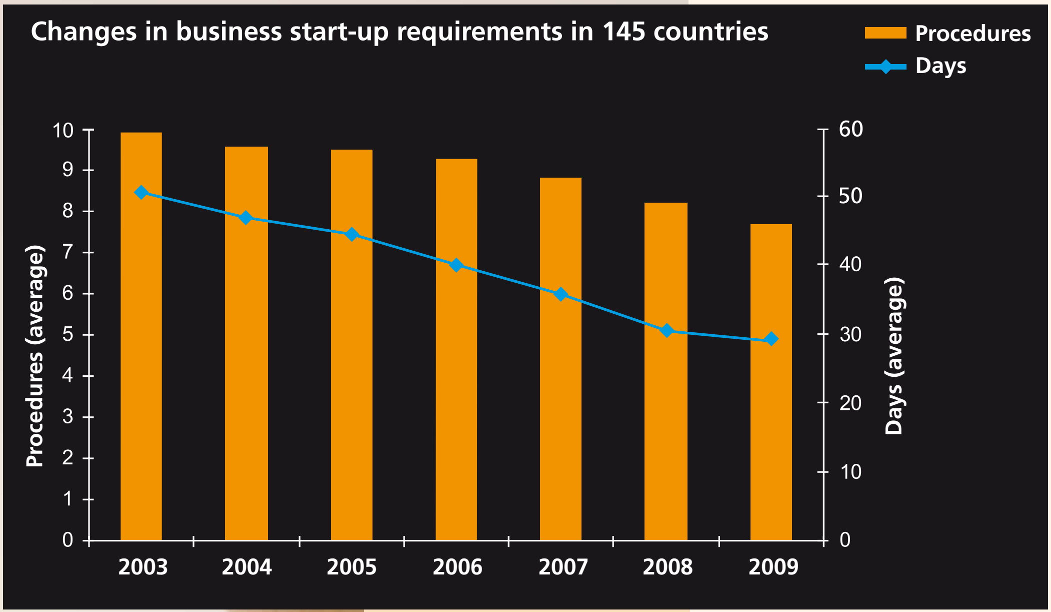
Fewer stops on the start-up road

Business start-up may not yet be a one-stop activity but David Walke explores how countries around the world are adopting the idea of a one-stop shop.

When a group of eminent economists met in Copenhagen in 2004 to consider what would be the most cost-effective use of an additional $50 billion budget for international aid, their final list of ten programmes included such items as control of HIV/AIDS, combating malaria and improving water supplies. It also included 'lowering the cost of starting a new business' (Lomborg (ed), 2004).

Faced with complex, costly and long-winded requirements, a person who does not know how to get around the rules might well abandon a good business proposition while the more determined may be tempted by the perceived benefits of the grey economy. In either case, the potential benefits for the community at large will be lost. Formal businesses not only contribute by way of taxation: they also have greater potential for growth and employment. Meanwhile, governments cannot support businesses that they do not know exist. The economists recognised not only that there was a problem, but that it was a problem that could be overcome and that the investment involved would be well rewarded.

In 2003, the World Bank conducted the first of a series of annual surveys regarding the business environment around the world. Amongst other things, this included assessing the number of activities, the time and the cost involved in satisfying the formalities associated with starting a business. The first *Doing Business* report (World Bank, 2004) considered what was needed to start a limited company in the main commercial city of each of 145 countries. On average, the various administrative procedures took 51 days. By 2009, this had been reduced to 29 days. Some countries had not reformed at all, and in some the situation had actually deteriorated, but others had made dramatic improvements. For instance, Azerbaijan reduced the timescale from 105 days to ten.



Data source: World Bank, Doing Business database

David Walke

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What had become clear was that, with willing support from a variety of aid programmes, a competitive spirit was brewing. Every country wanted to present itself as a good place to do business and there were now some recognised benchmarks in the form of the World Bank's *Doing Business* reports.

The concept of a one-stop shop for business start-up roused particular attention in several countries. This was fine, but for the fact that everyone seemed to have a different idea of what a one-stop shop actually was. The World Bank, eager to establish 'best practice' which could be replicated elsewhere, launched a review (Walke, 2009).

On the admittedly arbitrary basis that a one-stop shop was an organisation which handled business registration and at least one other function, such as tax registration, 67 countries out of the 183 reviewed by *Doing Business* in 2009 had a one-stop shop. As a group, these clearly outperformed the other 116 countries.

Before coming to the conclusion – as some have done – that a one-stop shop is a cure-all for all problems, it is important to recognise that some countries perform well without a one-stop shop while others fail to impress despite having one. The United States ranks sixth out of 183 countries in terms of the ease of starting a business, but New York does not have a one-stop shop, at least, not in the terms defined here. Gabon has a one-stop shop, but it still takes 58 days to start a business.

Reform

It soon becomes evident that the best performers only implemented a one-stop shop as part of a much wider programme of reform. The best advice for someone considering a one-stop shop is actually to forget the idea until they have analysed their existing processes and rationalised the procedures. This type of analysis regularly highlights activities of which managers are unaware, which duplicate action elsewhere in the organisation or which serve no obvious purpose. The key feature, which will inevitably involve consultation with the private sector, is establishing what customers want or, to be more precise, what they need. Members of the business community may be so accustomed to poor standards of service from government offices that they do not realise what is possible.

The reasons for burdensome procedures will vary from country to country. They may lie in outdated legislation, heavy-handed bureaucracy or lack of adequate computer systems. Often it will be a

	Average	
	Number of procedures	Number of days
67 countries with one-stop shops	6.1	19
116 other countries	9.3	46

Source: World Bank, Doing Business database

combination of all three. Constraints may take the form of lack of capacity in the legislative timetable, conflicting requirements of various arms of government or limits on proposed expenditure.

This is where there is a need for a clear plan. The experience of the Chambers of Commerce in Colombia was that the wish-list of reforms and new services was becoming so long as to make the project unmanageable. Some things, while desirable, had to be deferred in order to ensure an achievable outcome within the constraints of time and available finance. Much of the initial planning was about deciding what not to do.

Different approaches

Responsibility for business registration varies according to legal traditions. The chambers of commerce in Colombia are private non-profit corporations with both official duties and others of general, sectoral or collaborative interest. Official duties include the maintenance of the Trade Register.

Motivation for reform came from the chambers themselves and their members. Azerbaijan has followed the example of the Russian Federation and Georgia in establishing a single business register held by the Ministry of Taxes.

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Burkina Faso

In countries with a French or German legal heritage, ultimate responsibility for the registers has generally remained with the courts, though there are numerous examples of one-stop shops providing an interface with the court system.

There have been occasional complete breaks with the past, as in Rwanda, where a new Rwanda Commercial Registration Services Agency has taken over registration functions previously exercised by the courts. The number of procedures involved in start-up fell from eight to two and the timescale from 14 days to three, contributing to Rwanda being declared the *Doing Business* 'top reformer' in 2008/09.

Burkina Faso and Egypt provide evidence of one-stop shops which, for different reasons, did not achieve everything that might have been expected. In both cases, those responsible realised that the principle of a one-stop shop was valid but the manner of implementation meant that it had not achieved its potential. Both had considerable success at their second attempt.

Burkina Faso

In the early 1990s, Burkina Faso established a Centre for Enterprise Promotion in the Ministry of Commerce and Trade, including also representatives of the court, the police, the finance ministry and others. The aim was to centralise, simplify and rationalise functions and to speed up the formalities associated with trade and investment.

The problems started with the court. The Tribunal de Grand Instance was responsible for maintaining the statutory register and all applications had to be passed to the President of the Tribunal for formal approval. The lawyer sent to the one-stop shop could accept applications but would then need to bring them to the court. Not only was this a poor use of resources, as the lawyer concerned was unavailable to deal with other issues, but it was seen as limiting his experience and thus his career prospects.

There were similar problems with the finance ministry, which could not easily spare an experienced tax officer to attend at the one-stop shop or provide a substitute when the nominated officer was not available. At times, applicants at the one-stop shop were simply advised to go to the tax office themselves.

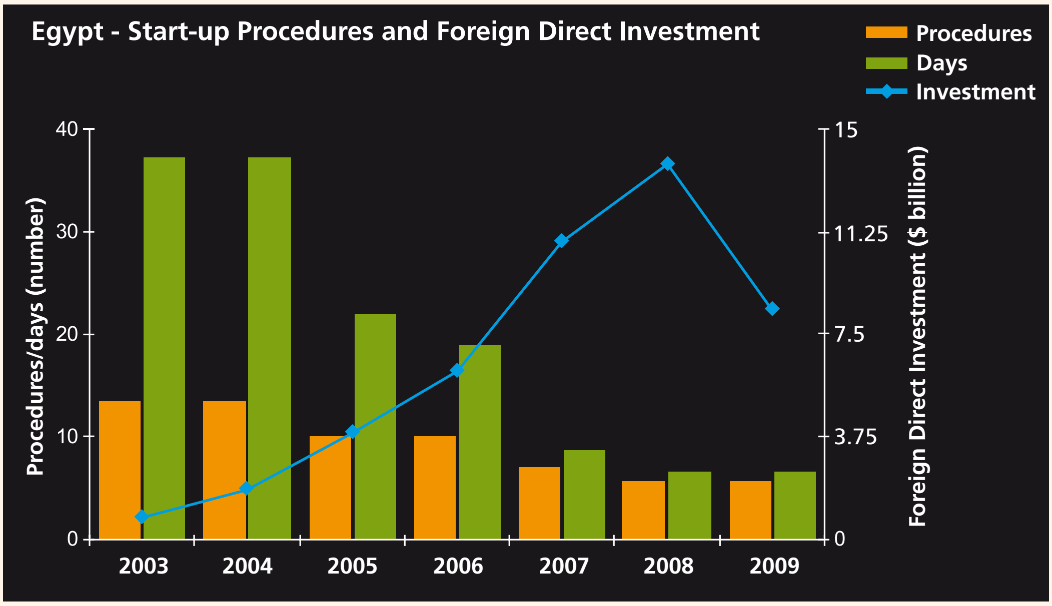
Faced with complaints from the private sector about unnecessary bureaucracy, delays, cost, uncertainty and corruption, the government accepted a proposal for the establishment of a Maison de l'Entreprise at the Chamber of Commerce to provide a range of business services for small and medium-sized businesses.

This was to include a Centre de Formalités des Entreprises, following the French model, which was implemented with support from Bordeaux Chamber of Commerce. CEFORE opened for business in January 2006. While constrained by an international agreement on business laws (OHADA, 1997), which meant that registration needed to remain a responsibility of the court, there was still scope for significant rationalisation of registration procedures. One feature of the reforms was the introduction of a single form to meet the requirements of all the authorities concerned.

Registration in 2005 involved 12 separate procedures and took 40 days. By 2009, there were only four procedures, taking 14 days, and an expectation of continual improvement. With World Bank support, CEFORE now occupies a new building, which it shares with whole departments – rather than just single representatives – from the tax and social security offices.

Egypt

Egypt had faced falling investment during the 1990s. In 2001, the General Authority for Investment and Free Zones (GAFI) calculated that a new investment proposal could involve up to 22 ministries and 78 governmental entities.



Note: Years for procedures and days relate to data published the following year, ie, 2003 data was published in Doing Business 2004. Years for investment relate to financial years, ie, 2003 data is for the financial year 2002-03
Sources: World Bank, Doing Business database; Bank of Egypt

Investors might need any of 349 approvals, permits or licences and were expected to comply with 200 business licensing regulations (Stone, 2006). The solution was seen to be one-stop shops to provide 'all investment-related services'. These were established in Cairo, Alexandria, Ismailia and Assiut, with up to 11 organisations represented in each location. The one-stop shops provided services for companies which qualified for investment incentives but, as the incentives were restricted to certain sectors, the new arrangements excluded many of those who might have benefited.

Following the passage of a new Investment Law in 2004, GAFI was redefined as an investment facilitation and promotional agency and the only body to which investors of any size, whether international or domestic, needed to apply in order to establish a company. The existing Companies Authority was abolished.

Even so, and to the disappointment of many, by 2006 the country still had a poor rating in terms of the ease of starting a business. It was then accepted that there were numerous procedural weaknesses and that costs were still high. By identifying and addressing these, Egypt became the 2006/07 'top reformer'.

The present system involves the applicant (usually a lawyer acting for the founders) sitting with a GAFI lawyer, who keys relevant information into a computer system in order to produce a tailored application form for signature. This information is then available for subsequent stages of the registration process. The system calculates relevant fees and produces an invoice. All fees are paid at the bank. There is a bank in the same building. There are no cash payments in the one-stop shop.

While the present system may not be altogether 'one-stop', it is clearly providing a much improved service to the business community and, together with other initiatives, has contributed


Cairo

Mauritius – Starting a business as a limited company

Before the reforms

- Apply to Registrar of Companies to reserve name (a)
- ↓ Apply to Local Authority for trading permit
- ↓ Await inspections (b)
- ↓ Notary prepares documentation (c)
- ↓ Apply for incorporation
- ↓ Collect incorporation certificate
- ↓ Apply for tax registration
- ↓ Apply for Social Security registration
- ↓ START BUSINESS

(a) Requirement for prior registration of a name was removed in 2006

(b) Sanitary Authority, Police Department, Fire Services Department, Ministry of Health, Ministry of the Environment and any relevant industry-specific licensing authorities

(c) Requirement for use of a notary was removed by the Companies Act 2001

As it is today

- Apply to Registrar of Companies for incorporation (d)
- ↓ Collect incorporation certificate and business registration card (e)
- ↓ START BUSINESS
- ↓ Pay fee to Local Authority within 15 days
- ↓ Respond to approaches from Social Security and inspection authorities

(d) Registrar enters information onto Central Business Registration database which is accessed by the Mauritius Revenue Authority, the Ministry of Social Security, local authorities and the Small Enterprises and Handicraft Development Authority (SEHDA)

(e) Since 2006 all businesses, including companies have needed a business registration card

Mauritius – Starting a business as a limited company

Mauritius

to an improved climate for investment. The success to-date is ensuring that the reform initiative will continue to thrive.

Mauritius

Mauritius had substantially reformed company registration. There was a new Companies Act in 2001, based on the New Zealand model and new arrangements for registration of unincorporated business, drawing on experience in Singapore. Business registration itself was functioning smoothly, but the requirements for registration with the tax and social security offices and the need for local authority inspections of premises meant that the overall start-up process was a protracted one. While business registration was not the problem, it was able to make a major contribution to a solution – a new computer system centred on a business registration database hosted, not by the Companies Division, but by the Government Online Service.

As all government offices were given direct access to relevant information, there was no need for registration anywhere other than at the Companies Division one-stop shop. A single registration form was used to collect all necessary information. With parallel initiatives to enable a fee to be paid to the local authority and inspections to be carried after business had commenced, a company could start trading as soon as the incorporation certificate was issued. In 2006, the start-up process took 46 days. By 2009, the figure was six days and the costs involved had halved.

European Union

Under the Lisbon Strategy for Growth and Jobs (European Commission, 2006), a requirement was introduced that all EU countries should provide one-stop services for business start-up, but the manner of implementation has varied between member states. In 2009, Poland implemented a series of reforms. There was a 90% reduction in the minimum capital requirement (Commercial Code, 2009), a significant reduction in the overall cost and the number of steps was reduced from ten to six. By registering in the National Court Register, it is now possible to obtain a statistical number, a tax identification number and registration with the Social Insurance Office. Before the reforms, the start-up formalities took 31 days. They now take 32 days. Starting a company is simpler and cheaper, but it seems that the need to have a one-stop shop for company registration has, for the time being, overridden the need to rationalise procedures in the various offices concerned.

Lessons from experience

There are various lessons to be drawn from the case studies.

• Top-level commitment is essential

All the successful reforms have involved a commitment from the highest level, meaning active support from presidents and prime ministers. This has been essential to ensure the ready cooperation of a range of bodies and to overcome the various vested interests. But someone has to have the vision to present a case for reform which is not just politically acceptable, but essential to further political aims, such as encouraging investment or supporting development of the private sector.

• "We must have a one-stop shop" is not the place to start

A one-stop shop should not be an objective in its own right. It is only relevant as part of a wider programme of reform.

It is important to analyse, critically review and revise procedures first. The review needs to extend across all government bodies involved in business start-up formalities and will need to take account of views from the private sector. Any such review is likely to impinge on the law and existing computer systems, as well as forms and procedures. New laws and systems should provide for online filing and access to information – a mandatory requirement in the European Union (Directive 2009/101/EC) – even if most customers will still expect to present paper documents.

• The reform project needs to be managed

Managing significant reform is likely to involve more than an add-on to someone's existing full-time job. There needs to be a proper structure to the project – which may well involve a number of sub-projects – and an effective project plan which is regularly monitored. It is important to recognise constraints, including possible delays in passing legislation and availability of finance, and to establish clear project boundaries. The discipline of a recognised project management methodology will help to ensure the success of the project.

• Deciding on a one-stop shop

Even though this should not be the starting point, a meaningful analysis of the requirement will almost certainly conclude that there should be a one-stop shop. But there is no absolute standard to determine what this should look like. Simply co-locating representatives from different government offices will rarely be effective, though there may be merit in moving whole departments. Ideally, the customer should only need to deal with one person. Data should move rather than people. Careful analysis can be expected to indicate that the various government offices involved probably do not need paper documents, even if they think they do.

Moving on

Of the 67 one-stop shops, nine were established during 2008-09. In many cases, other reforms have included the introduction of online incorporation facilities and access to registered information. In some developing countries, online filing may initially seem premature, but in practice it is likely to be welcomed by at least some lawyers and accountants. A web-style interface to enable officials to enter data will also need little adaptation to make it available to a wider range of users at a later stage.

There are now numerous examples of what works and what does not in terms of a one-stop shop and, even though each country's administration may be unique, the need to remove obstacles to new businesses is a universal one. Registries are now actively exchanging ideas, both bilaterally and through the Corporate Registers Forum (*www.corporateregistersforum.org*) and the European Commerce Registers Forum (*www.ecrforum.org*).

The drive for business registration reform is proving infectious. There are, of course, still some who have not caught the bug and need to do so. It is in some of the poorest countries in the world

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Abu Dhabi

> "It is in some of the poorest countries in the world that it remains the most complicated and expensive to start a business"

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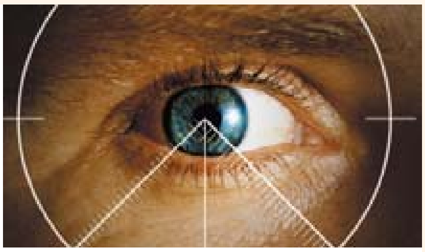

We are always keen to help members and any enquirers of the Institute in their quest for knowledge or assistance when it comes to productivity issues. We'd like to draw readers' attention to the following solutions for help with Performance Rating, which is still an internationally used technique.

New rating films for professional analysts

We have explored the possibility of creating new rating films but found the costs quite prohibitive. We were advised by Scott-Grant Ltd, one of our accredited training providers, that they had recently produced a new and comprehensive series of 12 rating films on DVD and we have fortunately managed to secure access to them. The rating films show examples of real jobs being undertaken in the workplace and the industries include

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Please contact Lynette at the Institute head office Tel 00 44 (0)1543 266909 for more details.

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