

A few years ago, a villager in a Latin American country bought a water purification system and wanted approval to sell water locally. He took a four-hour bus trip to the capital. . . and went again and again. Registering as a “trader” took 16 different interactions with government civil servants. Then, because he was selling water, he had to apply for two sanitary permits – another 20 steps. There were numerous delays. Forms were lost; other forms were rejected because not all the blanks were filled in, although the information requested in those cases was irrelevant. The entire process took more than a year.

Invited by the government concerned, UNCTAD specialists charted what happened. And based on the organization’s “e-regulations” programme, a new system with fewer steps has been established. A government website now shows each step, the name of the official to be contacted, his or her picture, the name of the document to be filed, the cost, and the legal basis. Registering a microbusiness, complete with sanitary permits, now takes about two weeks.



An E-regulation seminar in Mali.

«e-regulations»: Easing business start-ups and investment

The stories can be painfully funny: 50 steps were required in one country to register a business and lease government land for its offices – and the 50 steps varied from city to city. In another nation, bureaucrats in the tax office were unable to explain how firms could declare and pay their taxes. In a third country, there was a “Catch 22” situation: to get Document A, an entrepreneur was told he had to go to a different office to get Document B. At the second office, he was told Document B couldn’t be obtained without Document A. Obviously in such situations bribery often comes into play.

Bureaucratic confusion – and confusing demands – may help to explain why so many small businesses in developing countries operate informally. (In some nations, 90% are unregistered.) Governments obviously would prefer it if these firms were official, paid taxes, and followed regulations. Governments also, in most cases, would like to attract greater investment to fuel economic growth.

But businesspeople do not like red tape and delay. If obtaining government approval is too bewildering, slow, and expensive, foreign investors go elsewhere, and domestic firms operate unofficially – the easy way.

UNCTAD has found that it often helps to post a “roadmap” on the Internet (and to print and display it in appropriate locations) that shows what is required, from whom, in what order, and at what cost for such activities as starting up a business and making investments. Government officials are often so surprised by the number of steps and documents involved that they end up simplifying and streamlining the procedures.

Since it was established in 2007, UNCTAD’s e-regulations programme has helped prepare such step-by-step guides in 11 countries and one city, with notable success¹.

¹ Colombia, Mali, Viet Nam, Rwanda, the City of Moscow, El Salvador, Guatemala, Nicaragua, Comoros Islands, Cape Verde, Ethiopia, and Costa Rica.

UNCTAD's e-regulations programme

When invited by a government, UNCTAD experts thoroughly investigate a particular government process – usually, what is required to create a business, to carry out foreign investment, or to pay business taxes.

Working in many cases with local consultants, UNCTAD staff write out the procedures in a way most people will understand. (They also train relevant government civil servants in how to do this.) They gather information from the perspective of the person seeking the service and present it in a web-based format using standard software. Each step is specified in chronological order, with the name and photograph of the civil servant concerned, the address, the document or fee required, the time required (actual, rather than theoretical), and the legal or regulatory basis for the step. Often, certain shortcomings become apparent:

- ☒ There is no central oversight – that is, different government agencies or departments are involved in the process, but do not know what their counterparts are doing;
- ☒ The process is more complicated and time-consuming than expected;
- ☒ Some of the steps are redundant;
- ☒ Some steps have no legal or logical basis – small businesses must meet standards that only make sense for large businesses, for example;

☒ Some steps are so unclear that they can't be described, so that carrying them out depends on arbitrary decisions by the civil servants concerned

Once the procedure for creating a business, for investing, or for paying taxes is catalogued, a “validation session” is held. All relevant agencies and civil servants are invited, along with senior government officials. The web presentation is reviewed and discussed. Frequently, government officials decide that the process is too complicated, and steps are taken to simplify it.

Of course, poor countries do not have a monopoly on red tape – the governments of rich nations are very good at it, too. But countries struggling to expand their economies and reduce poverty have a special interest in establishing a friendly environment for business creation and investment.

Among other results of the e-regulations procedure, Viet Nam eliminated seven steps from the procedures required for creating a business, and made those procedures uniform from city to city. Mali is expected soon to pass a new company creation law; once it is enacted, UNCTAD officials expect to help the government set up a two-step process for creation of a microbusiness (a reduction of nine steps). And El Salvador eliminated a municipal tax form for businesses; it was complicated, and it turned out that the same information could be obtained from a corresponding national tax form.