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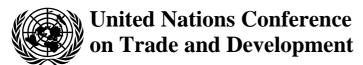
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Creating an environment conducive to productive capacity-building

Releasing productive capacities and boosting enterprise development through improved transparency, simplification and automation of administrative procedures*

Executive summary

Administrative procedures are necessary in order to implement public policies. The challenge for Governments is to achieve implementation and compliance as effectively as possible at a low level of cost.

Administrative Efficiency can release productive capacity and boost enterprise development. Reducing the administrative cost of doing business alleviates the burden weighing on the economy and spares resources that are best devoted to income-generating activities; in addition, it can bring many would-be or informal entrepreneurs to the formal economy. Administrative Efficiency is also an important component of good governance: transparent and simple rules and procedures mechanically contribute to diminishing administrative misconduct.

The transparency, simplification and automation of administrative procedures are a policy priority in most countries. Although there is no single recipe, it is possible to learn from good practices and underlying policies developed in administratively efficient countries, thus accelerating the pace of State modernization and spurring income, employment and growth. The strategies applied and the tools used by the most efficient reformers are guided by a few principles, some of which imply changes to traditional paradigms of public administration. They must be supported by the appropriate institutional frameworks and by quality regulatory policies.

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* This document was submitted on the above-mentioned date as a result of processing delays.

Contents

I. Introduction

1.   UNCTAD's work in the field of administrative efficiency follows the recommendations of the Accra Accord, which requests UNCTAD to "strengthen its activities in research and analysis, technical assistance and consensus-building with regard to stimulating enterprise development and business facilitation" (para. 154), and "help developing countries, including by building their technical capacity, to improve their e-government practices in order to enhance the transparency and simplification of government procedures in areas such as investment and the creation and development of enterprises" (para. 155).

2.   The development of enterprises – and in particular, small and medium-sized enterprises (SMEs) – is a policy priority in most member States. Measures are taken to facilitate their access to financial resources (e.g. through credit, guarantees, investment funds and foreign investment), to knowledge (e.g. through training and through the dissemination and exchange of technologies), and to market contacts (e.g. through linkages, business promotion activities and e-commerce). In addition to these "stimulation" measures, Governments can also try to alleviate the constraints on businesses through two main categories of measures: by tax (or fiscal) policies, and by making it easier for companies to comply with administrative rules. The latter is the very purpose of Administrative Efficiency: alleviating the complexity – and the associated time and cost – of administrative procedures for businesses.

3.   Making administrative procedures transparent, swift and efficient is an essential part of establishing an enabling environment for private sector development, and is essential in order to strengthen good governance and the rule of law. It is important – particularly in a context of global economic slowdown – to remove unnecessary burdens and disincentives to business activity, and to promote the application of existing, affordable solutions to reduce administrative barriers and improve administrative efficiency.

4.   Some countries (many of which are developing countries) have designed and implemented good solutions – providing swift and transparent administrative procedures for creating companies, registering property, paying taxes, and obtaining licences, work permits and visas. Laws, procedures, organizational schemes and e-government tools that have proved their efficiency in one country could be helpful for other countries that are confronted with the same problems. International cooperation in sharing and disseminating Administrative Efficiency solutions could considerably accelerate the pace and reduce the cost of administrative reform in developing countries, release productive capacities, and boost enterprise development.

5.   The informal session on Administrative Efficiency aims to encourage the sharing of good practices and policies among UNCTAD member States in the fields of transparency, simplification and automation of business-related administrative procedures.

6.   All elements, practices and policies presented in this note were gathered either in the context of UNCTAD's analytical and field technical assistance activities on administrative efficiency,[1] or on the basis of publications by – and communication with – specialists in business regulation and transparency, and the simplification and automation of

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[1] The UNCTAD e-regulations system is a turnkey e-government software application that allows Governments to present administrative procedures online. Member States that are currently benefiting from this programme include Colombia, El Salvador, Ethiopia, Guatemala, Mali, Morocco, Nicaragua, the Russian Federation (Moscow City), and Viet Nam.

administrative procedures, such as the World Bank/International Finance Corporation (IFC) Doing Business and Foreign Investment Advisory Service (FIAS) programmes, the Organization for Economic Cooperation and Development (OECD), the United Nations Public Administration Network (UNPAN), the United Nations University International Institute for Software Technology (UNU–IIST) and the United Nations Institute for Training and Research (UNITAR).

II. Administrative Efficiency is a policy priority in most countries

A. What is Administrative Efficiency?

7.   Administrative efficiency is defined in this note as the ability of public administrations to be effective at low cost, in order to enable enterprises to comply with national rules.

8.   We shall now consider Administrative Efficiency in relation to the rules that apply to entering into business (the creation of companies, the acquisition of shares, the registration of property rights, and obtaining business visas); and in relation to business operations (activity licences, the hiring of personnel, work permits, construction, connection to basic public services, payment of taxes and social contributions) and to exiting from business (cessation of activity, bankruptcy).

9.   Administrative procedures are necessary tools for implementing public policies and the corresponding regulations. They are not deemed to be a burden on economic operators, although in practice, as regulations become more complex and information-dependent, formalities can often become cumbersome.

10.   In order to be properly applied, rules must be known, and – as far as possible – straightforward to comply with. Efficient administration, therefore, consists in making procedures transparent and simple. The use of information and communication technologies (e-government) can ease administrative procedures.

Transparency of the rules

11.   By the terms *regulations* or *regulatory framework*, one should understand not only the laws and other legal texts, but also all the related formalities – that is to say, the detail of the process that one must go through in order to comply with the rule. Transparency requires, therefore, that all the relevant information about the rules be made available. "Making available relevant information for all interested operators is essential in order to enable them to make investment decisions. Information on both the substance of the rules and on the process (i.e. the way in which the rules are applied) is equally important. […] The legal requirement of transparency on host countries means, in general terms, the requirement of making available the relevant 'rules of the game' in force in their territory. The 'rules of the game' cover the relevant laws and regulations as well as the procedural rules and formalities."[2]

Simplification of procedures

12.   From the user's point of view, a procedure is a series of actions that one must go through in order to reach an ultimate objective (e.g. to register a company or property, or to

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[2] World Trade Organization. Communication from the European Community and its member States. WT/WGTI/W/110. 2002.

obtain a licence). Often this will involve waiting for and meeting with various civil servants in different places, presenting requests and documents, and either waiting or coming back to get them sealed or registered, or obtaining new documents. A single procedure can involve a large number of interactions, different civil servants in different locations, many forms and documents to submit, and queues and delays attached to each step.

13. However, administration has a different point of view. It rarely has a comprehensive vision of the process imposed on the user, since different administrative departments usually deal with different parts of the procedure. Each department only knows the part that it is entrusted with, and generally considers that the interactions under its responsibility, although improvable, are not especially complex or demanding on the user. Indeed, the complexity comes in the aggregation of steps, and in the requirements and time that these steps necessitate – not to mention the difficulty of identifying the steps themselves and the order in which they should be performed.

14. Simplifying procedures consists in considering the entire process from the user's point of view, and in working with all administrative departments involved to reduce the number of interactions, locations, and requests to submit or obtain documents, and correspondingly, to reduce the number of queues and delays.

Automation of procedures: e-government

15. E-government refers to the use of information and communication technologies (ICT) by public administrations to offer online information and services to their users or to improve internal processes. The Internet provides Governments with a significant opportunity to deliver more coordinated, accessible, networked, and trustworthy services to business.

16. These objectives support and are strongly aligned with administrative simplification. Indeed, much e-government activity is pursuing an administrative simplification agenda. Increasingly, policies for administrative simplification are becoming important and explicitly integrated parts of e-government plans. E-government systems deliver administrative simplification primarily by improving accessibility to information and services and by creating more integrated government services.

Administrative Efficiency and related notions

17. Administrative Efficiency is an important element of good governance. Transparent and simple rules and procedures mechanically contribute to diminishing administrative misconduct. In order to be properly applied, the rule must be known by those in charge of its application and also by those that it is applied to. If the users of the public service know the rules, they are in a much better position to realize when a rule has not been applied properly, and to protest. Conversely, a civil servant will feel less comfortable in making undue demands on a user when both parties know that it is unlawful.

18. Administrative Efficiency is linked to the functional aspect of the regulatory framework: its purpose is that texts should be easily available and understandable, and that the related formalities should be easy to perform. However, the substance of the regulations – i.e. the decision by a country to prohibit or condition some activities – is not a matter of Administrative Efficiency, but rather a sovereign policy decision. Administrative Efficiency cares about publicizing the rules, about the procedures defined in the texts and about how procedures are implemented. A regulatory framework can, at the same time, be both administratively efficient and unfriendly to some types of businesses or activities. The purpose of Administrative Efficiency is to make sure that the substantive policy decisions reflected in regulations are not distorted nor betrayed when they are implemented.

19. Administrative Efficiency is an important component of both the business climate and the investment climate, which also encompass other elements such as the infrastructure

and services involved in companies' operations. It aims at facilitating business and investment. Business facilitation and investment facilitation are therefore part of Administrative Efficiency, for national and foreign operators respectively. Similarly, trade facilitation includes administrative efficiency in national trade rules. Nevertheless, trade facilitation is beyond the scope of this note.

B. What Administrative Efficiency can do for development in times of slow growth

Administrative Efficiency and enterprises

20.   The objective of an enterprise is to produce goods or services, and to create wealth for its stakeholders (owners, employees, clients and suppliers) and also for society in general through the payment of taxes. The less time and money an enterprise spends on administrative procedures, the more it can devote to its wealth-generation activity. It is therefore in the best interests of the State that the administration of rules should be offered in the swiftest and least costly manner.

21.   Complicated and lengthy administrative procedures may inhibit entrepreneurship. It often happens that companies decide against launching new activities if authorization procedures are too long or complex – or if, because they lack the correct information, they believe that procedures are too long and complex – or if they simply don't know where to start in order to obtain the necessary authorization.

22.   Procedures can hinder an enterprise's competitiveness, hamper its capacity to generate income, and ultimately put at risk its very existence. Spending resources on going through administrative procedures adds to production costs. This extra cost will have to be reflected in the sales price, undermining the company's attractiveness vis-à-vis competitors operating in other locations. If the cost is too high, the company may have to reduce or even terminate its activity. This is also the case when the necessary authorizations take too long.

23.   In 2008, the Better Regulation Executive,[3] which coordinates the execution of the Administrative Burdens Reduction Programme in the United Kingdom, presented an academic analysis suggesting that reducing administrative burdens by 25 per cent could increase gross domestic product (GDP) by up to 0.9 per cent (equivalent to £11 billion a year at current GDP levels)".[4]

24.   Businesses in developing countries face larger regulatory burdens than those in developed economies – three times the administrative costs, and nearly twice as many bureaucratic procedures and delays associated with them. It has been estimated that reform of business start-up alone can add between a quarter and half a percentage point to growth rates in an average developing economy.[5] Adding a quarter percentage point of annual income growth in developing countries alone would amount to $35 billion a year[6] – about half of all official development assistance (ODA).

25.   By alleviating this burden, Administrative Efficiency can release productive capacity, boost entrepreneurship and reduce companies' costs, thereby stimulating jobs and production, increasing income (i.e. GDP) and taxes paid (benefiting the State budget).

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[3] http://www.betterregulation.gov.uk.

[4] http://www.nao.org.uk/publications/0708/administrative_burdens.aspx.

[5] World Bank/International Finance Corporation. *Doing Business* reports. 2005.

[6] GDP of low- and middle-income countries amounted to $14'155 billion in 2008, according to the World Bank's *World Development Report 2009*.

Administrative Efficiency and SMEs

26.   Easy, complex, long and costly are all relative notions. What is easy or affordable for a big company that enjoys a good market share, a comfortable cash flow, bank credit and the services of sophisticated law firms, may prove difficult or impossible for smaller companies. Smaller companies' access to regulatory information is usually limited. Figuring out what the procedures are is already a complicating factor, even before they start the process. Since procedures generally apply to all companies – large or small – the time taken and costs incurred are the same for all. Proportionally, however, they represent a much larger percentage of the resources available to small companies.

27.   The smaller the company is, the higher – proportionally – the administrative burden is. It is widely recognized that the complexity of administrative procedures is a major deterrent to the creation and formalization of micro-enterprises in many developing countries; this also seems to be the case in developed economies. It is for this reason that countries are increasingly creating specific procedures that address the SME and the micro-enterprise segment, with reduced formalities.

Box 1. Is the informal sector a consequence of poor administrative efficiency?

Informality refers to a "process of income-generation" that is 'unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated" (Castells et al., 1989). The size of the informal sector is, by its very nature, difficult to estimate precisely. According to some studies, informal output accounts for 10 to 15 per cent of official GDP in most developed nations, compared with 25 to 80 per cent in most developing nations (Schneider and Enste, 2000).

In *El Otro Sendero* (in English: *The Other Path*), a widely acclaimed book written by the Peruvian economist Hernando de Soto and published in 1986,[7] it is argued that excessive regulation in Peru (and other Latin American countries) forces a large part of the economy into informality, and thus prevents economic development. In a frequently cited experiment, de Soto's team tried to legally register a small garment factory in Lima. This took more than 100 administrative steps and nearly a year of full-time work. Twenty year later, a report by the United Nations University[8] concluded that "as de Soto suggests, informality is a natural response to a burdensome regulatory environment" (Pratap and Quintin, 2006).

In its 2004 report, the World Bank/IFC's Doing Business programme makes reference to another book by Hernando de Soto, entitled *The Mystery of Capital*,[9] in which de Soto explains that "facing high transaction costs to get formal property titles, many would-be entrepreneurs own informal assets that cannot be used as collateral to obtain loans." De Soto refers to this as dead capital. The solution is to simplify the registration of assets.

Administrative Efficiency and foreign investment

28.   Foreign investors prefer to invest in countries where – other factors being equal – administrative barriers to entry and the administrative cost of doing business are low.

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[7] De Soto H. *El Otro Sendero.* Editorial El Barranco. 1986.
[8] United Nations University–World Institute for Development Economics Research. The informal sector in developing countries. Research paper no. 2006/130.
[9] De Soto H. *The Mystery of Capital.* Basic Books. 2003.

Administrative Efficiency in times of slower growth

29.   At the time this note is being written, it is generally acknowledged that the world is entering a period of economic crisis. Unemployment is rising sharply. Many countries have already announced stimulation plans to reactivate credit, consumption, and economic activity.

30.   Reducing the administrative cost of doing business appears as a natural and necessary complement. Stimulation plans aim at injecting resources to keep companies afloat and to support production and trade. Improving administrative efficiency will alleviate the burden weighing on companies and allow them to spare resources for income-generating activities. It will make it easier for people who lose their job to become self-employed and to create and operate their own business.

III.   The policy framework of Administrative Efficiency

A.   Guiding principles

User-oriented governance

31.   "Traditionally, public administrations have been organized into bureaucracies charged with handling a regulatory or sectoral area, producing and processing forms, and providing specific services and products. The leading principle for a government that is responsive to citizens and businesses is that it be focused on user needs and assist in solving user problems regardless of its own structures."[10] Those needs can generally be defined as accessibility, convenience, timeliness, low cost, and fairness of procedures.

32.   The customer-centric approach requires that Governments review existing regulations and design new regulations, primarily with the needs of customers in mind. It naturally requires that customers be consulted and be closely associated with the review of existing procedures and the design of new ones. However, in addition to introducing a participatory process, the customer-centric bias implies changes in traditional public administration concepts.

33.   The idea that economic agents should be free to conduct their business unless compelling arguments can be made for a need to protect sections of the public – as is clearly the case in the financial sector, for example, or when environmental issues and public health are involved – is at the core of simplification and regulatory activities in an increasing number of countries.

34.   Another important trend is the presumption of good faith on the part of the applicant and a gradual shift from an exclusively ex ante investigative approach to an *ex post* verification by the administration. In several countries, authorization is given automatically by the administration solely on the basis of a declaration by the user, who can initiate activity immediately. Checks are only made afterwards.

35.   Derived from this principle, the "silence is consent" rule is a very efficient way of reducing processing times. Statutory time limits on administrative responses are common. But in practice, they may be ineffective. They are usually too generous, and they are difficult to enforce. In many cases, having only a time limit only means more delays. There is a simple solution, which is to set a shorter time limit – for example, five days – and introduce a "silence is consent" rule. Once the deadline has passed, the authorization is

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[10]   OECD. E-Government for better government. 2006.

automatically considered given. This approach, pioneered in Italy,[11] is currently enforced for business registration in Armenia, Georgia and Mauritius.

Box 2. The shift to user-oriented governance in Mauritius

Mauritius introduced the "silence is consent rule" in 2008.

"We said that for all unregulated business… obviously, if you want to open a bank, we have to do the due diligence and make sure, because you are using public money, so this would probably take a longer period of time… but for all unregulated activities, we issue some guidelines. And I told our people that it is not your business to tell someone who wants to risk his money whether you should approve his business or not. We shifted from an ex ante, detailed investigation of the business, to basically an ex post verification that they have complied with the guidelines that we have set up, and we took the promise that we would deliver the permit in three working days. And it is working, because we have issued many licences to small businesses in three working days. And we went further, and we said that, look, in three working days, if you don't get a response from the authority, the receipt that acknowledges that you have filed for an authorization, that receipt itself becomes your permission to start your business. So this is how we have shifted the onus from the businessman to basically the civil servant or the administrator."[12]

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36.   The "ask once, use many times" principle is another application of the user-centric bias. Usually, each administrative department develops its own forms; users have to fill a number of different forms and give the same information several times over. Alignment of forms (a reduction in the number of forms, ideally to a single form that will serve the needs of all the administrations involved in a procedure) and the sharing of information among the administrative departments can considerably reduce the administrative burden. The information is given by the user only once, and is then used by all the departments concerned.

Specific attention to SMEs

37.   Since the regulatory burden weighs proportionally more heavily on SMEs, and in order to facilitate the creation and operations of SMEs, many countries have devised specific policies to target SMEs.

38.   In the United States, the Small Business Act – as early as 1953 – stressed the importance of SMEs to the economy and created a specific administration – the Small Business Administration – devoted to attending to the specific problems of small businesses. The Small Business Act for Europe,[13] which was adopted in June 2008, strongly affirmed the "think small first" principle, by which all new legislative and administrative proposals at the European and national level should be subjected to an "SME test" first, and which made consultations with SME stakeholders mandatory. The rationale is that "SMEs constitute 99 per cent of all enterprises in the European Union (EU), they produce more than half of European GDP and account for two thirds of the jobs in the private sector. If an EU intervention works well with respect to SMEs, it should work well for all companies."[14]

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[11] Administrative Procedure Law of 1990.
[12] Speech by H.E. Dr. Rama Sithanen, Vice Prime Minister of Mauritius. Available at http://www.doingbusiness.org/documents/Mauritius_DrSithanen_Speech.pdf.
[13] http://ec.europa.eu/enterprise/entrepreneurship/sba_en.htm.
[14] http://ec.europa.eu/enterprise/entrepreneurship/docs/tsf_study_toolkit.pdf.

39.   This rationale probably applies to most economies, where the "think small first" principle would also be a sensible approach to ensure Administrative Efficiency.

Learn from others

40.   Countries wanting to modernize their administration increasingly start by learning from others. Egypt looked to India for information technology solutions. Saudi Arabia used the company law of France as a model for revising its own. Colombia took Ireland as an example. As the Colombian trade minister, Luis Guillermo Plata, put it, "It's not like baking a cake, where you follow the recipe. No. We're all different. But we can take certain things, certain key lessons, and apply those lessons and see how they work in our environment."[15] Azerbaijan and Slovenia made an intensive study of existing models, before designing their own one-stop shop.

41.   On its website, UNPAN offers a list of ICT lead innovation practices[16] and makes a periodical census of e-government applications. The EU's e-practice website presents successful cases of real life e-government reforms.[17] Such initiatives should be encouraged and further developed, in order to facilitate an international exchange of experiences and access to practical solutions for Administrative Efficiency.

Transparency is at the root of Administrative Efficiency

42.   Transparency is the basis of Administrative Efficiency. Procedures should preferably be short, with a reduced number of interactions, forms and requirements, and correspondingly, reduced time frames and costs. But if procedures are cumbersome, a lack of information will make them even more complex. Making the detail of the procedures available to the public should be considered a natural and minimum service due to all citizens. Publicizing rules is a universal principle of governance. In addition, publicizing the rules – even if they are inefficient rules – is likely to trigger their simplification, because bringing the shortcomings of the rules to light will make it easier to improve them.

43.   Rules are understandable if they clearly set out what is expected from the user and what he or she will receive from the administration. All the actions that the applicant has to undertake in order to receive the expected authorizations that he or she expects should be detailed from the applicant's point of view.

Box 3. Guidelines for the transparency of procedures

Being transparent doesn't mean that all information must be made available. Too much information kills the information. To be transparent is to actively communicate the relevant information, i.e. a sufficient quantity of the information necessary to allow the user to easily find his/her way, to know what is expected from him/her in exchange for the service he/she expects from the administration.

Transparent rules can be ensured by applying three simple principles:

- The procedure should be described from the point of view of the user, according to his/her final objective;

- The procedure should be described using a step-by-step format, with each mandatory interaction being presented as a step;

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[15]   World Bank/International Finance Corporation. *Doing Business* reports. 2008.
[16]   http://www.unpan.org/Directories/ICTLeadInnovativePractices/tabid/828/language/en-US/Default.aspx
[17]   http://www.epractice.eu/cases

- For each step, the following elements should be detailed: the result of the step, the entity/unit/person in charge, the requirements, the cost, the time, the legal justification, ways to complain in case of disagreement, and the authority certifying the information.

B. Setting up appropriate structures

44.   Mobilizing for reform is a difficult task. There are many barriers to Administrative Efficiency strategies.

High-level support is key

45.   Shifting towards user-oriented administrative services goes against the self-oriented tradition of public administration. Strong and continued political will at the highest level of the State is required. Re-engineering administrative processes will sometimes lead to a modification of the borders between administrative departments, and in most cases will lead to the establishment of new, transversal, cooperative processes. The necessary drive must therefore come from the supra-ministerial level.

Organizational approaches

46.   The institutions required to take forward an Administrative Efficiency agenda are numerous and of many different kinds. Nevertheless, they must be coordinated by one lead entity. Four main organizational approaches can be distinguished. The influence and effectiveness of these entities depends very much on their location. Their reach will naturally be wider if they are located in or near the office of the head of government.

47.   Single-purpose entities are created specifically to promote one particular administrative simplification measure. Many of them are focused on SMEs. They are often permanent bodies, which allows them to undertake longer-term work. This is the case of the United States Small Business Administration and of the British Small Business Service.

48.   Administrative simplification or e-government agencies or programmes are a more comprehensive approach. Examples include the Be the Smart Regulator programme in Hong Kong (China), Simplex in Portugal, the Better Regulation Executive in the United Kingdom, Actal in the Netherlands, Kafka in Belgium, El Salvador Eficiente – a presidential programme running in El Salvador, and the Special Programme for State Modernization – a programme run by the Prime Minister's Office in Viet Nam. Such special structures can also be found at the city/provincial level, such as at the Secretaria de Modernização e Desburocratização (Secretariat of Modernization and Debureaucratization) in São Paulo, Brazil.

49.   Regulatory reform agencies are responsible for broader regulatory quality-management issues. This is the case of the Productivity Commission in Australia,[18] and of the Comisión Federal de Mejora Regulatoria (Federal Bureau of Regulatory Improvement) in Mexico.

50.   External committees are generally established by Governments, with the majority of the committee members coming from outside the government, for example from academia and business organizations. These committees are tasked with carrying out, promoting, proposing or implementing Administrative Efficiency reforms. This is the case of the

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[18] http://www.pc.gov.au

Regulatory Reform Committee in the Republic of Korea, which has played a crucial role in the design and implementation of administrative simplification policies in the Republic of Korea, and which inspired the creation of the Regulatory Reform Core Group in Bangladesh.

Coordinating multiple levels of Government

51. Regulatory powers are increasingly exercised at subnational levels (e.g. at the state, regional, or municipality level). This exponentially increases the risk of duplicated, conflicting or excessive regulation, as coordination between these different sources of regulatory powers is often rudimentary or non-existent. It is therefore essential to organize cooperation and coordination between the national and subnational levels.

Organizing public consultation and participation in policymaking

52. Public consultation with relevant stakeholders, and with the public at large, is a good way of identifying key problem areas and learning about possible solutions proposed by users. Consultation can be organized though satisfaction surveys (on-site surveys can be a very effective way of getting users' feedback), focus groups, panels, ad hoc task forces, etc. These types of data-collection exercises will let the public know about the Government's openness to reform, and will give the entities in charge of conducting changes a list of priorities, as well as a first-hand diagnosis of procedures and innovative ideas to improve them.

C. Regulatory policy

53. Reforms aiming to improve administrative efficiency generally stem from a review of the existing regulations and related formalities. They may lead to the modification of existing laws, and new laws might be required too. As Administrative Efficiency is strongly linked to regulatory quality, it is important that new or modified regulations be effective and efficient. In many cases, however, new regulations are not needed, and improvements stem from customer focus and better internal organization and coordination on the part of the administration.

Regulatory changes are not always necessary

54. Not all reforms require regulatory changes. Acknowledging when regulatory changes are not necessary is part of a good regulatory policy. Simplifying and unifying forms, for example, often does not require normative change. Many formalities are applied by the administration without a legal basis. These can (and must) be eliminated without any regulatory action. Finally, improving the organization of an administrative process – re-engineering the process by eliminating or combining steps – can often be achieved simply by administrative instructions.

Reforming existing regulations

55. The radical "scrap and build" approach is said to give good results but to be costly and time- consuming. The rebuilding of the entire structure of environmental regulation in Denmark, beginning in the late 1980s, is reported by the OECD as a successful example. Nevertheless, the difficulty of this radical approach is the reason why it is rarely used, with the important exception of countries in transition such as the Czech Republic, Hungary, and Poland. In their move from a planned economy to a market-led economy, such countries needed massive programmes of deregulation and re-regulation.

56. Generalized reviews are a less radical yet demanding approach. The Regulatory Guillotine programme, which was initiated in Sweden in the 1980s, has recently been implemented in Croatia, and is now underway in Viet Nam and the former Yugoslav

Republic of Macedonia. It consists in an exhaustive inventory of all business-related regulations, followed by a streamlining exercise. This comprehensive effort can be very effective if it is backed by strong political and institutional support. It might also fall short of expectations "by the lack of depth and rigour in review that almost inevitably results from the scope of the review process".[19] Administrative procedures applied in practice are often imperfectly reflected in regulatory texts. Working solely on the basis of regulations makes it difficult to capture the actual process, and therefore to simplify it.

57.   In contrast, process re-engineering is based on a review of formalities, with the purpose of optimizing them by reducing the number of interactions, locations, forms and requirements, and by shortening time frames and applying technological solutions, when appropriate. This bottom-up approach eventually leads to modifying regulations, if necessary, to reflect the new optimized process.

58.   Azerbaijan applied this approach when President Ilham Aliyev decided to reform the country's cumbersome business and property registration systems in 2006. A working group led by the Prime Minister reviewed the procedures, conducted interviews with entrepreneurs, held discussions with the administrations involved, studied international experience and designed an optimized process, which was organized as a one-stop shop.

New regulations

59.   New regulations are often needed in order to accelerate evolution towards an objective, or to institutionalize changes.

60.   Directive 2006/123/EC of the European Parliament – the Services Directive[20] – placed an obligation on all EU countries to set up – within a maximum time frame of three years – physical and online points of single contact, at which an applicant may complete all the necessary formalities for accessing and exercising a service activity. This directive has strongly stimulated the acceleration of reforms towards Administrative Efficiency in EU countries.

61.   Laws on administrative transparency and access to public information are an important element of administrative reform. They give citizens the right to consult public documents, and they sometimes define minimum standards for information to be made publicly available. Sometimes simplification laws are enacted, which set out principles applicable to all existing regulations and administrative processes, such as maximum response times. E-government laws are promulgated in an increasing number of countries, in order to define a general framework for the development of e-government, to set standards for interoperability, or to set rules for important issues such as electronic signatures.

62.   Regulatory impact analyses are now widely used during the regulatory development process as an ex ante measurement of the administrative burden imposed on users. They typically employ a stakeholder consultation process.

IV.   Good practices in Administrative Efficiency

63.   Business regulations cover a very wide range of topics, as has already been indicated. This note focuses on good practices in company creation, which is the starting point of business. It also details experiments in one-stop shops – a special administrative organizational scheme commonly used to simplify procedures. Special mention must be

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[19] OECD. *Regulatory Policies in OECD Countries.* 2002.
[20] http://europa.eu/scadplus/leg/en/lvb/l33237.htm

made (although this topic will not be developed in this note) of the importance of business closing regulations, at the very end of the business cycle. Bankruptcy regulations assume particular importance in times of crisis, when a large number of enterprises face the risk of having to close down. Inefficient regulations can cause severe damage; improving the national bankruptcy framework should be considered an urgent priority in the countries concerned.

A.   Good practices in company creation

64.   Company creation formalities usually refers to legal incorporation and mandatory registration with the tax authorities and social systems. A business licence is required in many countries, for all or for some activities.

65.   The top-rated countries for ease of starting a business, listed by the 2009 *Doing Business* reports, are New Zealand, Canada, Australia and Georgia.

66.   In New Zealand,[21] the process is fully integrated and can be carried out online on one website, in one day, at a cost of $160, with no capital requirement. Applicants register at the same time for the company registry and for taxes. Similarly, in Canada,[22] incorporating a company and applying for a tax number takes one day. The process can be carried out entirely online. Two interactions and a maximum of two days are required in Australia;[23] forms can be submitted either by mail or in person.

67.   Since 2006, incorporating a business in Georgia[24] has been free of charge, requiring three interactions and taking a maximum of three days. The total number of licences and permits required was reduced by 84 per cent, in reforms that eliminated 756 licences and permits, and streamlined procedures.

68.   After Georgia, the top-rated countries in Eastern Europe are the former Yugoslav Republic of Macedonia, Azerbaijan and Estonia. In the former Yugoslav Republic of Macedonia, companies can be incorporated through a one-stop shop,[25] and online registration should be available soon. Estonia's company-creation portal[26] allows company creation online, not only for Estonian nationals, but also for holders of Belgian, Finnish, Lithuanian and Portuguese identification cards. Fourteen one-stop shops for business start-up began operating in Azerbaijan in January 2008, halving the time, cost, and number of procedures required to start a business. (It now only takes three days to incorporate a company.) The number of business registrations increased by 40 per cent in the first six months.

69.   Slovenia is regarded as an advanced country in the EU where company registration procedures are concerned. Companies can be created in a single place using a single form, either online or through 270 single entry points, in less than a week, and at no cost at all. Slovenia is the second country in the EU after Denmark to have eliminated all start-up fees. The e-VEM electronic one-stop shop system,[27] which is able to register all forms of companies, has resulted in savings of €10.2 million a year to Slovenian SMEs.

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[21] http://www.companies.govt.nz
[22] http://www.cra-arc.gc.ca/tx/bsnss/tpcs/bn-ne/bro-ide/menu-eng.html,   http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs03988.html and also http://www.onestopbc.ca/
[23] http://www.asic.gov.au/asic/asic.nsf/byheadline/Starting+a+company+or+business?openDocument
[24] http://www.tbilisi.gov.ge/index.php?lang_id=ENG&sec_id=46
[25] http://www.crm.com.mk/
[26] https://ettevotjaportaal.rik.ee/
[27] http://evem.gov.si/

70.   At the beginning of 2009, France[28] introduced a new legal scheme called "auto-entrepreneur" (self-entrepreneur),[29] which is intended to encourage the formalization and spur the creation of hundreds of thousands of new small enterprises. On the basis of a simple online declaration, using only one form and with only one requirement, entrepreneurs with expected yearly sales of up to €80,000 can formally become "self-entrepreneurs" and benefit from the social security system and a simplified tax regime. More than 200,000 entrepreneurs registered on this scheme during the first month of its implementation.

71.   The fastest country for business start-up in the Asia and Pacific region is Singapore,[30] which allows registration of companies online in one day. In Hong Kong (China) it takes four days to incorporate a company.[31] Companies can initiate activity immediately after incorporation and can apply online for business registration within the next month.

72.   Israel, Saudi Arabia and Tunisia are the best-rated countries in the Middle East, although company registration takes several weeks in all three countries. Tunisia recently abolished the minimum capital requirement.[32] One-step shops[33] were recently inaugurated in three cities by the Saudi Arabia General Investment Authority.

73.   Mauritius, Sierra Leone and South Africa and are the fastest countries in sub-Saharan Africa for company creation formalities. In Mauritius, entrepreneurs can form a company without having to go through notary services. Registration takes two days and is possible online.[34] Business can start immediately, and compliance with business guidelines is checked ex post by local authorities. Processes take slightly longer in Sierra Leone and South Africa (from two to three weeks), but an important step forward was taken recently, when the use of lawyers was made optional. In South Africa, part of the procedure can be carried out online.[35]

74.   The process of creating a new company in Colombia is probably one the fastest in Latin America. Since 2008, it has been possible to carry out this process in three days, in a single place, with no need for a notary. Part of the process can be carried out online.[36] Similarly, in September 2008, the Dominican Republic inaugurated an online service for company incorporation that takes four days.[37]

B.   Good practices in one-stop shops

75.   One-stop shops are offices that group various administrations under one roof, where applicants can obtain all the information necessary for their query, and eventually carry out the procedure. They are also sometimes referred to as "single windows".

76.   One-stop shops are largely seen as a very efficient tool for simplifying procedures. The European Union's 2006 Directive on Services in the Internal Market requested that all

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[28] http://www.apce.com/
[29] http://www.lautoentrepreneur.fr/
[30] https://www.psi.gov.sg/NASApp/tmf/TMFServlet?app=RCB-BIZFILE-LOGIN-1B for online registration
[31] http://www.gov.hk/en/business/registration/businesscompany/index.htm
[32] http://www.tunisieindustrie.nat.tn/fr/doc.asp?mcat=13&mrub=99&msrub=186&dev=true
[33] http://sagia.gov.sa/english/index.php?page=one-step-shops
[34] http://www.gov.mu/portal/site/compdivsite
[35] http://www.cipro.co.za/2/home/
[36] http://www.crearempresa.com.co/General/Home.aspx
[37] http://www.creatuempresa.gob.do/

formalities relating to business creation be carried out through one-stop shops in EU countries within a time frame of three years after the Directive first came into force. In the past five years, 39 economies have created or improved one-stop shops: 16 in Eastern Europe and Central Asia, seven in Africa, six in the OECD high-income group, five in Latin America, and five in the Middle East and North Africa.[38]

77.   Nevertheless, the same words are used to describe different realities, and the impact and benefits of a one-stop shop largely depend on the way that it is structured and the services that it actually provides. One of the main pitfalls of one-stop shops is that, in some cases, they cover only a part of the procedures. It is important that a one-stop shop should not become a "one more stop". Four different models can be distinguished. They can be either physical, or virtual, or both.

Physical one-stop shops

78.   *The information desk model*: Information is provided in a single place about the procedures dealt with by various administrations.

79.   Most investment promotion agencies claiming to be one-stop shops for investors are information desks. Either in person, or through their website, they inform investors about the requirements for investment-related operations and direct them to the administration in charge of procedures. This is a useful service, since investors do not have to look for the information and they can receive advice about how to deal with the administrations involved in the process.

80.   *The reception desk model*: This is a single entry point for various processes entrusted to one or several administrative departments. No representative of the departments is present. One or several persons in attendance at the desk gives out information, collects the request files, passes them on to the respective departments, waits for their decisions, and communicates the decisions to the users.

81.   *The deconcentrated model*: Representatives of each department are present at the one-stop shop, but they have no power to make decisions. They give out information on behalf of their department, collect the request files, send them to their department, wait for the decision and the corresponding documents, and communicate these to the users.

82.   The one-stop centre established at the Rwanda Investment and Export Promotion Agency works on this model. Investors are attended to by representatives of customs, immigration, the work permit department and the company registrar. The exemption of imported goods used to take at least 10 days, and now the process has been reduced to one day; the time required in order to obtain work permits has dropped from seven days for nationals and one month for foreigners – to one hour. It takes only three days to incorporate a company, compared to 21 days before.

83.   *The decentralized model*: One representative of each ministry is present at the one-stop shop, who has full capacity to deal with requests.

84.   The SuperCADE in Colombia (Bogotá) is a successful illustration of the decentralized model. Inspired by the Brazilian experience (the SAC model in Salvador), the SuperCADE is a supermarket of administrative services, which brings together several administrations under the same roof and is designed to provide an integrated service to business and citizens. During its first year of operation, the first SuperCADE handled more than 2.7 million operations, and was able to offer more than 250 different procedures entrusted to 27 administrative departments.

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[38] World Bank/International Finance Corporation. *Doing Business* reports. 2009.

85.   *The integrated model*: An integrated one-stop shop is a decentralized one-stop shop where the processes handled by different administrations are integrated into one seamless flow. Services are offered according to business objectives (company registration, property registration, construction permits etc.) and not according to administrative departments, as was the case in the past.

86.   A one-stop shop for real estate property rights began operating in Madagascar in mid-2008. Grouping together four administrations involved with real estate operations, it managed to reduce processing times considerably: down to one month for a transfer of property, compared to the two months it had previously taken; down to three days for a certificate, instead of twenty days. The one-stop shop will shortly be able to issue construction permits.

Virtual one-stop shops

Centralized government portals

87.   Most developed countries – and an increasing number of developing countries – have created a centralized government portal designed as an access point through which citizens or entrepreneurs can find all the relevant government information, and ultimately can conduct a wide range of transactions with the Government. Government portals are an increasingly important element of public administration reform programmes across the world. They provide one-stop online access to many government services, and can serve as a catalyst for the development of new electronic services. They represent the "tip of the iceberg",[39] as much work needs to be done in the background before the portals can become fully functional, including comprehensive re-engineering of processes and inter-agency integration. At the same time, they can also provide a practical and very visible point of entry for citizen-centric transformation of government.

88.   The portals of Canada,[40] France,[41] the United Kingdom[42] and the United States[43] are often mentioned as examples of good Government portals in high-income countries. The portals of Bahrain,[44] Colombia,[45] the Dominican Republic,[46] Hong Kong (China),[47] India,[48] Jordan,[49] the Republic of Korea,[50] Singapore,[51] and Trinidad and Tobago[52] are among those Government portals in developing countries that are usually praised. All offer a special entry for businesses which gives them access to business-specific information and services.

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[39]   World Bank website. National e-Government Portals. Available at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTINFORMATIONANDCOMMUNIC ATIONANDTECHNOLOGIES/EXTEDEVELOPMENT/0,,contentMDK:21326015~menuPK:26439 63~pagePK:64020865~piPK:51164185~theSitePK:559460,00.html.

[40]   http://www.servicecanada.gc.ca/eng/home.shtml

[41]   http://www.service-public.fr

[42]   http://www.direct.gov.uk/en/index.htm

[43]   http://www.usa.gov

[44]   http://www.e.gov.bh/wps/portal

[45]   http://www.gobiernoenlinea.gov.co/home_principal.aspx

[46]   http://www.optic.gob.do

[47]   http://www.gov.hk/en/residents/

[48]   http://india.gov.in/default.php

[49]   http://www.jordan.gov.jo/wps/portal

[50]   http://www.korea.go.kr/eng

[51]   http://www.business.gov.sg/index.htm

[52]   http://ttconnect.gov.tt/Egov/Portal/services

Specialized government portals

89.   Specialized government portals aim at providing access to information and transactional services on specific issues.

90.   The Horeca portal,[53] set up by the City of Amsterdam (Netherlands), is a one-stop shop for hotel, restaurant and café licences. It helps entrepreneurs and SMEs to easily find out how to obtain the seven local licences required in the City of Amsterdam, by answering questions online and filling out a single form.

91.   In 2008, Dubai launched a web portal[54] allowing online access to business visas and entry permits. Qatar also offers the visa service online,[55] as well as residence permits and the payment of utility bills. Morocco – with the assistance of the United States Agency for International Development – has developed "e-invest", an online "back office" system, to monitor the progress of investment requests submitted by foreign investors.

92.   Apart from portals for licensing, entry and work permits, and registering property transactions, numerous specialized government portals are being proposed to cover other fields such as public procurement, construction permits, the payment of taxes, intellectual property, and the filing of annual company reports.

Registers of formalities

93.   Registers of formalities are a particular kind of specialized Government portal that focuses on procedures.

94.   The Federal Register of Formalities and Services,[56] in Mexico, is an online inventory of all administrative procedures at the federal level. Procedures that are not registered are illegal. The administration cannot enforce any unregistered procedure, and cannot ask for any requirement that is not mentioned in the register. The Unique Information System on Procedures,[57] in Colombia, is built on similar principles. In addition to national procedures, it will describe municipal procedures too, starting from mid-2009.

95.   In Norway, the main objective of the Register of Reporting Obligations of Enterprises[58] is to maintain a constantly updated overview of the reporting obligations that business and industry have, and to find ways of coordinating and simplifying these obligations.

96.   The Government Contact Centre, in the Dominican Republic, is a call centre that offers detailed information by telephone on more than 250 procedures, involving more than 30 different administrative departments. Calls are free. Between August 2006 and November 2008, the centre received more than 11 million calls, i.e. an average of 17,500 per day.

97.   The e-regulations system,[59] developed by UNCTAD, is a software application that allows Governments to collect and display procedures online, presenting them step by step and from the user's point of view. In addition to enhancing transparency, the e-regulations system facilitates the simplification of procedures.

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[53] http://www.amsterdam.nl/ondernemen/horeca
[54] http://www.dnrd.gov.ae/DNRD?lang=en-GB
[55] http://www.gov.qa
[56] http://www.cofemer.gob.mx
[57] http://www.gobiernoenlinea.gov.co/home_principal.aspx
[58] http://www.brreg.no/english/registers/obligations
[59] http://www.e-regulations.org

V.   Measuring Administrative Efficiency: systems and benchmarks

98.   As for private services, the best indicator of the efficiency of public services is probably the client's satisfaction. Some countries have started to rate client satisfaction for specific services, such as China – for its immigration services at major airports. Another approach is to measure the administrative burdens per se. The most accepted measurement mechanism is the standard cost model, initially developed in the Netherlands. This model breaks down regulations into information obligations, data requirements and administrative activities, and for each component it calculates the price, time and quantity (frequency and number of businesses affected) on the basis of business interviews.[60]

99.   Numerous reports and publications measure and rate the national business environment. Among those publications, four are particularly recognized as important benchmarks by government authorities in developing countries, who are devoting increasing efforts to improving their marks and their ranking.

100.   The World Bank/IFC *Doing Business* reports[61] defines themselves as a "cholesterol test for the regulatory environment".[62] First published in 2004, the *Doing Business* reports measure the ease of doing business across 175 countries, based on quantitative criteria (e.g. the number and cost of procedures, and the time they take). This report covers 10 areas, namely starting a business, dealing with licences, registering property, paying taxes, enforcing contracts, hiring and firing workers, getting credit, protecting investors, trading across borders, and closing a business. The indicators are based on responses from a group of national legal and accounting experts in each country. The *Doing Business* reports are playing an increasingly important role in benchmarking, guiding and stimulating administrative reform in developing countries.

101.   The World Economic Forum's *Global Competitiveness Index*[63] compares the competitiveness of 134 national economies by measuring the macroeconomic environment, public institutions, technology, company operations and strategy, and the quality of the business environment. Two indicators relate directly to Administrative Efficiency, namely the burden of Government regulations, and efficiency in the legal framework. The rankings in the *Global Competitiveness Index* have a strong correlation with those in the *Doing Business* reports (0.8).

102.   The *World Competitiveness Yearbook,*[64] published by the International Institute for Management Development (IMD), analyses and ranks nations' abilities at creating and maintaining environments that support the competitiveness of enterprises. It measures 55 countries on the basis of 331 criteria. The *World Competitiveness Yearbook* divides each national environment into four areas, namely economic performance, Government efficiency, business efficiency, and infrastructure. The rankings provided in the *World Competitiveness Yearbook* also have a strong correlation with the rankings in the *Doing Business* reports (0.78).

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[60]   OECD. Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policymakers. 2009. Available at http://www.oecd.org/dataoecd/38/11/42112628.pdf.

[61]   http://www.doingbusiness.org

[62]   World Bank/International Finance Corporation. *Doing Business* reports. 2009.

[63]   http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm

[64]   http://www.imd.ch/research/publications/wcy/index.cfm

103.   *The Transparency International Corruption Perceptions Index,*[65] first released in 1995, has been widely credited with putting the issue of corruption on the international policy agenda. The Corruption Perceptions Index ranks 180 countries by their perceived levels of corruption, as determined by expert assessments and opinion surveys. Corruption, i.e. the improper application of rules – although not solely related to Administrative Efficiency – is naturally linked to it.

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[65] http://www.transparency.org/policy_research/surveys_indices/cpi