspeople but also the professional service providers involved in the business-registration process, notably lawyers, notaries, and accountants. Validation and other workshops are an important manifestation of this dialogue, and can be seen as an early building block, often facilitated by donor organizations. Generally speaking, effective coordination requires both a high-level steering committee (to give weight to reform efforts and exposure to their progress) and a working-level committee for implementation. The relative importance of each depends on the contentiousness of the proposed simplification reforms.

Simplification reforms need to be implemented effectively. Laying out a simplification program is relatively easy; the challenge is in successful implementation. Changes need to be communicated effectively, and the implementing bureaucrats need to be incentivized or forced to implement the streamlined procedures properly. Although people often assume that those involved in the process typically want to *stay* involved—as a matter of job security, or official fees, or opportuni-

ties for unofficial payments—in reality this may not be the case, because officials often see their involvement as a burden, especially when they have many other responsibilities. Government reformers and project team leaders or donors need to consider explicitly how to ensure effective implementation—by means such as the following:

- Publicity for the process of reform in conjunction with the monitoring and publication of performance indicators.
- Effective use of quarterly or semiannual workplanning (with clear accountability), and of the high-level steering committee in particular
- Avoiding disincentives (A business-registration reform program creates fewer disincentives by avoiding fundamental reforms. Institutions or individuals with many other functions involved in business registration will relinquish a role more easily than those for whom it is a core function. In the latter case, job or institutional security needs to be considered. For example, in civil-law countries it is easier to abbreviate the role of lawyers, for whom business registration constitutes a small proportion of income, than that of notaries, for whom it is a core activity.)
- Creating incentives (Institutions often want to be involved in a registration process, not because they want to have power over whether a business is registered or a company created, but because they want to *know more* about those businesses. Simplification, when combined with digitization and automation tools, for example, provides all relevant institutions with more information about new businesses, because information is shared, and this becomes an incentive.)

Often, upgrading IT capabilities also serves as an important incentive. Organizational simplification generally requires little financial investment but lots of political will; it may require staff cuts, for example. As a practical matter, the technology and equipment that often accompany new operational tools (such as digitization, and the opportunity to upgrade IT capabilities it represents) offer an additional incentive for institutions to engage in the process of reform.

3. What operational tools will be useful?

Operational tools are designed to make existing procedures easier. They do not seek to change the basic legal obligations of a business seeking to register, or to impact the role of any institutions involved in the process. Typically, the introduction of operational tools is combined with simplification efforts, to produce greater improvements. On the other hand, automation without simplification of procedures

(where simplification is sorely needed) is very likely to fail. Operational tools include one-stop shops (OSSs) and single windows, single identification numbers (SINs), temporary licenses, silence-is-consent rules, money-back guarantees, and single registration forms.

The most important tools, however, are automation and ICT solutions. Automation can be applied to business registration in various ways, from the digitizing of all paper records to online business registration. The key automation opportunity is the digitizing of new applications and past records. Computerized input of applications not only makes checking the completeness and accuracy of applications easier, but it also makes scanned information available electronically for downstream registration functions. Digitizing past records makes name searches much easier, among other advantages.

With automation, the effectiveness of many other tools increases substantially. Single windows can metamorphose into virtual OSSs, and SINs and single registration forms become much more effective. Silence-is-consent rules and money-back guarantees become more feasible if automation helps ensure the completeness of applications. Also, upgrading skills of registry staff, especially in the use of automated registry systems, is an important tool. More qualified receiving clerks will make the whole process more efficient.

One caveat with operational tools, especially automation, is that the most advanced solutions may not be the most effective in developing countries. If business-registration targets are very small businesses in rural areas, for example, sophisticated online systems will have little impact (although the computerization of internal registry processes will still be valuable). Thus, physical solutions (such as simple guidebooks and clear registration forms) and physical locations to submit registrations will remain important, and should be considered in parallel to IT solutions.

Annex C

Sample Checklist

Box C.1 provides an example of the kinds of questions the project team needs to answer at each step of the business-registration reform program.

Box C.1 Sample Checklist

Objectives and Motivations
<ul style="list-style-type: none">• What are the government's objectives and motivations (for example, formalization, public sector modernization, attracting foreign investment, responding to conditionalities)?• How large is the informal sector?• How passionate (or reluctant) is government about reform?• Is the private sector happy with the BR process—any differences between larger and smaller (individual) businesses?
Basics
<ul style="list-style-type: none">• Which institution is responsible for BR (for example, courts, government department, semi-autonomous agency, or private organization)?• Are there different procedures for sole proprietorships, limited liability companies, and others?• How many companies and sole proprietorships are registered?• What is the monthly rate of registration?• Is the process in any way automated?• In which laws is relevant legislation located?• How does the country perform on Doing Business BR indicators, relative to peers and best practice?

Box C.1 Sample Checklist (continued)**Foundation and Preparation**

- Have diagnostic studies or surveys of BR already been conducted (in particular, Doing Business surveys, FIAS diagnostics, and ICAs, as well as other donor assessments)?
- What do these studies tell us about the bottlenecks? Which institutions?
- Is registration done locally or nationally?
- How geographically dispersed is the country—are target businesses constrained in their ability to travel to a central location?
- Could BR functions be decentralized? What do assessments tell us about good entry points for reform?
- Are guidebooks or other helpful documentation available to explain the BR process?
- How bad is the prevailing BR situation—what will happen if nothing is done?
- What quantitative measures are readily available (for example, rate of BRs per month, total businesses registered, compliance rate, Doing Business findings on time and cost)?
- Are elections close at hand? If close, can we judge the enthusiasm of the next government?
- Do resident-adviser-type donor programs have a good track record in public sector reform; is there a proactive ministry or cabinet capable of shepherding or driving reform?
- Are there major relevant reform programs that can be piggybacked on?

Legal Reform

- Is the legal system common-law or civil-law? To what extent are notaries and lawyers involved and protective of their role? Is there a declaratory or approval system?
- Are BRs, if issued subnationally, recognized nationwide?
- Is there a track record of successful reform of business-related laws?
- What underlying laws and regulations need to change?
- Can significant improvements be made without fundamental legal reform?
- Are there major delays in drafting and approving new legislation (especially in parliament)?

Institutional Reform

- What institutions really need to be removed from the BR process?
- What are the chances of significant improvement with the existing institutional line-up?
- Which institutions are likely to resist change, and how can they be encouraged to buy into reform?

Institutional Reform (continued)

- Are some institutions involved in multiple steps that could be combined or removed?
- Is there a proactive or IT-superior institution already involved that could be given a lead role, and would this action encounter resistance?
- Are there proposals to create or introduce new institutions? (Sometimes currently uninvolved institutions will see a window of opportunity.) Would this addition really be an improvement, or just a one-more-stop shop?
- Are there successful examples of executive agencies or private institutions (such as chambers of commerce) managing government administrative functions? In the case of BR, would such a shift be resisted by incumbent institutions?

Simplification Solutions

- Based on diagnostic studies, does the BR process have a sequential or a parallel design?
- Are there obviously superfluous or duplicative procedures?

Operational Tools, Including ICT and Automation

- What operational tools might be successful based on use elsewhere in the public-private interface? For example, do good OSS examples exist in the country?
- Are there successful precedents for OSSs, SINS, temporary licenses, silence-is-consent rules, single registration forms, easy-to-use guidebooks, and so on?
- Is training likely to be necessary? Have there been good public sector (especially ICT) training programs before?
- How much *effective* automation is there in government? For example, have other registries been automated?
- How much automation is appropriate for BR? Are users IT-capable? Are users widely dispersed?
- Are there ICT laws allowing online payments and digital signatures?

Annex D

“Reality Check” Focus Groups and Interviews

In investigating bottlenecks in the business-registration process (and beyond) facing different sizes of business in different sectors, it is important for the project team and specialists to gather firsthand information from businesses themselves.

Companies should be asked:

- What they think of the business-registration process generally. When individuals have international or regional experience, ask for scale 1–5 ranking for efficiency and cost, and ask them to rank the target country against regional competitors.
- What they think are the most problematic elements of business registration (they may focus on one or several stages). Response to this question gives an indication of the *level* at which business-registration improvement should be broached. (This is the *level of entry* – it is assumed that any improvement process would have to deal with both national and local dimensions to some degree.) Initially, this question should be open-ended, without prompts such as a flowchart or listing of the universe of possible “boxes” involved in business registration.
- Based on the generic or complex business-registration flowchart (presented in Part One), which parts do companies find most problematic? The flowchart in the toolkit paints the universe of possibility, and it is unlikely they will identify a stage not indicated. It is possible, however, that a less obvious stage (for example, the search and registration of a Serbo-Croat company title in Croatia) might indicate a stage that could be targeted for removal.

- If the business is not registered, ask the reason for nonregistration, which might be, for example:
 - cost of registration itself
 - costs of exposure, such as legal or predatory tax or levy exposure
 - complexity of procedures (including distance from a physical registration location)

Table D.1 gives a matrix of types of business that might need to be interviewed. The mix will depend on the makeup of the economy, the importance of foreign investment and commercial zones, and the predominant size of business in the country.

Table D.1 Possible “Reality Check” Companies

	Larger (Foreign and Domestic)	Small (Preferably Domestic)	Informal (optional)
Natural Resource: Agriculture	BUSINESS 1 Source: U.S. or other chamber of commerce Example: export farming	BUSINESS 5 Local contacts Example: horticulture, cut flowers	BUSINESS 9
Natural Resource: Extractive	BUSINESS 2 Source: U.S. or other chamber of commerce Example: mining	BUSINESS 6 Local contacts Example: gems, forestry	BUSINESS 10
Manufacturing	BUSINESS 3 Source: U.S. or other chamber of commerce Electronics, apparel, footwear	BUSINESS 7 Local contacts Example: light manufacturing, plastic molding, apparel	BUSINESS 11
Services	BUSINESS 4 Source: U.S. or other chamber of commerce Cell-phone, Internet provider	BUSINESS 8 Local contacts Example: BDS provider	BUSINESS 12

Annex E

Example: Framework Law in Bosnia and Herzegovina

FRAMEWORK LAW ON REGISTRATION OF BUSINESS ENTITIES IN BOSNIA AND HERZEGOVINA

I – GENERAL PROVISIONS

Scope

Article 1.

Framework law on registration of business entities in Bosnia and Herzegovina (hereinafter: the Law) regulates: purpose of the law; meaning of particular terms of this law; principles, subjects, and objects of registration: administering and content of the Register; costs of registration; required data on subject of entry; registration of part of the business entity; subsidiary companies; change of data significant for legal traffic and status changes; registration documents; submission, form and procedure for application for registration; business registration certificate and necessary notifications; deadline for issuance of business registration certificate; establishing the register and implementation and entry into force of the Law.

Purpose of the Law

Article 2.

1. Purpose of this Law is establishing method of registration of business entities in Federation of Bosnia and Herzegovina and Republika Srpska (hereinafter: entities) and Brcko District of Bosnia and Herzegovina (hereinafter: Brcko District), and harmonization of this law and laws of entities and Brcko District with regulations of EU, through creation of single identification of business entities.

2. The law is structured in such manner, so it determines fast and uniformed procedure of registration of business entities on the territory of Bosnia and Herzegovina, and therefore is applicable to all business entities established in Bosnia and Herzegovina from both domestic and foreign legal and physical persons.

Meaning of Particular Terms Used in this Law

Article 3.

Terms used in this law have following meaning:

- a) Register—database that contains data and documents of subjects of entry that are obliged to register in compliance with the provisions of this law, laws of entities and Brcko District, and is comprised of Main Book of Registry and Compendium of Documents;
- b) Registering Court—any court competent for registration matters and designated as such by the laws of entities and Brcko District;
- c) Competent Registry Court—court competent for the registration of the subject of entry, and is determined by the seat of the subject of entry;
- d) Main Book of the Register—public part of the Register that contains data on the subjects of entry defined by this law, and is being kept in both electronic and printed form. Main Book of the Register and printed form is managed by the competent registry court;
- e) Compendium of Documents of Registry—part of the Registry that contains documents on the basis of which the entry of data of entity subjects to registration was made in the Main Book of Registry, as well as other evidences submitted and created during the procedure of entry into the register as well as decisions made during the registration procedure;
- f) Subject of Entry—business entity meaning legal person whose registration is obligatory according to this law. It is a business company or the enterprise established with purpose of performing economic activity, cooperative or cooperative association and other legal person that performs economic activity, and is being established in accordance with special laws of entities and Brcko District, with purpose of creating profit;
- g) Registry Number of the Subject of entry (hereinafter: RNS)—registry identification number that is being allocated to the subject of entry during the procedure of entry into the register by Competent Registry Court, and its number is unique, unchangeable, and unrepeatable;

- h) Entry into the register—is any entry of one or more data significant for legal traffic into the Main Book of Registry;
- i) Obliteration from the Register—is any entry meaning termination of the subject of the entry, or cessation of the validity of a particular data entered into the Main Book of Registry related to individual subject of the entry;
- j) Participant in the registration procedure—is the person who initiated the registration procedure, the person on whose rights and legal interests is being decided upon during procedure, competent authority;
- k) The Applicant—is the participant in the registration procedure who initiated registration procedure;
- l) Excerpt from the Register—is a legalized document issued upon request of interested party in a regulated manner, and contains required data that exist in the register for any of the subjects of entry, valid in a specific moment, meaning specific time period.

Principles of Registration

Article 4.

1. Registration of business entities is based on following principles:
 - m) obligatoriness—all business entities defined as such by this and special laws of entities and Brcko District are obliged, prior to commencement of intended economic activity, to register at the Competent Registry Court;
 - n) legality—model of the registration is determined by this law and laws of entities and Brcko District;
 - o) officiality—competent Registry Court shall not refuse completed application submitted in time by the applicant, and is obliged to proceed according to official obligations;
 - p) formality—registration forms have obligatory written form, and the providing of data to the form, the content, and availability are determined in Article 16. of this law;
 - q) priority—Competent Registry Court is obliged to process the applications in the order of their timely submission;
 - r) constitutionality—at the moment of the entry into the Register, facts related to a subject of entry become legal facts, meaning at the moment of

the entry into the register certain rights are being constituted as well as the effect of registration towards third parties;

- s) uniformity—procedure of the registration of business entities shall be determined in uniform way by regulations of entities and Brcko District;
- t) public—anyone can, without proving legal interest, get insight into the content of the Main Book of the Register and public data from the Compendium of Documents of the Registry, and require to be provided with excerpt or a copy of public data from Compendium of Documents of the Registry, and only the law shall regulate when it is necessary to prove legal interest to get insight or to get excerpt from the Compendium of Documents of the Registry.

2. Every registration court is obliged to ensure practice of rights of access to data and issuing the excerpts from d the Main Book of Registry that is being kept in electronic form, irrelevant of the fact if that court registered the subject of the entry. Competent Registry Court is obliged to ensure access to the Compendium of Documents of the Registry, with proof of legal interest from the person that requires access, and in line with law.

Subjects of Registration

Article 5.

1. Entities subject to registration include all subjects defined as business entities, by this law, and special laws of entities and Brcko District.
2. Subjects that are not established as business entities in compliance with this law, meaning they are not established with purpose of creating profit through performance of the registered economic activity, are not obliged to register in accordance with provisions of this law, unless otherwise stipulated by specific laws of entities and Brcko District.

Object of Registration

Article 6.

Data entered in the Register are establishment, merging and termination of subject of entry, establishment and termination of a part of subject of entry, all status changes including changes of the form of organization of subject of entry, data about subject of entry that are relevant for legal traffic and their changes, data about bankruptcy and liquidation procedures, data on initiated procedure of obliteration

of subject of entry as well as other data determined by laws of entities and Brcko District.

II – ORGANIZATION OF THE REGISTER

Administering the Register

Article 7.

1. Register is being administered by the courts of entities and Brcko District competent for the registration issues, in accordance with Article 3. item b) of this law.
2. Subject of entry can be entered in the Register only in one registry court.
3. Application for registration of the subject of entry is being submitted, as a rule, to the Competent Registry Court.
4. Application for registration of the subject of entry can be submitted to any registry court, irrelevant to the location of the seat of subject of entry. If the application for registration of a subject is submitted to noncompetent registry court, that court shall, without delays, ex officio, deliver the form, attached with documents in printed form that are being submitted with the application for registration, to competent registry court and in line with Article 3. item c) of this law that provides business registration certificate and administers the Register of that subject of entry.
5. Competent Registry Court is obliged to timely update, maintain, and administer the Main Book of Register and Compendium of Documents in printed form, as well as to provide appropriate conditions for the maintenance of those books.
6. In case there are, in the subject of entry, such subjects with their seat in the area of a different Registry Court, all subjects are being administered only in the Register of a Competent Registry Court where the registration was done. Competent Registry Court is obliged to notify on existence of such subjects all the Registry courts, as well as the authorities determined by Article 19. of this Law, in the regions were they are.
7. Item 6. of this article is related to entry of a part of subject of entry as well.
8. In case of change of place of seat of subject of entry, which results in change of competency of the registry court, printed documents related to subject of entry that changed its seat, are being delivered officially to the Competent Registry Court.

Content of the Register

Article 8.

1. Register consists of the Main Book of the Register and Compendium of Documents. Competent Registry Court administers the Main Book of the Register and Compendium of Documents for every individual subject of entry.
2. Main Book of the Register is a book of data that is being kept simultaneously in both printed and electronic form. Printed book of data is being administered in the competent registry court, and electronic book of data is electronic database for the area of entities and Brcko District.
3. Competent Registry Court is obliged to make sure that the final entry in to the Main Book of the Register is available to all Registry courts as well as to all electronic databases in Bosnia and Herzegovina, immediately after the entry in to the register of subjects of entry.
4. In the moment of submission of the registration application, available data are limited to the moment of submission of the application, as well as the subject of entry that applies for the registration. After completing the registration procedure, meaning after the issuance of business registration certificate, all data contained in the Main Book of the Register are available in printed and electronic form in line with Item 3. of this Article.
5. Ministries of Justice of entities and Judicial Commission of Brcko District are obliged to ensure technical functionality, maintenance, immediate delivery of electronic data and proper running of the system.
6. Compendium of Documents of the Register is being kept in printed form, and could be kept in electronic form.
7. Competent Registry Court is responsible for the validity of data that they entered into the register.

Costs of Registration

Article 9.

Each participant in the procedure of registration is obliged to cover own costs.

III – DATA REQUIRED FOR THE REGISTRY

Required Data on the Subject of Entry

Article 10.

Obligatory public data that are being entered on the subjects of entry in the Main book of Register by the Competent Registry Court are:

- u) Firm and seat, meaning full names of all founders or owners of subject of entry;
- v) Object of entry;
- w) Date of application reception;
- x) Firm and seat, meaning the residence address of the subject of entry;
- y) Abbreviated name and symbol of firm subject of entry;
- z) RNS;
- aa) Form of subject of entry;
- bb) Title, number, and date of foundation act of the subject of entry;
- cc) Full name and position of the authorized representative of subject of entry;
- dd) Limitations of empowerment of authorized representative of subject of entry;
- ee) Amount of the agreed (documented) base capital;
- ff) Amount of the capital paid in cash;
- gg) Value of the capital in items and rights;
- hh) Percent of participation of individual founders in the capital of the business entity (in money, rights, and items);
- ii) Economic activity of the subject of entry with codes of activities according to the valid classification of economic activities.

Registration of a Part of Subject of Entry

Article 11.

Data that are necessarily entered into the Register in case of registration of part of subject of entry are:

- jj) Firm and seat of the part of subject of entry;
- kk) Activity of a part of subject of entry:
- ll) Number and date of foundation act of the part of subject of entry;
- mm) Full name and position of the authorized representative of the part of subject of entry.

Subsidiary Companies

Article 12.

During the registration of the subject of entry which is legally independent, but is in the mutual relations in respect to capital and management of the business, with other business entity (subsidiary company) in the Main Book of the Register, excerpts and business registration certificate of the main company, competent registry court shall enter a link, by entering RNS of the subsidiary company in the data of the main company, meaning by entering RNS of the main company in the data of subsidiary company.

Change of Data Significant for Legal Traffic and Status Changes

Article 13.

1. Laws of entities and Brcko District shall in identical way regulate the issue of entry of change of any of necessary data meaning the data that are relevant for legal traffic, determined in Article 10. of this law.
2. Laws of entities and Brcko District shall in identical way determine necessary data for the Register in case of status changes for the subject of entry, in case of:
 - nn) Merging of two or more subjects of entry;
 - oo) Joining of one or more subjects of entry to another subject of entry;
 - pp) Division of the subject of entry on two or more subjects of entry;
 - qq) Changes of form of the subject of entry; and
 - rr) Termination of subject of entry.
3. Procedures of obliteration of subjects of entry from Register initiated by persons who have legal interest, as well as upon the request of authorized body, shall be in identical way determined by the laws of entities and Brcko District.

IV – DOCUMENTS REQUIRED FOR ENTRY INTO THE REGISTER

Registration Documents

Article 14.

1. The list of documents necessary for determination of required public and protected data that are being entered into the Register, shall be determined by the laws of entities and Brcko District in identical way.
2. If special law stipulates obtaining consent, approval, certificates, authorization, receipt or other appropriate acts, as a condition for registration of subject of entry, above-mentioned documents are submitted attached to the application for registration.

V – PROCEDURE OF DATA ENTRY INTO THE REGISTER AND REGISTRATION APPLICATION PROCESSING

Submission of Registration Application

Article 15.

1. Founder(s) of business entity can submit the registration application in person or through an authorized representative, meaning delegate.
2. The applicant is personally responsible for the accuracy of data given in the application form.

Application Form

Article 16.

1. The applicant for business entity registration of subject of entry is obliged to complete duly the application for registration of subject of entry.
2. Besides data determined by the Article 10. of this law, registration application contains a number of identification documents, or the travel document of the applicant, founder, or owner of the subject of entry and authorized representative of the subject of entry with a flag of representative's capacity.
3. Registration Application Form shall be available in Registry Courts or at appropriate Internet pages, and is therefore is not subject of trade.

Procedure Following the Reception of Application

Article 17.

1. Procedure following the reception of registration application shall be determined by laws of entities and Brcko District, respecting provisions from Article 7. item 4. of this Law.
2. Upon reception of application, Court can check only the identity of the applicant, exclusivity of the name of the subject of entry, and if the determined fee has been paid.
3. Notification of reception of registration application in electronic form is being delivered, immediately upon its reception, to the tax authorities, and if needed to customs authorities in charge according to the location of the seat of the subject of entry, in order to obtain tax identification number, or customs number.

Business Registration Certificate

Article 18.

1. After the review according to this law, laws of entities and Brcko District, Competent Registry Court shall issue the Business Registration Certificate that is valid on the whole territory of Bosnia and Herzegovina, irrelevant of the location of registration.
2. Business Registration Certificate contains necessary public data on the subject of entry determined in Article 10. of this law. Symbols of distinction of the Competent Registry Courts, meaning their association to entities or association to Brcko District are being regulated by the laws of entities and Brcko District.
3. Business registration certificate contains RNS, tax identification number of subject of entry and customs number of subject of entry if it exists.

Obligatory Notifications

Article 19.

Electronic copy of the business registration Certificate of the subject of entry, is immediately, upon its issuance, being delivered to:

- ss) Tax office competent according to the seat of the subject of entry;
- tt) Municipality according to the seat of subject of entry;
- uu) Entity and Brcko District statistics office;

- vv) Pension and Invalid insurance Institute, according to the seat of subject of entry, for the registration of the latter;
- ww) Competent customs office if the subject of entry is registering foreign trade;
- xx) Competent regulatory bodies, in line with laws of Bosnia and Herzegovina, entities and Brcko District, that stipulate conditions for performing certain activities, if the subject of entry is registering such an activity.

VI – DEADLINES

Deadline for Issuance of Business Registration Certificate

Article 20.

1. Competent registry court shall issue business registration certificate in five working days time limit since the day of submission of the complete application.
2. If Competent Registry Court determines existence of deficiency that don't allow registration in line with this law and laws of entities and Brcko District, the Court shall inform the applicant to correct particular deficiency in a certain time limit.
3. In case mentioned in item 2. of this Article, Competent Registry Court shall issue Business Registration Certificate in five working days time limit, from the day of deficiency correction.

VII - TRANSITIONAL AND FINAL PROVISIONS

Establishment of the Registry

Article 21.

1. Establishment of the database, that is, Register, and organizing the Competent Registry Courts in entities and Brcko District shall be implemented within 180 days from the day of entry into force of this Law.
2. Takeover of the data on existing business entities from previous registries of the competent bodies shall be implemented within 180 days from the day of entry into force of this Law. All facts on the basis of which it is possible to create the Main Book of the Register and Compendium of Documents of the individual business entity with all required data as well as registry documents archived in previous registries shall be taken over from the previous registries. After the takeover of data and documents, the previous registry entries shall not be active and shall be archived, in line with law.

3. In case if, during the takeover of data and documents, it is found that one subject of entry is not active, Competent Registry Court shall call for the subject of entry using the address in the available documents, that is, the Register, to declare its status in time limit determined by the laws of entities and Brcko District, meaning to timely deliver all necessary data or documents.

4. If the subject of entry does not perform in accordance with the request from the Competent Registry Court within the time limit from the Item 3. of this Article, Competent Registry Court shall make decision in accordance to the status of files.

Law Implementation

Article 22.

1. The implementation of this law shall begin at the latest 180 days from the day it enters into force.

2. Entities and Brcko District shall pass regulations on the business entities registration within 60 days from the day this law enters into force.

3. Entities and Brcko District shall harmonize all the regulations which are not in line with this law within 30 days from the day of the implementation of this law.

Entry into Force

Article 23.

This law enters into force eight days from the day of its publication in the “Official Gazette BiH,” and it shall be published in Official Gazettes of entities and Brcko District.

PS BiH num.: 87/04_____

29 July _____ 2004.

Sarajevo

CHAIRMAN

House of Representatives

Parliamentary Assembly BiH

Martin Raguz

CHAIRMAN

House of Peoples

Parliamentary Assembly BiH

Goran Milojevic

Annex F

Sample Terms of Reference

Following are sample terms of reference for the design and implementation of a two-year program for simplification and automation of business registration in a small or medium country.

1. Background

The government of **Country A** has developed and started implementation of the Medium-Term Competitiveness Strategy (MTCS). The World Bank supports implementation of the MTCS through financing the Private Sector Competitiveness Project (PSCP).

The overall objective of the Project is to create sustainable conditions for enterprise creation and growth in response to local and export markets. The Project will enable the private sector to respond better to potential market opportunities through measures to improve the investment climate; expand access of MSMEs to financial services, skills training, and other business-development services; and ensure minimum infrastructure and trade-related services to reduce bottlenecks.

Starting up a business in **Country A** has been identified by *Doing Business* surveys and other investment climate analyses as one of the major constraints for private sector growth. For many investors, the process of establishing a business is the most critical and time-sensitive aspect of their initial activities in a country. The administrative requirements and the time frame for completing those requirements is often a key determinant in an investor's decision to invest in countries that are on a company's short list. According to the *Doing Business* database, **Country A** is less competitive than competing countries in Africa, Asia, and South America. Although **Country A** may be considered one of the stronger performers in its region, it will be necessary to improve performance significantly to stimulate more foreign and local investment.

Preliminary investigation shows considerable scope for **Country A** to streamline the administrative process for business registration, reduce the cost of entry, and improve the integrity and security of business-registration systems. **Country A** could benefit from a variety of best practices from developed and developing countries. For example, there is a worldwide trend towards reducing the number of procedures involved in business registration and aspiring to a fully declaratory process. Single registration forms, one-stop shops, single identification numbers, silence-is-consent rules and other tools are increasingly being deployed. Most importantly, automation of the business-registration process can be extremely simple at one level, and yet have major efficiency impacts and benefits for broader government efficiency.

[INSERT GRAPHIC OF WHERE **COUNTRY A** STANDS RELATIVE TO PEER OR BEST-PRACTICE COUNTRIES FOR ONE OF THE *DOING BUSINESS* BUSINESS-REGISTRATION INDICATORS OF PARTICULAR RELEVANCE TO **COUNTRY A**.]

The president of **Country A** along with the minister of economy have expressed interest in drawing on best practice to streamline and automate the country's business-registration procedures. The government of **Country A** intends to apply part of the funds from the Private Sector Competitiveness Project for this purpose. To this end, the government intends to hire a consulting firm or group of consultants (the Consultants), who will help ensure that the registration reform is implemented in accordance with international best practice, and reduces the cost and time to start up a business in **Country A**.

2. Objective and Approach

The general objective of this assignment is to help the Office of Company Registration (OCR) identify and design any legislative and institutional changes and start its operations in delivering business-registration services. The accomplishment of this assignment should be guided by the following outcomes:

Reduce the regulatory burden on foreign and domestic businesses to start up a business through reducing time and cost of compliance with business-registration procedures;

Improve the efficiency of business-registration services through simplifying and streamlining procedures for business registration, and automating registry functions;

Shift from the revenue-generating approach for the registration services to covering cost of provision of registration services;

Create incentives for businesses that currently operate in the “informal” sector of **Country A**’s economy to graduate into the formal sector, and for new entrepreneurs to start-up new businesses;

Decrease opportunities for unfair competition of informal sector with formal sector;

Reduce harassment of businesses, and corruption among officials, by promoting formalization.

More specifically, the assignment is expected to have the following impact within the two-year project duration:

- Automate current business registrations (sole proprietorships and LLCs) at the central registry location.
- Digitize all historical records.
- Identify dead or dormant companies and create a new (lower) baseline.
- Show an increase in the monthly new-company registration rate.
- Identify any necessary legal and institutional changes (recommendations for major shifts will require strong justification).
- Reduce the number of days to register a business to XX percent or X days below the regional average (or absolute number).
- Train registry staff in new systems and make any personnel reorganization (increase or decrease) recommendations to the minister.

The assignment envisages hiring two international consultants (one business-registration process expert, and one automation practitioner), as well as three local consultants and the services of a local IT firm to design automation software, install hardware, and provide training. These consultants will provide services to the OCR and report to the minister of economy.

The indicative budget of \$1.2 million shall include design, implementation and supervision consulting services, as well as procurement of hardware and software design. The quantity and specification requirements for hardware and software will be identified within this assignment. The operating budget of OCR will continue to be covered from the ministry of economy budget. Any necessary improvements to facilities (apart from hardware procurement) will also be covered outside this project budget by the government.

3. Scope of Work

Consultants shall accomplish the following tasks:

1. Analysis, preparation, initial design, and validation workshop

The poor performance of business registration has already been identified through *Doing Business* surveys and diagnostic studies, and the president and minister of economy have expressed their intention to use funds from the PSCP loan to improve business registration.

The Consultants, based on the initial evidence and given the high-level enthusiasm for the program, will carry out a detailed needs analysis for the business-registry function:

- Analysis of current regulation governing business registration, and recommendations for *necessary* changes;
- Analysis of current institutional arrangements (including oversight arrangements), and recommend any adjustments required for successful implementation (these should be the minimum necessary to achieve project objectives);
- IT capacity and needs assessment of the business registry;
- Human resource or training capacity and needs assessment;
- Presentation of initial findings at a workshop, which will ideally serve as a validation session for *Doing Business* findings (this workshop coordinated by local World Bank office); and based on feedback received at the validation workshop
- Provide initial design documents for automation along with streamlining recommendations.

2. Design automation and streamlining action plan in conjunction with OCR

The Consultants will help OCR develop a medium-term plan for streamlining the delivery of registration services in **Country A**. This will include:

- a) An operational plan stipulating mission, priorities, objectives, and means of achieving those objectives to ensure that business-registration procedures support the formalization of business. An overall workplan and a detailed year-one workplan are required, along with a financial and human resource plan.

- b) In particular, an automation plan for OCR. It should include at a minimum computerized registration, digitization of historical records, design of performance measures, and searchable database (by staff) of company names.
- c) (Online registration, e-commerce legislation may be requested, or consultant ideas solicited, if appropriate)
- d) (Integration with other registration systems in government may be requested, or consultant ideas solicited, if appropriate.)

A draft should be prepared ahead of a two-week mission to discuss and finalize with OCR staff and World Bank project officer.

Undertake two-week planning mission to **Country A** (business-registration process specialist and automation practitioner).

[PROGRESS TO THE NEXT STAGES IS DEPENDENT ON ANY NECESSARY LEGAL or INSTITUTIONAL CHANGES BEING ACCEPTED AND INITIATED. SUCH CHOICES WILL CLEARLY AFFECT THE SUBSEQUENT TIMELINE. THE GOVERNMENT'S PREFERENCE IS TO WORK LARGELY WITHIN THE EXISTING MAJOR LEGAL AND INSTITUTIONAL FRAMEWORK, AND ANY MAJOR-CHANGE RECOMMENDATIONS WOULD REQUIRE STRONG JUSTIFICATION.]

3. Develop internal procedures and regulations

Based on the action plan and knowledge of existing procedures, the Consultants will help draft appropriate internal procedures and regulations. Often, business-registration procedures in developing countries are excessive and impose an additional barrier for entrepreneurs to start their business. Setting up a new registration bureau creates a unique opportunity to develop new procedures that will be simple and understandable for entrepreneurs. In addition, such procedures should be easy to implement by the bureau officers. It is important that internal regulations specify all the steps needed to have a business registered. The number of such steps should be minimal. Application forms should require only the minimum essential information. Application forms should be provided free of charge. The Consultants will help OCR identify and develop various internal regulations. The scope and extent of these regulations shall be agreed with the registrar general.

4. Develop hardware and software specifications

Based on the approved strategic plan, the Consultants shall develop detailed specifications for the software needed to run effectively the registration process. It's

important that the software is used effectively for the registering purposes as well as for filing and retrieving necessary information. The Consultants shall analyze the existing software products and propose the most appropriate for the registration process with the ORC. The Consultants also shall assess the quantity and specification of the hardware needed.

Consultants will be expected to adapt and localize the software, and subsequently install, pilot, and fully roll it out. Consultants are encouraged to identify an appropriate local IT partner for this purpose.

[ALTERNATIVELY, GOVERNMENT MAY SEPARATELY RECRUIT A LOCAL IT PARTNER THROUGH A SOLICITATION BASED ON THE AUTOMATION PLAN DRAFTED BY THE CONSULTANTS WITH OCR.]

5. (Optional) Plan and accompany a study tour to a regional best-practice business registry

Only costs of consultant participation should be budgeted. OCR participation costs will be separately funded.

6. Write or adapt and test business-registration software and interfaces

7. Develop an operations manual, user guide, and monitoring-and-evaluation or performance-monitoring plan

Consultants shall develop an operational manual, which will serve as a handbook for the OCR officers. It shall include a description of their day-to-day scope of work and responsibilities, subordination links, etc. Consultants shall also develop a user guide to serve as a reference for registrants and registry officials.

8. Deliver training

The Consultants will deliver training on the new systems. Delivery is expected to be concentrated around roughly months 10–14 ahead of and during the launch of the pilot phase for current registrations. Officials should be trained on how to administer business-registration procedures in accordance with new regulations, as well as on the new automated systems. These seminars will ensure that public officials can carry out their functions effectively, understand functional responsibility, are provided with written instructions and adequate software, and are trained how to use and apply them. Some sessions shall focus on quality and punctuality of registration-service delivery, corporate integrity, and best practice.

9. Launch public outreach and information campaign

Simultaneously the Consultants shall organize and carry out an information and outreach campaign in the capital and regional cities. This campaign shall inform entrepreneurs about new simplified procedures of business registration and provide them with booklets, flyers, or other printed information about how and where to register business.

(Optional) Public Outreach Program through national and local media. It is very important that a media campaign, particularly a TV and radio broadcasting program, will deliver simple and clear messages to the businesses about benefits from operating in the formal sector of economy.

10. Digitize historical records

Consultants will coordinate the digitization of historical records at the registry. Consultants should propose what type and amount of additional data input or programming help is likely to be required to complete this process in a timely manner.

11. Develop and oversee a monitoring-and-evaluation or performance-benchmarking plan; design and populate a Web site

The Consultants will develop an effective monitoring-and-evaluation system to be used by the OCR officials and the board. It shall include among others quantitative and qualitative indicators, which also will be for dissemination through the Web site.

12. Oversee and evaluate project

The Consultants will remain engaged in the design and implementation of the OCR simplification- and-automation program for the two-year duration. During this period the Consultants will have an important oversight and final-evaluation role. Apart from the core design and implementation, activities of an oversight nature include:

- Oversight of current registration pilot phase
- Oversight of digitization of historical records
- Quarterly or semiannual workplanning process and progress monitoring (Consultants should propose an appropriate strategy and frequency).
- A final evaluation report including progress on baseline indicators, as well as comparison with regional and global peers and best practice. (Ranking should be contrasted with the baseline findings at the project outset.)

4. Qualification requirements

This assignment will require a firm or group of consultants, who should have both knowledge of best practices of business-registration systems in the developed world, and experience in implementing reforms in regional developing countries. Consultants through themselves or teaming arrangements should have intimate knowledge of the automation of business-registration functions and the ability to oversee local IT partners. Consultants should have the ability to work patiently and effectively with public officials, and to draw on reform examples worldwide to persuade them of the benefits of reform and how to mitigate the risks. They should have strong analytical skills and ability to prioritize tasks to be accomplished. They should have experience delivering training and conducting information campaigns. The core team should include one business-registration process expert and one automation practitioner. Consulting firms or groups of consultants are encouraged to associate with appropriate local partners.

5. Deliverables and indicative timeline

6. Disbursement Schedule

The disbursement schedule of the [amount] allocated for this assignment is specified hereinunder, and split into two phases.

Phase One (Tasks 1 and 2)

The indicative budget for Tasks 1 and 2 is \$XXX,000, and will be paid as follows:

1. An initial payment of 20 percent of the total cost will be disbursed upon signing of the contract.
2. A second payment of 40 percent of the total cost will be disbursed upon completion of Task 1 (as specified hereabove), submission of a satisfactory progress report to the OCR board of directors, and approval by that body.
3. A third payment of 40 percent of the total cost will be disbursed upon completion of tasks 4–6 (as specified hereabove), submission of a report (outlining the project progress and including developed hardware and software specifications, operations manual, and training program conducted as specified in the tasks description above) to the URSB board of directors and approval by that body.

Table F.1 Deliverables and Timeline

Expenditures	Deliverables	Timeline (months from start)
1. Analysis, preparation, initial design, and validation workshop	<ul style="list-style-type: none"> Detailed needs analysis for business-registry function, including HR and IT needs assessment Presentation of findings at validation workshop Final version of needs assessment after workshop 	1-3
2. Design automation and streamlining action plan in conjunction with OCR	<ul style="list-style-type: none"> Draft action plan ahead of mission Two-week mission Final action plan 	4-6
3. Develop internal procedures and regulations	<ul style="list-style-type: none"> New internal regulations—drafted and implemented 	7-8
4. Develop hardware and software specifications	<ul style="list-style-type: none"> Specifications —developed and agreed upon with the ORC 	7-8
5. (Optional) Study tour to regional best-practice business registry	<ul style="list-style-type: none"> Tour completed 	7 or earlier
6. Write or adapt and test software systems for BR	<ul style="list-style-type: none"> Software program and interfaces successfully written and tested 	8-11
7. Develop operational manual, user guide and M&E and performance-monitoring plan	<ul style="list-style-type: none"> Draft operational manual, user guide, and M&E plan 	11-12
8. Deliver training	<ul style="list-style-type: none"> Training plan for registry staff prepared and implemented On-the-job training during current registrations pilot period Staff capable of implementing the new systems 	10-14
9. Public outreach and information campaign	<ul style="list-style-type: none"> Campaign designed and conducted 	13-14
10. Digitization of historical records	<ul style="list-style-type: none"> Full digitization of existing records New baseline established. 	14-18
11. Develop and oversee M&E and benchmarking plan; revamp and populate Web site	<ul style="list-style-type: none"> Benchmarks established and new baseline information captured and disseminated, including on Web site. 	Periodic or ongoing through month 24
12. Project oversight and evaluation	<ul style="list-style-type: none"> Quarterly and semiannual workplans and reports Final evaluation Periodic supervision missions 	Periodic or ongoing through month 24

Phase Two (Tasks 3–12)

The indicative budget for Tasks 3–12 is \$XXX,000, and will be paid as follows:

1. An initial payment of 10 percent of the total cost will be disbursed upon signing of the contract.

2. A second payment of 20 percent of the total cost will be disbursed upon completion of Tasks 3 and 4 (as specified hereabove), submission of a satisfactory progress report to the OCR board of directors, and approval by that body.
3. A third payment of 20 percent of the total cost will be disbursed upon completion of tasks 4–6 (as specified hereabove), submission of a progress report to the URSB board of directors and approval by that body.
4. A fourth payment of , 30 percent upon completion of Tasks 8 and 9 (including successful pilot testing for current registrations, and progress of public outreach campaign) and submission of a progress report to the OCR board of directors.
5. A final payment of 20 percent of the total cost will be disbursed upon completion of Task 10 and the submission of the final evaluation report (under Task 12).

Annex G

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