INVESTMENT CLIMATE

Reforming Business Registration

A Toolkit for the Practitioners

Investment Climate | World Bank Group

IFC | **International Finance Corporation**
World Bank Group

THE WORLD BANK

MIGA **World Bank Group**
Multilateral Investment
Guarantee Agency

In partnership with **Norad**

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About the Investment Climate Department of the World Bank Group
The Investment Climate Department of the World Bank Group helps governments implement reforms to improve their business environments and encourage and retain investment, thus fostering competitive markets, growth, and job creation. Funding is provided by the World Bank Group (IFC, MIGA, and the World Bank) and over 15 donor partners working through the multidonor FIAS platform.

Acknowledgements

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Acronyms

ACP	African Caribbean Pacific
ADB	Asian Development Bank
AfDB	African Development Bank
APEC	Asia-Pacific Economic Cooperation
BERIS	Business Environment Reform and Institutional Strengthening
BPR	Business process reengineering
BR	Business registration
BRG	Better Regulation for Growth
BRITE	Business Register Interoperability Throughout Europe
CM	Commerce Minister
CRF	Corporate Registers Forum
DB	Doing Business
DCED	Department of Community and Economic Development
DSR	Department for State Registration
EAC	East African Community
EBR	European Business Register
ECA	Eastern Europe and Central Asia
ECRF	European Commerce Register's Forum
EMC	Emerging Markets Centre
FCAS	Fragile and conflict-affected states
FIAS	Foreign Investment Advisory Service
GBRO	Global Business Registries Organisation
GenderCLIR	Gender Climate Legal and Institutional Reform
IACA	International Association of Commercial Administrators
IACCI	Iraqi-American Chamber of Commerce and Industry
IC	World Bank Group—Investment Climate Department
ICAS	Investment Climate Advisory Services
ICF	Investment Climate Facility for Africa
ICT	Information and communication technology
IDB	Inter-American Development Bank
IRD	Inland Revenue Department
ISO	International Organization for Standardization
LEID	Legal entity ID
M&E	Monitoring and evaluation
MAP	Mejora del Ambiente Productivo
MDTF	Multidonor Trust Fund
MED	Ministry of Economic Development
MENA	Middle East and North Africa

MLSP	Ministry of Labor and Social Protection
MoC	Ministry of Commerce
MoJ	Ministry of Justice
MoT	Ministry of Taxes
MSME	Micro, small, and medium enterprises
MTCS	Medium-term competitiveness strategy
NBR	National Board of Revenue
NGO	Nongovernmental organization
NRD	Norway Registers Development
OCR	Office of Company Registration
OECD	Organisation for Economic Co-operation and Development
OHADA	Organization for the Harmonization of Business Law in Africa
OSS	One-stop shop
PRO	Public Revenue Office (Macedonia)
PSCP	Private-Sector Competitiveness Project
QA	Quality assurance
RIA	Regulatory impact analysis
RJSC	Registrar of Joint Stock Companies and Firms (Bangladesh)
SEDF	SouthAsia Enterprise Development Facility
SEE	South East Europe
SIN	Single identification number
SME	Small and medium enterprise
SSA	Sub-Saharan Africa
SSC	State Statistical Committee
SSBF	South Sudan Business Forum
SSPF	State Social Protection Fund
TIN	Taxpayer identification number
UID	Unique identification number
UINL	International Union of Notaries
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	U.S. Agency for International Development
WGI	Worldwide Governance Indicators

Executive Summary

This toolkit provides a systematic analysis of various reform options and is meant to serve as a guide for policy makers and practitioners implementing business registration reform. The toolkit thus displays the fundamentals of international good practice that can be adapted to specific country contexts in a coherent, consistent, and sustainable way.

The Importance of Business Registration Reform for Enhancing Business Formation, Job Growth, and Productivity and Reducing Informality

Why is having an effective business registration system important for every country? The private sector, through investment and job creation, plays a crucial role in a country's fight against poverty. Where an effective private sector is lacking, business registration reform has been shown to be one of the essential first steps toward fostering private-sector growth. The easier, faster, and cheaper the business registration process becomes, the higher the number of businesses in an economy. Studies from Mexico, Colombia, Portugal, Belarus, Rwanda, and Malaysia as well as a number of cross-country studies have all illustrated this link.

What can more new businesses mean for an economy? The benefits are twofold. A number of recent studies have found that simpler registration processes translate into advantages for workers and employers, including greater employment opportunities, more productive jobs, and higher total factor productivity. In addition, society as a whole benefits from registration reform, which requires that businesses pay taxes, play by the rules, and provide productive, decent employment. These factors can lead to increased consumer welfare as enhanced competition results in better quality products and/or lower prices.

Informality, arguably, is one of the world's biggest economic and social problems. Burdensome registration requirements are a key factor in informality rates, resulting in firms operating under the radar of government regulations. In addition, because many informal businesses are operated by women, who are often illiterate at higher rates than men, business registration reform can aid women by making it easier for them move from the informal sector to the formal one. Business registration reform thus has the potential to reduce both informality and gender disparity in entrepreneurship.

Good Practices in Business Registration

Seeing the multi-pronged benefits of business registration reform, more and more countries have undertaken such reforms. *Doing Business 2012* records 349 business registration reforms in 146 countries over the past eight years. Yet the experience of starting a business continues to vary greatly around the globe. Based on *Doing Business 2012,* while an entrepreneur in New Zealand or Canada can register a business in one day by completing one process at a cost of 0.4 percent of the country's income per capita, an entrepreneur in Equatorial Guinea would need to spend 137 days and complete 21 processes to register a business, paying about 101.4 percent of the per capita income. In 36 countries, starting a business costs more than 50 percent of gross national income (GNI) per capita, with figures as high as 551.4 percent in the Democratic Republic of Congo and 314.2 percent in Haiti. In 20 countries, two months or longer are required to register a business; in Suriname, the time required is 694 days.

As this toolkit will show, however, a wide range of business registration reform options are available for countries seeking to improve their business registration systems.

- *Establishing flat-fee schedules.* Governments should not view business registration as a key revenue source. Registration fees should be set only to cover the administrative and operating cost of the business registration system. In this spirit, most countries among the top ten on the Doing Business Starting a Business List charge only a fixed registration fee, regardless of company size.

- *Standardizing incorporation documents.* Without standardized registration documents and clear guidance on how to complete them, the registration process can be discretionary, cumbersome, and costly and result in high rejection rates. In Estonia in 2006, processing time at the registry fell from 15 days to 1 with the introduction of standardized documents. Approximately 65 countries now have standardized incorporation forms. In addition to standardizing documents, many countries have seen improvements in registration after streamlining their document requirements.

- *Moving registration out of the courts.* Business registration can be a wholly administrative process not requiring any attention from judges. In countries where registration is a judicial process, as opposed to an administrative one, entrepreneurs spend 14 more days to register their businesses.

- *Making notary use optional.* Some poor countries in which the largest share of businesses are micro or small and medium enterprises and the majority of businesses operate informally continue to make notarization a legal requirement for business registration. This makes business registration an especially expensive undertaking. In the Democratic Republic of Congo, for example, the cost of registering a business is more than 550 percent of per capita income. The per capita income is US$180, and yet it takes US$53 to notarize a single document; businesses typically must submit five documents to register, and the country has only one public notary.

- *Reducing or eliminating minimum capital requirements.* Minimum capital requirements generally do not achieve any of their underlying objectives. They do little to prevent insolvency, because entrepreneurs can withdraw their capital from banks almost immediately after registration, and they do not help address differences in commercial risk. In addition, recovery rates in bankruptcy are no higher in economies with minimum requirements than in those without them. Far from being beneficial, some studies find that minimum capital requirements have counterproductive effects on entrepreneurship. Consequently, since 2005, 57 economies have reduced or eliminated this requirement.

- *Making the registration process transparent and accountable.* The easier it is to access information about a regulation, the easier it will be to comply with the regulation. In more than 90 percent of high-income economies in the Organisation for Economic Co-operation and Development, fee schedules can be obtained from agency websites, notice boards, and brochures. On the other hand, in the majority of economies in Sub-Saharan Africa and in the Middle East and North Africa, an appointment with an official is necessary to obtain information on incorporation fees.

- *Integrating registration systems and unique identification denominations.* In most countries, in addition to registering with the business registration authority as a business entity, such as a company, sole proprietorship, or partnership, an entrepreneur must also obtain tax and VAT registrations from the tax administration, social security or pension authority, or municipal authority; some businesses are also required to register with the ministry of commerce as importers, exporters, or both. Usually, the information required for most of these registrations is the same or similar. A number of countries have therefore moved toward integrated registration systems that allow entrepreneurs to complete one application form that essentially captures all the information required by different government authorities for their respective registrations. The business registration authority accepts this form and then transfers the relevant information to the agencies that require it. Many top performing countries have moved further in this direction by introducing a single registration number, the unique identification denomination (UID), which is then used for all transactions with all government authorities.

- *Creating a one-stop shop.* The one-stop shop (OSS) provides a single interface for business start-ups, a mechanism that has gained popularity in many economies. Today about 83 economies around the world have some kind of OSS for business registration, including 53 economies that established or improved their OSS in the past eight years. While some countries use the OSS solely for business registration, others use it for other registration and post-registration formalities, including those of municipal authorities, the tax authority, the customs administration, the environmental clearance authority, and so on. In the 83 economies with one-stop shops offering at least one service beyond business registration, businesses can start up more than twice as fast as in countries without such services. Not all OSS reforms have been equally successful, however: sometimes the one-stop shop becomes in practice the one-more-stop shop.

- *Instituting Registration Systems Led by Information and Communication Technology.* Today, 110 economies use information and communication technology (ICT) for business registration services ranging from online name search to online business registration, annual returns filing, and electronic transmission and cross-verification of business information among relevant government agencies. More than 40 economies offer electronic registration services. Use of ICT not only makes the registration system faster and more cost-effective, it also enhances data integrity, information security, transparency of the registration system, and verification of businesses' compliance with various regulations. It also helps registration authorities with limited human resources to meet client demand and reduce the administrative costs of registration services.

Use of ICT in Business Registration Reform

ICT-led registration systems have been gaining popularity, and it is important to note that such systems, if not clearly thought out and well planned, could result in more duplication of effort and higher costs. ICT system design involves analyzing stakeholders, current processes, workflows, technical requirements, local conditions, government policies, and strategic direction, which may lead to complete or partial business process reengineering (BPR). The design phase also involves making decisions on applications and delivery mechanisms. Implementing ICT systems requires addressing issues of sustainability, outreach, linkage to overarching eGovernment programs, resistance to change, local support capacities, and governance.

Some common mistakes frequently made in implementing ICT systems derive from the following misconceptions: (i) hardware and software will automatically resolve all the problems; (ii) what works for one country will work anywhere; (iii) registry staff and users will adapt easily to the new technology; and (iv) once the system is automated, all registration problems will be over. The process of designing and implementing ICT systems, therefore, benefits from the following steps: (i) map and streamline the process; (ii) make prototypes and test them; and (iii) utilize synergies with eGovernment and other agencies.

Finally, a phased implementation approach may be worthwhile. The first phase undertakes reform of manual processes and the governing laws and regulations; the second phase involves back-office automation and digitization of historical records; the third phase implements online registration and payment and integrates the registration system with other eGovernment applications; and the fourth and final phase establishes mechanisms for disseminating selected company information to credit information agencies and financial intermediaries.

Implementing Good Practices in Business Registration: Legal, Procedural, and Institutional Reforms

Countries seeking to implement the good practices outlined above often must consider reforming their legal frameworks, administrative processes, and/or institutional set-ups. Depending on which of the good practices will be implemented and in what context, implementation may involve only one, two, or all of these efforts. While some legal amendments can be made "by the stroke of a minister's pen," amendments to laws such as those governing companies often require lengthy political efforts by legislators. Generally speaking, the legal framework essential for supporting a registration system includes the following features: transparency and accountability, provision for flexible legal entities and general-objects clauses, low or abolished minimum capital requirements, no mandatory use of notaries, a declaratory system, and clarity of the law.

Many good practices, such as instituting an integrated registration system and UID, transparency and accountability measures, an ICT system, and others, require business process reengineering (BPR). BPR can increase the effectiveness, efficiency, and transparency of a country's business registration system and can help avoid duplication and overlapping of procedures. Using a process mapping tool, the BPR analyzes (i) the purpose of a process, (ii) whether the process has a sound legal footing, and (iii) whether the regulations' ultimate goals can be achieved either without the particular process in question or through an even more streamlined process. Such analysis helps design and implement a simple and efficient business registration process.

The third dimension of business registration reforms involves institutional reforms, which can be broadly categorized as (i) institutional restructuring and (ii) capacity development. Institutional structures around the world vary in their methods of supporting efficient and transparent business registration systems. The crucial issue in any country's institutional restructuring will thus be to identify the most competent and efficient institutional set-up for delivering improved business registration service, given prevailing conditions. In many instances, such revised institutional set-up must start by establishing a firm legal footing and accountability to the new authority structure. This is particularly important in setting up a one-stop shop. Whichever line ministry the OSS is established under, representatives from other ministries and agencies represented by the OSS must also have accountability to this assigned line ministry, in addition to their respective line ministries. Otherwise, as

seen in some countries, the various counters at the OSS could remain unmanned by the responsible agency officials, or these counters may fail to deliver high-quality service. The institutional reform must also ensure that a sufficient budget is allotted to maintain the institutional set-up, perhaps by establishing the registry as a self-financing body, a structure that often inspires registry personnel to provide faster, innovative, and client-friendly services. Once the institutional structure has been determined, the capacity of the responsible officials must be built through training and peer-to-peer learning. Lack of necessary skills is often a key reason for slow, low-quality service delivery.

Catalyzing Factors to Facilitate Business Registration Reform

Business registration reform, like most other reform, is not merely a technical solution: it is also a political process. Hence, a number of factors can catalyze business registration reform, such as levers for reform, a political champion, a reform committee, stakeholder management, and effective communication. In some countries, the need to improve the overall economic or regulatory environment, peer pressure, or EU accession have acted as strong levers for reform. Doing Business studies have also proven useful levers in many countries. Similarly, a high-level political champion can play a central role in business registration reform. In many highly successful registration reforms, the changes have been requested by ministers or even in some cases by the head of the state. A reform committee has played an instrumental role in catalyzing reforms in a number of developing and developed countries.

Business registration reform, like most other reforms, inevitably creates winners and losers. Losers sometimes include particular interest groups who have gained from the status-quo, while winners often include the government, business community, and public at large. A nontransparent and complex registration system can breed rent-seeking opportunities for officials involved in the registration process and for intermediaries between the businesses and the registry, such as lawyers, notaries, accountants, and registration agents. Reform success will thus depend on how well the project team, aided by any high-level champion, reform team, or potential reform levers, can manage the vested interests opposing reform, mobilize the potential beneficiaries, and generate broader political support through reform communication.

An effective communication strategy is particularly important, as without it, reforms may go unnoticed and remain on the books without implementation. The purpose of reform communication is to make the intended audience aware of the proposed reforms, their implementation timeline, and the intended results. Reform communication is a two-way street, however. Not only must the government communicate with beneficiaries, it must also open channels through which it can receive feedback from the private sector and other reform stakeholders.

Business Registration Reform in Fragile and Conflict-Affected States

Today 33 countries are considered fragile and conflict-affected states (FCASs), with populations totaling about 600 million people. The average poverty rate in these states is 54 percent, in contrast to 22 percent for low-income countries overall. The GDP in FCASs has declined, while that of other countries has grown. The per capita GDP tends to decline at an annual rate of 2.2 percent during war, and a country's income tends to be about 15 percent lower at the end of a typical civil war (lasting on average seven years) than during times of peace. Arguably, business registration reform can be part of the crucial first reform steps for a FCAS seeking to get back on track in terms of growth, investment, job creation, and poverty alleviation. While business registration reform could be challenging to implement in a FCAS, the cost of failing to reform is high. Among the challenges of designing and implementing business registration reform in a FCAS are physical constraints, limited government capacity, weak constitutional authority and high levels of corruption, poor legal and regulatory frameworks, and overly centralized public administration structures. Techniques and strategies the reform project team should consider employing in a FCAS include the following: locating a base on the ground, responding flexibly to unstable and changing security situations, preparing realistic time and cost estimates, selecting partners carefully, leveraging Doing Business findings to build reform momentum, developing reform content through a participatory approach, developing an efficient communication strategy, managing expectations, focusing on what is feasible and doable, developing local capacity, and considering gender issues.

Design and Implementation of a Business Registration Reform Program: Project Lifecycle and Related Activities

While the actual reform process will vary depending on the country context and the content of the registration reform, analyzing the life cycle of a generic business registration reform project can help reform practitioners to determine how best to combine the available options for business registration reform discussed above to design and implement their specific projects.

The life cycle of a business registration reform project can be categorized into four broad phases: (i) foundation and preparatory activities, (ii) diagnostic of status quo, (iii) solution design, and (iv) implementation. Foundation and preparatory activities may include assessment of the need for reform; identification of levers and champions and formation of a reform committee; outline of a broad strategic approach; solicitation of political commitment and technical and financial resources; and formal project launch. The diagnostic phase often involves development of a project checklist, detailed assessment of the status quo, stakeholder mapping, and baseline data collection. The outputs of the diagnostic phase feed into the reform solution design. Some key activities of the solution design may include specifying objectives and motivations; agreeing on the approach to reform-program design; managing stakeholders and the communication strategy; designing legal and institutional reforms and training and capacity building solutions; designing simplification solutions (including the possibility of ICT application); designing a monitoring and evaluation strategy; and ensuring sustainability and exit. Finally, the implementation phase of the solution design for the different project components may involve putting a project implementation team in place with clearly defined roles and responsibilities; consolidating implementation mechanisms and supervisory arrangements; designing and implementing derivative work plans in line with the overall work plan; drafting necessary legal instruments; piloting and fine-tuning procedures, tools, and other arrangements; piloting automation improvements through their phased introduction; establishing feedback mechanisms; implementing training programs and preparing operational manuals; conducting monitoring and evaluation and public outreach; and examining lessons learned and using them to design next-generation reforms.

1. The Importance of Business Registration Reform

This toolkit describes and analyzes a range of international good practices in business registration reform with the goal of helping policy makers and practitioners identify those practices that will best fit with and be most effective when adapted to their economies. Rather than prescribing the parameters of an ideal reform program, therefore, the tool-

> *Faster registration processes are associated with increased numbers of businesses in an economy.*

kit highlights what a business registration project team needs to consider when undertaking this work and provides guidance on how to collect the information needed to make informed decisions and choices. In preparation for that discussion, this chapter reviews the importance to an economy of having an effective business registration system.

Why Reform Business Registration?

The private sector, by making investments and creating jobs, plays a vital role in fighting poverty. Participation in the formal sector enhances those contributions. A limited liability company—the most common form of business around the world—benefits from reduced liability. In addition, successful legal entities tend to outlive their founders, continuing to contribute to the economy without the need to rebuild capital stock from scratch in each generation. Forming a limited

> *Registration reform can lead to more businesses, jobs, and competition; raise productivity; and reduce informality.*

liability company, in addition, enables shareholders to join forces and build a company's capabilities and capital.

Because business registration provides the gateway through which businesses enter the formal economy, business registration reform is a crucial first step in fostering private-sector growth. This legal recognition provides businesses with rights to government services, fair treatment under the law, less uncertainty, and greater access to credit and markets, thus enabling the businesses to thrive, grow, invest, and employ.

Business Creation

Simpler, faster, and cheaper business registration processes increase the number of businesses in an economy

(figure 1.1). Studies of Colombia and Mexico find that a specific business registration reform—introducing a one-stop shop—increased firm creation by 5 percent and 6 percent, respectively.[1]

> *Lower registration costs are associated with higher business density.*

Portugal eased business start-up in 2006 and 2007 by reducing time to start a business from 54 days to 5. Consequently, new business registrations in 2007 and 2008, combined, were 60 percent higher than in 2006. Belarus reformed business registration in 2006, and the number of businesses there tripled in 2007 and 2008 (combined). In 2006, Rwanda simplified registration and saw a 77 percent increase in registered businesses in 2007.[2]

Cutting registration costs from the seventy-fifth to the twenty-fifth percentile in the World Bank Group's Doing Business rankings is associated with a 10 to 11 percent increase in the number of new firms.[3] The lower the cost or the fewer the processes involved to start a business, the higher the number of newly registered businesses as a share of a country's working-age population (figure 1.2).

Jobs and Poverty Alleviation

New businesses mean many things for an economy. First, they create investments and jobs and reduce poverty. In the early 2000s, the World Bank's *Voices of the Poor* asked 60,000 poor people around the world how they thought they might escape poverty. The unequivocal answer—from both men and women—was that income from their businesses or wages from employment would lift them from poverty.

Easier business registration processes can support a country's fight against poverty by empowering its citizens as workers and innovative

> *More than a decade ago, 60,000 poor people said that jobs and entrepreneurship are the most important channels for escaping poverty. Business registration reform tends to help both areas.*

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[1] Bruhn 2008 and Cárdenas and Rozo 2007.

[2] World Bank Group 2011a.

[3] Fisman and Sarria-Allende 2004; Klapper, Laeven, and Rajan 2006.

Figure 1.1 Business Registration Reforms and Increase in Registered Businesses
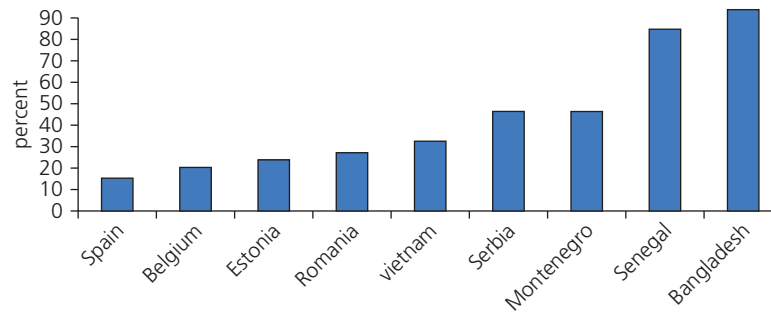
Source: World Bank Group 2009a and 2010a.

Figure 1.2 Average Entry Density and Cost and Procedures to Start a Business, 2004–09

Countries ranked by cost to start a business (% of GNI per capita), quintiles

Countries ranked by procedures to start a business, quintiles
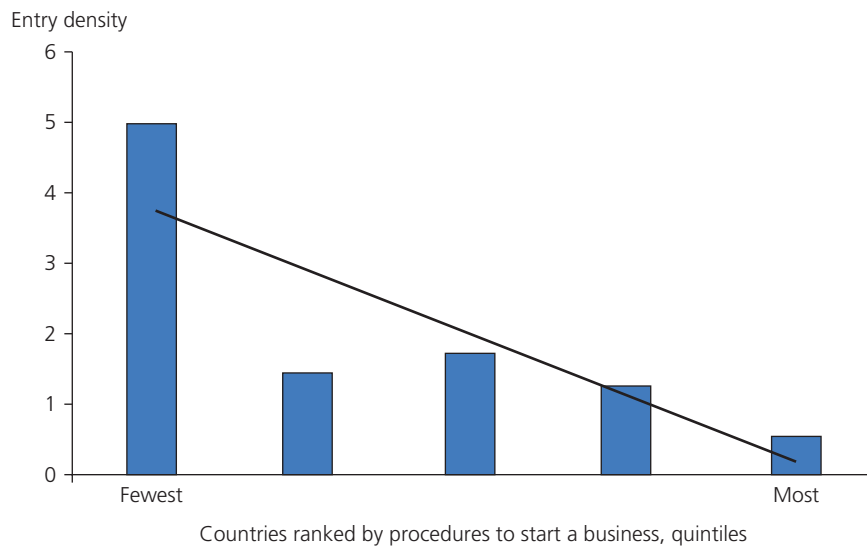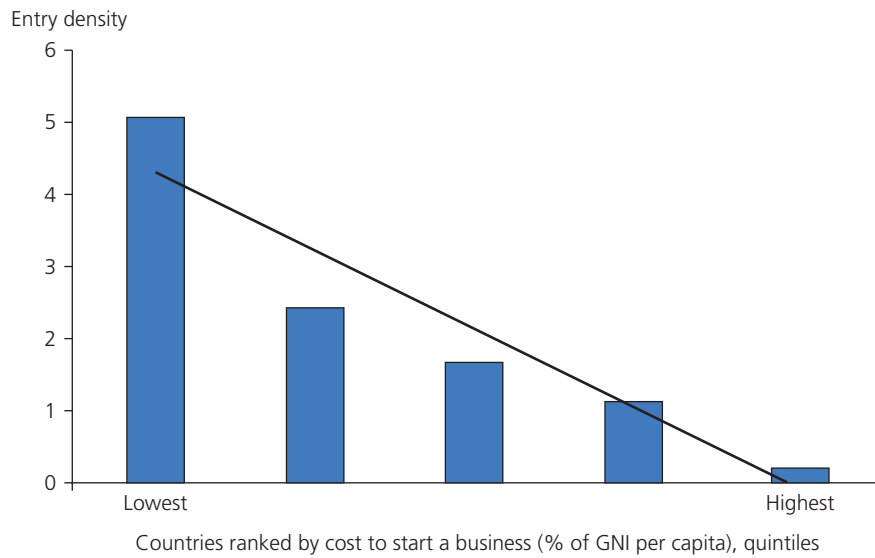
Source: Klapper and Love 2010.

entrepreneurs. Recent studies have found that simpler registration creates employment opportunities and more productive jobs. In Mexico, the introduction of a one-stop shop for registration increased employment by 2.8 percent.[4] In Bogota, Colombia, a one-stop registration shop helped create 9,760 firms and 75,810 jobs.[5]

Productivity and Competition

A study of 97 economies found that cutting entry costs for businesses by 80 percent increases total factor productivity by 22 percent. Across 157 economies, the same reduction raised output per worker by 29 percent.[6] Another study found that reducing registration costs from the seventy-fifth to the twenty-fifth percentile in Doing Business rankings increased the value added per worker by 14 percent[7]—and higher productivity leads to increased wages.

The benefits of business registration are not confined to the businesses themselves: society as a whole gains. Business registration obligates businesses to pay taxes, play by

> *Lower registration costs can raise productivity and competition, which can increase consumer welfare through better products, lower prices, or both.*

the rules, and provide productive and decent employment. Easier start-up processes create more businesses, and more businesses mean more competition—enhancing firm productivity, lowering prices, and improving product quality. More productive new firms put pressure on incumbent firms to increase productivity, as was found in India and the United Kingdom.[8]

Many economies struggle with high prices for essential goods and services. Easier start-up can enable businesses to enter markets and compete against incumbents, resulting in better products, lower prices, or both. In Mexico, easing business entry increased start-ups by 4 percent, and the new competition lowered prices by 1 percent and reduced the income of incumbent businesses by 3.5 percent.[9]

Informality

The informal economy, arguably, represents one of the world's biggest economic and social problems. Statistics on the informal economy are unreliable, yet the available information supplies a tentative picture of its relevance. The informal economy can reach more than 80 percent of an economy's GDP,[10] and

this global shadow economy is estimated to be worth nearly $10 trillion.[11] In many parts of the developing world, informal employment and enterprises account for 60 to 83 percent of employment and the economy.[12]

In many developing economies, informality, poor governance, and corruption reinforce each other. Most informal workers are women, whose economic well-being, along with that of their children, may thereby be made even more tenuous. In addition, studies by the McKinsey Global Institute comparing formal and informal firms concluded that informality severely undermines productivity. In Portugal

> *Informality is one of the world's biggest economic and social problems. Business registration reform can help reduce it.*

and Turkey, for example, informality accounts for nearly half of those countries' productivity gaps with the United States.[13]

A large informal sector narrows the tax base and so reduces tax revenue. It also leads to a higher tax burden and unlevel playing field for firms that operate formally. But tax evasion by informal firms does not come without significant costs to those businesses. By hiding in the informal sector, businesses experience more uncertainty; reduced longevity; limited access to credit, market information, and government services; and lower levels of protection (such as limited liability). In addition, jobs in the informal sector tend to be low quality, lacking in protection, and poorly paid.

A key cause of informality is burdensome regulation of business registration. Businesses do not want to deal with cumbersome, unclear, unpredictable regulation or to interact with predatory officials. In addition, high entry costs increase the number of informal firms.[14]

Easier Entry and Crisis

Simpler processes for business entry and exit help workers and entrepreneurs to move rapidly across sectors to make the best possible use of their skills and capital. Some of the world's most successful businesses have even emerged during financial or macroeconomic crises—where the enabling environment allows businesses to react promptly to changing market conditions. Such flexibility is essential to short-term

> *Easier entry and exit processes enable firms and workers to adjust to the crisis.*

recovery and long-term growth. During the global financial crisis of 2008, more economies than at any time since 2004 introduced regulatory reform, most involving business start-up.[15]

[4] Bruhn 2008.

[5] Motta, Oviedo, and Santini 2010.

[6] Barseghyan 2008.

[7] Klapper and others 2006.

[8] Aghion and others 2008 and 2009.

[9] Bruhn 2008.

[10] *Financial Times,* May 10, 2012.

[11] Neuwirth 2011.

[12] ILO 2012.

[13] Farrell 2004.

[14] Barseghyan and DiCecio 2009.

[15] World Bank Group 2009a.

Global Experiences with Business Registration Reform

In the early 2000s, European and high-income economies in the Organisation for Economic Co-operation and Development (OECD) actively pursued business registration reform. But following 2008, more lower- and lower-middle-income economies, particularly in Sub-Saharan Africa, Eastern Europe, and Central Asia, joined the race to reform. In 2004–05 only two Sub-Saharan economies eased business start-up regulations; in 2010–11, 15 did so. In 2011, 5 of the top 10 reformers on the Doing Business indicator for starting a business were low- or lower-middle-income economies.[16]

Still, the experience of starting a business varies greatly from country to country. In Canada and New Zealand, entrepreneurs can register a business in one day by completing one process at a cost of 0.4 percent of per capita income. In contrast, registering a business in Equatorial Guinea requires 137 days and 21 processes, at a cost of about 101.4 percent of per capita income. In 36 economies starting a business costs more than 50 percent of gross national per capita income, with figures as high as 551.4 percent in the Democratic Republic of Congo and 314.2 percent in Haiti. In 20 economies it takes two months or longer to register a business, reaching 694 days in Suriname. But as this toolkit will show, a wide range of reform options are available for countries looking to improve their business registration systems.[17]

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[16] World Bank Group 2011a.

[17] See the Doing Business Database for various years, available at www .doingbusiness.org.

2. International Good Practices in Business Registration

Increasing numbers of economies are reforming their business registration systems; yet a number of others continue to maintain cumbersome registration processes. Country to country, therefore, prospective business owners experience a wide range of registration requirements. Consider two contrasting examples: Guinea-Bissau and New Zealand. New Zealand has always been a top performer in the Doing Business indicator for starting a business, with a notably simple registration system requiring only one day and no trip to the registration authority (figure 2.1; see also appendix E). In contrast, entrepreneurs in Guinea-Bissau must complete 17 procedures taking up to 216 days before starting their businesses (figure 2.2).

Why is business registration difficult in many economies? Djankov (2009) explores this question from theoretical and empirical perspectives. One view supporting a strict business registration system is that the government should screen new entrants to protect consumers. But economies with strict systems usually lack the capacity to enforce them—thus enabling informal firms to sell goods and services without meeting quality standards, possibly harming consumer welfare. Stricter regulatory systems also inhibit business entry, leading to limited competition and high protection for incumbent firms, which can also undermine consumer welfare.

Strict registration regimes may also be due to regulatory capture, with incumbent businesses supporting regulations that create rents. According to this view, strict regulation raises barriers to entry, keeps out competitors, and raises incumbents' profits. The third line of thought, referred to as the tollbooth view, is that regulation is pursued to give officials the power to deny registration and then to collect bribes in exchange for approving it.[18] Strict regulation of business registration seems to be associated with high levels of corruption and low levels of transparency and political will for reform. In such environments, business registration and other regulatory reforms are strongly opposed by officials and beneficiaries of the status quo.

Still, many good practices have emerged through various economies' reform experiences. The most successful, listed below, are described in the balance of this chapter.

- Establishing a flat fee schedule
- Standardizing incorporation documents
- Moving registration out of the courts
- Making the use of notaries optional
- Reducing or eliminating minimum capital requirements
- Making registration transparent and accountable
- Instituting an integrated registration system and unique identification denominator
- Creating a single interface: the one-stop shop
- Utilizing information and communication technology.

Establishing a Flat Fee Schedule

Governments should not view registering businesses as a source of revenue. On the contrary, governments should encourage businesses to enter the economy freely, to grow, and to be more productive—all of which should raise tax revenue. Registration fees should be set simply to cover the administrative and operating costs of the business registration system. Most economies in the top 10 of the Doing Business indicator for starting a business charge a fixed registration fee regardless of company size. Some, such as

> *Registering a business should not be a way to generate revenue for government.*

Kosovo, make business registration free of charge to encourage businesses to register.

Many economies, however, have complicated fee structures based on authorized capital amounts. This discourages the formation of businesses with considerable authorized capital and creates an avenue for corruption through underreporting capital.

Standardizing Incorporation Documents

Lack of standard registration documents and clear guidance on how to complete them make registering a business expensive because entrepreneurs seek help from notaries or lawyers. High fees charged by these professionals discourage small- and medium-size enterprises from operating formally. Lack of standardized documents also increases rejection of registration applications

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[18] Shleifer and Vishny 1993.

Figure 2.1 Business Registration in New Zealand

START   OPERATIONAL

- To reserve a company name online.promoters can visit the New Zealand Compenies Office Web one (www.compenies.govt.nz).
- The applicant applies for the company to be registered by completing forms on company details and pay the registration fee online.
- When the application is processed, the founder will receive a notification by email along with the appropriate director and shareholder consent forms, which are generated by the Compenies Office.
- Promoters apply online for a company IRD (Inland Revenue Department) number and register for GST (Good and Service Tax) at the same time as incorporating a company online with the New Zealand Companies Office.
- The applicant must then fax the signed director and shareholder consent forms.
- The certificate of incorporation is issued via email in a few minutes when the last consent form is accepted.

Source: World Bank Group 2011a.

Figure 2.2 Business Registration in Guinea-Bissau

1 Search for a company name in the paper-based registry. **1 day**

2 Write request for name reservation and get it verified by notary public

3 Obtain a copy of the criminal record **2 days**

4 Open a bank account and deposit the minimum capital **1 Day**

5 Submit company statutes to obtain the public deed **3 months**

6 Obtain copy of public deed

7 Register the company at Commercial Registry **2 weeks to one month**

8 Verify signature at notary **1 day, simultaneous with previous procedure**

9 Obtain copy of commercial registration **2day to one week**

10 Pay for publication in official gazette at the public service office **1 day**

11 Publish statutes in the official gazetee **1 month (up to one 1year)**

12 Request the business license **2 weeks, simultaneous with procedure11**

13 Obtain tax number for company at tax office **2 days**

14 Submit tax number to single window **1 day**

15 Receive inspection from municipality **1 day, simultaneous with procedure 14**

16 Get access to capital deposited at the bank by providing the bank with the tax identification number and the proof of registration **1 day**

17 Send workers' contracts to social security and labor inspectorate agency **1 day, the company can start operations while awaiting the response**

Start operations

Source: World Bank Group 2011a.

and makes registration a cumbersome and lengthy process. Standard incorporation documents enable entrepreneurs to ensure legality without resort to notaries or lawyers, ease the workload at registries, help prevent errors, and expedite registration.

According to a 2009 study, 70 percent of new business applications in El Salvador and 65 percent in Kazakhstan were rejected, compared with 10 percent in Mauritius. The advantage in Mauritius was its use of standard incorporation documents.[19] In 2004, the Slovak Republic's business registry published standard forms on its website, with a statement of policy that companies submitting incomplete documents would have 15 days to correct them without paying additional fees. Only about a quarter of applications were returned for correction, and those were subsequently approved within two weeks. Previously it had taken up to six months to resolve rejected applications in a civil court procedure. The processing time at the registry fell from 15 days to 1 after Estonia introduced standard documents in 2006. Some 65 economies have standard forms for incorporation.

> *Lack of standard incorporation documents makes business registration costly and increases rejection of applications.*

Along with standardizing business registration documents, many economies have streamlined requirements. In Jamaica, for example, a 2005 reform requires only articles of incorporation to form a company—shortening the time to register a business by 22 days.

Moving Registration Out of the Courts

Business registration is an administrative process that need not require judicial attention. In many economies the court system is overburdened and lacking in technical and human capacity, resulting in huge backlogs of cases. Making business registration another duty for judges worsens this problem, delaying both registration and other activities, such as resolution of commercial disputes.[20] In Italy, when registration was covered by courts it took four months. Taking registration out of courts in 2004 reduced that time to one month. Several Latin American countries have also taken registration out of courts. Business registration reform in Bulgaria, Norway, and Serbia provide other good examples of how to move registration out of the court system. Moving the registry also helps to remove discretion, to facilitate unifying business information in one database, and to make the registration system more accessible to the public. According to *Doing Business 2008,* entrepreneurs in

> *Entrepreneurs spend 14 more days attempting registration in economies in which it is a judicial process than in those in which it is an administrative process.*

economies where business registration is a judicial process spend 14 more days to register than do their counterparts in countries where registration does not involve the courts.

Making the Use of Notaries Optional

Business registration is typically most expensive in counties in which notarization of incorporation documents is required. Ironically, in some of the poorest economies (such as in West Africa), where micro-, small-, and medium-size enterprises account for the largest share of enterprises and most businesses operate informally, notarization is required to register a business, making registration extremely expensive. In the Democratic Republic of Congo (DRC), for example, registering a business costs more than 550 percent of per capita income: with an annual per capita income of US$180, registration applicants in DRC pay US$53 to notarize a single document—and businesses typically need to notarize and file five documents to register. And the entire country has only one notary, making the process even more difficult and costly.[21]

Similar difficulties arise elsewhere. Notary costs for registration in Mexico are $875, or about 80 percent of the total cost of registration; in Turkey, they are $780, or about 84 percent of total costs; in Guatemala, notarization costs $850, or 73 percent of total costs; in Slovenia it costs $920, or 67 percent of registration costs; and in Angola, notaries charge $2,800, or 51 percent of the cost of registration. Yet notaries typically perform simple verification services, such as certifying that minimum capital has been deposited (as in the Republic of Congo) or verifying founders' signatures (as in Hungary), which could easily be handled by business registry officials. Accordingly, many economies have eliminated mandatory use of notaries or have made use of notaries optional.

The involvement of notaries can be difficult to eliminate because their role is often stipulated in acts or civil codes relating to all documents, not just those for business registration. In some cases, it is difficult or inadvisable to remove notaries, especially when doing so would require separating registration documents from other documents subject to notarization. If all contracts above $5,000 are required to be notarized, for example, and articles of association stipulate capital above $5,000, such articles will also need to be notarized.

Notaries, lawyers, and other intermediaries can form powerful lobbying groups to block registration reforms, as experienced in Bulgaria and Lebanon. Notaries naturally tend to argue for their involvement in registration. Similarly, in many economies that do not require notarization lawyers act as intermediaries to prepare and verify registration documents, services for which they can charge substantial fees.

Use of standardized registration documents may serve as a starting point for the process of removing or making optional the use of notaries and other intermediaries in the registration

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19 Djankov 2009.

20 Increasingly, the practice is to take commercial disputes out of courts and settle them through alternative dispute resolution mechanisms.

21 World Bank Group 2011a.

process. Standardized founding documents need not be completed or checked by notaries or lawyers, allowing entrepreneurs to register without the need to use intermediaries.

Reducing or Eliminating Minimum Capital Requirements

Capital requirements for new businesses originated in the eighteenth century to protect investors and creditors. The economies that introduced minimum capital requirements have long since removed them. As *Doing Business 2012* reports, since 2005, 57 economies have reduced or eliminated such requirements. But 101 economies still have them.

Minimum capital requirements achieve none of their intended goals. First, they do little to prevent insolvency because entrepreneurs can withdraw their capital from banks almost immediately after registration. Similarly, fixed amounts of capital do not address differences in commercial risks, and recovery rates in bankruptcy are no higher in economies with minimum capital requirements.[22]

In poor economies, such as Ethiopia, Guinea-Bissau, Niger, and Timor-Leste, where start-up capital is often a constraint for potential businesses, minimum capital requirements worsen the resource constraints of potential entrepreneurs. In these and many other poor economies, entrepreneurs must put up capital several times the average income per capita. These requirements undermine entrepreneurship.[23] When Madagascar slashed its minimum capital requirement by more than 80 percent in 2006, the number of newly registered companies as a share of existing ones doubled to 26 percent. In 2010–11, the country abolished this requirement.[24] Even some originators of these requirements, such as France and Germany, have recently introduced new forms of companies with capital requirements of just one euro to foster economic activities by small entrepreneurs.

Many economies have eliminated minimum capital requirements for registration—and in many poor economies where startup capital is often a key constraint, such requirements undermine entrepreneurship.

Making Registration Transparent and Accountable

In many economies, information about business registration processes, fees, and requirements can be difficult to get. Middleme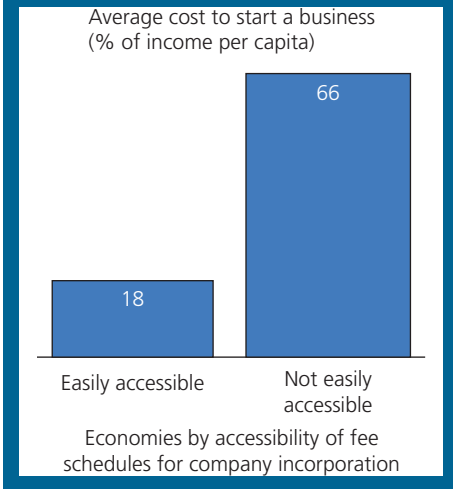n may thus step in to facilitate registration, increasing entrepreneurs' costs of compliance and creating rent-seeking opportunities for officials. The easier the access to information about regulation, the easier the compliance with it. Transparent, accountable registration reduces compliance costs and makes the outcome of applications more predictable.

Many developing countries, such as Bangladesh and Guinea, have adopted a "citizen charter" or "business bill of rights" requiring large signs in front of business registries stating their processes, time requirements, and fees. Many other economies provide such information on registry websites. In more than 90 percent of OECD high-income economies, for example, fee schedules can be obtained from agency websites, notice boards, or brochures. But in most economies in Sub-Saharan Africa, North Africa, and the Middle East, obtaining information about incorporation fees requires an appointment with a registry official.

Transparent registration is less costly.

Average cost to start a business (% of income per capita)

Easily accessible	18
Not easily accessible	66

Economies by accessibility of fee schedules for company incorporation

Doing Business 2012 finds that easy access to fee schedules and low fees go hand in hand. Controlling for income per capita, the cost to start a business averages 18 percent of income per capita in economies where fee schedules are easily accessible—and 66 percent where they are not.

Instituting an Integrated Registration System and Unique Identification Denominator

Entrepreneurs seeking to start a business must do more than simply register. In most economies, entrepreneurs also need to register with the authorities controlling income and value-added taxes, social security, and pensions, as well as municipal authorities and, in some cases, the Ministry of Commerce. Usually the information required for these registrations is the same or similar. Entrepreneurs may thus spend considerable time and money visiting different agencies to provide identical or similar information.

Businesses must often provide the same information repeatedly to different agencies—substantially raising the cost of doing business.

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22 Djankov and others 2008.

23 van Stel, Storey, and Thurik 2007.

24 World Bank Group 2011a.

Some economies have adopted integrated registration systems that enable entrepreneurs to complete one application capturing all the information required by different government authorities. The business registration authority accepts this form, and the information is then transferred to corresponding agencies by the registry rather than by the entrepreneur. The agencies communicate information on verifications and approvals to the registry, and entrepreneurs can obtain all registrations from the registry at the same time.

Many top-performing economies in the Doing Business rankings for starting a business have also introduced single registration numbers for businesses, referred to as unique identification denominators, which are used for all transactions with government authorities. Use of unique identification numbers requires a centralized database linking businesses to all relevant government agencies; to ensure that information flows seamlessly among them, the agencies' information and communication systems must be interoperable.

Malaysia introduced its first smart identification card (Mykad) for companies in 2001 and its latest (MyCoID) in 2010. Singapore introduced a single identification number (SINGPASS) for all company-government interactions in 2009, replacing multiple numbers. Use of unique identification numbers reduces the time, cost, and number of interactions with government authorities, thus easing the burden on businesses.

Creating a Single Interface: The One-Stop Shop

The term one-stop shop (OSS) originated in the United States in the late 1920s. One-stop shops are single interfaces for business start-ups and have become popular in many economies. Today 83 economies have one-stop shops for business registration, including 53 established or improved since 2003.[25] While some are solely for business registration, others integrate post-registration formalities involving municipal authorities, tax authorities, customs administration, environmental clearance authorities, and other agencies.

One-stop shops vary depending on a country's information and communication technology. Some are physical, with one or more counters for different government agencies, as in some African and Asian economies. In some advanced jurisdictions, such as Nova Scotia (Canada) and Singapore, one-stop shops are virtual and, in addition to registration services, provide services related to licenses and permits.

Introducing a one-stop shop expedites the business registration process and makes it more accessible and transparent. In the 83 economies with one-stop shops offering at least one service in addition to business registration, start-up processes are more than twice as fast as in those without such shops.[26] Portugal's

introduction of a one-stop shop increased new firm registrations by 17 percent, creating 7 jobs per 100,000 inhabitants.[27] Colombia's one-stop shop increased firm registration by 5 percent.[28]

Not all reforms creating one-stop shops have been successful, however, and some one-stop shops become, in practice, one-more-stop shops. Successful implementation of a one-stop shop first requires reengineering business processes. Attempting to implement cumbersome business registration processes through a one-stop shop may only complicate the system and add to delays. It is essential for success to streamline registration before attempting to establish a one-stop shop.

One-stop shops should also be legally valid and given sufficient budgets. At minimum, they should be represented by business registration, income tax, and value-added tax authorities. In addition, social security, customs, and licensing and inspection authorities could participate, particularly if the one-stop shop aims to integrate registration and post-registration services. Agency representatives assigned to one-stop shops should have decision-making authority; they should not simply accept documents on behalf of their agencies and then take the documents to those agencies for further processing. In addition, representatives of different agencies should be accountable to the one-stop shop administrator as well as to authorities in their respective agencies. Otherwise, different counters may remain empty as agency representatives neglect to show up at the OSS or fail to deliver timely information or approvals to clients. OSS officials should be trained regarding the services they are to deliver, the time in which they should delivered them, and the customer-friendly manner in which they should do so. The performance of the different OSS counters should be routinely monitored by the supervising authority based on the client feedback.

Utilizing Information and Communication Technology

According to *Doing Business 2012*, 110 economies use information and communication technology (ICT) for business registration services ranging from online name searches to online registration, filing of annual returns, and electronic transmission and verification of information among government agencies. More than 40 economies offer online business registration.

> *Information and communication technology makes business registration faster and more cost-effective and increases data integrity and transparency.*

A country's ICT infrastructure, computer and Internet literacy, Internet penetration rate, and ICT-enabled legal framework affect the adoption of ICT-led registration. Electronic registration is possible in more than 80 percent of high-income economies

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[25] World Bank Group 2011a.

[26] Ibid.

[27] Bransletter and others 2010.

[28] Cárdenas and Rozo 2009.

but in just 30 percent of low-income ones. Even some of today's top performers took a while to convert from paper-based to electronic systems. New Zealand launched the first online registration system in 1996, but only in 2008 its use became mandatory. Throughout the 2000s, Singapore moved from a paper-based system to a comprehensive online registration and licensing system. Developing countries are also reforming. Bangladesh, for example, recently launched a fully electronic registration and filing system.

ICT makes registration systems faster and more cost-effective and enhances data integrity, information security, registration system transparency, and verification of business compliance. It also helps registration authorities facing limited human resources to meet client demand, and it reduces the administrative costs of registration services. An ICT-led registration system is crucial for both virtual and physical one-stop shops. Physical shops can deliver services faster and more efficiently by using ICT for back-office workflows. ICT also plays an essential role in developing integrated registration systems, implementing universal identification numbers, and making registration systems transparent.

Introducing an ICT-led registration system shortened business registration in Mauritius from 46 days in 2006 to less than a week in 2008. After Slovenia introduced an automated registration system, administrative costs fell by 71 percent—a savings of 10.2 million euros a year. ICT played a central role in delivering registration in most of the top-performing economies in the Doing Business (various recent years) indicator for starting a business.

3. Use of Information and Communication Technology in Business Registration Reform[29]

Automated business registry functions have become routine in high- and middle-income economies, and low-income economies are increasingly moving registration processes online. This chapter addresses several points key to the initial automation or upgrade of a registry system:

- Types and common features of registry technology solutions
- Issues to consider when planning a registry automation
- Essential tasks in registry design and implementation.

Types and Features of Registry Technology Solutions

A World Bank Group survey of recent registry automation projects worldwide found that most registry systems are custom developed. In the past several years, however, a number of "customized off-the-shelf" offerings have appeared. These are usually based on software initially developed for a leading registry—such as Ireland, New Zealand, or Singapore—and then adapted for other countries by the vendor.

Registry automation can begin with relatively basic systems that automate back-office workflow and provide some key functionality, such as name search and sharing information with other government agencies. These are particularly applicable in developing countries where Internet penetration is not extensive and applicants most will likely still visit registry offices to submit paperwork. Despite connectivity constraints, some developing countries, such as Bangladesh and Liberia, are going further, following the lead of developed countries and moving much of the process online, allowing entrepreneurs to apply and pay for registration at a distance (see box 3.1).

The following features are common in best-practice registry applications:

- *Front-counter and back-office automation and workflow management*. Once application details are entered at the front desk, an online workflow routes the applications to the registry staff assigned to review them.
- *Online name search*. The database can be searched to determine whether the company name requested

by the applicant is already in use by another business. This can be available at the front counter or through the registry website. Sophisticated software can also detect close name matches that may raise trademark issues (such as Koke-a-Kola).

- *Support for multiple registries*. Many registries operate multiple offices, sometimes with limited connectivity. Effective registry systems should be adaptable to manage data flows depending on connectivity (for example, periodic replication of field office databases or immediate online updates).
- *Fully online registration and payment*. Online registry services that allow payment are increasingly common where adequate Internet penetration and laws on digital commerce (such as electronic signatures) exist.
- *Online filing of annual accounts and registration updates*. For annual filings, companies are issued logins and passwords to access the registry system,

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Box 3.1 International Good Practices with Technology-led Business Registration Reform

Bangladesh. Automating and simplifying business registration in Bangladesh helped slash the time required to register a business from 57 days in 2008 to 3 days in 2010.

Reform started with thorough business process analysis and reengineering. The registry streamlined its processes based on the perspectives of users. Staff were trained and unnecessary processes were eliminated.

Now a custom solution, hosted at the main registry office, has led to a successful online business registration system: http://www.roc.gov.bd.

Liberia. The government of Liberia recognized the catalytic effect on private-sector development and poverty reduction of formalizing enterprises, and it prioritized the reform and institutional development of the country's modern companies.

Liberia's initiative streamlined registration and created a one-stop–shop registry, supported by back-office automation and partial online registration and linked to stakeholder agencies: http://www.lbr.gov.lr.

Source: Authors.

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[29] This chapter is written by John R. Wille and Numa F. De Magalhaes.

allowing them to file their annual accounts online as well as to update specific fields in their registrations (such as new directors, change of address, and so on). Many advanced registries require that annual accounts be filed exclusively in digital form so that line-item information can be stored and shared.

- *Data exchange with other agencies*. Data exchange enables applicants to use the registry website to complete one set of online forms. Relevant details are forwarded to other agencies involved in business entry (such as tax and social security agencies), which then issue the business the registrations they require.

- *Dissemination of business information to other agencies and the private sector*. Many leading registries derive significant revenues by selling company information to credit- information bureaus, financial institutions, and marketing firms. These specialized information products can range from simple mailing lists to detailed reports that can be used to support credit decisions by potential lenders and trade counterparties.

Table 3.1, based on the recent World Bank Group survey of 34 company registry automation projects, noted above, illustrates the extent to which these functionalities were incorporated into system design.

Table 3.1 Features and Functions Addressed in Surveyed Registry Systems

Software functionality	Percent of surveyed systems
Front counter and back-office automation and workflow management	83
Online name search	83
Data exchange with other government agencies (registration with tax authorities, social security, and so on)	68
Dissemination of company information to the business community and other government agencies through the registry Web site	68
Digitization of all registry records and documents (fully paperless process)	59
Support for multiple registry offices	59
Online registration of companies and other business types	53
Online filing of annual accounts	47
Ability for company to securely update in registry records online	41
Registration for local business operating permits, trade licenses	18

Source: Wille and others 2011.

Issues to Consider When Planning Registry Automation

The methods used to implement ICT can determine its success, particularly in a developing country or in conflict-affected states,

which often face capacity challenges. Issues to be addressed when formulating the approach include sequencing of reforms, sustainability of the ICT platform, links to national eGovernment programs, governance and communications, staff ICT capacity, and well-defined business processes founded on the legal framework.

Sequencing of Reforms

Moving registry operations from paper-based systems or rudimentary databases to fully online systems involves a number of sequenced efforts. Figure 3.1 presents a long-term roadmap for developing such operations.

For registries beginning phase 1, the simplest approach to leveraging the Internet is to develop a content-rich website that consolidates registration information, provides downloadable forms, and enables users to submit feedback. This simple resource allows users to obtain information and forms in one place and makes registries more efficient by enabling users to submit email inquiries before going to registry offices with the completed forms.
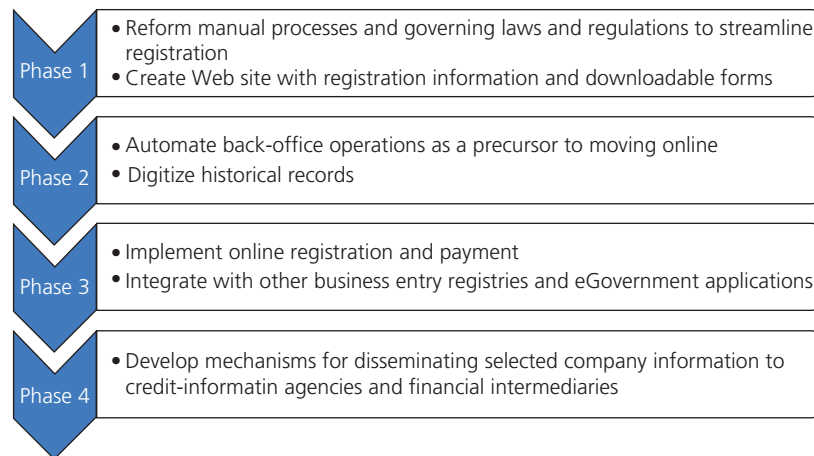
Moving directly to a fully online solution before carefully reengineering registry business processes is a common mistake. In such cases, the solution design does not capture technology's full benefits of increasing operating efficiency and improving government service delivery.

If only limited Internet bandwidth is available to a registry, a common first step is to automate the front-counter and back-office operations—as outlined under phase 2 of figure 3.1—with dedicated Internet connections to any field offices. In areas with low Internet penetration, this may be the most feasible solution in the near term, although applicants will still need to visit an office to file their applications. It is important to digitize historical records and capture key information, such as names of shareholders and directors, in the registry database. This step enables registries to upgrade their technology platforms, for example, by adding services such as online name search, and makes it possible for businesses to update registration details online; eventually, the system will allow development of information products for consumers of company information.

Once government ICT capacity and Internet penetration allows for digital commerce, a registry can move to phase 3. Technology is introduced that enables businesses to apply and pay for registration online as well as to file annual accounts and update registration details as operations change.

At this stage, many registries also seek to integrate their online registration processes with those for tax, social security, and other required registrations. This can be implemented in the background using XML protocols, enabling the applicant to submit all the necessary information through one online form. Because access to company information is crucial to regulatory and audit processes conducted by other agencies (such as the tax authority), data interchange capabilities should be

Figure 3.1 Developing an Online Business Registry

Phase 1
- Reform manual processes and governing laws and regulations to streamline registration
- Create Web site with registration information and downloadable forms

Phase 2
- Automate back-office operations as a precursor to moving online
- Digitize historical records

Phase 3
- Implement online registration and payment
- Integrate with other business entry registries and eGovernment applications

Phase 4
- Develop mechanisms for disseminating selected company information to credit-informatin agencies and financial intermediaries

Source: Authors.

implemented so that relevant company details can be shared across government agencies.

Automation also allows a registry to better accomplish a key element of its fundamental mission: facilitating transparency about companies and their owners and operators. Developing and marketing information products in phase 4 can make the registry more financially sustainable. Indeed, some registries in Western Europe derive up to 40 percent of their operating revenues from such sales.

As illustrated in figure 3.2, registrars in different regions have moved various aspects of their company registries online.

Sustainability of the ICT Platform

Introducing new or upgraded technology to a company registry poses operational risks that should be addressed when designing the technical approach. Many registries lack the staff capacity to manage a sophisticated technology platform to a 24/7/365 reliability standard—particularly given growing Internet security threats. Registries in the least developed and in conflict-affected countries also face infrastructure challenges, including reliable electricity supplies and adequate Internet connectivity.

Some registry systems have been implemented using donor funding but without a good plan for financial sustainability. Similarly, lack of political and budget support, of registry staff capacity to use technology, and of physical security for ICT infrastructure can all undermine the viability of the technology platform. Dealing with these risks requires developing a sustainability strategy addressing all operational, technological, and financial issues before beginning system design.

Although registry systems can generate revenue, management should ensure upfront that financial resources are available to support the acquisition and sustainable operation and

maintenance of the technology platform. Evaluation of the following options is key to the sustainability strategy:

- Hosting and managing the software on the premises
- Outsourcing hosting or technical management (or both) of the technology platform, either to another agency or to a private firm (such as Internet service providers, or ISPs)[30]
- Buying the application as a cloud-based service (software as a service, or SaaS), thus eliminating the need for local hosting.

Several factors determine the best choice or combination of options. A locally hosted application requires that a registry have ICT staff with knowledge of issues such as system administration, database administration, and information security.

Alternatively, some or all of these risks and responsibilities can be mitigated with outsourcing. When all information technology services are provided by vendors, the registry is considered fully outsourced. Some governments have established eGovernment units that provide some or all of the above services to agencies and ministries. Aggregating government applications in shared hosting infrastructure has been shown to be a reliable, cost-effective alternative to in-house management.

Some registry software vendors offer solutions that can be purchased on a pay-as-you-go basis. Use of the software, hosting, and technical support is typically offered for a combined monthly charge. Technology outsourcing offers significant benefits, but registry management must ensure that the contractual arrangements allow continued access to registry data and backup services should unexpected events (such as the provider's bankruptcy or Internet disruptions) occur.

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[30] World Bank Group 2010b, p. 4.

Figure 3.2 E-services Available for Starting a Business
(Percent providing service within economies measured by Doing Business)
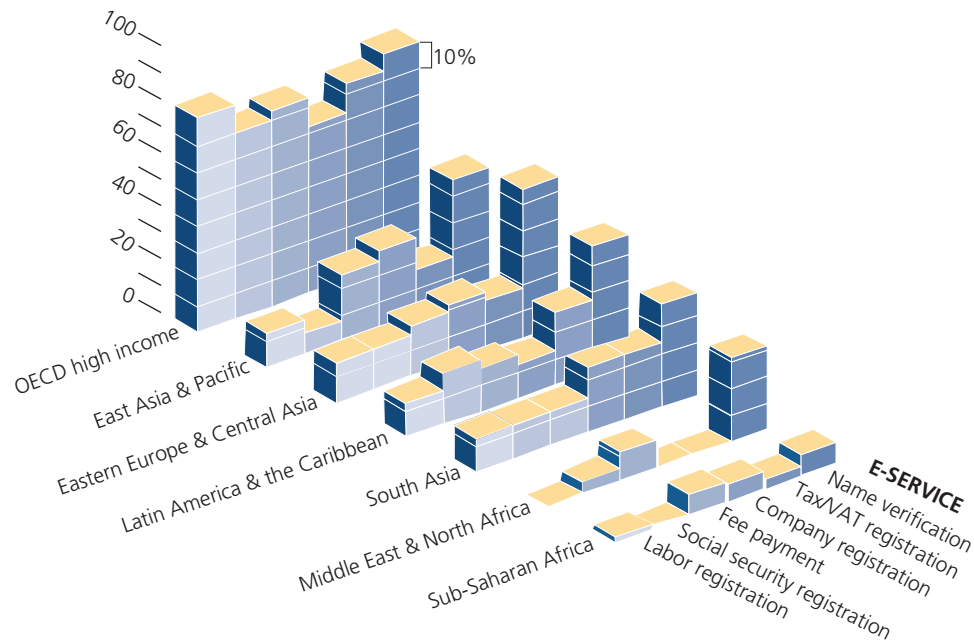
Links to National eGovernment Programs

Best-practice eGovernment programs typically provide the following support to stakeholder agencies such as the business registry:

- Coordinating a shared eGovernment strategy that addresses government-to-citizen, government-to-business, and government-to-government services

- Establishing and managing a government-wide enterprise architecture and standards in areas such as data definition, interoperability, and information security

- Establishing and operating data centers and government broadband networks that enable agencies to host applications in a shared, interconnected environment

- Developing and managing shared services—such as identity management, access control, and e-payments—that stakeholder agencies can leverage to optimize their online services without need for specialized skills and applications.

These programs can support the development and operation of online registries and mitigate many operational and technology risks. They can also facilitate sharing company information across government.

Governance and Communications

As illustrated in figure 3.3, the typical company registry has myriad stakeholders. It is important to have consensus among these stakeholders—which include registry staff, private actors, and other relevant agencies—on the objectives of registry automation. Stakeholders should also clearly understand the

benefits and risks of the proposed ICT solution and be part of its implementation.

Some stakeholders, such as registry staff and lawyers, notaries, or other intermediaries, may feel that a new registry technology platform reduces their discretion or threatens their privileged status. Effective communication is essential to managing the change process. Communication is also important in leveraging the increased reach offered by online registration, ensuring that operators of small- and medium-sized and informal enterprises understand the benefits and increased ease of registering their company or business name.

Staff ICT Capacity and Business Processes Founded on the Legal Framework

A registry should be prepared to embark on automation. In many developing and conflict-affected countries, often registry staff will have little experience with computers. Training in computer literacy should be delivered before a new system is implemented. Otherwise, the staff may resist changes in operating procedures.

In addition, registration processes should be evaluated and reengineered before system design gets under way. Many manual reviews done by staff, for example, can be handled through the system by defining business rules and validating submitted data. These might include validating business addresses, cross-checking the national ID numbers of directors and management, and enforcing requirements on the number of directors or share capital. Some processes might disappear or

Figure 3.3 Company Registry Ecosystem
The company registry is the information exchange hub for businesses and government
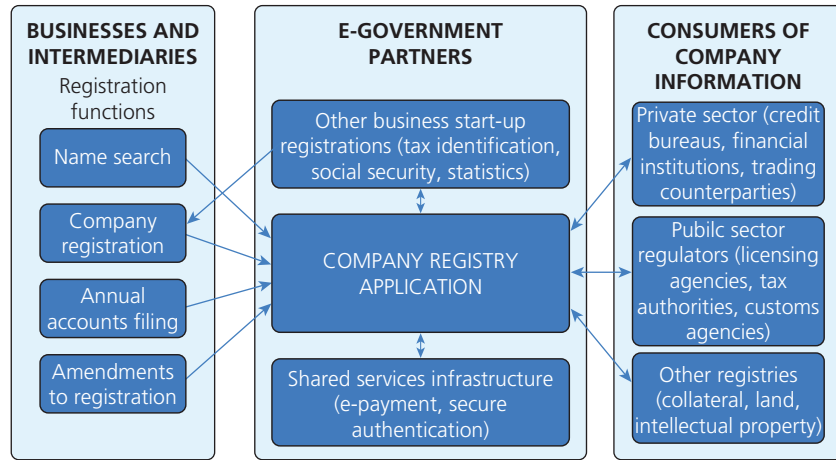
be used far less often—particularly once businesses are able to log in and update their own registration data online.

Key Tasks in Registry Design and Implementation

The following key tasks in registry design and implementation may vary by country, especially if the registry is already partly automated.

Reengineer Business Processes

This approach should take the perspective of the end user: the entrepreneur applying for registry services. Business process reengineering removes processes that produce no value to end users and reorganizes other processes to make registration more efficient. Because it can affect the organization's structure, staffing, and legal framework, reengineering requires strong management support. Political support from outside the agency may be required as well, particularly if reengineering requires changes in laws governing registry operations. Many statutes on company law require physical signatures and registration certificates, for example, which can hinder the move to online registration.

Identify Requirements for Registry Software, Hardware, and Networking

ICT efforts are typically undertaken by experienced consultants based on interviews or focus groups with key staff and external stakeholders. Their requirements are then transformed into a system design and terms of reference for software procurement. Previous registry experience is particularly important in the design stage if a locally developed custom solution is contemplated because the software developer will

benefit from the international best practices embodied in the system design.

The consultant and registry management also should develop an implementation plan that addresses change management, particularly if the registry is being automated for the first time. Managing change should include providing initial training and incentives to enlist the active participation of staff in the rollout and operation of the new system.

If the solution is to be hosted in-house, consultants should also develop requirements for hardware and networking, including servers and related infrastructure. Even where the system will be hosted externally, the local area network and computers used in the registry may still require upgrading to enable staff to access the software application easily.

Procure Software and Hardware

Depending on whether a customized off-the-shelf or fully custom solution is chosen, the request for the proposal should include all information on the design and system requirements as determined in the previous step. The proposal should also include the requirements for acceptance and security testing, staff and administrator training, and support after implementation. The contractor should provide a development environment for users to test the system and any future enhancements before they are installed in the production environment.

Initiate System Implementation, Testing, and Training

Once a system is developed or configured, it should be installed on a development server accessible by the staff conducting the acceptance testing. The contractor should provide a testing plan that enables testers to validate that the system meets the stated requirements, and it should be prepared to fix any problems detected. Once installed in the production environment, the software should be subjected to a security

scan, and the contractor should address any vulnerabilities identified.

All relevant operating and technical staff should then be trained to use the system and be given user manuals, system documentation, and any other training materials necessary. Some vendors create YouTube videos to provide on-demand refresher training.

Digitize Historical Records

Digitization, which is often done by a contractor, typically consists of entering into the database key registration information on existing companies and digitizing registration documents, such as articles of association and past annual account filings. The latter can be done independently of system implementation and can take place over several months, depending on the approach used.

Conduct Outreach Campaign to Inform Businesses About the New Registration Procedures

The benefits of ICT-enabled reform cannot be fully realized if the private sector is unaware of them. Marketing and outreach activities acquainting the business community with the reformed processes are essential.

4. Implementing Good Practices in Business Registration: Legal, Business Process, and Institutional Reforms

> *Implementing international good practices may involve legal, business process, and institutional reforms.*

A country seeking to implement good practices in business registration must often reform its legal framework, business processes, or institutional setup—and sometimes all three. If laws on business registration already accommodate an ICT-led business registration system, for example, automation can be introduced by changing administrative processes and building institutional capacity; but if laws are designed for only manual registration systems, substantial legal reform will be required to implement ICT-led registration. Similarly, many economies introduce one-stop shops through administrative changes, while others use official decrees. This chapter highlights the good principles of legal, administrative, and institutional reform needed for business registration reform to be successful and sustainable.

Legal Framework Reform

Good practices in business registration exist in both common-law and civil-law traditions. How well a registration system works does not depend on the country's legal tradition but on how the laws governing business registration are implemented. Business registration systems might require amending laws or legislation. Ideally, company law or commercial codes should contain most rules and regulations regarding business registration, but these rules and regulations often span multiple laws and legislation, making legal reform more difficult.

In some cases, legal reforms are constrained by international obligations, as in some West African members of the Organization for the Harmonization of Business Law in Africa (OHADA). Yet international cooperation ultimately leads to registration procedures more friendly to enterprises because jurisdictions compete to keep companies on their soil. By minimizing capital requirements, for example, the United Kingdom attracted corporate headquarters from continental Europe.

Business registration reform might entail amending one or both types of legislation: primary legislation, that is, laws and codes, and secondary legislation, meaning regulations, orders, decrees, and directives. Some amendments (primarily to secondary legislation) can—in the words of *Doing Business 2007*—be made "by the stroke of a minister's pen." But amendments to primary legislation—such as company law—must be passed by legislators, which can often take many years. Thus two levels of legal reform should be considered:

- *Reforming laws (primary legislation). Doing Business 2007* considers that "for a government that has just come to power on a reform platform, here's how to start: change the company law." The reform of a major legal text will have significant impact, but reforming a law that needs parliamentary approval tends to be a long, burdensome process. Uganda introduced a reform in 2000 that was only enacted by the parliament in April 2012. It might be more convenient to approach reforms in ways that do not require drafting new laws.

- *Reforming other legal instruments (secondary legislation).* If possible, reforming through lower-level legal instruments, such as regulations, rules of implementation, orders, directives, fees, and schedules, may be far more effective. They do not require review by the legislature, so even reforms involving several agencies can often be implemented based on decrees or similar regulatory instruments.

A county's legal framework should support a registration system with some or all of the following features:

- Transparency and accountability
- Provision for flexible legal entities
- Provision for general-objectives clauses

> *A country's legal framework should support:*
> - *Transparency and accountability*
> - *Flexible legal entities*
> - *General objectives clauses*
> - *Low or no minimum capital requirement*
> - *No mandatory use of notaries*
> - *Declaratory system*
> - *Clarity of the law*
> - *ICT-led BR system*
> - *Delegation of authority*
> - *Easy access to information*
> - *Exchange of information and interoperability*

- Low or no minimum capital requirements and no mandatory use of notaries

- A declaratory system

- Clarity of the law.

Transparency and Accountability

A transparent, accountable business registration system has few steps, limits interactions with authorities, sets time limits, is inexpensive, has a long-term or unlimited duration, and applies countrywide.

Applicants should not have to go through more than basic procedures when registering, and they should be able to do so at one location—whether a physical site or a website. If other procedures are considered necessary, such as registering with the statistics office, additional interactions should not be required. Instead, the registry should forward applicants' information automatically to the relevant agencies. Procedures can be categorized in one of three ways: as necessary, as possibly socially desirable, and as of unclear value (see table 4.1). Where legal tradition prevents streamlining the registration system in line with core, necessary procedures, legal reform may be necessary.

Many economies include in the company act a set time limit for obtaining a registration. This time limit should be as short as possible and, ideally, a "silence is consent" principle should be used; that is, when a business does not receive a decision on its registration application within the time limit, it is considered registered. A streamlined registration system accompanied by a declaratory system makes this possible.

Registrations should be valid across an economy. This is especially beneficial because many subnational governments view registration as a source of revenue and thus impose their own regulations requiring company registration in the subnational jurisdiction as well. As noted above, business registration should not be viewed as a revenue-earning instrument for the government. Nationwide validity can also lead to subnational competition to attract businesses. Finally, the validity of registration should be permanent or last a long time.

Provision for Flexible Legal Entities

Entrepreneurs deciding whether to go formal base their decisions on the simplicity of the legal form. A rigid form—for example, one that sets limits on transferability and public trading of shares—might hinder a firm's growth. Economies with rigid legal forms, such as limitations on the number of shareholders, have an entry rate less than half that of economies with more flexible requirements.[31] To encourage more small- and medium-size enterprises to formalize by reducing the costs of registration, many economies, such as France, Germany, Guyana, and Jamaica, have introduced legal reforms to simplify the process

for sole proprietorships. And many others—including China, India, Japan, Singapore, the United Kingdom, and the United States—have introduced new types of limited liability vehicles to meet firms' needs for contractual flexibility, enabling firms to adapt to changing market circumstances and increased global competition.

Provision for General-Objectives Clauses

Governments allowing general-objectives clauses enable firms to change activities without reregistering. In Sweden, anyone who wants to own a company can buy a preregistered firm from an intermediary without having to reregister based on its planned activities. A general-objectives clause in a firm's articles of incorporation states that a company's aim is to conduct any trade or business and that it has the power to do so. This basically means that the firm has similar capacities and powers as do natural persons and is not limited to what its articles state.

The main reason lawmakers require firms to specify objectives in their articles of association is to restrain firms from acting beyond the scope of their goals. This was meant to protect shareholders and creditors, helping them control how their assets were used. But this approach hampers business start-up. It also hampers firms' growth by limiting and slowing their ability to expand. The United Kingdom's 2006 Companies Act made unrestricted objectives the default.[32] Many economies no longer require private companies to state objectives for registration purposes. Once registered, businesses can engage in any activity, except risky ones, which may require sector-specific licenses.

Low or No Minimum Capital Requirement and No Mandatory Use of Notaries

Mandatory use of notary services in registering a business and minimum capital requirements—both of which are grounded in the legal framework—are often the most expensive considerations for new businesses. Better-performing economies do not impose these requirements. Thus legal reform should remove or lower the minimum capital requirement and eliminate the mandatory use of notaries in registration.

Declaratory System

Efficient registration systems, such as those in Australia, Canada, New Zealand, and the United Kingdom, are essentially declaratory. Declaratory systems have the potential to deter bribes and to avoid the risk that official decisions will be made with a view toward personal gain. Although the declaratory system is found more often under common law, some economies with civil law, such as Colombia, Mauritius, and Serbia, have made their systems declaratory by moving from court-based to administrative systems.

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[31] Klapper, Lewin, and Quesada Delgado 2009.

[32] Morse 2009.

Table 4.1 Tiers of Procedures for Business Registration

Core Procedures	Socially Desirable Procedures	Dubious Procedures
• Check uniqueness of company name • Enter company in public register • Register for taxes	• Register with the statistical office • Obtain environmental permits • Register workers for health benefits • Register for social security	• Obtain a seal-making license from the ministry of public security; have the seal made by an authorized seal maker • Visit a range of public agencies before and after registration to obtain company identification from each.

Source: Authors.

Still, a court-based system can be reasonably effective. Austria has an efficient judiciary-based business registration system and has taken legislative measures to make the process easier for new business owners. Through its 1999 Law for the Support of Young Entrepreneurs and Business Startups, entrepreneurs no longer have to pay for a certificate of good standing, registration at the commercial court, a business license from local government, or membership in the Chamber of Commerce and Industry.

On the other hand, moving the registration system out of the courts appears to be difficult in some economies, where such efforts could be blocked by powerful vested interests (for example, judges and lawyers), as experienced in Bulgaria[33] and Honduras. Part of the upfront decision making, therefore, must be to consider carefully whether it will be more effective to create the declaratory registration system outside the courts or to streamline it within the court system. Given the underlying legal reform necessary, achieving a declaratory system is likely to take several years.

Clarity of the Law

In many developing economies, laws on business registration date from the eighteenth or nineteenth century. These laws might need to be updated. When Ireland decided to review its Companies Law in 2001, it shifted the law's focus toward private companies limited by shares, which accounted for 89 percent of firms. The law had focused on public limited companies, and provisions for private companies were mentioned only as exceptions. Similarly, in 1996 the United Kingdom put the parts of its new Companies Law pertaining to small companies—such as model articles of association and requirements regarding accounts and reports—at the beginning of the new law to make them easier to find. The revised bill also used simpler language. Box 4.1 lists some methods used to update and clarify the business registration laws.

Although a fundamental legal reform may have a profound impact, it may also be extremely burdensome and get stalled by strong vested interests and tedious procedures for preparation and implementation. To embark on a legal reform, it is first necessary to evaluate to what extent government has the will and capacity to pursue it. Economies are more amenable to reform shortly after an election. A stable political setting also helps

> **Box 4.1 Methods for Updating and Clarifying Laws**
>
> • *Statute Law Revision:* Statue law revision is a process used in common-law countries to review and repeal outdated and those lacking practical utility.
>
> • *Codification:* Codification is a process whereby a number of laws in a certain area are grouped into codes—usually by subject—to improve clarity.
>
> • *Recasting:* When laws are updated regularly, these changes often come in form of separate laws. In some cases, it may be useful to merge the original law and all of its amendments into a new consolidated law.
>
> • *Consolidation:* Consolidation, unlike recasting, simply puts the law together with its amendments without changing the content or form of the existing materials. The consolidated version is thus a collection of legal texts, with no legal status in itself.
>
> *Source:* World Bank Group 2010c.

ensure success. Other factors include whether the government has the financial capacity and human resources needed to draft the legal texts and, if not, what type of external support might be needed. If government cannot manage different interests in a potentially controversial reform, the undertaking may fail. The potential costs and benefits of undertaking legal reform should be studied diligently (see box 4.2 for an example of the process).

The legal framework should also support the following features of a modern business entry framework:

• E-commerce, e-payments, and e-documents

• Delegation of registration power

• Standard but flexible mechanisms for future amendment fees, procedures, and forms to allow the adoption of an ICT-led system

• A single database of registered businesses

• Public and free access to registered information in a searchable database

• Information exchange and interoperability (as is being pursued by Norway, European business registrars, and the East African Community).

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[33] Cristow 2009.

Business Process Reengineering

Many of the international good practices discussed in chapter 2, such as implementing an integrated registration system, adopting unique identification denominators, promoting transparency and accountability, and instituting an ICT-led automation process, require business process reengineering of the registration system.

> *Implementing many international good practices requires business process reengineering to increase effectiveness, efficiency, and transparency.*

Business process reengineering aims to increase the effectiveness, efficiency, and transparency of business registration and to avoid duplication and overlapping of procedures. Business process reengineering may involve redesigning procedures, eliminating steps, and introducing technology (see chapter 3) to reduce burdens on businesses and government. For some economies, streamlining through business process reengineering may require legal and institutional reforms.

Removing notarization and submission of minimum capital require legal reform, for example. Similarly, introducing an integrated registration system through one-stop shops involves institutional reforms and requires extensive cooperation among agencies and ministries—especially if national, regional, and local levels of government are involved.

The first step in business process reengineering is to compose a detailed process map. A process map should include:

- All steps an applicant must go through to register a business
- The time required to complete each step
- The requirements for each step
- The cost, including official fees, unofficial costs, and transaction costs, involved to complete each step.

Information on steps involved in registration should be obtained from officials involved in the processes. Records on dates of applications and issuance of registration certificates should be consulted to assess the time involved in completing registration. This information from official sources then needs to be verified with businesses. If any significant discrepancy arises in information obtained from official sources and from businesses, registration processes should be thoroughly analyzed to formulate an action plan for reform. Process mapping often reveals steps that were previously unknown even to authorities and steps that create red tape without serving any real purpose.

Once the process map is done, each process should be analyzed by the authority in charge of reform and preferably by both registration officials and representatives of the private sector. Such analysis will involve answering questions including the following:

- What is the purpose of the process?
- Does the process have a sound legal footing?
- Can the ultimate goal of the regulation be achieved without this process or through a streamlined process?

In a number of countries, for example, inspections by municipal authorities and by the tax authority are required before a business registration certificate can be issued. In such cases, the reform team should question the purpose of the inspections by asking whether they are required for registration, how the inspections are structured, whether every business needs to be inspected, if such inspections are a wise use of public resources, and so on. Before reform, Serbia required applicants to undergo five to seven inspections involving health and safety, trading capacity, and other areas to be registered.

If a process is found to be necessary, the reform team should investigate ways of streamlining the process without compromising its goals. If the process is deemed unnecessary, it should be eliminated. After streamlining their registration systems, some economies have also used International Organization for Standardization (ISO) certification to implement the systems and to ensure high-quality assistance for service delivery.

Institutional Setup Reform

The third dimension of business registration reform concerns the institutions involved in business registration. Institutional reform related to business registration can be broadly categorized into two types: institutional restructuring and capacity development.

Institutional Restructuring

A variety of institutional structures around the world support efficient, transparent business registration. In common-law economies, business registration is traditionally governed by a company act and administered by company registrars reporting to the ministry in charge of trade and commerce and sometimes also of industry. In civil-law economies, registration is performed in courts. But in recent years a variety of other institutional models have emerged. These include business registration performed by tax authorities, chambers of commerce, or one-stop shops.

Azerbaijan and Georgia reformed their business registration systems by introducing institutional setups placing the registration authority under the tax administration (for details, see the Azerbaijan case study in appendix E). In 2002 the Russian Federation merged the registration of a legal entity with tax registration, under the State Tax Inspectorate, cutting the number of business entry procedures from 19 to 12. Similarly, in Colombia and Luxembourg, based on a one-stop–shop principle, the business registration function is now performed by chambers of commerce.

Although many economies have taken business registration out of the courts, Austria, Germany, Hungary, the Slovak Republic, and Slovenia have reformed business registration within their court systems. Montenegro kept registration in its courts, but it has made registrars and administrative staff, rather than judges, responsible for doing the work.

The crucial issue in institutional restructuring is identifying the institution most capable of registering businesses. A revised institutional setup requires a firm legal footing and accountability. This is particularly important when setting up a one-stop shop.

Authority over a one-stop shop can lie with ministries of trade and commerce, finance, or justice. Whatever the ministry, representatives from the different ministries and agencies represented in the one-stop shop must be accountable to the authorized ministry. Moreover, these representatives require decision-making authority so that they do not simply occupy the one-stop shop as receivers of the registering businesses' applications.

Institutional reform should also ensure the budget is sufficient to maintain the institutional setup. This is particularly essential if reform is initiated with donor financing without a medium-term financing plan for business registration. Good practice is to establish the registration institution as a self-financing body. This approach encourages personnel to provide fast, innovative, client-friendly services.

Capacity Development

Once the institutional setup for business registration is laid out, the next crucial step is developing the capacity of personnel. Lack of needed skills is often a key reason for delays and poor service in business registration administration. The move toward interinstitutional action and client-oriented administration often requires profound changes in the mindset and organizational culture of staff. Capacity building may also improve staff motivation and performance. Common features of public-sector employment, such as rigid human resources policies, with lifelong contracts and fixed salary increases, often limit employee incentives to perform better.

Two types of training might be needed as part of reform. One aims to improve service by increasing staff knowledge in fields such as client orientation and service. The other is to train staff on new ways of improving registration services.

Some approaches to training tend to be more effective than others. An evaluation of capacity building and training supported by the World Bank found that although clients generally learn from training, only about half of the courses substantively changed workplace behavior or enhanced development capacity.[34] Developing innovative methods that provide results should be a priority. Some methods used successfully in business registration reform projects include the following:

- A project in Peru conducted team-building activities to improve the flow of information among departments.[35]

- Saudi Arabia's 10-by-10 program set up an aggressive action plan with annual targets for advancing in Doing Business rankings. Promotions and bonuses for staff were linked to achievement of goals.

- In Malaysia, as part of a wider program to enhance corporate governance and introduce a more efficient public-service delivery system, the Companies Commission adopted five new corporate values: teamwork, integrity, continuous knowledge and skill enhancement, results orientation, and customer orientation.

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[34] World Bank 2008b.

[35] Rada and Blotte 2007.

Peer-to-peer learning appears to be highly effective in developing capacity and motivating reforms. Such learning enables a reforming economy to see how similar reforms were implemented elsewhere and with what results and lessons drawn. Staff from Botswana, China, and Malaysia, for example, have visited New Zealand's registry; Central American countries have visited Colombia and Panama; Egypt looked at Ireland; and South Sudan's registry staff visited other African countries and Norway. The more conservative the economies undertaking reform, the more important the function of demonstrating proven practices from elsewhere—preferably jurisdictions familiar to the reforming country.[36]

Finally, international forums and networks such as global corporate registrars' forums, the International Association of Commercial Administrators, and the European Union's Registrars Forum provide useful platforms for sharing knowledge and exchanging ideas among registry personnel around the world for implementing business registration reform.[37]

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[36] McCahery and others 2006.

[37] For further illustration of the effect of peer-to-peer learning, see Cristow 2011.

5. Catalysts for Business Registration Reform

Drawing on regulatory reforms in various countries, this chapter highlights some of the catalysts for business registration reform.

Levers for Reform

As the case studies in appendix E show, finding levers for reform is an essential starting point. In some economies, reform is needed to improve the economic or regulatory environment. In others, the impulse for reform could stem from international pressure or a desire for accession to the European Union. Kenya embarked on comprehensive regulatory reform because its business climate was deteriorating relative to that of neighboring Tanzania and Uganda, and reforms in Eastern Europe were triggered by prospects for EU accession.

> Levers for reform vary and can range from poor rankings in Doing Business reports to the need for comprehensive economic or regulatory reform in response to a weak private sector and economic performance. International pressure or the desire for EU accession can also be important levers.

Doing Business rankings have become an excellent tool for economies seeking to understand their global positions on business indicators and to compare themselves to other economies—information that can build momentum for reform. In some economies, particularly in Africa, including Mauritius and Rwanda, Doing Business has encouraged business registration reform. Other diagnostic tools, such as surveys of entrepreneurs and foreign investors, can also support reform.

The standard cost model is the most common tool for measuring and benchmarking regulatory compliance costs in EU and OECD economies. Vietnam's Chamber of Commerce and Industry developed a provincial competitiveness index that prompted officials in some provinces to seek advice on how to improve regulatory procedures, including business registration.

High-Level Champion

Having a high-level champion is crucial for successful reform. Many successful registration reforms have been sought by ministers—and sometimes by heads of state or government. The champion should be capable of spearheading reform by mobilizing a broad range of stakeholders and overcoming red tape and vested interests ranged against reform. A reform champion has several characteristics:

- Political clout
- The ability to make and implement decisions
- Understanding of the issue requiring reform
- Access to financial resources, if any, needed for the effort
- The support of other stakeholders.[38]

When Saudi Arabia decided to minimize its capital requirement for new businesses in 2007, for example, it already had a new draft company law under review by the Council of Ministers. The article abolishing the minimum capital requirement was strongly supported by the king: it was fast-tracked through the legislative process and issued as a royal decree in just four months.[39] A similar role was played by a high-level reform champion in France (see box 5.1).

> Under the lead of a high-level political champion, a reform committee plays an important role in mobilizing and monitoring reform.

Reform Committee

A high-level reform champion will not be able to monitor the day-to-day progress of reform, the nitty-gritty of reform issues, and any required troubleshooting. These tasks fall to a reform committee, which can be supported by one or more topic-specific working groups, depending on reform needs.

No matter what type of regulatory reform is planned, one of the first steps should include the creation of an oversight body. Reform committees have often been key to the success of reforms in times of political turbulence or in the face of strong resistance from interest groups. A growing number of ad hoc reform committees composed of public and private

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[38] World Bank Group 2009b.

[39] Al-Awwad 2007.

Box 5.1 Quick Reform through a Strong Champion: France, 2002–04

Faced with an economic crisis, France's new right-wing government embarked in 2002 on bold business registration reform. Prime Minister Jean-Pierre Raffarin stressed the need to boost entrepreneurship through ambitious administrative simplification. By conducting the reform from the very top with support from the president, government, and a parliamentary majority, France made significant progress and became one of the top five *Doing Business* reformers in just two years.

The reform changed business registration from ex-ante registration to ex-post notification. It also eliminated the minimum capital requirement, introduced a single access point for mandatory formalities, and allowed entrepreneurs to work from home.

The reform was presented as a measure to address severe unemployment. Studies had identified problems in the procedures, and business registration had fallen since the 1980s. Benchmarks with other OECD countries, particularly in Western Europe, showed that France had to become more competitive.

The government decided that the prime minister should champion the reform. Responsibility for design and operations was delegated to the Ministry of Economy, Finance, and Industry. A small task force under the minister drafted the reform. This resulted in a more private-sector–oriented approach than would have resulted had the Ministry of Justice been responsible.

France's reform did not require very heavy marketing among stakeholders because it was run from the top. A series of consultations were held with key stakeholders before and after the draft. But to avoid heavy resistance, the reform team operated in stealth mode, and few on the outside were aware of upcoming proposals.

When the reformers learned about opposition to their proposal to transform business registration into a single process with social security, pension, and tax authorities, they removed this measure. The banking sector and Ministry of Finance were concerned that reformed procedures would reduce available information on start-ups. This argument was met by maintaining a requirement that clerks of commercial courts issue within 15 days authorizations to obtain loans. Clerks of commercial courts could have become strong opponents, but they generally favored reforms because they realized it would increase the number of registered firms and revenue. Finally, during debates in parliament the reformers emphasized that the reform was not deregulation and that its goal was to help small business and entrepreneurs and so increase employment.

Because of the reform, the time needed to start a business was cut from 42 to 8 days and the minimum capital requirement was eliminated. Businesses now have a single access point at which to identify and retrieve documents, complete them, and track their adjudication by different services. Registration has also since been moved online.

Source: WBG 2009b.

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representatives have been transformed into institutions that take on the other roles, such as overseeing regulatory impact analysis (box 5.2).

To achieve a high-quality outcome, reforms must align the incentives of stakeholders. Committees leading reform should represent a wide range of stakeholders and should be established with the right parameters. A successful reform committee should have the following characteristics:

- Clearly defined functions and accountability
- Location at the center of government
- High degree of transparency and independence from government
- Staff with a wide range of public and private sector backgrounds.

Reform bodies take on different designs according to the needs and circumstances of different developing economies, but some common denominators typically exist. These include the following:

- The initial institutional setup is small, but the committees grow as momentum and stakeholder support increase.

- Reform institutions often have small staffs, but their staffs possess diverse knowledge from both the private and the public sectors as well as very high-level skills.
- High-level political support tends to be essential to ensuring that stakeholders see the reform body as powerful.
- A centrally placed government body—such as the Office of the Prime Minister or the Ministry of Finance—drives reform, making regulatory reform a clear priority.
- Reform bodies supported by donors have a medium- to long-term focus to ensure sustainability and successful reform.[40]

Successful regulatory reform bodies should have clear mandates and operate independently from the executive branch. But not all successful reforms have used such committees. Estonia, for example, never formed an independent working group for business registration reform, probably because the courts retained responsibility for registering companies and the Ministry of Justice drove the process.[41]

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[40] World Bank Group 2010d.

[41] Olaisen 2009.

A growing number of developing and emerging economies are making ad hoc regulatory reform committees into institutions to drive work on regulatory governance and regulatory impact analysis. This follows a trend that started in the 1990s of placing increased focus on the quality of regulation and on building capacity in governments to produce high-quality regulatory instruments. Rwanda in the 2000s, for example, formed a reform team the mandate for which broadened from Doing Business reforms to more extensive regulatory and investment climate reforms. Guinea formed a reform team with working groups covering four Doing Business indicators, including starting a business. Developing economies arguably have more to gain from regulatory governance mechanisms,[42] not least because concrete regulatory strategies expedite sustainable development.[43] Governance issues are also important in the context of business entry because a clear relationship has been shown to exist between the two.[44]

Stakeholder Management

Business registration reform, like most reforms, creates winners and losers.[45] Winners could be the government, the business community, and the general public. Losers could be interest groups who have benefited in the past from the status quo (see box 5.3).

Resistance to business registration reform could be triggered by multiple factors, such as loss of income and rent-seeking opportunities, bureaucratic inertia, and fear of the unknown. In addition, ICT-led business registration reform could generate opposition because registry employees might fear that they will lose their jobs if their ICT skills are weak or if technology replaces humans. Thus the reform team must manage opposing interests, mobilize potential beneficiaries, and generate broad political support.

Stakeholder management is a dynamic act as stakeholders' roles and incentives might change over the course of reform. Box 5.4 provides examples of stakeholder management in registration reform.

Good practices in stakeholder management include:

- Managing stakeholders by selectively and progressively building coalitions for reform
- Structuring stakeholder involvement to produce opportunities for dialogue and peer learning
- Educating stakeholders about the benefits of reform and costs of change—and of the status quo
- Building supportive stakeholders' capacity for advocacy
- Balancing the benefits of stakeholder management and the costs of delaying reform

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[42] World Bank 2010e.

[43] OECD 2002.

[44] Klapper and others 2009.

[45] For a detailed discussion on stakeholder management in business registration reforms, see World Bank Group 2009b.

Box 5.2 What Are the Tasks of Reform Committees?

- Recommend regulatory reforms to the government.

- Promote coordination among ministries, regulatory agencies, and other bodies with regulatory powers.

- Identify and create capacity for regulatory reform in the administration.

- Work with the private sector by promoting regulatory reform, creating channels of communication, and introducing consultation procedures.

- Launch parts of regulatory reform projects such as programs on licenses, strategies for reducing administrative burdens, and review of legislation.

- Lead and participate in the design, implementation, and monitoring of projects on regulatory reform.

Source: World Bank Group 2010d.

Box 5.3 Who Are the Stakeholders in a Business Registration Reform?

- *Political elite:* Top governmental officials and members of the parliament and ruling parties

- *Public administration:* Public officials/bureaucrats of the registry and related government agencies/ministries

- *Regulated professionals/intermediaries:* Notaries, judges, lawyers, registration agents, and accountants

- *Private sector:* Business community (diverse, involving firms of different size, and business chambers and associations)

- *Civil society:* Nongovernmental organizations (NGOs), academia, think tanks such as anti-corruption groups, and the media

- *Development Partners:* Multilaterals and bilateral donors

None of the above broadly defined stakeholder groups are homogenous. Conflicting interests can persist within each of these groups.

Source: World Bank Group 2009b.

- Compensating stakeholders subject to losses to ease opposition to reform

- Creating institutions with incentives to perform for clients, rather than reengineering institutions that suffer from perverse incentives.[46]

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[46] World Bank Group 2009b.

Reform Communication

Reform communication should make the target audience aware of the content of reforms, their implementation timeline, and the intended results.[47] Without effective communication, reform often goes unnoticed: officials continue to follow old procedures, and businesses remain unaware that registration reform is being implemented and its intended effects.

> *Reform can go unnoticed if not properly communicated to the target audience. Reform communication is a two-way street: it involves communication from the government but also requires a channel for government to receive feedback from the private sector and other stakeholders.*

Communicating about reform—often aggressively—is crucial. Communication helps inform beneficiaries, and it encourages potential entrepreneurs to open new businesses or informal firms to formalize. It can also provide positive signals to foreign investors about a government's efforts toward and willingness to engage in reform. Finally, reform communication raises public awareness and political support and weakens vested interests working against reform.

Reform communication is a two-way street: government must communicate with beneficiaries, but it must also open channels for receiving feedback from stakeholders. Based on stakeholder feedback regarding reforms, government can take any necessary corrective measures, creating a sense of participation and ownership among stakeholders, and can pursue further efforts.

Figure 5.1 Sierra Leone Communication Material

Source: Based on materials from Africa Investment Climate Communication Team.

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[47] For an analysis of strategic communication for business environment reform, see World Bank Group 2007.

Reform communication should commence during the formation of the reform proposal and should continue throughout the reform cycle: acceptance of the reform proposal, its implementation and results, formation of next-generation reform plans, and repetition of the cycle.

Communication tools and mediums are diverse and include public-private dialogues, press conferences, seminars and workshops, television and radio talk shows, editorials in newspapers and magazines, billboards, and print and online advertisements. Reform teams should identify the most cost-effective tools available to them. Both developed and developing countries have utilized a wide range of communication approaches. Sierra Leone, for example, embarked on an intensive reform communication campaign regarding its business registration reforms using a number of communication tools, including government press conferences and press releases, public-private dialogues, road shows, radio jingles, billboards, advertisements, and banners (see figure 5.1). Similar communication efforts were undertaken in Mali and are being planned for Guinea, among other countries.

6. Business Registration Reform in Fragile and Conflict-Affected States

> *About 600 million people live in FCASs where private-sector development and economic performance are poor. BR reform is among the crucial first reforms needed in FCASs if these economies are to get back on the track of growth, investment, job creation, and poverty alleviation.*

Many regions suffer from conflict, and millions of people live with the horrors of war: the world's 33 fragile and conflict-affected states (FCASs) are home to about 600 million people. FCASs have been defined as having had a regional or United Nations peacekeeping or peace-building mission during the preceding three years. The average poverty rate in FCASs is 54 percent, in contrast to 22 percent for low-income countries as a whole.[48] GDP in FCASs declines during conflicts, while that in low-income countries grows. Per capita GDP tends to decline by 2.2 percent during war, and country income tends to be about 15 percent lower at the end of a typical civil war, lasting on average seven years.[49]

Business registration reform is among the crucial initial reforms needed in a FCAS for it to get back on track for growth, investment, job creation, and poverty allevia-tion. Business registration reform in a FCAS can create immediate societal benefits and can signal positive change to the world. Many FCASs have archaic registration systems, and even these may have been destroyed during conflict. When systems are destroyed, the FCAS can take the opportunity for a fresh start using international good practices in legal, business process, and institutional reforms. Similarly, the catalysts for business registration reform discussed in the previous chapter are all the more powerful in a FCAS, but the challenges of the process too can be even greater than those usually encountered.

Yet the cost of not reforming is too high to ignore. When a conflict-destroyed registration system remains unreformed, companies and firms must struggle with a business regis-tration process that involves red tape, high costs, lengthy delays, corruption, and lack of transparency. Entrepreneurs' scarce resources are spent meeting regulatory burdens rather than on productive business activities. Shattered business registration systems also lead to expansion of informal economies, hampering business growth and

productivity and decreasing public revenue. Informality is very common in FCASs, with few businesses registered with business registration and tax authorities, reducing revenue much needed for post-conflict reconstruction and state building. Reducing barriers to business registration should increase the number of newly registered busi-nesses, many of which, presumably, are graduating from the informal to the formal sector. Moreover, successful business registration reform can generate momentum and support for broader regulatory reforms.

Key Constraints in FCASs

Conflict leaves many FCAS in tatters. Often hundreds of thousands of people are killed or displaced, institutions and social capital are disbanded, and the local economy is severely damaged. These challenges make implementing any type of reform, including business registration reform, a challenge. Project teams should be mindful of the following constraints typically observed in FCASs.

Physical Constraints

In a FCAS, conflicts destroy physical infrastructure, such as roads, ports, public buildings, and power and commu-nication networks. In some FCASs, official registries and archives are dam-aged or destroyed as well. South Sudan, for example, had no business registry

> *Implementing business registration reform in FCASs requires addressing these key constraints:*
> - *Physical constraints*
> - *Limited government capacity*
> - *Weak constitutional authority and extensive corruption*
> - *Poor legal and regulatory framework*
> - *Overcentralized public administration.*

in 2005 when the Comprehensive Peace Agreement was signed. The project team, with support from the Multi-Donor Trust Fund, renovated an old building to house the registry, one of the most important steps it took in reestablishing business registration (see the South Sudan case study in appendix E).

Limited Government Capacity

Government capacity in a FCAS may be very limited because of a lack of human resources. Officials involved in business registration may have been killed or forced to leave the country during the conflict. Some may have

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[48] See http://wbi.worldbank.org/wbi/about/topics/fragile-states.

[49] GTZ and FIAS 2008.

been involved in the conflict and thus are unable to serve under the new regime. Hence, capacity building, particularly through training programs, is an important element of business registration reform in a FCAS. In South Sudan, the project team, to build and strengthen the government's capacity in business registration, provided on-the-job training programs, study tours, and workshops for officials. Similarly, in setting up Guichet Unique, Guinea benefitted greatly from training by Mali Guichet Unique officials. The limited capacity issue could be partially addressed by outsourcing the delivery of services, but security concerns in a FCAS might limit the availability of reputable vendors.

Weak Constitutional Authority and Extensive Corruption

Another result of conflict in a FCAS is weak constitutional authority, which increases corruption, lowers public trust in government, and hampers business registration. Creating a transparent process discourages corruption in business registration. In Liberia, the business registration process "has been made more transparent and centralized in one location, bringing together three of the key agencies involved in the process," thus helping to fight corruption in the business registry.[50] A similar initiative is underway in Guinea to create a transparent registration system by setting up a Guichet Unique.

Poor Legal and Regulatory Framework

The legal and regulatory framework in a FCAS may be very poor, with weak capacity and public confusion. Reestablishing the legal and regulatory framework is often an efficient way to yield positive change. Laws and regulations related to business registration should be drafted, enacted, and applied well. In Sierra Leone, one of the team's efforts to reform business registration was to help draft, review, and enact the General Law (Business Start-Up Amendment) Act and the Registration of Business Act. Similar actions were taken in Nepal.

Overcentralized Public Administration

FCASs are characterized by overcentralization in the public administrative structure. Centralized structures usually result in the politicization of administrative functions and unclear boundaries between different sectors. For business registration, centralization makes the registry process longer and costlier for entrepreneurs. The project team should try to expand the reform to towns across the country. In Kosovo, for example, applicants from across the country previously had to travel to Pristina for business registration. With World Bank assistance over the past few years, 22 municipal business centers were opened, enabling applicants to complete registration in their municipality within three days. The U.S. Agency for International Development piloted business registration reform in Bosnia-Herzegovina's Republika Srpska region. After success

in that region, another four municipalities (Laktaši, Mrkonjiæ Grad, Posušje, and Vareš) followed this new registration model as well.[51]

Implementing Business Registration Reform in a FCAS

The following strategies have proven useful in states affected by the constraints described above.

Locate a Base on the Ground

Given the often severe constraints in government capacity and communication infrastructure, an experienced project team on the ground is a must for business registration reform in a FCAS. The team must follow through on reform implementation by monitoring, providing technical support, and training local staff. It should hire consultants with local or regional experience to help coordinate activities and conduct dialogues with different, sometimes ethnically diverse, stakeholders. When the project team arrived in Liberia, for example, most government offices lacked access to working telephones, fax, or email. Most work had to be conducted in person, and information exchange relied on moving documents physically. Due to the conflict, many educated people had left the country, so the shortage of skilled people was a challenge for the project team as well as for the government. The project team addressed these conditions by tapping into Liberia's diaspora communities through diaspora networks.[52] Similarly, in South Sudan the team hired an experienced consultant from the region to work with an international registry adviser to reestablish the business registration process and implement the registry. This consultant had the experience running the Law Reform Commission in Uganda, was a recognized law reform expert in East Africa, and was trusted by the Sudanese. All of her previous experiences and background contributed to the success of reform in South Sudan.[53]

> *Implementing business registration reform in a FCAS can benefit from the following strategies:*
>
> - *Locate a base on the ground.*
> - *Be flexible in unstable security situations.*
> - *Prepare realistic time and cost estimates.*
> - *Select partners carefully.*
> - *Leverage Doing Business to build reform momentum.*
> - *Develop a participatory approach.*
> - *Develop an effective communication strategy.*
> - *Manage expectations.*
> - *Do what is feasible and doable.*
> - *Develop capacity.*
> - *Consider the gender aspect.*

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[50] Agboli, Ofori-Atta and Bridgman 2008.

[51] USAID 2009.

[52] Agboli, Ofori-Atta, and Bridgman 2008.

[53] Masinde, Daniel, and Kitakule 2008.

Be Flexible in Unstable Security Situations

Working in a FCAS requires flexibility at every stage of the project cycle and ongoing preparation for the unexpected. Given the fragile and unstable situations inherent in a FCAS, projects may not happen according to the original plan and timeframe. With fluid situations on the ground, and even the possibility of the reemergence of conflict, a team must be willing to adjust the operational approach, create innovative methods, and make quick decisions to respond to changing situations. In Iraq, for example, the Iraqi-American Chamber of Commerce and Industry (IACCI) employed an innovative approach to provide training programs to its members. The IACCI trainers worked in pairs, with one conducting the training and the other keeping watch for possible attacks. Some trainers carried two sets of identity papers—one with a Sunni name and the other with a Shiite name—and used them depending on the area that they were visiting.[54]

An IFC advisory project to reform business registration in Lebanon provides another example of flexibility in an unstable situation. The project began in early 2006, and war broke out unexpectedly in July of that year, lasting for about a month. Facing this possibly disastrous situation, the project officer decided to stay in Lebanon, maintain contact with reachable resources, and resume the reform effort as soon as conditions allowed. His decision proved to be the right one. The government was eager to demonstrate the return to normalcy, and it pursued reforms as a means of doing so. During their first meeting after the war, in October 2006, the minister was adamant that the team continue business registration reform.[55]

Prepare Realistic Time and Cost Estimates

Among IFC advisory staff working in FCASs, 63 percent believe project budgets should be higher than in other countries.[56] The cost of working in a FCAS increases due to greater travel expenses, limited access to necessary resources, the need for security for the staff's working and living areas, and payment of hardship premiums for project team members. Given the low capacity and complex situations in a FCAS, projects require more time than in other countries, and field presence and supervision are required. Thus the project team should plan a larger budget and longer timeframe for business registration reform activities in a FCAS.

Select Partners Carefully

Partners should be selected carefully using background checks to screen for potential involvement in wrongful or illegal behavior during the conflict. The project team should assess candidates for both open and hidden agendas, as well as the candidate's relationship with the local power structure.

The tools of background checks include websites (including Google and Factiva), local contacts, legal databases, financial institutions, and audit reports. Some warning signs to watch for include high-profile connections, offshore holdings, and a reputation for bribery. In Kosovo, for example, candidates could not join the project team if they had been convicted of a felony after June 1999, when major hostilities ended. Although not airtight, such an approach maintained fairness and observed the "do no harm" principle during the reform program.[57]

Leverage Doing Business to Build Reform Momentum

In a FCAS low in the *Doing Business* ranking for starting a business (table 6.1), the government can often be motivated toward business registration reform as a potentially quick win. Governments in FCASs are eager to show the public and international society reform program successes, and so highly value ranking improvements in *Doing Business* reports. Business registration reforms appropriately packaged in light of *Doing Business* rankings may thus attract strong political support. A case in point is Liberia, where the project team organized a series of workshops to explain the *Doing Business* methodology and its relevance to the Liberian reform program. The team also maximized the report's publicity. Within one month of the report's release, the IFC team was invited by the president to advise her government on how to improve Liberia's *Doing Business* rankings. The president also established a special cabinet committee to work with the IFC team on the country's business climate reform activities.[58] *Doing Business* rankings also motivated business registration reform in Guinea, Kosovo, Rwanda, Sierra Leone, and many other countries.

Develop Reform Content through a Participatory Approach

Conflict tends to damage social capital and trust in public institutions. It is thus important to develop the content of legal, business process, and institutional reforms through a participatory approach, so that the reform process is owned by a broad range of stakeholders. Early success of business registration reform in this process could unite various groups and clans in building the state. In Sierra Leone, for example, an investment climate reform program was launched in the mid-2000s, and the first public-private dialogue on it began in a small hotel room in Free Town. Stakeholders and business people from various clans and communities found it amazing that, for the first time, they were sitting together to discuss reform opportunities for their country. Subsequently, the fruits of this effort have been realized in business registration reform, tax reform, and other investment climate reforms.

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54 International Finance Corporation 2009.

55 Nicolas 2008.

56 International Finance Corporation 2009.

57 International Finance Corporation 2009.

58 Agboli, Ofori-Atta, and Bridgman 2008.

Table 6.1 *Doing Business* **Starting a Business Rankings for FCAS**

FCAS	*Doing Business* Starting a Business Rank	
	2012	2013
Afghanistan	29	28
Angola	167	171
Bosnia and Herzegovina	162	162
Burundi	99	28
Central African Republic	166	170
Chad	185	181
Comoros	171	168
Republic of Congo	179	180
Côte d'Ivoire	173	176
Democratic Republic of the Congo	149	149
Eritrea	183	183
Guinea	184	158
Guinea-Bissau	148	148
Haiti	182	183
Iraq	177	177
Kiribati	141	145
Kosovo	170	126
Liberia	35	38
Libya	—	—
Marshall Islands	49	48
Micronesia, FS	101	104
Myanmar	—	—
Nepal	102	105
Sierra Leone	69	76
Solomon Islands	113	75
Somalia	—	—
South Sudan	—	—
Sudan	128	122
Syrian Arab Republic	126	132
Timor-Leste	151	147
Togo	175	164
Tuvalu	—	—
West Bank and Gaza	177	179
Republic of Yemen	64	110
Zimbabwe	145	143

Source: The list of FCAS is from IFC's Harmonized List of Fragile Situations FY13. *Doing Business* Starting a Business ranks are from WBG 2011a and 2012a. All *Doing Business 2012* rankings have been recalculated to reflect changes to the methodology and revisions of data due to new information.
Note: The dash (—) represents unavailable data.

Develop an Effective Communication Strategy

An effective communication strategy has two main goals: increasing public awareness about the reform and building and maintaining momentum for further reform activities. It also provides opportunities for the project team to listen to stakeholders' opinions and to build a good relationship with them. Forms of communication can vary from informal conversations with opinion leaders to well-planned, countrywide media campaigns. In Sierra Leone, for example, the project team used a variety of communication methods, including

producing videos to introduce the benefits of the reform, employing media to disseminate reform information, holding forums to improve the relationship between government agencies and the private sector, and regularly meeting with both formal and informal business associations to elicit their opinions.[59]

Manage Expectations

Emerging from conflict, people in post-conflict countries are likely to have great expectations for immediate improvement in both political and economic conditions. Capacity-constrained, newly formed governments tend to be under pressure to show the public a "peace dividend." Under these circumstances, careful management of all stakeholders' expectations is crucial. If expectations are beyond what the business registration reform can deliver, stakeholders will be frustrated, jeopardizing not only the business registration reform, but also potentially damaging future regulatory reform efforts. Hence, from the outset of the project, the team should clarify the likely results of business registration reform, the timeframe in which results can be expected, potential risk factors that may impede results, and the realistic relationship between the potential project impacts and economic growth and peace building. Government counterparts should be reminded that they have the same (if not more) responsibility for managing stakeholders' expectations, as they are in charge of the reform and will face praise or criticism from the public according to its fate.[60] During project implementation, regular communication with stakeholders is essential for managing expectations.

Do What Is Feasible and Doable

Reform operations are unlikely to be planned and implemented rigidly in a FCAS due to its complex and unstable situation. As a result, the principle "do what is feasible and doable" applies to all aspects of business registration reform in FCASs. In South Sudan, for example, when the team began the project, Juba had no existing registry and only a director, with no staff, to do registry-related work. Meanwhile, the minister for legal affairs was eager to start reforms as quickly as possible. To comply, the project team began the project from the "thin end of the wedge," establishing the regulatory infrastructure for business registration, rather than immediately starting registration in Juba. As the basic capacity of a local registry was built, the team began a dialogue with the ministry responsible for the business registry and launched the project six months later. The decision about the type of registration system to establish was also made based on the "do what is feasible and doable" principle. Although electronic systems are widely used for business registration, the team opted for a paper system in South Sudan, as being more feasible and doable given local constraints in both infrastructure and human resources.[61]

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[59]   World Bank Group 2011b.

[60]   International Finance Corporation 2009.

[61]   Masinde, Daniel, and Kitakule 2008.

Develop Capacity

Since FCASs are often severely constrained by a lack of experienced staff and adequate technology, it is important to build and develop local government capacity. Given that many educated people leave their home country during a conflict, project teams should involve diaspora organizations in capacity development, as they can bring resources of talent to project operations. At the same time, teams should be aware that people who have been away from their country for a long time may have limited knowledge about its new situation. Another efficient way to build capacity is to organize staff training programs to build and strengthen knowledge about business registration. Training programs could take the form of on-the-job training, study tours, or workshops. In South Sudan, for example, various training programs were provided during the process of rebuilding the business registry, including regular training on the job, study tours to Norway and Uganda, and workshops focusing on the enacted laws.

Consider the Gender Aspect

Because many informal businesses are operated by women, their concerns cannot be ignored during the process of business registration reform. One of these concerns is the higher illiteracy rate of women as compared to men, possibly reducing women's capacity to register their businesses and thus move from the informal to the formal sector. To improve women's involvement in business registration, registry procedures may require simplification, and some education programs may need to be targeted especially to women. Involving women in business registration often brings significant benefits to private-sector development in a FCAS. In Uganda, in the first year following simplification of business registration, 30 percent more women than men started new businesses.

Reasons for Optimism

By being mindful of these issues, project teams can be better prepared to deliver business registration reform on the frontlines in FCASs. Teams should realize that, while a FCAS faces many difficulties and challenges, it can achieve successful business registration reform. Rwanda, a country that experienced severe conflict in the 1990s, provides a good example. According to *Doing Business 2011,* Rwanda ranks nine for starting a business: "Since 2005 Rwanda has implemented 22 business regulations reforms. Today entrepreneurs can register a new business in three days, paying official fees that amount to 8.9 percent of income per capita."[62] Similarly, Liberia, Sierra Leone, and other FCASs accomplished significant business registration reforms over the past few years. With intelligent project design and flexibility in adapting to local circumstances, many difficulties can be overcome and risks mitigated, allowing teams to achieve their goal of helping to reestablish or improve business registration in FCASs.

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[62] World Bank Group 2010b.

7. Design and Implementation of a Business Registration Reform Program: Project Lifecycle and Related Activities

A typical business registration reform project involves four phases:
- *Phase 1: Laying foundations*
- *Phase 2: Diagnosing problems*
- *Phase 3: Designing solutions*
- *Phase 4: Implementing solutions.*

The preceding chapters discussed good practices in business registration reform, including required legal, institutional, and business reforms, as well as catalysts to facilitate them. This chapter shows how these topics fit together into a sequence for implementing a comprehensive business registration reform program. Because reform processes vary based on the country and the content of the desired business registration reform, practitioners combine and sequence these topic areas according to their requirements.

Phase 1: Laying Foundations

Business registration reform requires proper foundations, including evaluations of its feasibility and scope and, in some cases, of the underlying issues a team must consider before recommending whether to pursue a project.

Assessing the Need for Business Registration Reform

To succeed, business registration reform must be driven by demand: that is, a strong need for business registration reform to boost private-sector development. Hence project teams need to consider these points:

- The importance of business registration reform relative to other business environment reforms

- Whether business registration reform is the most pressing problem and whether it will help establish institutions and mechanisms that make subsequent reforms easier

- The light a broader view of business environment challenges might shed on the ease or difficulty of major legal and institutional reforms

- The possibilities for implementing business registration reform along with other business environment reforms

(such as using the same steering committee or similar institutional solutions) with incremental additional effort.

Project teams can use many resources to assess the need for business registration reform. *Doing Business* reports, for example, portray the state of business registration in the country and indicate how well its peers are performing. Other useful resources include the World Bank Group's Enterprise Surveys and investment climate assessments by the Bank Group and by donors, such as USAID's Investor Roadmap Study. Studies such as the Global Competitiveness Report and indexes such as the Heritage Foundation's Index of Economic Freedom provide overviews of the investment climate and of regulatory constraints faced by entrepreneurs. Assessments based on these secondary resources should be validated through consultations (such as one-on-one discussions, focus groups, or workshops) with government agencies concerned with business registration and other agencies in related areas, such as revenue authorities, and with private-sector representatives.

Foundation phase activities could include:
- *Assessing the need for business registration reform*
- *Identifying champions for business registration reform*
- *Outlining a strategy for reform*
- *Soliciting technical and financial resources and commitments to support reform*
- *Launching business registration reform.*

Identifying Champions for Business Registration Reform

The next step involves motivating reform and identifying champions to support and lead it. Chapter 5 discusses the importance of the various possible levers for and political champions of business registration reform. During the foundation phase, project teams must identify these levers and secure the support of political champions.

Bringing reform champions into the process is crucial for obtaining broad stakeholder support. A high-level

reform steering committee should then be created to oversee business registration reform, including monitoring progress and troubleshooting to remove obstacles.

Outlining a Strategy for Reform

After securing political support for business registration reform, the project team, reform champions, and key stakeholders should develop a high-level reform strategy and a broad action plan. The timeline established for these milestones will likely be revised as the project evolves. The team should ask the following (discussed further in appendix A):

- Is reform needed and viable?
- What reforms can produce dividends with the least resistance and how best can support for reform be mobilized to ensure its effective implementation?
- What operational tools will contribute to successful reform?

Answers to these questions will enable project teams to assess the scope, scale, and viability of the proposed business registration reform. Teams should bear these considerations in mind when deciding whether to pursue projects—and throughout preparation, design, and implementation.

Improving performance in business registration can require intervention at any or all of these three levels:

- *Laws and institutions:* Fundamental reform of, or changes in, the laws and institutions governing business registration may be necessary.
- *The general framework:* Simplification in the existing general registration framework may be called for.
- *Procedures:* Introduction of operational tools to streamline registration procedures and steps will often help make them quicker or more effective.

Soliciting Technical and Financial Resources and Commitments to Support Reform

The broad strategy and action plan will guide estimates of the technical and financial resources needed to design and implement the reform program. At this early stage, these estimates will inevitably be quite broad, and they should be revisited and refined at points throughout the project. Estimates should indicate what technical skills can be drawn from government (and from which agencies, specifically, that is, from the business registration authority, tax authority, legal department, information and communications department, and so on), from the domestic market, and from the international arena (again, noting the specific skills and technical expertise required from external sources).

Similarly, the project team should determine whether the project can be financed from government resources or if donor assistance will be needed. The team should explore donor funding possibilities and lock down commitments. Depending on the type of reform, the team should identify which government

agencies will be engaged in it and if a signed memorandum of understanding will be needed to strengthen commitment and collaboration.

Launching Business Registration Reform

The reform initiative should be formally launched using, for example, a reform conference, workshop, or media briefing. Members of the steering committee should be ready to take over the lead role at the launch event. Such presentations can boost the confidence of and inspire the team as well as raise public awareness and support for reform. These events are typically led by the reform champion in the presence of other political leaders. Ideally, participants would include representatives from both the public and the private sector, including lawyers (especially those who helped compile *Doing Business* reports), notaries involved in business registration, and possibly recently registered companies. The launch might cover the following:

- Validation of *Doing Business* findings
- Discussion of findings from the foundation stage of the reform program
- Consideration of the scope of the reform, in particular whether the focus will be on formalizing microbusinesses, on medium-size businesses (such as those aspiring to limited liability), or on large or foreign enterprises

Exchanges of experience with other relevant reform programs within the government and with successfully reforming nearby peer countries.

Phase 2: Diagnosing Problems

Once the foundation for reform is in place, the next step is to assess the existing business registration system—its legal, institutional, and business processes (including information and communication technology, or ICT), as well as the underlying political economy. The team will need to determine the skills required to conduct reform activities and to gather human resources possessing those skills. The team also needs to obtain the financing to conduct its activities.

Developing a Checklist

A systematic, comprehensive checklist setting out in detail the status quo and all reform goals, stages, and steps is a useful, even essential, tool for beginning the business registration reform process. (See the sample checklist in Appendix B.) The checklist will serve to focus the attention of program designers on country-specific priorities and will help them find the appropriate balance across various potential reform activities. The checklist should not attempt to offer quantifiable indicators, although its construction and use requires individuals knowledgeable about and experienced with international benchmarks. The primary benefit of a checklist is its focus on in-country realities often ignored in purely descriptive surveys 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 along with other analytical tools and reports. It can be completed through individual interviews, focus groups, or both. In completing and analyzing the checklist, the project team should bear in mind the three conditioning questions (discussed in appendix A) and information relevant to the project entry point (branch of government, for example, or subnational versus national level).

> *The diagnostic phase activities may include:*
>
> - *Developing a checklist*
> - *Assessing the business registration system*
> - *Mapping stakeholders*
> - *Collecting baseline data*

Assessing the Business Registration System

Based on the checklist, a detailed assessment should be made of the legal, institutional, and procedural dimensions of the business registration system. The scope of this study should be driven by the reform context and content. Chapters 3 and 4 discuss issues and tools useful for guiding this assessment. The team should also assess the country's appetite for major legal and institutional reforms, including procedural improvements, simplifications, and automation, which feed into the reform design solution in the next phase.

The following steps can provide an effective means of conducting this analysis:

- Consult existing documents and analyses.
- Solicit opinions from private businesses.
- Assess institutions, regulations, and procedures.

Some documents[63] are in the international domain. Some will have already been consulted in the foundation phase. The analysis should be conducted with regard not only for foreign and medium-size companies, but also for small businesses (for which a different procedure often applies). Local nongovernmental organizations (NGOs) may have already investigated the registration situation facing such small, often informal, businesses.

Information gathered should then be validated by the opinions of public officials and private companies. These opinions could be collected through individual interviews and focus groups (appendix C discusses focus groups). Interviews and focus groups provide firsthand accounts of the challenges facing entrepreneurs in firms of different sizes and from different sectors, as well as of the constraints and challenges faced by the public sector. This validation exercise often reveals huge levels of mistrust between the public and private sectors, a key source of much highly burdensome regulation.

Other benefits from performing reality checks include the following:

- Although the basic business registration process may not vary substantially across different sectors, interviews will indicate whether the greatest problems lie with registration processes generally or with particular sectoral licenses.

- Business registration procedures will vary (by size of company, for example) depending on whether limited liability is needed. Interviews can help indicate business registration problems that are applicable only within a given subgroup.

- Most importantly, these interviews and focus groups will bring to light which procedures are the most difficult, the most open to bribery, and so on. The results revealed through this method may differ somewhat from official interpretations of the process.

Using the responses elicited, the project team can then complete its diagnostic of the registration system, which should assess laws and regulations, business registration processes, institutional capacity and training needs, and ICT systems.

Mapping Stakeholders

Business registration reform is a political process. Thus the project team needs to map potential stakeholders. This mapping should reveal the winners and losers in the current system and how powerfully they influence business registration reform.

Collecting Baseline Data

Monitoring and evaluation are integral to reform. During this phase the team should collect baseline data on the performance of the business registry, the registration experiences of businesses, and the perceptions informal firms might have about registration. Indicators will be based on reform objectives and might include the following:

- Registration times, costs, and processes
- Accessibility and transparency of information about registration
- Costs of complying with registration (such as for producing applications and required documents, visiting the registry, bribes, and opportunity costs)
- Businesses' satisfaction with the registration system
- The number of new businesses registered
- The number of informal businesses registered.

Baseline data are crucial for setting reasonable reform targets during the solution-design phase and for effective monitoring and evaluation (M&E)—for example, the extent to which reform targets are met and intended impacts achieved—over the project cycle and beyond. Sources for baseline data might include *Doing Business* reports, data from business registry

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63 Useful documents for this purpose include FIAS diagnostics, USAID investor studies, independent component analyses, studies from UNCTAD, and Doing Business data.

and tax authorities, and data from investment climate surveys. Depending on data availability, the project team might need to conduct baseline surveys.

Phase 3: Designing Solutions

The diagnostic phase feeds into the solution-design phase of the reform program. Key activities in solution design phase are discussed below.

Defining Goals and Motivations

Business registration reform must take into account the expectations of government and private entities involved in or affected by it and should articulate reform goals accordingly. Levers used in motivating reform should also guide this effort. Typical goals of reform include:

- Delivering broad economic benefits (see Chapter 1), such as generating investment—domestic and foreign—and creating jobs
- Improving governance through increased transparency, access to information, and accountability
- Increasing formalization of businesses.

In setting up the objective and the underlying design of the reform program it is crucial to address the viewpoint of the private sector. Potential benefits for businesses include:

- Better access to finance at affordable interest rates
- Increased access to formal customers and export markets
- Formal recourse in the legal system to resolve commercial disputes and enforce contracts

> *The solution design phase activities may include:*
> - *Defining goals and motivations*
> - *Agreeing on the approach to reform*
> - *Developing a strategy for stakeholder management and communication*
> - *Designing legal reforms*
> - *Designing solutions for institutional reform, training, and capacity building*
> - *Designing simple, streamlined solutions*
> - *Designing an M&E strategy*
> - *Designing a sustainability and exit strategy*

- Better access to land and the use of that land as collateral, especially commercial land such as industrial estates, whether managed by the public or the private sector.

Most businesses want to register, but many are dissuaded by complex, expensive processes. Large companies typically have no choice but to register because they are too big to hide. But for smaller businesses, costs, time, and geographic distance can be significant disincentives. For foreign companies, business registration is a proxy for a country's broader business environment. Despite the many potential benefits of registration, reforms in other areas might be necessary to realize them. Government commitment to complementary reforms is critical for private-sector support for business registration reform. All these factors should guide the reform program.

Agreeing on the Approach to Reform

The diagnostic phase should provide a clear picture of the issues and problems with the existing registration system, and the international good practices discussed in chapter 2 provide some reform options. Chapters 3 and 4 show how to implement options through legal, business process, and institutional reforms. At this stage, the project team should consult with the reform champions and steering committee to lay out the reforms and how they will be implemented, that is, which reforms can be implemented simultaneously and which require a more sequenced and phased approach. In addition, given the often time-consuming and contentious process of legal reform, the team should also consider what options are available for implementing reforms through administrative orders or decrees rather than legislative action.

Taking all of these considerations into account, the project team can then lay out a detailed action plan and timeline for reform. The action plan should specify each step and milestone, who has responsibility for it, and what its resource requirements (both technical and financial) will be. The timeline should specify which components can be implemented in the short term (within 3 to 6 months), which can occur in the medium term (6 to 12 months), and which will require longer term efforts.

Developing a Strategy for Stakeholder Management and Communication

The reform team should develop a stakeholder management and communication strategy based on the stakeholder mapping completed in the previous phase. Using the tools and strategies discussed in chapter 5, the strategy should focus on mobilizing political support, raising public awareness, and increasing stakeholder buy-in for reform. A key goal of the stakeholder management strategy should be to weaken vested interests that oppose reform.

Another major goal at this point should be to take a participatory approach to reform by setting up a consultation mechanism, such as public-private dialogue. The reform package designed by the technical team should be discussed with a broad range of stakeholders, and their feedback and input should then be incorporated into the final reform package. The sense of ownership stakeholders will gain from this initiative will be crucial to the sustainability of the reform.

Designing Legal Reforms

In designing legal reforms, it is important to understand current legislation and the feasibility and consequences of significant

legal changes. Reform design should evaluate the need for legislative change and possible alternative solutions. Some key issues to bear in mind in designing legal reforms include the following:

- Reform should be pragmatic and should pay attention to a country's political economy.

- Teams should explore whether the same reform results can be achieved by a means other than new laws or major amendments to existing laws, such as by simplifying reform processes or through less time-consuming legal instruments, such as administrative decrees. The potential risks and benefits of legal reform should be explored. If the proposed changes threaten vested interest groups (such as the judiciary or notaries), for example, their opposition may put reform in jeopardy.

- If implementing full-blown legal change proves difficult, teams can explore possibilities for phasing in business registration reform using decrees and other more easily obtained legal instruments. Progress made in this way will help to build momentum for further reform, possibly including more comprehensive legislative change.

- The election cycle should be considered for its potential effect on the feasibility of legal reform.

Designing Solutions for Institutional Reform, Training, and Capacity Building

Institutional reform may involve moving business registration functions from one government agency to another, from one branch of government to another, or from the public to the private sector, or it may require setting up a new mechanism, such as a one-stop shop. In designing institutional reform, the project team should assess the following:

- *The degree of need for major institutional reform.* Are fundamental changes in institutional structure needed? Or could registration be improved by strengthening existing institutions, perhaps by simplifying current registration processes and adding ICT solutions? If institutional change is required, the team should determine the most viable institutional solution—including its realistic chances of success. The team should also consider the experiences of any previous major institutional reforms undertaken by other public agencies in the country.

- *The seriousness of major institutional reform.* As with legal reforms, efforts at major institutional change may meet strong resistance. Particularly in countries ruled by civil law, judiciaries may be reluctant to lose registry functions, a major source of income. Government ministries also often resist relinquishing control and may be more likely to support reforms through simplification and automation.

- *The human resource implications of major realignments.* Major institutional realignments typically affect staffing. Transitioning to an executive agency, for example, may benefit some employees by raising salaries, while others might be laid off because fewer staff are needed. These

human resource implications may be even stronger when business registration moves to the private sector. In government departments, reforms might require intensive staff training in ICT skills or restaffing with employees who already possess those skills. Although the program design should mitigate the human-resource impact as much as possible, job retention in one government department cannot be made an excuse for perpetuating an inefficient registration system with economy-wide negative consequences.

- *The executive-agency model.* If well managed, a transition to an executive-agency model can provide a hybrid solution with benefits that include increased performance and sustainability. Such agencies have a chief executive officer who is made accountable for performance and for improving staff skills. As a quid pro quo for improvements in these areas, these executives are given some jurisdiction over revenue use (for example, investment in automation), hiring, and firing. Jamaica's business registration agency, for example, guarantees efficiency by offering refunds to clients who experience slow service.

- *The risks of moving to the private sector.* Transferring business registration 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 their private-sector orientation will increase efficiency and that a countrywide network of branches will improve access. But governments often do not transfer this function effectively, and they sometimes fail to give up the fees involved. If the government retains some control, it will actually add steps and fees to the process: the user will be forced to go to both the government and the private registry and to pay fees to both. In addition, where authority is not completely transferred, some of the weaknesses of the public-sector system will sometimes be transferred to the private-sector registry. Among developing countries, Colombia presents an example of a successful shift to private-sector registration, but in that case the chamber of commerce was already known for its efficiency and professionalism.

Once a viable institutional reform solution has been determined, emphasis should be given to training and developing capacity among registration personnel. Major delays in business registration often occur because of poor service, resulting in incorrect filings or necessitating multiple visits to the registry. Well-trained registration clerks, with the help of automated input systems, can dramatically reduce such problems, making any remaining delays (such as the time required to send applications from regional to national offices) less important. Effective training for clerks who receive applications is a valuable investment. In Jamaica, for example, such training resulted in the increased efficiency that allowed the registry to offer its money-back guarantee on processing speed. In many countries, registry staff are unfamiliar

with computers, making it necessary both to design ICT training for existing staff and to recruit staff already skilled in ICT. Training can be complemented by peer learning and networking among registry officials worldwide, as discussed in chapter 4.

Designing Simple, Streamlined Solutions (Including the Possibility of ICT Applications)

Simplification and streamlining should be part of any far-reaching legal or institutional reform for business registration. But it can also be effective on its own, without substantially threatening the existing legal and institutional system. As a part of solution design, the team should consider these approaches:

- Understand the business process bottlenecks in the existing system.
- Identify opportunities for simplifying and streamlining based on international good practices.
- Explore using ICT solutions and introducing an appropriate level of automation.
- Determine the legal and institutional reforms needed to simplify and streamline.
- Identify potential vested interests that could hinder such efforts—and determine how to overcome them.

Designing a Monitoring and Evaluation Strategy

Key indicators and baseline data should already have been collected by now (and ideally in Phase 1). The solution design should enable the team to set up appropriate monitoring and evaluation (M&E) targets and timelines. Comparing target indicators against baseline data will indicate where improvements can be achieved through reform, information that should become a key part of the communication strategy used to raise political support, public awareness, and reform momentum. In addition, the project team should create a monitoring and evaluation team that will lay out the M&E strategy. The overall M&E strategy should include:

- A data collection plan stipulating the most cost-effective way to collect the required data during the life-cycle of the project and after (for impact evaluation purposes) and the frequency with which data will be collected
- An authoritative, neutral M&E team reporting directly to the reform team and the political champions on reform progress
- An effective impact evaluation strategy
- A system for communicating and disseminating M&E findings.

The overall goal of M&E and hence of the project's M&E strategy is to find out which reforms are working and which are not, to evaluate why unsuccessful reforms are failing, and to determine what should be done to achieve the desired results. It is crucial

that M&E findings be discussed with stakeholders and that stakeholder feedback is sought on what could be done better or differently to implement the reform. This discussion will also contribute to making reform more participatory: ownership will thus be more clearly held by a broad range of stakeholders, and not just by the project team.

Designing a Sustainability and Exit Strategy

The final step in solution design is developing a plan for reform sustainability and exit. At this point, the project team should consider the following issues:

- *A phased approach can boost sustainability through incremental reform.* Although short-term process simplifications can bring rapid gains, significant advances come from longer-term legal and institutional reforms. Longer-term reforms, phased in gradually, build on the shorter-term incremental successes. Pilot programs can prove the value of reforms before legal and institutional changes are made.

- *Human skills and ICT systems should be updated regularly to keep pace with business registration improvements and innovations at the global level.* Peer networking and global knowledge sharing, through such resources as the Corporate Registers Forum and regional forums, are good avenues for keeping up to date.

- *Performance indicators should be in the public domain, and feedback should be solicited from stakeholders.* Sustainability and successful exit are closely linked to effective M&E. Indicators should address government concerns about business formalization, institutional efficiency, and increased revenues. They should also address business and other stakeholder concerns about the quality and speed of service and about government responsiveness. Even increases in tax revenues can be perceived by businesses as indicators of progress to the degree they imply a better distribution of the tax burden.

- *Budgets of costs should be realistic.* Implementing a new business registration system can be expensive. Reformers need to budget for obvious items such as ICT and legal and other advice, but other less obvious costs should also be anticipated, such as training and the extensive resources required to digitize existing records. The budget also must project shortfalls between revenues and costs (likely in the early stages). If a project starts with donor assistance, it is crucial to plan for covering costs after that assistance ends.

Phase 4: Implementing Solutions

This phase involves implementing the solution design of the different components of the registration reform project, as laid out in the previous phase. Although reform implementation will depend on the content of the program, the following key steps are frequently involved.

Create a Project Implementation Team

A project manager should be in place to oversee financial resources and technical expertise, monitor business registration reform, and ensure appropriate reporting and dissemination of performance indicators. Successful project implementation will require a team of foreign and domestic specialists. Some team members could include reform champions and members of the steering committee and implementation working group, as well as new and existing staff at the business registration institution. Counterparts assigned from relevant government agencies are also needed to implement the reform.

Skills often needed by the team include understanding implementation and supervision of reform based on international experiences; firsthand experience with successful business registration reform; specialization in legal and institutional reforms; and ICT skills. The team should determine the split between domestic and foreign expertise based on the country, project budget, and reform solution.

> **The implementation phase activities may include:**
>
> - *Create a project implementation team*
> - *Consolidate implementation mechanisms and supervisory arrangements*
> - *Design and implement workplans*
> - *Draft legal instruments*
> - *Pilot and fine-rune Reforms, procedures, and other arrangements*
> - *Pilot automation procedures through phased introduction*
> - *Establish feedback mechanisms for users*
> - *Implement training programs and operations manuals*
> - *Conduct M&E and public outreach*
> - *Learn lessons and use them in future reforms*

Consolidate Implementation Mechanisms and Supervisory Arrangements

The implementation team needs to ensure that the steering committee for oversight is fully engaged and that the technical teams are fully operational. The engagement of the high-level steering committee is important as it functions as the project's main oversight body. In addition, reporting channels must be unambiguous and regular reporting schedules must be set. Finally, effective methods of interaction between the technical teams and the steering committee must be established.

Design and Implement Workplans

The *overall workplan* represents the program's big picture, developed during the previous phases. As the main management tool for the project, it lays out the sequence of activities for the duration of the entire project, a span of perhaps two to three years. These activities include performance indicators and milestones (drawing on the baseline studies of business registration performance), reporting schedules, budgets, and other monitoring activities, such as surveys or new registrant tracking. Based on this overall workplan, *derivative workplans* set out the

details and specific tasks involved in implementation. Derivative workplans should be developed on a periodic basis (every three or six months), as called for in the overall workplan. The project team prepares the derivative workplans and submits them to the steering committee for ratification. The workplan process is the main tool used by the project team leader and the steering committee to manage the reform process. It works as follows:

- The implementation team compiles a periodic or derivative workplan laying out the tasks for the next period, as indicated on the overall workplan, and assigning responsibility for them.

- At each subsequent workplan session, the project team assesses progress against the previous periodic workplan; it notes achievements, failures, and delays and assesses reasons for them, as appropriate.

- The team at that time also makes any adjustments needed in the next derivative workplan and adds new tasks as indicated on the overall workplan.

- The team leader submits a progress report to the steering committee and funding agencies covering the inputs, outputs, milestones, and performance indicators to date covered in both the derivative and the overall workplans.

Draft Legal Instruments

Any decrees or legal instruments required by the workplan must be drafted during the implementation phase. Such instruments may deal with the laws on business registration and the jurisdiction different agencies may have over the process. The drafting process should involve consultation with the working group, the steering committee, and the ministry or branch of government responsible for the decree.

Instruments requiring legislative ratification take longer. New legislation should be discussed in public-private discussion forums. The proposed validation conferences (timed to coincide with *Doing Business* data collection) provide an opportunity for this interaction.

Pilot and Fine-Tune Reforms, Procedures, and Other Arrangements

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

- *Legal or institutional reforms.* In most cases, gradual implementation and testing of legal or institutional reforms is not possible, but due diligence should be applied. Thorough legal analysis should make apparent any instruments that need to be changed. These new arrangements should be captured in operations manuals and any official guidebooks. The reform project should ensure transparent, regular reporting to the steering committee and reform champion.

- *Procedural simplifications.* Reforms of this type should also be included in operations manuals and official guidebooks,

accompanied by periodic reporting on performance to the steering committee and others and complemented by the tracking of newly registered businesses by NGOs or think tanks. Annual public-private business events also inform stakeholders of the progress of partial or new reforms.

Pilot Automation Improvements through Phased Introduction

Phased introduction should be used to test and show improvements to automated systems. Piloting and testing the automated dimensions of business registration reform is relatively easy, but automation should not be initiated until the project team is confident that the needed procedural simplifications are in effect. Options for piloting and testing automation include the following:

- Automation can begin with the relatively simple task of sole proprietorship registrations (that is, business names). Because this generally involves only one key interagency link, with the tax authorities, it tests simple automated interagency communication.

- During the pilot phase, automated input of information can be conducted at a single terminal while work continues manually at other desks. Trainers can work with registry staff at the automated terminal without disturbing workflow. Legislation generally requires registries to keep hard copies of most documents, which serve as a backup.

- 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 later incorporating them into the automated system.

Establish Feedback Mechanisms for Users

Anonymous surveys of recent registrants (conducted by NGOs or think tanks) can be used for feedback. Another strategy is to require registry staff to comment on new procedures.

Implement Training Programs and Operations Manuals

Registry staff must be trained in new methods, and they need reference materials to use as they become familiar with the changes. Operations manuals should cover all procedures required by new legislation and reporting arrangements, as well as interagency procedures and internal workflows.
Those involved in creating the manuals will most likely be registry staff and chief officers, in conjunction with outside experts, working in consultation with the steering committee and working group. The manuals should be continuously updated as the new business registration system is piloted and rolled out.

Conduct Monitoring and Evaluation and Public Outreach

Periodic monitoring and evaluation of the reform program is required to make corrections and adjustments to program design and implementation as needed. The public should be informed of such ongoing improvements as they are made. The M&E team should regularly update the performance indicators specified in the overall workplan and should use other monitoring mechanisms, including anecdotal stories, milestones, and satisfaction surveys. After reforms have been implemented, evaluations should be conducted on whether the desired results have been achieved. Findings should be disseminated through strategic communications and public outreach.

Learn Lessons and Use Them in Future Reforms

Reform is a continuing process, particularly when implemented in phases. Early lessons in business registration reform should be carefully documented and analyzed. These lessons will be valuable when used to design and implement future reform activities.

Conclusion

Business registration reform has many benefits. An easier, faster, cheaper, and more transparent business registration system encourages business creation, transformation of informal firms into formal ones, creation of jobs and investments, increased productivity, and competition. More countries are reforming their business registration systems, making it one of the world's most popular regulatory reforms.

Yet experiences in starting a business continue to vary greatly around the globe. The World Bank Group's *Doing Business 2012* found that entrepreneurs in Canada and New Zealand can register a business in one day by completing a single process costing 0.4 percent of per capita income. But businesses in Equatorial Guinea spend 137 days and complete 21 processes to register, paying 101 percent of per capita income. In 36 countries, starting a business costs more than half of per capita income—reaching as high as 551 percent in the Democratic Republic of Congo and 314 percent in Haiti. In 20 countries it takes at least two months to register a business (hitting 694 days in Suriname).

Many business registration reform options exist. These include instituting flat fee schedules, standardizing incorporation documents, moving registration out of courts, making notaries optional, reducing or eliminating minimum capital requirements, making registration transparent and accountable, introducing integrated registration systems and unique business identification denominators, creating a single interface such as a one-stop shop, and introducing registration systems driven by information and communication technology. Implementing good practices might require reforming a country's legal framework, administrative processes, and institutional structures, however, and sometimes reforms are needed on all three fronts.

Like most reforms, business registration reform is not merely a technical solution: it is also a political process. A number of factors can therefore catalyze it, including impetus from political champions, reform committees, and stakeholders.

The importance of business registration reform is often overlooked in countries emerging from conflict, as donors and others focus on other concerns. But especially in fragile, conflict-affected states (FCASs) business registration reform can be crucial for achieving economic growth and investment, creating jobs, and alleviating poverty.

Appendix A[64] 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 especially important in the context of business registration reform. Laws, passed by a legislative body, are inherently sensitive to widespread circumstances and opinion and are thus difficult to change. Decrees, typically issued by a particular branch of government or individual ministry, are on that account both less sensitive and easier to initiate, change, or repeal. Because business registration typically involves multiple branches of government and many ministries, however, promulgation of a single new decree will rarely suffice, and outdated or contradictory decrees may exist, which will require reconciliation, change, or repeal.

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

Fundamental reform is often less necessary than commonly imagined. Guided by models of best practice from richer, more developed countries, reformers have a tendency to assume the need for fundamental reform that may in fact be either unnecessary or impractical. These models are often inappropriate, and, if attempted, can absorb a degree of effort or political capital best deployed

elsewhere. Fundamental reforms may simply fail. Often the battle with vested interests and against institutional rigidity delays improvements for many years, when simpler reforms might have produced similar improvements in a much shorter period with much less effort—effort that could have been expended, earlier, on other reform priorities. In sum, donor organizations and their project team leaders should be wary 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, and 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 it was undertaken during the redesign of the entire legal system and attendant institutions. In Columbia, a civil-law country, concessioning business registration to the chambers of commerce was possible because of the chambers' excellent reputation. But such fundamental reforms have been less successful elsewhere. Efforts to change business registration from a judicial to an administrative process in Honduras, for example, 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, How Can Support for Them be Assured, And How Can They be Implemented?

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: simplification can bring significant improvements even

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in the absence of fundamental reform. Clear opportunities for simplification exist where current processes require applicants to visit the same institution on multiple occasions or prevent them from proceeding to a particular step until previous ones are complete.

Simplification is, therefore, partly a matter of reorganizing procedures, but it is also 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. Simplification through reorganization can also be facilitated by a variety of operational tools. In particular, single windows and automation can help reorganization within a particular ministry or agency 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? What duplication or complexities does it reveal? In many developing countries, the absence of effective intragovernmental or public-private dialogue leaves stakeholders unaware of dependencies across institutions or of how determined certain institutions are to be involved 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 should be defined to include not only client businesspeople but also professional service providers involved in business registration, notably lawyers, notaries, and accountants. Validation and other workshops are an important manifestation of this dialogue, and they can be seen as early building blocks, 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.

Laying out a simplification program is relatively easy; the challenge is in its successful implementation. Changes must be communicated effectively, and the implementing bureaucrats should receive incentives or inducements to implement the streamlined procedures properly. Although people often assume that those involved in the process typically want to *stay* involved— for job security, official fees, or opportunities for unofficial payments— in reality this may not be the case: 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 of the following:

- Publicity for the process of reform in conjunction with the monitoring and publication of performance indicators

- Effective use of quarterly or semiannual work planning (with clear accountability) and of the high-level steering committee in particular

- Avoidance of disincentives (A business registration reform program creates fewer disincentives by avoiding fundamental reforms. Institutions or individuals with many other functions in addition to 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. In civil-law countries, for example, 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.)

- Creation of incentives. (Institutions often seek involvement in a registration process not because they want 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, facilitates the sharing of information to all relevant institutions; information itself becomes an incentive.)

Often, upgrading ICT capabilities also serves as an important incentive. Organizational simplification generally requires little financial investment but a great deal 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 ICT capabilities) offer an additional incentive for institutions to engage in reform.

3. What Operational Tools Will be Useful?

Operational tools, such as automation, 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 affect the role of any institutions involved in the process. Typically, to produce greater improvement, operational tools are introduced together with simplification efforts. On the other hand, introducing operational tools without simplification (where it is needed) will very likely fail. In addition to automation, 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.

Automation and ICT solutions, however, are the most important operational tools. Although automation can be applied to business registration in various ways, from the digitizing of all paper records to online business registration, the key opportunity is

digitizing new applications and past records. Computerized input of applications not only makes checking for completeness and accuracy easier, 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 where automation helps ensure applications are complete. A related key tool is upgrading skills of registry staff, especially in the use of automated

registry systems. More qualified receiving clerks make the whole process more efficient.

One caveat applies regarding operational tools, especially automation: for developing countries, the most advanced solutions may not be the most effective. If the targets of business registration efforts are very small businesses in rural areas, for example, sophisticated online systems will have little effect (although computerization of internal registry processes will still be valuable). For these situations, physical solutions (such as simple guidebooks and clear registration forms) and provision of physical locations at which to submit registration applications will remain paramount for success and should be considered in parallel to any ICT solutions.

Appendix B Sample Checklist

The following box provides an example of the kinds of questions the project team needs to answer at each step of the business registration reform program.

Box B.1 Sample Checklist

Objectives and Motivations

- 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

- 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?

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 tract 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?
- Are some institutions involved in multiple steps that could he 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?

Source: World Bank Group 2006.

Appendix C "Reality Check" Focus Groups and Interviews

In investigating the bottlenecks in the business registration process (and beyond) encountered by different sized business in different sectors, the project team and specialists should gather firsthand information from the businesses themselves.

Companies should be asked to consider the following questions:

- *What do the respondents think of the business registration process generally?* When individuals have international or regional experience, the team should ask for responses regarding efficiency and cost on a scale from one to five. Follow-up questions can ask for rankings of the target country against regional competitors.

- *What do they think are the most problematic elements of business registration?* Responses to this question, which can focus on one or several registration stages, will indicate the *level* at which business registration improvement should be broached, that is, the *level of entry* that will be most effective and useful, taking in both national and local dimensions to some degree. Initially, this question should be open-ended, without

prompts such as flowcharts or lists of business registration stages or tasks.

- *Referring to a generic or complex business registration flowchart, which parts of the process do the companies find most problematic?* The flowchart used should paint the universe of possibility, leaving it unlikely that respondents will identify a stage not included. If respondents do mention an unlisted stage (such as the search and registration of a Serbo-Croat company title in Croatia) this may indicate a stage ripe for removal.

- *If respondents' businesses are not registered, they should be asked the reason for non-registration.* Typical responses include the cost of registration itself; costs of exposure, such as legal or predatory taxes or levies; or complexity of procedures (including distance from a physical registration location).

Table C.1 provides a matrix of types of business that teams might consider interviewing. The mix in a given situation, however, 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 C.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

Source: World Bank Group 2006.

Appendix D Sample Terms of Reference

This appendix consists of a sample terms of reference document for the design and implementation of a two-year program for simplification and automation of business registration in a small- or medium-sized country.

A. 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 micro, small, and medium enterprises (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.

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**.

B. 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 registration services to covering the cost of providing 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 between the informal and formal sectors.

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

More specifically, the assignment is expected to accomplish the following 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 recommendations (increase or decrease) 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 **$XX million** shall include design, implementation and supervision consulting services, and 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.

C. Scope of Work

Consultants shall accomplish the following tasks:

1. *Analyze, prepare, provide initial design, and validate 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, including the following:

- Analysis of current regulation governing business registration and recommendations for *necessary* changes

- Analysis of current institutional arrangements (including oversight arrangements) and recommendations for any adjustments required for successful implementation (the minimum necessary to achieve project objectives)

- Assessment of IT capacity and needs assessment of the business registry

- Assessment of human resource or training capacity and needs

- Presentation of initial findings at a workshop, which will ideally serve as a validation session for *Doing Business* findings (to be coordinated by the local World Bank office)

- Provision of initial automation design documents, along with streamlining recommendations, based on feedback received at the validation workshop.

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:

- 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.

- 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.

- (Online registration, e-commerce legislation may be requested, or Consultants' ideas solicited, if appropriate.)

- (Integration with other registration systems in government may be requested, or Consultants' ideas solicited, if appropriate.)

A draft should be prepared ahead of a two-week mission to discuss and finalize with OCR staff and the World Bank project officer. The two-week planning mission to **Country A** should be undertaken (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 businesses. 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 register a business. The number of such steps should be minimal. Application forms

should require only the minimum essential information and should be provided free of charge. The Consultants will help OCR identify and develop various internal regulations, the scope and extent of which 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 the registration process effectively. It is important that the software be used effectively for 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, a user guide, and a monitoring-and-evaluation or performance-monitoring plan.

Consultants shall develop an operations manual, which will serve as a handbook for the OCR officers. It should include a description of their day-to-day scope of work and responsibilities, subordination links, and so on. 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 to 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 their functional responsibility, and obtain written instructions and adequate software and learn 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 will 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 their businesses.

Optional: Conduct public outreach through national and local media. It is very important that a media campaign, particularly a TV and radio broadcasting program, be organized to deliver simple and clear messages to businesses about the benefits of operating in the formal sector of the 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 website.

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 will also be disseminated through the website.

12. Oversee and evaluate the 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 role in oversight and final evaluation. Apart from the core design and implementation, oversight activities include:

- Oversight of the current registration pilot phase
- Oversight of the digitization of historical records
- Quarterly or semiannual work planning process and progress monitoring (with Consultants proposing an appropriate strategy and frequency)
- Preparation of a final evaluation report, including progress on baseline indicators as well as comparison with regional and global peers and best practice, with the ranking contrasted with the baseline findings at the project outset

D. Qualification Requirements

This assignment will require a firm or group of consultants with 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 public officials of the benefits of reform and how to mitigate the risks. They should have strong analytical skills and

the ability to prioritize tasks. 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.

E. Deliverables and Indicative Timeline

See Table D.1 below.

F. Disbursement Schedule

The disbursement schedule of the **[amount]** allocated for this assignment is specified hereunder, 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 through 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.

Phase Two (Tasks 3–12)

The indicative budget for Tasks 3 through 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 through 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).

Table D.1

Expenditures	Deliverables	Timeline (months from start)
1. Analysis, preparation, initial design, and validation workshop	• 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	• Draft action plan ahead of mission • Two-week mission • Final action plan	4–6
3. Develop internal procedures and regulations	• New internal regulations—drafted and implemented	7–8
4. Develop hardware and software specifications	• Specifications—developed and agreed upon with the ORC	7–8
5. (Optional) Study tour to regional best-practice business registry	• Tour completed	7 or earlier
6. Write or adapt and test software systems for BR	• Software program and interfaces successfully written and tested	8–11
7. Develop operational manual, user guide and M&E and performance-monitoring plan	• Draft operational manual, user guide, and M&E plan	11–12
8. Deliver training	• 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	• Campaign designed and conducted	13–14
10. Digitization of historical records	• Full digitization of existing records • New baseline established	14–18
11. Develop and oversee M&E and bench marking plan; revamp and populate Web site	• Benchmarks established and new baseline information captured and disseminated, including on Web site.	Periodic or ongoing through month 24
12. Project oversight and evaluation	• Quarterly and semiannual workplans and reports • Final evaluation • Periodic supervision missions	Periodic or ongoing through month 24

Source: World Bank Group 2006.

Appendix E Country Case Studies

I. Azerbaijan Business Registration Reform

This case study illustrates how the implementation of a one-stop–shop system simplified the business registration process in Azerbaijan.

Pre-Reform Situation

Prior to reform, starting a business in Azerbaijan required separate registrations at five state bodies individually: the Ministry of Justice (MoJ), the Ministry of Taxes (MoT), the State Statistical Committee (SSC), the State Social Protection Fund (SSPF), and the Ministry of Labor and Social Protection (MLSP). The Government made a few attempts to improve the process, such as shortening the time for application review by MoJ from 30 to 5 days, but according to a late 2007 survey by the Investment Climate Advisory Services (ICAS) of small and medium enterprises (SMEs), establishing a company still involved 5 state bodies, 13 separate procedures, 33 documents, and a legal time scale of about 30 to 34 days. (Where unofficial payments were made, business registration was completed on average in 11 days.) The complexity of the requirements, involving 13 separate pieces of legislation, meant that registration of companies was invariably handled by lawyers. Furthermore, according to a thorough legal analysis and ICAS survey results, the complex, multistep process was the main reason for widespread unofficial payments to government body involved with registration of companies and individual entrepreneurs.

Main Drivers for Reform

Azerbaijan needed to diversify its economy to reduce its reliance on the country's oil and gas resources and to encourage the development of private-sector activity in other areas. The initiative for reform came from the top. In 2006, the president condemned the situation detailed in the latest Doing Business report as "unacceptable." This statement was followed by a presidential decree in April 2007 calling for development of entrepreneurship and improvements in the business climate, with instructions to the Ministry of Economic Development (MED), MoJ, MoT, SSPF, SSC, and MLSP to improve the business registration system and reduce the number of procedures required for starting a business. Strategic guidelines were prepared by MED, and a working group consisting of the above mentioned state authorities, chaired by the prime minister, was set up shortly after.

Since the few previous attempts to streamline business registration procedures had been unsuccessful, the government decided to simplify procedures radically by employing the one-stop–shop principle as a main tool for the reform. MoT was appointed as the primary state body responsible for implementing the one-stop shop and was instructed to complete the project within two months.

The Reform Process

Limited Time Frame

The most critical part of the implementation task for MoT was to make the one-stop shop operational within two months, as specified in the presidential decree. Fundamental to the project was coordination with other related state institutions. For this reason, bilateral interministerial agreements setting up a clear framework of mutual responsibilities and cooperation were signed between the MoT and all other state bodies involved, including MoJ, SSPF, SSC, and MLSP. Figure E.1 below shows the tough work plan completed by MoT within the 60-day period.

It is also worth mentioning that the Department for State Registration of Legal Entities and Economic Analysis (DSR) was established within MoT for implementation of the one-stop–shop project. This department quickly took the lead in the process and played an active role in setting up effective interaction with other state bodies during the project implementation phase and after. DRS continues to bear the main responsibility for coordinating the operation of all one-stop–shop offices throughout the country and for further improvements in the current registration system in line with best international standards.

Box E.1 Main Findings Prior to Introducing a One-Stop–Shop Based on Findings in the 2007 ICAS Survey

Registration for LLC's

Duration: 34 days
Number of required procedures: 13
Number of required documents: 33
Average cost: AZN 270 (US$337)

Registration for individual entrepreneurs

Duration: 15 days
Number of required procedures: 6
Number of required documents: 7
Average cost: AZN 267 (US$333)

Source: Jabbarov 2010.

Figure E.1 60 Days for Setting Up a One-Stop Shop in Azerbaijan

Task	Duration
Identify the responsible persons	1 DAY
Prepare changes and amendments to 13 different pieces of legislation	14 DAYS
Determine guidelines for setting up the one-stop shop	14 DAYS
Identify technical tasks for automated information system	8 DAYS
Identify and test new registration software	8 DAYS
Prepare and equip work places and communications	50 DAYS
Recruit Staff	15 DAYS
Define the data exchange format among the one-stop shop agencies	15 DAYS
Design and print application forms	10 DAYS
Design a video commercial	4 DAYS
TV advertising	10 DAYS
Design one stop shop on the website of the Ministry of Taxes	10 DAYS
Publications	1 DAY
	60 DAYS

Source: Jabbarov 2010.

Legislative Changes

To implement the one-stop–shop regime the working group proposed a number of changes to relevant laws, including:

- The Civil Code
- The Law on State Registration and State Registry of Legal Entities
- The Law on Entrepreneurial Activity
- The Law on Anti-Monopoly
- The Law on Official Statistics
- The Law on Intellectual Property and Other Related Rights
- The Law on Seed Growing
- The Law on Social Insurance
- The Law on Traffic
- The Law on Individual Insurance of State Social Insurance System
- The Law on Veterinary Services
- The Law on Precious Metals and Gems.

Application Form

The introduction of a comprehensive application form (including all information necessary for registration with the tax authorities as well as the SSPF and the SSC) allowed the registration of legal entities and individual entrepreneurs through a one-stop shop located in local registration offices of the MoT (see Figure E.2 below). The same application form is also used to update previously registered information. Furthermore, since the taxpayer identification number (TIN) has been introduced as a unique identification number for all legal entities, taxpayer registration is now completed simultaneously with business registration. In addition, applicants are no longer required to present an exhaustive and lengthy corporate charter: templates of two-page corporate charter documents are freely available from registration offices or the MoT website.

IFC/WBG's Assistance

The World Bank and the International Finance Corporation, represented by ICAS, were expected to play an active role in providing technical assistance to the Government of Azerbaijan by means of legal and institutional advice on relevant legislative changes and by sharing the experience of countries that had successfully introduced the one-stop–shop system for business registration. Together with ICAS, MoT looked at examples of best practices in various parts of the world. With substantial support and technical assistance from ICAS, study tours to Georgia and Latvia, then ranked as top reformers, were organized.

In parallel with this effort, ICAS hired external consultants, Norway Registers Development (NRD), which had a long history of collaboration with IFC, to conduct an assessment of reform requirements and the technical capacity of MoT to implement a one-stop shop. NRD visited Azerbaijan in early December 2007. As a result of this mission, a joint report on successful implementation of a one-stop shop was produced in late December 2007, and key recommendations were presented to MoT.

Figure E.2 Business Registration Work Flow
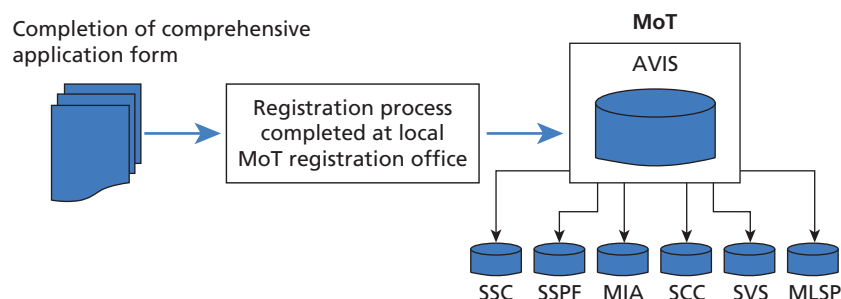
Source: Jabbarov 2010.

After Reform

By setting up one-stop shop, Azerbaijan significantly reduced the time and number of steps required to start a business as a legal entity (see figure E.3) or individual entrepreneur (see figure E.4). Business registration now involves only six documents and six procedures, typically completed within eight days, of which state registration with the tax authorities takes only three days. To register as an individual entrepreneur, the applicant must complete three procedures, provide three documents, and spend on average four days, of which registration with tax authorities takes two days. As a result, business registration increased by over 30 percent in the first year of one-stop–shop operation. Another positive indicator of the reform was Azerbaijan's improved ranking as a country with favorable conditions to start a business: it had been sixty-fourth in 2008, but in *Doing Business 2009* it ranked thirteenth.

The key features of the new system for business registration include the following:

- A single application form, downloadable online, satisfies the requirements of several agencies.
- A simple two-page template for company charters is available at registration offices and online.
- The fee structure is simple and transparent, with the state registration fee paid at the bank, with no payments to ministry employees.
- Apart from notarization, the only direct contact with officials is at the one-stop shop of the tax ministry.
- It is no longer necessary to use a lawyer or other intermediary for expert advice.
- A single taxpayer identification number obviates the need for a separate registration number for taxation, social insurance, and state statistics purposes. Taxpayer registration is conducted as part of business registration.
- State registration with the MoT one-stop shop must be completed in three days, and the entire start-up process in eight days (including pre- and post-registration steps), at an average cost of US$141.
- An online registry providing information on newly registered companies is available through the MoT website.

Key features of the new registration system for individual entrepreneurs include the following:

- A single application form, downloadable online, satisfies the requirements of several agencies.
- No state fees are charged for registration.
- The only direct contact with officials is at the one-stop–shop office.
- A single taxpayer identification number (TIN) obviates the need for a separate registration number for taxation, social insurance, and state statistics purposes. Registration as an individual entrepreneur and as a taxpayer is thus conducted in parallel at the one-stop shop.
- Registration with MoT's one-stop shop must be completed in two days, and the entire start-up process in four days (including pre- and post-registration steps), at an average cost of US$25.
- An online registry providing information on newly registered individual entrepreneurs is also available through the MoT website.

Furthermore, through its automated tax information system (AVIS), MoT managed to introduce a consolidated application form that satisfies the requirements of several agencies. As a

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Box E.2 Main Findings After Introducing a One-Stop–Shop System, According to the Survey
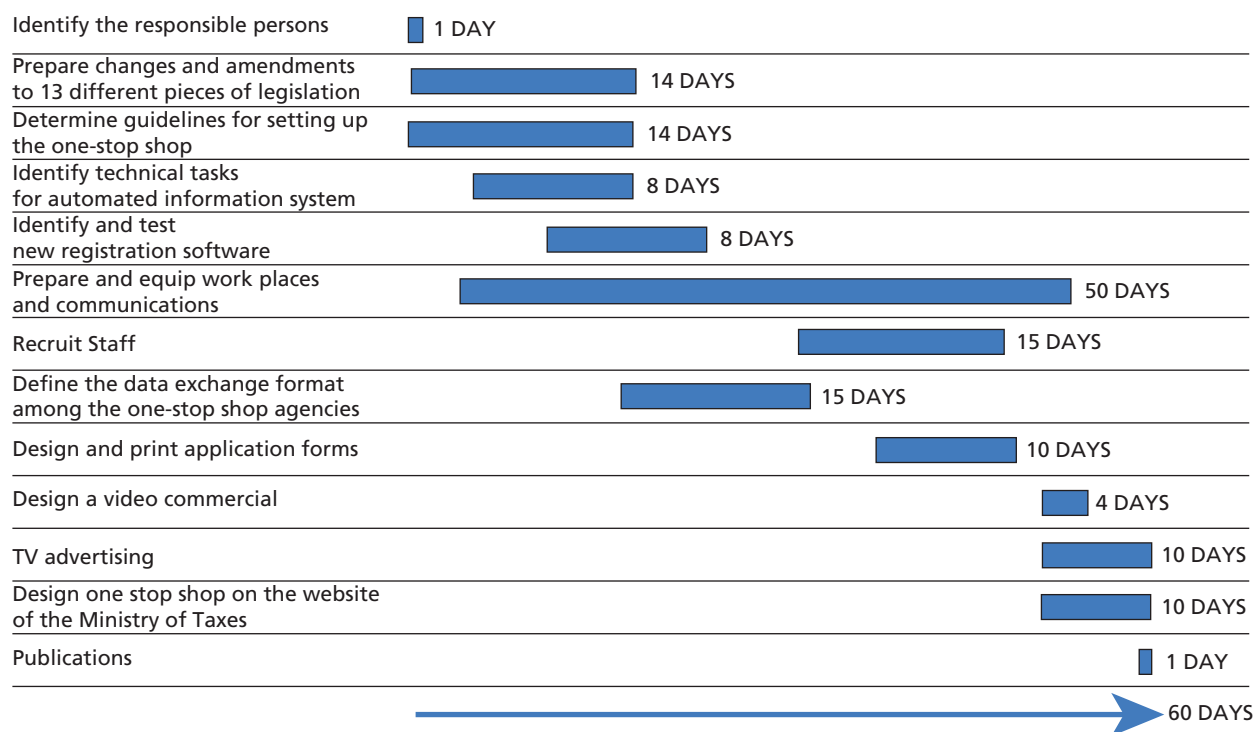
Registration for LLC's

Duration: 8 days
Number of required procedures: 6
Number of required documents: 6
Average cost: AZN 113 (US$141)

Registration for Individual Entrepreneurs

Duration: 4 days
Number of required procedures: 3
Number of required documents: 3
Average cost: AZN 20 (US$25)

Source: Jabbarov 2010.

Figure E.3 Procedure for Registering a Company Before and After Instituting the One-Stop–Shop System

Before the one-stop-shop

With the one-stop-shop

Before the one-stop-shop column (34 days):

Obtain confirmation of the company's legal address from the proposed landlord - 1 day
↓
A notary notarizes application and relevant registration documents - 1 day
↓
Deposit the charter capital; pay the state registration fee - 1 day
↓
File documents with the Ministry of Justice - 5 days
↓
Obtain a company seal - 1 day
↓
Register with the State Statistics Committee - 5 days
↓
Register with the local tax inspectorate - 5 days
↓
Register with the State Social Protection Fund - 5 days | Register with employment center - 2 days
↓
Register for VAT purposes with the local tax inspectorate - up to 7 days (depending on turnover)
↓
Open a permanent bank account - 1 day
↓
Return the notification form(s) to the tax office and State Social Protection Fund - 1 day
↓
Obtain workbooks for employees from the Ministry of Labor and Social Protection - 1 day
↓
Start business

With the one-stop-shop column (8 days):

Obtain confirmation of the company's legal address from the proposed landlord - 1 day
↓
A notary notarizes application and relevant registration documents - 1 day
↓
Deposit the charter capital; pay the state registration fee - 1 day
↓
State registration with tax authorities - 3 days
↓
Obtain a company seal - 1 day
↓
Open a permanent bank account - 1 day
↓
Return notification-duplicate to tax authorities

Note: This should be done by the bank but in practice applicants do it themselves
↓
Start business

Source: Jabbarov 2010

Figure E.4 Procedure for Registering as an Individual Entrepreneur Before and After Initiating the One-Stop–Shop System
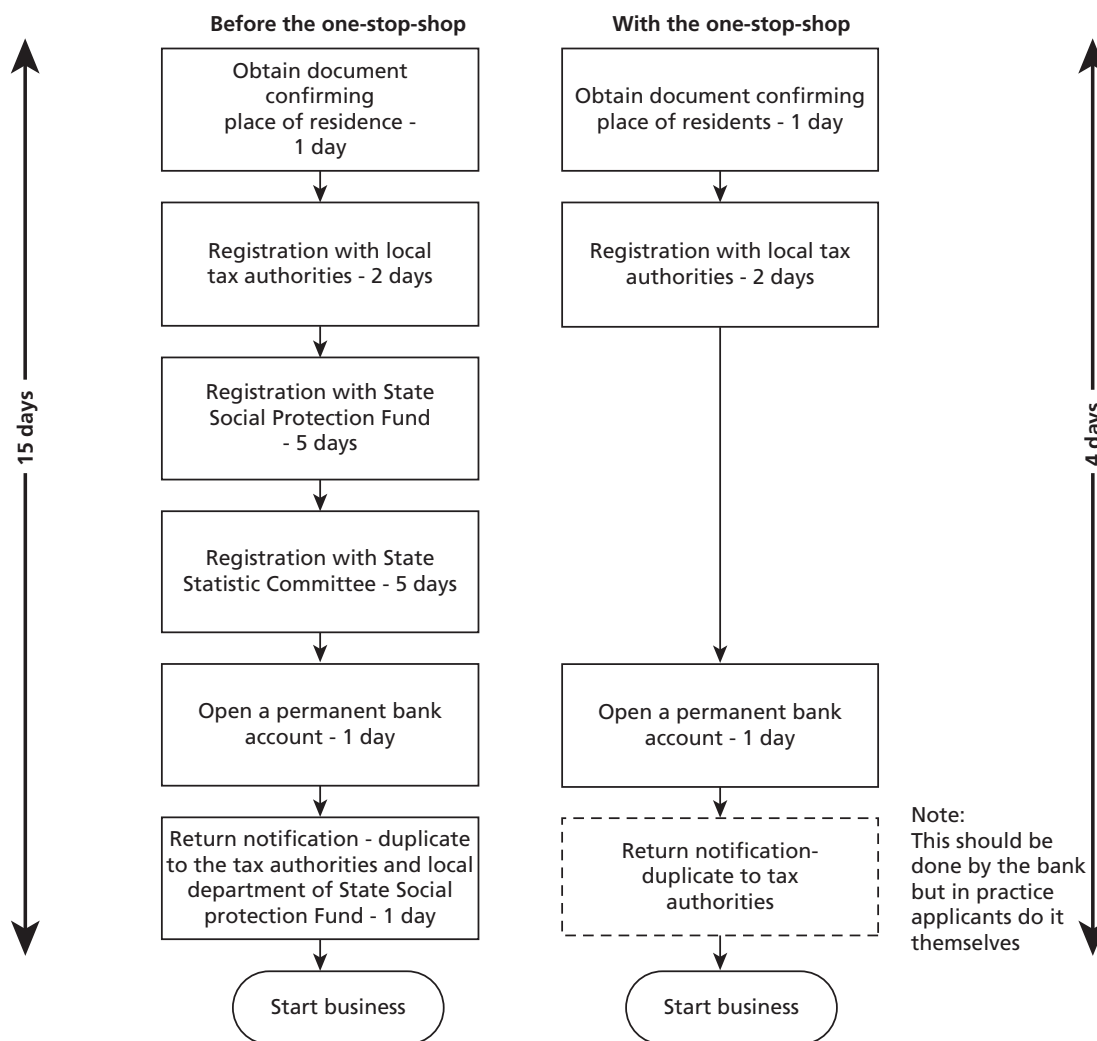
Source: Jabbarov 2010

result, a unified database system was established allowing all state bodies involved to move away from traditional paper-based to electronic-based exchange of information. Significant cost and time savings resulted for these state bodies and paved the way for an e-registration system soon to be implemented by MoT.

Further Reform

To bring business registration closer to best international practices, MoT has started to focus on the second generation of reforms, to be implemented in the next few years. This includes the following advanced tools:

- Institution of a streamlined preregistration stage for legal entities that removes the requirement to obtain confirmation of the company's legal address, which

currently involves notarization of the application form and of a document confirming the proposed company's legal address

- The adoption of a single law covering registration of both legal entities and individual entrepreneurs

- The introduction into the law of the "silence-is-consent" principle

- The introduction of online registration both for individual entrepreneurs and for legal entities

- An enhanced registry function that provides more detailed information about registered companies and individual entrepreneurs in an online regime.

Obviously, implementation of these additional recommendations will further simplify the entire business registration process for

entrepreneurs in terms of both time and cost. It should be noted that MoT has already started preparing to implement several ICAS recommendations, such as enhancing registry functions, e-registration for individual entrepreneurs, and simplified preregistration steps. The remainder of the recommendations are expected to be implemented in the near future.

II. Bangladesh: Business Registration Reform

Context and Background

Bangladesh's business registration reform project demonstrates how even in an environment of poor capacity, previously failed donor-driven attempts, bureaucratic inertia, and entrenched vested interests and corruption a business registration reform can deliver tangible and intangible results. Prior to reform, registering a business in Bangladesh was a painful process characterized by prolonged delays, corruption, repeated visits to agencies, harassment, and arbitrary imposition of regulations for name clearance and registration. The Registrar of Joint Stock Companies and Firms (RJSC) was one of the most neglected agencies within the government, lacking a sufficient budget, human resources, motivated officials, and a good working environment. Many government officials at ministries in related areas, such as Commerce (the line ministry of RJSC), Work, and Finance did not know that it existed, let alone support its functions and importance. A frustrated former registrar once noted, "It is one of those dumping agencies in the government, where posting as a registrar is viewed as a punishment." The business registration reform initiative has made Bangladesh one of the top reformers in business registration in *Doing Business 2011,* however, and RJSC is now viewed as a pioneer in implementing the Digital Bangladesh vision of the government.

Prereform Situation[65]

In the mid-2000s, prior to reform, Bangladesh was a poor performer in the Doing Business indicator for starting a business. At that time, it took 73 days to start a business (of which about 42 days were spent solely in RJSC to complete the name clearance and incorporation process), compared to the international best practice of 1 day, according to *Doing Business 2009.* For many businesses, name clearance or incorporation could not be achieved even in months, let alone in days.

RJSC has its headquarters in Dhaka, and three regional offices in Chittagong, Rajshahi, and Khulna. The name clearance certificate was issued only from Dhaka for the entire country, which posed severe problems for businesses outside of Dhaka. Businesses outside of Dhaka, such as in Chittagong, which is the major port city of Bangladesh, complained that without being physically present in the Dhaka office, it was not possible to get

name clearance even in two months. Often multiple trips to Dhaka were required for name clearance, involving substantial monetary and opportunity costs for businesses.

Governed by the country's archaic stamp act, paying registration fees became another cumbersome and difficult process: the process of paying the treasury fees for the challan and adhesive stamp could take four to five weeks.[66] Associated with this system were revenue leakages through stamp forgery, harassment of businesses by artificially created stamp shortages, and price hikes raising the cost of stamps above their face value.

RJSC also did not have a transparent process for its key functions, such as name clearance and registration. These cumbersome processes involved about 18 steps within the agency, as illustrated by the pre- and post-reform process map in figure E.8. Returns filing was irregular, and records were poorly kept and managed. Consequently, the RJSC company information system was inaccurate and outdated. No easily accessible, clear guidelines existed identifying the requirements for RJSC functions and how to comply with them. Unless applicants or their agents physically visited the RJSC office, they could not learn the outcome of their application for a given purpose, such as name clearance. No written notification was made of any rejection decision, nor were explanations available as to why an application was rejected. All the processes were typically guided by the overly discretionary powers of the registrar and other officials. Such a system resulted in overcrowded counters (see figure E.5) at RJSC's severely space-constrained offices in Dhaka, and multiple visits were required before applicants or agents could obtain the needed documents. Often applicants were forced to visit the agency as many as 10 times, and on average 4 to 5 times, to obtain name clearance or incorporation certificates. Further impediments included hassle and harassment by officials and the need for middlemen at every step to navigate the agency's bureaucratic maze and for money to overcome its corruption; bribery was a common means of greasing the wheels of the RJSC system.

Failed Reform Attempts

Work on an automated system was begun in 2004 to reduce the time and costs associated with RJSC processes, to increase transparency, and to reduce the scope of informal payments and rent-seeking, with IFC assistance (through the SouthAsia Enterprise Development Facility, or SEDF).[67] The design was completed by 2006, and purchase and setup of necessary equipment were completed between June 2007 and June 2008. Until the end of 2009, however, manual processing continued, bypassing the automated system and allowing the servers, computers, and other hardware to accumulate dust and become damaged through lack of use. A key reason for this was the

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[65] The findings of the prereform situations are based on the interviews and consultations with businesses and intermediaries conducted by the project team as a part of stakeholder management of the reform process.

[66] World Bank Group 2009a.

[67] The SouthAsia Enterprise Development Facility (SEDF) is an IFC advisory service delivery facility based in Bangladesh and covering South Asia. From 2004 to 2009, SEDF was engaged with RJSC in business registration reform. In late 2009, the project was handed over to the newly formed Bangladesh Investment Climate Fund (BICF), an IFC-managed investment climate facility funded by aid from the United Kingdom and the European Union to continue IFC assistance in reforming Bangladesh's business registration system.

Figure E.5 The Reform Team's Visit to RJSC's Overcrowded Counters and Poorly Managed Record Rooms

Source: Photos provided by Aminur Rahman.

failure to streamline agency processes before automation. The automated system, by computerizing the existing cumbersome manual processes, became even more complicated to use than the manual process had been.

A number of other factors contributed to the failure of the automated system. The system lacked championship both within RJSC and among the top levels of political leadership: the government at the time provided no clear mandate on e-governance, and the registrars then in place did not support automation. The agency, in addition, lacked human resources with the appropriate skill set. The existing staff resisted using the automated system because of fear of the unfamiliar (computers), bureaucratic inertia, and the new system's limited opportunities for rent-seeking. Intermediaries did not support the new system either, as they felt that an easier system would lessen the demand for their services and that the more complicated the system employed the more they could charge registration applicants for their services.

Beneath all these issues, RJSC had a number of structural problems, which weakened the agency's overall effectiveness, and the solution design of the past reform package had not addressed these. Despite being one of the top revenue earners for the government, the RJSC had a meager budget that did not meet its needs as a modern registration agency. Its budget could not accommodate even such expenses as paper for the printers (let alone new printers) or the fuel needed to supply electricity during the frequent power outages. The condition of its offices and work environment were extremely poor. Not only did the agency suffer from acute shortages of staff, the very few staff were not given basic training on company registration and related processes and the underlying acts and regulations.

The Reform Process

In the summer of 2008, RJSC and IFC engaged in a pragmatic business registration reform project. This included no substantial legal reforms, as it was conjectured that this would consume a great deal of time and effort without any definite outcome. It focused instead on implementing business process simplification through automation (software and hardware deployment and maintenance and digitization of company records) and

on training of and peer-to-peer learning among RJSC officials. These efforts were supported by administrative orders (lower-order legal instruments, as opposed to reforms to the Companies Act or any other associated laws).

Similarly, the guiding principle behind the intervention was not to focus on "technical solutions" but to address the "mindset issues" and to tackle the political economy of the reform process. The core reform team, comprised of RJSC officials and IFC experts (and after December 2008 led by the newly appointed registrar), realized that vested interests ranged against reforms were very strong and that a leadership vacuum existed both in the agency (due to frequent replacements in the office of registrar in previous years) and at higher political levels. In addition, lack of adequate public awareness of the benefits of business registration, with little discussion in the media of overall private-sector development, impeded reform.

In response to these conditions and concerns, the core team deployed a multipronged reform strategy involving the following efforts:

- Leveraging the "Digital Bangladesh" election manifesto of the incumbent government, elected December 2008
- Creating registration reform champions at different levels of the government
- Creating demand and pressure for reform through strategic communication and the media
- Exposing key stakeholders to international best practices
- Leveraging WBG global-local collaboration.

Mindful of the past failed reform attempts and prevailing antidonor sentiment within the agency in particular and the government in general, from the onset of the current reform initiative the project team attempted to create relationships of trust with agency officials, respecting and encouraging their ownership and participation in the reform process. The core team spent considerable time listening to registry officials' problems and concerns. Many of the structural problems noted above were revealed in those frank consultations, along with the then registrar's frustration, his and his colleagues' negative

Figure E.6 RJSC Highlights in Leading Dailies

Source: Photo provided by Aminur Rahman

views about automation and donor assistance, and the government's neglect of RJSC. The discussion process planted the seed for a trust-based relationship between IFC and RJSC. At this stage, the core team embarked on four broad initiatives: raising awareness, lobbying the government to resolve RJSC's structural problems, exposing officials to international best practices, and providing diagnostics and solution design.

Raising Awareness

To lift the profile and importance of RJSC within the government and to raise awareness among the public and the business community of the importance of business registration as a critical first step in private-sector development for poverty alleviation, the core team embarked on an awareness raising initiative. To raise awareness within the government through the Regulatory Reform Commission (RRC) and the Bangladesh Better Business Forum (BBF),[68] the team facilitated the creation of an interministerial committee with participation from the private sector. Senior-level officials from the key ministries concerned with RJSC's budget and staffing allocation, such as the ministries of Commerce, Finance, and Work, and representatives from the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) were part of this committee. The committee, once exposed to RJSC's structural constraints and its importance to a modern economy, were able to convey these to their respective ministries. At the same time, to raise business community and public awareness about the agency, the core team

facilitated visits by business leaders, including representatives of BBF, to the RJSC facilities and cohosted with local business chambers and associations a series of public-private dialogues in different parts of the country, attended by the interministerial committee and RJSC officials. The core team also reached out to the electronic and print media to cover these visits and events, which in turn increased journalists' interest in RJSC. Later in the reform process, prominent print and electronic media journalists, on their own, started reporting on RJSC and its reform efforts. In this way, the once neglected agency has become a prominent topic in the media (as illustrated in figure E.6).

Lobbying the Government

While one of the core team's key mandates was to ensure business process simplification and automation through hardware and software installation and maintenance support, the team realized that unless the decades-old structural issues of RJSC were addressed, no reform effort would succeed. Indeed, viewing reforms solely through a "technical lens" had led to past failures. For this reason, the team facilitated the formation of the interministerial committee (mentioned above) and then, through this committee, RRC, and the media, it started lobbying the government to inform the ministries in charge of RJSC's budget and staffing allocations of the agency's structural constraints. This lobbying also helped build a relationship of trust between the team and RJSC officials and thus to change those officials' prejudices against ICT-led registration reform.

Exposing Officials to International Best Practices

To address fear of the unfamiliar systems involved in ICT-led reforms, the core team, with financing from IFC, exposed RJSC

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68 During the military-backed caretaker government regime (2007–09), the Regulatory Reform Commission and Bangladesh Better Business Forum were formed to foster reforms to the business-enabling environment through policy advocacy and public-private dialogue.

officials and representatives of the interministerial committee to workshops organized by IFC on international approaches to creating business-enabling environments and to some exemplary, recently reformed business registrars. This peer-to-peer learning slowly started to change the mindset on ICT-led reform held by RJSC and other ministry officials.

Providing Diagnostics and Solution Design

The core team had two fundamental tasks: first, creating demand for reforms, and second, providing diagnostics and solution design for those reforms. During the first few months of the reform initiative, leveraging the international expertise of IFC, the team undertook thorough process mapping (see figure E.7) that laid out the existing administrative processes involved in name clearance and business registration; it then developed a solution design to streamline those processes in light of international best practices. The team consulted extensively with RJSC officials to understand their views and opinions, before sharing its final recommendations with RJSC, the interministerial committee, and RRC. RJSC officials and representatives from the interministerial committee gained first-hand exposure to how these proposed reform recommendations would work by undertaking study tours of good performing business registration offices in different parts of the world, as mentioned above.

As a result of these initiatives, partial internal automation for name clearance was started in October 2008 and for registration in November 2008. In December 2008, as mentioned above, a new, reform-minded registrar with a favorable view of automation was appointed and become the leader of the core team. At the same time, through the national election, the Awami League party came into power with an election manifesto of "Digital Bangladesh." Leveraging both these changes, the core team took the reform efforts to the next level, as discussed below.

With the help of the new registrar, the assistance for automating RJSC functions offered by the Bangladesh Investment Climate Fund was conveyed to the new commerce minister (CM), the head of the Ministry of Commerce, RJSC's line ministry. The CM realized that the groundwork that had been done put RJSC in a position to showcase itself as a pioneering government agency in realizing the Digital Bangladesh vision of the new government within only a few months of its incumbency. The CM consequently expressed full support for the reform efforts.

With this support, the dynamism of the reform-minded new registrar, and continued IFC technical assistance, a series of bold reform measures were implemented throughout 2009. In February 2009, the online name clearance process was launched. In March 2009, online registration was launched, eliminating the paper-based manual system. This launch was inaugurated by the commerce minister to reiterate the full support and commitment of the new government for the reform initiatives, consistent with the Digital Bangladesh vision. For the first time in RJSC history, its offices hosted a minister, who noted its dismal condition. This visit inspired RJSC

officials and at the same time reassured those agency staff and registration intermediaries who still harbored antireform feelings.

Throughout the first few months of 2009, the media campaign, stakeholder consultations throughout Bangladesh, and international peer-to-peer learning progressed at an accelerated rate. The core team organized a series of public-private dialogues involving the new registrar and the interministerial committee at different locations in Bangladesh (widely covered by the media) and organized study tours for them to Singapore and Malaysia. Learning from these international experiences catalyzed RJSC's same day name clearance and registration service, launched in April 2009. In May RJSC cohosted with IFC the First South Asian Business Registration Reformers Workshop in Dhaka, attended by registrars or their representatives from South Asian countries, representatives from the Corporate Registrars Forum, and the registrar of Mauritius. This peer-to-peer learning event was highly rated by all the participants. All these initiatives and reforms made Bangladesh one of the most active reformers in South Asia in *Doing Business 2010.*

During the entire reform process, the core team remained cognizant of the importance of changing RJSC officials' mindset. This attitude change was promoted through the new registrar's pioneering effort of holding daily staff meetings with the ICT vendor in charge of the maintaining the automation system. In a bureaucratic culture where lower-tier public officials hardly argued about any issue in front of their superiors, this staff meeting promoted a culture of debate and discussion among all tiers of agency officials. At the initial meetings, many complaints were made against the automation system and the inadequacy of its hardware, but these meetings exposed technical problems, raised hotly debated policy options, and, in the end, devised solutions through a participatory process, giving agency employees ownership of the reforms. These staff meetings gave the officials themselves the opportunity to devise solutions to some of the manual process issues persisting in the automated system, and in this way they changed gradually from boycotters of automation to satisfied users. Inputs from these meetings resulted in almost daily changes in the software customization to meet RJSC needs, and at this point IFC provided additional computers and scanners to ensure a fully functional automation system. The core team also continuously monitored the performance of delivering name clearance and registration certificates based on data generated by the automated system.

After the implementation of these reforms in first half of 2009, the core team strengthened its focus in the latter half of 2009 on RJSC's structural constraints, such as human resources and office premises, leveraging the CM's support to approach the concerned ministries (Work and Finance). Addressing an area beyond RJSC control, the core team also focused on the issue of the treasury challan and adhesive stamp, a key obstacle to providing efficient business registration services, as discussed above. Necessary amendments to the Stamp Act were drafted by the registrar and approved by the Ministry of Commerce. At the same time, the IFC mobilized support

Figure E.7 Pre- and Post-automation Business Process

PRE-AUTOMATION PROCESS

Step1: At RJSC counter who, the promoter submits name clearance application; the counter forwards the application to data entry section.

Step2: Data entry section forwards the application to Name Clearance Section.

Step3: Dealing Assistant (DA) prepares a matching report and forwards it to Assistant Registrar (AR).

Step5: DA prepares and forwards name clearance certificate to AR for signature.

Step4: If the report is approved, AR orders the issuance of a name clearance certificate.

Step6: AR signs the certificate and returns it to DA for delivery to the promoter.

Step7: The promoter collects the Name Clearance Certificate for DA name clearance.

Step8: At the RJSC counter, the Promoter submits the business registration application along with all supporting document and registration fees.

Step9: The counter forwards the application along with all supporting document to the data entry section.

Step10: After data entry, the application is forwarded to the Deputy Registrar/Registrar(DR) for marking.

Step12: A Dealing Assistant/ Inspector checks the related materials, prepares a note, and forwards the file to AR.

Step11: DR marks the application and forwards it to the relevant DA

Step13: AR reviews, marks and forwards the file to DR.

Step14: DR reviews, marks and forwards file to the Registrar for final approval.

Step16: CS prepares the Certificate of Incorporation and forwards it to the Registrar for signature.

Step15: DR makes final approval and forwards Certificate of Incorporatoin recommendation to Certificate Sectin (CS).

Step17: The registrar signs the certificate and returns it to CS.

Step18: The promoter collects the certificate of incorporation from CS. CS forwards all documents to the Records Room. A third copy of the Memorandum and Articles of Association along with the note sheet is forwarded to the relevant dealing officer for record keeping.

POST-AUTOMATION PROCESS

Step1: Client first opens an account with RJSC, and then files application for name clearance through the RJSC website. He can check the uniqueness of the name using a search engine in the RJSC website.
Once the application is completed, the client receives an acknowledgement/ payment slip.

Step2: Client uses the payment slip to make the payment - he can pay online at Brac Bank, EBL, or Mutual Trust Bank, if he has online accounts with either of these banks; alternatively, he has to physically visit these banks to make the papyment

Step3: Once the payment is cleared, the name will automatically be approved, and client will receive an online notification letter of approval; the letter consists of a memo number and application number, which are needed during business registration.

Step4: Once receives the name clearance approval letter, client applies for business registration online. Once application is submitted, client receives a payment slip - he can pay online or at banks.Once the payment is made, client can check the status of the application online.

Step5: Once the bank clears the payment, the Dealing Officer receives the notification and checks the application, and forwards it to the Deputy Registrar.

Step6: The Deputy Registrar checks the application, and signs the Incorporation Certificate and returns to the Dealing Officer for delivery to the client. Signed copies of Memorandum of Articles and Association of Articless, along with a Particulars of Directors list are also sent to the client.

Source: Based on pre- and post-automation business process mapping of RJSC.

from the Internal Revenue Department through its new engagement with National Board of Revenue (NBR) in VAT and the Income Tax Reform Initiative, as the NBR chairman was also the head of the Inland Revenue Department (IRD). Leveraging support from the CM and NBR/IRD chairman, the core team made the case to IRD for the removal of the treasury challan and adhesive stamp as an archaic mode of payment resulting in substantial leakage of government revenue through stamp forgery.

As a result of the core team's relentless efforts over several months and a series of negotiations with different ministries and IRD, reforms to the payment system were finally implemented in January 2010. The treasury challan and adhesive stamp (a process taking 28 days in *Doing Business 2009* and *Doing Business 2010*) are now no longer required to pay registration fees at designated branches of Sonali Bank (a national bank with limited capacity and coverage that performs treasury functions for the government). Shortly after this reform, RJSC formed a partnership with a well-known private bank, the BRAC Bank, to collect registration fees. BRAC has one of the largest networks of coverage in the country for collecting registration fees. Due to this partnership, anybody from anywhere in the country can deposit registration fees in any BRAC branch, and RJSC can verify that fee payment within 15 minutes of deposit. This reform substantially improved the revenue collection process, prevented revenue leakages, and reduced transaction costs and harassment of businesses. RJSC could now launch its fast-track four-hour registration service, starting January 2010, making Bangladesh a top global reformer *Doing Business 2011* in the starting a business indicator.

In parallel to payment system reform, in the latter half of 2009, the core team continued to work on online annual returns, a certified copy issuance process, and digitization of all records of businesses. Previously, annual returns filing was an extremely irregular process, and as a result company information held by RJSC was not up-to-date or accurate. Due to limited monitoring capacity and poor record-keeping procedures (see figure E.5), it was not possible to monitor the annual returns filing status of registered businesses. Thus the process of online returns filing, issuance of a certified copy, and digitization of computer records would substantially improve the integrity of RJSC information and would enable RJSC to sell information to other agencies down the road. The online annual returns filing service was launched in November 2009, and in 2010 an online certified issuance process also commenced.

RJSC's continued reform efforts and successes enabled it to negotiate with the government to obtain new and much bigger offices at a prime location in Dhaka as well as increases in ICT professionals and staff. The core team, at different forums, continuously pushed for RJSC's much-needed structural reforms as well. IFC financed the set-up of the new offices as a highly client-oriented service delivery agency, with organizational choices that should inspire other government agencies. Since July 2010, RJSC has been operating in its new modern offices, boosting the pride of RJSC officials.

Key Results

Business registration reform in Bangladesh has delivered both tangible and intangible results. In terms of tangible results, the project reduced time required for name clearance from seven days to less than a day and registration time from five to six weeks to one day (four hours in fast track); eliminated the need for repeated visits to multiple agencies through ICT-based name clearance processes and a single-visit regime for registration; and improved timeliness and transparency in returns filing. Cumbersome, lengthy payment processes, in the form of stamp and treasury challan were eliminated: firms now pay online or at any BRAC branch throughout the country. During the three months prior to automation (December 2008 to February 2009), 1,167 firms were registered. Three months after the reform (March to May 2009) the number of registered firms more than doubled to 2,486, an increase of about 113 percent.

Due to increased business registration, compliance with returns filing due to the transparent online system, and prevention of fraud and leakage of revenue by removing the adhesive stamp and instituting an efficient payment system, RJSC revenue increased markedly. It propelled Bangladesh to the top 10 reformers in the *Doing Business 2011* rankings on the ease of starting a business. The revenue from business registration increased from 29,316,410 BDT (in local currency) in the four months leading to automation to 230,255,512 BDT (a 685 percent increase). This substantial increase in revenue enabled the government to assume more ownership of and responsibility for the project from July 2011.

Intangible benefits of this project include cementing IFC's trust-based relationship with RJSC and its line ministry, the Ministry of Commerce (MoC). MoC has showcased this project as one of the country's first successful e-governance initiatives (despite initial skepticism from both RJSC and MoC). In a story of sustained reform effort, IFC remained engaged with the client over two to three years, contributing to a series of reforms to the point the government could take over full responsibility for maintaining the reform effort with an increased budget allocation. Finally, this project contributed to the positive image of Bangladesh by making Bangladesh an active reformer in South Asia in *Doing Business 2010* and a top global reformer in *Doing Business 2011* for business entry.

Next Steps

As already mentioned, the RJSC reform initiative was pragmatic in nature. Aware of the failed reform efforts in the past, the core team deliberately chose a phased approach, starting with process simplification requiring no major legal or institutional changes. The objective was to build on the momentum of this reform initiative to embark on a more comprehensive simplification solution, such as an integrated registration system and reforms to the outdated Companies Act.[69] All automation reforms

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[69] The Companies Act of 1994 was based on the Indian Companies Act of 1956, which in turn was based on the UK Companies Act of 1948.

took place in the vacuum of appropriate legal frameworks to support automation and in the absence of digital signature and online payment systems. Work on both of these fronts soon began, and starting in the latter part of 2009 the core team has facilitated dialogues between RJSC and the National Board of Revenue and City Corporations to introduce an integrated registration system covering business registration, income tax and VAT registration, and trade licensing as a next phase of the reform process. Similarly, RJSC's automation reforms created demand for underlying legal and regulatory reforms and paved the way for collaboration among a number of key government agencies and ministries, including the Central Bank, the National Board of Revenue, and the Ministry of Science and Information Technology. Together they have worked to devise necessary e-governance reforms relating to digital signatures, online payment, and integrated registration systems. In this way, although it started small, the RJSC reform initiative not only made business registration reform a centerpiece of regulatory reform, it also catalyzed much-needed overall reform of the business-enabling environment for private-sector development to alleviate poverty in Bangladesh.

Lessons Learned

Some of the lessons that emerged from this reform episode include the following:

- *Staying the course is important.* The early phases of IFC intervention were not successful. But IFC stayed the course and came up with more innovative approaches to achieve desired results. This perseverance paid off in the end not only with meaningful results, but also by ensuring the sustainability of those results through a smooth hand-off from IFC to the Government.

- *Listening to stakeholders with an open mind is productive.* The core team started the project with open minds and listened attentively to RJSC officials and others with vested antireform interests. The knowledge thus gained helped the team to understand and deal effectively with the legitimate constraints and issues voiced by officials opposing automation. The team was able to build a relationship of trust with the client and other stakeholders.

- *Peer-to-peer learning appears to be an effective instrument.* Peer-to-peer learning in the form of study tours and RJSC participation at global forums and workshops related to business registration was instrumental in changing agency officials' mindset in favor of ICT-led reform. This was particularly helpful in deriving solutions and implementing them, as RJSC officials saw how different countries actually implemented the reform recommendations they had received and the results achieved from those reforms.

- *Creating champions both at the agency level and at higher levels of political leadership is instrumental.* The reform-mindedness of the registrar appointed in December 2008 and the support and commitment of the commerce minister were critical to the success of RJSC reforms. The core team's

creative engagement with other government agencies, the media, and business chambers further facilitated the reform effort.

- *Pragmatism can pay off.* While the conventional reform strategy begins with legal reform, moves to business process reengineering, and only then addresses automation as a tool for implementing the reengineered process, the RJSC experience shows that an ICT-led reform, innovatively used, can more painlessly create demand for underlying legal reforms and further business process reengineering.

- *Business registration reform can spearhead broader regulatory reform.* Finally, this project demonstrates that the success of business registration reform, and especially its success in an otherwise neglected agency such as RJSC, can inspire many other government agencies to embark on broader regulatory reforms, including comprehensive reforms related to electronic payment, digital signature, and integrated business, income tax, and VAT registration.

III. Macedonia Business Registration Reform[70]

One-Stop Shop Phase 2 (OSS2) is one of the largest public sector ICT projects implemented in the Republic of Macedonia. The Government, through the Ministry of Economy, carried out the project to upgrade the one-stop–shop system for the incorporation of legal entities in the Republic of Macedonia. OSS2 was financed by the World Bank as a part of the Business Environment Reform and Institutional Strengthening Project (BERIS). With this project, the Central Register of the Republic of Macedonia (CRRM) was granted foreign technical assistance for implementation of software solutions. The Ministry of Economy signed the agreement on April 15, 2010, and the project was completed by the end of 2010.

The project was an interinstitutional endeavor including the Central Registry of Republic of Macedonia; Ministry of Economy, with the Bankruptcy Department; the National Employment Agency; the Health Fund; and the Clearing House KIBS. For the first time, through this project, interoperability links among these institutions were established.

> "The solutions implemented in the OSS2 system stand out not only in Macedonia, but also in the region; this project supports the initiative for creating a OSS system for investors."
>
> —Vladimir Pesevski, Vice Prime Minister

OSS2, following on the reforms undertaken in OSS1, had at its core two goals: first, interoperability among Macedonia's institutions regulating and/or facilitating business life, and second, a new set of online

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[70] This case study is prepared by Andon Rumenov.

services. The online services included company registration, statutory changes, registration of first-time employees in the Employment Agency and the Health Fund, entries and changes of pledge and leasing contracts, and a streamlined eBankruptcy Management System and Disqualified Entity Registry.

OSS2 placed Macedonia on the list of top reformers for several years in a row in the World Bank's *Doing Business* reports. The OSS system—its functionalities, services, and impact on businesses, government policies, and macroeconomic planning—made it a platform showcased as a best practice at the World Economic Forum in Davos in 2010.

Why the Reform?

Before 2005, Macedonia had one of the most ineffective business registry systems in Europe. The procedure for registration was under the judiciary, and registrations were performed in three local courts with no integration at the national level. This system led to registration processing that averaged 48 days; it also offered no legal protection for company names at the national level and led to duplicate filings in several institutions,

among them the Bureau of Statistics, the Tax Authority, the Customs Office, and so on.

The main problems inherent in the previous system can be summarized as follows (see also figure E.8):

- *Long registration procedures.* The previous system of registration of legal entities was not applicant-friendly. The future legal entities entered into a long pilgrimage among many offices, banks, and institutions before completing the process. The time required to complete all the steps lasted weeks if not months (48 days on average).

- *"Dead souls."* Many of the court registrations never found their way to the Bureau of Statistics or the Public Revenue Office (PRO). Legal entities to which this happened had fulfilled all the requirements for legal registration, but they could not act as legal entities due to the lack of administrative registration. One of the reasons for this was the long time required for court-based registration. Consequently, many "legal entities to be" registered in court just in case; if the need arose, they could complete administrative registration later.

Figure E.8 Company Registration Process Prior to the Implementation of the OSS
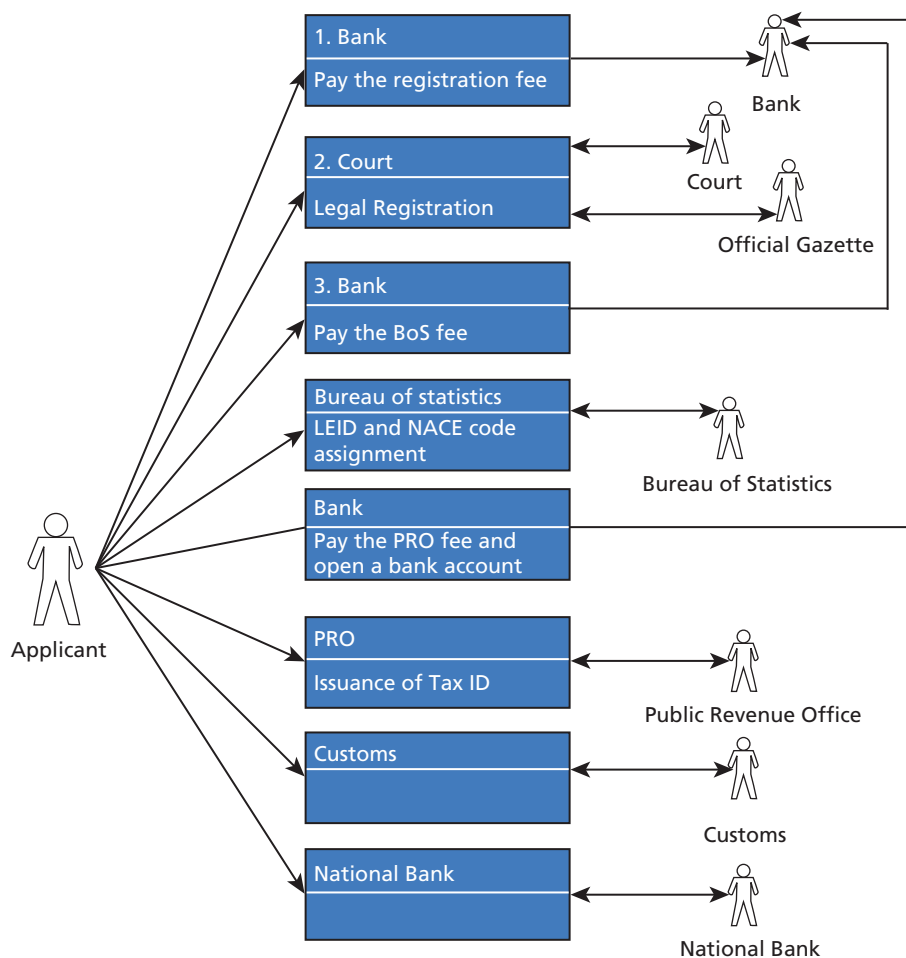
Source: Based on One Stop Shop Legal Entity Registration in Macedonia, June 2005

- *Quality of data.* The information in the court files was often inaccurate due to lack of a method for checking the quality of information at that stage. This was in turn reflected in the quality of information appearing in the court decisions.

- *Insufficient update of registers.* The changes of status of legal entities were, in most cases, registered separately in different institutions. PRO (using its own tools and techniques) obtained some of the updates, but the courts kept the change information in their files without informing others concerned about status changes. After issuing the Legal Entity ID, the Bureau of Statistics was mostly concerned with statistical data, understandable given its core activity. But this situation made it nearly impossible to obtain a full overview of the status of a legal entity, information essential to protecting third parties.

- *Lack of verification of legal entity status.* According to the former legislation, legal entities were required to report changes of the status and to deliver information about annual accounts (or a selection of them). The court system was to report to the registration courts, PRO, and other institutions about bankruptcy proceedings; the registration courts were obliged to inform PRO about closure proceedings; and so on. Since all these institutions were at different stages of technological development and organizational cooperation, information exchange had significant room for improvement.

- *Overflow of identification systems.* The three institutions involved in the registration process used their own identification systems for the same legal entity. The courts even used a double identifier. At the same time, these identifiers were not mapped to each other, meaning that even using the official Legal Entity ID one could not find the court registration file. PRO used the Taxpayer ID in all communications, propagating this number as a proper identification of the legal entity. As a result, it was very difficult, if not impossible, to reference information about the same entity throughout the public administration and beyond.

- *Trustworthiness of data.* Knowing the state of the data in the registration infrastructure, the public had limited trust in its accuracy. Although, traditionally and legally, trust in court-confirmed decisions is still deeply rooted in the society, the business community, ruled by other instincts, displayed obvious reluctance to accept the accuracy of the former registration system.

- *Accessibility of information.* Information from the registers was public, but it was kept in paper-based form, and the books and files were physically distributed around the country, making access to them difficult for the public. So although the law guaranteed the public a tool to protect their interests, its implementation was difficult, if not impossible.

With all this in mind, and with a strong push from the business community, the Government of the Republic of Macedonia set out in 2005 to fully reform the registration of legal entities as one of the key cornerstones for improving the ease of doing business.

The key needs and demands addressed with the first stage of the One-Stop–Shop system were as follows (see also figure E.9):

- *Simplification of the registration proceedings.* The OSS system introduced a common registration procedure for all types of entities. This included introduction of a unified registration procedure, unified registration forms, and, most importantly, only one agency to deal with: the Central Register.

- *Nationwide protection of firms.* Unlike the judicial system, dispersed through three registration courts, the OSS system offers a centralized solution that protects legal entities, legal entity names, and third-party interests on the national level.

- *Updated information.* Due to the interoperability with all institutions provided by the registration process, all the information regarding changes in the attributes of the legal entity are available in real time.

- *Access to information.* Information regarding legal entities is available either at the CRM offices or online via the Central Register's distribution system (www.crm.org.mk).

> "The secure online registration of business and other activities in the Central Registry aims at improving the efficiency of Macedonian companies, reducing their cost and saving the time they used to spend in completing administrative chores and instead, they will be able to focus on what is important: doing their business."
>
> —Fatmir Besimi, Minister of Economy

- *Legalization of the informal economy.* The complexity and costliness of the former system were basic reasons many businesses (especially SMEs) decided to stay in the gray economy. The introduction of the OSS system, combined with a set of incentives by the government, resulted in a sharp decline in the number of entities operating informally.

- *Common and unique identifier.* Implementation of the OSS system centered on the introduction of a unique Legal Entity ID (LEID) to facilitate use of a common identifier in interactions throughout the public administration, eliminating data redundancy and avoiding duplication in data collection and processing.

- *International perspective.* OSS opened up the possibility for the Central Register to enhance international cooperation with peer institutions. Since the introduction of the OSS, the Central Register became a full member of the European Business Register and has participated in many Large Scale Projects (LSPs) funded by the European Commission (BRITE) and interoperability initiatives and pilots such as the Registry Messaging System sponsored by the German Government.

In 2006, Re-aktiv implemented the basis of the One-Stop–Shop system in the Central Registry of the Republic of Macedonia (One-Stop–Shop Phase 1), and it was maintained through 2010.

Figure E.9 Simplified Registration Process via OSS
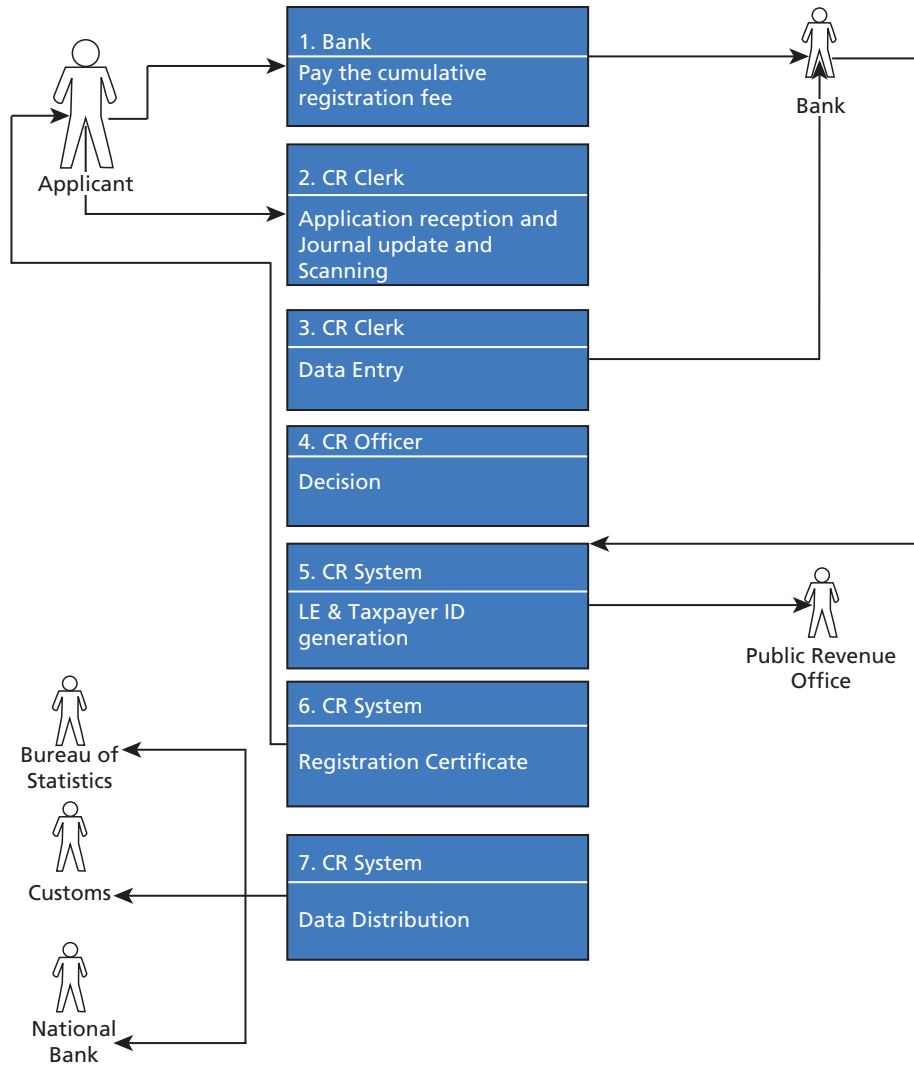
Source: Based on One Stop Shop Legal Entity Registration in Macedonia, June 2005

The reform resulted in improvements in the time required for company registration from 48 days to only 3 days and a 50 percent decrease in the costs of the procedure. This achievement was reflected in the World Bank's *Doing Business 2013 report*, where Macedonia ranked 5 among 183 countries in the indicator for starting a business.

In One-Stop-Shop Phase 2, the Central Registry of Republic of Macedonia addressed the increased need of companies to perform all necessary registrations and statutory changes not only from the comfort of their offices, but from any point in the world.

The country's close-of-business processes were also lengthy and difficult, with numerous problems, including the following:

- *Partial records of active bankruptcy procedures.* Conflicting procdures were required by different sources, including the Central Registry and the Ministry of Economy, and no institution maintained an accurate and complete record of the procedures it required.

- *Lack of public information.* Although information about a bankruptcy filing was legally public, in practice only the bankruptcy trustees had access to full information.

- *General reports with insufficient data*.

- *Nontransparent procedures, conducted far from public eyes*.

- *No standardized methods of recording most bankruptcy data.* For bankruptcy procedures, methods of record keeping were left to the individual bankruptcy trustee.

- *Lengthy procedures.* Bankruptcy procedures took up to 14 years to complete. The average period for completing a bankruptcy procedure was 7.11 years.

The government was determined to address the situation and to improve the business environment by supporting infrastructural projects improving business processes, enforcing the laws most beneficial for business growth, and improving transparency and business confidence in institutions. One of the government's priorities regarding general business environment improvements was

attracting much-needed foreign direct investments, supported by functional and efficient courts and EU-compliant laws. The solutions for case filing and management of bankruptcy procedures were in line with these efforts and government priorities.

During the period 1999–2001 the institution responsible for payment operations in the Republic of Macedonia was transformed into two new institutions: the Central Registry of the Republic of Macedonia and the Central Securities Depository. At the same time, several registries were established, and later the Registry of Leasing was founded as well. The Pledge Registry functions on the basis of the Law on Contractual Pledge. This law stipulates the method, conditions, and procedures for establishing, realizing, and terminating the contractual pledge right over movable objects, securities, and rights on the basis of a contract.

Since establishing of these two registries, continuous improvements on various levels—legal, organizational, and technical—have been made. The strategic vision for developing and improving the registries in 2010 has been defined through the OSS2. This iteration of improvements in the Registry of Pledge and Registry of Leasing include legal changes and development of a new channel and interface for communication.

The Institution

The Central Registry of Republic of Macedonia is the public institution charged with registering limited liability companies and other forms of trade companies, foreign representatives' offices, and other legal entities. The registration process includes registering companies with the Trade Register, providing unique identification reference numbers, opening bank accounts, registering entities with the Public Revenue Office, and publishing formation notices on the Central Register's website.

Apart from its main focus on managing and maintaining the registries, it also issues numerous types of registration-related documents as well as procurement documents required by the legal entities for submission to other governmental and state institutions. The Central Registry processes about 1,200 solvency reports per month and more than 5,000 statutory changes of companies. It issues approximately 14,000 certificates in 11 categories, on average, on an annual basis. In 2010, the number of foreign investors was nine times the number of Macedonian investors. This gradually increasing trend was one of the major reasons the government and the Central Registry were interested in offering services online, as an aid to foreign businesspeople and investors. In 2010, foreign company owners represented 6.5 percent of the total number of company owners in Macedonia. Given that Macedonia is a country of two million inhabitants, these numbers are significant and illustrate the size and significance of the Central Registry and its operations in the business environment in Macedonia.

Solutions

For an overview of the achievements of OSS2, see figure E.10.
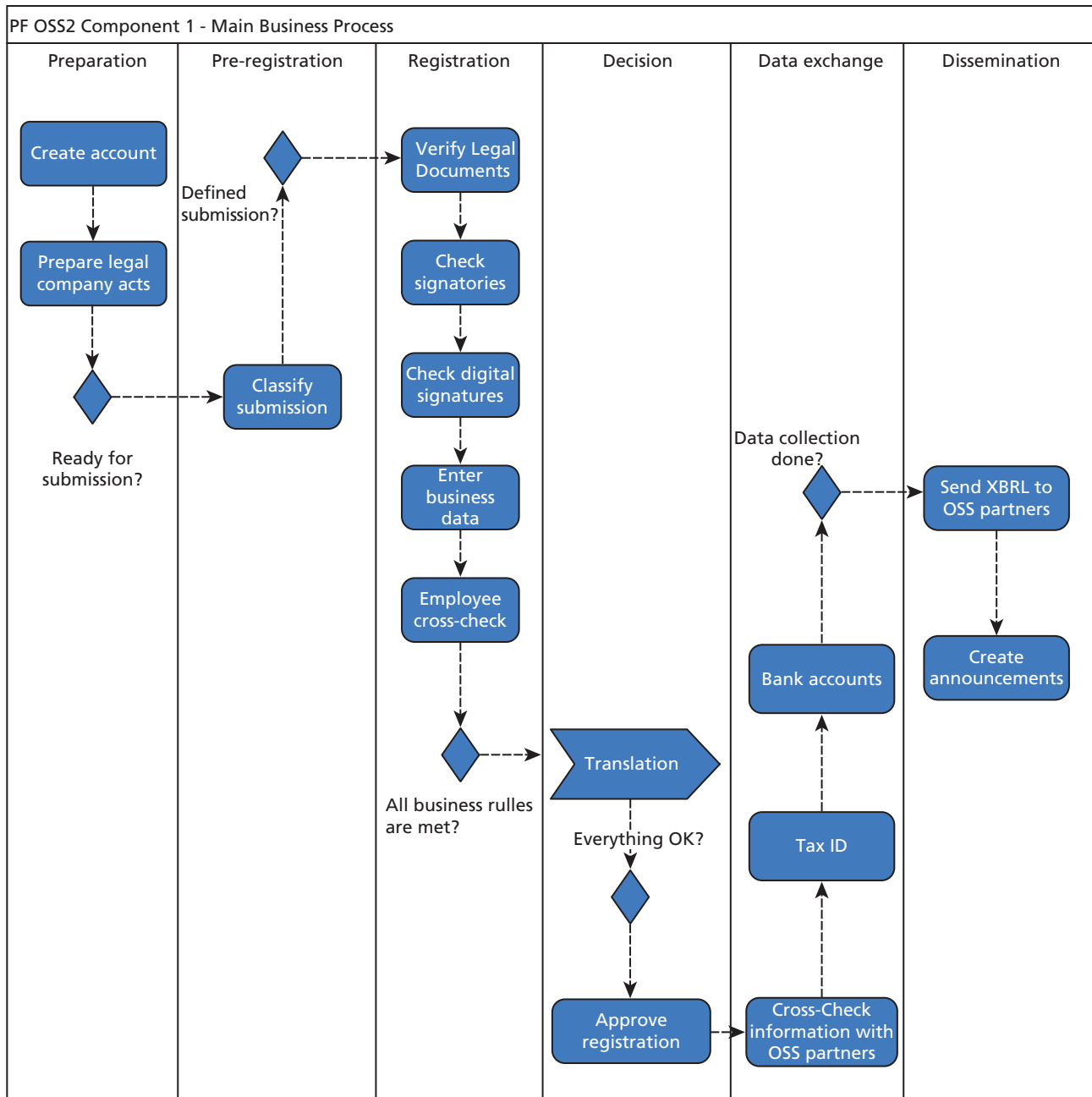
E-Filing

The Central Registry of Republic of Macedonia, in considering an upgrade to its system, wanted to offer services to Internet users. E-filing is a web-based solution that enables uses to perform all CRRM filing procedures for opening, changing, and terminating legal entities without the need to travel to a CRRM office.

The web-based e-filing and interoperability solution has had multiple benefits for many stakeholders. Users can now electronically file documents for registration and edit and delete documents in the register of trade companies and other legal entities. The submission of electronically formatted and digitally signed attachments (bylaws, incorporation acts, power of attorney documents, and so on) occurs in real time. Notary verifications, too, have been replaced with certified digital signatures, and users can order multiple products (various types of certificates) from the Central Registry and complete payment online.

Other benefits of the online system include the following:

- *First-time registration of employees.* Upon registering the company online, the companies as well as their legal representatives can now also register their employees, via the interoperable link with the Employment Agency of Republic of Macedonia and the Health Fund.

- *Benefits to foreign legal entities.* Although the official language for filing documents is Macedonian, foreign legal entities are provided with online sets, in English, of references and of the most frequently used documents, significantly easing the process of starting a legal entity in Macedonia. Foreign lawyers and legal representatives can also find online a list of certified translators.

- *Preparation for going international.* Another dimension of the project is the level of maturity it brings to the Central Registry, making it an equal partner in the upcoming European project

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Box E.3 One-Stop–Shop Process Overview

2006 OSS 1	2007– 2009 OSS2	2010 OSS2
• Transfer of the incorporation procedure from the courts	• Reducing the procedure from 3 days to 4 hours	• Fully integrated electronic incorporation of companies, pledge, leasing
• Conversion of all incorporation forms	• Opening of an office of the Employment Agency	• Electronic recording of bankruptcy procedures
• Centralization of the registry	• E-filing of annual accounts	• Registry of disqualified managers and founders
• Procedure reduced from 48 to 3 days	• Introduction of a general business clause	
• Cost reduction of 50%	• Electronic distribution of data to the public	
• Links with PRO, KIBS, DZS		

Source: Central Register of Republic of Macedonia

Figure E.10 OSS2 Process Diagram

PF OSS2 Component 1 - Main Business Process

Preparation	Pre-registration	Registration	Decision	Data exchange	Dissemination

- Create account
- Prepare legal company acts
- Ready for submission?
- Defined submission?
- Classify submission
- Verify Legal Documents
- Check signatories
- Check digital signatures
- Enter business data
- Employee cross-check
- All business rulles are met?
- Translation
- Everything OK?
- Approve registration
- Data collection done?
- Bank accounts
- Tax ID
- Cross-Check information with OSS partners
- Send XBRL to OSS partners
- Create announcements

Source: System design document, One Stop Shop Phase 2 Project (2010)

of business registry interoperability, led by the German Government. Macedonia and Serbia are the only candidate countries joining this project, which encompasses Ireland, Germany, the Czech Republic, and Hungary. Negotiations are currently underway for Switzerland and Austria to join the project, and the UK will be an observing country.

E-Bankruptcy

The Ministry of Economy and the Central Registry of Republic of Macedonia decided to create a new e-bankruptcy platform using Microsoft technologies. The result is an integrated e-bankruptcy portal solution providing more transparent bankruptcy procedures and allowing the public to follow the stages of the procedure and to access valid data from specific moments in time. This transparency will increase the trust of all stakeholders (especially creditors) in the fairness of the bankruptcy procedures, as well as in the trustee assigned to handle them.

The bankruptcy data registered by the trustee for each bankruptcy procedure will provide more information and data than was previously available for the use of citizens, businesses, and

other governmental entities and will serve as a base for several kinds of reports. These reports will be accessible by specific users (including the Ministry of Economy), allowing them to gain new perspectives on bankruptcy procedures. The solution provides a wealth of information ranging from precise economic statistics to general decision-support guidance.

This system also includes the newly created Registry of Disqualified Entities, a database that distributes information on the disqualification of legal entities and individuals on several grounds.

Pledge and Leasing

The Internet solution for the Registry of Pledge and the Registry of Leasing was to expand the existing system by building a modern technical platform enabling additional channels for their use.

The fundamental goals of the project were:

- Establishing an additional channel and method for using the Pledge Register and Registry of Leasing (enabling use of the services via the Internet)
- Facilitating the registration process in the two registries from any point, without need for the user to travel to the register offices
- Decreasing expenses.

The use of the additional interface for web-based Pledge Registry and Registry of Leasing expanded the range of planned improvements enabling Internet use of CRRM services. The list of registries integral to CRRM that offer web-based options are as follows:

- Registry of Annual Accounts
- Registry of Trade Companies and Other Legal Entities
- Pledge Registry
- Leasing Registry

Legal Framework

In the course implementing OSS2, a joint team of the Ministry of Economy, the Central Register, and Re-Aktiv prepared the legislative changes necessary to support the new features and system deliveries. The changes encompassed the following:

- Amendment to the law on trading companies making the digital signature equal to notary verification, thus allowing submission of digitally signed applications
- Amendment to the law on bankruptcy encompassing the establishment of the E-Bankruptcy Portal
- Drafting of a regulation for operation of the E-Bankruptcy Portal by the bankruptcy trustees
- Amendment to the law on pledge, making the digital signature equal to notary verification, thus allowing submission of digitally signed applications

- Amendment to the law on leasing, making the digital signature equal to notary verification, thus allowing submission of digitally signed applications
- Protocol for cooperation and exchange of information among the Central Register, Health Fund, and Employment Agency as the basis for the exchange of information related to employment in the course of establishing a legal entity.

The Road Ahead

The OSS reforms of 2005 to 2011 resulted in a highly advanced infrastructure to support and facilitate the business life of the country. It has created a business-friendly ecosystem for operating legal entities, and it has created an international dimension in the cross-border endeavors of Macedonian companies.

To capitalize on the momentum gained by the Central Register, during 2012 it initiated the project National Metadata Base, with the following core goals:

- Introduction of a common reporting standard for all types of business filings to the public administration
- Creation of a national repository of legal entity data
- Creation of a Standard Reporting Office
- Implementation of a national eXtensible Business Reporting Language (XBRL) taxonomy
- Standardization and optimization of overall corporate and financial reporting obligations.

The project, scheduled to end in 2014, should have these results:

- Further decrease in red tape for the business community
- Avoidance of duplication of resources and infrastructures on national level
- Cost savings for public administration
- Cost and time savings for businesses related to reporting
- Transparency of proceedings
- Comparability of financial data worldwide and improved analytics.

IV. Case Study: New Zealand

New Zealand was ranked by Doing Business as number one for starting a business in 2011 and 2010. This case study describes how the New Zealand Companies Office launched the first online registry system in the world to improve the efficiency of its registration process.[71]

Before Reform

Prior to the development of the registry's online registration system, company incorporation was a two-step process. First, applicants had to apply for a company name. This was checked

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[71] This case study is based on Wright and Joux 2003.

against the Names Index in Wellington, a process that might take three months. Once a company name had been approved, paperwork had to be filed at one of the 12 regional offices. Incorporation then generally took six weeks.

Foundations for Reform

Although the Companies Office had exposed its data online for searching in 1996, it had not progressed to an automated, online service. Its goals in initiating such a service included the following:

- The Companies Office realized that the paper-based registration system was not efficient and would soon be obsolete. They were eager to make the registry process easy, affordable, and transparent through technological innovation.

- The Companies Office had a long-term partnership with the ICT consulting firm that became the provider of Companies Online. The consulting firm understood the business of the office thoroughly, which was very important to the development of Companies Online.

Reform Process

Companies Online is an online company incorporation service of the New Zealand Companies Office, providing all New Zealand business enterprises, regardless of geographical location, with desk-top access to business registration and information services.

Companies Online was developed through a series of incremental steps and has had a number of enhancements since its original launch. While a "reasonable vision" of possibilities guided its formation, it was impossible to anticipate the specific nature of the service when the first technological innovations were made. The Companies Office was prepared to move forward by trial and error, utilizing each technical success to advance the project. As the limits of each development were reached, the team on the project was ready to explore the potential of the next.

One of the first ways in which the Office brought new technology to the fore was by placing computer terminals in each of the six regional offices. One of the goals of this was to speed up delivery of company documentation. While this was achieved, 60 percent of people wishing to view a company file still could not do so within a week. Although this was an improvement, it was deemed unsatisfactory, and other technologies were investigated for possible effects on the process. Bar-code file tracking produced greater efficiencies, confirming to the Office that getting technology to the regional offices had been "the right decision."

The cost of maintaining the terminals was identified as high for the relative benefits they conferred, however, and acting on advice from the private partner, the decision was made to purchase scanning machines and mainframes. Administrators were trained internally, and information was transferred from the Central Index to develop the Companies Database. Companies

Office managers determined that taking control of their own data was the point "at which everything went right."

Immediately, the Office started to increase the scope of the data retained. This decision was made when the data had "no apparent value," and there was no demand for change. The Office was already fulfilling its functions well, and it wasn't until 1996 that the data began to have significant value: at that point, the information was published on the Internet under the designation Companies on the Internet. This development fulfilled the view of Companies Office that company information, being public information, should be as widely available as possible.

This view met with severe resistance from search agents providing company information to clients, mostly in the legal and accounting professions. The integrity of the Companies Office was called into question in the media. Resistance had been anticipated, however, and buy-in from stakeholders was ensured by introducing Companies on the Internet as a pilot at the New Zealand Law Society Conference (held in Dunedin in 1996). The pilot not only allowed elimination of initial problems with data presentation, it also exposed to "real users" of the information the new system's value; they ended by giving the program their wholehearted support. Staff compared this means of getting stakeholder buy-in to a similar initiative in Ireland that ended with search agents getting an injunction and closing down the website.

Over the next three years, Internet Support, a small unit within the Companies Office charged with the sole mission of growing the online business, further developed Companies Online. This unit answered directly to the companies registrar and secretary of the Companies Office and was not popular within the organization or externally with search agents. It was recognized that further changes would both render the role of search agents redundant and change the roles of the Companies Office personnel significantly. Office life was thus extremely difficult, and in-house leadership, together with the support provided by the registrar, the IT consultant, and other external clients—particularly lawyers—was critical to the eventual success of the Internet Support Unit.

Development Process

Incremental stages to introducing an internet-based solution to registration concerns were as follows:

- The independent auditor conducted a quality assurance (QA) process to assess each project of online system development.

- Every regional office was equipped with a computer terminal to speed up the delivery of company documentation.

- The Companies Database was established by transferring the information from the Central Index to the Companies Office database.

- To support clients' use of the online system, the Companies Office increased staff capacity, established a contact center, and created an e-business help program to provide training to key clients.

After Reform

The Companies Online service is simpler, faster, cheaper, and more readily and widely available than the paper-based system it replaced. Services offered include online company incorporation, electronic filing and access to company information, e-payment, and call-center support. It was the first online company incorporation service in the world, and it has been a resounding success, with fees reduced several times since its inception.

Registration Procedure

Operations possible through the online, revised system included the following:

1. Conduct a Register Search (free) to ensure that an identical or almost identical company name does not already exist on the register.

2. Conduct a trade mark search (optional).

3. Reserve the chosen company name ($NZ 10) for 20 days.

4. Search for the company's Business Industry Description and Business Industry Code (BIC) through the BIC search engine.

5. Register the company details ($NZ 150).

6. Apply for a company IRD number (for taxes) and register for GST (for the Goods and Service Tax, optional).

7. Upload a constitution for the company (optional).

8. Receive email, including consent forms for each director and shareholder to sign.

9. Upload or fax each consent form to complete the registration.

The implementation of the online registration system improved registry efficiency with faster and more transparent processing, lower costs, better information exchange, and easier interaction with clients. The following list provides details:

• Application for business registration can be completed online within one day (less than one hour in many cases), with one procedure, at a cost of $NZ 160 ($NZ 10 for name reservation and $NZ 150 for company incorporation).[72]

• The joint initiative between the Companies Office and the Inland Revenue enables entrepreneurs to apply for the IRD (Inland Revenue Department) number and to register for GST (Good and Service Tax) at the same time.

• By 2008, about 98 percent of applicants chose the online system to register their businesses.

• Client service delivery is ISO9001 accredited. By June 30, 2009, the center had answered 124,596 phone calls.[73]

• Entrepreneurship is encouraged by the friendly and efficient business registration system, resulting in a high rate of company incorporation per capita: more than 500,000 companies for 4.3 million people.

• New Zealand is recognized as the leading country in business registration and is ranked first for starting a business in the Doing Business reports for 2011 and 2010.

Further Reform

As of 2012, the online registration system requires upgrading to enhance service functions and add new online features. The Companies Office is prepared to test and utilize innovative technologies and social media to explore the potential for upgrading and strengthening the existing system.

Lessons Learned

The Companies Office used a clear vision to increase stakeholder buy-in and to generate high performance from innovation implementers. They used one-sentence goals to motivate, focus, and direct people's efforts. The vision also served as a "touchstone" for the project team to enable it to remain focused on the main objective. It also helped people within the wider organization to understand and support the innovation goals.

The Companies Office wanted to ensure that stakeholder and customer buy-in was rewarded with well-conceived and planned systems. Rather than plan big launches and raise expectations unnecessarily, the Companies Office used open and closed pilots. Closed pilots allowed new developments to be floated on the Internet, hidden to all but the few nominated trial users who had volunteered for the pilot. Teething problems could be worked through to the satisfaction of key customers, or the pilot could be pulled if the technology was just not ready, before risking wider scrutiny. Once accepted as workable, the approach became an open pilot and went out for wide public use and evaluation. This phase produced additional feedback but also helped reduce stakeholder resistance; it also allowed scope for safe retreat if resistance to an approach becomes too great.

Box E.4 Timeline of Technology Development

1996: Exposed the Companies Register via the Internet

1998: Allowed for incorporation of companies via the Internet

2000: Allowed filing of Annual Returns via the Internet

2000: Launched wholly electronic Personal Property Securities Register

2002: Mandated electronic company searching

2008: Mandated electronic lodgment of company incorporation

2010: Refreshed platform and launched Enterprise.

Source: Based on a presentation of *The New Zealand Experience – New Zealand Companies Office* at the APEC Seminar on the First Steps of Successful Reform in Doing Business, Taipei, October 2010.

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[72] World Bank 2011a.

[73] New Zealand Ministry of Economic Development 2010.

V. South Sudan: Business Registration Reform

This case study illustrates that reform can support resumption of business registration in countries emerging from periods of conflict or fragility.[74] Registration efforts signal that a country is open for business again, and resumption of business registration systems has been important for attracting and reassuring investors, particularly foreign investors.

Prereform Situation

After decades of war, the semiautonomous Government of South Sudan was established following the peace agreement signed in 2005. It later voted for separation from the Government of Sudan in January 2011, becoming an independent nation in July the same year. This new country slowly began to show signs of recovery in various aspects. Challenges remained, however: the overall environment continued to be fragile and no legal framework or institutions were in place to secure the development of the private sector. Business registration had also been suspended because the business registry was closed.

The legal framework was either nonexistent or confusing, with various administrative departments trying to apply the laws each thought appropriate, a nonexistent communications infrastructure, and severe human capacity limitations. The new government was under pressure to reconstruct the country, improve people's living conditions, and build investor confidence in the business environment. As a result, reestablishing business registration became an imperative, with focus on developing the private sector to attract investment, creating job opportunities, and increasing people's income. When IFC engaged in the process in November 2005, initially at the invitation of the World Bank as part of its scoping mission for a private-sector program, the business registry had been closed since December 2005, and business registration had been suspended for fear of attracting unwanted investors. Following six months of intensive negotiations with the government, IFC helped it to reopen the registry using the old manual system and the laws of the national government.

The registration system was archaic, based on a book register and a certificate produced on a manual typewriter, with no database to support the process. The eight staff appointed soon after the peace agreement shared three desks and took turns coming to the office; they also had little or no training in business registration, resulting in low productivity. In addition, the law under which businesses were being registered was adapted from an outdated law from the Government of National Unity (Khartoum), which had little relevance for the emerging legal dispensation in the semiautonomous region. As a result, both staff and the public were confused. Interestingly, even when

reforms were proposed, the lack of communications infrastructure made it difficult to move rapidly away from the manual registration system. Any reforms would require a comprehensive overhaul of the existing system.

Reform Process

The reforms pursued were part of a package of quick wins designed to help open up the economy and to signal that openness. Some of the key components of the reforms are described below.

Early and Rapid Diagnostic with a Small Number of Catalytic Interventions

The urgency and scope of reforms called for a rapid analysis of the situation and identification of a process that would demonstrate early results. The mini-diagnostic was an attempt to prioritize quickly a small number of areas that would be catalytic and as well as demonstrating early results. As a starting point, the team used the evolving diagnostic tool for fragile situations: the Foreign Investment Advisory Service (FIAS) mini-diagnostic methodology. This instrument, created for application in conflict-affected and postconflict environments, is designed to assess rapidly the constraints to investment, to identify areas of leverage, and to provide solutions, together with action plans, for immediate implementation.

Through a series of consultations with the client and the private sector, five catalytic and strategic areas were identified for immediate implementation. These included establishing a legal and regulatory environment for investors and establishing key institutions, among them the Ministry of Commerce and Industry, an investment promotion agency, a strengthened business registry, and a policy dialogue platform. The resumption of business registration was identified by all stakeholders as one of the key ways of signaling to the world that South Sudan was peaceful and that it was open for business. The process of convincing the government to resume business registration was no easy task. Aside from the fear of unwanted investors, the government felt that the legal framework should be established first to prevent speculative investors. Most importantly, however, it wanted to design a framework that would allow the South Sudanese to reap the benefits of peace. An underlying concern was the latent fear that many of the new businesses being registered in Khartoum were owned by northerners or foreigners and that these were largely speculative at the time.

Coaching and Awareness of Key Interlocutors to Manage Resistance

In South Sudan, there was, and still is, a deep-rooted mistrust of "outsiders," leading to archaic thinking about laws, institutions, and processes. The growing phobia against foreigners impeded a key government objective: obtaining foreign capital for the reconstruction process. Furthermore, with both capacity and knowledge limited in a country emerging from 50 years of war, market principles were not necessarily the easiest concepts to grasp or embrace. This challenge continues to affect team

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[74] This case study is based on contributions from Catherine Masinde, Jean Lubega- Kyazze, and Peter Clayfield. For additional information, see Masinde, Daniel, and Kitakule 2008; Masinde and Lubega- Kyazze 2010.

efforts. One effective approach to gradually overcoming resistance has been to coach key interlocutors to accept the basic principles of a market economy while reassuring them they would not lose their region to foreign interests. A very early draft of the investment law, for example, was quite specific that investors would be screened through the Investment Promotion Agency to eliminate unwanted investors; an initial unofficial draft also proposed a 25 percent equity participation of South Sudanese in all investments.

Use of Diagnostics to Generate Consensus around the Reform Objectives

The diagnostic process generated open discussion among stakeholders, such as the newly established Chamber of Commerce of South Sudan and an emerging South Sudan Business Forum, about fundamental constraints in the investment climate. These discussions identified the inability to register a business as a major constraint the government needed to address. In addition, the team helped the Business Registry establish a consultation taskforce comprising a number of potential business registry users: the Ministry of Finance, lawyers and later the Law Society, the Chamber of Commerce and Industry, and others. This would prove to be a key resource for the registry's reform process, acting as a sounding board and approving proposed changes affecting a cross section of users. The decision to abolish the requirement for lawyers to submit Memorandum of Association, for example, was agreed to in this forum.

Leveraging of Other Ongoing Reforms and Relationships

The team used the opportunity to open a dialogue with the minister in charge of the Ministry of Legal and Constitutional Affairs on reviewing and adapting the region's mercantile laws to seek and obtain support for resumption of business registration, and it encouraged the minister to persuade the rest of government to do so. In the context of support to the government to establish an investment promotion agency, the team also argued that if investors did not register, they would operate in the informal sector, as was already the case, and this would deny the government much-needed nonoil revenue (at this time, South Sudan did not have a tax collection system, but various constituencies, such as the Business Registry itself, had an interest in a functioning revenue collection system). In effect, therefore, the dialogue on reviewing the legal and regulatory framework, and the ongoing support for attracting foreign and domestic investors, leveraged the reopening of the business registry.

In June 2006, the government approved the reestablishment of business registration, a director was appointed, and staff was assigned. The minister then requested FIAS to help build the capacity of the registration team and to work with the ministry to design a project to strengthen the registration process and build a robust infrastructure to support it. FIAS appointed a well-known service provider to help design a new registration system and train the staff to run a modern registry. This provider commenced with a scoping mission combined with a training session to introduce staff to modern principles of registration. The staff visited a very modern registry in Norway, setting the foundation for further design and capacity building. The paper system was streamlined, and a simple spreadsheet system was introduced, shortening the time required to incorporate to less than three days.

The Reforms

How was reform achieved? Business registration was rebuilt through the following activities.

Public-Private Dialogue

The South Sudan Business Forum (SSBF) was established to promote public-private dialogue on key issues about reform in South Sudan, including registration. In addition, a Business Registry Taskforce was created to provide ideas for reform and to monitor progress of reforms.

Legislative Reforms

IFC provided support to the government to review its legal framework for investment, focusing on two laws: the Company Act and the Investment Encouragement Act, both adopted from Khartoum. Overall, 19 laws were drafted with this support to facilitate business entry and operations, 4 of which directly affected business registration, including registration of SMEs. In addition to print and Gazette publication of the laws, media events were organized announcing their promulgation. Business registration laws, including the Company Act, were simplified and published as simplified guides to facilitate public access.

Institutional Reform

An institutional reengineering and capacity-building program was designed and implemented at the registry in the context of an overall objective of establishing or strengthening key institutions to facilitate investment: the Ministry of Commerce, the Investment Promotion Agency, policy dialogue institutions, and the Chamber of Commerce and Industry. With particular reference to the Business Registry, the following outcomes were achieved:

- *Strategic decision to reopen the registry.* The government was persuaded to reopen the Business Registry.
- *Staff training and exposure visits.* In the context of the overall program, 6 legislative drafting staff were trained to process emerging legislation. About 22 officials received training in business registration through the on-the-job training program or high-level study tours to Norway and Uganda. Five officials attended peer-learning events organized by the Corporate Registers Forum, an international forum of registrars, exposing them to international best practice. In addition, 16 staff from the registration department were trained on already enacted business registration laws.

- *Stakeholder consultations and awareness-building work-shops.* About 400 people, including some from the private sector, participated in different workshops aimed at both building consensus and providing training.

- *Establishment of the Business Registry Users Taskforce.* As mentioned above, this taskforce proved very useful in identifying reforms and monitoring progress. It also provided a platform for stimulating reform among participating agencies.

Operational Improvements

The following are among the most notable operational improvements made to the registration process.

- *Streamlining the paper-based process:* Following the visit to Norway, the registry staff requested a streamlined paper process, which was achieved successfully at minimal cost. A number of requirements in the registration process were eliminated, reducing the time to register to three days.

- *Computerization of a paper-based process.* The successful streamlining led to a simple computerization by launching a simple database on an Excel spreadsheet. One staff member was trained to key in data and do simple name searches, which reduced the steps in the process of registration considerably and gave confidence to investors that their business identity was secure.

- *Digitization of paper records.* Recognizing that full computerization was only a few steps in the future, business registration and operations were computerized starting in 2010 through a simple scanning mechanism. About 25 percent of paper records were scanned and digitized by December 2010.

- *Implementation of an Annual Returns System.* An Annual Returns program was implemented, and businesses filed 112 returns as of December 2010.

- *Design and implementation of a decentralized electronic system:* This effort is ongoing.

After Reform

With the IFC's support of business registration reform, South Sudan has in a very short time been able to rebuild the business registry, improve the business registration process, and contribute toward attracting investments.

- Business registration resumed, with the registry formally launched by the president of the Government of South Sudan in 2009.

- Through enactment of the Business Names Registration Act, small investors can formalize their businesses and increase their access to services such as finance and training.

- As of June 2012, 12,500 businesses had been registered, against the original target of 4,000, and nearly 70 percent of these were registered as local companies.

- Time to incorporate a new business was reduced from seven days to one day.

- Documents required for business registration were reduced from four to one by eliminating the requirement of notarizing business names.

- Those not from South Sudan can register businesses through the "foreign investors" channel, eliminating discrimination against foreign investors.

- Registration of a business at the state level as well as the nation level is not required.

Lessons Learned

Efforts to establish or improve the process and infrastructure for business registration must be an integral part of broader efforts to reform the legal and regulatory environment for investment and to create the right climate for business

When the government reestablished business registration, it did so as part of a broader effort to create business-friendly laws and a business-friendly environment. Had it done otherwise and merely announced that investors could now register their businesses in Juba, investors might have been suspicious and doubted the government's commitment to the private sector given past history and actions unilaterally suspending the process. The government of South Sudan was a regional government emerging from a long period of war with a national government it regarded as predatory and extractive of their natural resources; the government was suspicious of outsiders, had difficulties understanding and embracing market principles, and likely viewed early investors as speculators.

The approach of reestablishing business registration within the systematic efforts by government to establish a legal framework for investment was a signal to local and foreign firms that South Sudan was open for business and committed to supporting investors. Investors responded to the signal and, in just 18 months, a significant number of them registered at the company registry in Juba.

Start with what is feasible and doable

This lesson applies to all aspects of the project, from how the project team sequences efforts to achieve results to being practical when choosing solutions. It was impossible to start registration when the team received government approval, for example, because the government wanted companies seeking to operate in South Sudan to register there and not in Khartoum. Juba had no registry and no staff, however, only a director (who often also acted as the undersecretary of the ministry from time to time), and as noted earlier, he was appointed at the time of the diagnostic. On the other hand, the legal review side of the program had much greater traction, given the pressure on the minister for legal affairs to develop a new legal framework for South Sudan as quickly as

possible. The team chose to use this traction as the "thin end of the wedge," while at the same time maintaining dialogue with the director of the registry as he recruited his staff. Involving him in the legal review meant he was kept within the loop of overall reform. Only after he had recruited two assistants, albeit of junior level, and they had all received training and coaching from the consultant, did business registration restart. The capacity building continued, and in January 2007 the team began formal dialogue with the ministry on a comprehensive project for a business registry. That project was launched in June 2007.

The team also adopted a "do what is feasible and doable" approach when it came to making a decision about what type of registration system to put in place: the choice was between a paper-based system, regarded as a quick-win solution, or an electronic-based system, seen as more foundational. The team looked at the physical infrastructure constraints and the lack of human resources with technology skills and opted for a paper system, recognizing that it could be easily operated despite the constraints.

Short-term consultants implementing early reforms of this kind must be based on the ground and have local or regional experience

Finding good people to work in this challenging environment for any length of time was difficult. The team hired an experienced short-term consultant from the region to reestablish the business registration process and implement the registry project. She had run the Law Reform Commission in Uganda, was a recognized law reform expert in East Africa, and was a person whom the Sudanese trusted, all of which were key success factors for the South Sudanese. Most importantly, she was on the ground on an ongoing basis.

One advantage of having an experienced presence on the ground was that the team was able to provide not only technical support to the registry project but also coaching and on-the-spot training to staff, including registry staff, a more intense engagement than the usual FIAS engagement with clients. This has made a crucial difference, because the project has been hampered by the perennial problems of severe capacity constraints.

Appendix F Summary of Useful Websites and Knowledge Management Resources on Business Registration Reform

International Networks in Business Registration

Asia-Pacific Economic Cooperation (APEC)
http://aimp.apec.org/

APEC, through its Information Management Portal (AIMP), has launched the APEC Ease of Doing Business Action Plan (2010–15), making starting a business a priority. The website contains a number of case studies and best practice examples from APEC member states.

Corporate Registers Forum (CRF)
http://www.corporateregistersforum.org/

The Corporate Registers Forum is an international not-for-profit organization for administrators of corporate and securities registers. The website offers forum presentations and photos from previous meetings; useful documents and links for registry managers; links to member jurisdictions; and a forum for discussions on corporate registry management.

European Business Register (EBR)
http://www.ebr.org/

The European Business Register is a network of national business registers and information providers from European countries. It provides online access to European company information directly from the official register of the country of registration.

European Commerce Register's Forum (ECRF)
http://www.ecrforum.org/

The European Commerce Register's Forum is the organization for the commerce registers of Europe. Its purpose is to improve the commerce registers' service to trade, industry, and business in general.

Global Business Registries Organisation (GBRO)
http://www.gbro.org/

GBRO allows registry personnel to interact online and to develop their registry networks. It also seeks to provide contact details for registry officials across the globe. Sample registry documents are provided against which

to assess the authenticity of documents presented to a country registry from international registries.

The International Association of Commercial Administrators (IACA)
http://iaca.org/

IACA is a professional association for government administrators of business organizations and secured transaction record systems at the state, provincial, territorial, and national level in any jurisdiction.

The International Union of Notaries (UINL)
http://www.uinl.net/

The UNIL is a nongovernmental organization established to promote, coordinate, and develop the duties and activities of notaries throughout the world and to ensure their standing and the independence necessary for optimum service to individuals and society through close collaboration between chambers of notaries.

Directories of National Registries

Companies House Links
http://www.companieshouse.gov.uk/links/introduction.shtml#reg

This list provides links to websites with information on the registration of companies and access to company information around the world, provided by the UK Companies House.

Dun & Bradstreet Emerging Markets Centre (EMC) Report Guides
http://dbemc.dnb.com/reportguides/reportm.htm

The EMC contains information on company formation in selected countries in Europe and Central Asia.

European E-Justice Portal
https://e-justice.europa.eu/content_registers-103-en.do

Under the responsibility of the European Commission, the E-Justice Portal is conceived as a "one-stop (electronic) shop" for information on European justice and access

to European judicial procedures. It provides, inter alia, links to and information on European Union member states' national company registries, covering services offered, cost, how to make searches, and histories of the member states' registries.

Diagnostics and Indicators

Business Environment Snapshots
http://rru.worldbank.org/BESnapshots/

BE Snapshots aggregates indicators, rankings, and other information from a range of sources to provide comprehensive country-based overviews.

The Database of the DCED Business Environment Working Group
http://www.businessenvironment.org/

This database is used to share documents and information about donor-supported work to enhance the business environment to achieve pro-poor growth, with a particular focus on aspects of the Business Environment that discriminate against small firms.

Doing Business Indicators
http://www.doingbusiness.org/

The Doing Business Project provides objective measures of business regulations and their enforcement across 183 economies and selected cities at the subnational and regional level. This includes measurement of the ease of starting a business in each of the studied countries.

Global Competitiveness Index
http://gcr.weforum.org

The World Economic Forum's Centre for Global Competitiveness and Performance, through its Global Competitiveness Report and report series, aims to mirror the business operating environment and competitiveness of over 130 economies worldwide.

USAID Business Climate Legal and Institutional Reform (BizCLIR) Project
http://www.bizclir.com/

BizCLIR provides quantitative and qualitative assessment of the legal, policy, institutional, and societal dimensions of a country's business and trade environments. The diagnostic is based on reviews from a range of sources, from high-level government offices and officials to micro-, small-, and medium-sized enterprises. It also assesses commercial law (CLIR), the agribusiness-enabling environment (AgCLIR), enabling environment assessments analyzing gender issues (GenderCLIR), and the Health Business Climate Legal and Institutional Reform tool (HealthCLIR).

World Bank Enterprise Surveys
http://www.enterprisesurveys.org/

The Enterprise Surveys take pride in providing the world's most comprehensive company-level data in emerging markets and

developing economies. Business data has been collected from more than 120,000 firms in 125 countries to create indicators that benchmark the quality of the business and investment climate across countries.

The Worldwide Governance Indicators (WGI)
http://info.worldbank.org/governance/wgi/

WGI reports aggregate and individual governance indicators for 213 economies, over the period 1996–2009, for six dimensions of governance, including regulatory quality and rule of law.

Examples of Donors Providing Resources in Business Registration Reform

African Development Bank (AfDB)
http://www.afdb.org

AfDB provides information about business registration and investment climate reforms in several member countries.

Asian Development Bank (ADB)
http://www.adb.org/

ADB provides information about business registration in several of its member countries.

Inter-American Development Bank (IDB)
http://www.iadb.org/

IDB has information on registration reforms in some member countries and on the MAP initiative (see below) and includes some knowledge management materials.

United Nations Development Programme (UNDP)
http://www.undp.org/

The site has information about business registration reforms.

United Nations Industrial Development Organization (UNIDO)
http://www.unido.org/

This UNIDO site offers information about business registration reforms in several countries.

U.S. Agency for International Development (USAID)
http://www.usaid.gov/

This site provides a range of country studies and case studies covering different aspects of business start-up reform.

World Bank Group—Investment Climate Department (IC)
http://www.wbginvestmentclimate.org/

IC's website offers one of the largest collections of knowledge management materials related to business registration reform in developing countries.

Examples of Donor-Funded Initiatives in Business Registration Reform and Related Areas

Better Regulation for Growth (BRG)
http://www.ifc.org/brg

The BRG program aims to improve the regulatory and investment climate in developing countries by developing and disseminating for the first time widely practical and operational guidance to help these countries design and implement effective regulatory reform programs. In addition to publications within the program itself, the site includes a comprehensive library with hundreds of articles on regulatory reform, covering issues such as business registration, one-stop shops, "silence-is-consent" rules, and so on.

BizClim
http://www.acpbusinessclimate.org/BizClim/

The ACP Business Climate (BizClim) is an EU-funded initiative under the Cotonou Agreement. The BizClim Facility seeks to enhance the business environment of African Caribbean Pacific (ACP) countries and regions by providing technical assistance to improve legislation and institutional arrangements relating to the enabling environment; improve their financial sectors' enabling framework; reform state-owned enterprises; and enhance macroeconomic stability.

East African Network of Reformers
http://groups.google.com/group/NoR-EA

Countries in the larger East Africa Community (EAC) have since 2008 gathered for fruitful exchanges and learning on regulatory reform, as well as to exchange knowledge, ideas, and best practices from leading to lagging countries in the region. The Network of Reformers now holds regular meetings bringing together some 70 to100 regional officials, policy makers, and private-sector stakeholders with interest in regulatory reform.

Investment Climate Facility for Africa (ICF)
http://www.icfafrica.org/

ICF is a public-private initiative that works to remove the barriers that exist to doing business in Africa, recognizing that a healthy investment climate is vital for the continent's economic growth. "Business registration and licensing" is found among its eight priority funding areas.

Mejora del Ambiente Productivo (MAP)
http://www.iadb.org/map

Better Conditions for Productivity, *Mejora del Ambiente Productivo* (MAP) is a public-private initiative providing technical assistance to reduce or eliminate barriers to private-sector growth in Latin America and the Caribbean. This includes simplified regulatory systems that lower barriers to entry by reducing red tape in business registration. Governments and private-sector institutions committed to improving the productive environment of the region and their countries can participate in MAP by submitting proposals and ideas on specific solutions in response to periodic calls for proposals.

Middle East and North Africa Initiative on Governance and Investment for Development
http://www.oecd.org/mena

The Initiative on Governance and Investment for Development is a regional effort, initiated and led by countries in the Middle East and North Africa (MENA). It promotes broad reforms to enhance the investment climate, modernize governance structures and operations, strengthen regional and international partnerships, and promote a sustainable economic growth throughout the MENA region. The initiative's Working Group on E-Government and Administrative Simplification aims to achieve economic growth and to contribute to human and societal development through integrity, transparency, and accountability.

OECD Investment Compact for South East Europe (SEE)
http://www.investmentcompact.org/

Launched in 2000, the OECD Investment Compact for South East Europe (SEE) is a regional program designed to improve the investment climate and to encourage private-sector development in South East Europe through the implementation of reforms enhancing domestic and foreign investment. It has among other activities initiated a peer review of the business registration process in SEE to address the challenges faced by SEE countries in the implementation of reforms in this area.

UNCTAD eRegulations
http://www.eregulations.org/

This platform, developed and hosted by the United Nations Conference on Trade and Development, helps countries in transition navigate each step of various online procedures (including registering a business). This site helps countries work toward business facilitation through transparency, simplification, and automation of rules and procedures relating to enterprise creation and operation.

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