

JULY 2012

INVESTMENT CLIMATE



Innovative Solutions for Business Entry Reforms: A Global Analysis

Investment Climate Advisory Services of the World Bank Group



In partnership with  and  The Brønnøysund Register Centre

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For additional information about FIAS, the Facility for Investment Climate Advisory Services, please visit <http://www.wbginvestmentclimate.org>, telephone: 202-473-7228.

Acknowledgements

This publication was made possible due to generous support from Norad — Norwegian Agency for Development Cooperation. It was prepared by Håkon Olderbakk and Dörthe Koerner, with contributions from Trine Blix, Lars Eliassen, Henning Andersson, and Edvard Pedersen from the Brønnøysund Register Centre (Norway), under general supervision of Andrei Mikhnev from the World Bank Group. Vito Gianella (Italy), Branko Georgievski (Former Yugoslav Republic of Macedonia), and Le Quang Manh (Vietnam) contributed to the case studies. The final version benefited from the comments received from John Wille, Numa F. De Magalhaes, Aminur Rahman, and Dobromir Christow, all from the World Bank Group. Edited by Susan Boulanger.

Contents

INTRODUCTION	5
EXECUTIVE SUMMARY	6
1. TYPICAL FUNCTIONS IN BUSINESS REGISTRIES	8
2. ICT SUPPORT FOR BUSINESS REGISTRATION FUNCTIONS	11
3. SUSTAINABILITY OF REGISTRY OPERATION.....	17
4. BENEFITS REALIZATION	19
5. BUSINESS REGISTRIES AND THE eGOVERNMENT FRAMEWORK	20
6. STAGES OF ICT IMPLEMENTATION IN COUNTRY-SPECIFIC CONDITIONS	25
7. RECOMMENDATIONS FOR REFORMERS	28
8. CASE STUDIES	29
Vietnam.....	29
Former Yugoslav Republic of Macedonia.....	30
Italy	31
ANNEXES	
Appendix I: Recommendations for a Common Business ID Number.....	32
Appendix II: Contact Information	33
Appendix III: Selected Results from the WBG Survey on Innovative Solutions for Business Entry Reforms.....	35

Acronyms

ABN	Australian Business Number
ACN	Australian Company Number
ATO	Australian Tax Organization
BRO	business registration office
CD-ROM	compact disc–read only memory
DPI	Provincial Department of Planning and Investment in Vietnam
EBR	European Business Register
FTP	file transfer protocol
HCMC	Ho Chi Minh City
ICT	information and communications technology
ID	identifier
IFC	International Finance Corporation
KYC	know your customer
NBIN	National Business Information Network (Vietnam)
NOSS	National Office for Social Security (Belgium)
OCR	optical character recognition
OHADA	Organisation pour l'Harmonisation en Afrique du Droit des Affaires
PKI	public key infrastructure
SME	small and medium enterprise
SMS	short message service
SPA	Società per Azioni
SRL	Società a Responsabilità Limitata
UNIDO	United Nations Industrial Development Organization
VAT	value-added tax
WBG	World Bank Group
XML	extensible markup language

Introduction

Regardless of their economic starting point, many countries around the world focus on enhancing public-sector efficiencies to support sustainable economic development. Whether a country must implement austerity budgets due to a shrinking economy or has low income due to other factors, governments want to spend less on the public sector while at the same time improving public services.

In addition, sustainable economic growth is often hampered by red tape. Administrative burdens raise the cost of doing business, thus acting as an implicit tax on investing in many countries. Simplification, cutting red tape, and providing user-friendly services constitute central means of lifting this tax and boosting economic growth.

Business registers play an increasingly important role in this process by using innovative technology solutions both to enhance public-sector efficiencies and user-friendly services and to reduce administrative burdens.

This report shows how business registers employ information and communication technology (ICT) to perform their functions more efficiently while at the same time providing businesses with more user-friendly services. Particular attention is paid to achieving innovative solutions, that is, solutions using ICT as a catalyst for re-engineering the registration process to improve users' experiences and to provide useful services and high-quality information for both the private and the public sectors. In addition, this analysis demonstrates that business registers play an increasingly important part in eGovernment solutions. Aimed at integrating services, eGovernment solutions build on information sharing. This underscores the importance of business registers as master data sources.

This analysis is based on data from the following sources: A 2011 survey of 41 business registers conducted by the Brønnøysund Register Centre in cooperation with the World Bank Group; case studies undertaken in 2011 in the Former Yugoslav Republic of Macedonia, Italy, Vietnam, and Norway; the 2011 World Bank and IFC *Doing Business Report*; the 2011 World Bank Group study of ICT solutions in 34 company registers; the 2011 European Commerce Registers' *Forum Report*; and the *CIA Factbook*.

This report uses the following terminology:

- The term *business* covers both companies and individual businesses.
- *Business registers* include on their records both companies and individual businesses.
- *Business registration* aims at new registration of businesses, regardless of the authority.
- The terms *permit* and *license* are used as synonyms and constitute regulatory approval for a specific business activity.
- The term *annual account* represents an annual report on a business's activities during the preceding financial year and accounts covering this period.
- *Financial statement* represents a report of the financial condition of a business.
- An *annual return* is a yearly statement providing essential information about a business that must be filed with the business register.

Executive Summary

Business registration is crucial for entrepreneurs on a number of counts: formal registration may pave the way for shared capital raising and for access to public tenders as well as to government services; registration assures business partners that the information provided about the business can be trusted; and access to current, trustworthy information is a key factor in creating a safe business environment.

Business registers face various challenges. First, as a rule, they have limited funding. Second, businesses expect user-friendly delivery of services. Third, due to the growing demand for transparency in the business sector, business registration efforts have shifted focus and now seek to provide more than just incorporation: they register, examine, and store business information, including the business's legal form, address, capital, legal representatives, and annual accounts, and they make this information available to the public. To fulfill these roles and respond to these demands, business registers must rely on information and communications technology (ICT).

This report presents an overview of the functions and roles of business registers and of ways in which they can be supported and reformed as necessary. Chapter 1 presents a general introduction to register functions, followed by more detailed examinations of these functions during business entry and throughout the business life cycle.

The second step of this analysis, addressed in chapter 2, demonstrates how ICT can support business register functions, including applications, fee payment, application processing, dissemination of registry information, registry amendments, deregistration, and rules enforcement.

How can registers best provide user-friendly services while at the same time ensuring sustainable registry operation? This central question for business registers, another focus of this document, is treated in chapter 3. Business registers must be financially sustainable. Their main options to this end are government funding and revenues from registration fees, information product fees, and fines. Registry operation over the long term also demands suitable institutional arrangements and political commitment. This document presents the best-practice approaches used by business registers to guarantee their sustainability.

Benefits realization from these efforts are discussed in chapter 4. These include the techniques, disciplines, and mind-sets governments can apply to maximize the

socioeconomic value of a registration reform project to the benefit of both the public and the private sectors.

eGovernment solutions aim to ensure innovative ICT use in the public sector. Business registries can serve as master data sources for information on businesses. As discussed in chapter 5, they may thus play an important role in eGovernment solutions.

By sharing information rather than asking businesses for it directly, public authorities can reduce a considerable part of the red tape that often burdens businesses. A common business ID number, used to link information to the correct business, is a prerequisite for effective, accurate information sharing. Best practices and various approaches for this are presented in the first section of chapter 5. How business registers share registered information with other public authorities is discussed in the second section.

Businesses often must register with various authorities, including those responsible for taxes, social security insurance, employment, and statistics. Merging these registrations into one procedure can make them less cumbersome. The third section of chapter 5 describes solutions for integrating the registration functions of several authorities.

To serve as master data sources, business registers must offer high-quality information. The analysis in the last section of chapter 5 indicates various means business registers can use to ensure the high quality of registered information.

The process of implementing ICT-based solutions to business registry problems varies considerably depending on country-specific conditions and on the extent to which the registers already use ICT. Chapter 6 outlines the various stages of implementation and ways of assessing the suitability of the various approaches employed in specific country conditions.

A separate chapter of the analysis focuses on the underlying qualities and standards that should inform implementation of ICT-based improvements in the business registration process. Issues common to these efforts, regardless of the specific stage of implementation, are highlighted in chapter 7.

The final chapter, chapter 8, presents case studies for Vietnam, the Former Yugoslav Republic of Macedonia, and Italy that illustrate specific features of ICT-based registry solutions.

Best Practices

Applications

The most user-friendly and cost-efficient means of conducting registrations allow businesses to complete forms online. These internet-based applications offer built-in error checks and allow attachment of documents. Where internet access is insufficient, however, software downloading may be an option. Intermediaries assisting businesses, such as notaries or attorneys, can help compensate for weak infrastructure. Online guidelines, legal frameworks, and name searches and reservations provide meaningful support to registrants. A pragmatic level of requirements for secure electronic filing should be incorporated into the process as well.

Fee Payment

Where electronic registration is available, an online payment system provides the most efficient and user-friendly method for paying any fees required at the time of filing. Using such systems, fees can be paid immediately, during the registration process.

Application Processing

By using online registration, businesses can efficiently transform their information into structured data useful to data users. Streamlined, simple rules for completing forms help support the registration process by permitting automated legal checks.

Registry Information Distribution

Direct access to information available from registries is essential to avoid unnecessary, redundant information storage. User-friendly information services can notify businesses of a potential hijacking. Cross-border access to business information represents another user-friendly service.

Amendments and Annual Returns

Electronic filing and automated checks help reduce processing time. System-to-system integration between accounting software and the register database reduces redundant information, both for the register and for businesses.

Deregistration, Follow-up, and Enforcement

Automated solutions help monitor and target businesses. They support the register by triggering communication with other registers and agencies, and they foster predictable application of rules to businesses.

Lessons Learned

If business registers are to take on the role of master data sources in eGovernment solutions, they must provide high-quality information, not only at start-up but also throughout the business life cycle.

ICT can lighten the burden of procedural steps, but electronic facilities alone will not assure registry success. Name search

as a mandatory separate procedure, for example, is less burdensome for businesses when performed online and free of charge. A mandatory separate procedure for name reservation, on the other hand, even when conducted electronically, may appear cumbersome to those same businesses, while an optional name reservation procedure may be welcomed.

One particular advantage of electronic approaches lies in their potential to serve both the registers' and the users' needs. Built-in error checks help applicants during form filling and help case officers during processing. On the other hand, electronic solutions are not always user-friendly and do not always fulfill their promise. Even when the registry information is shared between agencies, public authorities may nonetheless ask businesses several times for the same information.

Deploying ICT in business registries has in itself beneficial effects on private-sector growth. ICT support for business registers may create business opportunities for developing value-added information products based on registry information. It boosts demand for ICT infrastructure and new electronic services. Mobile technology has yet to play a prominent role in ICT-based registry solutions, but rapid proliferation of this technology might help developing countries, in particular, to implement innovative solutions.

ICT support for business registration provides a particular benefit by helping to prevent corruption. Electronic filing reduces physical contact between case officers and applicants. Automated calculation of fees and noncash payments increase transparency in the flow of money. Automated process steps, with no manual intervention, such as built-in checks for legal requirements or automated assignment of cases to case officers, reduce the risk of manipulation. These features contribute at the same time to transparent, predictable, and correct law enforcement and thus boost businesses' trust in the register.

The need for simplicity in the legal framework becomes especially visible when considering electronic solutions. The simpler the rules, the more easily they can be translated into automated solutions. Discretionary power and exceptions should be avoided.

ICT solutions require not only removal of legal constraints but also a legal framework that facilitates electronic solution implementation. At the initial stages, recognizing electronic solutions (for example, signatures or documents) is vital. A legal obligation to use electronic solutions, however, conceivable for both public agencies and businesses, should not be considered before the various players are prepared to comply.

Another imperative for modern registry solutions is the ability of the legal framework to adapt quickly to a changing environment. Flexibility is vital in a field marked by rapid technological evolution. The form of law should therefore stipulate guiding principles, but more detailed provisions should be made through inferior, more easily amended legislation.

1. Typical Functions in Business Registries

Entrepreneurs in most countries perform similar steps when starting a business, and business registers, too, perform generic functions during the registration process.

The following macrolevel descriptions of these general steps and the corresponding business registry functions define the scope of most ICT-based business-entry reforms.

Generic Registration Process

The first step for the entrepreneur is deciding on the business's legal form. Business registers usually do not provide any support for this step apart from referring the entrepreneur to relevant legal frameworks. Entrepreneurs needing more assistance often seek help from intermediaries.

Entrepreneurs must also decide on a name for their business, ensuring that the name is unique. Business registries support this step through a separate procedure (optional or mandatory) or by providing name search as an information service.

Once a business name is chosen, the entrepreneur must prevent others from using the name for other businesses. Business registries may offer name reservation as a separate procedure (optional or mandatory) or may integrate it into the registration procedure.

To prepare the registration application, entrepreneurs must produce the necessary documents, such as memoranda and articles of association, and attach them to the registration application.

Once the necessary documentation is collected, the registration application is prepared. Business registers provide forms (paper or electronic) and support businesses during

form filling by offering printed guidelines, telephone help-desks, or, for electronic forms, built-in help.

As a rule, the entrepreneur pays a registration fee before registration is completed.

Once a business is registered, entrepreneurs must disclose the registered information. For this purpose, business registers often make announcements in the National Gazette or similar publication. Making information available online and issuing registration certificates serve the same purpose.

Entrepreneurs are often required to register with other authorities, such as tax authorities, social security agencies, or pension funds. Business registers support this step by informing entrepreneurs of the requirements and referring them to the relevant agencies. Various forms of one-stop shop may also be used to support registration with other authorities.

Depending on the line of business they engage in, entrepreneurs often must apply for licenses. Some business registers provide information on this process and refer the entrepreneur to the relevant agency, while others offer licensing in through a one-stop shop.

Table 1.1 summarizes actions required of entrepreneurs and the corresponding support offered by common business registers.

Registry Functions During Business Entry

When the register receives an application for registration, a series of controls are performed. First and foremost,

Table 1.1 The Generic Registration Process

Action Required of Entrepreneur	Support Provided by Business Registry
Decide on the legal form for the business.	Not supported; some registers refer entrepreneurs to the relevant legal framework.
Decide on a name for the business.	Provided in a separate procedure (optional or mandatory) or through a name search undertaken as an information service.
Exclude others from using the chosen name for the business.	Covered by a separate procedure (optional or mandatory) or integrated into registration procedure.
Prepare necessary documents.	Afforded through available templates or examples.
Prepare application for registration.	Forms provided, with additional support for completion.
Pay registration fee.	Various payment methods supported.
Disclose registered information.	Provided by announcement in National Gazette or similar publication, by online information, or by registration certificate.
Perform business registration with other authorities.	Supported by information provided and referrals made to relevant agencies or by various forms of one-stop shop.
Get necessary permits or licenses.	Supported by information provided and referrals to relevant agencies or by various forms of one-stop shop.

Source: The Brønnøysund Register Centre.

a cursory verification of the application and its attachments is made to ensure that the required information has been provided and documented.

In addition, a number of legal requirements may be verified; for example, the entrepreneur must not be disqualified from operating the business, the board of directors must meet requirement regarding number and gender representation, and so on.

Usually the registry verifies the chosen business name. The number of requirements for this depend on the particular country's legislation. Some countries only require the business register to verify that no identical name is already registered, while other countries require more thorough verification, such as ensuring the name does not violate the rights of businesses with similar names or trademarks.

In performing these controls, business registers ensure that businesses comply with their legal obligations. Businesses are legally obligated to file correct information and to update registered information. The registers are responsible for entering filed information correctly.

Archiving the application and its attachments may occur before or after the registration process is complete.

When the business register has completed the registration, it issues a certificate of registration. This certificate confirms the registration and contains information about the business. Some business registers also provide announcements of the registration in the National Gazette, in a newspaper, or on their website. The registration is thus brought to the attention of creditors or other interested parties. Some registers offer subscriptions to announcements of certain kinds of registration, such as all new limited liability companies, or to all announcements made referring to a single company.

Public Disclosure

Business registers make registered information available to the public. This includes not only basic information about the business, such as its telephone number and address, but also information such as who is authorized to sign on the company's behalf or who serves as the company's legal representative. Although this information can be found in a number of other sources, business registers are considered trustworthy sources of information on a business's legal situation at any given time. Registered information is distinguished by its legal validity, and by virtue of registration everyone dealing with a business is deemed to have notice of the business's registered information.

Interagency Information Sharing

Businesses are usually assigned registration numbers during registration. When those numbers represent a unique identifier, that ID can be used in the business's interactions with other government agencies, with other businesses, and with banks. Usually a new business will be required to register with several other government agencies, such as the tax administration and

department of employment. These authorities often require the same information gathered by the business register. Businesses already registered can more easily transmit the required information to these other government agencies, thus simplifying the procedural steps required of businesses at start-up. In addition, the business register may collect and store information about the business from other government agencies.

Figure 1.1 illustrates the generic functions of business registers throughout the process.

Registry Functions During the Business Life Cycle

Register functions support businesses not only during entry but also throughout their life cycles.

Amendments

During the lifetime of a business, changes may occur in its board of directors, its business address or telephone number, or other aspects recorded by the register. Because business registers represent important sources of information for business transactions, it is vital that businesses notify the register of any changes in the information registered.

A number of measures help to ensure that businesses update registered information as soon as changes occur. Businesses may have a legal obligation to file amendments as soon as possible, for example. Information exchange between business registers and other government agencies helps keep information current as well. Low registration fees also encourage businesses to file any necessary amendments.

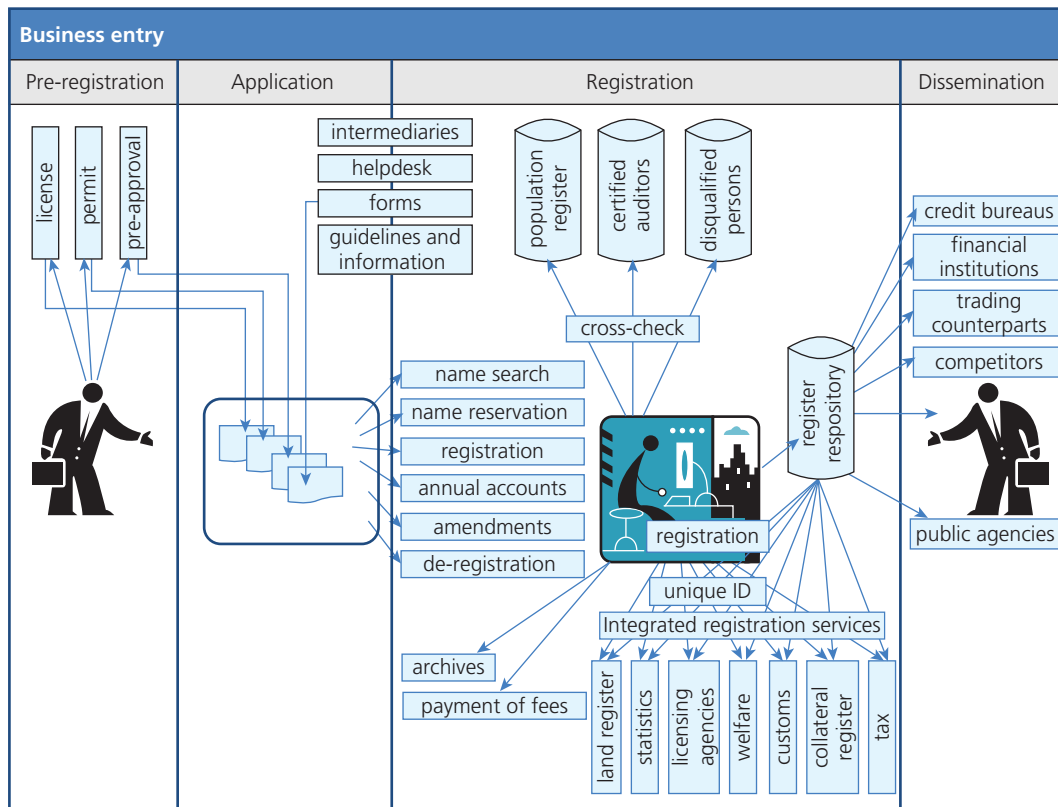
For a number of reasons, business registers often register and publish annual accounts or financial statements. Investors, clients, and potential creditors may want to assess the financial situation of future business partners, encompassing both their current standing and their development over time. Other information consumers, such as the media or other government agencies, may also be interested in financial information on businesses. Finally, information on businesses is also important for statistical purposes.

Deregistration

Businesses may cease to operate for various reasons. When this is due to a temporary status change, the business may remain on the register. If it becomes evident, however, that a business will not resume operation, it must be removed from the register in a process termed *deregistration*. Deregistration may also follow a merger or forced liquidation due to bankruptcy. In this case, deregistration is often triggered by information made available through insolvency registers or registers of bankruptcy.

Deregistration procedures must address the needs of the business's creditors, the business itself, and the business register. Each of these actors has different interests: creditors want time to pursue payment before the business ceases to exist, but owners

Figure 1.1 Generic Stages of Business Registration



Source: The Brønnøysund Register Centre.

may want to use business assets for other purposes and therefore favor swift deregistration.

Removing a business from the register is often a two-step process. After receiving notification of dissolution, the business register may provide an announcement stating that creditors have a

certain length of time during which to put forward their claims. After that period has passed, the business is removed from the register. This deliberate procedure ensures that businesses do not cease to exist before creditors have had the opportunity to put forward their claims.

2. ICT Support for Business Registration Functions

Paper-based business registration requires physical documents that are sent by mail or delivered by hand to the register for manual processing, with the resulting risk of error, and then stored as space-consuming hard copies. In addition, any copies of the documents required must also be provided on paper. These processes are time consuming and expensive both for the registers and for users.

A major trend among business registers is therefore to deploy ICT to perform registration functions, both to improve efficiency and to provide user-friendly services.

ICT-supported solutions have the potential to save registers and businesses time and resources. Although ICT carries inherent risks of errors or bugs, ICT systems generally do more to reduce the risk of error by providing automated error checks on both register functions and entry of business information. Moreover, ICT solutions reduce the need for manual document processing and physical contact between agency and business employees, reducing the risk of corruption. ICT systems benefit the environment, as well, by eliminating or reducing the need for paper and its transport to registers.

Both paper-based and electronic registries are at risk from accidental or natural disaster such as fires, floods, and earthquakes. To prevent losses, copies of registered information must be kept at a separate location, a far more expensive undertaking for paper than for electronic records.

Applications

A number of electronic services help businesses prepare and file registration applications.

Forms

Innovative use of ICT enables business registers to produce forms that are easier to understand and therefore easier to fill in correctly.

The basic method for introducing ICT solutions is to provide registration software to be downloaded by users. One of two kinds is typically used:

- Downloaded forms based on standard form-filling software without built-in checks; or
- Downloaded forms based on standard form-filling software with built-in checks or customized applications, including options for attaching documents.

Downloading specific software to complete forms and submit applications does not require stable Internet access. Forms may be filled out off-line and submission delayed until an Internet connection becomes available.

The information entered may be submitted electronically either as a completed form or as a string of values for the form's specific fields, with or without attached documents. The form can be stored locally and submitted when the user decides to do so, using e-mail, file transfer protocols (FTP), or a customized transfer function.

Users, however, seem to find it cumbersome to download specific software to fill out and submit forms. Most recent ICT implementations, therefore, use an Internet browser, making software downloads superfluous.

Internet-based solutions require Internet access, but depending on the design, a high-speed connection may not be necessary, although frequent loss of connection can create difficulties. The data entered is immediately stored on a central server and is relayed to the register upon submission. If Internet access is available, this approach constitutes the most time- and cost-effective solution for the register. Registration can be implemented at any time from any PC with Internet access, without the need to distribute software. Comprehensive checks of the information with the business register and other information sources may be performed online during the form-filling process, thus enhancing the quality of the entered data. Any changes in requirements for the functionality of the service or the data in the form can be easily implemented without the need to distribute or download new software and forms. In principle, the same controls available to register officers could be made available to clients, including crosschecks with lists of disqualified directors, authorizations, bankruptcy proceedings, and so on.

Where the necessary legislation is in place and the service is available, forms ready for transfer may be signed using an electronic certificate. Where an electronic signature cannot be applied, a physically signed transcript of the submission may be sent by mail or delivered to the register. In these cases, practices for handling final registration vary. The register may await the physically signed documents before starting to process the application, or the application may be processed up to the point of final approval. The latter approach would be reasonable at least for regular professional clients.

Many ICT solutions allow submission of application forms and documents by e-mail. When forms and documents from trusted clients arrive via e-mail, the registry often begins processing the information, although final registration will not be made until the client signs the documents in the registration office and pays the fees.

By providing support for completing forms, registers ensure they are completed correctly, resulting in higher-quality applications, which benefits both the entrepreneur and the register. Based on the applicant's initial choices, the form presents only relevant questions or options. This ensures that all required information — and no irrelevant information — will be collected and submitted. Further checks may be performed on the entered data, with a level of sophistication ranging from internal formal checks to advanced look-up services in relevant registries. Some forms offer context-sensitive help to guide clients in entering the correct information.¹

Of 26 registries that responded to the WBG survey on Innovative Solutions for Business Entry Reforms, one-third had introduced mandatory electronic filing for certain legal forms of businesses. Bangladesh is one of these countries, which is striking given Bangladesh's low Internet penetration (0.4 percent, according to Economy Watch, October 2011). The system used in Bangladesh requires that electronic filers download special software. While the use of intermediaries is not mandatory in Bangladesh, its registration system is likely to create a market for intermediaries with the necessary knowledge and tools. This approach allows automation of many internal processes, thus enhancing efficiency. Overall, businesses will experience higher costs, but they will gain access to more efficient registration procedures.

Data collected using electronically filed applications should be configured for the registry in a computable (preferably standard) format to facilitate data processing.

Even if registries decide against introducing mandatory electronic filing, a majority of them apply incentives to promote the practice, including reduced fees and processing time and free information services.

ICT Support for Registrants

Entrepreneurs need general support with business registration, including, for example, with regulatory questions, business names, or the documents to prepare.

A number of business registers (for example, those in Italy) cooperate with intermediaries (such as lawyers, notaries, and accountants) to provide this support. Where intermediaries do not play a major role and entrepreneurs depend for support mainly on the business registers themselves, ICT may be used to develop user-centric solutions tailored to meet this need.

¹ Norway has standard guidelines in place for the development of electronic forms. These guidelines help ensure consistent electronic forms with a common appearance: <http://www.brreg.no/elmer/elmer2-english.pdf>.

Many registers provide online name search, for example. Registers that require name search as a separate registration procedure usually do not charge a fee for the service. When name search as a separate procedure can be performed online and free of charge, it does not appear especially burdensome for businesses. In fact, many businesses want to check their proposed names before they produce the memorandum and articles of association and registration application. In this form, name search will be viewed as a service rather than a burdensome procedural step. The registers may be able to outsource part of their task of verifying business names to the businesses themselves.

Many registers require name reservation as a separate procedure when businesses register. The WBG survey on Innovative Solutions for Business Entry Reforms revealed that, apart from Sweden, Serbia, and Malawi, all registers requiring name reservation as a separate procedure provide the service electronically. Businesses do not consider mandatory separate procedures for name reservation and name search, with corresponding fees, to be user-friendly. Mandatory name reservation often adds another procedural step and extra costs to the registration process. As an option, however, name reservation appears to businesses in a different light. In some situations, name reservation as a separate procedure responds to a need felt by businesses, especially large enterprises, which might want to prepare printed material with the business name. Businesses investing in a domain name before registration will want to protect their use of the name by applying for a name reservation. Name reservation as an option, preferably free of charge, meets this need.

Secure Electronic Filing

Electronic filing as a replacement for paper-based registration carries with it some risks. These are among the most common risk issues:

- Authentication: confirming the identity of a person or entity.
- Integrity: preventing conscious or unconscious alteration of information during transmission.
- Nonrepudiation: ensuring that sending and receiving parties cannot later deny having sent or received the transferred message.
- Confidentiality: preventing the disclosure of information to unauthorized individuals or systems.

Various techniques can help ensure security, among them usernames and passwords; biometric verification, such as fingerprint recognition; and signatures using an "electronic" pen or digital signatures based on electronic keys and certificates (known as public key infrastructure or PKI).

Business registers that implement electronic services must address the need for security and determine the level of security necessary. When selecting its level of security, business registers must align the risk attached to a specific interaction with the costs and administration required to secure that interaction. Low security may deter parties from using electronic services, but costly and cumbersome high-security measures may have the same effect.

It is worth noting, however, that electronic registration solutions often provide higher-level security than do the handwritten signatures of paper-based systems. (Filing using electronic signatures is discussed above in the section on forms.)

Of the registers offering electronic registration services, 41 percent require an electronic signature. Colorado does not require any authentication at all, and the rest accept username and password or an electronic certificate, if implemented.

The legal framework for allowing the use of digital signatures is in place in 70 percent of the countries and has been implemented as part of the ICT solution by half of the respondents.

New Zealand, Estonia, Canada, Singapore, Italy, South Africa, the Netherlands, Jersey, Lithuania, and Austria provide registry transcripts of electronically signed documents to the public. In Italy, recipients need special software and access to the Internet to verify this signature, but the software is free and publicly available, thus boosting use of electronic signatures.

Fee Payment

Most business registers collect fees for their services. User-friendly ICT solutions for the payment of fees depend largely on the country's available modes of payment. The regulatory framework may also determine the modes of payment public authorities can accept.

Among the business registers that participated in the WBG survey on Innovative Solutions for Business Entry Reforms, most (69 percent) accepted online payment, followed by credit or debit cards (54 percent) and cash payment (50 percent). Cash payments require considerable resources to administer on the register's side and increase the risk of corruption. Limited Internet access may in some cases explain the unavailability of online payment. A particularly user-friendly solution provided in FYR Macedonia allows payment through text message (SMS). Entrepreneurs benefit from having many options for payment, but this increases the registers' costs. In Ukraine and Serbia, payment can only be made through a bank and before registration, which is cumbersome for businesses.

Most registers require fees, payable before or upon registration, effectively ensuring that registration does not take place without payment. Norway, by contrast, to save resources, takes payment following registration. The register is freed from checking that payment has been made before approving the registration, and payments are not held for pending cases. Norway's experience with this system indicates that the savings from this simplification compensate for fees lost from businesses that fail to pay the fee after registration.

The most efficient and user-friendly payment option seems to be combining electronic application filing and online fee payment into one step. Such systems may include error checks to ensure applications are not submitted before payments are completed.

Electronic solutions also allow case workers to see payment information along with the application.

Fee payment before registration constitutes a separate procedural step. Online payment may improve the user experience, but unless procedures are streamlined, the benefits may be limited.

Application Processing

Business registers using digitized records can deploy ICT to process cases, including journaling filed applications. ICT can also improve communication about incomplete applications.

Electronic solutions allow application filing with automated time-stamping, which can have legal implications (such as protecting business names). Registers receiving both paper and electronic applications will need to establish special rules to determine the order of priority between them.

Paper applications must be digitized by scanning or otherwise storing them in an electronic archive for later documentation and dissemination. Electronic processing requires structured data, and information from paper applications must be transformed into data that can be processed. Often case workers enter the information into the back-office system. Scanning with OCR support may partially automate this step, but even the most advanced systems struggle with handwriting. In such cases, either the register must impose strict requirements for handwriting on paper applications or it must employ extra staff to check that the record made by the scan correctly represents the application. This step reduces significantly the benefits of OCR or similar support.

Whichever system is used, electronic storage has the advantage of making applications easily available for case processing and registration and for later use by the business register or anyone with an interest in the underlying documents and information.

Most registers have mixed solutions, whether a combination of submission and receipt of both electronic and paper documents or of electronic and manual processes during case handling. Maintaining two parallel systems is costly for the register, as the different approaches require different procedures and tools. Electronic receipt of applications and documentation allows automation of initial processing, such as data entry, and of archiving the received application.

With the application logged and the documents stored, processing can start. Back-office systems that run automated checks on information entered by case workers improve processing time and quality. Support offered ranges from simple checks that a telephone number has the correct number of digits to more advanced checks that information conforms to regulatory requirements. Advanced support for case processing demands a well-fitted regulatory framework. Provisions requiring the interpretation of several documents and the collection of several pieces of information are difficult to adapt to automated support. The same applies to discretionary power and complex structures of rules and exceptions.

Even if parts of the legal framework are too complex to be checked automatically and must be addressed by a case worker, other parts may lend themselves to automatic checking. The automated system might check if the share capital stated meets the minimum requirements, for example, while the case worker checks whether the share capital reported accords with that in the documentation.

Where applications are incomplete, the back-office system may provide support for case workers by indicating errors businesses should be informed about. Even if the automated report of errors is incomplete, it will still improve processing, as the back-office system might not detect errors of this type without it. In addition, some ICT-based back-office systems provide standard texts, easily understandable by businesses that case handlers can use in communicating with them.

As a rule, the systems provide support for fee calculation and meet archiving and accounting requirements. Documents (physical or electronic) are required to amend register content, and these are coupled to the registered information on the business. The most advanced systems handle documents stored electronically either as scanned images of physical documents or from electronic applications.

Business ID assignment, performed either by the register or by another authority, is normally integrated into the application process. In some recent implementations, collaboration with tax authorities has been established to facilitate this step.

Distribution of Registry Information

An updated electronic registry is a prerequisite for an efficient information service. Outdated information is of no interest to customers. An information service in this context means a service to distribute the information content held by the registry. This service is in addition to the register website communicating information about the registry, the obligation to register, the registration procedures and fees, registration forms, and so on. The use of ICT plays a major part in efficient and user-friendly solutions for the distribution of registered information.

Distribution of registered information covers both bulk and individual information for consumers in both the public and the private sectors.

Distribution of bulk information varies according to the needs and capabilities of the receiving organization. One common service is electronic transfer of selected data on all registered entities, combined with a service transferring data about all new registrations, amendments, and deregistration during a specified period. These services are useful for stakeholders dealing with all or many businesses and performing frequent data processing on them.

Web-based or similar services for system-to-system integration provide both direct access to selected data on specific entities and name search. Direct access avoids unnecessary redundant storage of information by the receiving organization.

Individual information is typically distributed in one of the following ways:

- Telephone services provide information on registered businesses and product ordering.
- Internet browsers allow name search and access to selected information about a business.
- Subscription services inform subscribers about events pertaining to specified businesses.
- Ordering services enable access to various products using an Internet browser.
- Delivery services convey various products, such as transcripts of registered information on a business, paper lists, or electronic files with selected data.
- Delivery services supply electronic files with all data about all businesses and all succeeding updates.

Some registers use ICT to offer particularly user-friendly information services that help businesses prevent company hijacking. These systems supply authorized persons in a business with warnings whenever the business register receives a filing application that implies a risk the company might be hijacked, for example, an application to register a completely new board of directors.

Electronic solutions make information easier to find, at least compared to paper-based systems that register only a minimum of information. Using ICT efficiently to distribute registered information requires data stored in electronic formats that can be easily imported into other systems. Data should not be stored in the form of copies of applications, therefore, but as hard data that can be easily transferred and accepted. In a standard format, data can be transferred to both private and public users at minimal cost.

Making registered data available electronically can also reduce or altogether remove the cost to consumers of accessing the information. In a paper-based system, information is most often sent to the customer on paper after a case worker has located the information and prepared it to be sent. Using an electronic solution, on the other hand, customers can often access the information themselves, without contact with registry personnel. This is both easier for the customer and cheaper for the register. An additional advantage of electronic solutions is that the information is always up to date when the customer receives it; information sent out on paper can sometimes be outdated by the time it reaches the customer.

Products and services to distribute registered information boost the private sector if they are in tune with market maturity and fit well with available and applied technology. In addition, distribution of registered information creates business opportunities if the private sector develops value-added information products. Moreover, the availability of useful services enhances the demand for infrastructure for accessing them, thus creating a market for Internet service providers. This can position business registers

among the drivers of demand for ICT infrastructure. Potential target groups for new distribution services are the business community as a whole, the financial sector, the media, and credit information providers.

Advanced distribution of registered information is provided by the European Business Register (www.ebr.org). EBR is a network of national business registers and information providers from 26 European countries. The EBR provides online access to company information, making it possible to access records in all member countries using a single search. Name search is free of charge, while access to other information products may require a fee. This service is particularly valuable in fostering cross-border business activities.

Amendments and Annual Returns

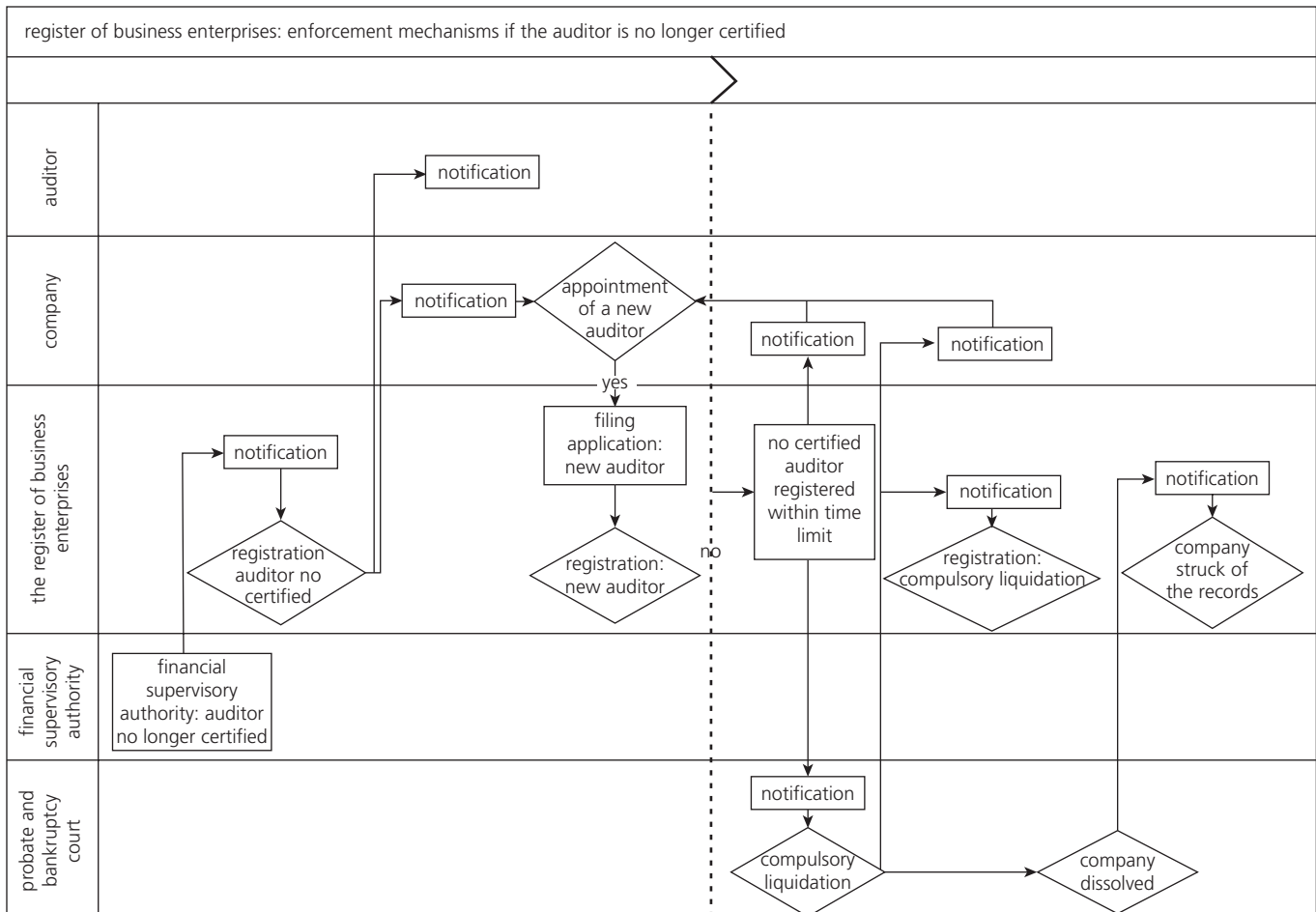
As a rule, businesses are under a legal obligation to notify the business register of changes in registered information. Updated records are increasingly important for business registers.

Annual returns and annual accounts or financial statements are special instruments aimed at updating registered information. The annual return is a report submitted annually to the business register, mostly updating or confirming basic registered data. Annual accounts and financial statements, on the other hand, present a company's financial state and performance during the accounting year.

Legal requirements to file annual returns and/or annual accounts help business registers ensure that only existing businesses and up-to-date information is included. If a business does not submit an annual return, the register will conclude the business no longer exists; it may then begin proceedings to deregister the business.

Mandatory filing of annual returns and/or annual accounts has a downside, in that the filings fall within a delineated period, causing a workload peak at the register. ICT systems help compensate for this, and electronic filing and automated checks help reduce processing time. In Norway, system-to-system integration between accounting software and the register database reduces

Figure 2.1 An Example of Register Enforcement from Norway



Source: The Brønnøysund Register Centre.

redundant information punching, leading to a significant workload reduction. In addition, although mandatory filing of annual returns and/or annual accounts represents a burden on businesses, it can be mitigated through user-friendly electronic filing and repopulated forms.

A perhaps more serious drawback of annual returns is that businesses may delay filing changes in registered data as they occur, waiting to include them in the next annual return.

Deregistration

Business registers use ICT systems to target businesses subject to forced deregistration.

Deregistration often requires an official announcement to the business community that a business will be deregistered. ICT allow automation of these announcements, from initiating the process to producing a standard notice. In addition, ICT helps business registers ensure that businesses are not deregistered before the creditors' time limit has elapsed. Another advantage of ICT-based solutions for deregistration is reduced processing time, allowing business owners to close the business and perhaps use its assets for different purposes.

ICT cannot help with lengthy and unnecessarily cumbersome procedures, such as requirements that numerous banks must confirm the business has no current bank account. This may deter businesses from filing for deregistration, thus keeping many defunct businesses on the business registry. Such requirements do not become less burdensome by being transformed into electronic procedures, but ICT systems may become catalysts for

streamlining processes and adapting the regulatory framework in user-friendly and productive ways.

Follow-Up and Enforcement

Business registers have various procedures for following up with businesses that fail to comply with legal registration requirements. ICT plays a vital role in reducing the time spent on the manual processing of these efforts.

This example from Norway, illustrated in figure 2.1, shows how ICT may support business registers with enforcement procedures. The back-office system monitors businesses on the records and detects, for example, if an auditor for a business has resigned. The system identifies cases in which this implies that a business is failing to comply with statutory requirements. A notice informing the business of this circumstance is produced automatically. The business is given two chances to fix the situation. If the business does not remedy the situation within the statutory time limit, the system starts a new procedure to forward the case to the district court, where the decision on compulsory liquidation may be taken. Upon termination of compulsory liquidation, the district court notifies the business register, and the business is deleted from the records.

If it is easy and cheap for authorities to impose sanctions on businesses that do not comply with their legal obligations, enforcement will be more effective and businesses will be more likely to meet their obligations. Predictable and correct enforcement mechanisms are essential for businesses. Well-functioning information exchanges based on a unique ID help authorities target the businesses that require follow-up.

3. Sustainability of Registry Operation

The term *sustainability* is used in a broad sense in this chapter to cover prerequisites to maintain and further develop business register solutions on a long-term basis.

Revenue Generation

Most business registers depend on government budgets to cover their operational costs. The majority of contributors to the WBG survey on Innovative Solutions for Business Entry Reforms indicated registration fees as a source of funding. Stable funding is central to ensuring sustainable registry operation.

There are basically three types of fees: registration fees, fines, and fees for information products. In addition to generating revenues, however, fees have direct or indirect effects on whether businesses comply with registration obligations, which should be taken into consideration. Fees for new registration, for example, may discourage entrepreneurs from registering a new business, thus keeping them in the informal sector.

As up-to-date registered information becomes increasingly important, registers take a substantial interest in businesses' amendment filings and annual accounts or financial statements. In that respect, it is striking that not less than 88 percent of the respondents to the WBG survey on Innovative Solutions for Business Entry Reforms charge fees for registering amendments, and 42 percent impose fees for registering annual accounts.

Annual fees to keep a company in the register go even further, as they are not related to particular registration activities. As such, they can hardly inspire businesses to maintain their registered status. Despite this, as many as 31 percent of the registers contributing to the WBG survey charge such fees. Among these are top performers in the WBG *Doing Business* ranking, such as Australia and Singapore.²

In contrast to registration fees, fines charged for late filing constitute a direct incentive for businesses to comply with registration obligations. See, for example, recently published case studies on Ireland and on Norway.³ In this

context, it is interesting to note that a number of registers use fines as a source for funding.⁴ Registers depending on penalty fees for funding lose funding if compliance improves. This provides weak incentive for registers to improve businesses' compliance, as the registers have no economic interest in amelioration.

Revenues from distribution of information constitute a major source of funding for many registers. This type of revenue generation motivates registers to provide valuable information and information services for stakeholders in the public and private sectors. Name search should be free of charge, but fees may be charged for other products. Fees for information products may also influence consumers' choice of products. Fees for efficiently distributed information products (for example, direct downloading) should therefore be low enough to make their use attractive. Otherwise, consumers may use channels more costly for the registry (for example, ordering printed versions by telephone).

Sharing registered information as a means of cutting red tape should be considered apart from revenue generation. If public authorities must pay for such information, they will be less likely to turn to the register for it, preferring to save the fee by going directly to the businesses.

Striking a balance between the various effects of fees is essential. Registration fees should cover costs, but they should not discourage businesses from formalization or from updating the registry. Fees for late filing should spur businesses to comply with registration obligations, but they should not reduce register funding when compliance improves. Fees for information products should motivate the register to provide user-friendly products, but they should not discourage businesses from creating value-added information products based on registered information.

The majority of business registers apply the cost-covering principle when determining fees. Still, this leaves considerable room for variations. Determination of the costs to be covered is central in this context. Norway, for example, calculates fees for new registrations based on costs incurred by an average business for registration activities over the business life cycle. Potential amendments, apart from those requiring official announcements, are thus already covered by the fee companies pay for new registration. This is beneficial in several respects. First, most amendments will then be free of charge, which encourages compliance among registered businesses. Second, both the register and the businesses save resources related to fee payment

² Low rates may have a mitigating effect here. Set-up costs, which include registration fees, are very low in Australia and Singapore according to the *Doing Business Report* (2011). The *Doing Business Report* does not cover fees charged after new registration, however, such as annual fees and registration fees for amendment or annual accounts.

³ Christow, Dobromir, and Olaisen, *Ireland* (Business Reform Case Studies, World Bank Group and International Finance Corporation, 2009); World Bank Group and International Finance Corporation, *Norway* (Business Registration Reform Case Studies, 2011).

⁴ For example, FYR Macedonia, Serbia, Italy, Jersey, and Colorado (USA).

for amendments. Third, as part of the cost for processing amendments will be generated later, the temporary surplus produced can be used to improve register operations and functions.

In this context, it is also worth noting that a number of registers charge fees below their actual costs. Among these are Vietnam, Ukraine, South Africa, Malawi, and Colorado. These reduced fees may inspire businesses to improve compliance.

Institutional and Political Sustainability

Sustainable register solutions require appropriate institutional arrangements and political commitment. Political commitment often motivates reforms, but it is just as important after reforms have been implemented. As the registration process is used, on-going evaluation might reveal the need to adjust policy aspects ranging from the regulatory framework to additional funding.

Establishing trust and cooperation between the business register and other stakeholders in the public sector is vital for institutional sustainability. Integrated services and cross-sector approaches, especially, require continued focus on trust and cooperation. In Norway, permanent cooperation groups or forums meet regularly, providing opportunities to exchange views, experiences, and knowledge.

Because business registers provide services for the private sector, they need a dialogue with these stakeholders. Regular meetings with business organizations and user groups constitute an important means of collecting feedback to inform service development.

A well-functioning business sector is in constant change. Serving this sector requires that business registers adapt to changing needs. Institutional arrangements should be flexible enough to adapt to changing conditions, such as changes in legislation, and yet stable enough to remain independent of political fluctuations.

Institutional sustainability also requires adequate answers to questions of sourcing.⁵ Among these is the role assigned to in-

termediaries. Using an intermediary implies additional costs, but it also has benefits. Intermediaries may be necessary or even preferable from the entrepreneur's point of view. They may provide professional help in preparing documents and applications as well as fulfilling general business management functions. In addition, they may offer otherwise unavailable electronic filing that allows businesses to benefit from reduced registration fees and processing time. Some of the many entrepreneurs who consider it cumbersome and time consuming to deal with formalities such as registration may prefer to pay an intermediary to take care of these tasks, freeing the business to concentrate on its core activities. For business registers, intermediaries may reduce the workload. They represent a homogeneous, limited group of users that can be easier to manage as the primary users of electronic filing applications. However, use of intermediaries in this way may also raise questions related to the risks of technological lock-in and corruption.

Mandatory use of intermediaries should be carefully considered as well because it may have negative effects on the cost of business registration. The same applies to arrangements in general that require businesses or registers to use intermediaries for legal, technical, or economic reasons. Confirmation of documents by intermediaries should result in a reduction of tasks at the business register.

Access to sufficient skills is crucial to ensure registry sustainability. This goes beyond the skills needed to translate the legal framework into technical requirements. Once a technical solution is implemented, registry personnel must run it and update it when the legal framework changes or adjustments must be made for other reasons. Available expertise to address reengineering of business processes, both technically and legally, is just as important. The importance of training case workers and ensuring they can use the back-office system efficiently should not be underestimated. Further development of the technical solution, process reengineering, legal amendments, and required training of case workers constitute an on-going process, one that should not stop with the implementation of a reform. Reduction of staff in response to improved efficiencies should therefore be considered carefully. Until a certain level of automation is reached, registry cost reductions cannot be assumed.

⁵ For details, see World Bank, *Outsourcing of Business Registration Activities* (2010).

4. Benefits Realization

The main purpose of business entry reform should be to extract benefits for society. Some of those benefits may be generic, while others may be country-specific.

To maximize these effects, it is important to do systematic benefits realization work. *Benefits realization* in this context refers to the techniques, disciplines, and mind-set governments must apply to maximize the socioeconomic value of a reform project. It ranges from planning based on value to execution with value in mind to harvesting value post-implementation. Although systems implemented without this effort may meet with chance success, reforms undertaken without a value-oriented process risk a high probability of significant lost potential for social and economic benefits.

The objectives indicated in the WBG survey include extraction of benefits for both the public and the private sectors, and most of the responding countries consider the effects of reform to be substantial in both. Only Sweden, however, identified the approximate post-reform cost savings for the private sector.

This indicates generally weak follow-up and monitoring of effects post-implementation and therefore represents a potential for improvement in benefits realization. International monitoring of best practice, such as *Doing Business*, performed by the International Finance Corporation and the World Bank, provides valuable indicators of the effects on the business community of registration reforms. Similarly, growth in the number of new registrations and amendment filings indicate benefits.

Systematic benefits realization is, in many aspects, a cultural issue. Where reform is not culturally internalized, changes will demand effort, patience, and time. When considering

measures for benefits realization, country-specific conditions should thus be borne in mind.

A benefits realization approach to a business-entry reform process should always be linked to the country's visions, objectives, and strategies regarding business development. Anchored in these, the following deliverables and techniques should be considered:

- Establish the business case for the reform using a clear statement of its rationale, including expected benefits and costs and estimates of the uncertainty (+/-) for both. The business case should include all main reform stakeholders and should deal primarily with risks related to maximizing effects and secondarily with implementation risks. The business case should also include political consequences as well as other impacts.
- Clarify the ownership and responsibility for the various effects of the reform.
- Conduct post-implementation reviews following project completion to determine whether the project has established a platform for benefits.
- Harvest reviews conducted periodically both during and after the project period to confirm that benefits are arriving on schedule; act remedially or opportunistically based on benefits status and reform results. These reviews should include both public- and private-sector representatives.
- Adjust management to ensure that proposed changes are implemented.
- Establish appropriate incentives to encourage good behavior, employing both carrots and sticks.
- Institute a communication strategy and plan that will reach all main stakeholders.

5. Business Registries and the eGovernment Framework

The aim of eGovernment solutions is to promote ICT innovations in the public sector. As master data sources for information on businesses, business registers play an important role in such solutions. Many authorities depend on the trustworthy and easily shared electronic business information that eGovernment solutions can provide.

The approach has two prerequisites. First, business registers cannot focus exclusively on business start-ups. Only business registers containing correct information at any given point in a business's life cycle can be considered master data sources for business information. In addition, business registration benefits are very limited if formalization traps businesses in cumbersome reporting obligations. Sustainable growth within the business sector requires efficient procedures, particularly following start-up.

Second, the concept of a master data source for business information requires cooperation among the authorities involved. Master data means that information on businesses is used across systems, applications, and processes. This requires continuing coordination and clear definitions of roles and responsibilities. All authorities must therefore cooperate on an ongoing basis.

Improving efficiency within the public sector while also providing less cumbersome procedures for businesses seem to be the main reasons given by survey respondents for transforming business registers into master data sources. This chapter outlines a selection of reform steps in this direction, including the unique business ID number, information sharing, integration of registration services, and measures to ensure the high quality of registered information.

Common Business ID Number

A unique business ID number ties information to the correct entity and is therefore fundamental for sharing information on that business.

A unique business ID number or unique identifier is a set of characters used to distinguish registered entities, that is, the businesses in a business registry. An identifier is unique if it is allocated only once (mostly upon establishment), to only one entity, and if it will not change during the entity's existence. Often the identifier does not convey any information. A unique business ID number precisely identifies a particular registered entity.

Most authorities assign registration numbers to the businesses they register,⁶ but often its use and uniqueness is restricted to the authority assigning it. If information about registered entities is to be shared within the public or private sector or between the sectors, the business ID number must be unique in all contexts, that is, across agencies. In this chapter, the term *unique business ID number* refers to this cross-agency uniqueness.⁷ Without such a unique ID number, sharing information about an entity may be a difficult task, as it may require manual mapping of the entity's various business IDs.

Various Implementations

For the reasons outlined above, innovative business entry solutions often employ a nationwide unique business ID number. Implementation may take one of two approaches.

In the first approach, business registration is the initial step and includes allocation of a unique ID. The ID and identifying information is made available to and reused by other authorities involved in business registration, such as tax and social security agencies. Belgium uses this approach. (See http://business.belgium.be/en/managing_your_business/setting_up_your_business/main_steps/articles_of_incorporation/.)

In the second approach, allocation of a unique ID number represents the initial step. Identifier and identifying information is made available and reused by all authorities involved in business registration, including the business register. This approach is applied in Norway. (See <http://www.brreg.no/english/registers/entities/entities.html>.)

Unique identifiers are most often allocated to businesses by the business register, by a facility shared by public agencies, or by tax authorities. Any of these can follow either of the two approaches mentioned above. In Australia, for example, business registration with the business register is the initial step and results in allocation of the Australian

⁶ *Registration of businesses* here means registration with any authority that registers businesses.

⁷ A unique identifier allowing the unequivocal identification of companies not only at the national level but also at the European level is the aim of the European Commission's proposal for a directive of the European Parliament and of the Council amending Directives 89/666/EEC, 2005/56/EC and 2009/101/EC as regards the interconnection of central, commercial, and company registers. See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0079:FIN:EN:PDF>.

Company Number (ACN). In the second step, the Australian Tax Organization (ATO) allocates a unique ID (Australian Business Number, or ABN). (See <http://www.asic.gov.au/asic/ASIC.NSF/byHeadline/Starting%20a%20company%20or%20business>.)

Other countries apply similar models. Moreover, the business register need not be the site of the initial business registration; this may be undertaken by tax authorities, for example. An ID's uniqueness, again, may be restricted to the scope of its use. In Belgium, for example, businesses must still register with the social security administration, which allocates its own identifier, the NOSS. (See https://www.socialsecurity.be/foreign/en/employer_limosa/infos/registration/gegevens.html.)

Existing Identifiers and the Introduction of a Unique Identifier

Introducing a new identifier requires mapping and conversion of existing identifiers. Records at tax authorities often cover most types of businesses and are often the most up to date. This may explain why the tax identifier often serves as the starting point when a new identifier is designed. It is important to keep in mind that introducing a new identifier will require adaptation both by public authorities in processing and filing information and by businesses in communicating with public authorities or other businesses.

This adaptation can be handled in a number of ways. In Belgium, for example, a decision was made to refrain from introducing a completely new number to minimize administrative changes for existing businesses. Instead, the old VAT ID number was retained as an enterprise number. (See http://business.belgium.be/en/managing_your_business/setting_up_your_business/main_steps/company_number/.)

In Norway, on the other hand, different business registers had to be merged into a single new register of legal entities. Statistics Norway was made responsible for that activity, as it already had several sets of business information. Using this information, Statistics Norway allocated to each business a nine-digit organization number using the generator from the legal entities register, which calculates the numbers in chronological order. The businesses were then required to verify the related identifying information, including name, address, and type of activity. (See <https://www.wbginvestmentclimate.org/uploads/Business%20Registration%20Case%20Study%20Norway.pdf>.)

Individual Businesses

Individual businesses do not possess any legal existence separate from their owners. This poses various questions related to the identification of the owner and the business. Because tax authorities focus on the taxpayer, that is, the individual liable for taxation, they will probably want to relate to the owner of an individual business. They might therefore prefer to use the owner's identifier, possibly as a natural person, rather than the identifier for the business. For tax purposes, it will not matter if this person owned several individual businesses.

In a number of countries, different organizations allocate identifiers to individual businesses and to companies. They face the additional challenge of defining between them the limits of these legal forms. It may not always be evident that a certain business represents an individual business and not a company with only one owner. This may affect the uniqueness of the ID. To maintain the uniqueness of an ID it is important to avoid having several IDs allocated to one business or several businesses allocated the same ID. If the same business is identified as a limited liability company and at the same time as an individual business, the uniqueness of the identifier is lost. A common regime for the identification of all types of legal entities represents a safeguard against this form of duplication.

Benefits for the Public and Private Sectors

Introducing a unique ID for businesses represents a considerable operation with significant costs, raising the question of whether the benefits will justify the effort.

The benefits may not always be particularly prominent. In fact, even if the authorities involved in business entry use the same unique ID number and exchange information related to it, the number of procedural steps for business registration may remain the same. Integrated registration services are provided by a number of registers without nationwide unique IDs for businesses in place. Moreover, business registers do not necessarily exchange information with other authorities more often when unique IDs are used, and electronic means of exchanging registered information are not used more often if unique IDs are available. Furthermore, no evidence indicates that the implementation of a nationwide unique ID for businesses boosts crosschecks and monitoring of business-related information from other sources. Registers may not see the introduction of unique ID numbers for businesses as having positive impact on compliance or trust in government.

In spite of these findings, a growing number of registers do decide to introduce a unique business ID number for businesses. The most recent examples are Australia, Belgium, Vietnam, Croatia, Malawi, and Mauritius. New Zealand is exploring the adoption of a single business number, allocated by the New Zealand Companies Office, to replace the current collection of numbers.

This is because unique business ID numbers provide undeniable benefits. They fall into two main areas: improved efficiency within the public sector and reduced administrative burdens for businesses. As part of public-sector innovation, a unique identifier is vital to solutions based on information sharing. Public authorities exchanging information can confirm they are referring to the same entity by using the same unique identifier. This leads to a better quality of registered information and ultimately boosts trust within the business sector. In addition, statistical figures on the business sector improve as a consequence. This in turn helps regulators to target measures for businesses more effectively, and it is useful for economies in search of financial support for investment climate measures. The uniqueness of the identifier ensures that information is linked to the correct entity even if identifying

attributes (such as name, address, and line of business) change. It prevents the intentional or unintentional duplication of entities within the scope of its use. Prevention of duplication is especially important where financial benefits are granted to legal entities or where liability to third parties is concerned.

In addition, the downsides of lacking a unique business ID number should not be underestimated. Information exchange without a unique ID requires mapping between the different IDs applied by the various authorities. Electronic solutions may facilitate the necessary mapping, but they cannot exclude the duplication of entities. Moreover, some cases will always require manual intervention, necessitating increased resources. On a socio-economic level, the costs of these efforts are not negotiable, as every authority will need to perform mapping to exchange business information. When based on ID mapping, solutions requiring exchange of information lose the benefit of the general cost reduction that comes from use of shared tools.

Businesses benefit from a unique ID because they do not need to handle various IDs from various authorities. Moreover, they benefit from improved quality of registered information, as duplication may lead to considerable disadvantages for businesses. Businesses will experience benefits from a unique business ID number during their entire life span. Information sharing allows authorities to collect information about the business from other authorities, rather than requiring it of the business itself. Because the actual number of procedural steps for registration is not necessarily reduced by the mere introduction of a unique ID, effects on start-ups may be more limited. Indeed, trying to introduce a requirement for obtaining a single ID risks adding a further step in the registration process: “Apply for business ID.” This is so especially in the Norwegian approach, in which identification of businesses takes place first. The number of procedural steps will only be cut if the authorities involved agree to do so by increased cooperation. Introducing a consolidated form that businesses may use to report information to all authorities involved represents a good first step in that direction.

Prerequisites

Prerequisites for the introduction of a unique ID number for businesses are trust and collaboration within the public sector and between the public and the business sectors.

As a first step towards information sharing and integration of registration services, the introduction of a unique ID requires trust between the collaborating agencies. Potential partners in this process include the business register, the tax authority, the statistics office, the social security agency, the pension fund, and any collateral registries. If agreement among all of these is elusive, at least the business register and tax authority should be involved.

A clear picture of the identifiers in use at the various authorities and within the business sector is another prerequisite for reforms aimed at introducing unique business ID numbers. A comprehensive assessment should also identify the needs of the public authorities concerned as well as those of the business sector.

It is important to note that although a unique identifier is a necessary building block in public-sector innovation, it is not sufficient for improving efficiency within the public sector or for reducing administrative burdens on businesses. The mere existence of a unique identifier does not represent a safeguard against public authorities asking a business for information already collected by other authorities. Measures aimed at enhancing use of the ID and the information related to it are vital for its successful introduction. Political commitment beyond the mere introduction of the unique ID is essential in this context.

The introduction of a unique ID should start with a clear and common understanding about the objectives of such a reform. If businesses are to benefit from it, the necessary measures must be included.

With digitized records and electronic communication between public authorities, use of unique business ID numbers facilitates full electronic solutions without manual intervention. Electronic solutions are not a mandatory prerequisite for introducing these numbers, however. Unique identification of businesses is important in paper-based solutions as well.

Information Sharing

The previous section showed how a unique business ID number facilitates information sharing. Information sharing requires more than a unique business ID number, however. An important prerequisite is a solution that fits the existing technological infrastructure, responds to data protection and privacy needs, and ensures common understanding of the shared information.

Technical Approach

Depending on network capacity and the availability of a network and systems, electronic exchange of data may involve various principles.

A common technique is to create a copy, known as a mirror, of the data from other master sources. The copy could be established using file transfer protocols (FTP) of a total copy of relevant information from another source, with an initial total dump being updated with changes made over time. The frequency of updates may vary depending on the need and costs. Alternatively, a copy of the data may be created incrementally as information on a specific instance is required. The copy is then updated when any change regarding the instances in the copy are received from the source. An internal copy has the advantage that its use can be independent of the availability and response time of the external network and sources. This is important if the data are frequently used in time-critical processes. The internal copy may have the disadvantage as well, however, that redundant data storage may result in discrepancies over time due to erroneous updates that in some cases could be difficult to detect.

In countries where network and source availability is stable, requests for information increasingly go directly to the source. Several techniques and protocols have been employed over time, but the most

recent implementations use Web services and XML messages. This approach avoids redundant data storage. The principle requires simultaneous access to networks and systems, however, and if many systems are involved the total availability may be too low.

The choice of approach will depend on transaction volumes, criticality of access, and availability of involved components.

Innovative solutions offer a variety of channels for delivering information to other authorities: online access, as file transfers, on CD-ROM, or by e-mail, the latter being easy to implement and recommended where the technical infrastructure is weak.

Data Protection and Privacy

Data protection and privacy standards are often embedded in national legislation. In some countries, registered information related to businesses is considered private and is therefore not publicly available. A major trend is towards increased transparency, however. This is partly motivated by international efforts to fight money laundering and terrorist activity and partly by an interest in enabling a more open domestic and international economy in which knowing your customers (KYC) and your business partners is vital when entering into new business relations.

As regards privacy standards for individuals, it seems that reforms aimed at information sharing do not present any particular challenges as long as privacy is considered and addressed.

Interoperability Requirements

When providing public services based on information sharing, different authorities must interact within the same context. The lack of semantic interoperability appears to be a key obstacle to the exchange of information within the public sector as well as between the public and private sectors.

Different interpretations of the information to be exchanged can hamper fully electronic solutions. Semantic interoperability enables organizations to process information from external sources in a meaningful manner and ensures that the precise meaning of exchanged information is understood and preserved throughout the exchanges between parties. To ensure information sharing on a large scale, semantic descriptions should be easily accessible for all parties involved.

Measures to achieve interoperability relate not only to the development of appropriate tools and applications, they also serve the social process required to reach agreements on common representations and definitions, technology standards, and formats. Dialogue, preferably established on a permanent basis, is crucial, as it helps ensure mutual understanding of the legal foundation, responsibilities, and procedures involved. Trust between cooperating authorities is an important ingredient here as well.

Integration of Registration Functions

The effects of leveraging ICT in public-sector innovation become especially visible when authorities integrate registration functions. Businesses must often register with different authorities for various purposes, among them taxes, social security insurance,

employment regulation, and statistics. Businesses find the experience less cumbersome if these various registrations can be merged into one procedure.

From the businesses' point of view, much is already achieved if the authorities involved join forces to provide information, guidelines, and forms in the same location. This is the case, for example, in Australia, which provides the site <http://www.business.gov.au/Pages/default.aspx>. Such a step requires that the authorities involved agree on responsibilities for updating and uploading information as well as for maintaining the site. Regular contact among agencies is thus necessary.

Integration may also lead to a single form for registration with all authorities involved. Businesses benefit from such procedures, as they need only one form instead of several. Moreover, use of a single form prevents authorities from asking several times for the same information. In Norway, the authorities have developed a consolidated form that, in electronic format, can be repopulated with information from cooperating authorities. (See <http://www.brreg.no/english/forms/>.) Sharing a common form requires agreement on updating routines, production, and distribution.

Advanced integration of registration functions may be based on a common database.⁸ Sharing information, as described in the previous section, is a prerequisite for this. In Norway, for example, registration authorities⁹ share a database containing basic information about legal entities. (See <http://www.brreg.no/english/registers/entities/entities.html>.) Some of these authorities use daily file transfers to update the common database as well as their own records. The Central Coordinating Register for Legal Entities, the Register of Business Enterprises, and Statistics Norway all have direct access to the database and use the same back-office system to update it. Integration among these three authorities is particularly close. Officers at the Register of Business Enterprises, for example, verify information registered by the Central Coordinating Register for Legal Entities. A regulatory provision stipulating that the Central Coordinating Register for Legal Entities may collect and register information from other authorities serves as the legal basis for this cooperation. Necessary funding is allocated by the national budget. In general, data sharing requires finely tuned cooperation on the technical, legal, and organizational levels regarding a number of aspects: functionality, processing systems, interfaces, maintenance, access, quality of information, updating routines, roles, responsibilities, and funding.

Quality of Registration Information

High-quality information is imperative if business registers are to serve as master data sources. Low-quality master data will affect the quality of services for all players sharing the data. This applies to information regarding business start-ups and even more so to changes occurring later in the business life cycle: registered

⁸ IFC, "How Many Stops at the One-Stop Shop?" (January 2010), p. 4, <https://www.wbginvestmentclimate.org/uploads/Howmanystopsinaonestopshop.pdf>.

⁹ The Norwegian Central Coordinating Register for Legal Entities, the Register of Employers, the Register of Business Enterprises, the Register of Foundations, the VAT Register, Statistics Norway's Central Register of Establishments and Enterprises, and the Corporate Taxation Data Register.

information must be updated. *High-quality information* here means correct information providing legal certainty for third parties.

The quality of data is closely linked to information sharing. The more information is used, the more often it will be updated. Updated information will in turn be used more frequently, leading to a positive circle as more public authorities find this up-to-date data attractive to use.

Registers apply a number of ICT-based mechanisms to ensure the high quality of their registered information.

Initial Crosschecks

Many registers use ICT to crosscheck with other sources when verifying applications. These are not necessarily top performers, according to the Doing Business ranking. Singapore, a top reformer, for example, does not have initial crosschecks. Mostly registers check whether persons involved in start-ups are barred due to disqualification. Many registers check other sources for information related to persons, such as names and addresses. If unique identifiers are in place, crosschecks can be performed without manual intervention. Crosschecks should be limited to legal requirements. Only if businesses are required by law to have a certified auditor registered, for example, should registers check against another database to ascertain if a business's auditor is certified. Crosschecking information on businesses just because it is technically feasible should be prohibited.

Monitoring

Monitoring other sources, along the same lines as performing crosschecks, ensures that registered information is correct not only at start-up but also throughout the life cycle of a business. Automated look-up without manual intervention is efficient for registers and keeps businesses' administrative burdens at a minimum. In Norway, for example, the processing system monitors relevant sources in system-to-system applications. The system picks up changes automatically and produces warning letters accompanied by information on the legal implications of the change. Very effective solutions may detect changes before the business does. For these businesses, warnings from the register constitute a service.

Periodic Checks Using Other Sources

As an alternative to continuous monitoring, registers performing periodic checks receive data from other sources and check it against registered records.¹⁰ Periodic checks increase the workload at the register during certain periods, with potential negative effects on regular case processing. This is a general drawback of any register activity carried out at fixed intervals.

Periodic Checks with Businesses on the Record

Many registers check with the businesses themselves about whether registered information is correct. The obligation to file annual returns serves this purpose. Registers may also check

samples of businesses with few or no amendments over a certain period of time. The latter method does not cover all registered entities, but it puts less strain on the register in terms of workload. Modern technology may help to target these entities.

Reporting Procedures with Consumers of Bulk Information

Consumers of information from business registries represent an important source for its verification. Cooperating agencies often use information in bulk, as do banks and credit bureaus from the private sector. Without electronic solutions, however, reporting procedures may be difficult to implement. Bulk information sharing provides the benefit of consistency checks: even if a business seems to be active according to the annual account filed with the business register, tax authorities may have different information. When a discrepancy is signaled, appropriate measures may be taken to determine which is correct.

Useful Information Services for the Public

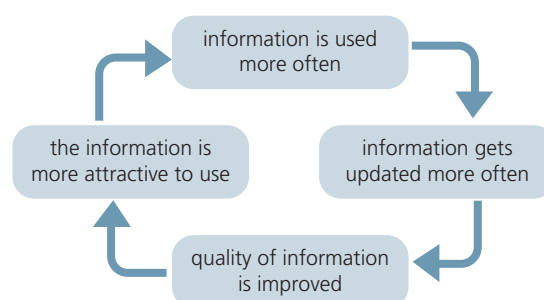
Public use of information can constitute a valuable means of verification. A person who looks up information on a potential business partner only to find incorrect registered information will advise the register, thus helping to update information. (See Figure 5.1)

Given the public's central role in verifying registered information, it is important that the process of looking up information be a positive one. Making registered information available electronically, at low cost, and with legal certainty will encourage its use by the public.

Legally valid registered information possesses particular value for the public as it has increased reliability. Legal validity provides legal protection for those relying on registered information that turns out to be incorrect.

Publication in the National Gazette plays a minor role in this context. In fact, the trend seems to be moving in the opposite direction, with a number of registers no longer publishing announcements in such gazettes.

Figure 5.1: The Positive Circle of Data Use and Improvement



Source: The Brønnøysund Register Centre.

¹⁰ For practical details, see the section "Information Sharing" above in this chapter.

6. Stages of ICT Implementation in Country-Specific Conditions

Business registration offers no “one size fits all” solution, and using ICT in business registration reforms does not change this principle. The implementation of ICT in business register solutions varies considerably across countries, depending on country-specific conditions and the extent to which ICT is already used by business registers.

Typically, ICT implementation in business register solutions occurs as a gradual process, with each stage stabilizing before the next is attempted. Each reform step should be considered carefully for benefits in efficiency and cost. Sometimes a very efficient and well-functioning paper-based solution may be preferable to an unstable, slow, expensive electronic solution. In addition, any solution based on ICT will make the registry more dependent on power supply. Lack of a sufficient and stable power supply creates considerable risks for both the registry and its users. Exclusively electronic solutions, moreover, may strain businesses’ capacity in terms of computer- and web-skilled employees and necessary equipment.

The following description of the stages of ICT implementation in business register solutions starts from an entirely paper-based system and highlights specific country conditions within the various stages they may affect.

Among the country conditions or issues that may affect the implementation of ICT in business register solutions are the following:

- Availability of Internet, mobile technology, electricity, and postal services.
- Availability and technological capabilities of intermediaries.
- Structure of the business sector, including percentage of SMEs, capital-requiring activities, estimated size of the informal business sector, and geographic diversity.
- Public policy and management, including funding principles, decision making, public-private dialogue, use of cost-benefit analysis, and recruitment of skills.
- Presence of international unions and other associations influencing the legal framework (for example, EU, OHADA).
- Historical background (for example, a colonial or communist past).
- Language issues.
- Literacy levels.

- Roles and responsibilities of business registration players.
- Existing relations among central players in business registration.
- Sources (public and private) and quality of business information.
- Role of consumers (public and private) of business information.
- Business licensing as a condition for business registration.

Purpose of Registration in the Business Register

The aim of this reform step is to define the purpose of registration in the business register as opposed to registration for other purposes, including the following:

- for tax purposes,
- for social security purposes,
- for statistical purposes,
- for licensing purposes.

The purpose behind having a business register with the business register, social security agency, statistics bureau, and licensing authority should be analyzed separately.

All authorities registering businesses should participate in this step and should agree on the purpose of registration with the business register. To this end they should establish a working group serving as a permanent meeting place for discussion of business registration reforms. This is an important first step toward integration of business services. Institutional commitment should be ensured. The purpose of registration in the business register should be included in the legal framework.

Definition of the purpose of registration with the business register should take place at an early stage of business entry reforms because it affects a number of other steps. The reason for registration with the business register determines central properties of the register: which entities to include, what type of information to register, how to verify information, requirements for updates, and what information to disseminate, just to mention a few.

A country’s legal system may affect the approach taken for business registration. In civil law systems, written codes

determine whether an event is legal or illegal before it takes place (ex ante). Business registration in countries based on such systems often involves verification of legal requirements and authorizations before business start-up. Common law systems, by comparison, are based on judge-declared law, customs, and legal precedents and provide for verification of an event's legal status after it has taken place (ex post). Countries with codes influenced by common law often provide for declaratory business registration, with no approval needed before start-up. Common-law countries tend to require fewer procedures for business start-up than do civil-law countries.

In countries with large informal economies, a narrowly focused approach to reform in its initial phases may be more effective than a broader one, which can be introduced at a later stage. In countries with a high percentage of unregistered SMEs, often individual businesses operating at a local level, a decision must be made on whether this type of business should be included on the business register. A more effective choice might be to register these businesses for tax purposes only and to focus instead on registering companies in the business register.

Digitizing Records

Digitizing records, already undertaken by many registers, is expensive and time consuming. The first step is creation of an electronic index catalogue. Next, the approach to take in digitizing the paper-based records must be determined. Where these contains significant numbers of inactive businesses, bulk digitization may not be the best option. A more effective choice might be to digitize a business's records when a specific event occurs, such as its annual return or amendment filing. Businesses might also be asked to file transfer to the new register, with incentives including reduced fees and extended deadlines for filing their annual returns. If this option is offered, a transition period should be defined, for example, two years, after which file transfers may still be made, but at higher fees. These methods ensure that only active businesses are digitized.

Digitization should be combined with name searches made available for use by both businesses and the public. A name search catalogue may use any of various database systems, Excel spreadsheets, or even tables in Word documents. It should contain extracts of frequently used information on enterprises and would function similarly to an index card in a manual archive.

This approach is easy and cheap to implement and will produce immediate benefits enabling efficient name search and reservation, as well as a reference to the archive. Nevertheless, it implies minimal support for case processing, fee calculation, or archiving, and the potential for electronic name search and reservation for businesses is restricted. Intended or unintended modification of the content constitutes a risk, and the ability to track changes is limited.

In countries where business registers are part of a federal structure divided into federal, provincial, or local levels, a decision is necessary on whether a centralized or a local database should be

established and on which database should possess legal validity. Some countries use local databases integrated by a common nationwide system for information services. Such systems may be implemented either by technical integration into virtually one database (as in Switzerland) or by providing one of the various solutions for transferring data from local databases to a central database.

Electronic Processing

Digitized records represent an advantage when back-office systems for electronic processing are introduced. If digitized records are not available as structured information, introduction of electronic processing must also include the transformation of unstructured digital records into structured data that may be processed. The back-office system chosen should be easily adaptable to changing legal and organizational requirements. It might be beneficial at first to limit electronic processing to certain categories, for example, new registrations. Focusing on a certain type of business, preferably one large in number and without complex requirements, helps ensure a smooth transition at the register and quick wins for the business sector. Automated checks performed by the system may help case workers considerably. (For details, see the section "Application Processing" in chapter 2.) They also increase transparency for the business sector and reduce the risk of corruption. Legislation may have to be adapted and rules simplified to allow automated checks to run.

Introduction of a Unique ID for Businesses

The working group on business registry reforms mentioned above should agree on a regimen for allocating unique business IDs. (For details, see the section "Common Business ID Number" in chapter 5.)

Costs related to the use of a unique ID play a central role. Making access to the ID and related information free of charge may have a positive effect on its use. It is important to note that access means not only making information available, it also involves the specific form or format of that information. Electronic access will not ease communication if the receiving authorities must make considerable investments in technology to use the information. This affects not only receiving authorities operating in a paper-based environment but also, and perhaps especially, those already using technology that must be adapted to meet the register's more sophisticated electronic solution.

A unique ID system has benefits that do not depend on electronic processes, but electronic solutions will not reveal their full range of beneficial effects without use of unique IDs. Mapping individual agency IDs will always require manual effort even in an otherwise fully electronic process, and the inevitable duplication of entities will limit the quality of registered information. Before introducing a unique ID, the technological capabilities of all players involved should be considered. Introduction of unique IDs into an entirely paper-based system may be premature, but it should not be delayed until many players have

already invested in the technology required to communicate electronically with the others.

Automated Fee Calculation and Payment

Principles for fee calculation must be set before payment is automated. Automated fee calculation and payment reduces the risk of corruption. Discretionary power to impose fees should therefore be avoided. Simplicity is essential — rates should be few in number. Administrative costs related to fee payment both for businesses and for the register should be considered: it is preferable to charge for fewer operations but at higher rates. Simple, equal, and efficient fee calculation and payment boost the registry's predictability and build trust between businesses and the register.

Distribution of Registered Information

Where dissemination of registered information is not introduced, it is important to state that, by law, the information is public. In countries where the business register is not centralized, it is important to consider consumers' need for information access at a national level. The type of information distributed depends on the purpose of registration with the business register.

It may be advisable to introduce electronic ordering services for paper products even before electronic products are available. Electronic ordering services are easier and cheaper to implement for paper products than for electronic products, and they provide immediate benefits to information consumers.

Electronic Filing and Other Client Services

The introduction of electronic filing may have considerable consequences both for the register and for the business sector. Among the prerequisites are the following:

- Computer availability.
- Technical skills in using computers.
- Network access (Internet penetration rate).
- Access to mobile technology.
- High-quality, user-friendly electronic registration services.

Where Internet coverage is very limited, use of downloaded forms with software for form filling is recommended. Business registers in countries with sufficient stable Internet access may prefer a browser-based form-filling service running on a central server.

In countries with low Internet penetration rates, professional service providers, such as lawyers, notaries, and similar players, are often among the first to gain Internet access. They may provide registration support in areas where Internet access is not widely available, submitting applications when and where access becomes available.

Earlier introduction of automated checks integrated into the back-office system may pay off at this stage, as the same checks may be made available for businesses using the electronic application. This makes services more user-friendly, as businesses will prefer to conduct error checks on their own applications.

Integration of Registration Services

A recommended first step for integrating services is having the registration reform working group agree to a consolidated registration form. The working group plays a key role in mapping out registration processes for businesses, intermediaries, and other authorities involved. Principles regarding communication of new, amended, and closed businesses must also be determined.

7. Recommendations for Reformers

The following recommendations focus on business register reforms. They are arranged thematically in a non-exhaustive list of issues of general importance in the business register reform process. (Specific reform experiences are described in the case studies in chapter 8.)

Trust

Trust is a key factor in business registry reform and use. Businesses must trust the business register, and the authorities involved in integrating business registration must trust one another. An environment of cooperation in the working groups, composed of representatives from the business sector and from the authorities involved in business registration, should be the starting point of any reform. These groups not only facilitate reform activities, however; they also provide valuable input regarding monitoring, evaluation, operation, and further development of the business register, and so should continue on a permanent basis.

Roles and Responsibilities

The targeted roles and responsibilities of the central players concerned with business registration (the business register, tax authorities, statistical bureaus, and social security agencies) should be clearly defined for all aspects of business registration: preregistration, registration, allocation of unique IDs, integrated registration services, and dissemination of registered information. Business licensing and protection of intellectual property rights should not be concerns of the business register.

Building Awareness

Building awareness is vital for business registration reforms. Reform steps should therefore be accompanied by an information strategy. Courses, workshops, and presentations for target groups may be useful.

In countries where public access to registered information is a new concept, demand for information products may develop slowly. Building awareness among the public will be a key factor in this phase. The reform process should include research into the needs of information consumers and their sources.

In countries with easy public access to registered information and the sale of information, registers may face a different challenge. An overflow of information products

may divert consumers' attention from new and improved products. In this case, awareness building might usefully focus on the legally valid and official nature of the registered information.

The benefits of business registration should be clearly and specifically identified and defined. It is essential to manage expectations when working toward a common understanding of the benefits of a business registration reform.

Reformers should consider and communicate that reforms aimed at formalization will, if successful, lead to an increased number of new registrations and a consequent increase in the workload at the registry. Electronic solutions may help keep the workload manageable, by allowing electronic name search, for example, but ultimately the benefit of a formalized business sector will have the effect of increased costs at the business register. On a socioeconomic level, however, these may be compensated by increased tax revenues.

Perhaps an even more important task is to communicate what will *not* follow from reforms focused exclusively on improving formal registration. Measures aimed at streamlining business entry, for example, will not necessarily have positive effects on the quality of registered information regarding existing businesses or lead to increased public access to registered information. For these benefits, the reform process must continue into those areas, focusing on improved transparency throughout the business sector.

Funding

Reforms are best funded directly by the country governments. Economies with low income might need additional funding from development supporters.

Estimates of the proceeds to be gained from fees for disseminating registered information should be prudent. Sales of information products depend on the market for those products. Activities to prepare for the sale of information products should therefore start early. In the interim, the business register may be completely dependent for funding on registration fees, with the risk that high registration fees discourage businesses from registering. To avoid this, direct public funding may be the preferred option. In addition, where formalization of businesses is the objective, an increase in the number of registrations may compensate for low registration fees.

8. Case Studies

Vietnam

Introducing a National Business Registration System

Vietnam is a developing country that has shown significant economic growth over the last two decades and is among the world's fastest-growing economies. Its small and medium enterprises (SMEs) are considered key factors in Vietnam's socioeconomic development.

Business registration is performed at the province level, and each of the 63 provinces has its own Business Registration Office of DPI (Provincial Department of Planning and Investment). The Business Registration Division in the Ministry of Planning and Investment undertakes the tasks involved in state management of business registration at the central level and serves as the regulatory body, governing the registration process through decrees and circulars.

Before the reform, the legal system prescribed a "certificate regime," implying that the only legally valid original confirmation of business registration was the certificate kept by the enterprise. Information obtained from the business registers was not considered official and could not serve as proof of an enterprise's proper representation. Two computerized systems were in operation relating to business registration: the National Business Information Network (NBIN), launched in 2001 and owned by the Ministry of Planning and Investment, and a system, based in Ho Chi Minh City (HCMC), launched in 1997 and managed by the Provincial (city) Department of Planning and Investment (DPI).

The NBIN system was in use by 10 registration offices, while Ho Chi Minh City used its own system, implying that provinces performed registrations manually. Information from the business registration offices (BROs) was transferred to the Ministry of Planning and Investment, which served as a national source of information on registered businesses. The transfer of data was slow and cumbersome and caused substantial delays in updates of information at the national level.

Table 8.1 Basic Information on Vietnam

Region	East Asia and Pacific
Income Category	Lower middle income
Population	88,361,983
GNI per Capita (US\$)	1,100.00

Source: Doing Business 2012.

With funding from Norway, Switzerland, UNIDO's own resources, and the One UN Fund, a UNIDO initiative supported business registration reform in Vietnam as part of a wider program to strengthen the country's economic policy formulation and implementation to improve the business environment for the private sector, particularly for SMEs. Business registration reform was among the priorities set by the Government of Vietnam for improving the country's business environment.

The business registration reforms addressed obstacles faced by entrepreneurs in completing multiple registration requirements. One consolidated application form was introduced for business, tax, statistics, and seal registration, and enterprises now receive a national unique ID, also used for tax purposes, upon registration.

The reform required amendments in existing laws, decrees, and circulars. In addition, new decrees, circulars, and government resolutions were issued to form the legal basis of the reform steps. In this process emphasis was placed on simplifying procedures and reducing the requirements for minimum capital.

The reforms are currently in the second phase: upgrading the system to include information dissemination facilities. The ultimate goal is to allow electronic submission of registration applications, using e-signature and e-payment functionalities.

The Agency for Business Registration was instituted as a separate agency under the Ministry of Planning and Investment and is responsible for the management and operation of business registration in Vietnam. At present, 66 BROs across the country (one in each of the 63 provinces and three in Hanoi) are guided by Agency for Business Registration, a central agency based in Hanoi.

Single-point registration services are performed across the country, and a computerized national business registration system ensures that the same level of service is delivered to all enterprises, regardless of business location. As of December 31, 2010, and due to interministerial cooperation in designing and implementing the system — involving, in particular, the Ministry of Planning and Investment, the Ministry of Finance (General Department of Taxation), the Ministry of Public Security, and the General Statistics Office — the registration system is operational in all 63 provinces of Vietnam. Information from the previous registration systems has been transferred to the national system database as part of the transition process.

The consolidated business registration reform will improve transparency in the business environment, reducing transaction costs and risks in business activities, including duplication of business names. The web-based information services will be open to enterprises, the authorities, and the general public, providing access to reliable and legally binding information about registered enterprises.

The main challenge of the new system is building and keeping sufficient capacity at the Agency for Business Registration. The agency receives numerous inquiries from the provincial BROs, varying from questions on system operations to the interpretation of circulars. The agency hosts and maintains the National Database of Enterprise Registration, including the hardware system. Future emphasis for the reform effort is therefore on the organizational structure needed to sustain further development and operations.

Lessons Learned

Lessons learned by the registry reformers in Vietnam include the following:

- High-level commitment and support is an imperative.
- The reform process takes time and is complex.
- Interinstitutional cooperation is essential.
- A nation-wide approach is highly recommended.

Former Yugoslav Republic of Macedonia

Introducing One Central Agency

At the start of 2000, the Former Yugoslav Republic of Macedonia had a business registration system, run by the courts, that required long processing times for new registrations and for changes of existing information. In addition, the registered information was not easily accessible, making the register a poor source of information for investors and businesses. With the introduction of a new company law in 2005 and a centralized register in 2006, FYR Macedonia instituted major reforms in its business registration system. Processing time was cut drastically, and access to and use of registered information on businesses was greatly improved. On the World Bank *Doing Business* ranking for 2006, FYR Macedonia had a reported time for starting a new business of 48 days. The following year, this time had been cut by almost two-thirds to 18 days. The effects of the reform became even more evident

Table 8.2 Average Time to Establish a Business in Vietnam

Years	Duration
1991–1999	6–12 months
2000–2005	50 days
2006	22 days
2007	15 days
2008	5–10 days
2009–to date	Max. 5 days

Source: Ministry of Planning and Investment.

in the following years, as the time required to establish a new business dropped to 15 days in 2008 and 9 days in 2009. This positive trend has continued, and the 2012 *Doing Business* rankings indicate FYR Macedonia’s time for starting a new business is now only 3 days.

Reducing Processing Time

One of the main goals of the business registration reform was to reduce the processing time for new registrations. This set an easily quantifiable goal, making the improvements achieved by reform that much more visible. The long processing times had been a major drawback of the old system, and resolving the problem brought great benefit to the business community.

Improving Customer Service

Reducing the processing time needed to establish a new business was not the only benefit to the business community from business registration reform. As the processing times make clear, the court system could not make running the business register a priority. For this and other reasons, many countries have found that centralizing and specializing the task of running the business register achieves great improvement. For the Macedonian business community, the centralized register represented improved customer service, in terms of both accessibility and guidance. The register now helps customers with a wide variety of issues through telephone, e-mail, and direct contact.

Centralizing Registration Functions

FYR Macedonia’s centralized registration functions made registering much easier for businesses. Reliance on a central system meant the same system handled both new registrations and later changes. Businesses moving from one part of the country to another no longer had to reregister and were already familiar with the registration and amendment processes. The Macedonian system established several regional and local offices to improve accessibility for businesses unable to submit registrations by mail or electronically and to provide customer support on a local level.

Financing the Business Register

According to the law regulating the central register in FYR Macedonia, the register cannot run a profit. This has made it difficult to allocate to the register the funds necessary to make improvements or add new functions. This situation was not made any better when the government decided to halve registration fees to encourage new businesses to register. Although the central register has made do within its current financial constraints, and has even made several improvements, a less strict limit on profits might have permitted additional improvements. The lack of funds for new functions may be due to the financial situation in FYR Macedonia, but it also illustrates the need to allocate funds for improving and not just running the register. This could be achieved through increased allocations from the government but also by allowing the register to keep part of the profits from registration fees and other income.

Italy

Depending on Intermediaries

Business registration in Italy is performed by 105 different business registers, termed chambers of commerce, throughout the country. Historically, business registration was carried out, using paper, by both the courts and the business registers. In 1974, some of the business registers started using an electronic solution, developed by the business register in Padova. This proved successful, and gradually all the business registers joined in. It was decided in 1995 that the courts would no longer perform business registration, and since then this activity has been performed solely by the business registers.

The Reform: From Paper to Fully Electronic Business Registration

A law implemented in 1997 made paper and electronic documents equal in all matters, and made electronic signatures and ordinary signatures equally valid as well. This was the starting point for the transition to fully electronic business registration. The implementation of the law initiated discussion among the business registers on whether and how they could benefit from use of electronic documents and signatures. They came to the conclusion that use of electronic documents and signatures could be beneficial in business registration by making the process more efficient and that it should be implemented.

This brought new challenges. Because the public was not at the time familiar with electronic solutions, the registers anticipated hesitation and even reluctance in using them. To combat this, a large-scale information campaign was started to provide information and knowledge sufficient to assure the public that it could place confidence in the electronic solution, thus facilitating a smooth transition from paper to electronic registration.

InfoCamere

InfoCamere, the shareholding consortium of the Italian Chambers of Commerce, ensures the implementation and management of the applications required for the chamber system to function and communicate with government, businesses, and citizens. It has developed and continues to operate the electronic system linking their 105 chambers of commerce and 300 branch offices.

Notaries, especially, were targets of this information campaign. In Italy, use of notaries is mandatory for all business registration other than sole proprietorships. To get the highest possible use from the electronic business registration solution, the notaries had to be on board.

Incentives were used to promote wide use of electronic registration. First, the registration fee was set lower for electronic registration than for paper registration. Second, processing time was reduced for electronic registrations.

The business registers do not receive government funding, and the costs associated with the reform were significant. Not only did the business registers bear the cost of developing and implementing the electronic solution, they also incurred some of the costs of implementing the digital signature. InfoCamere issued or sold these at a reduced price. This was seen as an investment in register quality. If the process was easy for the public to use, the information would be improved, thus improving the overall quality and usefulness of the register.

After a test period during which some business registers used the electronic system, a law was introduced in 2003 making electronic business registration mandatory for all limited liability companies (Srl and SpA). Starting in April 2010, Italy has had fully electronic business registration, using a public web portal called ComUnica. This has reduced the time and costs related to business registration. Ten years ago, processing time for annual accounts was several months. After implementation of the electronic solution, this processing took a few days. In 2004 it took 23 days to start a business; it now takes only 6 days (for further details <http://www.doingbusiness.org/Custom-Query/italy>). In addition, staff time spent on registrations has decreased.

Intermediaries as Prerequisites for Fully Electronic Business Registration

Italy is one of five respondents in the WBG survey with fully electronic business registration. Italy has a strong tradition of using intermediaries, and this tradition played a considerable role in how the country achieved fully electronic filing. Internet penetration in Italy is only about 50 percent (CIA Factbook). Introducing mandatory electronic filing under these circumstances, without the possibility of employing intermediaries to fill the gap, would be futile. Given their key position in the business registration process, notaries were, of course, main targets of the information campaign that introduced Italian businesses and the public to the electronic solution.

Annexes

APPENDIX I: RECOMMENDATIONS FOR A COMMON BUSINESS ID NUMBER

The following are some important criteria to be considered when establishing a unique business ID:

- The ID should belong to the entity during its entire lifespan.
- Once assigned to an entity, the ID should never be reused at any time, even after the entity is deregistered.
- The ID should not contain any information subject to change.
- Numeric IDs are the most common, but IDs may contain letters, as well, if required.
- A control digit should be used to prevent errors when manually entering the ID.
- The ID should be assigned at the time of registration.

It is a significant advantage if the ID is unique nationally, across all agencies and applied in all contexts, including both the public and the business sectors. Therefore measures strengthening the use of the unique ID are central. Various means can be used to enhance the role of a unique business ID. Public authorities might be legally required to use businesses' unique ID and their registered information. Likewise, businesses might be obligated to put the ID on business documents.

Indirect measures can be taken as well. The high quality of information linked to the unique ID makes it more attractive to use both the ID and the information linked to it. Thus, general measures to raise the quality of registered information enhance the use of a unique business ID, and vice versa.

Moreover, efforts to increase the use of the unique ID should not be restricted to the public sector. In fact, the use of the unique ID by the private sector, especially banks when asked to open an account for a business, may boost its use by the public sector. Close cooperation with the private sector and communication of the unique ID's advantages may provide the motivation needed for businesses to obtain and use IDs.

The legal framework for the unique business ID should cover the following issues:

- Identification of the authority charged with allocating the unique ID.
- Allocation of the unique ID before or immediately after registration with authorities involved in business entry.
- Listing of the information elements (for example, name, address, and type of business) that the identification will be based on.
- Legal requirements for public authorities to use the ID and related information, together with corresponding restrictions against asking businesses for this information.
- Access to registered information by public authorities and the private sector.
- Communication of registrations and amendments among public authorities involved.
- Communication of deregistration of closed businesses.

APPENDIX II: CONTACT INFORMATION

Key Reformer Contacts

Roseanne Bell, Australian Securities and Investments Commission, Australia
www.asic.gov.au/asic/asic.nsf

Dr. Peter Hubalek, Austrian Federal Ministry of Justice, Austria
www.justiz.gv.at/internet/html/default/home-en.html

Ahmedur Rahim, Registrar of Joint Stock Companies and Firms, Bangladesh
www.roc.gov.bd:7781/

Adriaan Rosseel, FPS Economy - Crossroads Bank for Enterprises, Belgium
www.economie.fgov.be/en/

A. Keith Whitelaw III, Business and Licensing Division, Department of State, State of Colorado, USA
www.sos.state.co.us/pubs/BusinessAndLicensing/main.html

Andrea August, Financial Agency, Croatia
www.hitro.hr/

Ingmar Cali, Centre of Registers and Information Systems, Estonia
www.rik.ee/

Vito Gianella, InfoCamere, Italy
www.infocamere.it/

Julian Lamb, Jersey Financial Services Commission, Jersey
<http://www.jerseyfsc.org/>

Nasser Hawamdeh, Ministry of Industry and Trade, Jordan
www.mit.gov.jo/tabid/36/default.aspx

Atif Hamdan, Companies Control Department, Jordan
ccd.gov.jo/english/index.php

Ieva Tarailienė, State Enterprise Centre of Registers, Lithuania
www.registrucentras.lt/index_en.php

Branko Georgievski, The Central Registry of the Former Yugoslav Republic of Macedonia, FYR Macedonia
www.crm.com.mk/

Chifwayi M.K. Chirambo, Department of the Registrar General, Malawi
www.sdn.org.mw/ruleoflaw/justice/legaldepts.html

Prabha Chinien, Companies Division, Mauritius
www.gov.mu/portal/site/compdivsite

Batsukh Batchimeg, General Authority for State Registration, Mongolia
<http://www.registrationmongolia.com/>

Justin Hygate, Ministry of Economic Development, New Zealand
www.med.govt.nz/

Øyvind Vågan, The Brønnøysund Register Centre, Norway
www.brreg.no

António Figueiredo, Institute of Registries and Notary, Portugal
www.portaldaempresa.pt, www.portugal.gov.pt/en/the-ministries/ministry-of-justice.aspx

Snezana Tasic, Serbian Business Registers Agency, Serbia
www.apr.gov.rs/eng/Home.aspx

Latha Kunjappa, The Accounting and Corporate Regulatory Authority, Singapore
www.acra.gov.sg

Mr. Joey Mathekga, Companies and Intellectual Property Commission, South Africa
www.cipc.co.za/

Glory Moumakwe, Companies and Intellectual Property Commission, South Africa
www.cipc.co.za/

Maria Fanqvist, Bolagsverket, Sweden
www.bolagsverket.se

Yanina Zdobvytska, State Committee of Ukraine for Regulatory Policy and Entrepreneurship, Ukraine
www.dkrp.gov.ua/control/en/index

Lê Quang Minh, Agency for Business Registration, Vietnam
<http://www.mpi.gov.vn/>

Case Study Contacts

Vietnam

Le Quang Manh, Agency for Business Registration, Ministry of Planning and Investment

Nguyen Thi Thuan, Deputy to Director General, General Department of Tax

Gunnar Koren, Chief Technical Adviser, United Nations Industrial Development Organization

Former Yugoslav Republic of Macedonia

Branko Georgievski, Chief of Cabinet, Central Register of the Former Yugoslav Republic of Macedonia

Irena Lazaroca, Central Register of the Former Yugoslav Republic of Macedonia

Vladimir Naumovski, Head of IT Sector, Central Register of the Former Yugoslav Republic of Macedonia

Italy

Paolo Ghezzi, Deputy Director General, InfoCamere

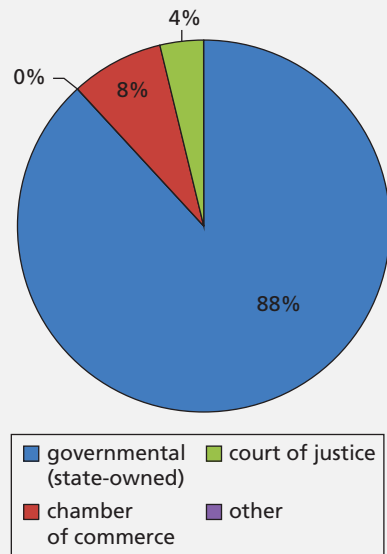
Vito Gianella, InfoCamere

Dr. Pierluigi Sodini, UnionCamere

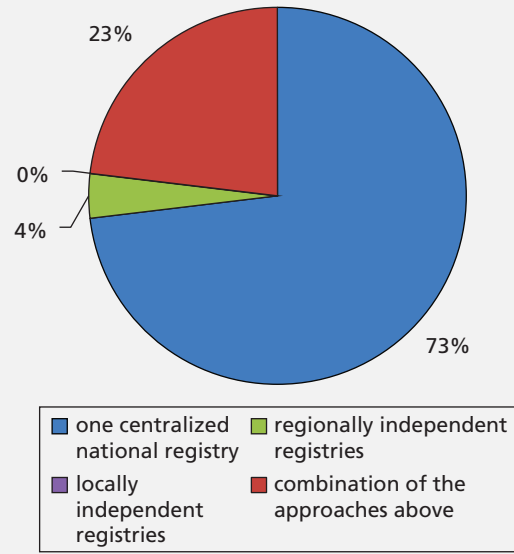
APPENDIX III: SELECTED RESULTS FROM THE WBG SURVEY ON INNOVATIVE SOLUTIONS FOR BUSINESS ENTRY REFORMS

All illustrations in this section were produced for the World Bank Group survey of ICT solutions in 34 company registers (2011).

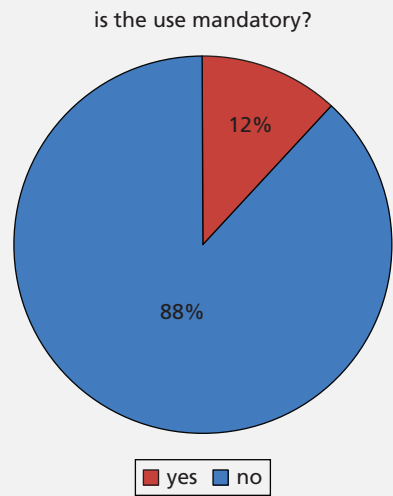
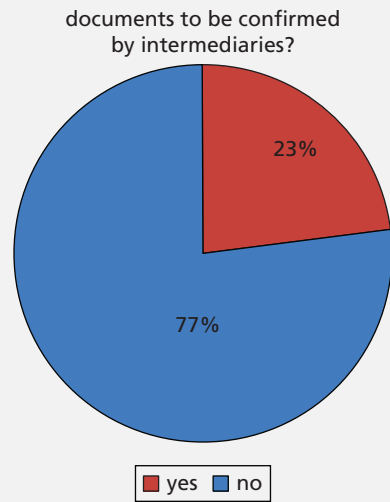
Q2 How would you classify your organization?



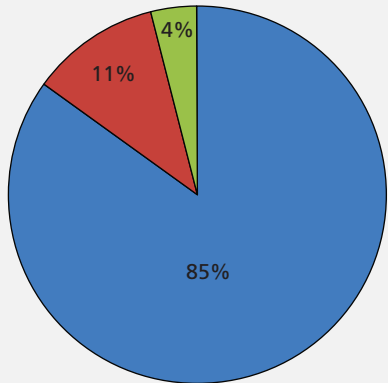
Q3 How is business registration organized in your country?



Q6 Use of intermediaries

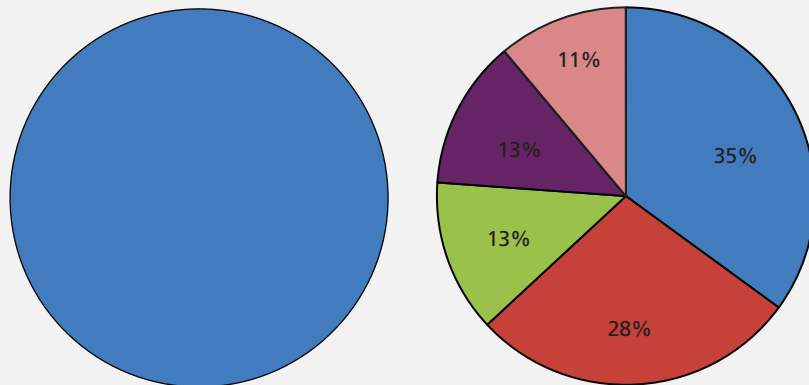


Q8 Exchange of information between registry offices



- online registration using one shared national database
- online access to regional/local databases
- offline transfers using other means

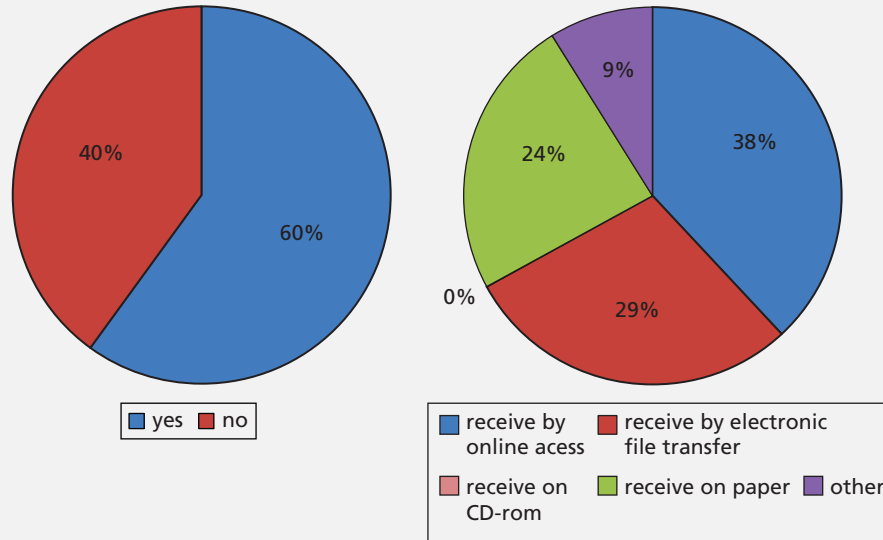
Q15A Do you deliver business register information to other authorities?



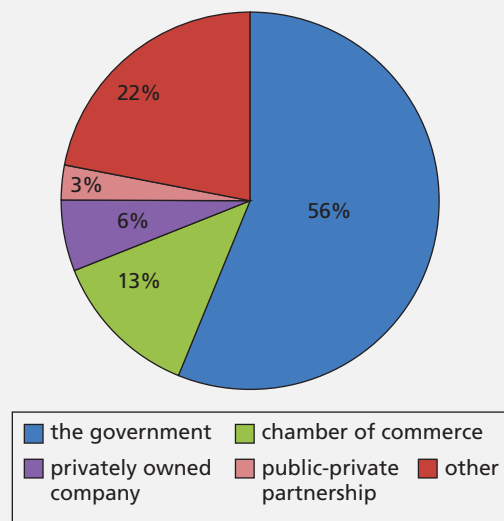
- yes
- no

- deliver by online access
- deliver by electronic file transfer
- deliver on CD-rom
- deliver on paper
- other

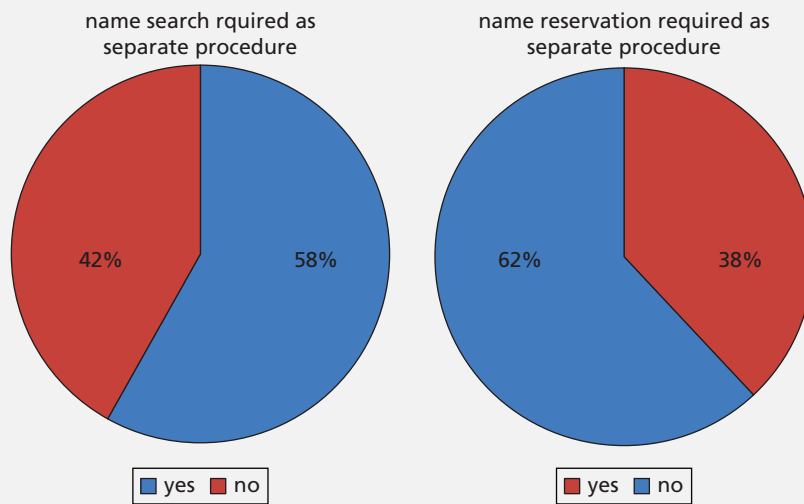
Q15B Do you receive business register information from other authorities?



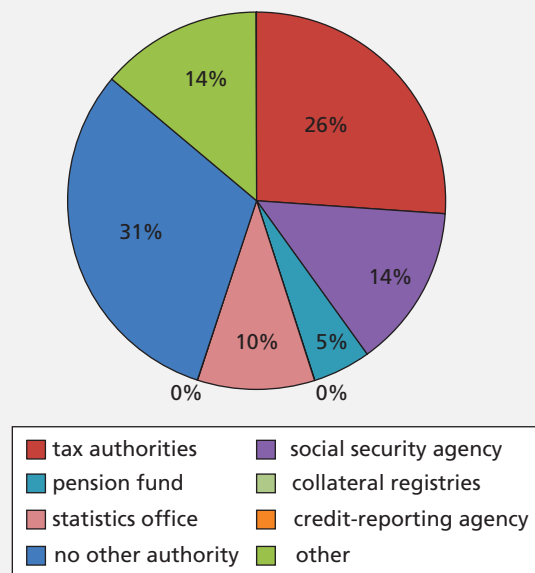
Q10 The information delivery of business register data is provided by



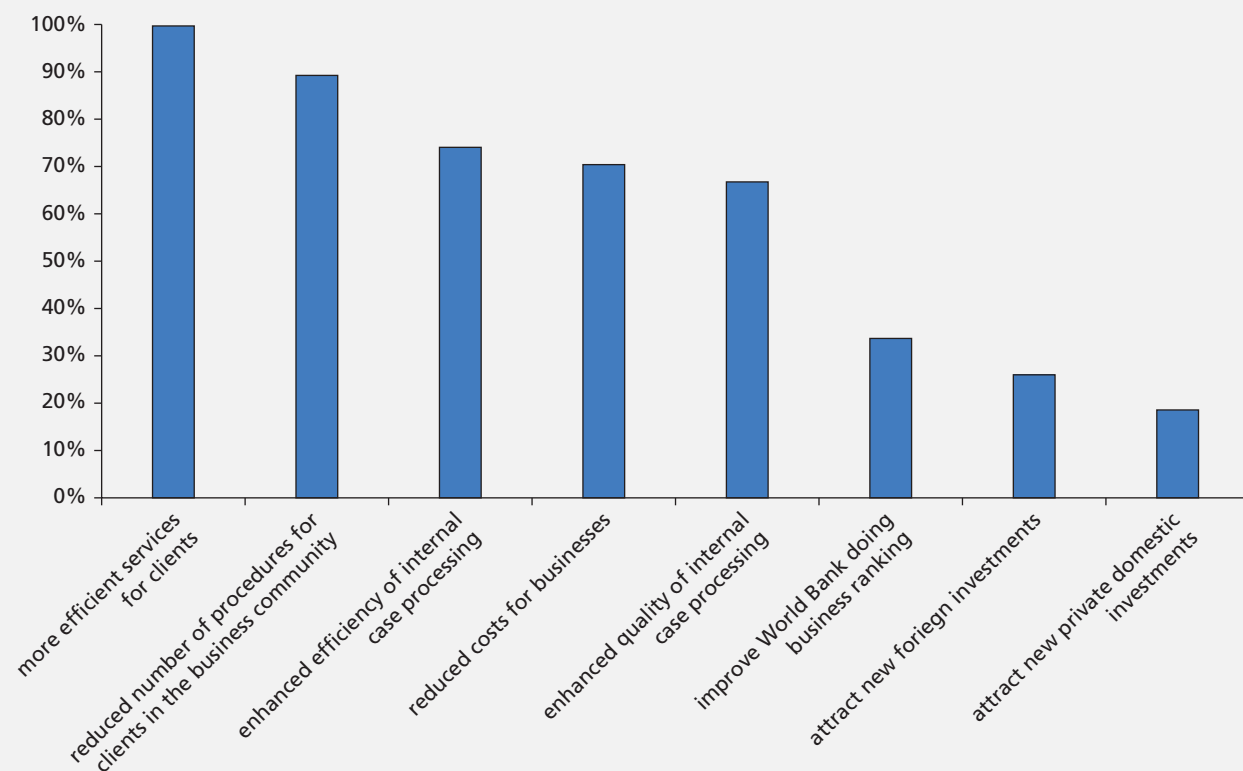
Q12 Are the following separate procedures required when registering a new business?



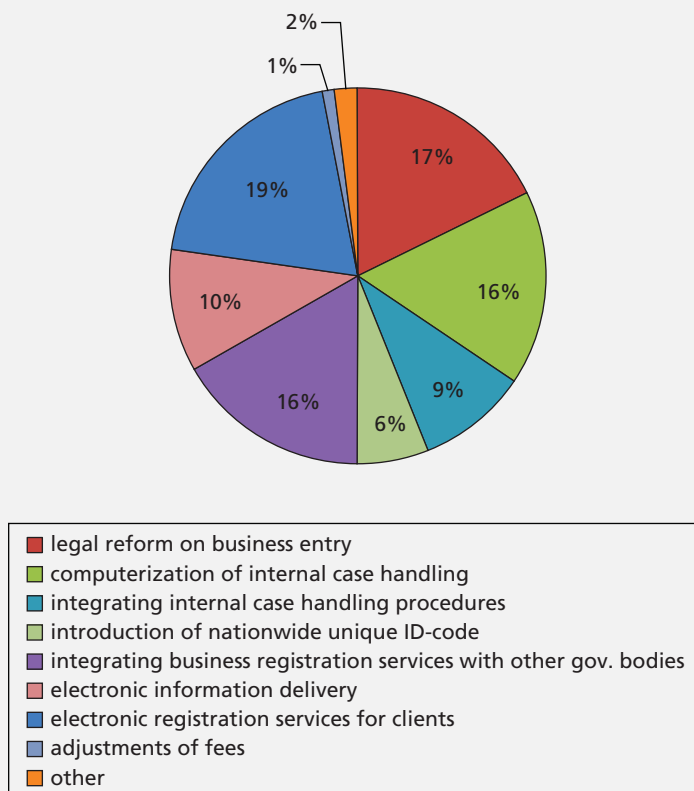
Q14 Which other authorities, in addition to the business register, register new businesses?



Q19 Main objective(s) of the business entry reform (please select three to five of the most important objectives)

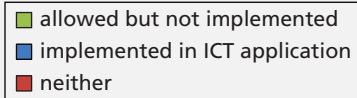
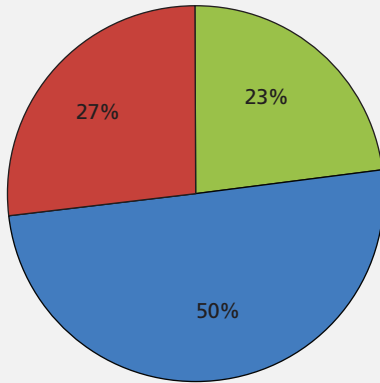


Q20 Main scope(s) of the business entry reform (please select three to five of the most important scopes)

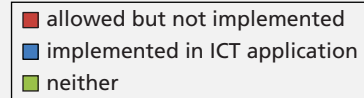
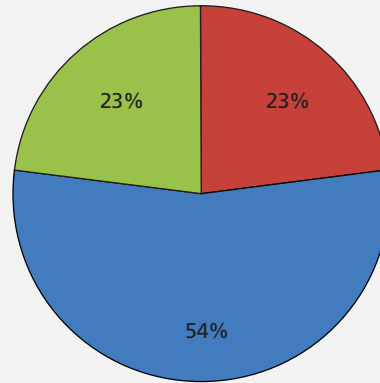


Q22 Post-reform environment

electronic signature

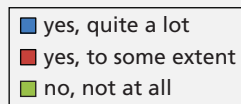
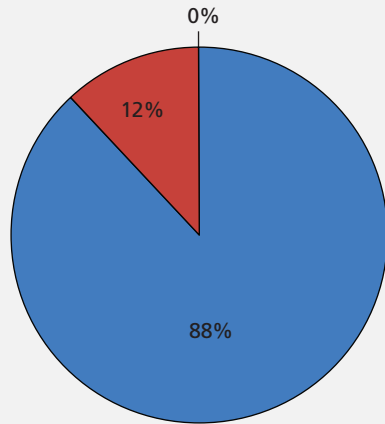


online payment of fees

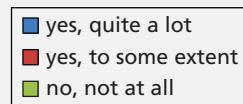
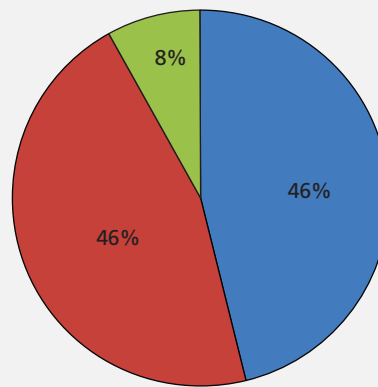


Q23 Have the following areas been emphasized during the reform process?

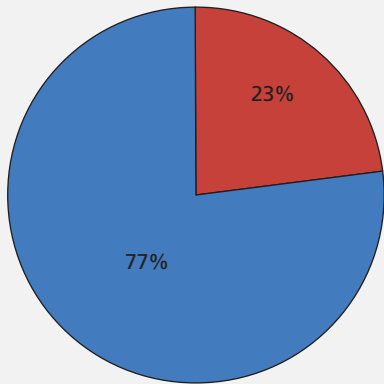
user friendliness of services of clients



universal design

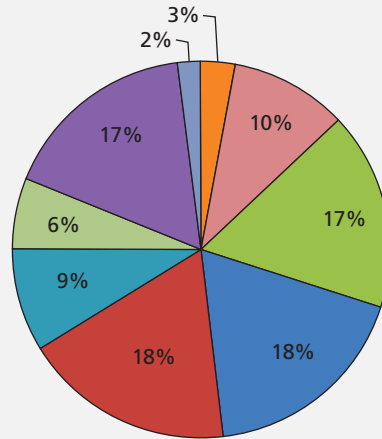


Q26 Are fines and/or penalty fees part of the funding of the operation?



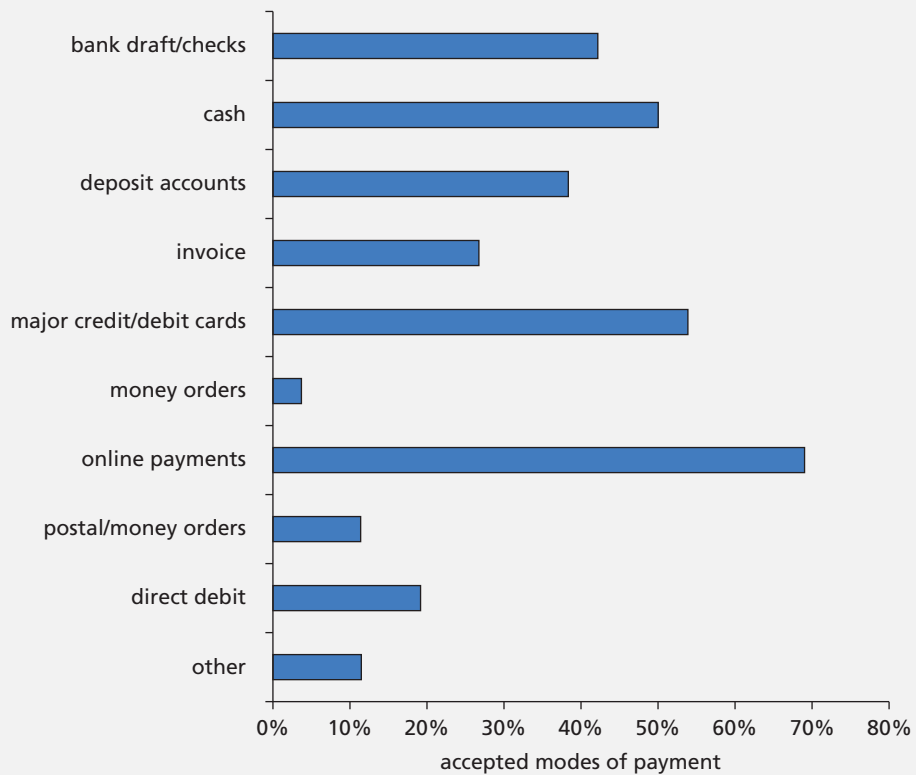
yes no

Q27 What fees and charges do you collect?

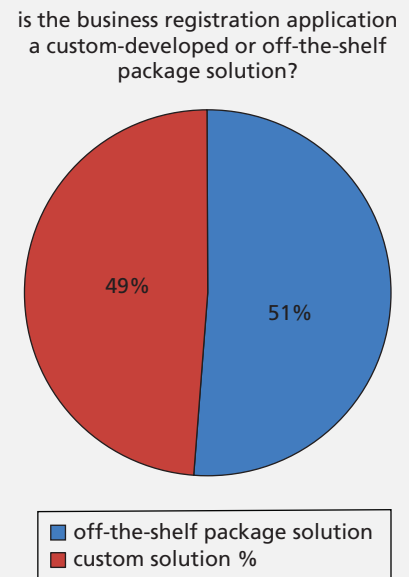
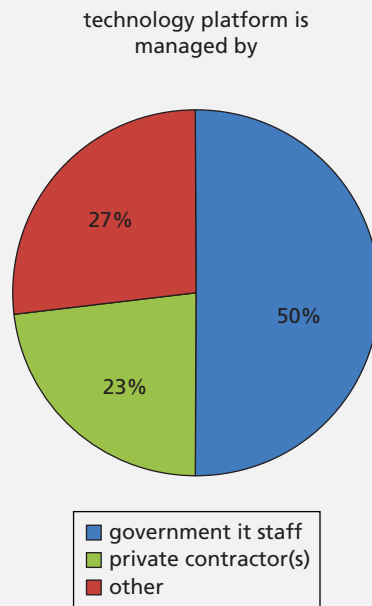
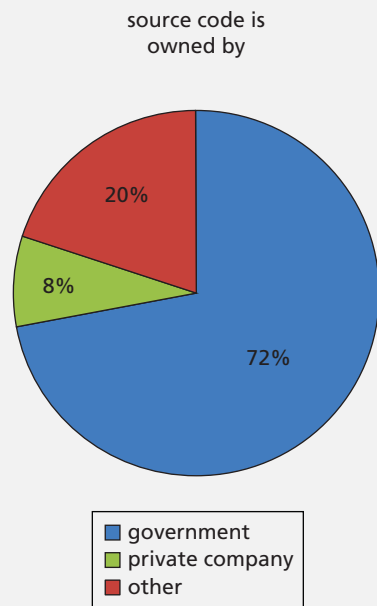


name search
 name reservation
 company formation/incorporation
 registration of new businesses
 amendments in the business register
 registration of annual/company account
 annual fees to keep a company in the reg.
 information delivery
 other

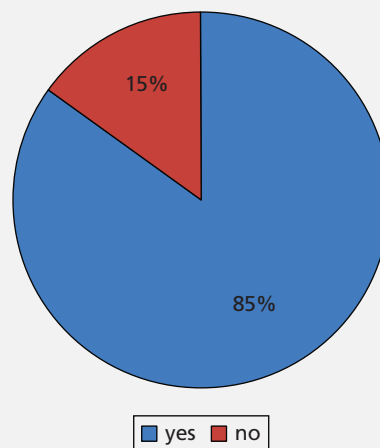
Q30 What payment method(s) do you accept?



Q34 ICT Infrastructure approach

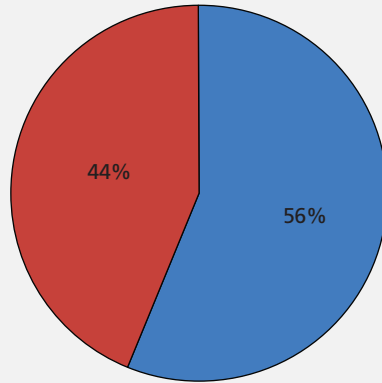


Q42 Do you have a nationwide unique ID for businesses?



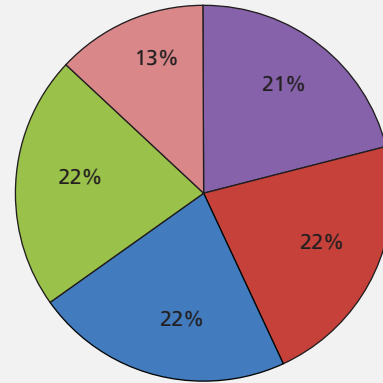
Q44 Crosscheck

respondents that crosscheck



yes no

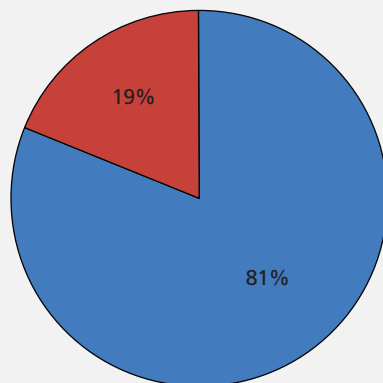
cross-check by using information from other sources



disqualified directors
bankruptcies
authorizations of persons or businesses
information on persons
other

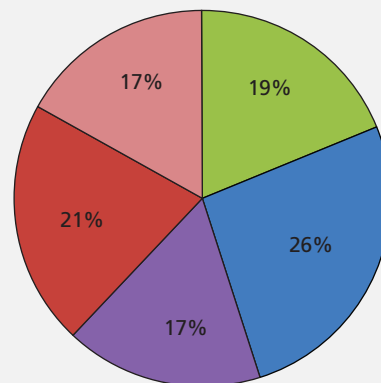
Q45 Monitoring

Respondents that monitor



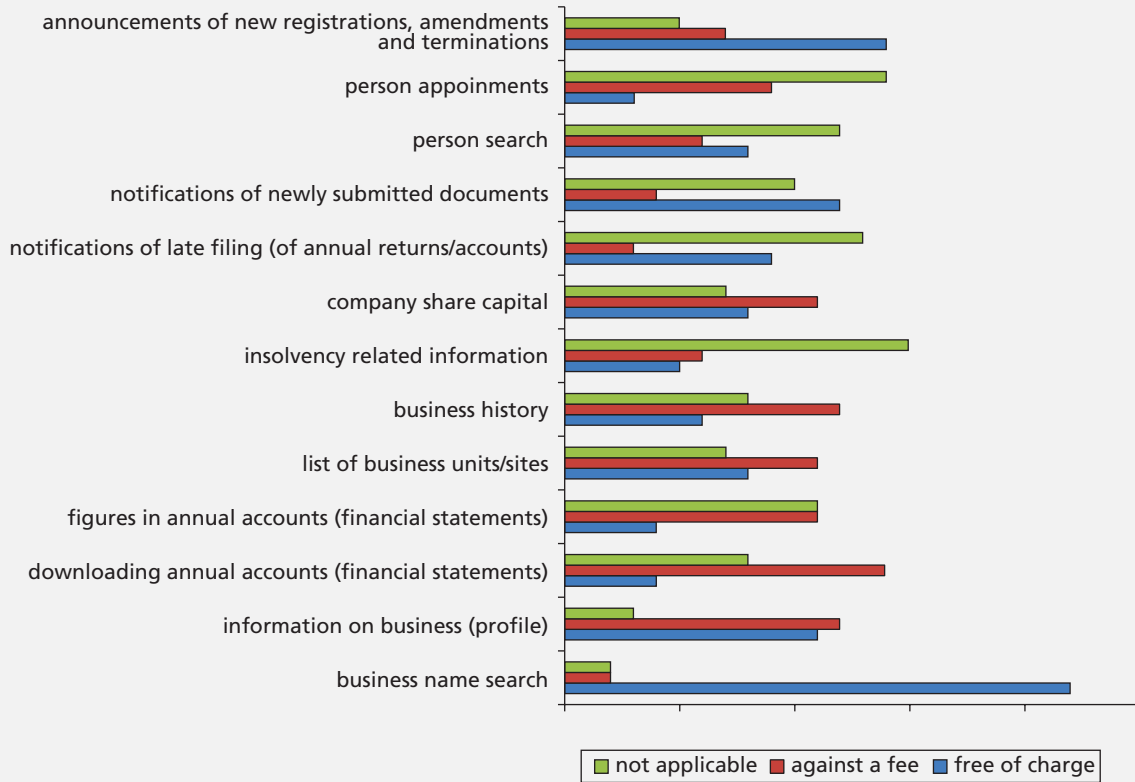
yes no

Monitoring businesses by using information from other sources

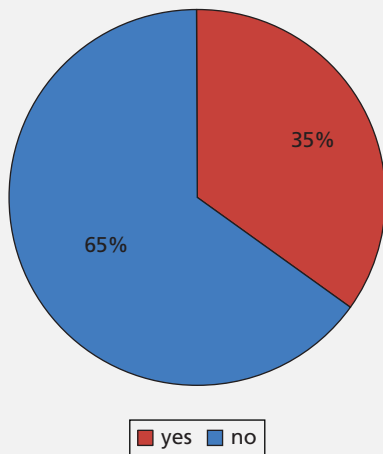


disqualified directors
bankruptcies
authorizations of persons or businesses
information on persons
other

Q50 Electronic information delivery



Q52 Do you offer delivery of electronically signed documents to clients?



Q66 Do you know the approximate cost savings for the private sector as a result of the reform?

