BUILDING THE CAPACITY FOR BUSINESS REGISTRATION REFORM

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Introduction

This paper is prepared for the International Conference on Reforming the Business Environment: From Assessing Problems to Measuring Results. It constitutes a summary of few publications recently developed by the Small and Medium Enterprise (SME) Department of the World Bank Group. The list of publications used for this paper is enclosed in a separate section.

The primary documents used for drafting this paper are the Business Registration Reform Toolkit being prepared by the team from the SME Department of the World Bank Group and Nathan Associates Inc and Business Registration Start-Up: A Concept Note. The work on the Toolkit has been overseen and supported by the Committee of Donor Agencies for Small Enterprise Development.

This paper aims to highlight practical guidance on how to design and implement the business registration reforms based on the best practice and proven solutions. It intends to build the capacity and knowledge of reformers to effectively introduce a modern and private sector friendly business registration process.

This paper and the Toolkit should primarily be used by advisory teams, which support the government reforms. However, it could equally be useful for the government officials responsible for the business registration reform.

This paper and the Toolkit do not intend to provide guidelines on how identify the administrative barriers for entry to business, but rather how to design and implement actual reforms having business registration already identified as a barrier for the private sector growth.

The findings, interpretations, and conclusions expressed in this work are those of the authors and do not necessarily reflect the views of the Board of Executive Directors of the World Bank or the governments of the countries which they represent. The information in this work is not intended to serve as legal advice. The World Bank does not guarantee the accuracy of the data included in this work and accepts no responsibility for any consequences of the use of such data.
Executive Summary

This paper is aimed at guiding users through the design and implementation of business registration reforms. To this end it highlights and draws upon good practice cases and already-implemented reforms in many countries. For the purposes of this toolkit we understand the term “business registration as the set of administrative processes by which a business sets up as a unique legal entity in order to engage legitimately in business activities.” The World Bank’s Doing Business database tells us that the process of setting up a limited liability company in a country’s capital city can take between 2 and 203 days, and involve between 2 and 19 procedures. The focus here is on how to streamline the procedures an entrepreneur must comply with in order to set up a generic business before any sector-specific licenses, or certifications for activities with particular environment or health dimensions.

To ensure compatibility with the Doing Business methodology the same approach is used to limit the definition of business registration. Specifically, Doing Business records all generic procedures that are officially required for an entrepreneur to start up an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions with relevant authorities. A detailed methodology can be found on the Doing Business web-site http://www.doingbusiness.org/.

The complexity of business registration varies widely across countries, but three core functions can be identified. Richer countries tend to regulate less, and rely on a firmly-established legal system to ensure business behavior. Other countries carry out significant ex-ante screening of businesses, perhaps because of a mistrust of the private sector, perhaps because of the heritage of a command economy. Legal tradition – common law or civil law – also affects the complexity and players involved in business start-up. Businesses often have to visit the same institution on multiple occasions, and fulfill procedures in series rather than in parallel. The spectrum of complexity ranges from three core functions at one end – checking for uniqueness of business name, inscription in a public commercial registry, and registration with tax authorities – to a long list of overlapping obligations and requirements at the other.

Business registration is not simply another administrative procedure to be completed. It is the gateway through which businesses enter, and thereafter contribute to, the formal economy. Taking that step has consequences for businesses.

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

The structure of this paper is based on the distinction between the process of business registration and the process of business registration reform. Therefore, the Part One is dealing with the best practice of the process of business registration; while Part Two provide guidance on how design and implement reform to establish a modern and effective business registration process.

In designing a business registration reform program, one must be cognizant of the priorities of different countries and their different situations - business registration reform must be tailored to each country. Transition economies of Eastern Europe have a command-economy heritage, but also an opportunity to fundamentally reform legal and institutional systems such as those affecting business registration. Civil law countries find it more difficult than common law countries to make business registration an administrative rather than judicial process, and accepting that can make for a more successful improvement effort. Where the main objective is formalization of the economy, simple solutions that address the needs and aspirations of individual entrepreneurs spread out across the country will be more successful than high-tech solutions that appeal to larger or foreign businesses. Thus, there is no universal practical solution, and this toolkit stresses the importance of getting the measure of the realities of any country before using the toolkit to design an improvement or reform program.
Part One: Business Registration – International Experience

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

We argue that, from an economy-wide perspective, efficient business registration is important for several reasons.¹ The establishment of a legal entity makes business ventures less risky and increases their longevity and chances of success.

- First, successful legal entities tend to outlive their founders, and can continue to contribute the economy over generations without having to build a capital stock, for example, from scratch with each generation.
- Second, resources are pulled together as shareholders join forces in establishing a company’s capital and capabilities.
- Third, the notion of limited liability reduces the risks of doing business. Limited liability gives companies and individuals the freedom to innovate and experiment without large negative consequences, and so undertake “experiments” that the state might not think prudent.
- Fourth, registered businesses have access to services – provided by public courts or private commercial banks, for example – that are not available to unregistered businesses.

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

- From an entrepreneur’s perspective formalization, essentially registering as a legal business, can help ensure access to credit, and the purchase, for example, of the first piece of expensive equipment that can increase

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productivity to the next level. As a formally registered business various public services should become available. Formalization helps bring dead capital to life. Although many small businesses fear the “costs of exposure” that come with registration, most, in fact, value the prospect of being able to interact properly with government, and benefit from the rights of formality.

- From a public perspective, formalization helps broaden the tax base, and allows the government to make better-informed public policy and investment decisions based on greater knowledge of the private sector.

An inefficient business registration system reduces the contribution of the private sector to the economy, and distracts government from its important role of facilitating business activity. Inefficient, duplicative and time-consuming procedures, in business registration and other procedures, distract the private sector from contributing to the economy. Small businesses see excessive regulation as a necessary evil or occupational hazard, which unavoidably absorbs time and energy. Larger companies find ways around cumbersome regulations. Government departments, meanwhile, often see themselves as defending some public good, and spend time and energy on that rather than facilitating entrepreneurial activity, failing to see the aggregate burden of government regulations on business. Also, an inefficient business registration system keeps companies in the informal sector. Those businesses find it difficult to grow resulting in a “missing middle” in many economies, a narrow tax base, and a government unable to make informed public policy or investment decisions.

The World Bank’s *Doing Business* has put the spotlight on business registration as a key process and a proxy for quality of the business environment. Such reforms, very visible and self-standing in many ways, have been taken up in the World Bank loan conditionalities. The European Union has also encouraged the spread of better practices as part of Association and Accession preparations. Furthermore, the US Government’s Millennium Challenge Corporation has embraced the number of days to register a business as defined by *Doing Business* as a key Economic Freedom for Threshold Country and Compact Country disbursements, making another direct link between business registration performance and donor funding.

Finally, reforming the business registration system also impacts broader government efficiency and perceptions thereof. Successful business registration reform can send positive signals to the international and domestic investment community. If different ministries or branches of government are seen to be collaborating on a relatively non-controversial business registration improvement program, it also lays the foundations and the mechanics for deeper reforms. In Jamaica, for example, the Office of the Registrar of Companies was set up as a pilot Executive Agency before the relevant law was passed, but the pilot’s success made the approval of the law much easier. Also, business registration is,
in many ways, the “peak” business regulation function in a country and many other approvals and registrations flow from it. A Single Identification Number created in the business or tax registration process is often used for all of a business’s interactions with the administrative system.

Business registration should not be complex. Critical basic principles or target characteristics of a good legal and institutional framework are enforced in countries with effective business registration system.

- **Reduce the number of steps for business registration to a minimum.** Checking the uniqueness of a company name, inscribing a company in the public register and registering with the tax authorities tend to be the three core procedures. Other steps such as social security registration or sub-national procedures should ideally be removed from the basic business registration process, or require no new information and be made automatic through the sharing of information. However, such streamlining may be prevented by legal tradition (e.g. Civil Law) or political rigidities. An ideal degree of streamlining may not always be practical.

- **Aspire to a single interface for all procedures to start up a business.** Whatever the number of procedures required countries should aspire to have the entrepreneur deal through a single interface. This is much easier if business registration has been streamlined and made into a fully declaratory process requiring no adjudication or decision-making. At a minimum, however the business registry, as the first step or peak registry in the formalization process needs to be linked into the rest of the system. Tax authorities may still insist on additional information, and social security agencies may insist on being involved, but at least they should be able to access information already submitted, and not require repeat submission. Computerization helps considerably, whether it be through on-line registration, or through qualified receiving clerks inputting all information related to tax and business registration, and distributing it automatically to the appropriate agencies.

- **Make business registration declaratory.** The most efficient business registration systems are declaratory, but the feasibility of this is greatly dependent upon the prevailing legal system (Common Law versus Civil Law). Some countries (e.g. Colombia, Serbia) have successfully moved from a court-based system to an administrative one, but that transition is often contentious. Paraguay is in the process of simplifying its procedures, and there are significant opportunities for improvement without entertaining the risk of trying to remove the Judiciary from the process. Efficient developed country registration processes (e.g. UK, Australia, and Canada) are essentially declaratory.

- **Time limits.** Time limits have proven effective in speeding up business registration but are premised on simplification of the system and the training of receiving clerks to judge the completeness of applications. Again this is helped by automation such that computerized in put systems do not permit the next level of information to be input unless, for example,
company deeds have been scanned and the presence of signatures confirmed. Russian reforms to business registration stipulated a maximum of five days for registration, whilst Jamaica has gone further in offering a money-back guarantee for slow service.

- **Limitless duration.** Annual re-registration or updates are often burdensome in developing countries. With poor capacity of the registration agencies and weak legal framework such re-registration creates more opportunities for corruption and discourage businesses to operate legitimately.

- **Country-wide validity.** This is a very important issue since many sub-national governments see licensing or registration as an important source of revenue. Either sub-national authorities need to be removed from the formal business registration process or a registration in one needs to be accepted country-wide. Regional field offices of central government should be empowered to accept or process applications, but actual sub-national licenses or permits should not be seen as part of the registration process. Kenya is struggling with this problem. In the US companies registered in any state are recognized country-wide although this does not prevent varying degrees of red tape further down the road. However, this state-level red tape has led to natural competition for corporate location within the country rather than become a barrier to business entry.

- **Proximity of registration offices to potential businesses.** From other side actual business registration services should not be carried only in one locality such as the capital city. It’s important, especially for large countries, to have a possibility to register a business in a registration office close to your home. It’s mostly vital for micro and small business that would be reluctant to travel (often more than once) to the capital city to be registered.

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

- **Computerization and national business database creation.** A good business registration system is not just about how quickly a company can register, but rather from an economy-wide perspective about how effectively the new company is incorporated into a national database, and the information appropriately used. This is why, today, computerization, alongside simplification, is an essential part of any business registration reform program.
Using the above principles helps governments avoid mistakes and failures in building the effective system of business registration. However, the following “not to do” precautions must be observed as well.

- Do not start reforms without strong commitment from the high-level decision makers. Major legal and institutional reforms should not be persistent. A resistance to change from powerful vested interests can significantly slow or even derail the reform process. There should be an effective mechanism in place to ensure first the introduction of new system, and second, the sustainability of reforms.
- Do not create new institutions, rather use the existing ones. Instead use reorganization can produce substantial gains.
- Do not start an overly ambitious reform program beyond the absorption capacity of a country. Otherwise, it can jeopardize reform – often simple reorganization can produce substantial gains.
- Do not introduce IT solutions before the laws and procedures governing business registration have been analyzed and simplified as needed.

The flowchart below shows the universe of possible institutions and bodies and the most common procedures involved in the business registration/start-up mechanisms in both developed and developing countries. The flowchart is a reduced form of a complex start-up process that can entail even more institutions and procedures depending on the individual country and its particular requirements.

- In streamlined models among developed countries, the registration/start-up process takes less than 5 days, and in some cases only one. Registrants must:
  - interact with only one or two institutions, while one of them, the main registration body, automatically forwards necessary company information to the other relevant institutions
complete only 3 or 4 procedures all of which can be accomplished online or electronically (email or fax), in one or two days

- In the more cumbersome and inefficient systems, as depicted by 1-17 above, the business registration/start-up process can take over 3 months, and in some cases years. Registrants must:
  - personally visit up to 17 different offices
  - manually complete over 25 procedures
  - submit numerous forms containing duplicate information to different offices
  - perform many procedures sequentially, rather than in parallel

The main difference between these two systems is the ex-post verification (administrative process mostly associated with common law) vs. ex-ante verification (often judicial process mostly associated with civil law) of information in which case we compare of course two different things.

In a model case, as depicted below, only 3 procedures must be completed sequentially which require no judicial process: 1) check for uniqueness of name, 2) file for incorporation, and 3) register for taxes. The tax administration will not recognize a business until it has been incorporated. The registration body will not register a business name until it has been checked for uniqueness. The rest of the procedures can be done in parallel and independent of each other.

The ideal streamlined process as depicted above works as follows:
- Registrant checks the online searchable database containing all existing business names to ensure uniqueness. If the same name exists, a different name must be proposed. Registrant reserves a name.
- Registrant fills out and submits to the one-stop shop (online or via fax/mail) a single registration form which captures the entire data set needed by every government institution requiring company information.
- Registration body issues to the business a single identification number to be used for all interactions with the government henceforth.
- Registration body sends relevant data to each government body on behalf of the registrant. The e-government network is designed to protect confidential data from reaching publicly exposed databases (e.g. financial data required by the Tax Administration would not be routed to the Statistics Office).
- The registrant is made aware of his or her legal obligations as a business operator, such as purchasing worker’s compensation insurance and unemployment insurance, and arranging for withdrawal from employees’ paychecks for pension. Instructions are provided for how to fulfill necessary obligations. Owners sign, under penalties of perjury and as self-identified authorized authorities, the registration application, and thereby assume responsibility for conducting business according to the legal obligations set forth by the government.
- Health and Safety, and Environmental authorities are alerted of the new business’ activities and can perform ex-post monitoring and enforcement at anytime in the future.
- If local authorities have partnered with the registration body, the one-stop shop will complete local registrations or at least provide necessary application forms to be submitted directly by the registrant. Otherwise, registrants are merely instructed by the OSS to ascertain what registrations and general approvals/license are necessary, if any, in order to start-up business.

The following aspects reduce costs and enhance the efficiency of the generic streamlined model:
- No or notional minimum capital requirement
- No notarizations required
- Silence is consent (e.g. if entrepreneurs have not heard from the government agency within a given number of days, approval is automatic and they may start their business operations or continue with subsequent procedures)
- Electronic signatures are legally endorsed.

Amongst developed countries there are patterns of good practice that can be drawn upon by developing countries to make their reform efforts more effective, but also differences that demonstrate that solutions remain country specific.
Key themes running through developed country good practice in business registration are: user-friendliness, new institutional approaches, and the use of information technology. These themes also affect how different operational tools are implemented.

- A customer-oriented approach characterizes good business registration processes in developed countries. Systems are designed to facilitate business interactions with government agencies. Relevant agencies tend to go out of their way to reduce business start-up burdens. This customer-friendly approach is reflected, for example, in business service centers that provide not just registration windows but often free advice on how to make new businesses successful.

- New institutional approaches are seen both in the design of core registration bodies and business-interface institutions. The four possible locations for the core business registration function are: a government department, a court or judicial registry, an executive agency, or a chamber of commerce/private concession. Generally, countries have not played with the ultimate institutional locus, but sought ways to change its “face”, and make it more responsive to private sector needs. This has included establishing business service centers where businesses can carry out registration procedures and receive information and business help.

- Information technology is indispensable in improving business registration today. Other operational tools such as single identification numbers or one-stop shops or single registration forms are all rendered infinitely more powerful through the application of IT. Cumbersome business registration systems tend also to be paper-based, and the hard-copy ethic gives rise to many of bottlenecks, such as the need to visit the same institution multiple times.

There are a number of tools developed countries utilize for registering business. The most common are (a) one-stop shops (OSSs); (b) e-government and IT solutions; (c) single identification numbers; (d) silence is consent (affirma ficta)

One-stop shops are either physical offices or online web portals where business registrants can obtain all the information they need, and in the best cases, complete almost all registration/start-up procedures. Physical OSSs can be many or few, located throughout a country. They have the potential to provide particular benefits to rural businesses with limited access to municipal centers. One-stop shops reduce the need for businesses to visit numerous offices such as national and local registries, national and local tax authorities, the social security office, and the statistics and labor authorities.

The establishment of an OSS must be accompanied by organizational and procedural improvements, in order to avoid the creation of a one-more-stop shop (OMSS)! An OMSS may merely perpetuate old inefficiencies whilst adding an additional layer. A successful OSS depends upon collaboration amongst relevant
government authorities in order to share responsibilities for supporting business start-up. Modern one-stop shops use IT solutions to facilitate the sharing and protecting of information among the government constituencies involved. Traditionally OSSs have only been effective when officials appointed to it are vested with sufficient authority and autonomy to make decisions themselves. With the increasing use of IT qualified clerks are able to judge the completeness of applications if not actually approve them, but through a “single window” digitized applications can immediately be accessed by relevant institutions without their officials having to physically relocate.

E-government is about the use of information technology to make government more efficient and responsive. It helps
- promote more efficient and effective government
- facilitate more accessible government services
- allow greater public access to information
- make government accountable to citizens

E-government is necessary to reap the full benefits of simplification tools such as online OSSs and single registration forms. Important uses of IT include the provision of information electronically, computerized information and document input either at a physical location or on-line, computerization of records of existing entities and business names, computerization of new registration requests, electronic signatures, and the ability to communicate within and between government departments and between different jurisdictions via intranet. Important e-government components may include the following:

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

Single Registration Forms gather in one form all the information requests of agencies involved in a company’s registration/start-up process. Thus, rather than filling out numerous forms which require much of the same information, business registrants only have to provide the information one time to one source, and it is disseminated to all relevant agencies. Registration form requirements may change over time depending on the needs of the various agencies involved, thus periodic reviews are necessary.
Single Identification Numbers are another simplification tool useful for both entrepreneurs and public authorities. Businesses can use the same number for all of its dealings with various government departments and agencies at the national and sub-national levels. Having one number for each business simplifies the management of databases and the sharing of information about businesses among public authorities.

Silence is Consent is a self-imposed rule by government authorities to prevent unnecessarily long periods of time from passing while handling applications. Silence is consent means that if entrepreneurs have not heard from the government agency within a given number of days, approval is automatic. The rule is particularly helpful when certain procedures must be done in sequence and the earlier ones can cause bottlenecks in the registration process. The rule ensures that applicants do not assume that all is well with their applications only to find out weeks later that they had been languishing unattended on a desk or in an inbox.

The rule often holds bureaucrats responsible for approvals that resulted from their neglect to act within the time limit. Thus, when a silence is consent rule is in effect, it is particularly important to provide clear and precise directions on what information is required of applicants. Otherwise, bureaucrats will experience the tension between having to make a sound administrative decision based on insufficient information and having to honor the time limit.

There are a number of good practice examples of business registration reform and process. Some of them are summarized in the Annex.
Part Two: Reforming the Business Registration

This part summarize the main steps advisory teams need to take to design and implement a business registration reform.

Before jumping to the reform implementation it's important to take into account international reform experience and the particular circumstances of the target country. Regarding international reform experience he/she must be aware of (i) good practice in business registration procedures; (ii) successful approaches to reforming the business registration process; (iii) potential risks and ways to mitigate them, as well as “what not to do” rules. These have been discussed and analyzed in Part One. Beyond this he/she must consider (iv) the viability and desirability of particular approaches and tools in his/her particular country situation; (v) how to design and implement a reform program for a particular country situation; (vi) how to ensure sustainability and donor exit; and (vii) the costs of reform in terms of project duration and required financial / human resources.

A common business registration project can be divided in four main stages: (i) Pre-Design - Foundation Stage; (ii) Pre-Design – Preparation and Assessment; (iii) Design Stage; (iv) Reform Program – Implementation & Supervision.

Pre-Design - Foundation Stage

The pre-design stage can notionally be divided into a foundation phase and a preparation phase.

- The foundation phase is about being confident that a country’s circumstances are amenable to a business registration reform program – that key incentives exist, and that important people want it. It is also about understanding the importance of business registration in the universe of business environment challenges, and its relationship to other potential reforms. The foundation phase may be embedded in a larger private sector development or public sector modernization project, or the design phase thereof.
- The preparation phase is about undertaking the preliminary and assessment activities necessary to design and implement a successful business registration improvement program once its general viability and desirability has been ascertained.

Foundations are crucial. Much as a builder will check the ownership of the land, and the geological soundness of the site before preparing or implementing a construction project, so the appropriate foundations for a business registration reform project must be in place. The “foundation” activities of the pre-design stage are wrapped up with the broader business environment reform process,
and are about judging the general feasibility and scope of a business registration reform program. They are the underlying issues for reformers to think about before recommending a “go / no go” decision (if relevant). The period of foundation-laying may be very short, but it has the important function of setting business registration improvement in the context of broader business environment reforms.

- How important is business registration set against other business environment reforms?
- Is it the most pressing problem; will it help establish the institutions and mechanisms that will make subsequent reforms easier?
- Does a broader view of business environment challenges shed light on the ease or difficulty of major legal and institutional reforms?
- Are there possibilities to do business registration reform alongside other BE reforms using the same steering committee or similar institutional solutions, in other words with incremental additional effort?

Foundations may already be in place. The foundations for a BR reform project may already have been laid when the Project Team Leader becomes involved, but he/she needs to satisfy himself that this is indeed the case. Even if the decision to go ahead has effectively been taken, these foundations steps give him a realistic view of the challenges ahead. The Project Team may have the experience and information needed to complete the foundation stages himself, but may also benefit from specialized assistance from his donor headquarters, or from external consultants.

Many foundation phase activities will be revisited in more detail during the following preparation phase, and in many cases may be subsumed into that phase. Foundation phase activities may therefore be somewhat general and cursory in nature. The objective is to achieve a general understanding of the issues, to provide some broad-brush answers, and to reassure sponsors about the viability of the project.

Pre-Design – Preparation and Assessment

This stage involves detailed preparatory and assessment activities ahead of formal reform program design. It focuses on the collection of detailed information geared to designing a business reform project in light of specific country circumstances. Reformers are unlikely to have all the necessary skills, time or objectivity, to complete this phase without external assistance.

The preparation / assessment phase may span around 12 weeks concluding with a launch conference of some kind. This phase should be seen as beginning once a Memorandum of Understanding or commitment is in place following a foundation phase workshop, or when a serious request is received from the government. It should conclude with a launch conference where the steering
Design stage

This stage is essentially the technical approach to reform. It covers eleven key components of program design and their component activities: (1) Specify Objectives and Motivations; (2) Agree on the Approach to Reform Program Design; (3) Mobilize Champions and Intra-governmental and Public-Private Dialogue; (4) Design legal reforms; (5) Design institutional reforms; (6) Design simplification solutions; (7) Design operational tools and automation; (8) Incorporate an appropriate level of automation; (9) Incorporate monitoring and evaluation; (10) Design training activities and operational manual; and (11) Ensure sustainability and exit.

Reform Program – Implementation & Supervision

Reformers should tailor the reform program to the country circumstances using expertise available within and outside the team, and to provide implementation support to reforms. It is important to allocate financial resources and technical expertise to support the reform program. Another important function is to monitor the performance of the reform project, and of the target business registration function, and to ensure appropriate reporting and dissemination of performance indicators. Ultimately, the country ownership of the reform program will be critical to its success and sustainability.

Successful implementation requires a team effort, led by the Project Team Leader and assigned counterpart from the Government of the target country, facilitated by a variety of international and local specialists. Key team members from the target country include reform champions and members of the Steering Committee (SC), members of the Implementation Working Group (WG) and new and existing staff at the business registration institution. International expertise should include advisory teams who understand the process of reform and the causes of success and failure based on broad international experience, as well as practitioners who have experienced successful business registration reform first-hand on a daily basis. Legal and institutional reform specialists may also be required in addition to a variety of IT experts such as software designers, hardware technicians and database / web specialists. Finally, local consultants will be involved in IT activities, as well as in the collection of baseline data and program design.

Below there is a summary of main steps the reformers should take to go through the project cycle on business registration reforms.

1) Examine the existing flow of processes and documents in the regulatory framework and trying to eliminate the non-value added steps which are
sometime only in place to generate additional fees, starting with the ones that need no legal changes. Examples are the abolition of company seals or of unnecessary diploma requirements for certain categories of professions where there is no correlation with the quality of product/service provision. This was done for example in the Netherlands: Prior to 2001, it was obligatory to apply for a business license under the Establishment Law of 1996, for certain activities including retail-trade and services. In order to obtain a license, entrepreneurs needed to attend a 6-12 month course which gave them the relevant diploma. However, an evaluation of the Establishment Law informed the Government that there was no relationship between the qualifications held by entrepreneurs and the quality level of products and services.3

2) Overlapping licenses and procedures can be merged. In Vietnam, a company working in the field of extraction of stone for construction, had to obtain five different licenses before it could operate (certification of eligibility to operate in a special business sector, certification of fire and explosive safety, mining license, license to use explosives, certificate of eligibility to work with explosives). Furthermore, the different licenses had to be obtained from different offices with different fees4. An improvement would be to merge licenses to cover broader areas and to be able to obtain them in one place.

3) Simplify the forms that need to be submitted by a company by using plain language to make regulations clearer and easier to understand for the layman.5 Complex forms are often a source for mistakes leading to rejection of an application. For instance, in Canada, the Alberta Department of Agriculture revised a number of forms, cutting in half the error rate in the responses over a three year period6. Also, forms need to be easily available to companies.

4) Create a single access point for business which is centrally located. In 1999, Italy introduced a one-stop shop (“Sportelli Unici”) issuing authorization for the following administrative services: location, establishment, restructuring, enlargement, winding-up, re-starting, transformation, execution of internal works, and relocation of production sites. The one-stop shops are hosted by each municipality and are the most comprehensive of that sort in Europe. Two years after the introduction of one-stop shops in terms of establishing a new company, this has resulted in a reduction of time from 22 to 6 weeks, from 21 to 12 procedures and from 7,700 euros to 3,516 euros. Cooperative agreements

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3 European Commission Enterprise Directorate General, Benchmarking the Administration of Business Start-ups, January 2002


5 Vern McKinley, Keeping it Simple, 1998

6 Vern McKinley, Keeping it Simple, 1998
between municipal authorities and local chambers of commerce provide for setting up and running the front offices of the one-stop shops. Information technology, including internet, facilitates document exchange and review, and makes decision-making more transparent. The concept of one-stop shop was introduced within the framework of a wider government reform initiated by the Prodi Cabinet in Italy (Prime Minister’s Office, Department for the Civil Service). These wider reforms are shifting power away from central government to regions and local government, reducing the size of government, streamlining administrative decision-making processes, reviewing regulations of all sorts, and improving government’s internal management systems. Two aspects of the reforms are central: Limiting the number of government bodies participating in decisions, giving functions and tasks relating to industrial plants from central authorities to regions and city governments; and deregulating and simplifying administrative procedures involved, according to specific principles given to the Executive by the Parliament.

An important aspect when establishing a one-stop shop in a country where “unofficial” payments are the norm is the layout of such an office. It needs to be centrally located, in an open and transparent office without back-up offices to limit the opportunity for “bribes”.

5) **Create electronic filing and make the registration information available to different government offices** such as the tax administration, customs and statistical office. In addition, the information could be also shared with the municipalities/provinces/states in which the company intends to be active, thus avoiding the filing of separate registrations. This can be done in a first step via mail (as it was the case in Turkey) and can then be shared electronically once the interlinked computer systems are in place which might take more time. This allows having simultaneous registration procedures ongoing in parallel.

6) **Introduce a “silence-is-consent” rule.** This means that if entrepreneurs have not heard from the government agency within a given number of days, approval is automatic and they may start their business operations or continue with subsequent procedures. Portugal for example sets precise and binding time limits for all actions permitting authorities with the introduction of the unified legal framework for industrial plan establishment (called REAI).

7) **Reduce the level of minimum paid-up share capital** (or eliminate at all) as it can be an important barrier to the formation of a limited company. While there are different arguments for maintaining the minimum capital requirement such as protecting potential claims of investors and creditors, cross-country comparison reveal no correlative link between business failure and the level of minimum capital\(^7\). But this typically requires changes in the company legislation.

8) **Introduce a single business registration form and a single identification number** as in Canada\(^8\). However, this requires a good coordination between the different government agencies to agree on the required information sharing mechanisms. If not done voluntarily, this requires legal changes. It requires also an information technology solution that can generate and assign a single identification number.

9) **Abolish direct court involvement.** In a large number of countries, registration procedures are done directly by the court system by judges. This typically results in lengthy procedures, while tying up scarce resources. Therefore, increasingly countries opt for an administrative treatment of registration with dedicated administrative staff responsible for the registration process. This will require substantial legal changes.

10) **Make registration electronic.** Electronic submission of registration documentation and supporting documentation can be one of the most effective ways in saving time during the registration process. However, to be fully effective this requires an advanced computerized system in place and the use of digital signature which needs a legal basis\(^9\). But there are also intermediary solutions: In Ireland e.g., the incorporation process can be done by transferring the data via floppy disk (can only be used when incorporating via a Company Formation Agency). It takes usually three days to incorporate a company and five days are guaranteed. While Ireland is preparing for on-line registration, the incentives for companies to choose the new solution seem limited: An individual first needs to apply for an identification card and to provide personal data to government agencies, at the same time the person can incorporate the company in three to five days\(^10\). Also, as the Kosovo example showed, even without on-line registration the incorporation process can take less than one day.

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\(^8\) [https://www.businessregistration-inscriptionentreprise.gc.ca/dchmf/brom/bro/faq-e.html#2](https://www.businessregistration-inscriptionentreprise.gc.ca/dchmf/brom/bro/faq-e.html#2)

\(^9\) [http://www.cro.ie/template_generic.asp?ID=14&Level1=4&Level2=1&Level3=0&Level4=0&Level5=0](http://www.cro.ie/template_generic.asp?ID=14&Level1=4&Level2=1&Level3=0&Level4=0&Level5=0)

\(^10\) Interview with Enterprise Registry Solution, May 2005.
Conclusion: Some Implications for Donor Interventions

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

Get the political economy foundations right. A high-level champion, the orchestration of strong intra-governmental collaboration, and improved public-private linkages are invariably important. They are fundamental to successful reform, and the Project Team should nurture them from the outset. Impending elections can slow down reform if strong vested interests are affected. By the same token it is important to establish collaboration amongst affected agencies early in the reform process, since changes in high-level personnel can easily slow reform as happened in Costa Rica despite careful planning and the incorporation of best practice.

Phasing of business registration improvements / reforms is important. Rolling out simpler, operational and automation improvements, which are less controversial, can produce rapid gains whilst building a constituency for more fundamental reform. It is often useful to separate a shorter-term (e.g. two years) improvement agenda, from a longer-term fundamental reform program in a dual level approach even if they are presented or initiated together. What is presented up-front as part of the longer-term agenda will be determined by the likely resistance to fundamental legal / institutional reforms. Again, depending on country circumstances, a big-bang approach covering all areas of reform may be possible.

Ensuring exposure of performance improvements can help assure sustainability. Publicizing progress creates support both within areas of government and in the private sector. Key areas of performance monitoring, as discussed above, include direct business registration and taxation performance indicators, Doing Business-style process indicators, indicators of institutional operating efficiency, and customer satisfaction monitoring. Some countries and sub-national regions have used innovative M&E tools: for example, the District of Sidoarjo in Indonesia introduced ISO 9000 monitoring of its municipal registration process.

Different institutional solutions require slightly different approaches to sustainability. Depending upon country circumstances it may prove preferable to keep the business registration function within government or to make it more
autonomous. Whichever approach is adopted the financial integrity of the business registration function will affect sustainability.

- If the function remains within government then the latter must acknowledge the importance of the function and release operating cost and revenue figures as well as staffing levels at least within government, and ideally publicly. The government must ensure that sufficient funds are channeled to the department and that it is not used as a “cash cow”. The issue of appropriate training and staffing may be tricky especially in the context of public sector institutional rigidities.
- If an Executive Agency or private sector concession solution is chosen then performance monitoring and evaluation becomes a particularly important tool to ensure sustainability. Performance reporting and accountability must be both upward to the responsible Ministry or agency, and outward to the private sector and civil society. It should cover all four areas of monitoring and evaluation. Jamaica’s openness in this respect is a useful model.

Training of business registration officials must not be neglected. The larger the sophistication gap between the existing and proposed new system, the greater the need for training, or deployment of staff with more IT skills. Given the antiquated, paper-based systems in many countries IT training must encompass both basic computer skills and digital-interface training. Ultimately, receiving clerks, although assisted by user-friendly application input systems, will need to be more qualified in that a key objective of improvement programs will be to lower the level of staff who can accept and process applications.

Donor support and intervention can contribute to sustainability. In the early stages of a reform program donors / international organizations can contribute technical assistance and knowledge of international best practice, as well as make contributions to the cost of automation. However, ultimately success is largely a function of political will, and beyond an initial period of perhaps two years the appropriate ongoing contribution should be in the form of exposing success or shortcomings through performance monitoring and benchmarking, where the Doing Business database is an extremely useful tool. Thereafter, periodic technical assistance on deeper legal reforms or new technology could be offered. However, the reform program design must specifically address how software and technology upgrading will be handled from agency revenues or government funding.

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

- Longer term legal and institutional reform components can easily last five or more years, and are likely to be part of a larger legal and institutional reform program such as a Public Sector Modernization Program
supported by an international financial institution (IFI). Performance milestones and exit criteria are relatively clear and include the passing of relevant laws and implementing regulations, and the establishment and performance of new or reformed institutions. IFI technical assistance facilities (whether in-country or at a distance) can play a role in monitoring these deeper reforms.

- Active donor intervention in operational and automation improvements should target duration of around two years. Just over two years allows for a start-up conference / validation workshop and two subsequent annual events / performance reviews. Ideally, these annual reviews / validations should “piggy-back” on the World Bank’s *Doing Business* annual evaluation process.

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

For shorter term business registration projects there is a natural wind-down of financial support. This is because most donor-supported expenditure is concentrated in the early stages (principally IT and legal / operational reform advice). By extension ensuring that a strategy for recurring expenditures is articulated in any reform plan is a crucial part of a donor exit strategy.

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

Business Registration in Canada – Nr. 1 According to Doing Business 2006

According to Doing Business in 2006, Canada has one of the simplest and fastest business entry procedures. Business registration or incorporation federally is possible to do in person, via mail, fax, or through the internet. The responsible agency is Corporations Canada which belongs to the Industry Canada Department headed by the Minister of Industry. The easiest way to incorporate a company is via the Corporations Canada Online Filing Center which accounts for about 80% of all incorporations. The process is described below.

Step 1 (1 day): Choose company name - word name or number – through the online system\(^\text{11}\). Corporations Canada requires a “Canada-biased NUANS report” (Newly Upgraded Automated Name Search) before it considers the corporate name. The report can be obtained either with NUANS Real-Time System or NUANS Registered Search House. NUANS is a registered trade-mark of the government of Canada. The software and data is the property of Industry Canada, while Hewlett Packard was awarded the license in 1996 to administer the NUANS system. The first time, you have to register to access the password protected website and pay CDN$ 20 in order to receive a report. The proposed name has to meet the requirements of the Canada Business Corporations Act name regulations and policies. If the name is submitted together with the complete incorporation application, and Corporations Canada rejects the name, the whole application will be refused. To avoid this situation, the company may ask for pre-approval of the proposed name.

Step 2 (1 day – same day as step 1): File for Federal Incorporation and Register Corporation Provincially via the Corporations Canada Online Filing Center\(^\text{12}\). Two forms have to be completed: Form 1 for the articles of incorporation and form 2 for information regarding the registered office and the board of directors. On has also to attach the NUANS report and may submit a “Corporate Name Information Form” which provides Corporations Canada with additional information about the name of the corporation. Once the forms are signed and submitted electronically, the information is reviewed by an examiner at the Online Filing Center. Unlike under “continental law” systems, the government assumes the veracity of the information provided by the applicant and therefore no signature of a public notary on the documents is required. However, if entrepreneurs provide false information, they are liable for prosecution in accordance with the Canada Business Corporations Act. Once accepted, the


data is being entered into a database. The incorporation certificate is then being
sent via email to the company, together with the articles of incorporation. Once
the company has incorporated federally, it is considered a legal entity. After
processing a Corporations’ articles of incorporation, Industry Canada provides a
federally incorporated business with its Business Number assigned by Canada
Revenue Agency at no charge. The Business Number is a 9-digit number that
allows registration with various government agencies (see step 3). No physical
visit is required during the whole process.

While almost all Canadians businesses can use the on-line filing Center, it does
not apply to non-residents seeking to register a goods and services tax (GST),
harmonized sales tax (HST) and/or Corporation Income Tax account; GST/HST
Registration for businesses with mailing address in Quebec; and non-profit
organizations.

In June 2002, the federal government, together with the provinces of Ontario,
Nova Scotia, and Newfoundland and Labrador, launched a program pilot for joint
registration to offer a single point of access on the internet for business owners to
file for federal incorporation and extra-provincial registration (registration to
operate the business in a specific province). In these provinces, when
incorporating federally, the entrepreneur is simultaneously given the option to
applying for extra-provincial registration with company registry in that given
province. Only a few additional on-line questions are required: Ontario requires
information on the date business commenced in the province; name and address
of chief officer/manager; and principal place of business if different from the
registered office. Newfoundland asks for the main type of business in which the
company is engaged and share capital. Nova Scotia requires the date business
commenced in the province; type of business activity; recognized agent (likely an
agent for service); and names and addresses of officers. It also requires that the
document be sworn before a competent authority. The extra-provincial
registration is linked on-line to the Canadian Revenue Agency (CRA) which
allows registering for tax accounts (step 3).

Step 3 (2 days): With the business number, the company can register with CRA
for tax accounts which can be done on-line. Clients with federally incorporated
businesses can apply through the CRA on-line for other accounts they require,
such as GST or HST, import/export, corporate income tax, or payroll deductions.
Companies that have worldwide taxable sales of more than CDN$ 30,000 in any
previous four consecutive calendar quarters or in any one calendar quarter must
register for and collect GST/HST, regardless of their revenues. CRA has also
public access to Industry Canada’s database and can ask for additional
information. The statistical office receives information on new incorporations by
Industry Canada and they have also public access to Industry Canada’s
database.

Step 4 (immediately): According to the nature of the company or business a
registration with social security (old age security program and the Canada
The reform process: The reforms to simplify the business start-up procedures were part of a comprehensive reform package to support SMEs, guided by “Growing Small Businesses”, a companion paper to the 1994 Federal Budget, released by the Ministers of Industry and Finance. Various consultations were held with public and private sector stakeholders resulting in a number of reports. Two approaches were identified in undertaking reforms: 1) to place responsibility on individual governmental institutions to address regulatory burden (bottom-up approach), and 2) to have the federal government take specific initiatives to reduce paper burden. In 1997, the final report of the Joint Forum on Paper Burden challenged federal departments to evaluate the impact of administrative requirements of federal regulations on small businesses, measure and track progress in reducing burden, establish permanent reduction targets, increase their use of technology to make it easier for businesses to deal with their governments, and communicate results through performance reports. Significant investments were made in information and communications technology for the delivery of business support services. The success of a 1992 pilot project that aimed to solve persistent problems of access to government programs and services, and a perception of complexity and runaround, led to a network of Canada Business Service Centers (CBSC) – walk-in business resource centers. The CBSC network is designed to improve service to small businesses and entrepreneurs in the start-up phase, providing single window for information on federal and provincial/territorial government services, programs and regulatory requirements (online, in person, and by phone). The Canadian government’s Government Online initiative was the driving force that facilitated CBSC’s involvement in the development of the BusinessGateway.ca, Canada’s business portal. One online tool developed by the CBSC network is the Business Start-up Assistant that provides also links on how to register a new company. Corporation’s Canada Online Filing Center was introduced in 1999. For the electronic filing of documents and for the use of electronic signature statutory changes were made to the Canada Business Corporations Act (1994). Information required from the applicants was always fairly simple and is in the public domain. Therefore, the information requirements (forms) have not been changed13. In 2001 the fees were reduced by 50%, down to CDN$ 250. On-line filing costs even less: CDN$ 200. According to a representative of Canadian Corporations at the Ministry of Industry this has significantly contributed to the higher numbers of companies incorporated online. As a result of other re-engineering initiatives, Corporations Canada has been able to process 50% more registrations annually, with minimal additional costs. On-line business surveys have shown that companies are highly satisfied with the possibility to incorporate

their business on-line. The improvements were led internally, and various, specialized consultants were brought in on a needs basis. The Revenue Agency (CRA) is leading an initiative to have the business number as a common identification number for all government agencies. As of now the different government agency databases are not linked, one reason being the protection of data.

Regarding joint registration – federally and at provincial level - the program is working well and Ontario is the most advanced having the whole process on-line. In the two other provinces the incorporation is not yet on-line as this requires a change in law. The program pilot for joint registration is being rolled out to other provinces; starting with the larger ones such as Quebec and British Columbia (negotiations are ongoing) and then reaching out to the other ones. This requires negotiations with the provinces, mainly on the timetable of introducing the joint-registration.

Following federal and provincial incorporation, in order to start specific operations, a company has to comply with their municipal (licenses) requirements which vary from municipality to municipality. In the future, companies will be able to do this through BizPaL, a web-based service that will allow business clients to easily generate a customized list of the permits and licenses they require from all levels of government. The Pilot Project is in development now and will be launched in summer 2005 with the lead group of participating governments. Additional jurisdictions will be invited to join by summer 2005, and the number of industry sectors covered will also be expanded.

**Kosovo: A Good Practice Case in Business Registration (but not yet Online)**

This is about the only completed WB projects on business registration. It has successfully introduced business registration reforms at the federal level as confirmed by the Operations Evaluation Department (OED) of the WB. Total budget: USD 1.35 million.

**Ex-Ante:** In 1999, after a decade of social and economic hardship, the UN deployed an international security force and established an UN-managed civilian administration in Kosovo (UNMIK). Kosovo remains a province of Serbia, but has “substantial autonomy and self-administration.” In fulfillment of UNMIK’s objective to establish a sound legal and institutional framework in Kosovo, the Provisional Business Registry (PBR) was established to provide a form of identification of the entities in business, but it did not give legality to registrants. It was planned to incorporate the PBR into a new modern business registry, located at the commercial court.

**The Reform Process:** Despite plans for the PBR to be located at the commercial court, as a result of “good policy dialog with the authorities” via the
World Bank’s Private Sector Development Technical Assistance (PSD TA) project, which started in June 2001, an administrative business registration system was adopted eliminating any court involvement. This was possible through an awareness raising campaign. The legal base of the Kosovo Business Registration is the UNMIK Regulation no. 2001/6 which covers personal business enterprise, a general partnership, a limited partnership, a joint stock company or a limited liability company, the Administrative Direction no. 2002/22, and the Administrative Instruction of the Ministry of Trade and Industry (MTI) no. 1/2003. The Registry of Business Organizations and Trade Names of Kosovo (NBR) were established by UNMIK and the Provisional Institutions of Self-Government (PISG) as an independent executive agency under the MTI. A private consulting company was hired by the World Bank to undertake the simplification of the process and to introduce the electronic filing. Adequate budget resources were allocated through the MTI – the law provides that fees have to cover the cost of maintaining the business Registry (financial sustainability). The head of the Registry was appointed by the Minister of Trade and Industry while staff (all local) were being recruited though competitive procedure. As of June 2004 (project completion), the NBR was fully operational and followed best practices in terms of a simple and transparent process:

1) There is a one-stop shop at the “federal” level, located in Pristina. The forms can be downloaded from the internet site which provides also number and sequence of procedures and their cost: [http://www.arbk.org/en_default.asp](http://www.arbk.org/en_default.asp) (in Albanian, Serbian, and English).

2) Application: The forms and documents for each company need to be presented in person to the one-stop shop in Pristina. With the new WB project 2005 it is planned that Municipalities will be able to act as one-stop shops. The NBR will grant e-access to all Municipalities through a protected password after training the municipal staff in May/June 2005. Currently, Municipalities can only read information such as change of business name, address, type of business, founding capital etc. but they do not have access to enter data themselves.

3) Lawyer/Head of Registry checks application (only formal) and approves it if complete and in accordance with section 9 of UNMIK Administrative Direction no. 3003/22 – this is done the same day as application. Once the company is registered, all the information is publicly available on the website.

4) Certificate released – same day as application.

5) The Tax Administration, the Statistics Office, and UNMIK Customs office receive every week the information on new business registrations by the NBR (CD Rom format). These Authorities and other offices in Kosovo will soon be linked directly to the NBR through protected passwords.

For some businesses you need a license which has to be request from the Municipality. A new World Bank project aims at streamlining the licenses process as currently each Municipality has its own requirements to obtain a license.
Success Indicators:

As of September 2004, the total number of businesses registered at the NBR amounted to 43,372, compared with 54,400 at the PBR (the previously high number is due to UNMIK regulation on business provisional registration, where branches/business units of the same parent business required a separate registrations. In additional it is believed that many of these businesses were “paper enterprises” that never became operational, and others went out of business and never de-registered their enterprise). There are several discrepancies when comparing NBR data to Tax Administration data. An action plan involving nine inspectors is being implemented to reduce these discrepancies. Next steps according to the Head of the Registry would include online business registration and implementation of a full on-stop-shop system utilizing a unique business identification number, both of which would require new legislation governing e-signature and upgrading of the Tax Administration and Customs registration system. Today, it takes only 0.7 days for the registration of a new business.

Business Registration Reform Process in Turkey – Private Registry

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

Ex-ante: Prior to reforms, the process of establishing a company was cumbersome and problematic as analyzed by FIAS:

- 19 procedures, 2.5 months
- Few computerized registries (in main business centers), not online
- Many office visits because no exchange of information among registries, ministries and the public
- Sequential and interdependent procedures requiring excessive documentation

Foundations for Reform- Preparation/Drivers/Champion

- Preparation for acceptance into European Union
- FIAS study leads to decree on improving the investment climate
- Government forms committee (YOIKK) to design and oversee reforms
- Chair of sub-committee on company establishment (Undersecretary of the Ministry of Trade and Industry) champions business registration reforms

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The reform process: Despite resistance, authority over registries was shifted and procedures simplified through intra-governmental public-private dialogue:

- YOI KK convened, bringing together president, ministers, businesses, and NGOs
- Over 25 meetings held to identify needs of all parties and eliminate procedures

Legal Reform

In November 2003 “Law Amending Turkish Trade Law, Tax Procedure Law, Stamp Duty Law, Labor Law, and Social Insurance Law” was enacted,

- requiring registries to provide relevant data to tax, labor and social insurance authorities
- eliminating requirement for notarizations and eliminated stamp taxes at regional registries

Institutional Reform

- Delegation of authority over business registration was transferred from Ministry of Trade and Industry (MOTI) to the Trade Registry Office of the Chamber of Commerce
- MOTI was removed from registration process except for companies that must demonstrate compliance with special trade laws dictated by the Ministry
- Creation of YOI KK has provided an ongoing high-level mechanism for public-private dialog on business registration reforms

Operational Improvements/Tools

- Searchable online company registration database, accessible to the public
- Single application form from which information is distributed by post/courier
- One-window for registration with trade registry, tax, labor and insurance authorities
- Elimination of procedures deemed not necessary such as MOTI approvals and notarizations

Success indicators: Procedures, costs and time have been reduced, while the number of company registrations has increased.
- 2 procedures, one day

Yavuz Cabbar, June 2003
- No minimum capital requirement

**Ongoing reforms:** Efficiencies will likely increase as further IT enhancements are made:
Automation of agencies will enable electronic transmittal of data among these agencies
- Trade Registration Gazette will soon be automated
- Application form will be available online when electronic signature regulation is enacted

The former procedure required companies to register separately with each agency.

The streamlined process allows companies to register only with the Trade Registry.

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**Notarize Articles of Association (optional)**

**Complete Registration with a Single Application Form**

**Obtain Labor Safety Permission if High-Risk**

**Company Registration is Complete**

Start Business