

**EUROPEAN COMMISSION  
ENTERPRISE DIRECTORATE  
GENERAL**

# Benchmarking the Administration of Business Start-ups

Final Report

January 2002



*Centre for*  
**Strategy & Evaluation  
Services**

### **Legal Notice**

This benchmarking exercise has been conducted with experts in the field of business registration and start-up procedures, nominated by the Member State authorities, under the Best Procedure operated by the Enterprise Directorate General of the European Commission.

The data and analysis presented in this report are the responsibility of CSES under a contract with the European Commission. Although the work has been conducted under the guidance of Commission officials and the Member State experts, the European Commission is not necessarily in agreement with the analysis presented and the views expressed do not represent the official position of the European Commission.

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## EXECUTIVE SUMMARY

### 1. OBJECTIVES

*The project 'Benchmarking the Administration of Business Start-ups' was undertaken for the European Commission by the Centre for Strategy and Evaluation Services (CSES).*

The objectives of the study were, in summary, to:

- Help Member States of the European Union to establish 'headline' benchmarks (that relate to the registration of a new business entity) and 'operational' benchmarks (that measure the effectiveness of undertaking the principal activities associated with the registration of a new business entity).
- Assist Member States to make improvements in the registration process by identifying performance drivers (the 'enablers' of performance that determine the efficiency of the administrative process).
- Identify examples of best practice in the Member States.

The project built on other work undertaken in this area, particularly the Commission Recommendation on Improving and Simplifying the Business Environment for Business Start-ups and the study undertaken by Logotech<sup>1</sup> in 1997. It was conducted under the 'Best' Procedure operated by the Enterprise Directorate General of the European Commission, with the active participation of a group of experts, nominated by the Member States, based on their knowledge and experience in this area.

Experts from the business community supported the project.

### 2. BACKGROUND

Promotion of entrepreneurship, reduction of administrative burdens, and the use of benchmarking feature prominently in EU policy. Thus the Lisbon European Council, as part of the new open method of co-ordination, called for a formal programme to benchmark the time and costs involved in setting up an enterprise.

The European Charter for Small Enterprises, endorsed at the Feira European Council in June 2000, is central to achieving the Lisbon objective of making Europe the world's most competitive and dynamic economy by 2010. The Charter requires that: 'the costs of companies' start-up should evolve towards the most competitive in the world. Countries with the longest delays and most burdensome procedures for approving new companies should be encouraged to catch up with the fastest. Online access for registration should be increased'.

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<sup>1</sup> Logotech European Innovation Monitoring System Publication no 58, 'International Comparison of the Formal Requirements and Administrative Procedures required for the formation of SMEs of any Legal Status in the EU and other major countries' (1997)

### 3. BENCHMARKING METHODOLOGY

The project was undertaken in two phases:

- Phase One: The issues that influence the process for the administration of business start-ups were identified, and provisional benchmarks at headline and operational level were established.
- Phase Two: A benchmarking exercise was undertaken with experts nominated by the 15 Member States. The aim of this phase was to generate a common understanding of the essential elements in the process of business formation; to agree benchmarks; and, to provide an impetus to change and improvement, through the exchange of concrete experience of the different Member States.

Data and information was collected in the following key areas:

- *Headline Benchmarks*: The outcomes of the business registration process, especially the time, cost and capital needed to complete mandatory procedures.
- *Operational Benchmarks*: Measures of the administrative process, such as the number of procedures, documents and forms, which are the proximate causes of the outcomes.
- *Performance Drivers*: Indicators of the underlying causes of the outcomes, such as Information and Communications Technology (ICT) and Management Processes.
- *Qualifications, Licenses and Permits*: The sector-specific qualifications and qualifying standards; the activity-specific licenses; and the employment-related licenses that an entrepreneur must obtain whilst setting up an enterprise.
- *Discretionary ('non-mandatory') Activities*: The other non-mandatory activities that a prudent entrepreneur undertakes whilst setting up an enterprise, such as developing a business plan and obtaining finance.
- *Best Practice Cases*: Examples of best practices by Member States in a wide range of areas.

To ensure that there was a high degree of cross-country comparability in the benchmarking process the project focused on four core types of new business entity: Individual Enterprises; General Partnerships; Private Limited Companies; and Public Limited Companies.

'Typical' and 'minimum' data were collected for each of the headline and operational benchmarks, based on the establishment of a straightforward business entity through the most widely used process of registration, in each Member State.

Ten archetypes were developed to provide cross-country comparisons of national requirements for sectoral and other activity-related licences.

A set of EU-wide benchmarks was produced, based on the performance of the Member States. The performance of the fourth most efficient country (the "lower quartile") was chosen as the benchmark because it is a realistic medium-term target for all Member States.

## 4 KEY FINDINGS

The tables below summarise the key findings for the Individual Enterprise and Private Limited Company: the two most important types of business entity in the relevant policy context.

### HEADLINE BENCHMARKS

<b>Individual Enterprise</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Benchmark</b>
Typical Time (Elapsed business days)	12	35	1	3
Minimum Time (Elapsed business days)	3	7	1	1
Typical Cost (Euro)	250	1,572	0	0
Minimum Cost (Euro)	90	750	0	0

<b>Private Limited Company</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Benchmark</b>
Typical Time (Elapsed business days)	24	35	7	18
Minimum Time (Elapsed business days)	7	15	2	3
Typical Cost (Euro)	830	2,232	0	213
Minimum Cost (Euro)	680	1,700	0	213
Minimum Paid-up Share Capital (Euro)	9,200	23,477	1	3,000

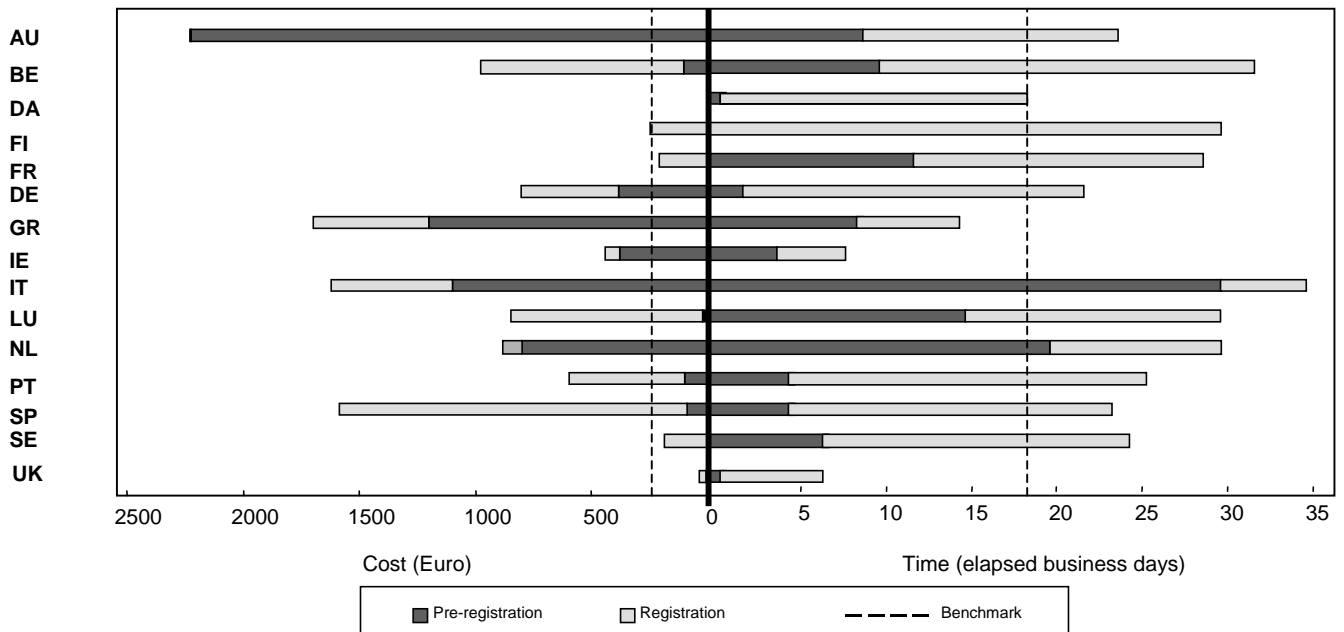
### OPERATIONAL BENCHMARKS

<b>Individual Enterprise</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Benchmark</b>
Number of procedures	8	15	1	4
Number of Contact Points – for entrepreneur	4	7	1	2
Number of Official Forms and Documents	4	13	1	1
Number of Official Licences, Approvals, and Confirmations	2	7	0	1
Number of Public and Private Bodies Involved	4	7	1	3

<b>Private Limited Company</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Benchmark</b>
Number of procedures	16	26	8	9
Number of Contact Points – for the entrepreneur	5	10	2	3
Number of Official Forms and Documents	9	20	3	5
Number of Official Licences, Approvals, and Confirmations	4	9	0	1
Number of Public and Private Bodies Involved	6	13	2	4

An illustration of the differences between countries is shown below:

## The Typical Time and Cost of Setting Up a Private Limited Company



### PERFORMANCE DRIVERS

The main factors generating change in the start-up environment – the ‘performance drivers’ – were identified. These included the application of ICT and the use of modern management techniques.

Extensive use is made of internal planning and control tools such as formal plans to reduce time, performance measurement, and ‘feedback’ of results. In contrast, there is less use of tools designed to promote external transparency and accountability or to link rewards and performance.

The greatest use of ICT is in areas of the registration process that are easiest to computerise, such as lists of business names. Less progress has been made in utilising the potential of ICT to facilitate the restructuring of the registration process or to allow entrepreneurs to register new businesses electronically.

## 5. PRINCIPAL CONCLUSIONS

Considerable progress has been made in improving the process of administering business start-ups. In particular, many Member States have:

- Improved the administrative efficiency of current procedures by introducing “Single Access Points” and statutory response times.
- Switched from a system based on authorisation to a system based on self-certification; reduced the number of licences or approvals; and reduced the number of procedures.



- Enhanced the involvement of users through the use of the Internet to provide information, and publicity campaigns.
- Reduced the scale and complexity of the documents required to establish new businesses.
- Reduced the level of mandatory costs.

However there is scope for further improvement in the process of administering business start-ups, in a number of areas. There is also scope for optimising the overall process for registering a new business entity – including the completion of the ‘discretionary’ activities (such as preparing a business plan and obtaining finance) and obtaining other licenses and permits.

## **THE INDIVIDUAL ENTERPRISE**

***C.1. The ‘discretionary’ activities (developing a business plan and obtaining finance) have the greatest effect on the total elapsed time to set-up a new Individual Enterprise.***

***C.2. There are no major time barriers to the registration of an Individual Enterprise in any Member State; but it takes three Member States more than 20 elapsed days to complete the process while four countries can complete it in less than five days.***

The principal explanations for these differences are variations in the detailed administrative procedures in each part of the process (including the use of ICT) and the complexity of the overall process (the number of contact points, the volume of paperwork and the number of different organisations involved).

***C.3. The ‘qualifications, permits and licensing’ activities that are mandatory have a significant effect on the total elapsed time of the start-up process for an Individual Enterprise, in those Member States that are least efficient.***

***C.4. There are no major cost barriers to the registration of an Individual Enterprise, but it costs more than Euro 750 to register a new business entity in three countries (when the average cost excluding these countries is less than Euro 50).***

## **THE PRIVATE LIMITED COMPANY**

***C.5. The ‘discretionary’ activities (developing a business plan and obtaining finance) have a significant effect on the total elapsed time to set-up a new Private Limited Company.***

***C.6. The time taken for the pre-registration and the registration processes and their complexity may act as a barrier to the formation of a Private Limited Company in some Member States – particularly where the time taken is more than one and a half calendar months (30 working days). This compares with a time of 15 working days or less in three Member States.***

***C.7. There is a link between the number of procedures and elapsed time, in the case of the creation of a new Private Limited Company.***

***C.8. There is a link between the origin of the commercial code and the number of procedures needed to set up a new enterprise in a country.*** Countries whose code is influenced by customary (common) law tend to require fewer procedures than those whose codes are based on civil law.

**C.9. *The ‘qualifications, permits and licensing’ activities have a significant effect on the total elapsed time of the start-up process, in those Member States that are least efficient.***

**C.10. *Cost may be an additional barrier to the formation of new Private Limited Companies in some countries.*** Registration costs more than Euro 1,500 in four countries – while there are no registration costs in one country.

**C.11. *Two principal factors account for most of the differences in mandatory costs between Member States:*** fees paid to lawyers or notaries because of their mandatory involvement, and taxes and fees charged by national governments for registration.

**C.12. *There is a link between the time and cost needed to register a business and the extent to which Member States use business registration as a mechanism for managing the perceived risks to investors, creditors, and customers from entrepreneurship.*** In some Member States, a complex network of ‘ex ante’ controls has been established to enable the state to ‘select’ entrepreneurs and to limit their freedom of action.

There is, therefore, a direct conflict between the Lisbon Summit’s political objective of creating an entrepreneurial Europe and existing public policy practices designed to control the process of entrepreneurship.

**C.13. *The high level of paid-up capital required in some countries is an important barrier to the formation of new Private Limited Companies.*** It represents more than 50% of average annual earnings in six countries (compared with a minimum requirement of only Euro 1 in two countries). This is a significant sum. It inhibits the use of incorporated entities by start-ups and hence prevents entrepreneurs from limiting risk and attracting external equity capital.

**C.14. *The combination of lengthy and complex procedures and significant cost and capital requirements acts as the greatest barrier to the formation of new Private Limited Companies in a number of countries.***

## **PERFORMANCE DRIVERS**

**C.15. *There is scope to improve the way in which the process of registration is managed in many Member States, by improving the use of modern planning and control techniques.*** In particular, more registration organisations could make use of tools to establish public accountability for achieving targets and for involving stakeholders. There may also be a case for increasing the links between organisational results and managerial rewards.

**C.16. *Modern Information and Communication Technologies (ICTs) offer organisations a way of improving efficiency and effectiveness of the administrative processes associated with business start-ups.*** But the major barrier to progress is that electronic signatures for business registration are not yet accepted in most EU countries.

**C.17. *The Introduction of ICT also offers organisations an occasion to review existing paper-based administrative processes.***

# 1. INTRODUCTION

*This report contains the results of a benchmarking exercise conducted by the European Commission with Member State experts in the field of the administration of business start-up procedures. It begins with a brief description of the policy framework (section 2) and an overview of the methodology (section 3). The analytical work begins with a characterisation of the context in which enterprises are launched (section 4). The report then describes the framework within which the benchmarks are developed (section 5). The basic data findings, including the principal benchmarks, are presented in section 6. Supplementary data follows with an analysis of the performance drivers (in section 7). The requirements for sectoral and other licenses are highlighted in section 8.*

*The principal obstacles to change are listed in section 9 and the “best practices” for improving performance are contained in section 10.*

*The major analytical conclusions are summarised in section 11, with ideas for change in section 12. The next steps are highlighted in section 13.*

Appendix A defines the principal terms.

The Lisbon European Council called for a “benchmarking exercise on issues such as the length of time and the costs involved in setting up a company”. Within the framework of the Multi-Annual Programme for Enterprise and Entrepreneurship, and in particular the Best Procedure, the European Commission has responded to this call by launching a project to establish benchmarks relating to the principal performance indicators in the mandatory procedures for setting up a new business in all EU Member States.

The specific aims of the study were to:

- Help Member States of the European Union to establish ‘headline’ benchmarks (that relate to the registration of a new business entity) and ‘operational’ benchmarks (that measure the effectiveness of undertaking the principal activities associated with the registration of a new business entity);
- Assist Member States to make improvements by identifying performance drivers; and
- Identify examples of best practice in the Member States.

The project was conducted under the ‘Best’ Procedure, with the active participation of a group of experts, nominated by the Member States, based on their knowledge and experience in this area.

Data generated in this way was checked with representatives of the business community, principally through representatives of the main European business organisations.

The project built on other work undertaken in this area, particularly that undertaken by Logotech<sup>2</sup> in 1997.

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<sup>2</sup> Logotech European Innovation Monitoring System Publication no 58, ‘International Comparison of the Formal Requirements and Administrative Procedures required for the formation of SMEs of any Legal Status in the EU and other major countries’ (1997)

## 2. THE POLICY CONTEXT

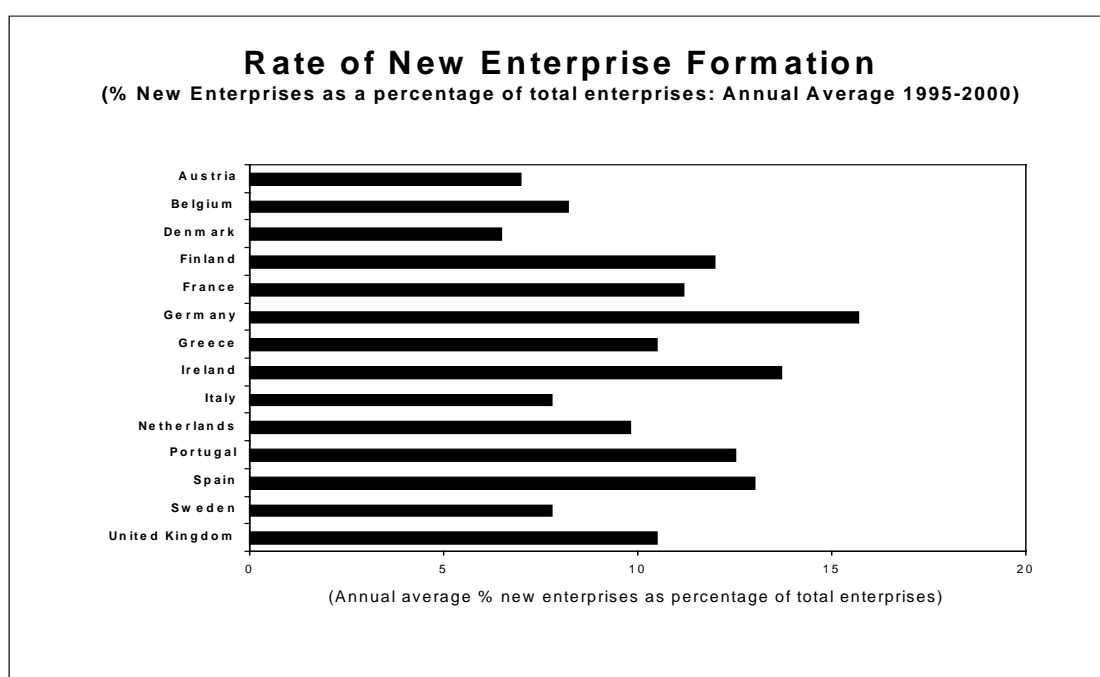
*This section examines the principal reasons why it is important to improve the systems for starting-up new businesses.*

### 2.1. ENTREPRENEURSHIP AND THE EUROPEAN ECONOMY

Entrepreneurs are agents of change. Their ability to respond to new opportunities is one of the principal determinants of how well modern economies perform. Through their risk-taking activities, entrepreneurs create new sources of wealth, they replace old inefficient enterprises with new innovative ones, and they create new jobs. Small and medium-sized enterprises (SMEs) are especially important in this process.

An important measure of entrepreneurial activity is the rate of new company formation (Exhibit 1). There is a wide range across the Member States – from 6.5% in Denmark to 15.7% in Germany.

Exhibit 1<sup>4</sup>

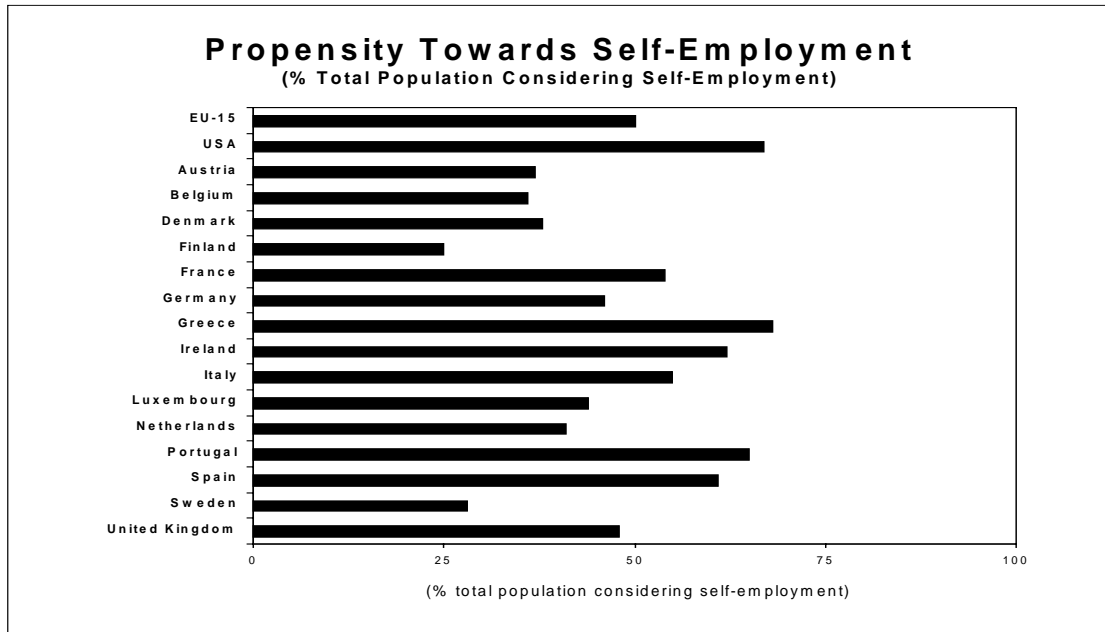


Another way of looking at the initial stage of entrepreneurial activity is to consider the number of people in individual countries who have a “propensity towards self-employment” (Exhibit 2).

One-in-two EU citizens express an interest in self-employment; but two-in-three US citizens express interest. Once again, there is a wide range across the EU Member States – from 25% in Finland to 68% in Greece.

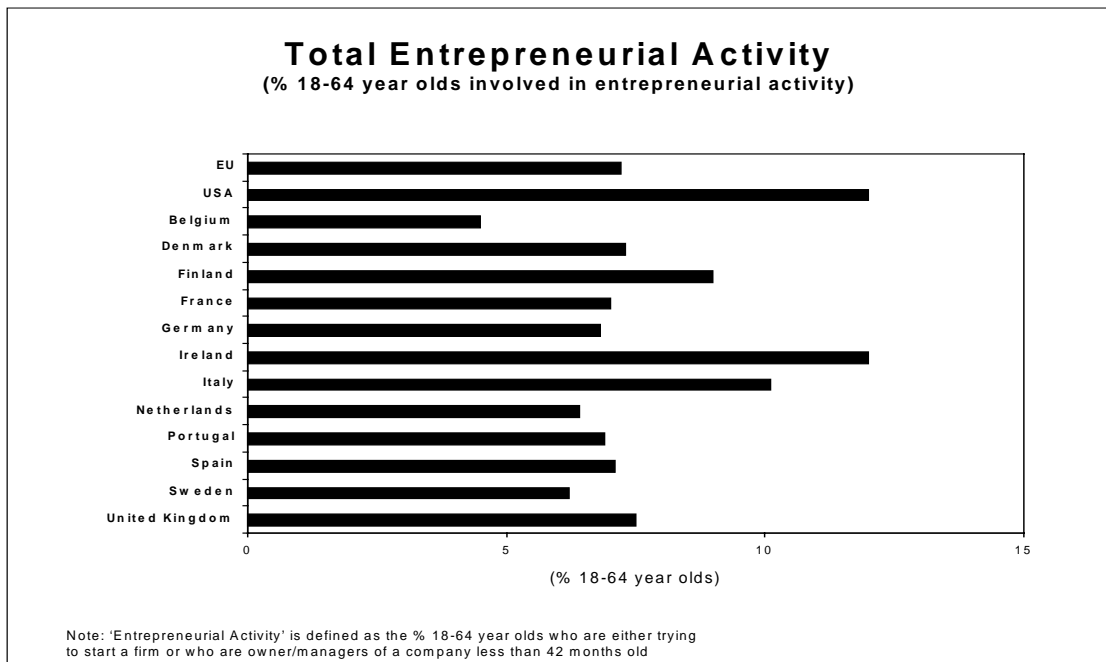
<sup>4</sup> CEC ‘The European Observatory for SMEs’ (2001)

Exhibit 2<sup>5</sup>



The Global Entrepreneurship Monitor provides another indicator<sup>6</sup> of the level of “total entrepreneurial activity” (Exhibit 3).

Exhibit 3<sup>7</sup>



The EU average is 7.2% and the US average is 12.2% Once again there is a wide range within the European Union (from 4.5% in Belgium to 12.0% in Ireland) - and the level is lower in every single Member State than in the USA.

<sup>5</sup> CEC 'Entrepreneurship – Flash Barometer Number 83' (2000)

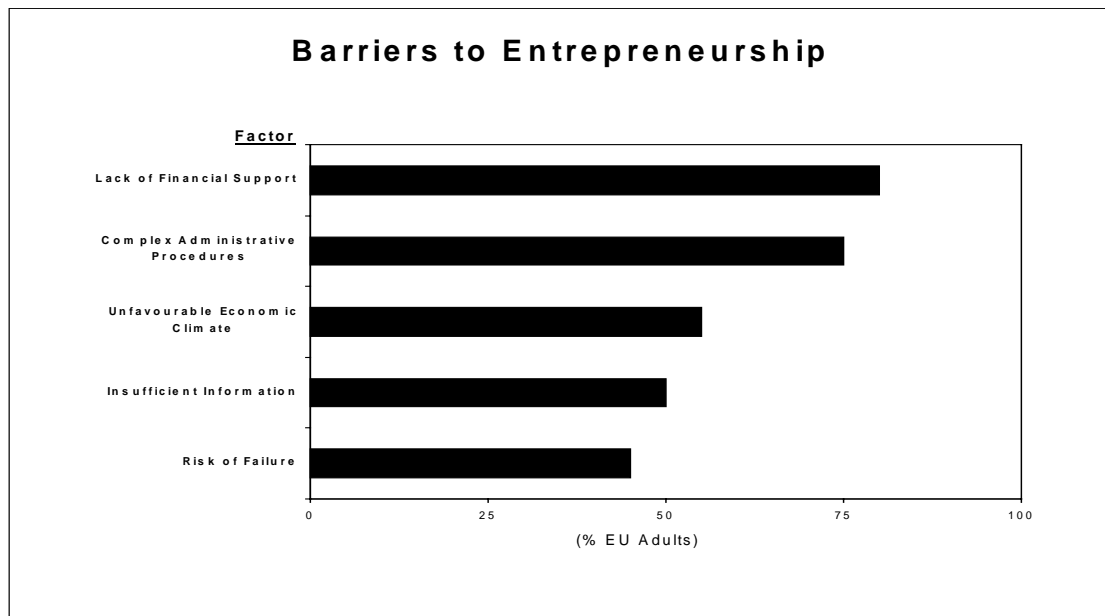
<sup>6</sup> This is the percentage of 18-64 year olds who are either trying to start a firm or who are owner/managers of a company less than 42 months old.

<sup>7</sup> Babson College, Centre for Entrepreneurial Leadership 'Global Entrepreneurship Monitor' (2001)

## 2.2. OBSTACLES TO ENTREPRENEURSHIP

There is no single cause of Europe's entrepreneurial deficit. A number of reasons have been suggested, including lack of financial support, complex (and costly) administrative procedures, an unfavourable economic climate, insufficient information and a fear of failure (Exhibit 4).

Exhibit 4<sup>11</sup>



Public authorities influence a number of these factors directly and indirectly, and it is for this reason that many of Europe's governments have begun to take action to address the issue of the regulatory and institutional factors that make it difficult for new entrepreneurs to create business enterprises.

## 2.3. OVERVIEW

Promotion of entrepreneurship, reduction of administrative burdens, and the use of benchmarking feature prominently in EU policy. Thus the Lisbon European Council, as part of the new open method of co-ordination, called for a formal programme to benchmark the time and costs involved in setting up an enterprise. This reinforced the conclusions of the Luxembourg Employment Summit in 1997. These highlighted the need to make it easier to start up new businesses as an important element of the Entrepreneurship pillar in the EU's Employment Strategy.

The European Charter for Small Enterprises, endorsed at the Feira European Council in June 2000, is central to achieving the Lisbon objective of making Europe the world's most competitive and dynamic economy by 2010. The Charter requires that: 'the costs of companies' start-up should evolve towards the most competitive in the world. Countries with the longest delays and most burdensome procedures for approving new companies should be encouraged to catch up with the fastest. Online access for registration should be increased'.

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<sup>11</sup> CEC 'Entrepreneurship – Flash Barometer Number 83' (2000)

In order to move towards the implementation of the Lisbon goals and the specific developments envisaged by the Charter, the European Commission included a project on benchmarking the administration of business start-up procedures among the first Best Procedure projects under the Multi-annual Programme<sup>12</sup>.

It was envisaged that this project would build on earlier work in this area, notably the Commission Recommendation on Improving and Simplifying the Business Environment for Business Start-ups.<sup>13</sup>, and other results of the Concerted Action programme (1994-2000)<sup>14</sup>.

The aim was to provide the benchmarks and data, together with the examples of best practice that would facilitate the movement to world class practice in this area.

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12 Council Decision 2000/819/EC of 20.12.2000 on a 'Multi-annual Programme for Enterprise and Entrepreneurship, and, in particular, for Small and Medium-sized Enterprises (SMEs) (2001-2005).

<sup>13</sup> Commission Recommendation on Improving and Simplifying the Business Environment for Business Start-ups, OJ L 145, of 05.06.97, p. 29.

<sup>14</sup> "Report on Concerted Action with the Member States in the field of Enterprise Policy", COM(1999) 569 final of 9.11.1999

### 3. PROJECT METHODOLOGY

*This section summarises the methodology used in studying the process for starting up a new business.*

The project was undertaken in two phases:

- Phase One: During this phase, we analysed the issues and established provisional benchmarks at headline and operational level, based on a review of the literature.
- Phase Two: During this phase, we undertook a benchmarking exercise with the experts from the 15 Member States:
  - To generate a common understanding of the essential elements in the process of business formation;
  - To agree benchmarks; and,
  - To provide an impetus to change and improvement, through the exchange of concrete experience of the different Member States.

The principal building blocks were:

- *Headline Benchmarks*: The final outcomes of the business registration process, especially the time, cost and capital needed to complete mandatory procedures.
- *Operational Benchmarks*: Measures of the administrative process, such as the number of procedures, documents and forms, which are the proximate causes of the final outcomes.
- *Performance Drivers*: Indicators of the underlying causes of the final outcomes, such as Information and Communications Technology (ICT) and Management Processes.
- *Qualifications, Licenses and Permits*: The sector-specific qualifications and qualifying standards; the activity-specific licenses; and the employment-related licenses that an entrepreneur must obtain whilst setting up an enterprise.
- *Discretionary ('non-mandatory') Activities*: The other non-mandatory activities that a prudent entrepreneur undertakes whilst setting up an enterprise, such as developing a business plan and obtaining finance.
- *Best Practice Cases*: Examples of best practices by Member States in a wide range of areas.

To ensure that there was a high degree of cross-country comparability in the benchmarking process we focused on four core types of business entity: Individual Enterprises; General Partnerships; Private Limited Companies; and Public Limited Companies.

We collected 'typical' data for each of the headline and operational benchmarks, based on the establishment of a straightforward, uncomplicated business entity through the most widely used process of registration, in each Member State. This was defined as the average outcome in the previous twelve months, to reflect the experience of the majority of new business entities, in the light of normal regulatory requirements and the normal level of efficiency of public authorities associated with the registration process.



We also collected ‘minimum’ times and costs, on a similar basis. These could be achieved through a range of different processes such as ‘fast-track schemes’ and ‘off-the-shelf’ companies.

We developed ten archetypes to provide cross-country comparisons of national requirements for sectoral and other activity-related licences.

We established EU-wide benchmarks based on the performance of Member States in the “lower quartile<sup>15</sup>”.

The principal sources of information were:

- Literature review.
- Interviews with technical advisers, experts from European business organisations, entrepreneurs who had recently established new business entities, and experts from Member States.
- Questionnaires to Member States covering:
  - Performance in the Pre-registration and Registration processes for new business start-ups;
  - Government policy on new business start-ups;
  - Requirements for Sectoral Qualifications, Licenses and Permits;
  - The involvement of lawyers in the start-up process;
  - The use of Single Access Points; and
  - The level of re-work.
- Questionnaires to national business organisations about the Pre-registration and Registration processes for new business start-ups.
- Best Practice Case Studies submitted by experts from Member States.
- Four workshops with technical advisers, experts from European business organisations, and experts from Member States.
- Written comments from technical advisers, experts from European business organisations, and experts from Member States.

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<sup>15</sup> This is defined as the performance of the fourth most efficient country.

## **4. THE OVERALL CONTEXT OF REGISTRATION**

*This section places the registration process within the overall context of starting-up a new business. It details the two key discretionary (non-mandatory) procedures that entrepreneurs undertake when starting up a new business.*

### **4.1. INTRODUCTION**

The primary purpose of the project is to understand the time and cost involved in complying with the mandatory requirements for registering a new business entity – the “registration process”. However, it is also important to understand the wider context in which the registration process takes place, because the entrepreneur is involved in a wide range of activities that are not directly related to the operation of the business. These activities require resources – time and cost.

An entrepreneur undertakes a wide range of activities to set up a new enterprise. These activities typically include:

- Developing a business plan;
- Obtaining financial resources;
- Registering the business entity; and
- Obtaining any mandatory sector or activity specific licences.

The entrepreneur must complete all these activities before starting trading.

Many other activities are typically undertaken after a new enterprise has been set up, including recruitment and training of staff, acquisition of physical assets, and protection of intellectual property rights. These issues are important but are outside the scope of this project.

### **4.2. DISCRETIONARY (NON- MANDATORY) PROCEDURES**

#### **4.2.1. Developing a Business Plan**

For an entrepreneur, a business plan serves three primary purposes:

- It defines the goal and the purpose of the enterprise;
- It describes how those goals will be achieved; and
- It provides a framework to attract resources, particularly financial and human.

However, there are major differences in the type of business plans drawn up by entrepreneurs. They differ markedly in terms of their scope and their depth. This is because entrepreneurs have different goals when they set up companies. In general terms, the greater the aspirations of the entrepreneur or group of entrepreneurs, the more expansive and detailed the business plan.

Entrepreneurs also have very different requirements in terms of the resources they need to meet those goals. In general terms, the greater the scale of the financial resources required, and the greater the need for formal equity capital, the more expansive and detailed the business plan.

These factors will, therefore, influence the investment (of time and money) that an entrepreneur makes in the development of a business plan.

In general terms, however, it is possible to identify the principal steps that any entrepreneur will take in order to develop a business plan, although the scope and scale of the analysis undertaken at each stage will differ.

The principal steps are as follows:

- Gather information to demonstrate that there is a “market need” for the new product or service;
- Undertake a review of competition and competitors in the market;
- Draw up an outline business strategy, covering the mission of the business, its objectives, the basis upon which it will compete, its market positioning, and the desired outcomes;
- Draw up sales and marketing plans – identifying the main activities, human resources needed, costs and technologies;
- Develop an operations plan to produce the new product or service – identifying how it will be made or delivered, sub-contractors involved, suppliers, key processes, in-house resources and investments, and costs;
- Identify human resources needed (management team, skills, numbers);
- Draw up financial projections and undertake a detailed financial analysis, including financial outcomes and risks;
- Develop a detailed financial plan – covering sales, costs, capital expenditure, cash flow, working capital, financing needs, different forms of finance;
- Agree the key measure of performance; and,
- Write up the plan.

We have identified four “archetype” business plans (Exhibit 5). Each differs in terms of its length, the time taken to produce it and the external costs involved in its production.

Exhibit 5

<i>Archetype</i>	<i>Description</i>	<i>Length of Plan (pages)</i>	<i>Elapsed time to develop plan (weeks)</i>	<i>External Cost of developing plan (Euro)</i>
<b>I</b>	Informal Plan for Personal Use Only. (No external capital required, no employees and no growth aspirations)	1-2	1	0
<b>II</b>	Informal Plan to raise finance from family and friends (Few employees and limited growth aspirations)	3-5	2	0
<b>III</b>	Formal plan to raise finance from banks or from “business angels” (Some employees and some growth aspirations)	8-12	4-6	Up to 2,000
<b>IV</b>	Formal Plan to raise money from Venture Capitalists (Larger number of employees in the long term and major growth aspirations)	30-40	15-20	10,000-20,000

#### **4.2.2. Obtaining Financial Resources**

If an entrepreneur needs to raise external finance (i.e. other than from his own resources), there are two principal types available - debt and equity.

There are, however, a wide range of sources of debt and equity available. The entrepreneur may borrow from friends or family, from the bank (in the form of either an overdraft facility or a term loan), or from non-bank sources, in the form, for example, of a lease.

Equally, the entrepreneur may raise equity (or “risk capital” where the investor owns part of the business but has no security against it) from a range of sources, including family and friends, “business angels”, or from private equity funds managed by Venture Capitalists.

In general, entrepreneurs seek to “match” the sources of their funds with the characteristics of their business. They look particularly at the type of assets that they own (the more tangible the assets the greater the access to debt), the nature of their cash flows (the more volatile the cash flow, the greater the reliance on equity), and their expectations of growth.

We have therefore examined the process of obtaining a bank loan and raising venture capital in more detail.

##### ***Bank Loans***

In general, the principal steps involved in raising a bank loan to finance, for example, the working capital (stocks, debtors) needed during the start-up phase of a business are as follows:

- Identify potential loan providers;
- Initial discussions with potential loan providers;
- Selection of likely loan provider for more detailed discussions;
- Provide evidence of assets to secure the loan, including, if appropriate, a valuation of property;
- Provide business plan including evidence of capacity to service the loan in the form of financial projections;
- Arrange for lawyer to draw up “mortgage” to provide a charge on the entrepreneur’s assets (often his house);
- Register the charge with official bodies;
- Provide personal guarantees to supplement the mortgage, if necessary; and,
- Complete the appropriate forms.

However, the exact nature of these steps, and the time it takes to complete them, will be affected by a range of factors, including:

- The scale of the loan;
- The nature of the loan (whether it is an overdraft or a term loan, for example);
- The nature of the collateral provided (for example, does it wholly or only partially match the scale of the loan); and,
- Other factors, such as the bank’s assessment of the entrepreneur’s experience, qualifications, character, and capacity to set up and run a successful business.

##### ***Venture Capital***

The main steps involved in raising equity from private equity funds managed by Venture Capitalists are as follows:

- Identify potential Venture Capital providers (possibly with the help of external advisors);
- Submit Business Plan to short-list of Venture Capitalists;
- Venture Capitalists undertake initial review of Business Plan to determine whether they are interested in examining proposal further;
- Hold initial meeting between entrepreneur and Venture Capitalist;
- Hold more detailed discussions between entrepreneur and Venture Capitalist;
- Provide further information to the Venture Capitalist;
- Venture Capitalist conducts further assessments, analyses and valuations;
- Venture Capitalist considers potential financing structure;
- Negotiate outline terms (Venture Capitalist and entrepreneur);
- Venture Capitalist sends an “offer letter” to the entrepreneur;
- Conduct “due diligence” (often undertaken by external advisors – accountants, consultants etc);
- Negotiate final terms of the deal (Venture Capitalists and entrepreneur);
- Arrange for a lawyer to draw up legal documents; and,
- Sign final legal documents (Venture Capitalist and entrepreneur).

We have developed three “archetype” situations to illustrate the likely time and cost of obtaining a loan and obtaining venture capital (Exhibit 6).

Exhibit 6

<i>Archetype</i>	<i>Description</i>	<i>Type of business Plan Required</i>	<i>Elapsed time to raise loan (weeks) (1)</i>	<i>External cost of raising loan (2) (Euro)</i>
<b>A</b>	Small Overdraft Facility of up to Euro 10,000. Personal collateral available to cover whole amount	Type II (Informal, 3-5 pages long)	1-4	Up to Euro 500
<b>B</b>	Term loan of Euro 100,000 to be advanced. Partial collateral available	Type III (Formal, 8-12 pages long)	10-15	Euro 3,000-6,000
<b>C</b>	Venture Capital equity investment of Euro 0.5 – 1 million	IV (Formal, 30-40 pages long)	25-50	Euro 30,000-50,000

Notes

(1) This time assumes that the business plan has already been prepared to a high standard.

(2) This cost excludes the cost of developing the business plan, but includes other third party costs such as valuation fees, legal fees, bank charges, accountants and other advisors.

## 5. THE BENCHMARKING FRAMEWORK

*This section describes the framework we used to develop the benchmarks for the (mandatory) registration of businesses. It first describes the benchmarking methodology. It then outlines the registration process itself and defines the business entities. Finally, it defines the benchmark and explains the importance of identifying ‘best practices’.*

### 5.1. BENCHMARKING METHODOLOGY

Benchmarking is a structured approach for achieving change and improving performance in public sector organisations and companies. It is a process of comparison. It seeks to break down barriers to implementing change by demonstrating what can be achieved by other, relevant organisations and by demonstrating new ways of achieving change.

Over time the use of benchmarking has been expanded to encompass a wide range of organisational activities and processes. There are a number of different approaches:

- **“Headline Benchmarks” or “Outcomes”** – here the focus is on the “top line” results of an organisation. For a company this might be profitability, sales or return on capital. For a government, it may be the rate of growth (expressed as the annual rate of increase in GDP per capita) or the level of unemployment (expressed as the percentage of the total population that is seeking work). This is where benchmarking began, and it remains one of the most common uses of the process. Its most significant drawback is that it does not examine the drivers of performance or the processes that, collectively, determine overall outcomes. It does, however, identify clear differences between organisations (and countries) in terms of their overall performance.
- **“Operational” or Process Benchmarks** – this type of benchmarking focuses on the processes that, taken together help to explain ‘headline’ results. Key processes do not determine overall outcomes but they do provide a more useful level of analysis for diagnosing the source of differences.
- **Performance Drivers** – these benchmarks compare differences in the factors that determine the success of organisations. This type of benchmarking builds on the ‘Balanced Scorecard’<sup>16</sup> and ‘European Quality’<sup>17</sup> models of company performance. Performance drivers are described in the European Quality Model as the “enablers” of performance. They include factors such as investments in knowledge, organisational structures, market position, and human resources.

### 5.2. THE MANDATORY BUSINESS REGISTRATION PROCESS

Formal registration of new businesses is required in all EU Member States. Registration involves, in all cases, the completion of a series of ‘procedures’ by entrepreneurs and official bodies. For this project we have taken ‘procedures’ to mean the principal mandatory activities carried out by the entrepreneur and by official bodies (public and private), and other critical non-mandatory, administrative activities that a prudent entrepreneur would typically carry out (such as checking the uniqueness of a proposed business name).

There are considerable national differences, throughout Europe, in the mandatory administrative procedures that enterprises are required to complete before they can commence

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<sup>16</sup> See for example Kaplan R. and Norton P. *‘The Balanced Scorecard – translating strategy into action’* (1996)

<sup>17</sup> See for example Hargjono T., ten Have S., and ten Have W. *‘The European Way to Excellence’* (1997)

trading. There are differences in the scope of the procedures and in the order in which they are undertaken.

As a result it is difficult to define easily a complete list of all of the detailed steps that must be completed. It is, however, possible to draw a distinction between the major ‘stages’ of the overall process:

- **The “Investigation Stage”** – the time and cost needed for prospective entrepreneurs to identify all of the mandatory procedures needed to establish a new enterprise.
- **The “Pre-registration Stage”** - all mandatory activities required prior to the entrepreneur submitting a request for notification to the initial registering body. These vary by country but can include approval of business name, statutory meetings of founders or subscribers, deposition of capital, and use of a notary to draw up the deed of incorporation. In some countries they can also include issuing a mandatory licence for all business activity.
- **The “Registration Stage”** – all of the mandatory administrative procedures carried out by public and private bodies after submission of the initial request for registration. The final outcome of this process is that the enterprise is legally formed, all notifications are complete (including fiscal authorities and chambers of commerce), and, subject to sector or activity-specific licences, it can commence trading.

The project, however, covers only the Pre-registration and Registration stages. It was agreed that the Investigation Stage would be excluded because data for this stage can only be obtained from a different source (Business Support Organisations), and may be poorer in quality and inconsistent with the other data obtained. For this project, therefore, the mandatory registration process refers solely to the Pre-Registration and Registration Stages. Our benchmarks are based on this.

### **5.3. BUSINESS ENTITIES**

To maximise the value of the benchmarking process, it is important to ensure that there is a high degree of cross-country comparability in the types of business entity included in the process. The impact of the exercise is further enhanced if the business entities chosen account for the majority of economic activity in the EU.

We therefore decided, in consultation with Enterprise DG, to conduct a ‘core’ benchmarking exercise based on four types of business entity. These are comparable in their form and function between Member States and account for the majority of business output and employment in the EU. Data was collected for these business entities from every Member State.

The specific, national, legal form of each of the four core business entities was agreed with each Member State.

In addition, however, we allowed individual Member States the option to provide benchmarking data for additional types of business entity if they wished.

The “core” business entities are:

- “Individual Enterprise”;
- “General Partnership”;
- “Private Limited Company”, and,
- “Public Limited Company”.

The definitions of each are summarised below (Exhibit 7).

Exhibit 7

<b>DEFINITION OF BUSINESS ENTITIES</b>
<p><b>Individual Enterprise</b></p> <p>Key characteristics include:</p> <ul style="list-style-type: none"><li>- Owner has sole, personal responsibility for all business liabilities;</li><li>- Liability is unlimited and extends to private assets; and,</li><li>- Conducts general commercial activities.</li></ul>
<p><b>General Partnership</b></p> <p>Key characteristics include:</p> <ul style="list-style-type: none"><li>- Formed by two or more persons – in some countries, there are also restrictions on the total number of partners;</li><li>- All partners are jointly and personally liable for the debts of the partnership;</li><li>- Liability is unlimited and extends to personal assets;</li><li>- Trading takes place under a common name – in some countries, this can constitute a separate legal identity for the partnership;</li><li>- Carries out general commercial activities with the purpose of engaging in trade or industry.</li></ul>
<p><b>Private Limited Company</b></p> <p>Key characteristics include:</p> <ul style="list-style-type: none"><li>- Incorporated legal entity;</li><li>- Legal identity separate from and independent of the owners or shareholders;</li><li>- Liability to creditors is limited to the extent of the company’s assets;</li><li>- Liability of shareholders/owners is limited to the amount of capital contributed and subscribed for;</li><li>- More than one shareholder – in many countries, there are also limitations on the total number of owners/shareholders;</li><li>- Unable to raise any form of capital through ‘public’ subscription or to be listed on a public capital market.</li></ul>
<p><b>Public Limited Company</b></p> <p>The characteristics of this form of business entity are similar to those of the private limited company. There are, however, a small number of important differences. These include:</p> <ul style="list-style-type: none"><li>- Sources of capital – public limited companies can raise capital through public subscription and can be listed on public debt and equity markets;</li><li>- Shareholders – there are no limits on numbers; and</li><li>- Shareholding – the owners of the company hold shares. In some countries, the owners of private limited companies do so through quotas rather than shares.</li></ul>

Appendix B lists the specific business entities that Member States benchmarked in each country.

## **5.4. DEFINITIONS**

### **5.4.1. Headline Benchmarks**

Our headline benchmarks are defined below (Exhibit 8).



## Exhibit 8

### HEADLINE BENCHMARKS

For each of the four “core” types of business entity:

**Total Time for the Registration Process** – total elapsed time from the first mandatory “Pre-registration” step to completion of the “Registration” stage. Our benchmarks are typical and minimum time based on actual performance in the last 12 months. Time is measured in elapsed business days. “Typical”, for both time and cost, is taken to mean an uncomplicated enterprise that would make use of a ‘standard’ constitution, and would use the most common registration process.

**Total Time by Stage** – total elapsed time for completion of each of the two stages (Pre-registration, and Registration). Our benchmarks are typical and minimum time based on the last 12 months actual performance.

**Mandatory Total Costs for the Registration Process** - total cost from the first mandatory “pre-registration” step to completion of the “registration” stage. This will include all mandatory costs (such as notary fees, registration fees and taxes). Our benchmarks are typical and minimum cost based on the last 12 months actual performance.

**Total Cost by Stage** - total cost for each of the two stages (Pre-registration and Registration). For the purposes of our benchmarks, it is assumed that new entities are formed with the statutory minimum capital. Our benchmarks are typical and minimum cost based on the last 12 months actual performance.

**Capital Requirements** – minimum paid-up capital required for formal registration. (In the EU, minimum capital requirements only apply for incorporated entities.) Our benchmarks are based on the last 12 months actual experience.

During the project, it was necessary to make a number of changes to the benchmarks and how they were measured. Specifically:

- We attempted to collect data for the time and cost of specific procedures, including formal registration in the Trade Register; the confirmation of necessary professional or vocational qualifications; other forms of authorisation; other compulsory procedures (such as joining the Chambers of Commerce); and fiscal requirements. However, most Member States were unable to provide comprehensive data because the procedures were not mandatory or because they could not be identified as a separate activity or process. In view of this, we have not included benchmarks based on individual procedures.
- We excluded non-mandatory expenditure (costs of professional advisers, such as lawyers, accountants, and company formation agents) from our definition of total cost because the data was obtained from a different source (Business Organisation), and may be poorer in quality and inconsistent with the data for mandatory costs (from Member States).
- Major reform has taken place recently in the registration process of a number of countries, including Finland, Greece, Italy, Netherlands, and Portugal. In all cases, this has lowered the current and expected time needed to register new businesses. Where such changes took place in the last 12 months, the estimates of ‘typical’ time have been weighted to reflect the impact of the old and new systems. The values for these countries are therefore particularly subject to change at present. (In Italy, for instance, the law governing this area has recently changed with the effect that registration has to be completed within 35 days and, in practice, the Italian authorities estimate that 17 days will become the norm.)
- Registration takes place regionally or locally in many Member States. In a number of instances, there are major differences in the time needed to register new businesses in

different regions of the same country. Therefore, in countries with a centralised registration system, the data is based on a single organisation, such as the national registration agency or equivalent. In other countries, where responsibility for registration is decentralised and is carried out by regional or local organisations, data has been provided for ‘typical’ regional or local organisations responsible for the main registration tasks.

#### 5.4.2. Operational Benchmarks

Our operational benchmarks are defined below (Exhibit 9).

Exhibit 9

<b>OPERATIONAL BENCHMARKS</b>
<p>For each of the two stages of the Registration Process (Pre-registration, and Registration) and for each of the four core business entities:</p> <p><b>Procedures</b> – the number of individual procedures that must be completed by the entrepreneur and by official bodies. It includes procedures that are non-mandatory but are carried out by a prudent entrepreneur in a typical registration situation. An example of this latter type of procedure is the checking of a proposed business name.</p> <p><b>Contact Points</b> – the number of different public and private bodies that a prospective entrepreneur must contact.</p> <p><b>Paperwork</b> – the number of official documents and supporting papers that must be submitted by prospective entrepreneurs to public and private bodies. Our benchmarks are the total number of different documents that must be submitted for each of the two principal stages of activity i.e. Pre-registration and Registration.</p> <p><b>Licences, Approvals and Notifications</b> – the number of official licences, approvals, and confirmations of notifications that must be issued to prospective entrepreneurs by public and private bodies.</p> <p><b>Extent of Official Involvement in Administration of Start-ups</b> – the number of different public and private bodies that must be consulted or informed, or that must provide authorisations during the Pre-registration and Registration stages.</p>

In addition, we produced a schematic description of all of the procedures needed to complete the Registration Process in each country for each of the four core types of business entity. This is based on the lists of mandatory procedures provided by Member State experts in their responses to the Government Benchmarking Questionnaire. It is included as Appendix K.

#### 5.4.3. Performance Drivers

The number of procedures, the number of documents, and the number of public and private organisations involved influences time, cost, and capital required to set up a new entity. In turn, these are affected by a number of other factors. They include:

- Exploitation of ICT;
- Structure, number, and complexity of Administrative Processes;
- Legal Requirements;
- Availability of information for entrepreneurs;
- Internal efficiency within public and private bodies;
- Number and complexity of documentary requirements; and
- Level of mandatory costs.

Our view is that these factors represent the most important underlying “Performance Drivers”. In other words, changes in these factors affect the overall level of time, cost, and capital required to set up a new business.

Hence, we measured the extent to which Member States have, in recent years, undertaken reforms to improve the impact of each of the principal Performance Drivers.

#### **5.4.4 EU Benchmarks**

We established a set of EU-wide benchmarks for each of the headline and operational benchmarks, based on the performance of the Member States. We chose the “lower quartile” as the benchmark in each case, because it is a realistic medium-term target for all Member States. It is, in our opinion, unrealistic to choose the best performer as the benchmark because of cultural, political and legal differences between countries.

Other researchers suggest that the legal origin of commercial laws in a country can be used as a proxy for the government’s proclivity to intervene in the economy and the stance of the law toward property rights in a country<sup>18</sup>. We classified Member States on the basis of the origin of their commercial laws into four broad groups: Napoleonic, Germanic, Nordic, and Anglo-Saxon.

Member States, whose performance is better than the lower quartile benchmark in one area, have room for improvement in other areas.

#### **5.5 BEST PRACTICES**

Benchmarks are not an end in themselves; they are a means of identifying areas and priorities for improvement. Plans must be developed and then implemented if performance is to be improved.

To assist this process, we identified a series of “best practices” for each of the performance drivers, which help to reduce the time and cost needed to comply with the mandatory requirements for setting up a new business.

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<sup>18</sup> See for example La Porta R., Lopez-de-Silanes F., Schleifer A., and Vishny R. ‘*Law and Finance*’ (Journal of Political Economy 106, 1998), La Porta R., Lopez-de-Silanes F., Schleifer A., and Vishny R. ‘*The Quality of Government*’ (Journal of Law, Economics, and Organisation 15, 1999)

## 6. THE BENCHMARKS

*This section presents our main findings in a simple and direct way with a minimum of commentary. Interpretation of these results is given in later sections.*

*Our analysis concentrates on the two principal forms of business start-up: the individual enterprise and the private limited company, since these are the most common forms of start-ups.*

### 6.1 HEADLINE BENCHMARKS

Appendix C includes data, covering all the Headline Benchmarks for all types of business entity.

#### 6.1.1. Individual Enterprises

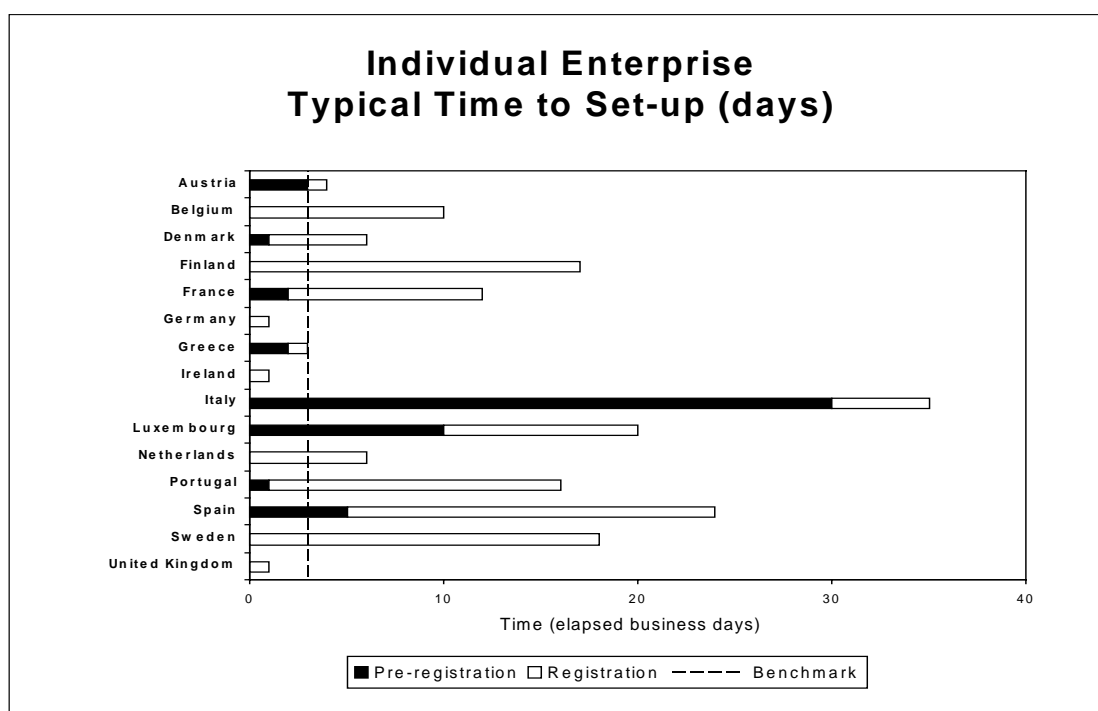
Our main findings are:

- **Typical Time<sup>19</sup>** (Exhibit 10): The average elapsed time needed to complete all necessary mandatory procedures was 12 days. The fastest country completed this process in one day; the slowest took 35 days.

Nine countries completed all pre-registration and registration procedures within 15 days. Only three countries took more than 20 days.

Our benchmark (lower quartile) typical time is three days.

Exhibit 10



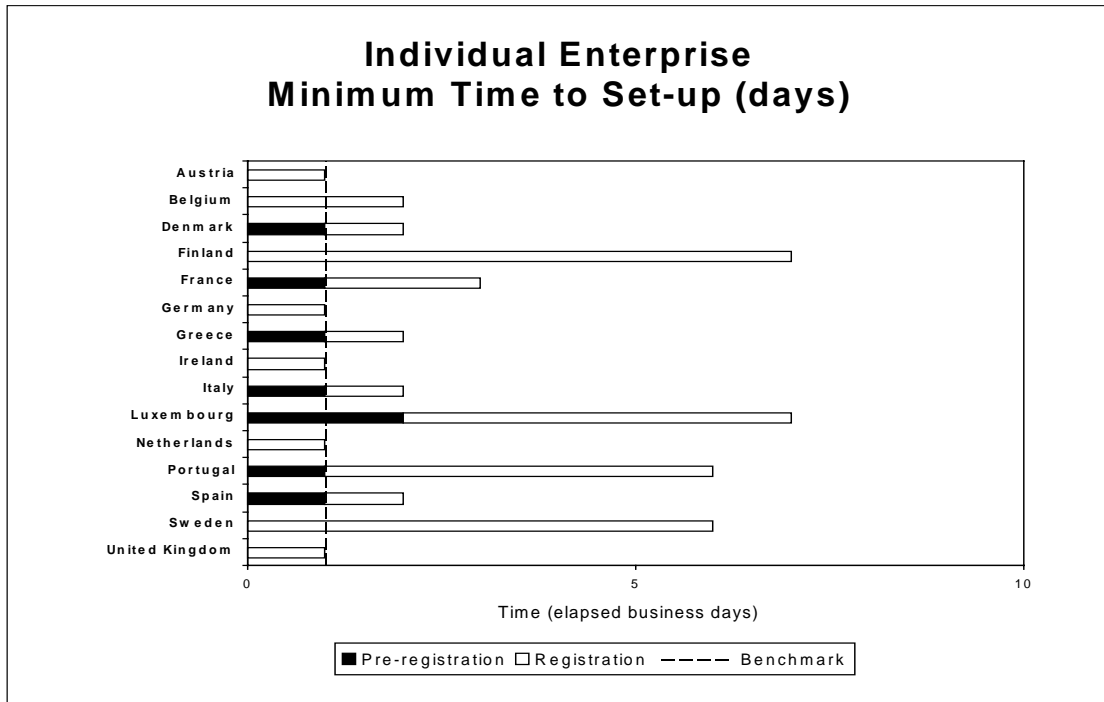
<sup>19</sup> A number of countries, including Finland Greece, Italy and Portugal, are currently implementing reforms aimed at reducing the time needed for registration. Current times are, therefore, likely to be lower than the average level recorded in the previous year. For example, in the case of Italy, the reported time is 35 days; but the Italian authorities estimate that the typical time will reduce towards 17 days within the next 12 months.

**Minimum Time** (Exhibit 11): The average minimum time needed to complete all necessary procedures was three days – one-quarter of the average typical time needed. The minimum time in the fastest country was one day; the slowest took 7 days.

Based on the minimum time needed in 10 countries, enterprises could, in principle, complete the entire registration process within five days.

Our lower quartile benchmark minimum time to register an Individual Enterprise is one day.

Exhibit 11

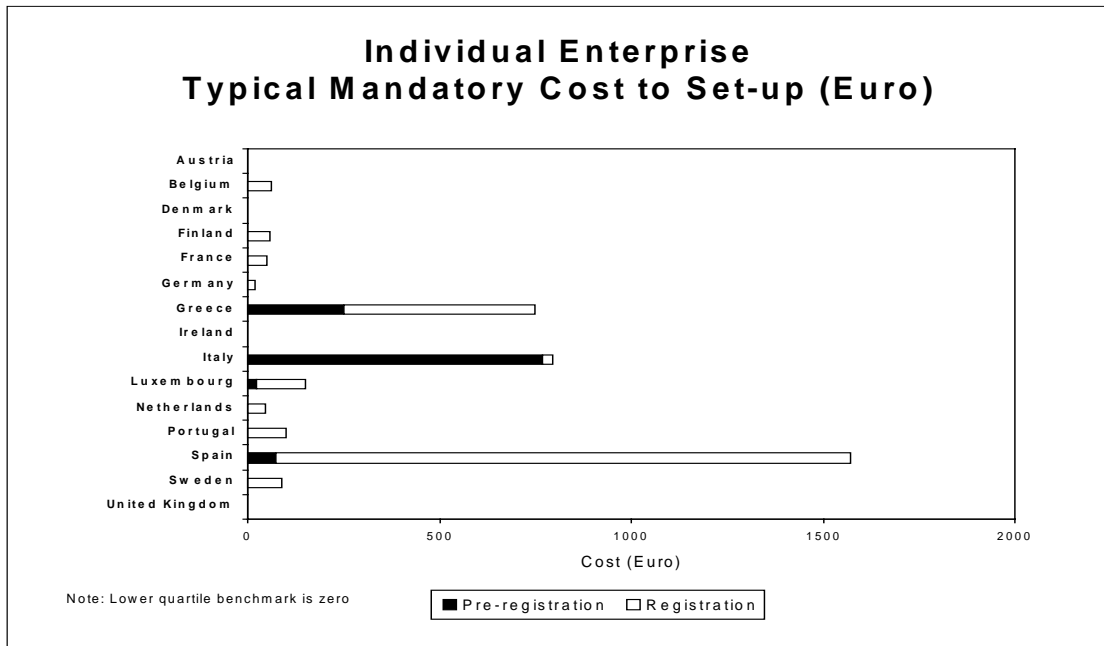


- **Typical Cost** (Exhibit 12): The average mandatory financial cost for entrepreneurs of complying with all mandatory procedures was Euro 250. In the least expensive countries there was no cost. In contrast, an entrepreneur incurred costs in excess of Euro 1,570 in the most expensive country.

Three countries did not charge. Only five countries charged more than Euro 100.

The lower quartile benchmark typical cost is zero.

Exhibit 12

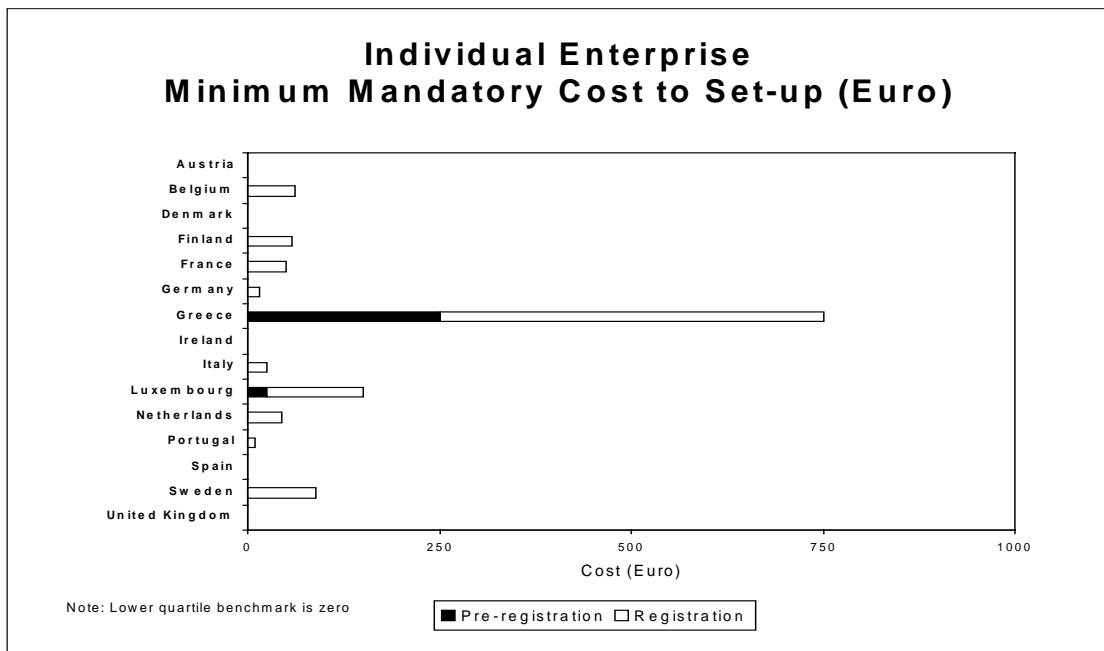


- **Minimum Costs** (Exhibit 13): The average minimum, mandatory cost of registration was Euro 90. In the least expensive country there was no mandatory cost. In contrast, in the most expensive country entrepreneurs paid more than Euro 750 to set up a new Individual Enterprise.

In eight countries the minimum cost was less than Euro 50.

The lower quartile benchmark minimum cost is zero

Exhibit 13



### 6.1.2. Private Limited Companies

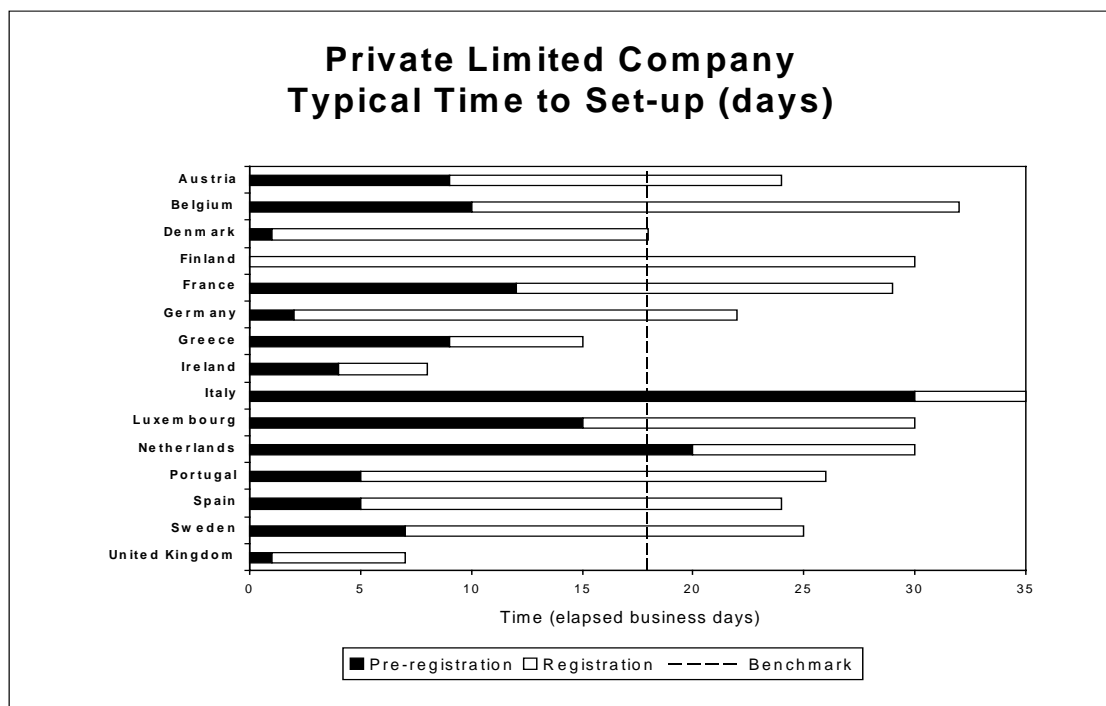
Our main findings are:

- **Typical Time**<sup>20</sup> (Exhibit 14): The average elapsed time needed to complete all necessary mandatory procedures to register a Private Limited Company was 24 days – nearly twice the time needed to register an Individual Enterprise.

The fastest country completed this process in seven days and three completed the process in 15 days or less. The slowest took 35 days.

The lower quartile benchmark typical time to register a Private Limited Company is 18 days. This compares with four days for an Individual Enterprise.

Exhibit 14



- **Minimum Time** (Exhibit 15): The average minimum time needed to complete all necessary procedures was seven days – less than one-third of the average typical time needed.

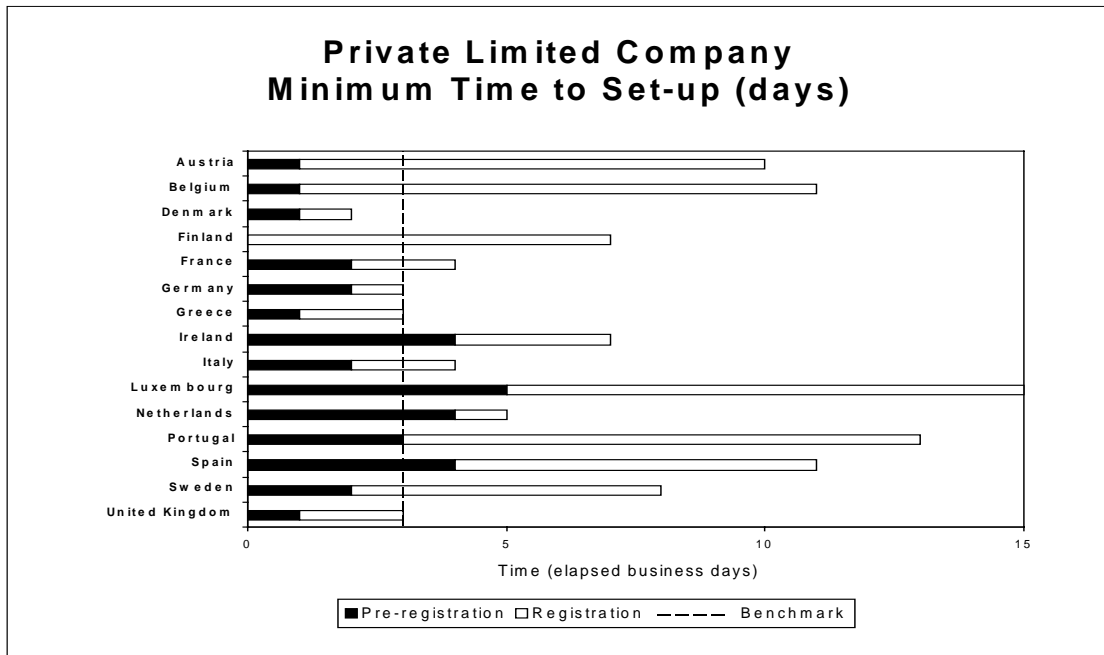
Whilst the minimum time in the fastest country was two days, the slowest was 15 days.

Based on the minimum time needed in 11 countries, enterprises could, in principle, complete the entire registration process within 10 days. Only one country took more than 15 days.

The lower quartile benchmark minimum time is three days.

<sup>20</sup> A number of countries, including Finland Greece, Italy and Portugal, are currently implementing reforms aimed at reducing the time needed for registration. Current times are, therefore likely to be lower than the average level recorded in the previous year.

Exhibit 15

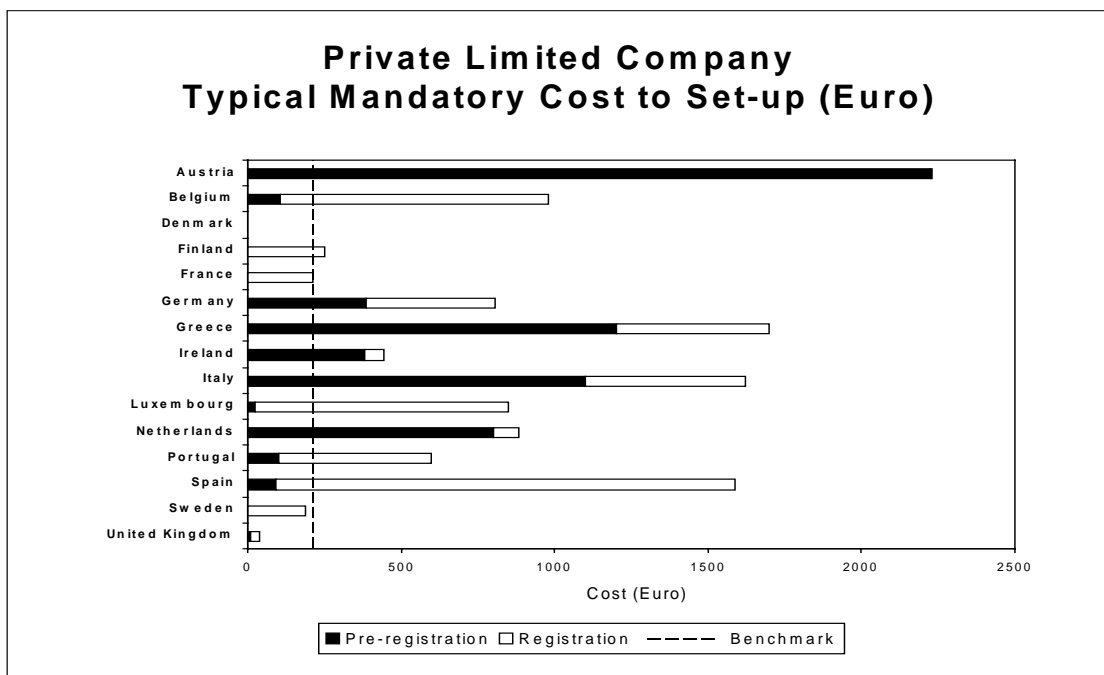


- Typical Cost (Exhibit 16):** The average mandatory financial cost for entrepreneurs of complying with all mandatory procedures to register a Private Limited Company was Euro 830 – more than three-times the cost needed to register an Individual Enterprise.

In the least expensive countries, there were no mandatory registration costs. In contrast, an entrepreneur incurred costs in excess of Euro 2 200 in the most expensive country. The cost in two other countries was more than Euro 1 500.

The lower quartile benchmark typical cost is Euro 213.

Exhibit 16



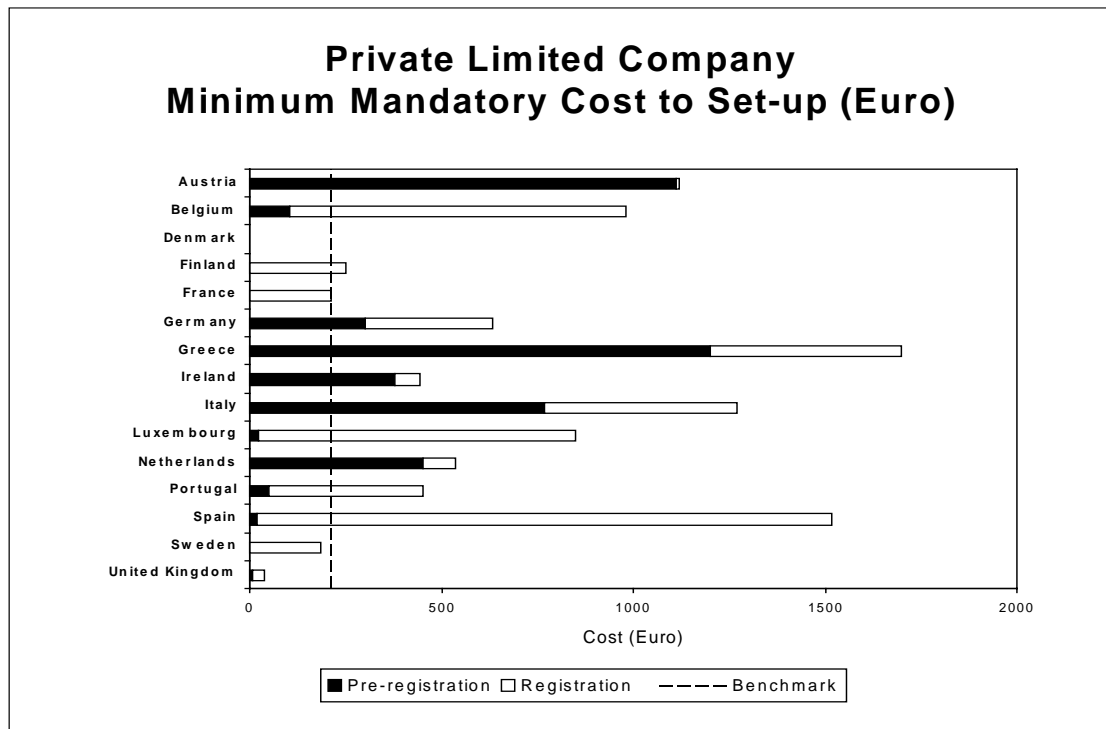


- **Minimum Cost** (Exhibit 17): the average minimum, mandatory cost of setting up a new Private Limited Company was Euro 680. In the most expensive country it was more than Euro 1 700, whereas it was free in the cheapest countries

In seven countries the minimum, mandatory cost was less than Euro 500. It was, however, more than Euro 1 000 in four countries.

The lower quartile benchmark minimum cost is Euro 213.

Exhibit 17

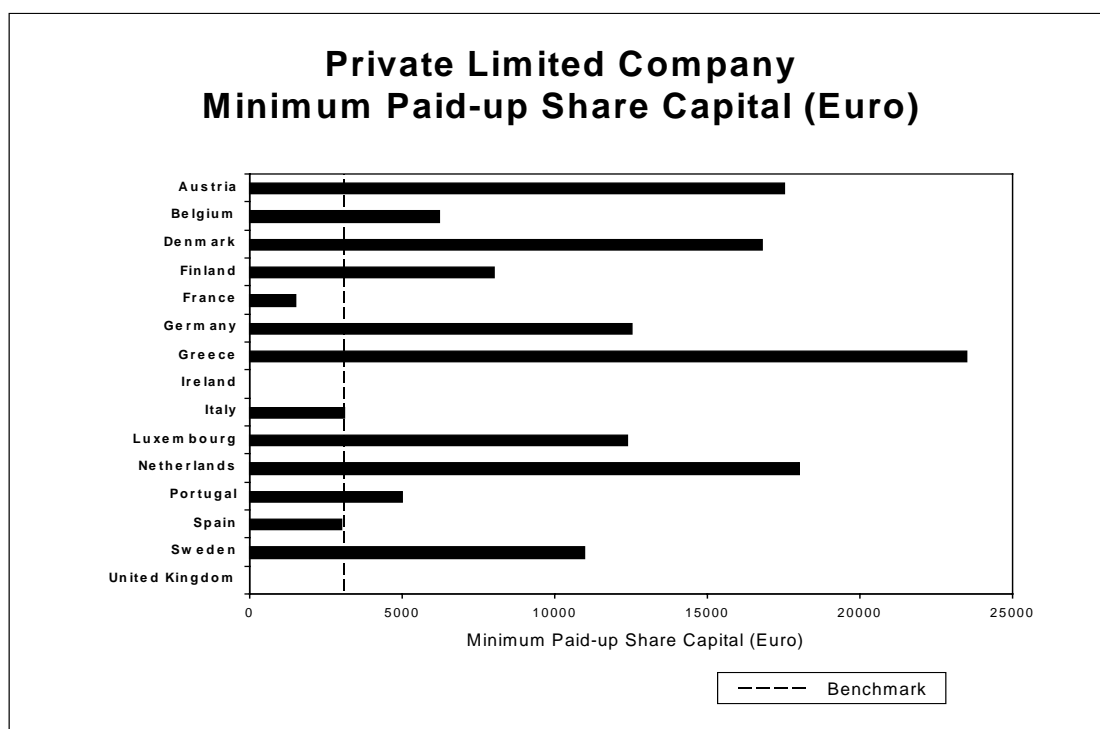


- **Minimum Capital** (Exhibit 18): The average mandatory paid-up share capital required to register a Private Limited Company is Euro 9 200.

The lowest level of capital required by two countries was Euro 1; the highest level was Euro 23 477 and three other countries required more than Euro 15 000.

The lower quartile benchmark minimum paid up share capital is Euro 3 000.

Exhibit 18



### 6.1.3 Re-work

One of the major issues facing entrepreneurs in registering a new business is the complexity of the procedures, which leads to a significant level of “re-work”. We obtained information about this aspect of the registration process through the Supplementary Questionnaire.

However, only half the Member States monitored this indicator, so we were not able to develop a benchmark in this area. But in most of the countries that monitored the level of re-work, between 20 and 30% of all applications for the registration of an Individual Enterprise were initially rejected and between 30 and 40% of all applications for the registration of a Private Limited company were initially rejected. But two countries achieved rejection rates of 5% in the case of Individual Enterprises and 15% in the case of Private Limited Companies.

The average additional time required, when a submission was initially rejected, was eight days.

### 6.1.4 The Four Core Types of Business Entity

The table below (Exhibit 19) summarises the key findings for all four types of business entity.

There is an almost uniform trend in the headline benchmarks between the four core types of business entity: it took least time and required least cost and capital to register an Individual Enterprise; it took most time and required most cost and capital to register a Public Limited Company.

Exhibit 19

**Headline Benchmarks  
The Four Core Types of Business Entity**

<b>Individual Enterprise</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Benchmark</b>
Typical Time (Elapsed business days)	12	35	1	3
Minimum Time (Elapsed business days)	3	7	1	1
Typical Cost (Euro)	250	1,572	0	0
Minimum Cost (Euro)	90	750	0	0

<b>General Partnership</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Benchmark</b>
Typical Time (Elapsed business days)	14	35	1	3
Minimum Time (Elapsed business days)	5	13	1	1
Typical Cost (Euro)	340	1,572	0	20
Minimum Cost (Euro)	300	1,506	0	15

<b>Private Limited Company</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Benchmark</b>
Typical Time (Elapsed business days)	24	35	7	18
Minimum Time (Elapsed business days)	7	15	2	3
Typical Cost (Euro)	830	2,232	0	213
Minimum Cost (Euro)	680	1,700	0	213
Minimum Paid-up Share Capital (Euro)	9 200	23 477	1	3 000

<b>Public limited Company</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Benchmark</b>
Typical Time (Elapsed business days)	29	60	8	24
Minimum Time (Elapsed business days)	8	15	2	4
Typical Cost (Euro)	1 360	4 800	0	252
Minimum Cost (Euro)	930	3,092	0	252
Minimum Paid-up Share Capital (Euro)	40 200	80 000	7 750	15 000

**6.1.5 Comparison with other Studies**

We compared our results with those obtained by Logotech in 1996 and the US National Bureau of Economic Research (NBER) in 1998.

We identified the principal similarities and differences between the three studies and concluded that:

- The registration times reported in this project are, in general, significantly lower than those reported in the NBER study, principally because NBER included a larger range of activities in their study and because there have been a number of policy changes that have reduced registration times in all Member States in recent years.
- There is no consistent relationship between the results obtained in this project and those reported by Logotech in 1996. However, we were unable to explain the bases of the differences, because we were unable to obtain comparable methodological information in the two studies.

Appendix D provides a more detailed explanation for the differences between the three studies (in the case of a Private Limited Company).

## 6.2. OPERATIONAL BENCHMARKS

Appendix E summarises data covering the Operational Benchmarks for all types of business entity and Appendix F maps the individual procedures used by each Member State, for each business entity.

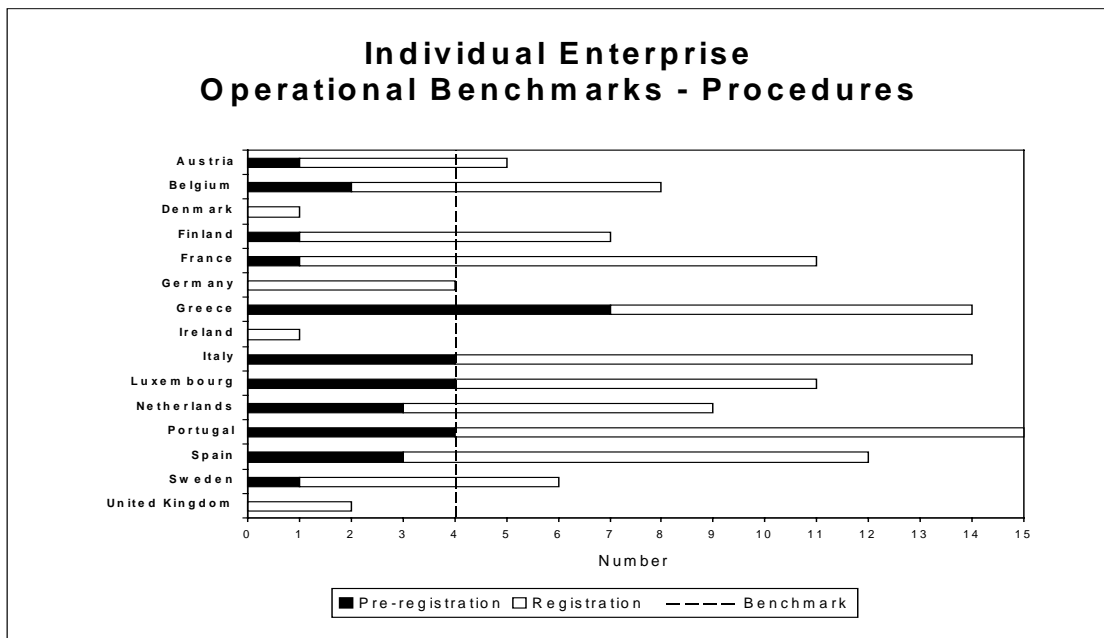
### 6.2.1. Individual Enterprise

Our findings are:

- **Procedures** (Exhibit 20): The average number of individual, mandatory procedures that had to be completed is eight. The largest number in the EU was 15 and the smallest was one.

The lower quartile benchmark number of procedures is four.

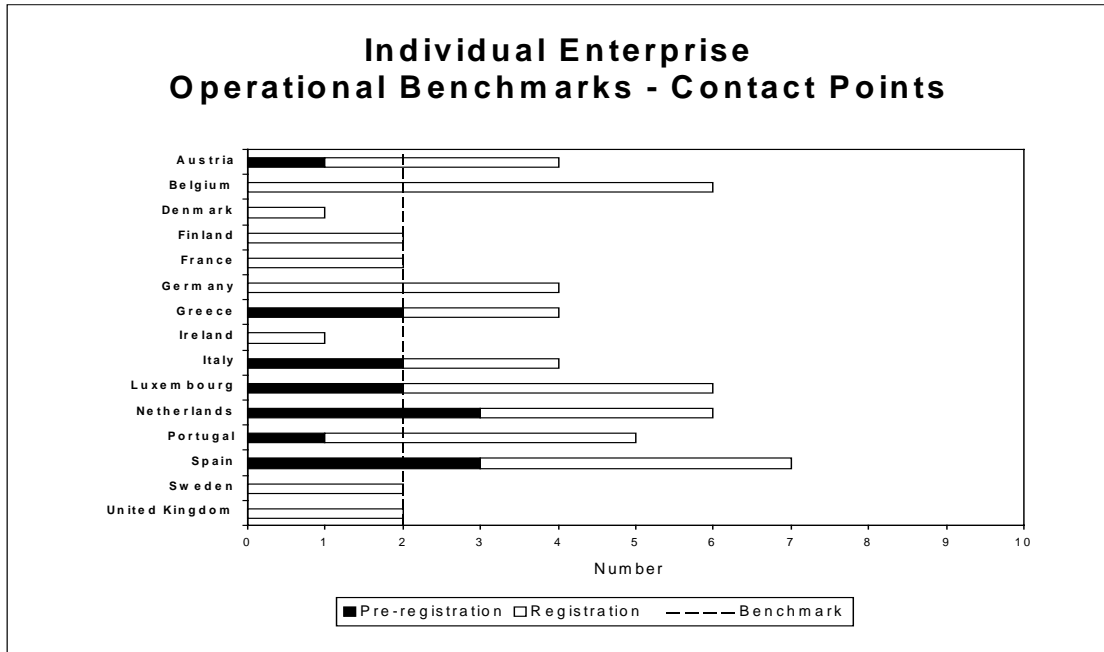
Exhibit 20



- **Contact points** (Exhibit 21): The average number of different public and private bodies that an entrepreneur had to contact was four. Across the EU there was considerable variation; six countries had only two contact points or less and four countries had six or more.

The lower quartile benchmark number of contact points is two.

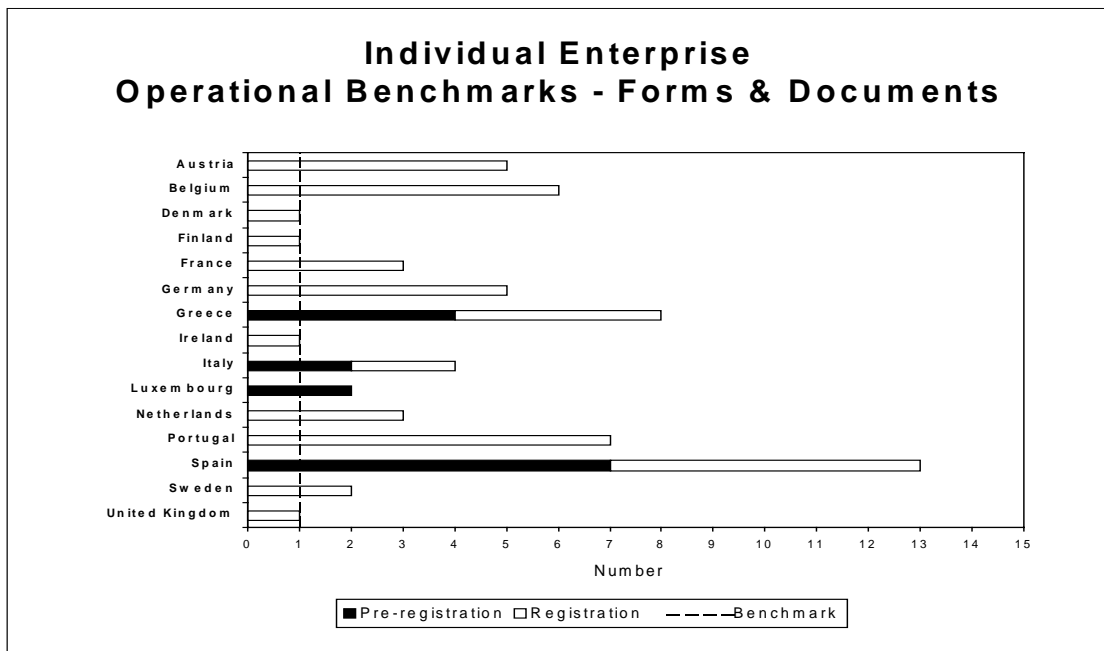
Exhibit 21



- **Forms and documents** (Exhibit 22): The average number of official forms and supporting documents that an entrepreneur had to provide was four. Within the EU there was a wide variation between Member States: six countries required only one or two forms, three countries required seven or more forms and one required 13.

The lower quartile benchmark number of forms and documents is one.

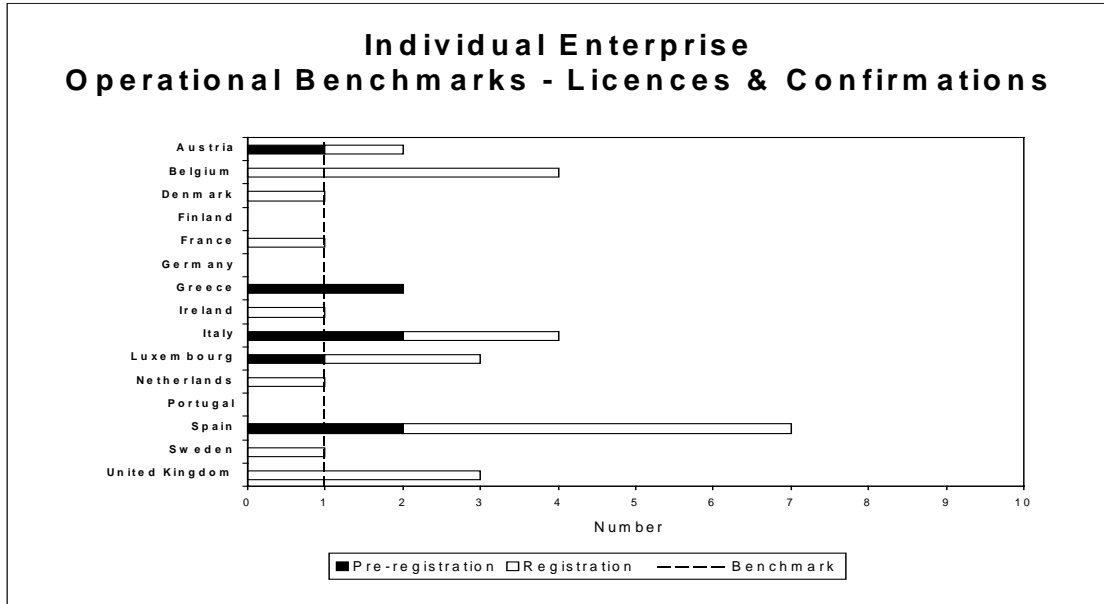
Exhibit 22



- **Licences and confirmations** (Exhibit 23): The average number of licences and confirmations issued to entrepreneurs by official bodies was two. Within the EU, ten countries issued one or two licenses but three countries issued four or more.

The lower quartile benchmark number of licences and confirmations is one.

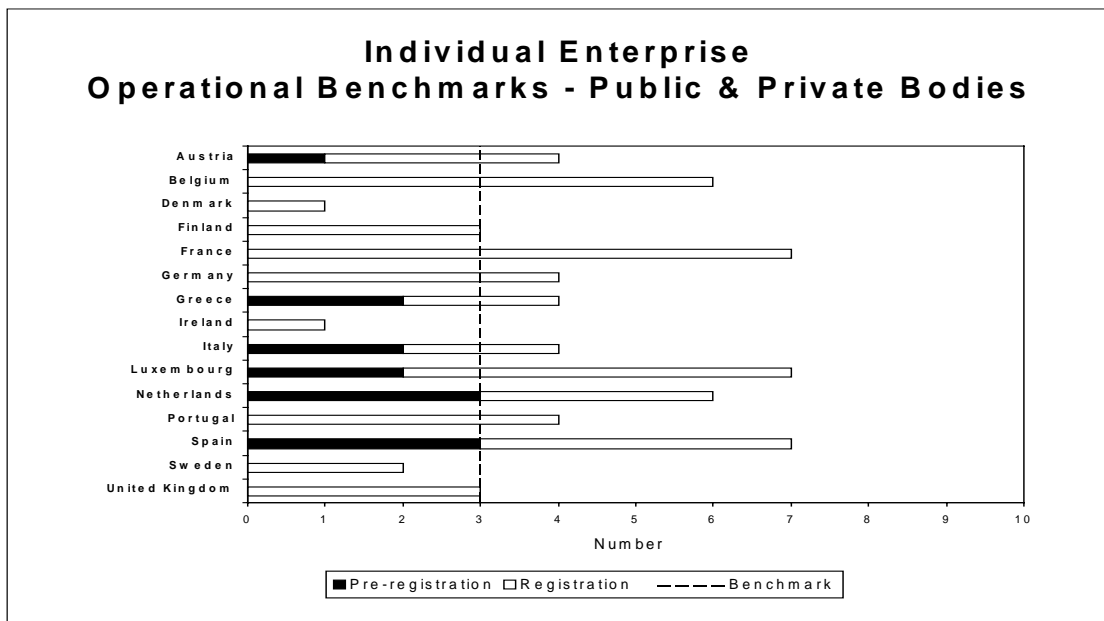
Exhibit 23



- **Public and private bodies** (Exhibit 24): The average number of official bodies that were involved in the registration process in any Member State was four. The smallest number of registration bodies in a country was one and the largest was seven. In five countries six or more public and private bodies were involved in the registration of a new Private Limited Company.

The lower quartile benchmark number of public and private bodies is three.

Exhibit 24



## 6.2.2. Private Limited Company

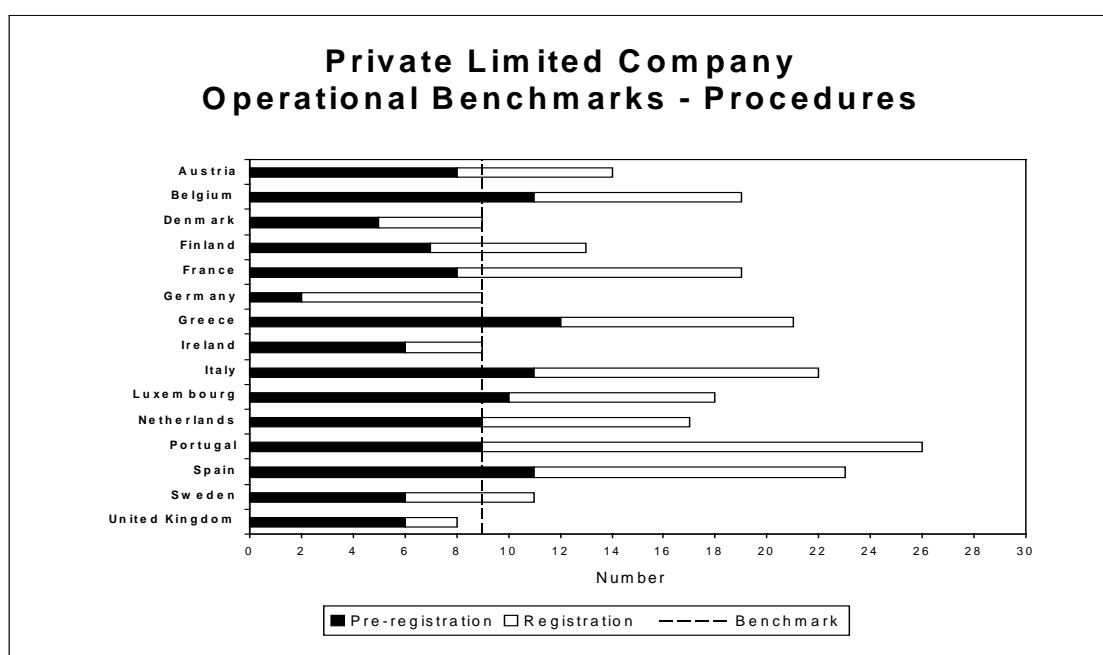
Our main findings are:

- **Procedures** (Exhibit 25): The average number of individual, mandatory procedures that had to be completed was 16. The largest number in the EU was 26 and the smallest was eight.

In four countries, entrepreneurs had to complete more than 20 individual procedures.

The lowest quartile benchmark number of procedures associated with the registration of a Private Limited Company in any Member State is 9. This compares to five in the case of the Individual Enterprise.

Exhibit 25

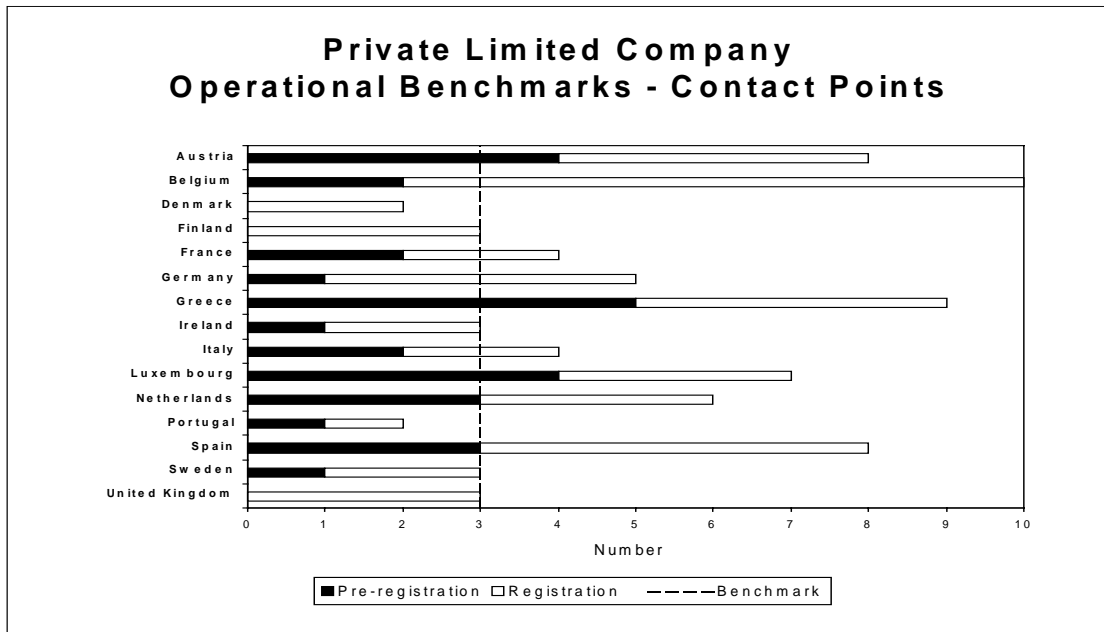


- **Contact points** (Exhibit 26): The average number of different public and private bodies that an entrepreneur had to contact to register a Private Limited Company was five. The largest number of contact points was ten; the smallest number was two.

There were considerable variations across the EU: six countries had two or three contact points while four countries had eight or more contact points.

The lowest quartile benchmark number of contact points required to register a Private Limited Company is three. This compares with two in the case of an Individual Enterprise.

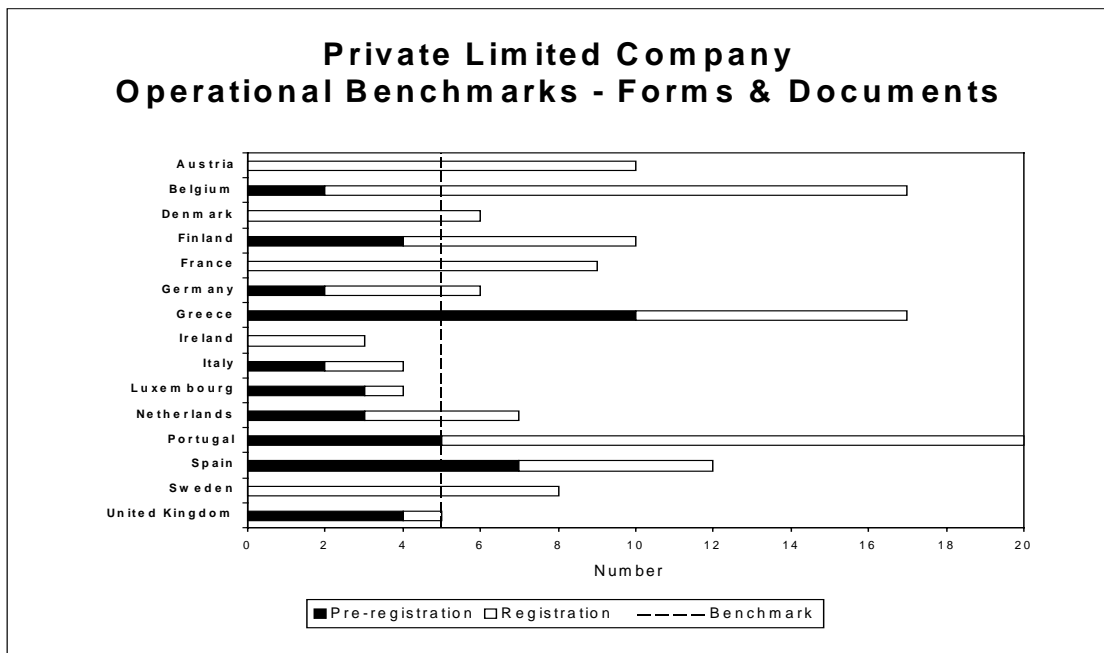
Exhibit 26



- Forms and documents (Exhibit 27):** The average number of official forms and supporting documents that an entrepreneur had to provide to register a Private Limited Company was nine. The largest number of forms and documents was 20; the smallest number was three. There was, however, a wide variation between countries: four countries required five or fewer forms but three countries required entrepreneurs to complete more than 15.

The lower quartile benchmark number of forms and documents that an entrepreneur has to complete when establishing a Private Limited Company is five. This compares with three in the case of the Individual Enterprise.

Exhibit 27



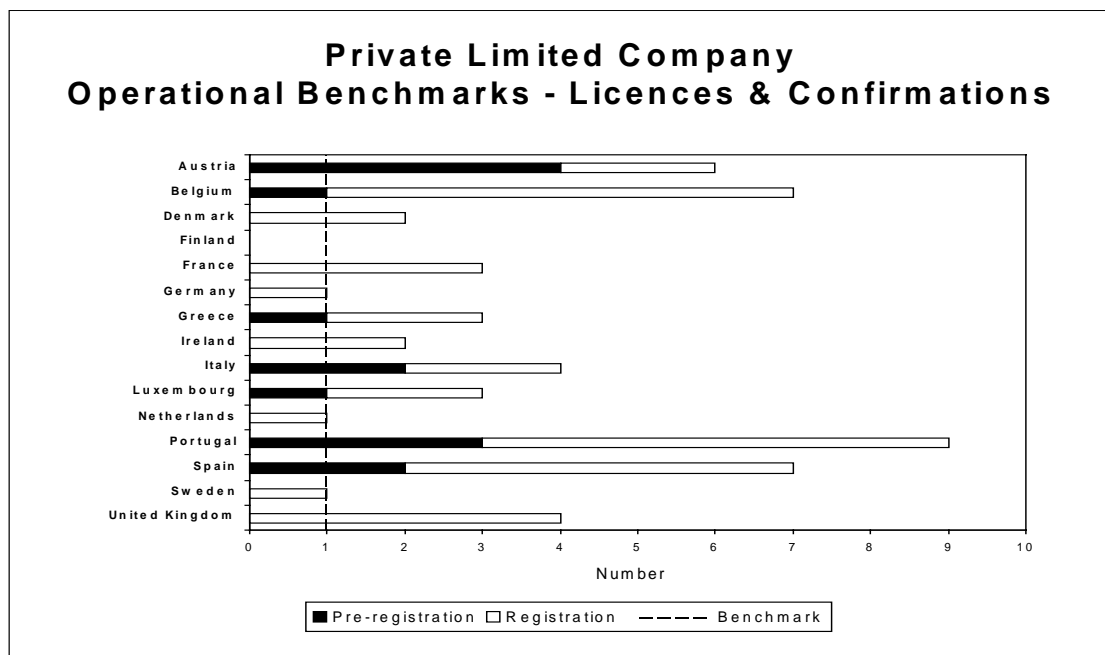


- **Licences and confirmations** (Exhibit 28): The average number of licences and confirmations issued to entrepreneurs establishing Private Limited Companies, by official bodies, was four. Within the EU, the largest number was nine and the smallest number was zero.

Six countries required two or less; four countries required six or more.

The lower quartile number of licences and confirmations issued to entrepreneurs establishing Private Limited Companies is one. This is the same as in the case of an Individual Enterprise.

Exhibit 28

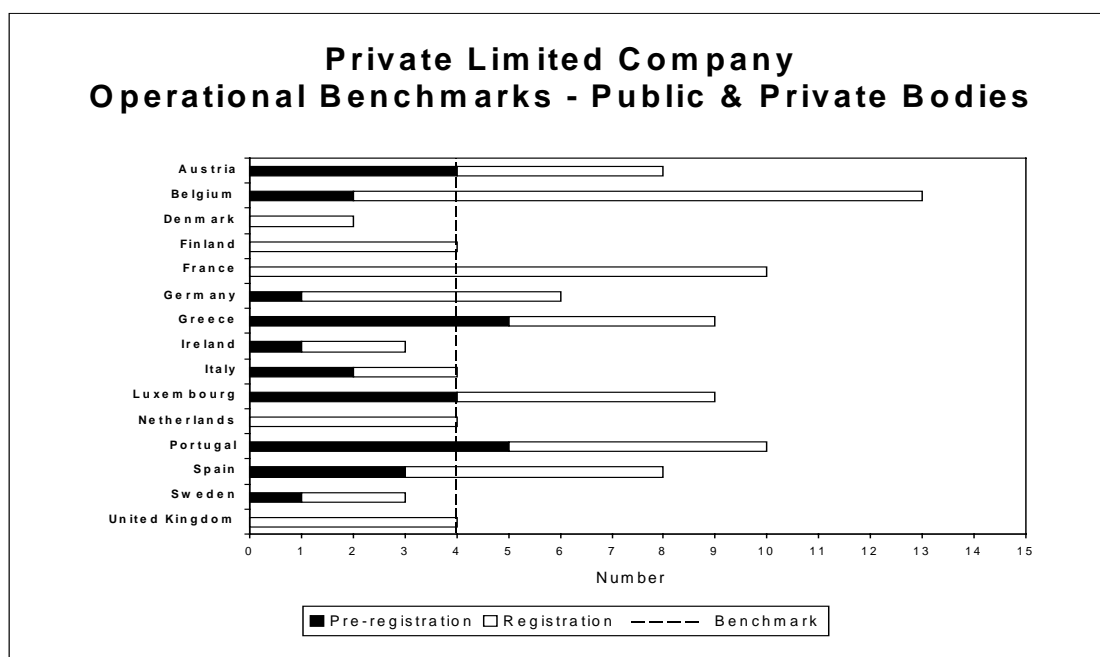


- **Public and private bodies** (Exhibit 29): The average number of official bodies that was involved in the registration of a Private Limited Company was six.

There was a wide variation between Member States: three countries required the entrepreneur to deal with three “bodies” or less; but three countries required the entrepreneur to deal with 10 or more separate bodies.

The lowest quartile number of public and private bodies involved in the registration of a Private Limited Company is four. This compares with three in the case of an Individual Enterprise.

Exhibit 29



#### 6.2.4. Legal Requirements

Only one country requires approval of documents during the registration process by a Court. This takes seven days to complete (Exhibit 30).

Two countries require notaries in public practice formally to check the documents. But it takes only one day in both cases.

Six countries have a requirement that a notary in private practice must prepare documents as part of the administrative process for starting-up a Private Limited Company.

Exhibit 30

#### Involvement of Notaries in the Establishment of Private Limited Companies

	Pre-registration	Registration	Documents (Number)	Time (Days)
Austria	Y	Y	3	1
Germany	Y	N	2	6
Ireland	Y	N	2	1
Italy	Y	Y	3	2
Luxembourg	N	Y	1	12
The Netherlands	Y	Y	4	6

Our surveys also provided evidence of the presence of registration thresholds and exemptions. Specifically:

- Registration for VAT is the principal size-based threshold for new businesses. Seven countries reported exemptions from VAT registration for businesses with low levels of turnover.
- Other size-based thresholds included exemptions from the need to register in the trade register (one country), and from extensive ‘ex ante’ control (one country).

There are important differences between Member States in a number of the legal requirements surrounding the setting up of new private limited companies. Specifically:

- More than two-thirds of Member States permit the use of “off-the-shelf” companies for some or all types of new incorporated business entity.
- About half the Member States permit new incorporated entities to commence trading before all mandatory procedures for registration are complete. However, if trading commences before formal registration of the new entity is complete then the founders are personally liable for all of the actions of the entity.
- Less than one-third of Member States permit the use of a “General Objects” clause for incorporated entities.

#### **6.2.4. Causes of Re-work**

The principal causes of re-work were:

- Incomplete information: A large percentage of potential entrepreneurs fail to complete all parts of the documentation, principally because it is too complex.
- Duplicate names: A large percentage of potential entrepreneurs try to register a name that is similar to one that has already been registered (by someone else).
- Erroneous information: A number of potential entrepreneurs make mistakes while completing the documentation, principally because it is too complex.
- “No fees”: A number of potential entrepreneurs fail to attach the necessary payment.

#### **6.2.5. The Four Core Types of Business Entity**

The table below summarises the key findings for all four types of business entity (Exhibit 31).

Once again, there is an almost uniform trend in the headline benchmarks between the four core types of business entity: the number of procedures, the number of official forms and documents, the number of official licences, approvals and confirmations, the number of contact points, and the number of public and private bodies involved is lowest in the case of an Individual Enterprise and greatest in the case of a Public Limited Company.

Exhibit 31

**Operational Benchmarks  
Four Core Types of Business Entity**

<b>Individual Enterprise</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Benchmark</b>
Number of procedures	8	15	1	4
Number of Contact Points – for entrepreneur	4	7	1	2
Number of Official Forms and Documents	4	13	1	1
Number of Official Licences, Approvals, and Confirmations	2	7	0	1
Number of Public and Private Bodies Involved	4	7	1	3

<b>General Partnership</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Benchmark</b>
Number of procedures	11	26	1	4
Number of Contact Points – for entrepreneur	4	8	1	2
Number of Official Forms and Documents	6	17	1	2
Number of Official Licences, Approvals, and Confirmations	3	8	0	1
Number of Public and Private Bodies Involved	5	10	1	3

<b>Private Limited Company</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Benchmark</b>
Number of procedures	16	26	8	9
Number of Contact Points – for the entrepreneur	5	10	2	3
Number of Official Forms and Documents	9	20	3	5
Number of Official Licences, Approvals, and Confirmations	4	9	0	1
Number of Public and Private Bodies Involved	6	13	2	4

<b>Public Limited Company</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Benchmark</b>
Number of procedures	17	27	9	11
Number of Contact Points – for the entrepreneur	5	10	2	3
Number of Official Forms and Documents	9	19	4	5
Number of Official Licences, Approvals, and Confirmations	4	8	0	1
Number of Public and Private Bodies Involved	7	13	2	4

## 7. PERFORMANCE DRIVERS

*This section describes the most influential “Performance Drivers”, which, taken together, have an important impact on the ‘Headline’ benchmarks of time and cost and the ‘Operational’ Benchmarks that measure characteristics of the overall process of registration.*

*It contains a description of the use of “managerial processes” within the registration systems of the Member States. It then describes the approaches of Member States to administrative simplification, including the use of ICT.*

### 7.1. INTRODUCTION

Our analysis suggests that the most influential “Performance Drivers” are:

- **Exploitation of modern ICT within and between official bodies and between government bodies and prospective entrepreneurs** - through the provision of information electronically; on-line filing of documents; query resolution; computerisation of records of existing entities and business names; electronic linkages between all bodies involved in registration; computerisation of new registration requests; and electronic signatures.
- **Improvements in Internal Efficiency within Public Bodies, and between Public Bodies and Private Bodies** - through the use of management processes such performance measurement; plans to improve performance; target deadlines and other performance measures; clear accountability for performance; external reporting of results; and ‘user’ consultation.
- **Simplification in the structure, number, and complexity of Administrative Processes** - through single registration numbers; the introduction of “silence is consent” rules and statutory response times; establishment of single access points; introduction of a single registration number; reductions in the numbers of procedures; reductions in the types of business entity that must be registered; and reductions in the involvement of courts, notaries and other legal bodies.
- **Simplification of Legal Requirements** - through the use of dormant or “off-the-shelf” companies; use of notification or self-certification rather than authorisation; removal or reduction of mandatory qualifications for all entrepreneurs; introduction of exemptions or thresholds; simplification of requirements for announcing the formation of new entities; and simplification of Business Names legislation.
- **Improvements in the availability of Information for Entrepreneurs** - through the establishment of single advice and assistance points; the mapping of all procedures and licences; the provision of information electronically; and the consolidation of information into a single pack or booklet. Publicity campaigns to raise awareness of the availability of information and support can also help.
- **Reductions in the number and complexity of Documentary Requirements** - through reductions in number of official forms and supporting documents and the use of plain language drafting techniques.
- **Reductions in the Level of Mandatory Costs** - through the removal or reduction of taxes; cutting fees; provision of financial support; and, reductions in the level of minimum capital, especially for private limited companies.

We used two questionnaires to gather data:

- **The Policy Questionnaire ('SME Ministries')**: This covered a range of policy-related matters related to the registration of new businesses, including administrative procedures; the quality and number of documents; the availability of information; and, mandatory costs. It was targeted at officials in ministries responsible for national policies designed to promote entrepreneurship and the growth of SMEs.
- **The Policy Questionnaire (Member State Representatives)**: This complemented the questionnaire that was sent to officials responsible for SME policy. It gathered information from national experts in business registration about the legal requirements for setting up new businesses, such as the use of "off-the-shelf" or dormant companies; opportunities to commence trading prior to the completion of registration; and, main exemptions and thresholds, especially for enterprises below a certain size and for young entrepreneurs, women, and disadvantaged persons.

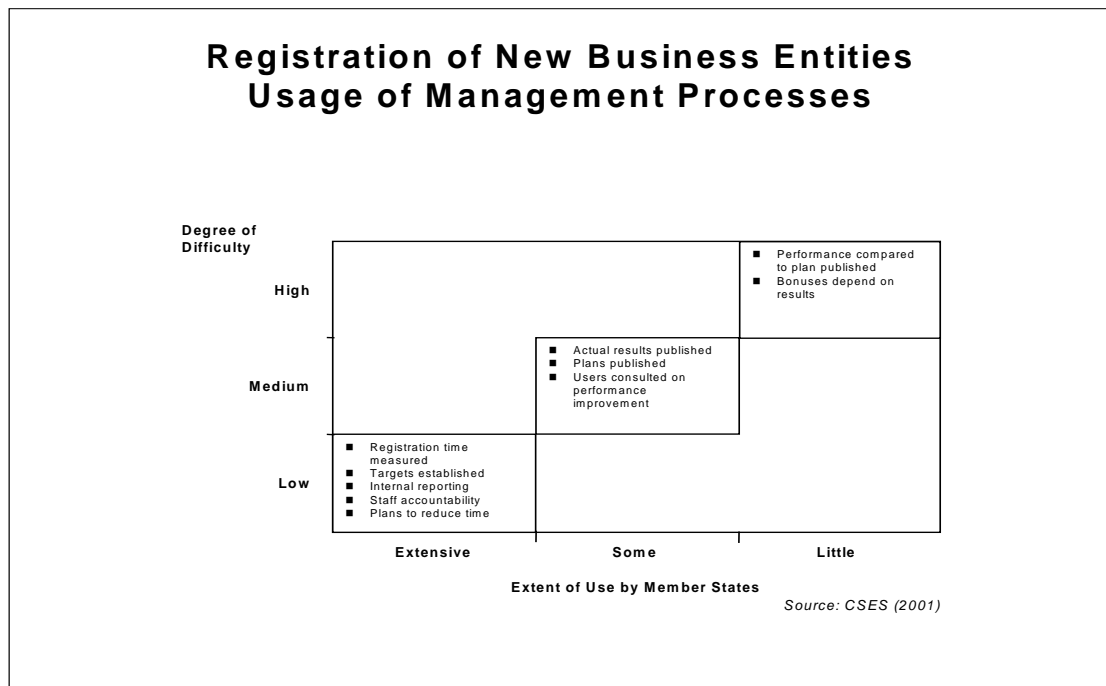
## 7.2. MANAGEMENT PROCESSES

Usage of management processes varies considerably. We have divided them into three groups:

- **Extensive use**: where more than two thirds of countries claim to use the process;
- **Some use**: where between one-third and two-thirds of countries claim to use the process; and,
- **Little use**: where less than one-third of countries claim to use the process.

The overall pattern of usage of management processes in organisations responsible for registration can be seen below (Exhibit 32).

Exhibit 32



Extensive use is made of internal planning and control tools such as formal plans to reduce time, performance measurement and ‘feedback’ of results. These are important because they help set priorities within an organisation and ensure focus on desirable outcomes.

In contrast, there is less use of tools designed to promote external transparency and accountability, or to link rewards and performance. Because these can create strong, additional incentives to improve performance, they provide a useful mechanism for reinforcing planning and control tools.

### 7.3. ADMINISTRATIVE SIMPLIFICATION

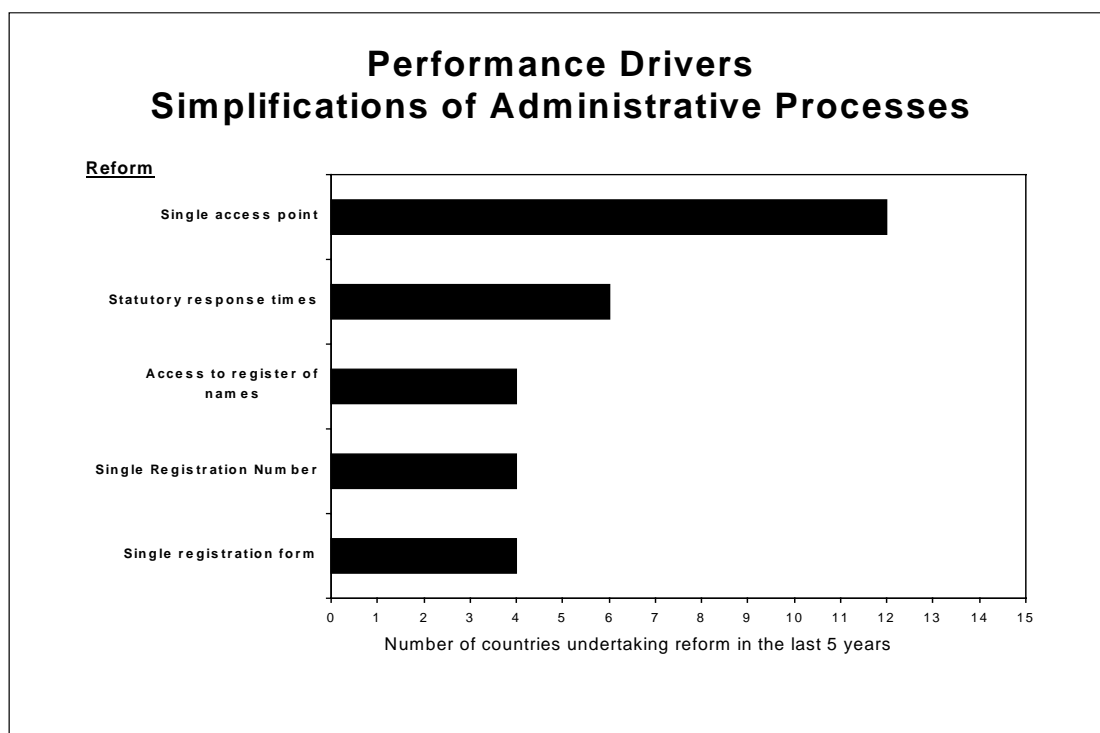
Most national governments are seeking to improve the efficiency and effectiveness of public administration and the regulatory framework. To achieve this, they use a range of tools including ‘regulatory reform’ and ‘administrative simplification’.

#### 7.3.1. Recent Reforms

The most important reforms to administrative processes, during the last five years, have been the introduction of “Single Access Points” and the introduction of statutory response times. Each of these reforms has been undertaken by more than one-third of EU Member States.

In contrast, single registration numbers, access for entrepreneurs to the business names register, and single registration forms have been introduced by only about one quarter of countries (Exhibit 33)

Exhibit 33



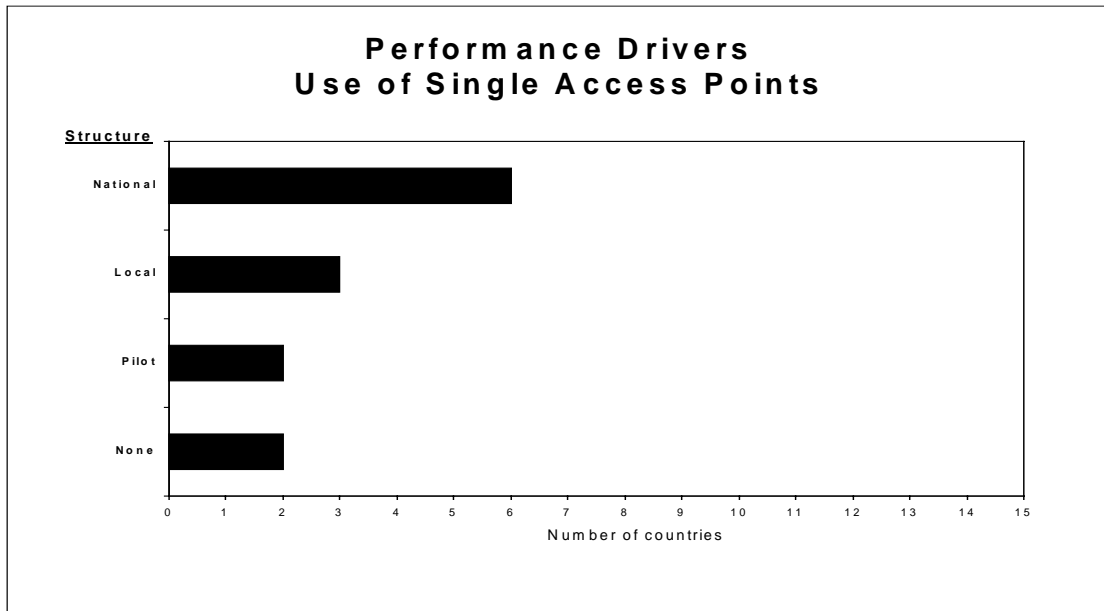
#### 7.3.2. Single Access Points

By far the most important single change has been the introduction of “Single Access Points” by Member States.

There is, however, no single model of a Single Access Point. Individual Member States are at different stages in the process of implementing Single Access Points and they perform different functions in different countries.

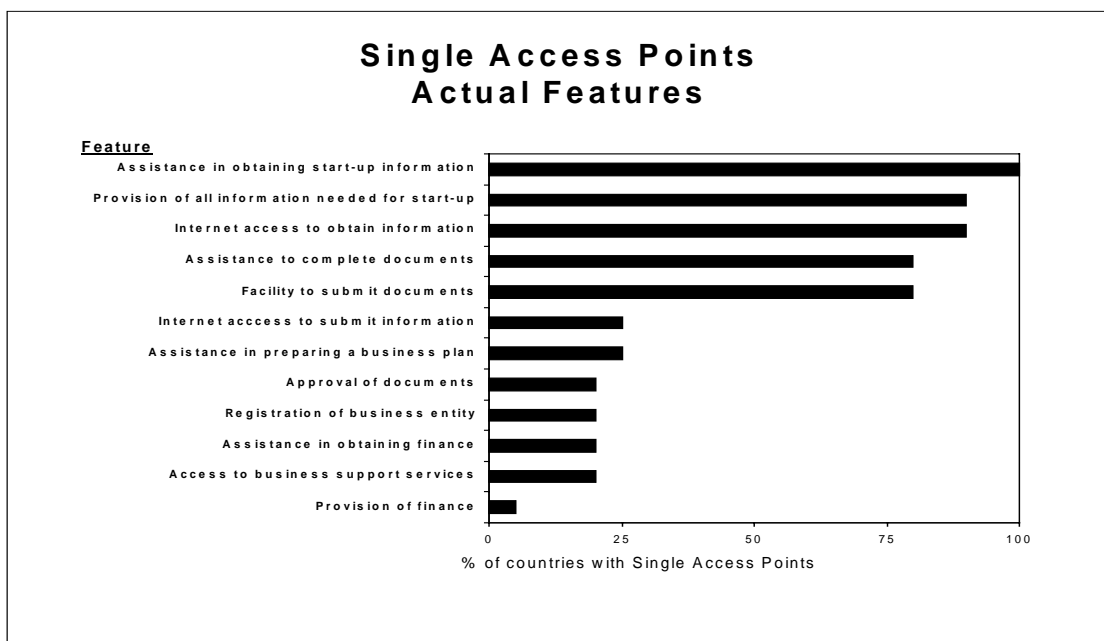
Half the Member States have introduced Single Access Points on a national basis. Only two countries have not yet introduced them (Exhibit 34).

Exhibit 34



The features that are most common throughout Member States are summarised in the graph below (Exhibit 35). More than three-quarters of the Member States that have introduced Single Access Points have adopted the top five features.

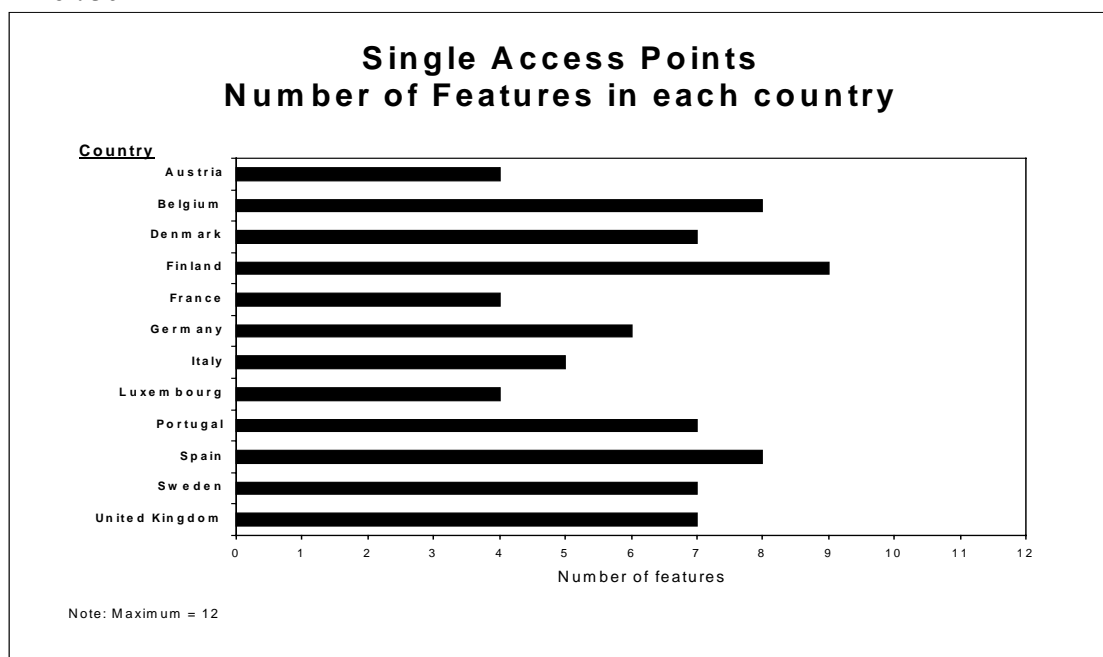
Exhibit 35



No country has adopted all the features, but eight (out of 12) countries have adopted more than half the features (exhibit 36).



Exhibit 36



The features that experts in Member States consider are the most desirable in Single Access Points are the ability to:

- Provide all information about the administrative procedures needed to start a business;
- Provide assistance to complete the documents; and,
- Submit documents to the registration authorities.

In addition, the experts consider that, to be fully effective, a Single Access Point should be able to provide entrepreneurs with Internet access to obtain information and to submit the completed documents.

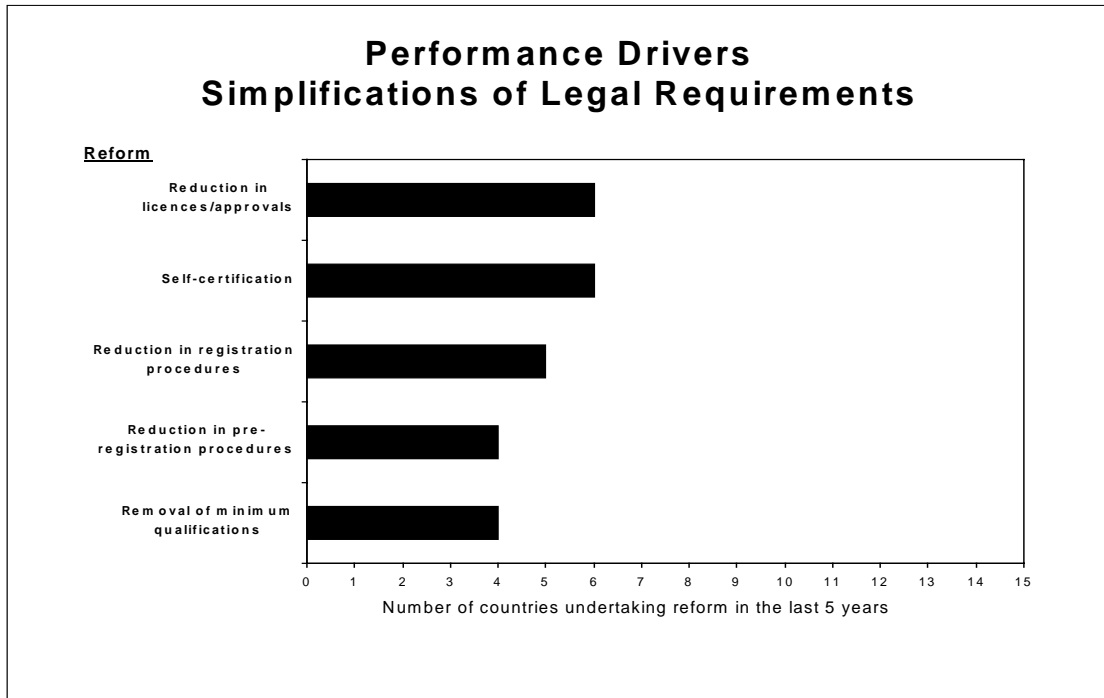
A substantial majority of experts also consider that Single Access Points should be able to provide entrepreneurs with:

- Assistance in preparing a business plan;
- Access to business support services; and
- Links to other access points.

Half the experts also favour giving the Single Access Point the ability to approve documents and even to register the business entity.

### 7.3.3. Legal Requirements

The most major important changes in the **general legal requirements** in the past five years have been the switch from authorisation to self-certification; the reduction in the number of licences or approvals; and the cut back in the number of procedures (Exhibit 37).

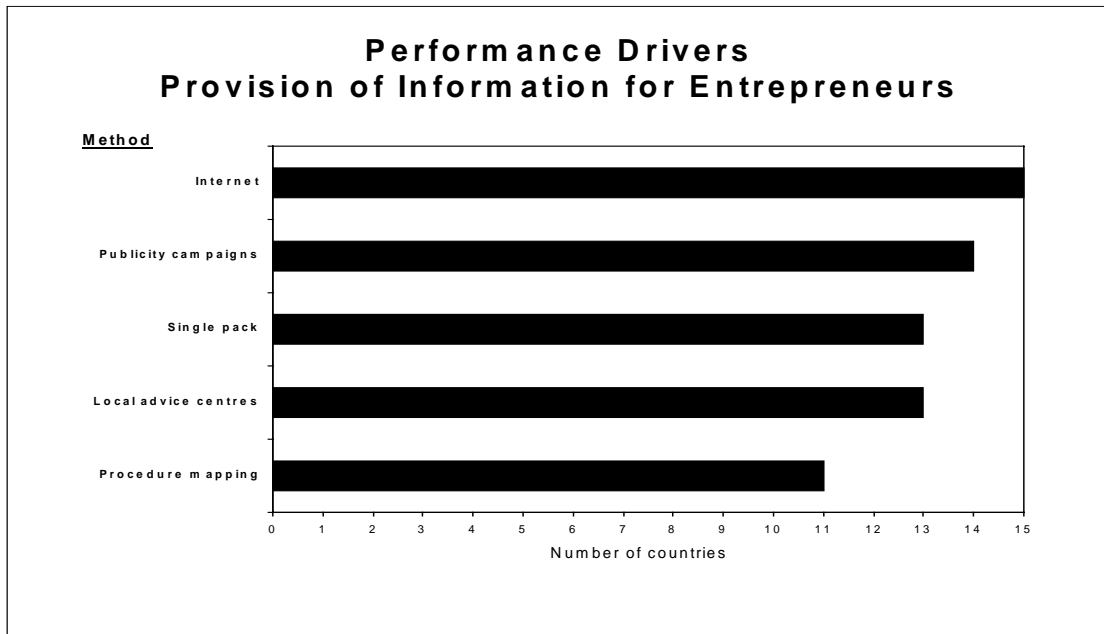


#### 7.3.4. Availability of Information for Entrepreneurs

Another way in which administrative procedures can be simplified is by enhancing the involvement of users. All EU Member States provide information to entrepreneurs and prospective entrepreneurs (Exhibit 38).

All Member States make use of the Internet to provide information, and most undertake publicity campaigns. Most Member States also provide information to prospective entrepreneurs in a ‘single pack’ and operate centres that provide legal advice to entrepreneurs and prospective entrepreneurs.

Exhibit 38

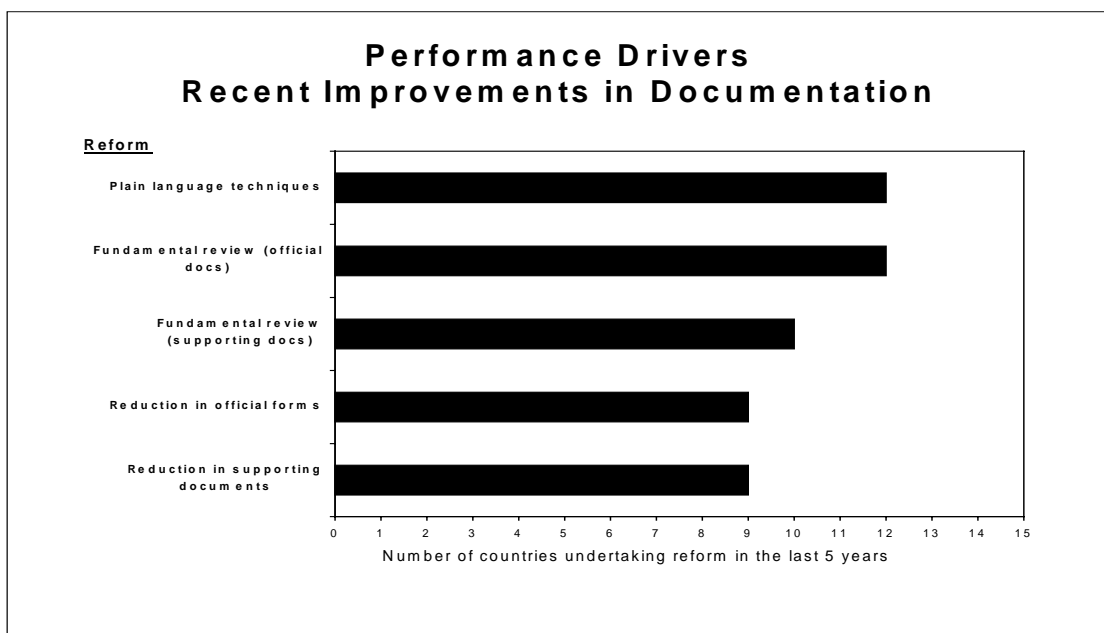


### 7.3.5. Documentary Requirements

The scale and complexity of documentation increases the cost and time needed to set up new businesses. Complex, legal documents need interpretation by lawyers, for example. This adds cost and slows down the process of registration.

Over the last five years, EU Member States have made substantial progress in reforming the scale and complexity of the documents required to establish new businesses. Over two-thirds of Member States have used plain language drafting techniques to improve regulatory quality. A similar number of countries have undertaken fundamental reviews of the number of official forms or supporting documents needed. Many countries have also taken steps to reduce the number of official forms and supporting documents needed (Exhibit 39).

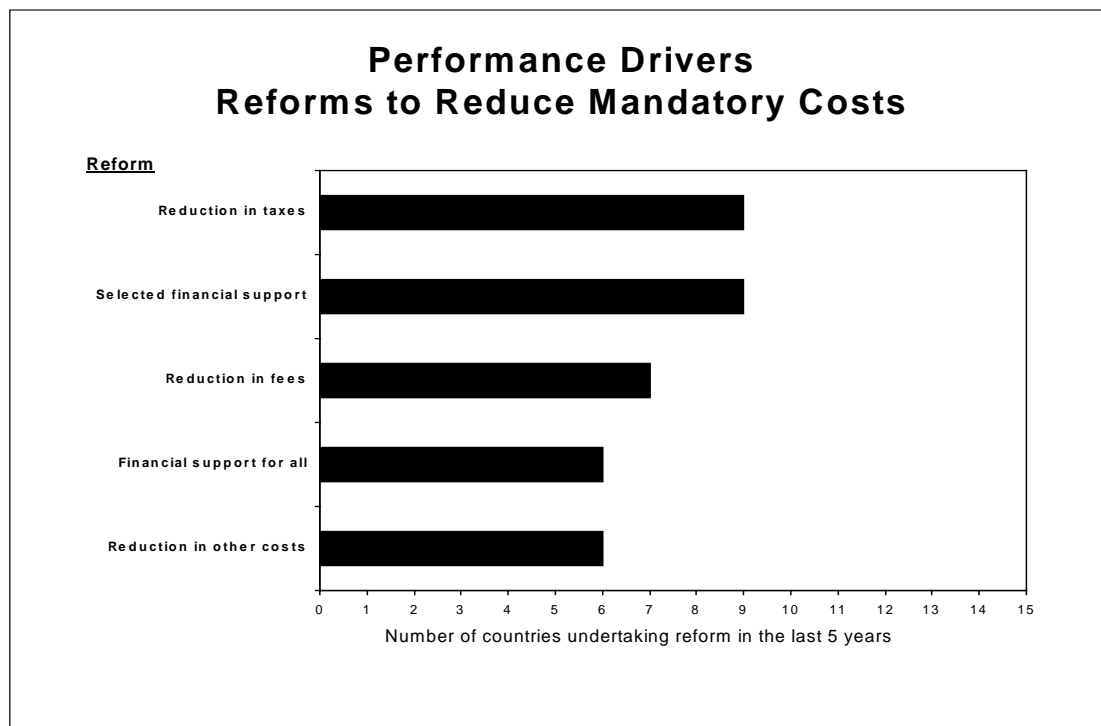
Exhibit 39



### 7.3.6. Mandatory Costs

In the past five years, many Member States have made a number of reforms to reduce the level of mandatory costs (Exhibit 40).

Exhibit 40



The average reduction in cost, in the last five years, was between 10% and 25% of the total taxes and fees payable. In contrast, very few countries have reduced the level of minimum paid-up capital for incorporated entities, in recent years.

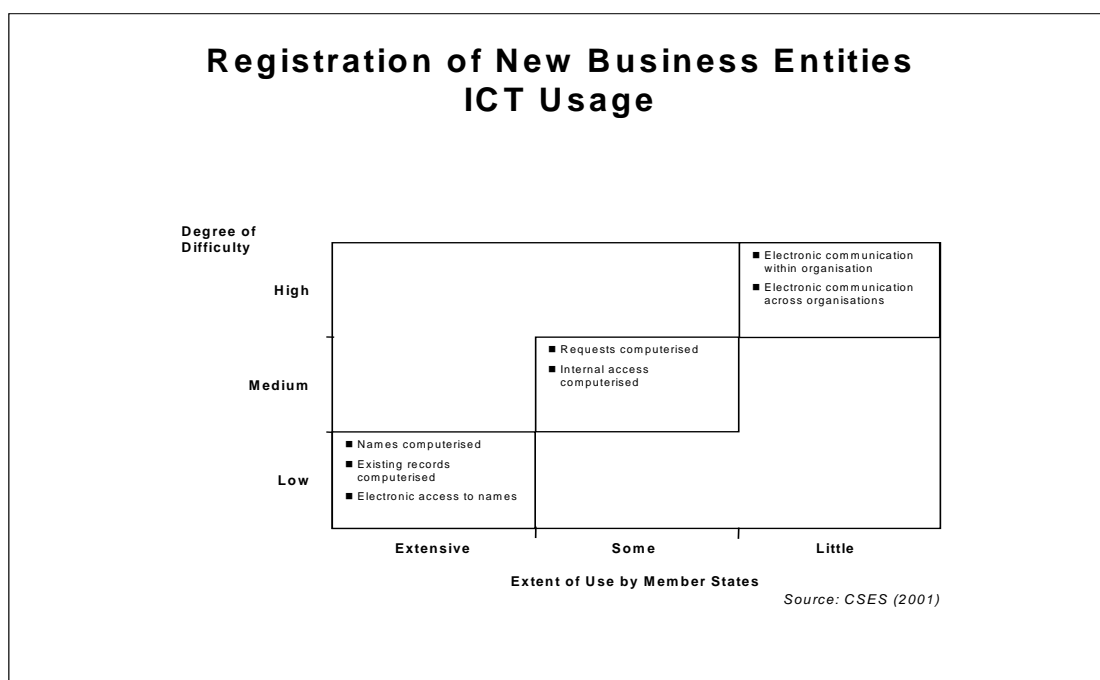
## 7.4. INFORMATION AND COMMUNICATION TECHNOLOGIES

### 7.4.1. General

Leading registration authorities in the EU use modern ICT:

- To make available information to prospective entrepreneurs;
- To speed up the process of submitting registration documents to official bodies; and,
- To improve the efficiency with which public and private organisations responsible for setting up new entities screen requests and complete registration processes.

However, the greatest use of ICT is in areas of the registration process that are easiest to computerise, such as lists of business names. Less progress has been made in utilising the potential of ICT to facilitate the restructuring of the registration process (Exhibit 41).



#### 7.4.2. Availability of Information

Modern ICT tools are used by a number of EU Member States to enhance the availability of information for entrepreneurs in the “investigation” and “pre-registration phases” of the process of setting up a new entity. Such tools:

- Make it easier for prospective entrepreneurs to comply with all mandatory registration requirements;
- Facilitate the use of ‘self-certification’ for business names; and
- Cut back the time needed to search for information.

These changes reduce the typical time needed to register a new entity.

Specific examples include:

- **Web sites that provide comprehensive information about procedures** which entrepreneurs must complete to establish different types of business entities. Such sites are often an outcome of government-led exercises to ‘map’ all of the mandatory procedures associated with setting up new entities. A good example is a *Spanish* Government web site<sup>21</sup> that sets out the results of a comprehensive mapping of all of the procedures needed to establish new entities.
- **Web sites that provide entrepreneurs with access to forms and documents** that must be completed to register a new enterprise. Evidence from our survey suggests that such web sites are used by more than two-thirds of EU Member States. Good examples are to be found in *Denmark*<sup>22</sup> and the *United Kingdom*<sup>23</sup>.

<sup>21</sup> The address of the Spanish web site is [www.ipyme.org](http://www.ipyme.org)

<sup>22</sup> The address of the Danish web site is [www.webreg.dk](http://www.webreg.dk)

<sup>23</sup> The address of the UK web site is [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

- **Electronic access for entrepreneurs, or their professional advisers, to information about existing entities** during the “pre-registration” stage of setting up a business new entity. Evidence from our questionnaires shows that “extensive use”<sup>24</sup> is made of: computerisation of lists of all existing business names; electronic access for Entrepreneurs or their agents to the entire list of business names; and, computerisation of the records of existing entities. (*Examples include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Ireland, Netherlands, Spain, Sweden and the UK*).

#### 7.4.3. Submission of Registration Documents – “On-line Registration”

Many EU countries have made some progress towards “on-line registration”. In most cases, investment is being made to enable business registration documents to be filed electronically. In contrast, a small number of countries (such as *Sweden*) are examining the possibility of performing all registration activities, including notification of tax authorities, on-line through a single access point.

On-line registration offers governments an opportunity to cut back documentary requirements; to reduce the number of contact points; and to facilitate greater efficiency within public and private bodies responsible for registration and screening of new entities.

Progress is, however, limited. Specifically:

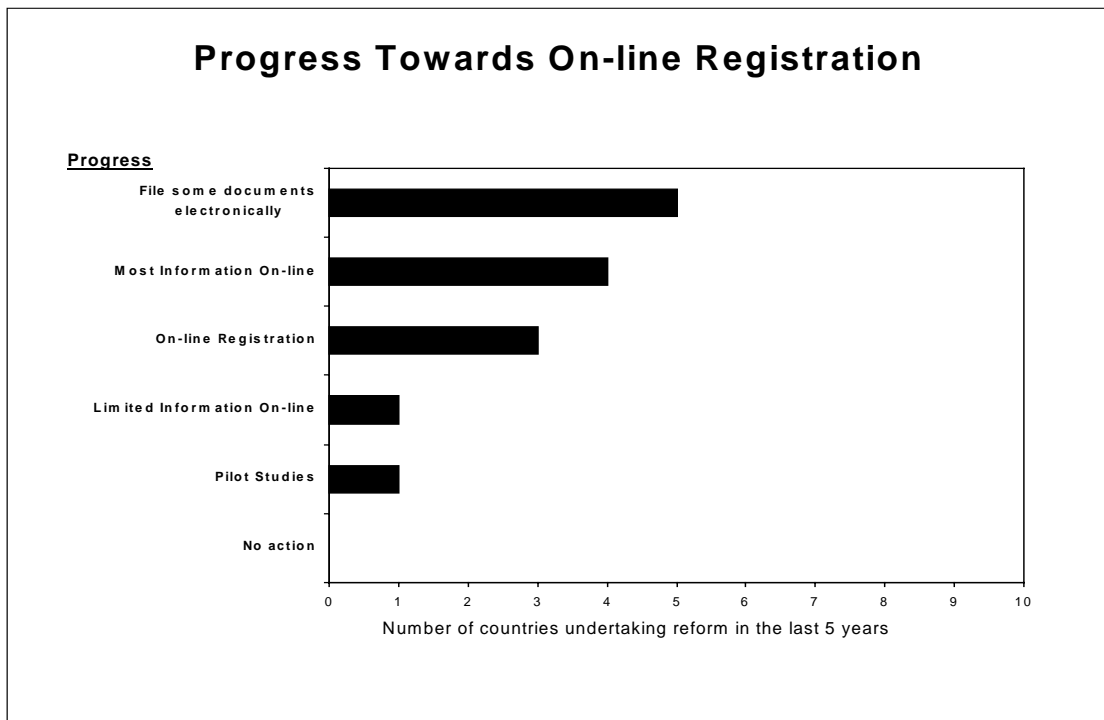
- **Obstacles to On-line Registration:** The single most important obstacle is that electronic signatures are not accepted legally for business registration. However, a number of Member States have recently introduced legislation to permit such filing<sup>25</sup>. Other obstacles encountered include the number of forms and supporting documents needed, the number of official bodies involved, and lack of investment.
- **Methods of Registration:** Nearly all countries allow entrepreneurs to submit registration documents by hand or by mail. In contrast, only one-third of countries permit registration by electronic mail. (*Examples include Austria, Denmark, Italy, Ireland and the UK*).
- **On-line Registration:** It is possible to set up a new business entity using the Internet in only three countries, *Italy, Denmark* and the *United Kingdom*. Other countries are, however, examining ways to achieve this. In *Sweden*, for example, the “Kontakt-N” project is looking at on-line completion of all registrations (including taxes) through a single access point. A similar programme has also been set up in *Denmark*.
- **Progress towards On-line Registration:** Some progress has been made in setting up on-line registration processes in all of the countries where it is not possible to use the Internet to set up a new business entity. In two-thirds of these countries, for example, most information is available on-line and it is possible to file some completed documents on-line (Exhibit 42). In *Ireland*, for example, the innovative “CRODisk” system combines paper and electronic filing to speed up registration.

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<sup>24</sup> We have divided the usage of ICT for different purposes into three groups: “Extensive use” – more than two-thirds of countries claim to use the process; “Some use” – between one-third and two-thirds of countries claim to use the process; and, “Little use” – less than one-third of countries claim to use the process.

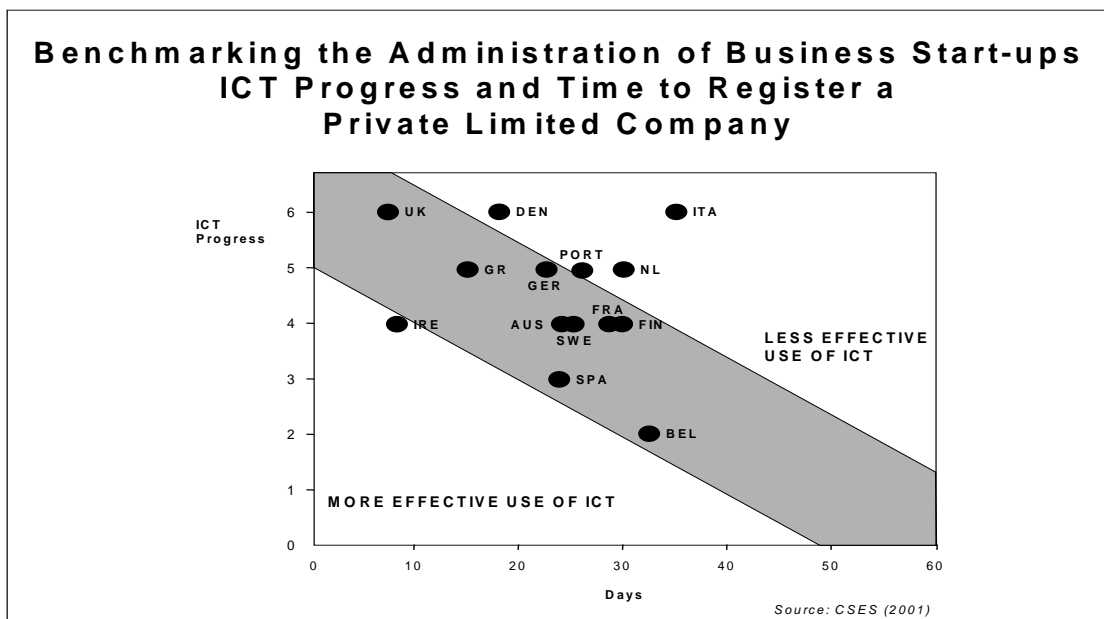
<sup>25</sup> In Germany, for example, the underlying Act permitting the use of electronic signatures for a range of applications has been in force since 22 May 2001.

Exhibit 42



However, the greatest improvements in efficiency can only be obtained when investment in ICT is combined with the restructuring of physical processes, including the number of procedures required to set up new businesses. As a result, the impact of the use of electronic registration tools on the time needed to set up new businesses, in different countries, is mixed (Exhibit 43).

Exhibit 43



Most countries fall within a narrow range (relating ICT progress to time for registration) but progress in ICT has not been matched by reductions in time, in a number of Member States.

#### **7.4.4. Efficiency of Screening and Registration Processes**

In some EU countries, governments have begun to exploit ICT tools to improve the efficiency of screening and registration processes. Used within government, ICT can reduce the time needed to transfer documents between different public and private bodies involved in registration, permit simultaneous processing of new registrations by different groups, enhance planning and control of the overall registration process, and speed up screening.

Governments have taken a number of steps. These include:

- **Computerisation of all requests for approval or registration** – this is undertaken by between one-third and two-thirds of all EU governments. (*Examples include Denmark, Finland, Germany, Italy, Sweden*).
- **Provision of electronic access to new registration requests for all departments** within organisations or for the different public and private bodies involved in the approval process – between one-third and two-thirds of EU governments have invested in tools to achieve this. (*Examples include Denmark, Finland, Germany, Italy, Sweden*).
- **Exploitation of database technologies to speed up screening or registration** – most EU governments have done this. The greatest progress, for example, has been in the computerisation of business names and existing business entities. This facilitates the checking of business names, a procedure followed in most EU countries. Other examples of the use of database technologies include the *German* “BIT” project to identify all of the licences and procedures required to establish a wide range of different types of entities in different sectors. It also provides links to forms and competent authorities.

Throughout the EU, however, little use is made of electronic communication systems to link together departments within registration organisations or to link all of the different public and private bodies involved in the approval process. The only countries in which this happens are *Finland* and *Italy*.



## 8. SECTORAL, ACTIVITY AND OTHER LICENCES

*This section describes the requirements for sectoral qualifications and licences, as part of the start-up process.*

### 8.1. INTRODUCTION

In addition to the mandatory procedures needed to register a business entity, many national authorities also require entrepreneurs to hold specific qualifications or obtain licences if they wish to compete in certain sectors. These include:

- Sector-specific professional, technical, or craft qualifications;
- Sector-specific qualifying standards;
- Activity-specific licences, such as land use, environmental, public health, and construction permits; and,
- Employment-related procedures.

Checking technical qualifications, issuing sectoral licences and complying with employment-related procedures can, in certain circumstances increase the time and cost needed to start a new enterprise.

Data was collected from the network of experts in Member States using a structured questionnaire. Because of the heterogeneity of licence requirements within Europe, and hence the difficulty of making use of the time needed for ‘actual’ licensing, the questionnaire made use of a series of archetype new ventures. Widely used in analyses of fiscal policy, business archetypes are a way of limiting the impact of heterogeneity. They provide a ‘standardised’ problem that each Member State resolves using its own, national regulatory and administrative processes and requirements. The difficulty is in designing archetypes that cover an adequate range of business ventures.

For the questionnaire, we designed ten archetype new business ventures. They cover a range of manufacturing and service sectors. Specifically:

- General Retail – operation of a speciality women’s clothing outlet;
- Restaurant – sale of cooked fast-food, prepared on the premises;
- Road Haulage – operation of a “hire and reward”, local parcels delivery service;
- ICT Services – operation of a web design and Internet technical support service;
- Toy Manufacturing – operation of a business making wooden and plastic toys for children;
- Construction – operation of a plumbing and central heating installation service;
- Personal Service – operation of a day nursery for pre-school children;
- Food Processing – operation of a business making ice cream;
- Financial Services – operation of a retail insurance intermediary (broker);
- Electrical Manufacturing – operation of a business making electrical parts for vehicle headlamps.

There are, however, data quality problems with some of the responses to the questionnaire because of the complexity of the requirements. In part, this is because such licences are often issued by specialist organisations at local or regional-level.

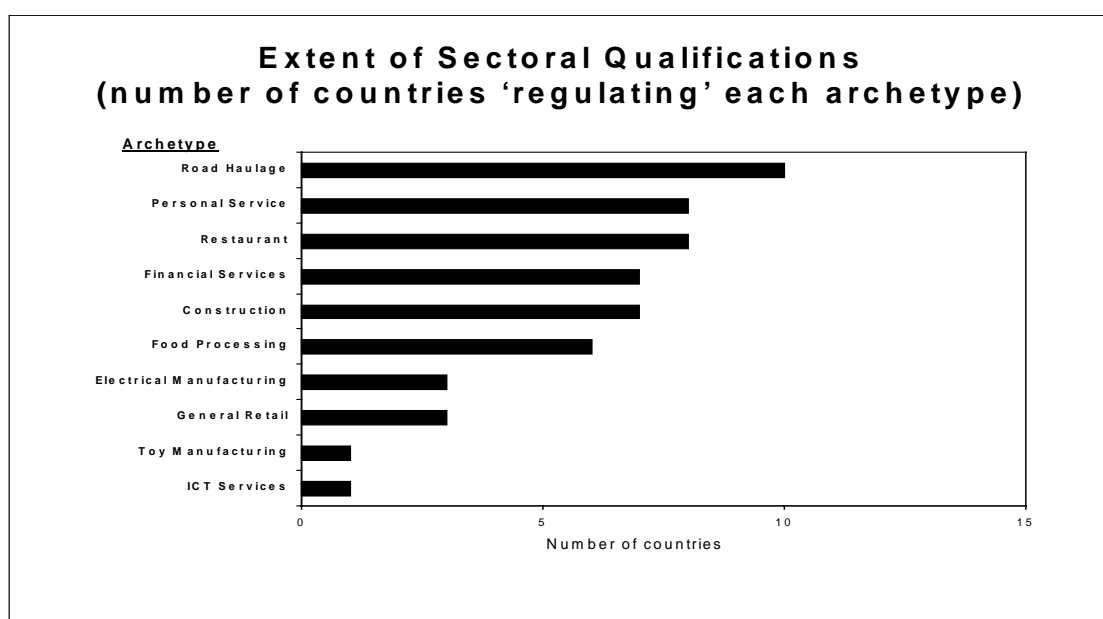
## 8.2. SECTOR-SPECIFIC QUALIFICATIONS

In most Member States, sector-specific qualifications are checked either before or during the registration process.

More than two-thirds of Member States require sector-specific qualifications for two archetypes ('Road Haulage' and 'Restaurant'). About half the Member States require qualifications for four archetypes ('Personal Services', 'Construction', 'Food Processing', and 'Financial Services').

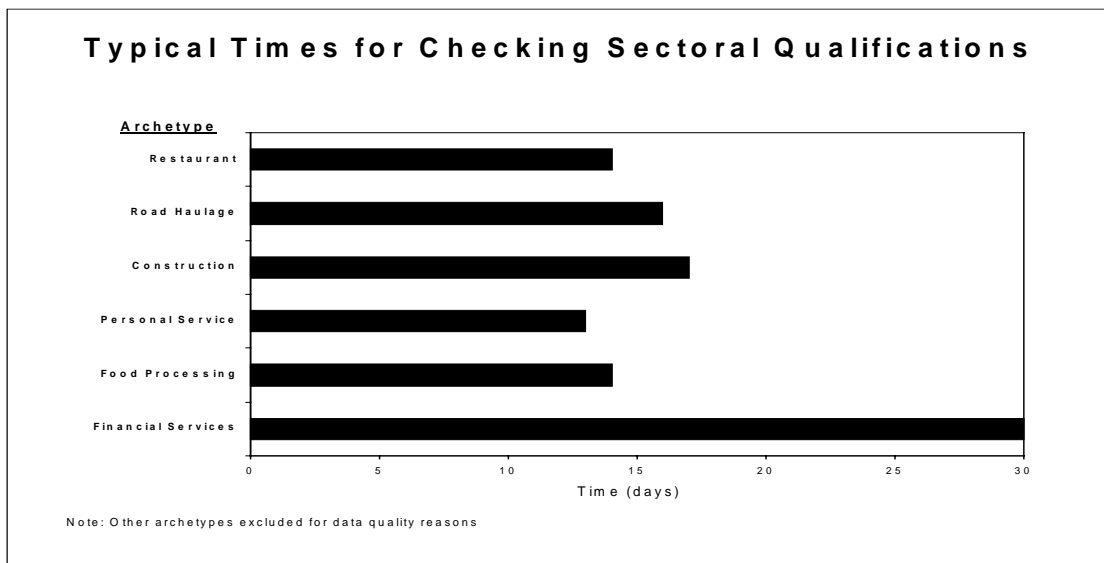
The least regulated archetypes are: 'Electrical Manufacturing', 'General Retail', 'ICT Services' and, 'Toy Manufacturing'. Less than one-third of Member States require sector-specific licences for these archetypes (Exhibit 44).

Exhibit 44



On average, the time needed to confirm sector-specific licences qualifications by archetype is 14-18 elapsed business days. A major exception is the time needed to confirm the sector-specific qualifications for the 'Financial Services' archetype. This takes an average of 30 elapsed business days with a spread between five and 50 days (Exhibit 45).

Exhibit 45



### 8.3. OTHER LICENCES

Each country regulates at least one of the ten archetypes. The average number regulated by each Member State is six, with a range of one and ten.

Each archetype is regulated by at least one country. The most heavily controlled are: 'Restaurant', 'Road Haulage', 'Personal Services', 'Food Processing' and 'Financial Services'. More than three-quarters of Member States require additional licences in each of these five archetypes (exhibit 46).

Exhibit 46



The average time needed by Member States to provide additional (activity-related and employment-related) licences is circa 30 elapsed business days, with a range of 15 and 60 days.

## 9. OBSTACLES

*This section describes the “conceptual” obstacles to improving the registration process for start-ups.*

### 9.1. GENERIC OBSTACLES

National experts identified a series of ‘generic’ obstacles that all organisations face when implementing change:

- **Awareness** – organisations may be unaware of the need for change, the options available, and the benefits of changing. This can include, in the case of the public sector, a lack of awareness among politicians and officials.
- **Attitudes** – key groups within organisations may be unwilling to accept the need for change. They may have negative attitudes towards new ways of doing things or may believe that the existing system cannot be improved upon. As a result, organisations may face resistance to change from managers and staff (and their representatives) as well as other stakeholders.
- **Capacity to change** – organisations may not have the financial, managerial, technical or human resources needed to change and may be unable to implement a range of changes at the same time.
- **‘Economic’** – there may be insufficient benefit to justify change. In the case of public sector organisations, for example, change could imply a shift in public policy objectives. The ‘losses’ from this shift (in the form of reduced protection of citizens, etc.) may not be offset by the gains from the new policy.

All public sector organisations also face a number of ‘generic’ obstacles when implementing change:

- **Legal** – there may be legal restrictions that prohibit specific changes (such as requirements to screen the constitution and founders of a new entity and restrictions on electronic signatures);
- **Structural** – policy delivery may well involve a number of different, autonomous government departments or private bodies. Each of these may have separate management and different objectives. These problems are made worse when policy delivery is devolved to different regional or local levels of government.
- **Political** – political considerations may limit the number of options and the pace of change;
- **Stakeholders** – different stakeholders may have different objectives.

### 9.2. SPECIFIC OBSTACLES

National experts identified a series of ‘specific’ obstacles that public sector organisations face when implementing change in the process of registering new business entities:

- **Legal Requirements**, such as complex (tailored) Articles of Association; lack of (legal) electronic signatures; multiple involvement by lawyers, in private practice and

in the public sector, often leading to disputes; complex publication requirements; excessive use of (slow) postal service; excessive checking and controlling; and, excessive name checking;

- **Structural Factors (within the public administration)**, such as division of responsibilities between too many Ministries; de-centralisation of responsibility to regions, provinces and local authorities (without sufficient central control); and, complex systems, including procedures, documentation and contact points (at the pre-registration stage as well as the registration stage);
- **Resource Factors (“capacity to change”)** – such as lack of staff; inadequate staff skills; inadequate staff training; inappropriate and inflexible organisations; inadequate IT systems;

## 10. BEST PRACTICES

*This section explains the process by which the best practices were developed. It lists the 21 'examples' provided by all the Member States. It then explains the 'selection criteria, before listing the 'best practice' cases studies themselves.*

### 10.1. EXAMPLES OF GOOD PRACTICE

Best practice case studies were identified using a two-stage process. In the initial stage, we used literature and the views of national experts in business registration to identify 21 potential examples of best practice (Exhibit 47).

Exhibit 47

Country	Possible Case Study	Performance Drivers
Austria	Law for the support of young enterprises – cuts costs, provides support	Availability of information and support Mandatory costs
Belgium	Simplification of Procedures to set-up New Enterprises	ICT within government Documentary requirements Administrative procedures
Denmark	Removal of Registration costs	Mandatory costs
Denmark	On-line registration and web site	ICT within government Administrative procedures Documentary requirements Availability of information and support
Finland	Single register for business registration and all taxes	Administrative procedures
France	Single Access Point (CFE)	Administrative procedures
France	Single Registration Form	Documentary requirements
Germany	Local Authority Business Notification Units	Administrative procedures Documentary requirements
Germany	'BIT' programme – database of procedures for different types of new businesses	ICT within government Administrative procedures
Greece	Legal reform – reduce screening procedures for PLCs; major cut in time	Legal requirements
Ireland	'CRODisk' – electronic data submission	ICT within government Administrative procedures Documentary requirements
Italy	Assistance with start-ups programme	Availability of information and support
Italy	Electronic links with single access point (Chambers of Industry and Commerce)	ICT within government Administrative procedures
Luxembourg	Single Access Points	Administrative procedures
Netherlands	Reduction in mandatory business qualifications	Legal reform
Portugal	Single Access Points	Administrative procedures
Spain	Single Access Points	Administrative procedures ICT within government
Sweden	'Kontakt-N' programme – single, electronic filing for registration and all taxes	ICT within government Administrative procedures Documentary requirements Availability of information and support
United Kingdom	Management targets and staff bonuses	Management processes
United Kingdom	Web site and on-line filing	ICT within government Administrative procedures Documentary requirements Availability of information and support
United Kingdom	Single notification (by telephone) for business tax and social charges	Administrative procedures

The examples identified covered all EU Member States and all of the principal performance drivers. National experts provided the list at the Second Workshop.

Appendix G contains summaries of all the good practice examples.

## **10.2 CRITERIA FOR SELECTION**

The second stage of the process was to identify 10 best practice case studies from the longer list of examples. This was done using the following criteria:

- **Evidence that the practice will help to improve outcomes** – Best Practice cases should, in an objective way, lead to better performance.
- **Widespread applicability of the practice** – it should not be applicable in a single legal or administrative culture.
- **Extent to which the practice highlights the importance of using ICT** – a theme of the project is the positive role that ICT can play in speeding up the registration process.
- **Contribution to completing a group of cases that covers most of the principal “Performance Drivers”** – a theme of the project is to identify performance drivers and the best practices that will help Member States to implement them.
- **No limit on the number of best practices from any Member State** – the project seeks to identify best (not good) practices.

## **10.3 BEST PRACTICE CASE STUDIES**

### **10.3.1. The Case Studies**

Based on the assessment process, the following case studies were agreed:

- Austria – law for the support of young enterprises;
- Denmark – on-line registration and web site;
- France – single registration form;
- Germany – local authority business notification units;
- Greece – reduction of screening procedures for small PLCs;
- Ireland – CRODisk system;
- Italy – assistance with start-ups programme;
- Netherlands – removal of mandatory business qualifications;
- Portugal – single access points; and,
- United Kingdom – management targets and staff bonuses.

### **10.3.2. Format**

The national experts produced the case studies using a common format. Each is between 2 and 3 pages in length.

A more detailed description of coverage is shown below (Exhibit 48).

**BEST PRACTICE CASE STUDIES - FORMAT**

**Country Background**

- Importance of SMEs and entrepreneurship;
- Brief description of the Registration process; and,
- “Performance Driver” changed.

**Previous Situation**

- A concise description of the situation before any changes were introduced.

**Reasons for Change**

- An analysis of the main reasons why changes were introduced.

**Changes Introduced**

- A description of the main changes introduced, with particular emphasis of the role of ICT.

**Benefits**

- An analysis of the key benefits to entrepreneurs and to public officials.

**Lessons Learnt**

- An analysis of the lessons learnt from the process of implementing changes.

**10.3.3. Analysis**

Our case studies provide examples of reforms to each of the principal “performance drivers”. Taken together, such reforms can reduce the cost and time needed to comply with the mandatory requirements for setting up new businesses.

Member States identified reforms in each of the following areas:

- **Provision of Information and Support to Entrepreneurs** – Many entrepreneurs lack information about how to draw up a business plan, obtain finance, and register a new entity. This “information deficit” slows down the process of setting up new companies, is a barrier to entrepreneurship, and increases the risk of business failure. Evidence from one of our cases (*Business Support Services from Sviluppo Italia, Italy*) shows how an integrated and targeted package of business support measures can help overcome this.
- **Legal Requirements** – evidence from two of our cases shows how changes in legal requirements can reduce the time needed for business registration. In most countries in the European Union, legal systems impose significant ‘ex ante’ controls on new business formation. These are designed to protect customers, investors, and creditors. Two types of control predominate: detailed scrutiny of the proposed constitution and founders of the enterprise; and, business licences to demonstrate the ‘competence’ of entrepreneurs.

Our cases provide examples of two countries with Napoleonic-based systems of commercial law that decided to reduce ‘ex ante’ controls on business formation. In one case (*Screening of new small Public Limited Companies, Greece*), the involvement of the government in the review of the founders and constitutions of new enterprises was cut back. This has speeded up the registration process.



Our other case (*Removal of Mandatory Business Qualifications, the Netherlands*) shows the benefits of removing the need for entrepreneurs to hold qualifications before they can trade. Removal of the requirement has stimulated entrepreneurial activity and increased customer choice without reducing product quality or increasing the level of business failure.

- **Scale and complexity of Administrative Processes** – A number of our cases deal with reforms to administrative processes. The two cases where ICT is exploited, for example, contain evidence of improvements in administrative processes being facilitated by new technology. Another two cases, illustrate reforms that have been designed to improve administrative processes directly.

In the first case (*Local Authority Business Notification Units, Germany*), a country has used an administrative mechanism to remove one of the most important sources of inefficiency in the registration process - multiple registrations with tax and other similar bodies after completion of registration by the Commercial Court. The reform makes a nominated official body responsible for notifying the registration (of a new business entity) to other parts of the government. The reform also means that all registrations are complete as soon as the official body responsible for announcements is informed of registration of the business by the court. Combined with tax rules that permit trading without VAT or business tax numbers, this process speeds up the business registration process significantly.

The second case (*Single Access Points, Portugal*) shows how countries that require entrepreneurs to make direct contact with large numbers of official bodies can reduce the time needed to set a new business. By providing a single physical ‘portal’, Portugal has reduced the amount of time that entrepreneurs have to spend travelling between different government departments.

- **Scale and Complexity of Documentary requirements** – one of our case studies (*Single Registration Form, France*) shows how documentary requirements can be reduced through the creation of a single form for all government departments. This makes it easier for entrepreneurs to complete the documentation process and improves efficiency within the public administration. It also stimulates officials to undertake wider reviews of the documentary dimension of the registration process. Such improvements contribute to faster registration of new enterprises.
- **Use of ICT within the Registration Process** – our case studies include evidence of two ways in which ICT is used to speed up the process of submission of documents and to simplify the administrative process within registration organisations. In one case (*CRODisk, Ireland*), a country introduced an innovative way of combining digital and paper-based techniques. This led to significant reductions in the time needed by the registration organisation to process information, and a corresponding reduction in the time needed to set up a new business.

The other case (*On-line Registration and Web-based Information, Denmark*) provides an insight into the benefits for efficiency within the registration organisation of using on-line registration. It also shows how web-based information speeds up the “investigation phase” of the registration phase.

- **Management Processes within Organisations responsible for Business Registration** – evidence from one case study (*Management Targets and Bonuses, UK*) shows how improvements in the internal efficiency of business registration organisations were achieved by using performance targets, rigorous measurement of

operational results, and provision of incentives. It illustrates how modern motivational tools can be used within public sector organisations to reward group and individual performance, and, hence, maintain a common focus on achieving agreed improvements in performance. The process also shows how performance targets help registration organisations to develop an outward-looking focus on customers.

- **Mandatory Costs** – most EU governments ‘tax’ entrepreneurship by demanding fees and charging taxes on the registration of new businesses. Evidence from one of our cases (*Law for the Support of Young Enterprises, Austria*) shows how such taxes affect the environment for entrepreneurship, sending a negative signal to risk-takers. Further evidence from the case reveals that direct government decisions to remove fees and taxes on the setting up of new businesses remove barriers to entrepreneurship.

Appendix H contains 2-3 page reports on each of the Best Practice Case Studies.

## **11. CONCLUSIONS**

*This section summarises the principal conclusions of the study.*

*It begins by reporting on progress by Member States in implementing the recommendations of the Commission in 1997. It then analyses the major discretionary (non-mandatory) activities that are undertaken as part the registration process. It reports on the Headline and Operational Benchmarks and the performance drivers associated with the basic registration process itself. It also covers the sectoral qualifications and licenses that are required by new businesses.*

*The final part of the section draws the conclusions together.*

### **11.1. INTRODUCTION**

An entrepreneur undertakes a wide range of activities to set up a new enterprise. These activities typically include:

- Developing a business plan
- Obtaining financial resources
- Registering the new business entity; and
- Obtaining any mandatory sector or activity licences.

Many other activities are typically undertaken after a new enterprise has been set up (e.g. recruitment and training of staff, acquisition of physical assets and protection of intellectual property rights). These activities are important but are outside the scope of this project.

### **11.2. EUROPEAN COMMISSION RECOMMENDATIONS - 1997**

In the mid-1990's, as a result of consultations with the Member States under the Concerted Action programme, the European Commission identified a series of steps that Member States could take to improve the efficiency of the business registration process. These were formally presented in the Commission Recommendation on Improving and Simplifying the Business Environment for Business Start-ups.<sup>26</sup> The recommendations are shown below along with the progress that the Member States have made in implementing them (Exhibit 49).

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<sup>26</sup> Commission Recommendation on Improving and Simplifying the Business Environment for Business Start-ups, OJ L 145, of 05.06.97, p. 29.

**EUROPEAN COMMISSION RECOMMENDATIONS  
REGISTRATION OF NEW BUSINESSES**

- 1. Introduce a single business registration form:** Five Member States have made progress towards this in the last five years.
- 2. Set up single contact points where a single registration form can be deposited:** Progress in setting these up has been made in thirteen Member States.
- 3. Introduce a system whereby public authorities can recognise enterprises by a single identification number:** Four Member States have moved towards establishing this in the last five years.
- 4. Ensure that government departments avoid introducing duplicated or superfluous forms and/or contact points:** Twelve Member States have undertaken a fundamental review of the official documents needed to register a business and ten have reviewed the supporting documents.
- 5. Set clear targets in terms of deadlines for the processing of enterprises' requests and the granting of licences or authorisations:** Nine Member States now set targets for the time needed by business registration offices to complete activities.
- 6. Introduce, where appropriate, a system whereby an application is deemed to have been automatically granted if the administration has not responded within the fixed deadline:** Progress towards the introduction of "silence is consent" rules has been made in three Member States.
- 7. Use information technology and databases as much as possible for the transmission and authentication of information submitted and/or the exchange of information between public authorities:** On-line registration is possible in three Member States, and seven Member States computerise all requests for registration.

Appendix I summarises progress by each individual Member State.

## **11.2 DISCRETIONARY ACTIVITIES**

### **11.2.1. Business Plan<sup>27</sup>**

There are major differences in the type of business plans drawn up by entrepreneurs. They differ markedly in terms of their scope and their depth. In general terms, the greater the aspirations of the entrepreneur or group of entrepreneurs, the more expansive and detailed the business plan.

Entrepreneurs also have very different requirements in terms of the resources they need to meet those goals. In general terms, the greater the scale of the financial resources required, and the greater the need for formal equity capital, the more expansive and detailed the business plan.

The time taken to complete the plan ranges from one week in the case of an informal plan for personal use only to 20 weeks in the case of a formal plan to raise money from Venture Capitalists.

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<sup>27</sup> See Section 4.2.1

## 11.2.2 Obtaining Financial Resources<sup>28</sup>

In general, entrepreneurs seek to “match” the sources of their funds with the characteristics of their business. They look particularly at the type of assets that they own (the more tangible the assets the greater the access to debt), the nature of their cash flows (the more volatile the cash flow, the greater the reliance on equity), and their expectations of growth.

The time taken varies with the type of finance. The time taken to raise a loan is likely to take up to one month, while the time taken to obtain equity from a Venture Capital company is likely to take up to one year.

## 11.3 REGISTRATION PROCESS

### 11.3.1. Introduction

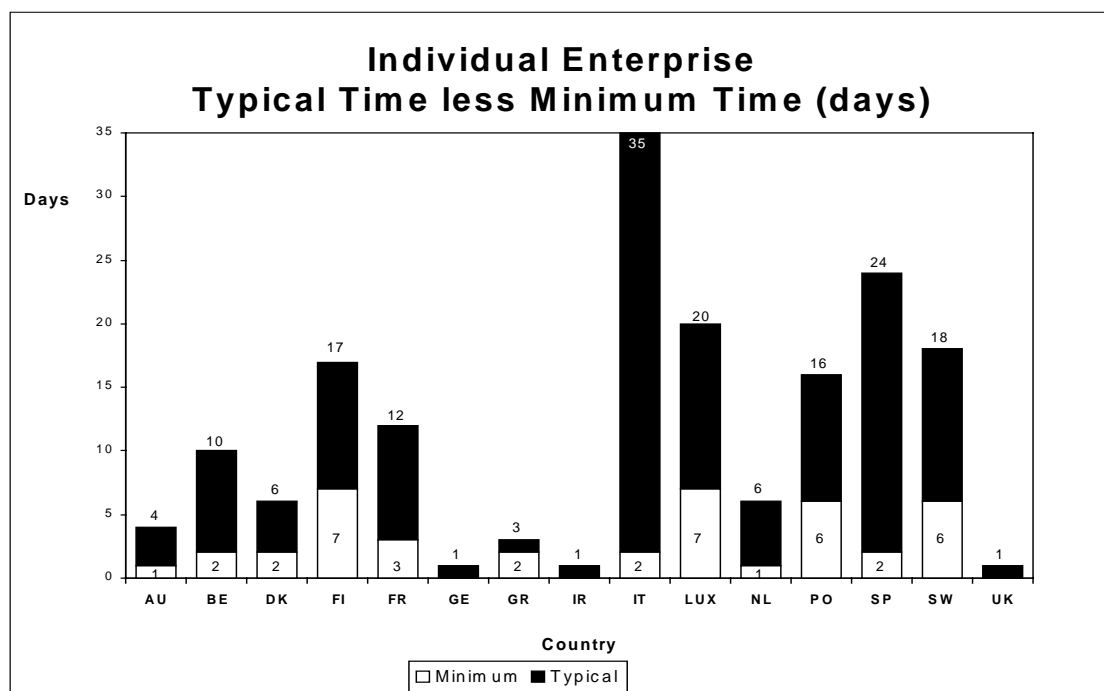
Complexity of administrative procedures is one of the most important barriers to entrepreneurship. Excessive mandatory requirements can deter potential entrepreneurs from starting, divert resources of time and money away from productive uses, and erode the time available to exploit new ideas. They can also inhibit the expansion of existing businesses by creating excessive hurdles to the adoption of incorporated business entities by entrepreneurs.

### 11.3.2. The Individual Enterprise<sup>29</sup>

There are no major time barriers to the registration of an Individual Enterprise in any Member State; but it takes three Member States more than 20 elapsed days to complete the process while four countries can complete it in less than five days.

There are also major differences, in most Member States, between the ‘typical’ time taken to register an Individual Enterprise and the ‘minimum’ time (exhibit 50).

Exhibit 50



<sup>28</sup> See Section 4.2.2.

<sup>29</sup> See Section 6.1.

The principal explanations for these differences are variations in the detailed administrative procedures in each part of the process (including the use of ICT) and the complexity of the overall process (the number of contact points, the volume of paperwork and the number of different organisations involved).

Member States need to understand the reasons for differences between their own performance and the performance of the benchmark Member States, but it is likely that there is scope, in most Member States, to simplify and streamline existing processes without changing public policy goals, particularly through the use of ICT. This could result in better use of public resources and a faster registration of new businesses.

There are no major cost barriers to the registration of an Individual Enterprise, but it costs more than Euro 750 to register a new business entity in three countries (when the average cost excluding these countries is less than Euro 50).

The tables below summarise the key ‘headline’ and ‘operational’ benchmarks that have emerged from the exercise. They are based on the lower quartile in each case (Exhibit 51).

Exhibit 51

### Headline Benchmarks for Individual Enterprises

Typical Time (Elapsed business days)	3
Minimum Time (Elapsed business days)	1
Typical Cost (Euro)	0
Minimum Cost (Euro)	0

### Operational Benchmarks for Individual Enterprises

Number of procedures	4
Number of Contact Points – for entrepreneur	2
Number of Official Forms and Documents	1
Number of Official Licences, Approvals, and Confirmations	1
Number of Public and Private Bodies Involved	3

## 11.3.2. The Private Limited Company<sup>30</sup>

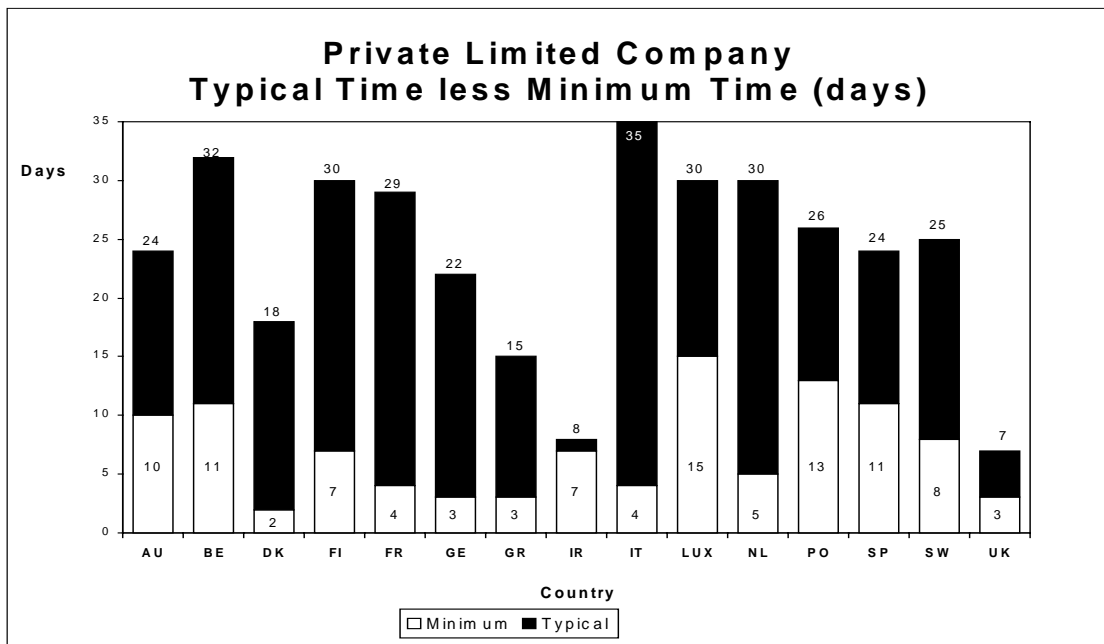
### Elapsed Time

The time taken for the pre-registration and the registration processes (and their complexity) may act as a barrier to the formation of a Private Limited Company in some Member States – particularly where the time taken is more than one and a half calendar months. This compares with a time of 15 working days or less in three Member States.

There are also major differences, in most Member States, between the ‘typical’ time taken to register an Individual Enterprise and the ‘minimum’ time (exhibit 52).

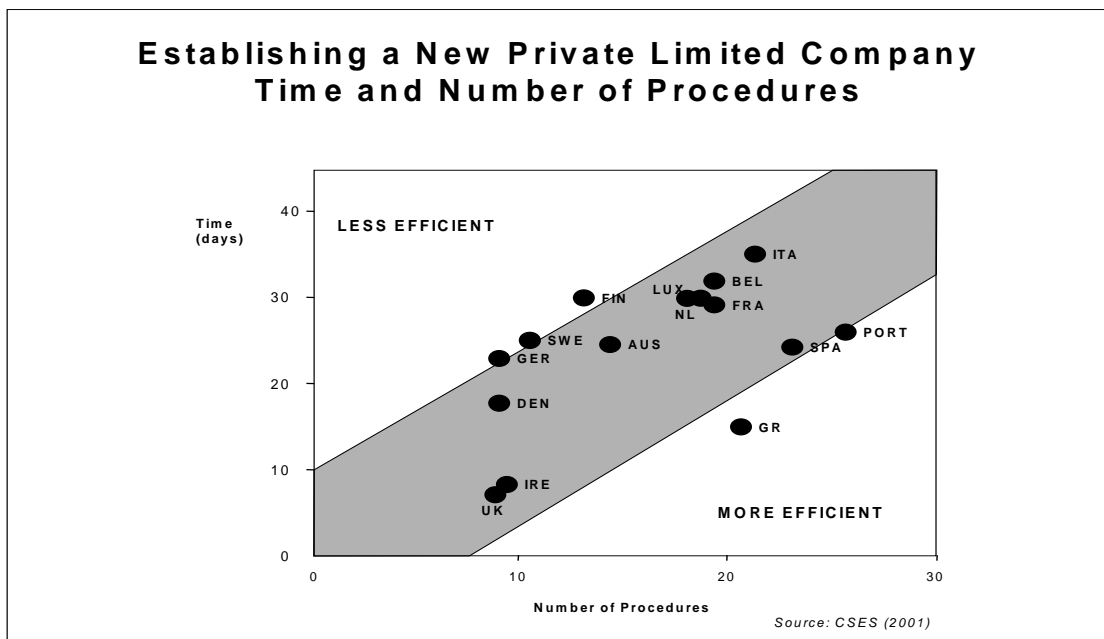
<sup>30</sup> See Section 6.2

Exhibit 52



There is a strong link between elapsed time and the number of procedures (Exhibit 53).

Exhibit 53

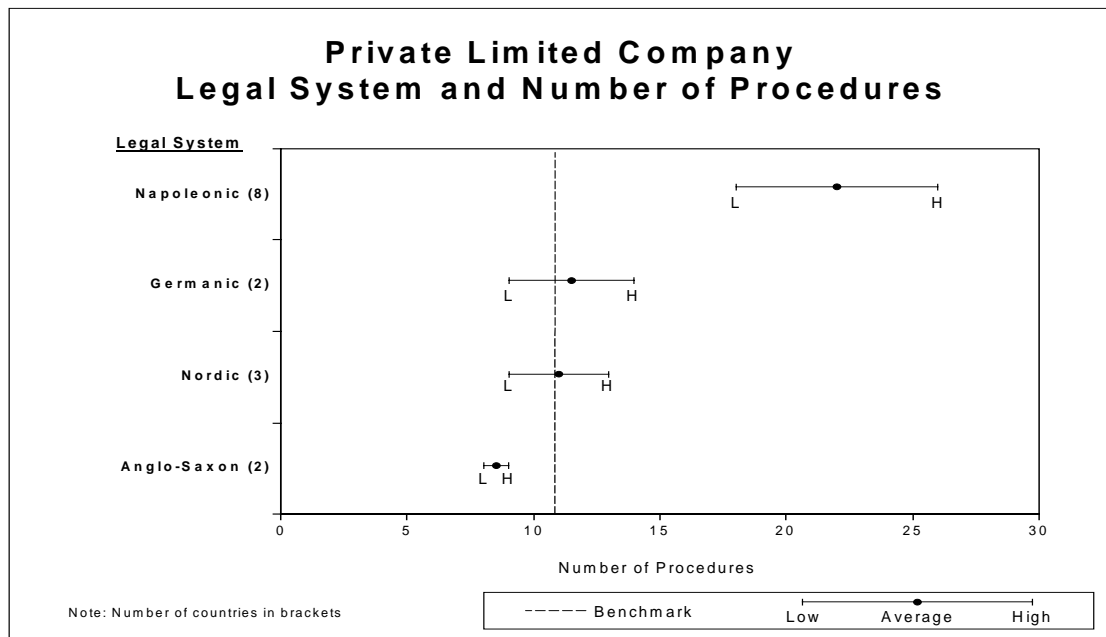


There is another strong link between the number of procedures needed to set up a new enterprise in a country and the origin of the commercial code. Countries whose code is influenced by customary (common) law tend to require fewer procedures than those whose codes are based on civil law (Exhibit 54).

However, this is, to some extent, a reflection of differences in approach to the management of risks run by investors, creditors, employees, customers and government finances from new businesses, especially those with limited liability.

Moreover, in all cases except the Napoleonic Group, at least one Member State already achieves the lower quartile benchmark.

Exhibit 54



There is a further link between the elapsed time needed to set up a new business and the origin of the commercial code (Exhibit 55). This suggests that along with the origin of the legal code, the way in which procedures are implemented may be a cause of difference.

There is evidence that a number of countries with Napoleonic-based legal systems that have introduced administrative reforms (such as Single Access Points) have been able to make substantial reductions in the time needed to complete individual procedures. Efficiency is also affected by the extent of use of ICT and management processes.

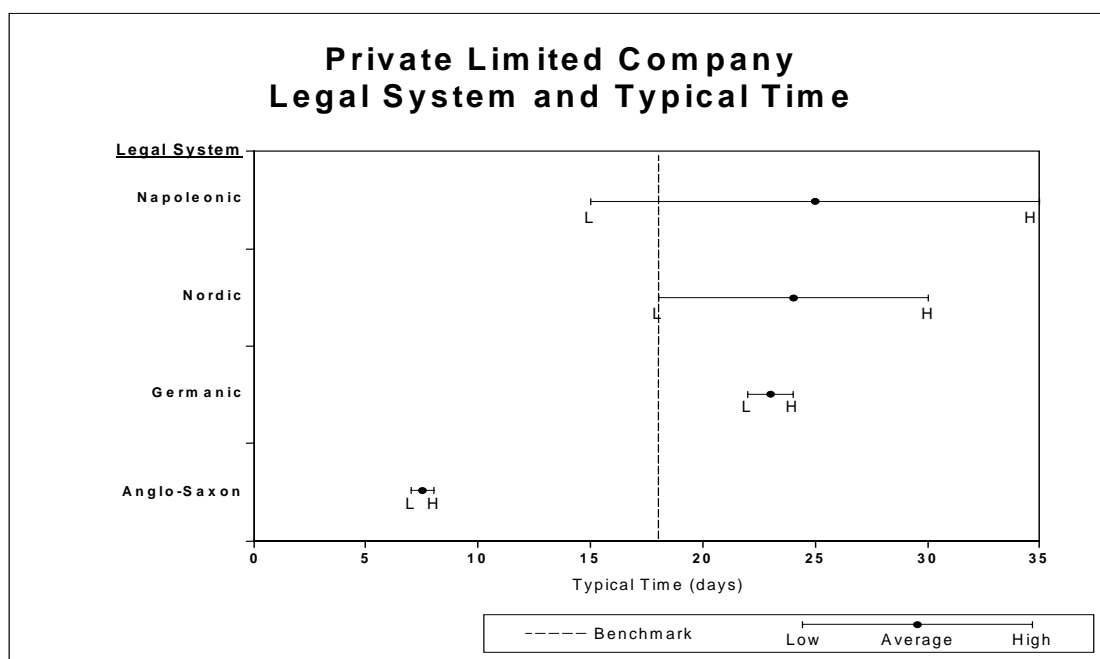
A further factor that affects efficiency is the way in which tax registration takes place in certain countries. Normally undertaken after a business is registered with the Commercial Register (or equivalent), registration for taxes is compulsory in all EU countries. Rules that determine when businesses can recover input VAT and business expenses, however, play a major role in determining when the registration process is complete. If a business must wait for a VAT number before it can recover input VAT, for example, this will delay the commencement of trading.

Moreover, in certain Nordic countries screening procedures are lengthened to include a form of ‘trademark-type’ protection for business names. This is a public policy choice.

But in all cases except the Germanic Group at least one Member State already achieves the lower quartile benchmark.



Exhibit 55



Member States need to understand the reasons for differences in the time taken to complete the registration process for Private Limited Companies, but it is likely that there is, in most Member States, scope to simplify and streamline existing processes without changing public policy goals. This could result in better use of public resources and a faster registration of new businesses.

### ***Mandatory Costs***

Cost may be an additional barrier to the formation of new Private Limited Companies in some countries. (Registration costs more than Euro 1,500 in four countries – while there are no registration costs in one country.)

Two principal factors account for most of the differences in mandatory costs between Member States: fees paid to lawyers or notaries because of their mandatory involvement, and taxes and fees charged by national governments for registration.

Mandatory involvement of notaries or lawyers reflects public policy decisions about how to manage the ‘risks’ to investors and customers from entrepreneurship. In an attempt to manage these risks through ‘ex ante’ controls, some countries require all new businesses to have highly specific and limited constitutions drawn up and confirmed by legal bodies. This involves notaries and lawyers. Other countries avoid this through allowing ‘standardised’ constitutions, including “general objects” clauses.

In contrast, there is no obvious reason why countries differ in the taxes and fees charged to register a business. Countries with similar (low) levels of registration costs, for example, pursue different policy objectives in terms of the use of ‘ex ante’ controls to protect consumers, creditors, and investors.

There is, moreover, no link between elapsed time and the level of mandatory costs. In other words, there is no evidence of a “double jeopardy” effect (high costs and high time) or of a “trade-off” effect (high costs to ensure fast registration).

Levels of taxes and fees, therefore, appear to reflect national fiscal policies designed to recover the costs of government activities.

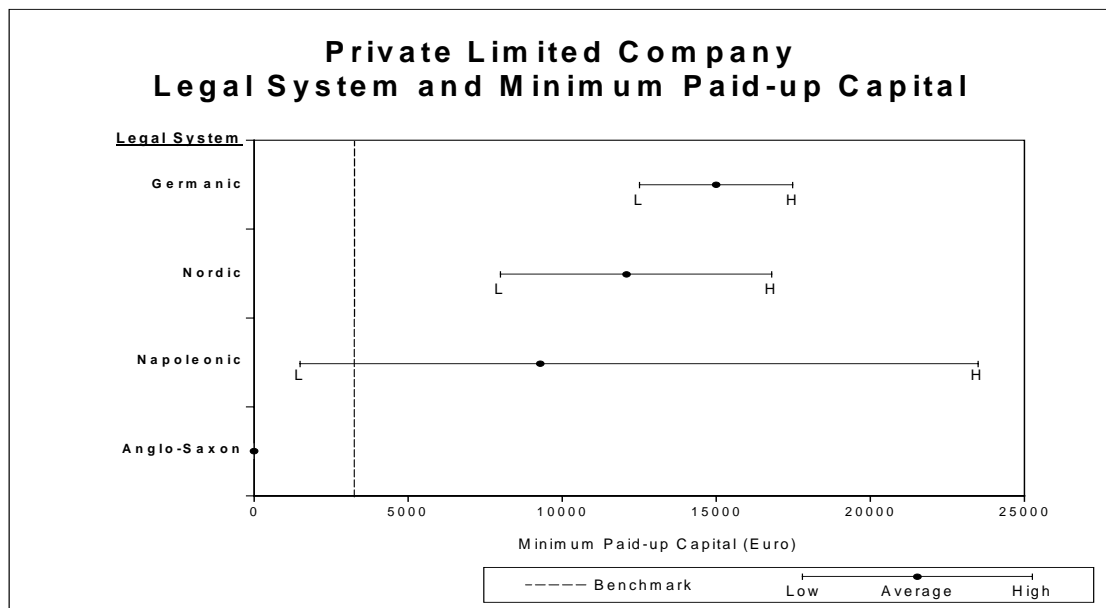
### ***Minimum Paid-up Share Capital***

An important barrier to the formation of new Private Limited Companies is the high level of paid-up capital required in some countries. It represents more than 50% of average annual earnings in six countries (compared with a minimum requirement of only Euro 1 in two countries). This is a significant sum. It inhibits the use of incorporated entities by start-ups and hence prevents entrepreneurs from limiting risk and attracting external equity capital. Because of its scale, it also makes it more likely that registration of an entity will take place after capital has been obtained (in principle), hence exacerbating the impact of the time needed to complete registration.

Those with legal systems based on customary law tend to require very low levels of capital. On the other hand, high levels of capital are required in countries whose commercial code is based on civil law – but there are major variations in the minimum level of capital required in different Member States using the same type of commercial code (Exhibit 56).

Hence, variations in the level of minimum capital required in different Member States may be the result of differences in public policy choices as to the best way to manage the ‘risks’ of entrepreneurship – rather than differences in the legal system.

Exhibit 56



A number of arguments have been put forward to support the need for high levels of capital in new incorporated entities. Specifically:

- The need to ensure that the business is “well-capitalised” and hence there is less risk of failure. In essence, the argument is that this leads to a pool of liquidity that can be used to meet the claims of investors and creditors.
- The need to restrict market entry only to companies with sufficient capital to invest in the equipment needed to offer high quality products to customers. This is designed to create a ‘hurdle’ and to limit entrepreneurship.

- The importance of restricting access to the benefits of limited liability because of potential tax gains.

Other evidence, however, suggests that there may be dangers in attempting to use high levels of capital to achieve these goals.

In the first place, a strategy to protect citizens based on high minimum capital requirements may not achieve the stated public policy objective. For example, to create a “pool of liquidity” to protect creditors, investors, and consumers, governments would need to impose restrictions on the minimum level of “free equity” available to companies after registration. Evidence from Member States shows that, with two exceptions, there are no such restrictions. Moreover, cross-country comparisons reveal no correlative link between business failure and the level of minimum capital.

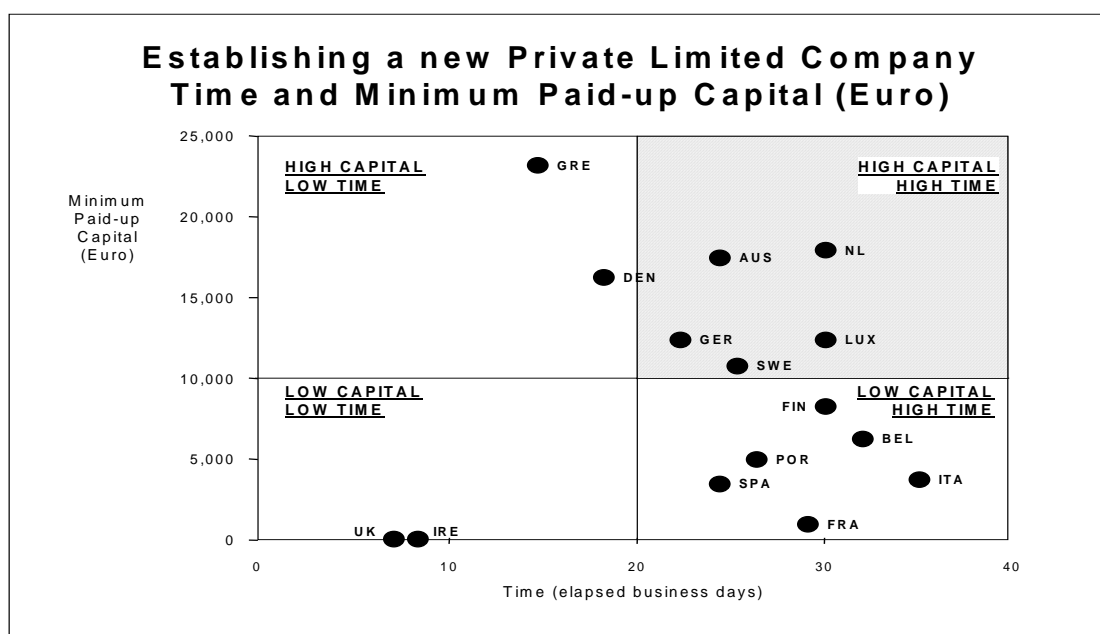
Moreover, high minimum capital need not necessarily lead to improved quality products. In the Service sector, for example, many new enterprises rely on intangible assets, hence high levels of capital simply produces unproductive cash balances.

A further problem is that excessive reliance on equity may produce an inappropriate funding structure for some types of company. This could affect the cost of capital leading to a reduction in the competitiveness of companies.

### *Cost and Capital*

However, it is the combination of lengthy and complex procedures and significant cost and capital requirements that is likely to act as the greatest barrier to the formation of new Private Limited Companies in a number of countries (Exhibit 57).

Exhibit 57



Many of the mandatory procedures and the length of time required to complete them are, to a large extent, “policy-neutral”, so that differences in the “operational” indicators and the “performance drivers” can form a useful basis for identifying opportunities for improvement.

However, decisions on the extent and nature of ‘screening’ procedures and the levels of cost and capital are “policy-dependent”. They are a function, largely, of decisions about the levels

of consumer protection and creditor protection on the one hand, and the extent to which policy-makers wish to encourage new business formation (minimum time, cost and capital hurdles) and the extent to which they wish to minimise failure rates among entrepreneurs (high time, cost and capital hurdles), on the other.

### **Summary**

It is not possible to develop a “one-size-fits-all” approach to the process of registration of different types of business entities because of differences in government policies in many Member States (reflecting differences in national culture and in societal preferences) as well as differences in legal systems. But, all Member States face the question of how to implement greater usage of ICT in this area, particularly for on-line registration.

The “headline” benchmarks for cost and capital can, therefore, serve as a basis for challenging the policies (some of which may be implicit) in individual countries and for comparing the level of cost and capital in countries with similar policy priorities.

The tables below summarise the key ‘headline’ and ‘operational’ benchmarks that have emerged from the exercise. They are based on the “lower quartile”, in each case (Exhibit 58). Exhibit 58

#### **Headline Benchmarks for Private Limited Companies**

Typical Time (Elapsed business days)	18
Minimum Time (Elapsed business days)	3
Typical Cost (Euro)	213
Minimum Cost (Euro)	213
Minimum Paid-up Share Capital (Euro)	3,000

#### **Operational Benchmarks for Private Limited Companies**

Number of procedures	9
Number of Contact Points – for the entrepreneur	3
Number of Official Forms and Documents	5
Number of Official Licences, Approvals, and Confirmations	1
Number of Public and Private Bodies Involved	4

### **Re-work**

Only half the Member States monitor the number of rejections and their causes. But there are indications that between 20 and 30% of all applications for the registration of an individual Enterprise are initially rejected and that between 30 and 40% of all applications for the Registration of a Private Limited Company are initially rejected. The average additional time required is between 5 and 10 days.

Most of the principal causes are the result of complex administrative procedures and application forms.

## **11.4. PERFORMANCE DRIVERS**

### **11.4.1. Management Processes<sup>31</sup>**

Use of modern planning and control techniques to manage the process of setting up new businesses is one way in which the time needed for registration can be reduced.

Basic planning and control tools are already widely used, especially the setting of overall targets to reduce the time needed to register a new enterprise.

However, there is scope to improve the way in which the process of registration is managed in many Member States. In particular, more registration organisations could make use of tools to establish public accountability for achieving targets and for involving stakeholders. There may also be a case for increasing the links between organisational results and managerial rewards.

### **11.4.2. Legal Tools<sup>32</sup>**

Many countries permit the use of “off-the-shelf” companies. This provides entrepreneurs with a way of speeding up registration, but at a financial cost, because of the need to employ professional advisers when resurrecting a dormant business.

In a number of countries, it is possible for new incorporated entities to start trading before registration is complete. Where this is possible, the benefits for entrepreneurs depend on a range of factors. Commencement of trading before formal registration is complete with the court or registration office offers few benefits, because the founders are personally liable for all debts. In contrast, commencement before registration is complete with the tax offices can offer benefits if the new enterprise is able to charge sales taxes or employ staff without a tax registration number.

Only a small number of countries permit the use of a ‘General Objects’ clause for the incorporation of new business entities. This is a reflection of policy differences about the best way to protect creditors and consumers and concerns about the added difficulty of supervising businesses.

### **11.4.3. ICT<sup>33</sup>**

Modern Information and Communication Technologies (ICT) offer organisations a way of improving the efficiency and effectiveness of existing paper-based administrative processes, such as registering a new enterprise. More importantly, new technology offers governments the opportunity to re structure and re-engineer administrative processes to make step changes in performance. It can:

- Reduce pre-registration activity by making information about legal requirements and existing business names available electronically;
- Make the submission of registration requests simpler and quicker by providing single, electronic access points;

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<sup>31</sup> See Section 7.2

<sup>32</sup> See Section 7.3.

<sup>33</sup> See Section 7.4.

- Link together different public and private organisations involved in the registration phase, thus eliminating multiple registrations, which is a major source of inefficiency; and,
- Speed up screening of new registrations by providing rapid access to key data (such as legal requirements or existing business names) and by linking together different departments involved in screening.

No single EU government has, as yet, ‘captured’ all of these potential gains from investment in ICT. And, ICT on its own is not enough to fundamentally reduce time and cost in countries where legal or administrative requirements demand extensive screening or multiple registrations.

The greatest progress has been made in exploiting database technology to computerise existing records. Less progress has been made in integrating existing activities electronically or in creating a new set of electronically based business processes using Business Process Re-engineering (BPR). A major barrier to progress is that electronic signatures are not yet accepted for business registration in most EU countries.

## **11.5. QUALIFICATIONS AND LICENCES<sup>34</sup>**

Checking technical qualifications, issuing sectoral licences, and complying with employment-related procedures can, where it is required, increase the time needed to start a new enterprise.

In certain circumstances, issuing and confirming additional mandatory licences can take between 30 and 35 elapsed business days. The impact this has on the overall time needed to set up a business will, however, depend on a range of factors, including when the checking process takes place (concurrent or consecutive to the registration process) and the length of time needed to complete the registration process.

## **11.6 OVERVIEW**

### **11.6.1 Hypotheses**

The hypotheses that can be drawn from the project about linkages between the non-mandatory (discretionary) and the mandatory administrative activities (including sectoral qualifications and licenses) that an entrepreneur has to undertake to establish a business entity can be summarised as follows:

- In general, entrepreneurs tend to register their business after checking the viability of the business plan and confirming the availability of finance.
- In countries where registration is cheap and easy and substantial capital sums are not required, entrepreneurs tend to register new entities at the same time as they develop their business plan and obtain finance.
- If entrepreneurs are seeking formal private equity (venture capital), they tend to complete registration before the agreement with the Venture Capitalist is finally signed.
- Qualifications are normally checked during the registration process.
- Work on licenses is normally undertaken during the registration process.

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<sup>34</sup> See Section 8.

## 11.6.2 Archetype “Critical Path” Analyses

We have explored the overall relationships between the discretionary activities that a prudent entrepreneur undertakes in order to set up a business (particularly developing a business plan and obtaining finance) and the mandatory administrative procedures for registering a business entity. In order to illustrate these relationships in practice, we have developed three “archetype” enterprises and developed an outline “critical path analysis” for each.

Our enterprises are:

- “Small Trader” Start-up – an unincorporated entity;
- “Micro Enterprise” Start-up – a private limited company; and,
- “High Growth” Start-up – a public limited company.

The characteristics of the three archetype enterprises are summarised in the table below (Exhibit 59).

Exhibit 59

**The Characteristics of the Archetype Enterprises**

	<b>“Small Trader” (e.g. Plumber)</b>	<b>“Micro Enterprise” (e.g. High Street Café)</b>	<b>“High Growth” (e.g. High-tech University Spin-off)</b>
<b>Key Characteristics:</b>	Small “one man band” with no employees and few assets (van & limited equipment)	Small-sized, service sector start-up with 2 directors and small number of employees (say 3-4). Also purchased lease on a property and some fixtures, fittings & equipment.	High-tech university spin-off company with significant growth aspirations. Primarily intangible assets.
<b>Financing Structure:</b>	Funding from own sources & from family & friends. Also small overdraft facility arrangement with the bank	Financed from a combination of own sources, family & friends & a bank loan of circa Euro 100,000.	Financed primarily from formal external private equity, via a Venture Capitalist. Entrepreneur also financed small % from own sources.
<b>Business Entity:</b>	Individual Enterprise	Private Limited Company	Public Limited Company

For each of our archetype businesses we developed two examples: one covering the lower quartile (in terms of time, cost, and capital) and one covering the upper quartile.

The relationship between the various activities that an entrepreneur undertakes during the set-up process can be illustrated in the form of a “critical path”. This takes account of activities that can be undertaken concurrently and those that must be undertaken sequentially; and hence it illustrates the total elapsed time to set up a business (Exhibit 60).

In the case of the “Small Trader” and the “Micro Enterprise” there is a significant difference in the approach of the entrepreneur to regulation in the scenario where registration is easy and cheap, compared with a scenario in which registration is slow and expensive. In the former case (lower quartile) the entrepreneur will register concurrently with preparing the business plan and obtaining finance. In the latter case (the upper quartile) the entrepreneur will register sequentially because of the high cost involved.

In the case of the “High Growth” start-up, registration will be completed during the phase when the entrepreneur is obtaining finance, viz. before the agreement with the venture capitalist is signed.

The other key determinants of the critical path are the time needed to check qualifications and to obtain licenses and permits, and the timing of these activities (before, during or after the registration of the new business entity).

If the time needed to undertake these activities is small and the activities are undertaken during the registration process, there may be no effect on the total elapsed time. However, if the time needed to undertake these activities is significant and the activities are undertaken before or after the registration process, there may be a significant effect on the total elapsed time.

One-quarter of all submissions for registration of an Individual Enterprise are rejected and have to be re-submitted, and one-third of all submissions for registration of a Private Limited Company are rejected and have to be re-submitted

In all cases, there is some overlap between the “business plan” and “obtain finance” phases.

Exhibit 60

### The Analysis of the Archetypes

	“Small Trader” (e.g. Plumber)	“Micro Enterprise” (e.g. High Street Café)	“High Growth” (e.g. High-tech University Spin-off)
<b>Time (weeks)</b>			
<b>Develop Bus. Plan</b>	2.0	5.0	17.0
<b>Obtain Finance</b>	4.0	13.0	40.0
<b>Register Business</b>			
- Lower quartile <sup>35</sup>	0.5	3.5	5.0
- Upper quartile <sup>36</sup>	3.5	6.0	6.5
<b>Re-submission</b>	0.5	1.0	1.5
<b>Check qualifications</b>			
- Lower quartile	0	0	0
- Upper quartile	3.0	3.0	3.0
<b>Obtain licenses</b>			
- Lower quartile	0	3.0	3.0
- Upper quartile	6.0	6.0	6.0
<b>TOTAL TIME</b>	<b>5.5 – 18.5</b>	<b>20.5 - 30.0</b>	<b>55.0</b>
<b>Cost (Euro)</b>			
<b>Develop Bus. Plan</b>	Nil	2 000	15 000
<b>Obtain Finance</b>	500	4 500	40 000
<b>Discretionary costs</b>	350	2 100	4 500
<b>Register Business</b>			
- Lower quartile	20	220	390
- Upper quartile	150	1 590	2 090
<b>TOTAL COST</b>	<b>870 – 1 000</b>	<b>8 820 – 10 190</b>	<b>59 890 – 61 590</b>
<b>Minimum Paid-up Capital (Euro)</b>			
- Lower quartile	Nil	3,000	15,000
- Upper quartile	Nil	16,780	62,000

NOTE: These costs exclude the value of the time spent by the entrepreneur (the “opportunity cost”) and additional resources required to run the business

<sup>35</sup> The lower quartile is based on the results obtained by the fourth most efficient country.

<sup>36</sup> The upper quartile is based on the results obtained by the fourth least efficient country.



### 11.6.3. Time to Set-up a Business

The time required to set up a “**Small Trader**” in EU Member States ranges from 5.5 weeks in the ‘lower quartile’ (Exhibit 61) to 18.5 weeks in the ‘upper quartile’ (Exhibit 62).

The registration process has no effect on the total elapsed time taken in the case of the lower quartile example – but it adds 4.0 weeks (30%) to the elapsed time taken in those Member States in the upper quartile.

The “qualifications, permits and licensing” process has no effect on the total elapsed time taken in the case of the lower quartile example – but it adds 9.0 weeks (100%) to the elapsed time taken in those Member States in the upper quartile.

Exhibit 61

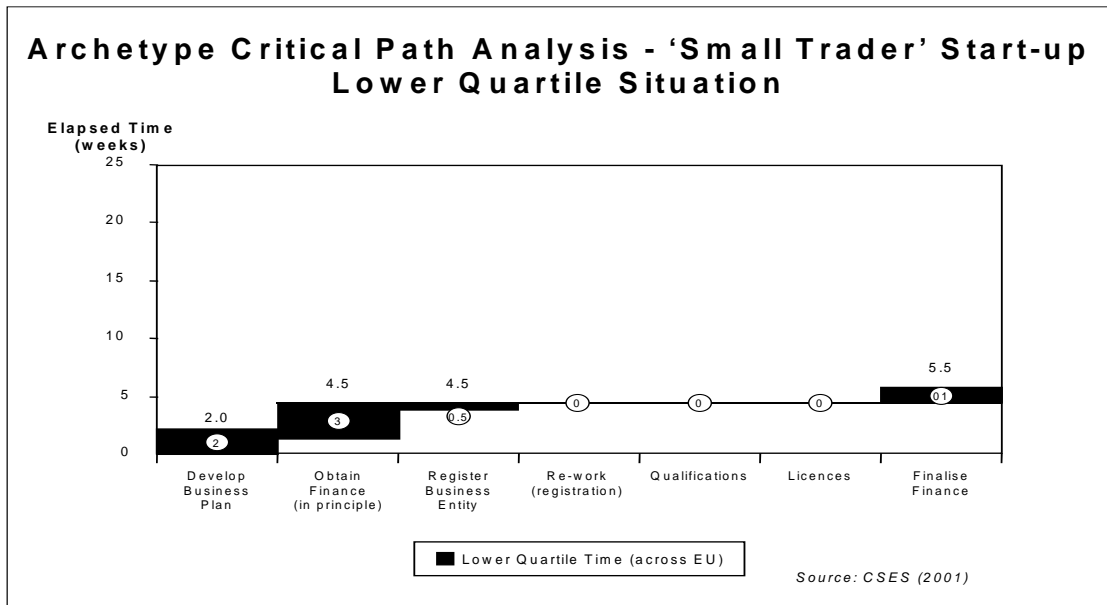
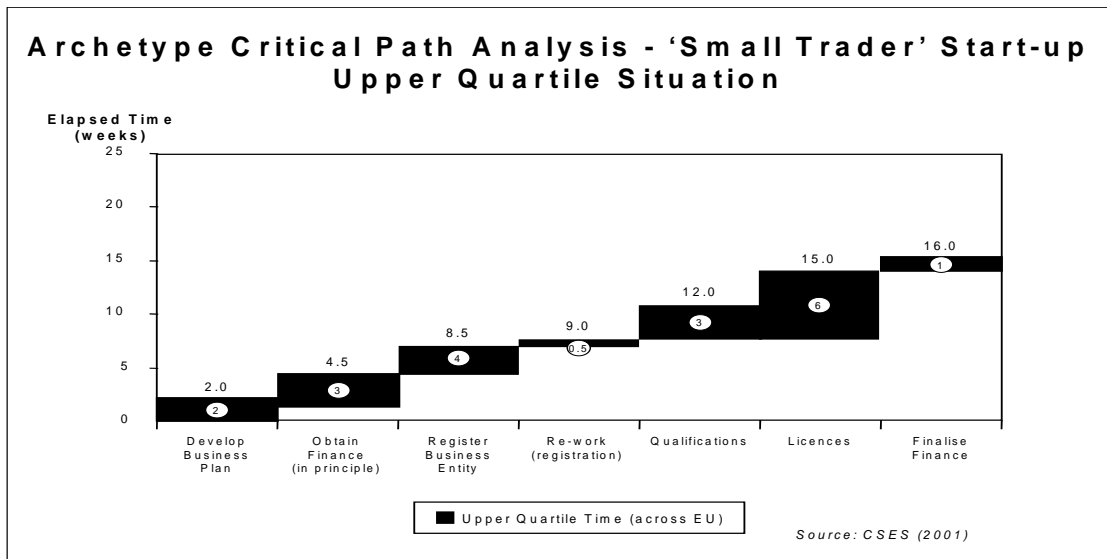


Exhibit 62



The time required to establish a “**Micro Enterprise**” in EU Member States ranges from 17.0 weeks in the case of the ‘lower quartile’ example (Exhibit 63) to 30.0 weeks in the case of the ‘upper quartile’ (Exhibit 64).

The registration process has no effect on the total elapsed time taken in the case of the lower quartile – but it adds 7.0 weeks (25%) to the elapsed time taken in the Member States in the upper quartile.

The “qualifications, permits and licensing” process has no effect on the total elapsed time taken in the case of the lower quartile example – but it adds 9.0 weeks (45%) to the elapsed time taken in those Member States in the upper quartile.

Exhibit 63

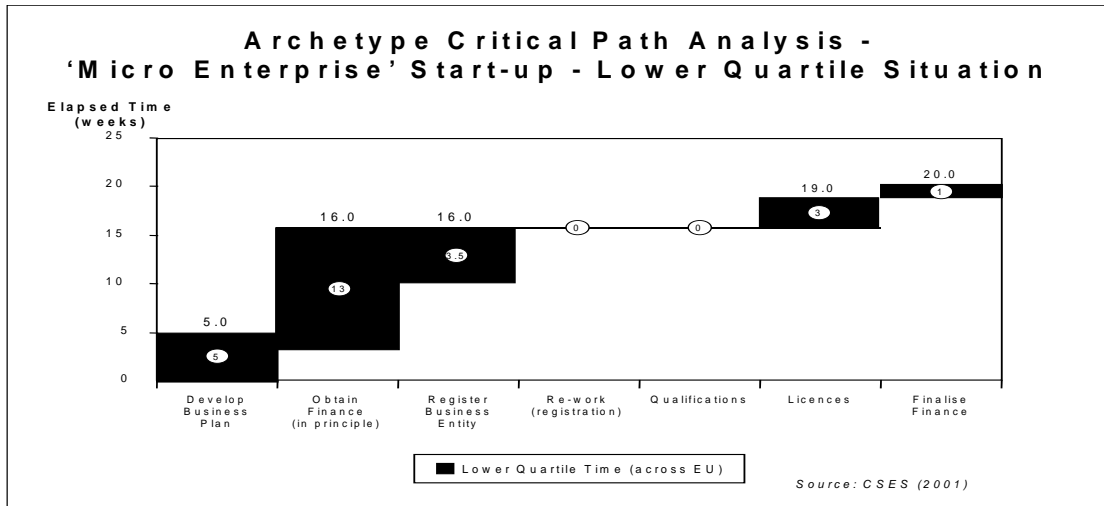
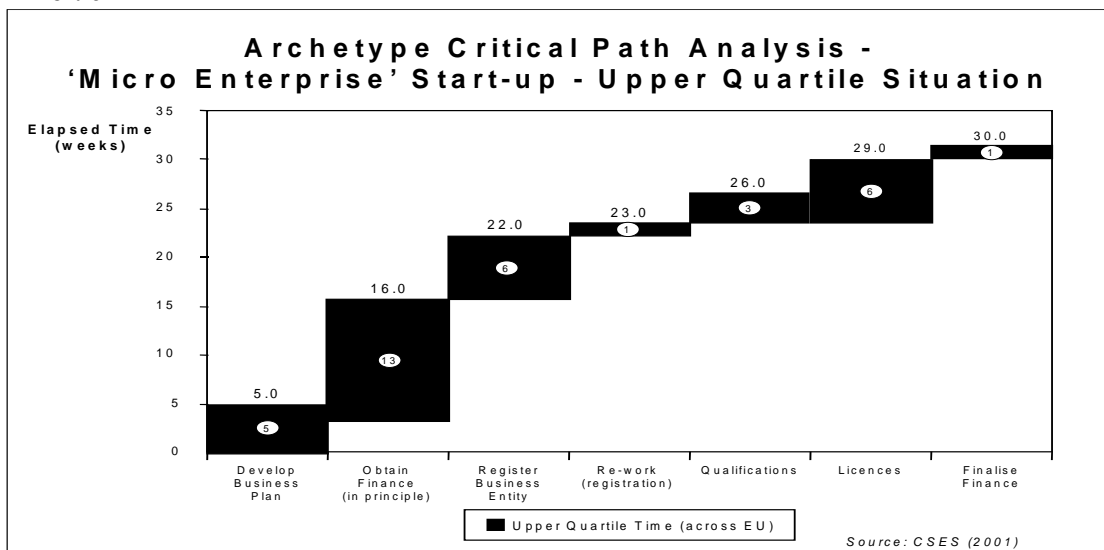


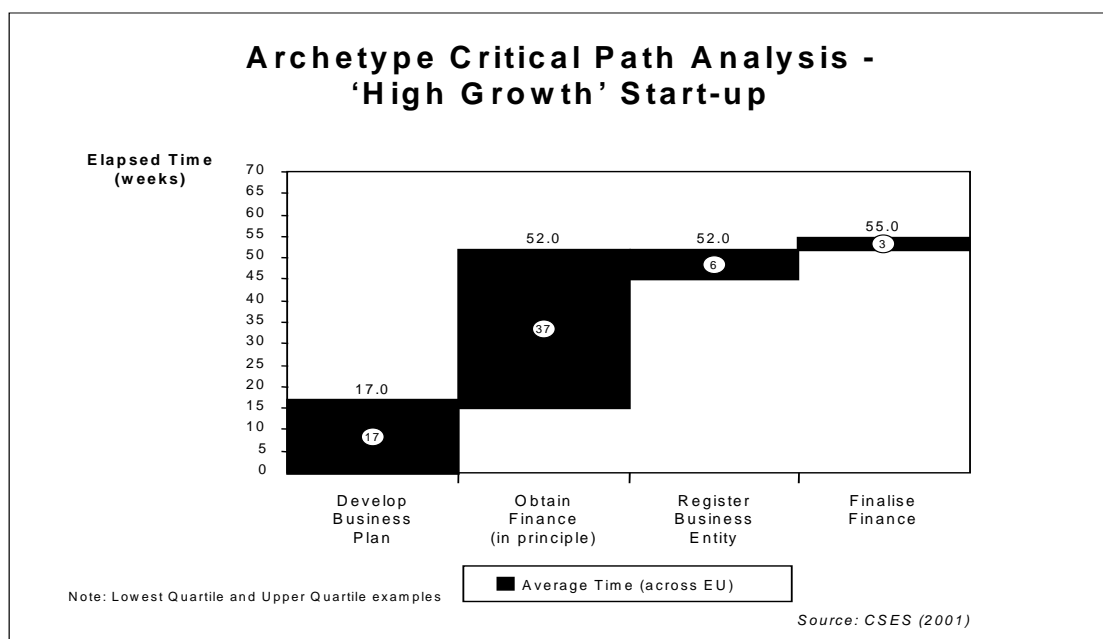
Exhibit 64



The critical path for our high growth, public limited company indicates a total elapsed time of 55 weeks to set up the new business (Exhibit 65).

Because the registration process and the “qualifications, permits and licensing” process are likely to take place at the same time as discussions with Venture Capitalists to raise finance, and because the time taken to raise finance via this route is long, differences in registration time between countries have little effect on the overall start-up time for our archetype “**High-Growth**” Start-up.

Exhibit 65



#### 11.6.4. The Cost of Setting-up a Business

The mandatory costs<sup>37</sup> of registering a new business entity are also a significant proportion of the total cost<sup>38</sup> of setting up a business, in those Member States that fall in the Upper Quartile. For our archetype:

- **“Small Trader”** (Individual Enterprise) Start-up, the costs associated with registration represent some 15% of the total set-up cost;
- **“Micro Enterprise”** (Private Limited Company) Start-up, the costs associated with registration represent some 70% of the total set-up cost; and,
- **“High-Growth”** (Public Limited Company) Start-up, the costs associated with registration represent some 50% of the total set-up cost.

<sup>37</sup> Mandatory costs include the costs of registering the business plus the cash required to fund the minimum capital required.

<sup>38</sup> Total costs include non-mandatory costs, mandatory costs, and, for incorporated entities, minimum paid-up share capital. They include costs associated with preparing a business plan and obtaining finance. They exclude the opportunity cost of the entrepreneur’s time and any additional resources required to run the business.

## 11.7. SUMMARY

All Member States have made considerable progress in simplifying the registration process in recent years, but three main issues remain:

- There are inefficiencies in the registration process in a number of Member States;
- Time and capital requirements form complex barriers to registration in a number of Member States; and,
- Public policy choices about the trade-off between consumer, creditor and investor protection on the one hand and speed and cost of registration on the other influence the levels of time, cost, and capital in a number of Member States.

There is one further major issue. The total time required to start-up a new business is substantially greater than the time required to 'register' the business. The reasons for this are complex but include the need to check sectoral qualifications and to obtain sectoral, activity, and employment licences.

## 12. GUIDANCE NOTES

*This section contains “guidance notes”, which provide new ideas to help Member States take practical action to reduce the time and cost of complying with the mandatory procedures for registering a business.*

### **Introduction**

The Guidance Notes are based on analyses of the findings of our project, especially the performance drivers, obstacles, and best practice data.

Specifically, we have identified ideas in two areas:

- Public policy reform; and,
- Efficiency Improvements.

### **Public Policy Reforms**

There is a strong link between the time, cost, and capital needed to register a business and the extent to which Member States use business registration as a mechanism for managing the perceived risks to investors, creditors, and customers from entrepreneurship. In some countries, a complex network of ‘ex ante’ controls and high capital requirements have been established.

In this case, there is a conflict between the Lisbon Summit’s political objective of creating an entrepreneurial Europe and existing public policy practices designed to control the process of entrepreneurship. However, the objective of creating an entrepreneurial Europe should not be done in such a way that reckless activity or business failure by new enterprises is facilitated.

Our first, and most important, suggestion, therefore, is that this conflict must be resolved.

‘Ex ante’ controls over business formation should be reduced wherever possible. Specific ideas include:

- Reassessing the need for procedures that are not required in other Member States;
- Removal of formal screening procedures by notaries, lawyers, or government officials for all unincorporated entities;
- Greater use of self-certification during the pre-registration stage for all types of business entity; and,
- Reduction in the requirement for tailored constitutions for incorporated entities and their replacement, wherever possible, by standard (“off-the-peg”) constitutions, including general objects clauses.

Our second suggestion is to cut the level of minimum paid-up share capital for new private limited companies to below Euro 1,000.

Our third suggestion is that Member States should prepare archetypes of the ‘total start-up system’ and use these to identify priority areas for reform, including reforms that will help to reduce the time and cost of preparing a business plan, obtaining finance, and obtaining sectoral qualifications and other licences and permits.

## Efficiency Improvements

Notwithstanding the need to review the conflict between different public policy objectives, Member States can also take action to improve the efficiency with which the overall business registration process is completed.

Specific ideas include:

- Review the scope for implementing the Commission’s Recommendation (from 1997) on ‘Improving and Simplifying the Business Environment for Business Start-ups’;
- Establishing business registration offices as the single ‘portal’ for all registration documentation i.e. remove the need for entrepreneurs to have to make contact with any other public or private organisation, including revenue, social security, or insurance organisations;
- Make business registration offices responsible for informing all other public and private organisations that a new entity has been created;
- Permit an entrepreneur to start trading as soon as a new business entity is registered in the Trade Register, or equivalent i.e. remove the need for entities to wait for tax, insurance, or social security numbers before they can trade by making such registrations ‘automatic’ from the point of listing in the business register;
- Invest in ICT to improve efficiency of individual organisations within the public administration, between different organisations in public administration, and between organisations in public administration and in the private sector;
- Member States should review the procedures they require of prospective entrepreneurs and the way in which registration offices carry out this work, using techniques such as “procedures mapping” and Business Process Re-engineering;
- Strengthen the focus on performance within business registration organisations by publishing details of performance against targets and by establishing appropriate financial incentives;
- Remove all taxes and fees charged for business registration apart from circumstances in which entrepreneurs seek “fast track” procedures that create additional costs;
- Monitor the level of rejections and their causes, and eliminate, as far as possible, the reasons for rejection;
- Measure performance of regional registration offices, where appropriate;
- Benchmark the costs of running the registration system; and
- Monitor performance annually against the benchmarks and performance drivers developed in this report.

# **APPENDICES**

## APPENDIX A

### TERMINOLOGY

**CONTACT POINTS** – this is the total number of private and public bodies that an entrepreneur must contact to complete the mandatory procedures to set up a new business entity. Different departments within the same organisation are different points of contact.

**DISCRETIONARY (‘NON-MANDATORY’) ACTIVITIES** – the non-mandatory activities that a prudent entrepreneur undertakes whilst setting up a business, such as developing a business plan and obtaining finance.

**GENERAL PARTNERSHIP** – one of the four standard types of business entity included in the project. Formed by two or more persons who trade under a common name. All partners are jointly and personally liable for the debts of the partnership. Moreover, liability is unlimited and extends to personal assets. The enterprise carries out general commercial activities with the purpose of engaging in trade or industry.

**HEADLINE BENCHMARKS** – the final outcomes of the business registration process, especially the time, cost, and capital needed to complete mandatory procedures.

**INDIVIDUAL ENTERPRISE** – one of the four standard types of business entity included in the project. The owner has sole personal responsibility for all business liabilities. Moreover, liability is unlimited and extends to private assets. The enterprise conducts general commercial activities.

**LICENCES, APPROVALS, AND NOTIFICATIONS FOR SETTING-UP A NEW BUSINESS** – this is the total number of formal licences, approvals, and confirmations that must be issued to an entrepreneur to set up a new business entity. These exclude sector-specific requirements.

**LOWER QUARTILE** – the performance of fourth most efficient country.

**MANDATORY FINANCIAL COSTS** – these are legally specified fees, charges and taxes paid to official bodies associated with setting up a new business entity.

**MINIMUM** – the shortest time or cost involved in setting up a straightforward business entity. This could be the result of a range of different processes, such as “fast-track” schemes, utilisation of “off-the-shelf” companies, or co-ordinated registration by a “Single Access Point”.

**OFFICIAL BODIES**– this is the total number of public and private bodies that must be consulted, informed, or provide licences/authorisations in order to complete the Pre-registration and Registration Stages. Different departments within the same organisation should be considered as different bodies.

**OPERATIONAL BENCHMARKS** – Measures of the administrative process, such as the number of procedures, documents, and forms, which are the proximate causes of the final outcomes of the registration process.

**PAPERWORK** – this is the total number of official forms and supporting documents that must be provided by an entrepreneur to official bodies to set up a new business entity. Forms and supporting documents should be counted separately.

**PERFORMANCE DRIVERS** – Indicators of the underlying causes of the final outcomes, such as Information and Communication Technologies (ICT) and Management Processes.

**PRE-REGISTRATION STAGE** – this encompasses all of the mandatory activities that must be completed before a formal, initial request for registration of a new business entity can be submitted. It includes procedures such as statutory meetings of founders or subscribers, deposition of capital, and use of a notary to draw up a deed of incorporation.



**PRIVATE LIMITED COMPANY** - one of the four standard types of business entity included in the project. An incorporated legal entity with the following characteristics: legal identity separate from and independent of the owners or shareholders; liability to creditors is limited to the extent of the company's assets; liability of the shareholders/owners is limited to the amount of capital contributed and subscribed for; more than one shareholder; and unable to raise any form of capital through 'public' subscription or to be listed on a public capital market. The enterprise is set up to trade actively (not dormant).

**PUBLIC LIMITED COMPANY** - one of the four standard types of business entity included in the project. Similar to a Private Limited Company, but some important differences: can raise capital through public subscription and can be listed on public debt and equity markets; no limits on numbers of owners; and owners of the company hold shares.

**REGISTRATION STAGE** – this encompasses all of the mandatory administrative procedures carried out after submission of the initial, formal request for registration of a new business entity. The final outcome of this process is that the enterprise is legally formed, it can commence trading and all mandatory notifications are complete. It includes procedures such as approval for registration from a court, notification of the Commercial Register, application for municipal licences, registration with a Chamber of Commerce, and notification of tax and social security authorities.

**SECTOR-SPECIFIC QUALIFICATIONS** – requirements for entrepreneurs (or their staff) to hold certain qualifications or obtain special licences if they wish to compete in specific sectors. By this we mean professional, technical, or craft qualifications that entrepreneurs (or their staff) must meet to compete in a specific sector.

**SETTING UP A NEW BUSINESS ENTITY** – all estimates of benchmark data are, unless stated otherwise, based on the mandatory administrative procedures that all enterprises are legally required to complete before they can commence trading. These procedures exclude:

- Employment-related procedures that enterprises must complete if they intend to take on workers;
- Sector-specific licences or permits i.e. professional, technical, or craft qualifications or qualifying standards that an enterprise must meet if it is to compete in a specific sector;
- Activity-specific permits that must be obtained if an enterprise is to undertake certain types of operational activity, such as environmental, public health, and construction permits.

**STAGES OF ACTIVITY** – the principal benchmarks are based on two major stages of activity, each of which is a group of related activities and procedures. These major stages are the Pre-registration Stage and the Registration Stage.

**TYPICAL** – the average time, costs, or number of contact points et al involved in setting up a straightforward, uncomplicated business entity through the most widely used process of registration. Time is measured in terms of elapsed business days.

**UPPER QUARTILE** – the performance of the fourth least efficient country.

**APPENDIX B**

**MAIN TYPES OF BUSINESS ENTITIES – MEMBER STATES**

	<b>Individual Enterprise</b>	<b>General Partnership</b>	<b>Private Limited Company</b>	<b>Public Limited Company</b>
<b>Characteristics</b>	<ul style="list-style-type: none"> <li>- <i>Owner has sole, personal responsibility for all business liabilities;</i></li> <li>- Liability is unlimited and extends to private assets;</li> <li>- <i>Conducts general commercial activities.</i></li> </ul>	<ul style="list-style-type: none"> <li>- <i>Formed by two or more persons;</i></li> <li>- All partners are jointly and personally liable for the debts of the partnership;</li> <li>- Liability is unlimited and extends to personal assets;</li> <li>- Trading takes place under a common name;</li> <li>- <i>Carries out general commercial activities with the purpose of engaging in trade or industry.</i></li> </ul>	<ul style="list-style-type: none"> <li>- Incorporated legal entity;</li> <li>- Legal identity separate from &amp; independent of owners or shareholders;</li> <li>- Liability to creditors is limited to the extent of the company’s assets;</li> <li>- Liability of shareholders/owners is limited to the amount of capital contributed and subscribed for;</li> <li>- More than one shareholder;</li> <li>- Unable to raise any form of capital through ‘public’ subscription or to be listed on a public capital market.</li> <li>- set up to trade actively (not dormant)</li> </ul>	<ul style="list-style-type: none"> <li><i>Similar to a private limited company, but some important differences:</i></li> <li>- Can raise capital through public subscription and can be listed on public debt and equity markets;</li> <li>- No limits on numbers of shareholders;</li> <li>- Owners of the company hold shares</li> </ul>
Austria	“Einzelunternehmen”	OHG (“offene Handelsgesellschaft”)	GesmbH (“Gesellschaft mit beschränkter Haftung”)	AG (“Aktiengesellschaft”)
Belgium	“Eenpersoons-Onderneming/Entreprise Individuelle”	SNC/VOF	SPRL/BVBA (“societe de personnes a responsabilite limitee”)	SA/NV (“Societe anonyme”)
Denmark	“entkeltmandsvirksomhed”	“Interessentskab”	ApS (“Anpartsselskab”)	A/S (“Aktieselskab”)
Finland	TMI	AY	Oy	Oyj
France	“Commerçant”	“societe en nom collectif”	SARL (“Societe a responsabilite limitee”)	SA (“Societe anonyme”)
Germany	“Kannkaufmann”	GBR	GmbH (“Gesellschaft mit beschränkter Haftung”)	AG (“Aktiengesellschaft”)
Greece	“Atomiki epiheirisi”	“omorrythimi etaria”	EPE (“eteria periorismensis efthinis”)	AE (“anonymos eteria”)
Ireland	“Sole Trader”	“General Partnership”	Ltd (“Limited company”)	PLC (Public Limited Company)
Italy	“Impresa individuale commerciale”	Snc (“societa in nome colectivo”)	SrL (“societa a responsabilita limitata”)	SpA
Luxembourg	“entreprise individuelle”	Senc (“societe en nom collectif”)	SARL (“Societe a responsabilite limitee”)	SA (“Societe anonyme”)
Netherlands	“eemanszaak”	VOF (“vennootschap onder firma”)	BV (“besloten vennootschap”)	NV (“naamloze vennootschap”)
Portugal	“Estabelecimento Individual”	SNC (“sociedade em Nome Colectivo”)	Lda (“sociedade per quotas de responsabilidade limitada”)	SA (“sociedade anonima de responsabilidade limitada”)
Spain	“Empresario individual”	“sociedad colectiva”	SL (“sociedad limitada”)	SA (“sociedad anonima”)
Sweden	“Enskild Naringsidkare”	“handelsbolag”	AB (“Privat Aktiebolag”)	AB (“Publikt Aktiebolag”)
United Kingdom	“Sole Trader”	“partnership”	Ltd (“Limited company”)	PLC (Public Limited Company)

## APPENDIX C – HEADLINE BENCHMARKS

### Headline Benchmarks: Individual Enterprise

	A	B	DK	F	FIN	D	GR	I	IRL	LUX	NL	P	E	S	UK
	Einzel- unternehmen	Eenpersoons- Onderneming/ Entreprise Individuelle	enkeltmands- virksomhed	Commerçant	TMI	Kann- kaufmann	Atomiki epiheirisi	Impresa individuale commerciale	Sole trader	(description needed)	eemanszaak	Estabele- cimiento Individual	Empresario individual	Enskild Narings- idkare	Sole trader
<b>TIME (A3)</b>															
<b>Typical (days)</b>															
Pre-registration	3	0	1	2	0	0	2	30	0	10	0	1	5	0	0
Registration	1	10	5	10	17	1	1	5	1	10	6	15	19	18	1
Total	4	10	6	12	17	1	3	35	1	20	6	16	24	18	1
<b>Minimum (days)</b>															
Pre-registration	0	0	1	1	0	0	1	1	0	2	0	1	1	0	0
Registration	1	2	1	2	7	1	1	1	1	5	1	5	1	6	1
Total	1	2	2	3	7	1	2	2	1	7	1	6	2	6	1
<b>COST (A4)</b>															
<b>Typical (euro)</b>															
Pre-registration	0	0	0	0	0	0	250	770	0	25	0	0	72	0	0
Registration	0	62	0	50	58	20	500	25	0	125	45	100	1500	88	0
Total	0	62	0	50	58	20	750	795	0	150	45	100	1572	88	0
<b>Minimum (euro)</b>															
Pre-registration	0	0	0	0	0	0	250	0	0	25	0	0	0	0	0
Registration	0	62	0	50	58	15	500	25	0	125	45	10	0	88	0
Total	0	62	0	50	58	15	750	25	0	150	45	10	0	88	0
<b>MINIMUM CAPITAL (A5)</b>															
Minimum issued (euro)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minimum paid up (euro)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>SPECIFIC PROCEDURES (A6)</b>															
<b>Typical time (days)</b>															
Formal business registration	1	1	N/A	10	7	1	1	2	0	1		15	24	8	N/A
Confirmation of qualifications	N/A	6	N/A	N/A	N/A	N/A	N/A	1	N/A	3		N/A	60	N/A	N/A
VAT registration	1	6	5	0	10	1	1	1	1	10	5	5	1	8	1
Joining Chambers of Commerce	0	1	N/A	0	N/A	1	1	1	N/A	5	1	N/A	1	N/A	N/A
Other fiscal requirements	1			0	0	1	0	1	1	0		N/A	1	0	1
Other authorisations	N/A			0	N/A	N/A		30	N/A	N/A		30		N/A	N/A
Other mandatory procedures	N/A	13		1	1	1			N/A	N/A		N/A		N/A	N/A
<b>Typical cost (euros)</b>															
Formal business registration	0	0	N/A	50	58	20	10	0	0	100		140	1572	88	N/A
Confirmation of qualifications	N/A	13	N/A	N/A	N/A	N/A		120	N/A	25		N/A	150	N/A	N/A
VAT registration	0	0	0	0	0	0	500	0	0	0		20	0	0	0
Joining Chambers of Commerce	0	49	N/A	0	N/A	0	235	25	N/A	25	45	N/A	225	N/A	N/A
Other fiscal requirements	0	0	0	0	0	0	0	0	0	0		N/A	30	0	0
Other authorisations	N/A	0		0	N/A	N/A		150	N/A	N/A		250		N/A	N/A
Other mandatory procedures	N/A	0		0	N/A	0			N/A	N/A		N/A		N/A	N/A

## Headline Benchmarks: General Partnership

	A	B	DK	F	FIN	D	GR	I	IRL	LUX	NL	P	E	S	UK
	OHG	SNC/VOF	Interessentskab	Societe en nom collectif	AY	GBR	omorythimietaria	SNC	General partnership	SENC	VOF	SNC	sociedad colectiva	handelsbolag	Partnership
<b>TIME (B3)</b>															
<b>Typical (days)</b>															
Pre-registration	4	0	1	2	0	0	2	30	0	10	0	5	5	0	0
Registration	15	10	5	10	26	1	1	5	1	10	6	21	19	18	1
Total	19	10	6	12	26	1	3	35	1	20	6	26	24	18	1
<b>Minimum (days)</b>															
Pre-registration	1	0	1	1	0	0	1	2	0	2	0	3	3	0	0
Registration	8	2	1	2	7	1	1	2	1	5	1	10	7	6	1
Total	9	2	2	3	7	1	2	4	1	7	1	13	10	6	1
<b>COST (B4)</b>															
<b>Typical (euro)</b>															
Pre-registration	44	0	0	0	0	0	250	1100	0	25	0	40	72	0	0
Registration	8	172	0	213	117	20	500	110	0	225	85	460	1500	88	0
Total	52	172	0	213	117	20	750	1200	0	250	85	500	1572	88	0
<b>Minimum (euro)</b>															
Pre-registration	44	0	0	0	0	0	250	770	0	25	0	40	6	0	0
Registration	8	172	0	213	117	15	500	90	0	225	85	300	1500	88	0
Total	52	172	0	213	117	15	750	860	0	250	85	340	1506	88	0
<b>MINIMUM CAPITAL (B5)</b>															
Minimum issued (euro)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minimum paid up (euro)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>SPECIFIC PROCEDURES (B6)</b>															
<b>Typical time (days)</b>															
Formal business registration	15	1	N/A	10	16	1	1	2	0	10		15	24	8	N/A
Confirmation of qualifications	N/A	6	N/A	N/A	N/A	N/A	N/A	1	N/A	3		N/A	60	N/A	N/A
VAT registration	1	6	5	0	10	1	1	1	1	10	5	6	1	8	1
Joining Chambers of Commerce	0	1	N/A	0	N/A	1	1	1	N/A	5	1	N/A	1	N/A	N/A
Other fiscal requirements	1			0	0	1	0	1	1	0		N/A	1	0	1
Other authorisations	N/A			0	N/A	N/A		30	N/A	N/A		37		N/A	N/A
Other mandatory procedures	N/A	7		1	1	1			N/A	N/A		N/A		N/A	N/A
<b>Typical cost (euros)</b>															
Formal business registration	8	60	N/A	61	117	20	10	0	0	200		500	1572	88	N/A
Confirmation of qualifications	N/A	13	N/A	N/A	N/A	N/A	N/A	120	N/A	25		N/A	150	N/A	N/A
VAT registration	0	0	0	0	0	0	500	0	0	0	0	20	0	0	0
Joining Chambers of Commerce	0	99	N/A	0	N/A	0	235	25	N/A	25	85	N/A	225	N/A	N/A
Other fiscal requirements	0			0	0	0	0	0	0	0		N/A	30	0	0
Other authorisations	N/A			0	N/A	N/A		150	N/A	N/A		400		N/A	N/A
Other mandatory procedures	N/A	0		152	N/A	0			N/A	N/A		N/A		N/A	N/A

## Headline Benchmarks: Private Limited Company

	A	B	DK	F	FIN	D	GR	I	IRL	LUX	NL	P	E	S	UK
	GesmbH	SPRL	ApS	SARL	Oy	GmbH	EPE	Srl	Ltd	SARL	BV	Lda	SL	AB	Ltd
<b>TIME (C3)</b>															
<b>Typical (days)</b>															
Pre-registration	9	10	1	12	0	2	9	30	4	15	20	5	5	7	1
Registration	15	22	17	17	30	20	6	5	4	15	10	21	19	18	6
Total	24	32	18	29	30	22	15	35	8	30	30	26	24	25	7
<b>Minimum (days)</b>															
Pre-registration	1	1	1	2	0	2	1	2	4	5	4	3	4	2	1
Registration	9	10	1	2	7	1	2	2	3	10	1	10	7	6	2
Total	10	11	2	4	7	3	3	4	7	15	5	13	11	8	3
<b>COST (C4)</b>															
<b>Typical (euro)</b>															
Pre-registration	2224	106	0	0	0	384	1200	1100	380	25	800	100	90	0	8
Registration	8	874	0	213	252	421	500	520	65	825	85	500	1500	186	32
Total	2232	980	0	213	252	805	1700	1620	445	850	885	600	1590	186	40
<b>Minimum (euro)</b>															
Pre-registration	1112	106	0	0	0	302	1200	770	380	25	450	50	18	0	8
Registration	8	874	0	213	252	332	500	500	65	825	85	400	1500	186	32
Total	1120	980	0	213	252	634	1700	1270	445	850	535	450	1518	186	40
<b>MINIMUM CAPITAL (C5)</b>															
Minimum issued (euro)	35000	18600	16780	7622	8000	25000	23477	10290	1	12400	18000	5000	3000	10890	1
Minimum paid up (euro)	17500	6200	16780	1524	8000	12500	23477	3087	1	12400	18000	5000	3000	10890	1
<b>SPECIFIC PROCEDURES (C6)</b>															
<b>Typical time (days)</b>															
Formal business registration	15	15	10	17	20	20	1	2	3	15		15	24	8	5
Confirmation of qualifications	N/A	6	N/A	N/A	N/A		N/A	1	N/A	3		N/A	60	N/A	N/A
VAT registration	1	6	5	2	10	1	1	1	1	10	5	6	1	8	1
Joining Chambers of Commerce	0	1	N/A	1	N/A	1	1	1	N/A	5	1	N/A	1	N/A	N/A
Other fiscal requirements	1		0	2	0	1	0	4	1	0		N/A	1	0	1
Other authorisations	N/A		N/A	2	N/A			30	N/A	N/A		38		N/A	N/A
Other mandatory procedures	6	7	N/A	12	1	1			4	N/A		N/A		N/A	N/A
<b>Typical cost (euros)</b>															
Formal business registration	8	669	0	61	252	805	586	0	65	800		500	1590	186	40
Confirmation of qualifications	N/A	13	N/A	N/A	N/A			120	N/A	25		N/A	150	N/A	N/A
VAT registration	0	0	0	0	0	0	500	0	0	0		20	0	0	0
Joining Chambers of Commerce	0	100	N/A	0	N/A	0	235	25	N/A	25	135	N/A	225	N/A	N/A
Other fiscal requirements	0		0	0	0	0		350	0	0		N/A	30	0	0
Other authorisations	N/A		N/A	0	N/A			150	N/A	N/A		400		N/A	N/A
Other mandatory procedures	2180	0	N/A	152	N/A	0			380	N/A		N/A		N/A	N/A

## Headline Benchmarks: Public Limited Company

	A	B	DK	F	FIN	D	GR	I	IRL	LUX	NL	P	E	S	UK
	AG	SA/NV	A/S	SA	Oyj	AG	AE	SpA	PLC	SA	NV	SA	SA	AB	PLC
<b>TIME (D3)</b>															
<b>Typical (days)</b>															
Pre-registration	9	10	1	12	0	10	6	30	1	15	20	5	5	7	2
Registration	15	22	17	17	30	20	35	5	18	15	40	21	20	18	6
Total	24	32	18	29	30	30	41	35	19	30	60	26	25	25	8
<b>Minimum (days)</b>															
Pre-registration	2	1	1	2	0	4	3	2	1	5	4	3	3	2	2
Registration	8	10	1	2	7	1	5	2	13	10	1	10	10	6	2
Total	10	11	2	4	7	5	8	4	14	15	5	13	13	8	4
<b>COST (D4)</b>															
<b>Typical (euro)</b>															
Pre-registration	2224	460	0	0	0	623	4000	1290	6	25	800	40	90	0	8
Registration	8	1338	0	290	252	707	800	520	382	1150	135	3000	2000	186	32
Total	2232	1798	0	290	252	1330	4800	1810	388	1175	935	3040	2090	186	40
<b>Minimum (euro)</b>															
Pre-registration	1134	460	0	0	0	490	2292	770	0	25	450	40	18	0	8
Registration	8	1338	0	290	252	575	800	500	382	1150	135	1100	1500	186	32
Total	1142	1798	0	290	252	1065	3092	1270	382	1175	585	1140	1518	186	40
<b>MINIMUM CAPITAL (D5)</b>															
Minimum issued (euro)	70000	62000	67115	38113	80000	50000	59000	103290	38092	31000	45000	50000	60000	54450	80,000
Minimum paid up (euro)	70000	62000	67115	19056	80000	12500	59000	30987	9523	7750	45000	50000	15000	54450	20000
<b>SPECIFIC PROCEDURES (D6)</b>															
<b>Typical time (days)</b>															
Formal business registration	15	15	10		20	20	21	2	15	15		15	25	8	5
Confirmation of qualifications	N/A	6	N/A		N/A		N/A	1	N/A	3		N/A	60	N/A	N/A
VAT registration	1	6	5		10	1	4	1	1	10	5	6	1	8	1
Joining Chambers of Commerce	0	1	N/A		N/A	1	1	1	N/A	5	1	N/A	1	N/A	N/A
Other fiscal requirements	1		0		0	1	0	4	1	0		N/A	1	0	1
Other authorisations	N/A		N/A		N/A			30	3	N/A		38		N/A	N/A
Other mandatory procedures	6	7	N/A	22	1	1			1	N/A		N/A		N/A	N/A
<b>Typical cost (euros)</b>															
Formal business registration	8	917	0	61	252	1330	0	0	65	1125		3000	1518	186	40
Confirmation of qualifications	N/A	13	N/A		N/A		N/A	120	N/A	25		N/A	150	N/A	N/A
VAT registration	0	0	0		0	0	800	0	0	0	0	20	0	0	0
Joining Chambers of Commerce	0	99	N/A		N/A	0	230	25	N/A	25	135	N/A	225	N/A	N/A
Other fiscal requirements	0		0		0	0	0	350	0	0		N/A	30	0	0
Other authorisations	N/A		N/A		N/A			150	317	N/A		400		N/A	N/A
Other mandatory procedures	2180	0	N/A	229	N/A	0			6	N/A		N/A		N/A	N/A

# APPENDIX D

## COMPARISON WITH OTHER STUDIES

We compared our results to those obtained by the US National Bureau of Economic Research in 2000 and Logotech in 1997.

### 1. NBER WORKING PAPER ON THE REGULATION OF ENTRY<sup>39</sup>

Below is a brief description of the principal similarities and differences between the approach taken by the NBER researchers and that taken by CSES to estimate the time and cost needed to register new business entities in different countries (exhibit A).

Exhibit A

COMPARISON OF CSES AND NBER METHODOLOGIES
<p><b>Similarities</b></p> <ul style="list-style-type: none"><li>• Use of lists of specific procedures – these are one of the principal measures of the scale of registration activity;</li><li>• Focus on mandatory procedures;</li><li>• Estimates of the time needed to establish a new business entity are based on elapsed business days;</li><li>• Use of a ‘standardised’ (model) company as the basis for data collection; and,</li><li>• Clear structure for data collection that differentiates between different types of procedures and when they must be undertaken.</li></ul>
<p><b>Differences</b></p> <ul style="list-style-type: none"><li>• <b>Coverage of Estimates</b> – the NBER analysis is based on a definition of “business registration that includes employment, occupational health and safety, environment, and other ‘activity’ permits. These are EXPLICITLY excluded from CSES’s estimate.</li><li>• <b>Definition of Procedures</b> – NBER includes only mandatory procedures that involve an official body. CSES include all mandatory procedures, regardless of whether official bodies are involved;</li><li>• <b>Scope of Research</b> – the NBER research is based solely on the most widely used form of private limited company in each of the countries surveyed. CSES’s research encompasses four core types of business entity, including a private limited company;</li><li>• <b>Age of Data</b> – the NBER work is based on data from 1998, whereas CSES’s estimates reflect the current (2001) situation;</li><li>• <b>Costs</b> – the NBER work includes official costs for setting up a new private limited company with a paid-up share capital equal to five times 1997 GDP per capita for each country. CSES use the minimum paid-up share capital. Mandatory costs of setting up a new private limited company are heavily influenced by the taxes paid on new capital in many countries. These reflect the scale of new capital invested;</li><li>• <b>Time</b> – NBER’s estimates are based on the minimum time needed for the public authorities to carry out registration procedures. In many cases these are target times. CSES’s data is based on the <u>typical</u> (average) elapsed time from when the process begins until it is complete. And, this must be measured from the perspective of the entrepreneur.</li><li>• <b>Data Sources</b> – NBER use literature plus a survey by PwC, one of the worlds leading accountancy firms. National experts nominated by the EU’s Member States supply CSES data. Where necessary CSES’s data was checked with national business organisations.</li></ul>

Because of differences in the scope of registration procedures included in the data, it is likely that NBER’s estimates of the time needed to register a new private limited company will be greater than those produced by CSES.

<sup>39</sup> Djankov S., La Porta R., Lopez-de-Silanes F., and Shliefer A. ‘*The Regulation of Entry*’ (NBER Working Paper, 2000)

## 2. LOGOTECH STUDY FOR THE EUROPEAN COMMISSION<sup>40</sup>

The principal similarities and differences between the approach taken by Logotech and that taken by CSES to estimate the time and cost needed to register new business entities in different countries are summarised below (exhibit B).

Because of the lack of methodological information contained in the Logotech study, it is difficult to predict whether the Logotech estimates are likely to be higher or lower than the CSES estimates.

Exhibit B

COMPARISON OF CSES AND LOGOTECH METHODOLOGIES	
<b>Similarities</b>	<ul style="list-style-type: none"><li>• Coverage of all of the major types of business entity.</li><li>• Measurement of the typical elapsed time taken to set up new business entities from the perspective of the entrepreneur.</li><li>• Collection of data on the non-mandatory costs (of professional advisors) associated with setting up a business.</li><li>• Focus on <u>all</u> mandatory activities that entrepreneurs and authorities must carry out to set up a new business.</li><li>• Excludes mandatory procedures associated with obtaining activity, sectoral and employment licences.</li></ul>
<b>Differences</b>	<ul style="list-style-type: none"><li>• <b>Data sources</b> – Logotech used a network of private sector correspondents to collect national data. National experts nominated by the EU Member States have supplied CSES data. Where necessary CSES's data was checked by national business organisations.</li><li>• <b>Age of the data</b> – the Logotech work is based on data from 1995/6, whereas CSES's estimates reflect the current (2001) situation.</li><li>• <b>Data collection methodology</b> – the Logotech estimates are based on a national workbook completed by each correspondent. The book specifies the coverage of the work at a high level only. Moreover, there is no obvious control mechanism to ensure comparability between countries and to ensure completeness of assessment. In contrast, the CSES data has been collected using a questionnaire that requires national experts to identify mandatory procedures prior to assessing the time and cost needed to undertake them. This ensures completeness and comparability. It also enhances the credibility and transparency of the overall process.</li><li>• <b>Coverage of estimates</b> – Logotech's estimates of time and cost do not appear to be on a consistent basis throughout the European Union. Results for some EU Member States, for example, exclude Pre-registration procedures; others exclude the notification of fiscal authorities. CSES estimates cover the same types of procedures in every EU Member State.</li></ul>

<sup>40</sup> Logotech European Innovation Monitoring System Publication no 58 'International Comparison of the Formal Requirements and Administrative Procedures required for the formation of SMEs of any Legal Status in the EU and other major countries' (1997)



### 3. OVERALL COMPARISON

The table below compares the results of the three studies (exhibit C).

Exhibit C

Country	Time to Set up a New Private Limited Company (Elapsed Business Days)		
	CSES	NBER	Logotech <sup>41</sup>
<i>Austria</i>	24	154	30
<i>Belgium</i>	32	42	25
<i>Denmark</i>	18	21	5
<i>Finland</i>	30	32	30
<i>France</i>	29	66	30
<i>Germany</i>	22	90	80
<i>Greece</i>	15	53	30
<i>Ireland</i>	8	25	15
<i>Italy</i>	35	121	35
<i>Luxembourg</i>	30	Not available	7
<i>Netherlands</i>	30	68	60
<i>Portugal</i>	26	99	30
<i>Spain</i>	24	83	117
<i>Sweden</i>	25	17	15
<i>United Kingdom</i>	7	11	5

In general, as expected, the estimates made by CSES are significantly lower than those made by NBER.

There is, however, no consistent relationship between CSES data and Logotech data. The estimates made by CSES are lower than those made by Logotech in six countries and higher in four countries. In some of the cases where the CSES data is lower, the difference can be explained by policy changes.

<sup>41</sup> Logotech data is based on elapsed weeks. This has been converted to elapsed business days on the basis of a five-day working week.

APPENDIX E – OPERATIONAL BENCHMARK DATA

Operational Benchmarks: Individual Enterprise

	A	B	DK	F	FIN	D	GR	I	IRL	LUX	NL	P	E	S	UK
	Einzel- unternehmen	Eenpersoons- Onderneming/ Entreprise Individuelle	enkeltmands- virksomhed	Commerçant	TMI	Kann- kaufmann	Atomiki epiheirisi	Impresa individuale commerciale	Sole trader	(description needed)	eemanszaak	Estabele- cimiento Individual	Empresario individual	Enskild Närings- idkare	Sole trader
<b>NO. OF PROCEDURES</b>															
Pre-registration	1	2	0	1	1	0	7	4	0	4	3	4	3	1	0
Registration	4	6	1	10	6	4	7	10	1	7	6	11	9	5	2
Total	5	8	1	11	7	4	14	14	1	11	9	15	12	6	2
<b>NO. OF CONTACT POINTS</b>															
Pre-registration	1	0	0	0	0	0	2	2	0	2	3	1	3	0	0
Registration	3	6	1	2	2	4	2	2	1	4	3	4	4	2	2
Total	4	6	1	2	2	4	4	4	1	6	6	5	7	2	2
<b>NO. OF OFFICIAL FORMS &amp; DOCUMENTS</b>															
Pre-registration	0	0	0	0	0	0	4	2	0	2	0	0	7	0	0
Registration	5	6	1	3	1	5	4	2	1	0	3	7	6	2	1
Total	5	6	1	3	1	5	8	4	1	2	3	7	13	2	1
<b>NO. OF OFFICIAL LICENCES, APPROVALS &amp; CONFIRMATION OF NOTIFICATIONS</b>															
Pre-registration	1	0	0	0	0	0	2	2	0	1	0	0	2	0	0
Registration	1	4	1	1	0	0	0	2	1	2	1	0	5	1	3
Total	2	4	1	1	0	0	2	4	1	3	1	0	7	1	3
<b>NO. OF PUBLIC &amp; PRIVATE BODIES INVOLVED</b>															
Pre-registration	1	0	0	0	0	0	2	2	0	2	3	0	3	0	0
Registration	3	6	1	7	3	4	2	2	1	5	3	4	4	2	3
Total	4	6	1	7	3	4	4	4	1	7	6	4	7	2	3

## Operational Benchmarks: General Partnership

	A	B	DK	F	FIN	D	GR	I	IRL	LUX	NL	P	E	S	UK
	OHG	SNC/VOF	Interessentskab	Societe en nom collectif	AY	GBR	omorythimietaria	SNC	General partnership	SENC	VOF	SNC	sociedad colectiva	handelsbolag	Partnership
<b>NO. OF PROCEDURES</b>															
Pre-registration	2	4	0	4	3	0	8	8	0	7	4	9	9	1	0
Registration	5	8	1	11	6	4	7	10	1	8	6	17	12	5	2
Total	7	12	1	15	9	4	15	18	1	15	10	26	21	6	2
<b>NO. OF CONTACT POINTS</b>															
Pre-registration	3	0	0	2	0	0	2	2	0	2	3	1	3	0	0
Registration	4	8	1	2	2	4	2	2	1	4	3	1	4	2	2
Total	7	8	1	4	2	4	4	4	1	6	6	2	7	2	2
<b>NO. OF OFFICIAL FORMS &amp; DOCUMENTS</b>															
Pre-registration	0	0	0	0	0	0	4	2	0	3	0	3	7	0	0
Registration	9	13	1	9	2	5	4	2	1	1	3	14	6	2	1
Total	9	13	1	9	2	5	8	4	1	4	3	17	13	2	1
<b>NO. OF OFFICIAL LICENCES, APPROVALS &amp; CONFIRMATION OF NOTIFICATIONS</b>															
Pre-registration	3	0	0	0	0	0	2	2	0	2	0	3	2	0	0
Registration	2	5	1	1	0	0	0	2	1	2	1	5	5	1	3
Total	5	5	1	1	0	0	2	4	1	4	1	8	7	1	3
<b>NO. OF PUBLIC &amp; PRIVATE BODIES INVOLVED</b>															
Pre-registration	0	0	0	0	0	0	2	2	0	2	0	5	3	0	0
Registration	4	9	1	10	3	4	2	2	1	5	4	5	4	2	3
Total	4	9	1	10	3	4	4	4	1	7	4	10	7	2	3

## Operational Benchmarks: Private Limited Company

	A	B	DK	F	FIN	D	GR	I	IRL	LUX	NL	P	E	S	UK	
	GesmbH	SPRL	ApS	SARL	Oy	GmbH	EPE	Srl	Ltd	SARL	BV	Lda	SL	AB	Ltd	
<b>NO. OF PROCEDURES</b>																
Pre-registration	8	11	5	8	7	2	12	11	6	10	9	9	11	6	6	
Registration	6	8	4	11	6	7	9	11	3	8	8	17	12	5	2	
Total	14	19	9	19	13	9	21	22	9	18	17	26	23	11	8	
<b>NO. OF CONTACT POINTS</b>																
Pre-registration	4	2	0	2	0	1	5	2	1	4	3	1	3	1	0	
Registration	4	8	2	2	3	4	4	2	2	3	3	1	5	2	3	
Total	8	10	2	4	3	5	9	4	3	7	6	2	8	3	3	
<b>NO. OF OFFICIAL FORMS &amp; DOCUMENTS</b>																
Pre-registration	0	2	0	0	4	2	10	2	0	3	3	5	7	0	4	
Registration	10	15	6	9	6	4	7	2	3	1	4	15	5	8	1	
Total	10	17	6	9	10	6	17	4	3	4	7	20	12	8	5	
<b>NO. OF OFFICIAL LICENCES, APPROVALS &amp; CONFIRMATION OF NOTIFICATIONS</b>																
Pre-registration	4	1	0	0	0	0	1	2	0	1	0	3	2	0	0	
Registration	2	6	2	3	0	1	2	2	2	2	1	6	5	1	4	
Total	6	7	2	3	0	1	3	4	2	3	1	9	7	1	4	
<b>NO. OF PUBLIC &amp; PRIVATE BODIES INVOLVED</b>																
Pre-registration	4	2	0	0	0	1	5	2	1	4	0	5	3	1	0	
Registration	4	11	2	10	4	5	4	2	2	5	4	5	5	2	4	
Total	8	13	2	10	4	6	9	4	3	9	4	10	8	3	4	

## Operational Benchmarks: Public Limited Company

	A	B	DK	F	FIN	D	GR	I	IRL	LUX	NL	P	E	S	UK
	AG	SA/NV	A/S	SA	Oyj	AG	AE	SpA	PLC	SA	NV	SA	SA	AB	PLC
<b>NO. OF PROCEDURES</b>															
Pre-registration	8	11	6	11	7	6	14	12	7	11	9	10	11	6	6
Registration	6	8	4	11	6	7	10	11	4	8	8	17	12	5	3
Total	14	19	10	22	13	13	24	23	11	19	17	27	23	11	9
<b>NO. OF CONTACT POINTS</b>															
Pre-registration	4	2	0	4	0	2	5	2	1	4	3	1	3	1	0
Registration	4	8	2	2	3	4	4	2	2	3	3	1	4	2	3
Total	8	10	2	6	3	6	9	4	3	7	6	2	7	3	3
<b>NO. OF OFFICIAL FORMS &amp; DOCUMENTS</b>															
Pre-registration	0	2	0	0	4	1	6	2	0	3	3	5	7	0	4
Registration	10	15	7	12	6	7	4	2	4	1	4	14	6	8	1
Total	10	17	7	12	10	8	10	4	4	4	7	19	13	8	5
<b>NO. OF OFFICIAL LICENCES, APPROVALS &amp; CONFIRMATION OF NOTIFICATIONS</b>															
Pre-registration	4	1	0	0	0	0	2	2	0	1	0	3	2	0	0
Registration	2	6	2	2	0	1	2	2	3	2	1	5	5	1	4
Total	6	7	2	2	0	1	4	4	3	3	1	8	7	1	4
<b>NO. OF PUBLIC &amp; PRIVATE BODIES INVOLVED</b>															
Pre-registration	4	2	0	0	0	2	6	2	1	4	0	5	3	1	0
Registration	4	11	2	10	4	5	4	2	2	5	4	5	4	2	4
Total	8	13	2	10	4	7	10	4	3	9	4	10	7	3	4

**APPENDIX F – MAPS OF INDIVIDUAL PROCEDURES**

**PRE-REGISTRATION STAGE – MAIN MANDATORY PROCEDURES CHECKLIST - INDIVIDUAL ENTERPRISE**

<b>Procedure</b>	<b>A</b>	<b>B</b>	<b>DK</b>	<b>F</b>	<b>FI</b>	<b>DE</b>	<b>GR</b>	<b>IT</b>	<b>IR</b>	<b>LU</b>	<b>NL</b>	<b>PO</b>	<b>ES</b>	<b>SW</b>	<b>UK</b>
<i>Formal approval of proposed name</i>							√				√	√			
<i>Confirm skills/qualifications with authorities (if applicable to all new enterprises)</i>										√					
<i>Obtain certificate of no outstanding taxes</i>							√								
<i>Obtain certificate of “good character” (no criminal record, etc.)</i>	√						√	√		√					
<i>Obtain overall permit to conduct economic activity (if applicable to all new enterprises)</i>		√						√		√		√			
<i>Complete management training course (if applicable to all new enterprises)</i>															
<i>Registration of domicile of business</i>							√	√			√	√	√		
<i>Formal validation of signatures of representatives of the business</i>											√		√		
<i>Notary draws up (or confirms) formal deed of incorporation/partnership agreement/registration deed</i>															
<i>Founders (or advisers) draw up formal deed of incorporation/partnership agreement/registration deed</i>															
<i>Appoint Board Members/Manager</i>															
<i>Open bank account and deposit capital</i>															
<i>Obtain certificate from bank of capital deposited</i>															
<i>Audit report on deed of incorporation/foundation report or equivalent</i>															
<i>Create financial plan to show viability</i>															
<i>Hold statutory meetings (shareholders/ subscribers, approval of foundation report by board, etc.)</i>															
<i>Shares offered for subscription</i>															
<i>Lawyer or notary certifies documents for submission to registration authorities</i>															
<i>Prepare dossier for registration authorities</i>		√		√	√		√	√		√		√	√	√	
<i>Certificate of all social security charges paid</i>							√								
<i>Certificate of all compulsory healthcare paid</i>							√								
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>7</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>0</b>

**PRE-REGISTRATION STAGE – MAIN MANDATORY PROCEDURES CHECKLIST - GENERAL PARTNERSHIP**

**Procedure**

Formal approval of proposed name  
 Confirm skills/qualifications with authorities (if applicable to all new enterprises)  
 Obtain certificate of no outstanding taxes  
 Obtain certificate of “good character” (no criminal record, etc.)  
 Obtain overall permit to conduct economic activity (if applicable to all new enterprises)  
 Complete management training course (if applicable to all new enterprises)  
 Registration of domicile of business  
 Formal validation of signatures of representatives of the business  
 Notary draws up (or confirms) formal deed of incorporation/partnership agreement/registration deed  
 Founders (or advisers) draw up formal deed of incorporation/partnership agreement/registration deed  
 Appoint Board Members/Manager  
 Open bank account and deposit capital  
 Obtain certificate from bank of capital deposited  
 Audit report on deed of incorporation/foundation report or equivalent  
 Create financial plan to show viability  
 Hold statutory meetings (shareholders/ subscribers, approval of foundation report by board, etc.)  
 Shares offered for subscription  
 Lawyer or notary certifies documents for submission to registration authorities  
 Prepare dossier for registration authorities  
 Certificate of all social security charges paid  
 Certificate of all compulsory healthcare paid  
 Obtain certificate of management skills  
**TOTAL**

A	B	DK	F	FI	DE	GR	IT	IR	LU	NL	PO	ES	SW	UK
						√	√		√	√	√	√		
									√					
						√								
√						√	√		√					
	√						√		√		√			
						√	√			√	√	√		
√										√	√	√		
			√				√			√	√	√		
	√			√		√	√		√			√		
			√				√		√		√	√		
											√	√		
				√								√		
	√													
	√													
	√													
<b>2</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>3</b>	<b>0</b>	<b>8</b>	<b>8</b>	<b>0</b>	<b>7</b>	<b>4</b>	<b>9</b>	<b>9</b>	<b>1</b>	<b>0</b>

**PRE-REGISTRATION STAGE – MAIN MANDATORY PROCEDURES CHECKLIST - PRIVATE LIMITED COMPANY**

**Procedure**

Formal approval of proposed name  
 Confirm skills/qualifications with authorities (if applicable to all new enterprises)  
 Obtain certificate of no outstanding taxes  
 Obtain certificate of “good character” (no criminal record, etc.)  
 Obtain overall permit to conduct economic activity (if applicable to all new enterprises)  
 Complete management training course (if applicable to all new enterprises)  
 Registration of domicile of business  
 Formal validation of signatures of representatives of the business  
 Notary draws up (or confirms) formal deed of incorporation/partnership agreement/registration deed  
 Founders (or advisers) draw up formal deed of incorporation/partnership agreement/registration deed  
 Appoint Board Members/Manager  
 Open bank account and deposit capital  
 Obtain certificate from bank of capital deposited  
 Audit report on deed of incorporation/foundation report or equivalent  
 Create financial plan to show viability  
 Hold statutory meetings (shareholders/ subscribers, approval of foundation report by board, etc.)  
 Shares offered for subscription  
 Lawyer or notary certifies documents for submission to registration authorities  
 Prepare dossier for registration authorities  
 Certificate of all social security charges paid  
 Certificate of all compulsory healthcare paid  
 Obtain certificate of management skills  
**TOTAL**

A	B	DK	F	FI	DE	GR	IT	IR	LU	NL	PO	ES	SW	UK
			√			√	√		√	√	√	√		
									√					
						√								
√						√	√		√	√				
	√						√		√		√			
						√	√			√	√	√		
√			√		√	√	√		√	√	√	√		
√	√	√	√	√		√	√	√	√	√	√	√	√	√
√	√	√	√	√		√	√		√	√	√	√	√	√
	√													
	√													
√			√	√			√	√	√	√		√	√	√
	√			√						√		√		
√	√							√	√					√
	√	√	√	√		√	√	√		√	√	√	√	√
						√								
						√								
	√													
<b>8</b>	<b>11</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>2</b>	<b>12</b>	<b>11</b>	<b>6</b>	<b>10</b>	<b>9</b>	<b>9</b>	<b>11</b>	<b>6</b>	<b>6</b>



**PRE-REGISTRATION STAGE – MAIN MANDATORY PROCEDURES CHECKLIST - PUBLIC LIMITED COMPANY**

**Procedure**

Formal approval of proposed name  
 Confirm skills/qualifications with authorities (if applicable to all new enterprises)  
 Obtain certificate of no outstanding taxes  
 Obtain certificate of “good character” (no criminal record, etc.)  
 Obtain overall permit to conduct economic activity (if applicable to all new enterprises)  
 Complete management training course (if applicable to all new enterprises)  
 Registration of domicile of business  
 Formal validation of signatures of representatives of the business  
 Notary draws up (or confirms) formal deed of incorporation/partnership agreement/registration deed  
 Founders (or advisers) draw up formal deed of incorporation/partnership agreement/registration deed  
 Appoint Board Members/Manager  
 Open bank account and deposit capital  
 Obtain certificate from bank of capital deposited  
 Audit report on deed of incorporation/foundation report or equivalent  
 Create financial plan to show viability  
 Hold statutory meetings (shareholders/ subscribers, approval of foundation report by board, etc.)  
 Shares offered for subscription  
 Lawyer or notary certifies documents for submission to registration authorities  
 Prepare dossier for registration authorities  
 Certificate of all social security charges paid  
 Certificate of all compulsory healthcare paid  
 Obtain certificate of management skills  
**TOTAL**

A	B	DK	F	FI	DE	GR	IT	IR	LU	NL	PO	ES	SW	UK
			√			√	√		√	√	√	√		
									√					
						√								
√						√	√		√	√				
	√						√		√		√			
						√	√			√	√	√		
√			√		√						√	√		
√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
	√		√			√								
	√													
√		√	√	√		√	√	√	√	√		√	√	√
	√		√	√			√	√	√	√	√	√		
√	√							√	√					√
	√	√	√	√	√	√	√	√		√	√	√	√	√
						√								
	√													
<b>8</b>	<b>11</b>	<b>6</b>	<b>11</b>	<b>7</b>	<b>6</b>	<b>14</b>	<b>12</b>	<b>7</b>	<b>11</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>6</b>	<b>6</b>

**REGISTRATION STAGE – MAIN MANDATORY PROCEDURES CHECKLIST - INDIVIDUAL ENTERPRISE**

**Procedure**

	A	B	DK	F	FI	DE	GR	IT	IR	LU	NL	PO	ES	SW	UK
<i>Legal announcement in newspapers</i>															
<i>Submit registration dossier to “one-stop-shop”</i>		√		√											
<i>Seek approval for registration from Commercial Court/Court of First Instance or equivalent</i>							√								
<i>Seek approval from Companies Agency or equivalent</i>															
<i>Seek approval for registration from local/municipal authorities</i>															
<i>Seek approval for registration from central government</i>												√			
<i>Approval of name by official agency</i>					√						√			√	
<i>Register (notify) with Commercial Court/Trade Register/Companies Agency/Craft Register or equivalent</i>		√		Via SAP	√			√		√		√	√	√	
<i>Register with Trade Association/Chamber of Commerce</i>	√					√	√	√		√	√		√		
<i>Tax Office or equivalent stamps/certify company records or account books</i>		√		Via SAP			√								
<i>Publish registration in Official Journal or equivalent</i>				√										√	
<i>Apply for tax identification card/number</i>					√		√	√		√	√	√	√	√	
<i>Apply for opening licence from local/municipal authorities</i>								√				√	√		
<i>Obtain mandatory pension insurance</i>					√		√	√		√					
<i>Obtain mandatory civil insurance, e.g. employers liability</i>								√				√			
<i>Notify Tax Office (all taxes)</i>			√		√	√	√	√	√	√	√	√	√	√	√
<i>Notify Social Security Office or insurance fund</i>	√	√		Via SAP			√			√		√	√		
<i>Notify VAT Office</i>	√	√		Via SAP	√			√		√		√	√		√
<i>Notify Business Tax Office</i>	√	√		Via SAP				√				√			
<i>Notify National Statistical Office</i>				Via SAP							√				
<i>Notify Ministry of Labour</i>				Via SAP								√			
<i>Notify local/municipal tax authorities</i>						√		√			√	√	√		
<i>Notify other local/municipal authorities of registration</i>													√		
<i>Tax office verifies business domicile</i>															
<i>Notify Post Office</i>				√											
<i>Compulsory accident insurance</i>						√									
<b>TOTAL</b>	<b>4</b>	<b>6</b>	<b>1</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>7</b>	<b>10</b>	<b>1</b>	<b>7</b>	<b>6</b>	<b>11</b>	<b>9</b>	<b>5</b>	<b>2</b>

SAP = Single Access Point

**REGISTRATION STAGE – MAIN MANDATORY PROCEDURES CHECKLIST - GENERAL PARTNERSHIP**

**Procedure**

- Legal announcement in newspapers*
- Submit registration dossier to “one-stop-shop”*
- Seek approval for registration from Commercial Court/Court of First Instance or equivalent*
- Seek approval from Companies Agency or equivalent*
- Seek approval for registration from local/municipal authorities*
- Seek approval for registration from central government*
- Approval of name by official agency*
- Register (notify) with Commercial Court/Trade Register/Companies Agency/Craft Register or equivalent*
- Register with Trade Association/Chamber of Commerce*
- Tax Office or equivalent stamps/certify company records or account books*
- Publish registration in Official Journal or equivalent*
- Apply for tax identification card/number*
- Apply for opening licence from local/municipal authorities*
- Obtain mandatory pension insurance*
- Obtain mandatory civil insurance, e.g. employers’ liability*
- Notify Tax Office (all taxes)*
- Notify Social Security Office or insurance fund*
- Notify VAT Office*
- Notify Business Tax Office*
- Notify National Statistical Office*
- Notify Ministry of Labour*
- Notify local/municipal tax authorities*
- Notify other local/municipal authorities of registration*
- Tax office verifies business domicile*
- Notify Post Office*
- Compulsory accident insurance*

A	B	DK	F	FI	DE	GR	IT	IR	LU	NL	PO	ES	SW	UK
	√		√								√			
	√		√											
	√					√					√			
											√			
											√	√		
				√						√	√	√	√	
√	√		Via SAP	√			√		√		√	√	√	
√					√	√	√		√	√		√		
	√		Via SAP			√					√			
			√						√		√	√	√	
				√		√	√		√	√	√	√	√	
				√		√	√		√					
		√		√	√	√	√	√	√	√	√	√	√	√
√	√		Via SAP			√			√		√	√		
√	√		Via SAP	√			√		√		√	√		√
√	√		Via SAP				√				√			
			Via SAP							√				
			Via SAP								√			
					√		√			√	√	√		
												√		
			√											
					√									
<b>5</b>	<b>8</b>	<b>1</b>	<b>11</b>	<b>6</b>	<b>4</b>	<b>7</b>	<b>10</b>	<b>2</b>	<b>8</b>	<b>6</b>	<b>17</b>	<b>12</b>	<b>5</b>	<b>2</b>

SAP = Single Access Point

**REGISTRATION STAGE – MAIN MANDATORY PROCEDURES CHECKLIST - PRIVATE LIMITED COMPANY**

**Procedure**

Legal announcement in newspapers  
 Submit registration dossier to “one-stop-shop”  
 Seek approval for registration from Commercial Court/Court of First Instance or equivalent  
 Seek approval from Companies Agency or equivalent  
 Seek approval for registration from local/municipal authorities  
 Seek approval for registration from central government  
 Approval of name by official agency  
 Register (notify) with Commercial Court/Trade Register/Companies Agency/Craft Register or equivalent  
 Register with Trade Association/Chamber of Commerce  
 Tax Office or equivalent stamps/certify company records or account books  
 Publish registration in Official Journal or equivalent  
 Apply for tax identification card/number  
 Apply for opening licence from local/municipal authorities  
 Obtain mandatory pension insurance  
 Obtain mandatory civil insurance, e.g. employers’ liability  
 Notify Tax Office (all taxes)  
 Notify Social Security Office or insurance fund  
 Notify VAT Office  
 Notify Business Tax Office  
 Notify National Statistical Office  
 Notify Ministry of Labour  
 Notify local/municipal tax authorities  
 Notify other local/municipal authorities of registration  
 Tax office verifies business domicile  
 Notify Post Office  
 Compulsory accident insurance

A	B	DK	F	FI	DE	GR	IT	IR	LU	NL	PO	ES	SW	UK
	√		√		√	√				√	√			
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<b>6</b>	<b>8</b>	<b>4</b>	<b>11</b>	<b>6</b>	<b>7</b>	<b>9</b>	<b>11</b>	<b>3</b>	<b>8</b>	<b>8</b>	<b>17</b>	<b>12</b>	<b>5</b>	<b>3</b>

SAP = Single Access Point

**REGISTRATION STAGE – MAIN MANDATORY PROCEDURES CHECKLIST - PUBLIC LIMITED COMPANY**

**Procedure**

Legal announcement in newspapers  
 Submit registration dossier to “one-stop-shop”  
 Seek approval for registration from Commercial Court/Court of First Instance or equivalent  
 Seek approval from Companies Agency or equivalent  
 Seek approval for registration from municipal authorities  
 Seek approval for registration from central government  
 Approval of name by official agency  
 Register (notify) with Commercial Court/Trade Register/Companies Agency/Craft Register or equivalent  
 Register with Trade Association/Chamber of Commerce Tax Office or equivalent stamps/certify company records or account books  
 Publish registration in Official Journal or equivalent  
 Apply for tax identification card/number  
 Apply for opening licence from local/municipal authorities  
 Obtain mandatory pension insurance  
 Obtain mandatory civil insurance, e.g. employers’ liability  
 Notify Tax Office (all taxes)  
 Notify Social Security Office or insurance fund  
 Notify VAT Office  
 Notify Business Tax Office  
 Notify National Statistical Office  
 Notify Ministry of Labour  
 Notify local/municipal tax authorities  
 Notify other local/municipal authorities of registration  
 Notify Post Office  
 Compulsory accident insurance  
 Tax office verifies business domicile  
 Obtain certificate of trading  
**TOTAL**

A	B	DK	F	FI	DE	GR	IT	IR	LU	NL	PO	ES	SW	UK
	√		√		√	√				√	√			
	√		√											
	√										√			
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<b>6</b>	<b>8</b>	<b>4</b>	<b>11</b>	<b>6</b>	<b>7</b>	<b>10</b>	<b>11</b>	<b>4</b>	<b>8</b>	<b>8</b>	<b>17</b>	<b>12</b>	<b>5</b>	<b>3</b>

SAP = Single Access Point

## APPENDIX G

### EXAMPLES OF GOOD PRACTICES

#### 1. AUSTRIA (LAW FOR THE SUPPORT OF YOUNG ENTREPRENEURS)

This reform, enacted in 1999, reduces the overall level of mandatory costs incurred by entrepreneurs when setting up new businesses in Austria. It does this by removing the requirement for entrepreneurs to pay for a certificate of good character, for registration at the Commercial Court, for a business licence (from local government), and for membership of the Chamber of Commerce and Industry. The reform also provides assistance to new enterprises because it allows for reductions in non-wage (tax) costs of employees during the initial 12 months after a business is formed.

These reforms are believed to have contributed to higher levels of entrepreneurial activity in Austria since 1999.

This case illustrates reforms to two drivers of performance:

- Availability of information and support for prospective entrepreneurs; and,
- Level of mandatory costs.

#### 2. BELGIUM (SIMPLIFICATION OF PROCEDURES TO SET-UP A NEW ENTERPRISE)

As part of a wider programme of administrative simplification, the Belgian government has orchestrated a process to simplify the mandatory procedures to set-up a new enterprise. A major review of administrative obligations has been undertaken. This has eliminated duplication and reduced the number of procedures. To consolidate these improvements, a single identification number has been introduced and a single registry of all business details has been set up.

It is expected that these reforms will reduce the time needed to set up a new enterprise by up to 10 days.

This case illustrates reforms to three drivers of performance:

- Use of ICT within government;
- Administrative procedures; and,
- Documentary requirements

#### 3. DENMARK (REMOVAL OF REGISTRATION COSTS)

Introduced in 1997, this reform abolishes all mandatory registration fees and taxes for the setting-up of new Public and Private Limited Companies. Administrative activity within the Danish Commerce and Companies Agency is also reduced. And, the introduction of ICT-based registration is made easier because administrative procedures have been simplified.

Taken together, these changes have reduced the cost and time needed to register a new incorporated entity in Denmark

This case illustrates how a Member State reformed one of the principal drivers of performance: the level of mandatory costs.

#### **4. DENMARK (ON-LINE REGISTRATION AND WEB SITE)**

Since 1999, it has been possible for founders of new incorporated entities to file all registration documents with the Danish Commerce and Companies Agency using the Internet. New ICT tools and the creation of electronic signatures ensure that the data is of high quality and legally-binding.

These changes have reduced the cost and time needed to set up a new incorporated entity in Denmark. Electronic filing makes it easier for prospective entrepreneurs to perform registration themselves, rather than using a lawyer. It also makes screening procedures easier within the government agency.

This case illustrates reforms to four drivers of performance:

- Use of ICT within government;
- Administrative procedures;
- Documentary requirements; and,
- Availability of information and support.

#### **5. FINLAND (SINGLE REGISTER FOR BUSINESS REGISTRATION AND ALL TAXES)**

The Business Information System, set up in 2001, is an information system maintained jointly by the National Board of Patents and Registration of Finland and the National Board of Taxes. It enables prospective entrepreneurs to file all information for the Trade Register, VAT register, and Business Tax register in one single form. It removes the need for multiple registrations.

The system is new, and its impact has yet to be assessed.

This case illustrates how a Member State reformed one of the principal drivers of performance: the scale and complexity of administrative procedures.

#### **6. FRANCE (SINGLE ACCESS POINTS)**

Since 1994, all new businesses must register through a '*Centre de Formalite des Entreprises*' (CFE), a single access point. These one-stop-shops allow a prospective entrepreneur to file all of the declarations and documents needed to set up a new enterprise in one go. The CFE then forwards the documents and declarations to the relevant government departments and courts who must approve or record a new business entity.

The CFE structure had reduced the number of government and private bodies that a prospective entrepreneur must contact to set up a new business.

This case illustrates how a Member State reformed one of the principal drivers of performance: the scale and complexity of administrative procedures.

#### **7. FRANCE (SINGLE REGISTRATION FORM)**

In 1994, the number of official forms that an entrepreneur must submit to register a new business was reduced to four. This was a by-product of the decision to establish single access points (CFEs). Skilful design of the documents enables each public or private body involved in the process of registration to receive only the information that is relevant to them.

This reform has reduced errors between the different bodies involved in the registration process. It has also made the submission of documents easier for prospective entrepreneurs.

This case illustrates how a Member State reformed one of the principal drivers of performance: the scale and complexity of documentary requirements.

## **8. GERMANY (LOCAL AUTHORITY BUSINESS NOTIFICATION UNITS)**

Two different actions are necessary to start a business in Germany:

- Businesses have to be registered in the trade register of the district court; and,
- Anyone carrying on a trade or business has to notify his or her business to the “Local Authority Business Notification Unit”. The Local Authority Business Notification Units transfer the relevant information of the notification to the following public bodies: tax authority, chamber of commerce or chamber of handicrafts, business accident insurance offices, labour office, health insurance office and statistics office.

Thanks to the system of “Local Authority Business Notification Units” further notifications by the entrepreneur himself are not necessary only one document is required. In general, the announcement takes three days. Afterwards the founder can start his business immediately. This simplifies the administrative procedures and reduces the time needed for starting a new business. Methods of providing electronic business announcement are being examined.

This case illustrates reforms to two drivers of performance:

- Administrative procedures; and,
- Documentary requirements.

## **9. GERMANY (‘BIT’ PROGRAMME – DATABASE OF PROCEDURES FOR DIFFERENT TYPES OF NEW BUSINESSES)**

The BIT programme uses database technology to help public officials identify the different sectoral, employment, and activity licences needed for different new entities. It brings together the specialist knowledge about licence requirements held by different licensing offices. It provides links to forms and competent authorities. Access to the data is based on the specific characteristics of each new enterprise.

This is a new programme and its impact has yet to be assessed.

This case illustrates reforms to two drivers of performance:

- Use of ICT within government; and,
- Administrative procedures.

## **10. GREECE (REDUCTION IN ‘SCREENING’ REQUIREMENTS FOR SMALL PUBLIC LIMITED COMPANIES)**

This recent legal reform, enacted in 2001, reduces the screening procedures for new Public Limited Companies with issued capital of less than Euro 300,000. It also eliminates the need for prospective entrepreneurs to deal with the same government body on two or more occasions during the process of registration and takes away the requirement for different government departments to check up on each other. Documentary requirements will also be reduced.

This reform will reduce the time needed to carry out the “Registration Phase” from an average of 60 elapsed business days to less than 15.

This case illustrates how a Member State reformed one of the principal drivers of performance: the scale and complexity of legal requirements.



## **11. IRELAND ('CRODISK' – ELECTRONIC DATA SUBMISSION)**

In 1999, the Irish Companies Registration Office (CRO) introduced an electronic company incorporation scheme. CRODisk is a hybrid paper and electronic system. Using the CRO's software package, approved company promoters input the requisite data, print a paper copy for signatures and download the data onto a diskette. The diskette and paper copy are then submitted to CRO with a pre-approved memorandum and articles of association. The data, if correct, is up-loaded directly into CRO's computer data processing system.

This reform has reduced the minimum time for the Registration procedure from 10 elapsed business days to only 3.

This case illustrates reforms to three drivers of performance:

- Use of ICT within government;
- Administrative procedures; and,
- Documentary requirements.

## **12. ITALY (ASSISTANCE WITH START-UPS – GOVERNMENT PROGRAMME)**

In 2000, Sviluppo Italia (the Italian Government Agency for Business Promotion and Development) set up new, integrated programmes to support prospective entrepreneurs. These combine financial incentives, technical assistance, and training.

These new programmes have expanded the availability of support for new entrepreneurs and stimulated entrepreneurial activity.

This case illustrates how a Member State reformed one of the principal drivers of performance: the availability of information and support for prospective entrepreneurs.

## **13. ITALY (ELECTRONIC LINKS TO SINGLE ACCESS POINT – CHAMBERS OF COMMERCE AND INDUSTRY)**

Until the mid-1990s, the procedures used by the Chamber of Commerce were paper-based. In 1996, the Trade Registrar's office introduced technology based on IT. This facilitated the streamlining of procedures and led to a considerable increase in the range of services offered to firms. At the end of 2001, the introduction of digital signatures will allow the establishment of data transmission links between companies, notaries, Chambers of Commerce and Trade Associations.

Use of new technology allows prospective entrepreneurs to submit registration documents on magnetic storage media to a single access point, to gain access electronically to information about business names, and to obtain relevant certificates using the Internet. Existing enterprises will be able to submit statutory returns electronically.

This is a new programme and its impact has yet to be assessed.

This case illustrates reforms to two drivers of performance:

- Use of ICT within government; and,
- Administrative procedures.

#### **14. LUXEMBOURG (SINGLE ACCESS POINTS)**

Since 1999, registration of a new enterprise in Luxembourg has taken place through a single access point operated jointly by the Chamber of Commerce and the Chamber of Professions. This administrative and institutional reform allows prospective entrepreneurs to have a single contact point for all registration formalities. The new single access point is responsible for ensuring that registration is submitted to the relevant court for approval and that all relevant public and private bodies are informed of the existence of a new enterprise.

This reform has simplified the process of registration for an entrepreneur. It is, however, a new programme and its impact has yet to be assessed.

This case illustrates how a Member State reformed one of the principal drivers of performance: the scale and complexity of administrative procedures.

#### **15. NETHERLANDS (REDUCTION IN MANDATORY BUSINESS QUALIFICATIONS)**

In 2001, the Netherlands reformed its Establishment Law to reduce substantially the number of trades and professions for which general business qualifications were mandatory before an entrepreneur could set up a new enterprise. Such qualifications could take between six months and one year to acquire.

This change reduces the obstacles to setting up a new business. It is, however, a new programme and its impact has yet to be assessed.

This case illustrates how a Member State reformed one of the principal drivers of performance: the scale and complexity of legal requirements.

#### **16. PORTUGAL (SINGLE ACCESS POINTS)**

In 1997, Portugal established a network of Business Formalities Centres (BFC) to reduce the time needed to set up a new enterprise. The BFC's bring together in the same location five government bodies: the National Register of Collective Entities, the Notary's Office, the Tax Registration Centre, and the Social Security Centre. Registration, however, is still undertaken by the regional Trade Register Centre.

BFC's have reduced the average time needed to set up a new entity in Portugal from over 80 elapsed business days to less than 30.

This case illustrates how a Member State reformed one of the principal drivers of performance: the scale and complexity of administrative procedures.

#### **17. SPAIN (SINGLE ACCESS POINT)**

In 1999, a network of "Single Access Points" was set up in Spain. These facilitate the foundation of new enterprises. Specifically, they provide advice to prospective entrepreneurs; they are a single point of contact for submission of all documents needed to set up a new enterprise; and, they transmit documents to all government bodies involved in business registration. New ICT tools are used to facilitate the process of transmitting information between government bodies.

The network has contributed to a major reduction in the typical time needed to comply with the mandatory requirements to set up a new business.

This case illustrates reforms to two performance drivers:

- Administrative processes; and
- The use of ICT in government

## **18. SWEDEN 'KONTAKT-N' PROGRAMME – SINGLE ELECTRONIC FILING FOR REGISTRATION AND ALL TAXES)**

'Kontakt-N' is a joint project for co-operation between the Swedish National Tax Board, the Swedish Patent and Registration Office, and the Swedish National Board for Industrial and Technical Development. The aim of the project is to make it easier to start a new business, by providing access to an Internet solution that will co-ordinate the registration procedures carried out by the authorities. It will provide a single electronic access point for registration and taxation and will facilitate parallel processing of applications by different authorities. It will also stimulate a general simplification and standardisation of the reporting of information from businesses.

This is a new project and is, as yet, incomplete.

This case illustrates reforms to four drivers of performance:

- Use of ICT within government;
- Administrative procedures;
- Documentary requirements; and,
- Availability of information and support.

## **19. UNITED KINGDOM (MANAGEMENT TARGETS AND STAFF BONUSES)**

In the late 1980s, Companies House (the registration agency for England and Wales) introduced a "Staff Bonus Scheme" designed to encourage and reward improved performance. There is a range of targets at different-levels within the agency. Some focus on the performance of the agency while others are confined to individual departments or projects. Performance against the targets is measured periodically and bonuses are paid to most staff if targets are achieved. The amount of the overall "bonus pool" is determined by the extent to which each target is met. Employees receive the same amount of bonus regardless of seniority.

This programme has helped to improve the efficiency and effectiveness of Companies House. In turn, this has contributed to a progressive reduction in the time needed to set up a new incorporated entity in England and Wales.

This case illustrates how a Member State reformed one of the principal drivers of performance: management processes.

## **20. UNITED KINGDOM (WEB SITE AND ON-LINE FILING)**

In 2001, Companies House established an on-line registration process that allows prospective entrepreneurs to submit all of the information needed to set up a new incorporated entity in a legally-binding way. At present it is confined to a number of registered company formation agents. This builds on the existing web site that provides considerable information, including name availability, statutory forms, and guidance notes. There are also links to web sites run by the business tax and VAT authorities.

This reform will reduce the time needed for registration to less than one working day.

This case illustrates reforms to four drivers of performance:

- Use of ICT within government;
- Administrative procedures;
- Documentary requirements; and,
- Availability of information and support.

**21. UNITED KINGDOM (SINGLE NOTIFICATION, BY TELEPHONE, FOR BUSINESS TAXES AND SOCIAL CHARGES)**

Since the mid-1990s, registration for business tax and social security has been simplified through the provision of a single access point. Maintained by the Inland Revenue, this facility allows entrepreneurs to notify tax and social security authorities through a single telephone call. Registration is completed on the same day as the phone call or contact with a local Inland Revenue office. This allows tax and social security payments to begin immediately.

This reform has reduced the time needed to register new businesses in England and Wales.

This case illustrates how a Member State reformed one of the principal drivers of performance: the scale and complexity of administrative procedures.

## **APPENDIX H**

### **BEST PRACTICES CASE STUDIES**

#### **CASES**

<b>Country</b>	<b>Case Study</b>
Austria	Law for the Support of Young Enterprises
Denmark	On-line Registration and Web Site
France	Single Registration Form
Germany	Local Authority Business Announcement Units
Greece	Reduction of Screening Procedures for Small PLCs
Ireland	CRODisk System
Italy	Assistance with Start-ups Programme
Netherlands	Reduction in Business Qualifications
Portugal	Single Access Points
United Kingdom	Management Targets and Staff Bonuses

## **1. AUSTRIA (LAW FOR THE SUPPORT OF YOUNG ENTERPRISES/BUSINESS START-UPS ('Neugründungsförderungsgesetz/NeuFöG'))**

### **COUNTRY BACKGROUND**

The structure of the Austrian national economy is dominated by SMEs. Up to 85 % of the enterprises employ less than 10 persons; further 12,7 % between 10 and 49. 0,4 % have more than 250 employees. On the other hand, companies with less than 50 employees account for only 46% of the total number of jobs in Austria.

However, the economic impact of smaller enterprises is less pervasive. 97.6 % of companies, those with less than 50 employees, generate only 36,3% of the Austrian-wide sales, whereas 0,4% of the companies, those with more than 250 employees, generate more than 42% of sales.

Despite this, recent increases in employment have been recorded predominantly in companies with less than 250 employees. Larger companies have reduced jobs in the same time period.

To set up a new enterprise, an entrepreneur must define and register the enterprise; obtain a certificate of good character; register for a business license; and pay an incorporation fee to the Chamber of Commerce and Industry. With the exception of payments to a notary to register the business, the overall procedure incurs no mandatory costs for a young enterprise.

### **PREVIOUS SITUATION**

Until the mid-1990s, between 12,000 and 14.000 new enterprises were founded in Austria on average each year. As a result of changes in the legislative framework (obligatory social insurance for self-employed), the business environment (more outsourcing and unemployment), and social attitudes towards entrepreneurship there was an increase up to more than 19,000 start-ups in 1996.

However, the number of procedures needed to set up a business was high as were the mandatory costs of registration. For example:

- Individual enterprise - Euro 200,- business license; Euro 150,- incorporation-fee;
- General partnership –Euro 200,- business license; Euro 200,- trade register; Euro 150,- incorporation fee;
- Private limited – Euro 250,-business license; Euro 250,- trade register; Euro 300,- incorporation-fee; and,
- Public limited – Euro 250,-business license; Euro 250,- trade register; Euro 300,- incorporation-fee

### **REASONS FOR CHANGE**

Although for most new entrepreneurs start-up-costs of between Euro 350 and Euro 800 should not be a practical constraint, many prospective entrepreneurs saw it as a payment for bureaucracy and administration. Moreover, the new entrepreneur did not see any benefit from these payments. On the contrary they were considered as an obstacle in terms of estimates of efforts, future plans, and financial demands.

Convinced that the financial, legal, and mental 'environment' for young entrepreneurs must be improved, the Austrian government installed „NeuFöG“ in May 1999.

### **CHANGES INTRODUCED**

All categories of mandatory cost have been removed for all start-ups where the entrepreneurs start activity for the first time in a new sector and if a new company-infrastructure is created. Additional benefits include a 7% reduction in the entrepreneur's contributions to social insurance for employees in the first year.

## **BENEFITS**

Direct benefits include:

- Cheaper and easier for young entrepreneurs to start up business or a company;
- Reduction of bureaucracy (handling, payment-procedures, time, resources, etc.);
- Young entrepreneurs feel more accepted by society and more recognized by government; and,
- More motivation for more people to set up a business

In turn, the scheme has had wider positive impacts on the Austrian economy. There have been more start-ups and, on average, a start-up creates 3 - 5 new jobs within 5 years. More entrepreneurial activity has, moreover, increased the flexibility and output of the national economy. Higher income and sales taxes, for example, have more than offset the fiscal losses from the removal of charges and licence-fees.

## **LESSONS LEARNT**

The scheme has helped to create more positive conditions for start-ups. Entrepreneurs feel recognized and valued by government and the public.

In 2000 there were almost 25,000 start-ups in Austria; for 2001 more than 26,000 are expected.

This model is recommended for all other countries that charge fees for the administration of setting up a new enterprise.

## **CONTACT DETAILS**

For more information please contact:

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## **2. DENMARK (ON-LINE REGISTRATION AND WEB SITE)**

### **COUNTRY BACKGROUND**

In Denmark all limited liability companies have to register with the Danish Commerce and Companies Agency (DCCA) in order to establish legal identity. There is no requirement for any pre-registration and the entrepreneur can register with the DCCA without the use of agents such as lawyers, notaries or accountants.

Other types of enterprises will also have to register at the DCCA if at least one of its founders is a company with limited liability.

The registration of limited liability companies includes formal approval of the name of the company and is based on the submission of the following documents:

- Application form;
- Articles of formation including statutes of the company; and,

- Documentation for paid-up capital (alternatively a valuation report for any consideration other than in cash, drawn up by an independent valuation expert, normally an auditor or accountant)

## **REASONS FOR CHANGE**

When the Danish Government introduced its business environment strategy (dk.21) a few years ago strong emphasis was put on the use of the latest ICT tools in communication between the public authorities and business. Consequently there is a highly prioritised demand from the Danish Government that ICT tools should be used in the design and implementation of flexible and business friendly solutions that enable companies to communicate with government institutions at fast speed and without excessive administrative costs.

Furthermore a reduction in the funding and the number of human resources available for the registration of companies at the DCCA has led to a different approach to the registration process where focus is on means to increase the public access to self-service administration. This also meets the desire of the business community for tools that can provide quick and flexible ways of establishing communication and submitting information required by the authorities.

## **PREVIOUS SITUATION**

Until the middle of September 2001, applications for registration of new companies could be submitted by hand, mail, fax or e-mail. These ways of submitting applications are still in effect and include the filing of an application form, in hard copy and PDF format. The registration form must be submitted along with the relevant supporting documents.

Since 1999 it has been possible for companies or their agents (mostly lawyers or accountants) to register alterations to information already registered via the self-service registration tool ('*Webreg*'). The introduction of this self-registration service has been widely used and reduced the general overall time needed to register alterations at the DCCA.

## **CHANGES INTRODUCED**

Since the middle of September 2001 an additional feature has been included within '*Webreg*'. With this feature the on-line self-service registration system now enables the entrepreneur or his/her agent to file the application form and all supporting documents required by the DCCA to complete the registration. Thus it is now possible to register a new company within hours instead of days. The use of digital signature secures that the application is signed by the applicant or his/her agent and therefore legally binding.

## **BENEFITS**

For entrepreneurs the self-service on-line registration allows for fast and flexible registration that it is currently not possible to match in the typical registration situation at the DCCA. Furthermore the system gives a quick validation and registration of the company's name thus enabling the entrepreneur to commence other activities where it is of high importance to be certain about the name of company.

From the point of view of the DCCA, '*Webreg*' is expected to result in increased efficiency in terms of time needed to complete registration of newly formed companies when taking all registrations into account. Therefore, the system should also be seen as a tool that enables the agency to meet present as well as future registration requirements without having to depend to heavily on human resources alone. Hence the newly developed version of '*Webreg*' is also much welcomed by both the private and the public sector as a tool meeting their respective interests and demands.

Because the system is based on some of the latest technology it should also be seen as a sign of willingness and commitment from the DCCA to make use of ICT in future communication with companies. Thus companies should view the launch of the developed '*Webreg*' as consistent with general efforts made by the DCCA to further work on communication based on ICT in order to meet public requirements for quick



and flexible access to the authorities. Hence companies and other enterprises should rely on the expectation of a certain pay-off from investments in ICT when considering the future decrease in terms of administrative costs involved when communicating with public authorities.

## **LESSONS LEARNED**

Since the new feature in the *Webreg*-system was introduced only recently it is not yet possible to show statistics that can conclude anything about the use of the service at this moment.

However, there is evidence that, more commercial agents are applying for the certificate that establishes access to electronic signature. Thus it is expected that '*Webreg*' will receive an increased attention in future and, hence, it will have a significant impact on the time needed to complete registration with the DCCA very quickly.

With the launch of self-service on-line registration it is now possible for entrepreneurs who are in need of fast registration to complete all the mandatory requirements within a very short period of time. As the use of on-line registration is likely to rise in the near future it is expected that the total elapsed time for the entire registration period with both authorities involved in the process of registration consequently will be reduced accordingly.

## **CONTACT DETAILS**

The registration system can be viewed at the following web-site: [www.webreg.dk](http://www.webreg.dk). (Danish version only).

For further information please contact Project Manager Mr. Thorbjørn Langkilde ([tdl@eogs.dk](mailto:tdl@eogs.dk)).

### **3. FRANCE (SINGLE REGISTRATION FORM)**

#### **COUNTRY BACKGROUND**

For many years France has paid particular attention to the creation of new businesses. Helping new businesses to emerge is an effective way of invigorating the whole economic fabric as new players stimulate markets to the benefit of consumers as well as the general competitiveness of the economy.

The freedom to set up a new enterprise, provided it is lawful and that it conducts its affairs openly, forms a constitutional principal, even if certain sectors are subject by law to prior authorisation for reasons of general interest. However authorisation is the exception and freedom the rule.

Furthermore neither this freedom nor the absence of prior authorisation exempt the entrepreneur from providing adequate information about the existence of a new business to administrative and social partners and furthermore to prospective clients, suppliers and competitors. This particularly explains why most economic players, both in commercial and craft businesses, are subject by law to disclosure by registration with the registre du commerce et des sociétés (RCS)<sup>42</sup> or the répertoire des métiers (RM)<sup>43</sup>.

Even though authorisation is declared rather than requested, the large number of steps involved in providing information appeared to present a great administrative overhead which, more than ever, deserved to be eased so that entrepreneurs could concentrate fully on the process of setting up a new business.

As a result research has been undertaken into ways of alleviating and simplifying these steps. The creation of a one-stop-shop (CFE or Centre de formalité des entreprises)<sup>44</sup> and a single form constitute two main steps in this process. A further step has been the reduction in costs. Research into modernising the process is currently being undertaken, especially through the use of new information technologies.

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<sup>42</sup> National Register of Companies

<sup>43</sup> Trade Directory

<sup>44</sup> Company Procedures Centre

## **PREVIOUS SITUATION**

The idea of a single registration form (Déclaration Unique d'Entreprises) is closely linked to the establishment of the business procedures centres (Centre de Formalités des Entreprises - CFEs).

Each year around 200,000 new businesses start up in France and the administrative burden, especially registration procedures, is heavy for the new entrepreneur in time and energy. The idea of a one-stop shop came from the facts that:

- There were a multiplicity of official bodies who required information and/or declarations; and,
- The information/documentation required by the different bodies was often partly identical.

## **REASONS FOR CHANGE**

When the first experiments with CFEs took place, they had to complete all the individual forms required by all the different partner agencies. Even if this was done in the same place and at the same moment; applicants and partner agencies saw this as unbearable.

## **CHANGES INTRODUCED**

The idea of common forms then became accepted in principle. A long inter-departmental and inter-agency consultation followed in parallel with the work on the general application of one-stop shops that led to the 1994 law. What emerged was that despite the 7 different types of CFE catering for different sectors, not every sector needed different forms. However, rather than have one universal, and necessarily cumbersome, form several different forms, each covering a range of areas, were needed. Thus, only 4 forms are needed for all business start ups.

Each partner agency does not necessarily need access to information required by others. Special forms have been developed, including self-copying sets incorporating on some copies hidden/obscured boxes, as applicable. Thus, agencies only receive the information relevant to them.

In 1997 a full-scale revision began which took 3 years to complete:

- With the development of EDI between CFEs and introduction of IT generally forms became more like data entry templates.
- Applicants' information could be entered direct and entries tailored to their particular circumstances
- Data could then be directed to each partner agency as appropriate.

All the forms needed to be reviewed/revise to accommodate these changes. The review has enabled the process to be speeded up considerably and to be more effective and up to date with current requirements.

## **BENEFITS**

A single registration forms is the inevitable by-product of the CFEs; they discourage errors within and between agencies; they have encouraged agreement on a common administrative language between agencies that is much easier for both applicant and entrepreneur.

## **LESSONS LEARNT**

Whilst the work has been heavy, it has been an important step in making the business/government interface work much better, especially vis-à-vis start-ups.

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## 4. GERMANY (LOCAL AUTHORITY BUSINESS NOTIFICATION UNITS – ‘GEWERBEMELDESTELLE’)

### COUNTRY BACKGROUND

Small and medium-sized enterprises (SMEs) are of special importance for the German economy. Ninety-nine percent of the roughly 3.3 million enterprises are SMEs. They provide some 70% of all jobs and even some 80% of all apprenticeship positions. This places SMEs in an outstanding position with regard to not only employment, but also human capital formation, because vocational education of young people in Germany is largely a responsibility of business („dual vocational education system comprising on-the-job training alongside vocational-school instruction”). Apart from agriculture, over 3.3 million gainfully active people were self-employed in the year 2000. This means a self-employment rate of 9,3 %. Since SMEs are an important mainstay of the German economy, entrepreneurship is accepted to play an important role as well, which ensures the broad basis of actual and potential entrepreneurs that is necessary for an economy based on small and medium-sized enterprises.

Apart from primary production (farming, mining), a rough distinction is to be made for registration purposes between the two types of business given below:

- liberal professions (e.g. attorneys-at-law, artists, physicians),
- trades, industry and commercial services.

Measured by the total number of existing enterprises, the share of the liberal professions is about 20%. The remaining roughly 80% of the existing enterprises are counted among the trades, industry and commercial services. It is necessary in Germany to register all trades, industry and commercial services with the local authority Business Notification Units. But there is no such requirement for firms to be counted among the liberal professions.

With respect to the trades, industry and commercial services, a distinction is made in Germany between registration under commercial law and notification under trade law. Registration under commercial law is accomplished by entering the name of the new business into the Commercial Register, whilst registration under trade law is accomplished by notifying to the Business Notification Unit within a reasonable period of time from the date of launching the business. Entering the name of enterprises into the Commercial Register is only necessary in some 20% of all cases. It suffices for the vast majority of the new businesses to notify their business to the Business Notification Unit. This explains why the Business Notification Unit is of special importance for launching new businesses.

To meet his/her registration duty, the business starter fills in a one-page form, hands it to the Business Notification Unit and pays about 20 Euro. This is all businesspeople have to do to get their businesses notified. They do not need any certificate from the authority and they are free to start their activities right away in accordance with the German principle that everybody is free to choose his/her own business.

The Business Notification Unit is required to inform the inland revenue office about the new businesses registered whereby the commitment of business starters to make the names of their businesses known to the competent inland revenue office is met automatically. Apart from the inland revenue office, the Business Notification Unit informs also other public authorities and institutions about newly notified businesses

provided that this is in the interest of these authorities and institutions. As a rule, such information is sent to the chambers of industry and commerce or the crafts chamber, the Berufsgenossenschaft (providing insurance against occupational accidents/diseases of members), the authorities responsible for environmental protection and industrial accident/disease prevention, the labour office, statutory sickness insurance funds and the statistical office of the respective Land government. Besides, other entities may be informed as well if the Business Notification Unit deems this necessary.

#### **PREVIOUS SITUATION, REASONS FOR CHANGE AND CHANGES INTRODUCED**

The procedure of notification of a business exists for more than a century and has not - apart from small reforms - be changed essentially.

The above-described procedure dates back to a time when information and computer technology (ICT) did not play any role yet. However, it would be fair to say with regard to ICT integration into the established procedure that a rising number of local communities have increasingly availed themselves of the Internet for informing business starters about the procedural requirements to be met by them and about contacts. Besides, there are many local communities having the registration forms placed into the Internet so that business starters can download the form to fill it in at home. For the time being, it is still necessary for business starters to send the completed form by either surface mail or fax or to pay a visit to the Business Notification Unit. However, it is to be expected that online notification will soon be possible as the electronic signature requirements have been met. The underlying Act has been in force from 22 May 2001.

#### **BENEFITS**

One important advantage the Business Notification Unit offer is the fact that all absolutely necessary steps are initiated by the Business Notification Unit. So it is not necessary for business starters to find out what other institutions to inform. This saves the time he/she would otherwise have had to spend on informing such other institutions.

The advantage for the public authorities and the institutions that have been informed is that they need not spend resources for including new firms into their statistical reporting, because it is a known fact that not all the enterprises that are required to notify their business with a public authority actually do so in all cases.

This procedure is advantageous both for business starters and for the respective public authorities because it helps avoid conflicts. Where a carpenter, for instance, registers his trade in a purely residential area, the building supervisory authority having been informed by the Business Notification Unit before can inform the carpenter about potential difficulties at an early date. If this were not the case, the starter of the carpenter business might invest large amounts of money and be subjected to litigation by his neighbours for causing unacceptably high noise levels.

#### **LESSONS LEARNT**

We know from experience that this procedure includes the regulations and public authorities that are the most important ones for a large number of SMEs. Where business start-ups are not associated with any further sector-specific procedural requirements or legal provisions, the Business Notification Unit provides a satisfactory service. It has turned out for enterprises having to comply also with regulations not directly related to the start-up step itself (e.g. obtaining construction licences, giving the names of employees to statutory sickness insurance funds, hygiene law-related permissions) and therefore having larger information requirements that many business starters would welcome an expansion of the services of the Business Notification Unit. Such "One-Stop-Shops" have been set up by a number of business-friendly local communities, which are free to do within the framework of their right to shape their administrations as they deem desirable.

It has turned out to be meaningful for the individual specialised authorities to retain their competences. There are a number of decisions employees of a Business Notification Unit cannot make because they lack

the (e specially technological) expertise. For business starters it is a matter of greater importance to be able to launch the individual procedures centrally than to know decision-makers personally. Besides, retaining decision-making competences makes it easier to introduce “single access points” because this is the only way to ensure that only a few legal acts must be amended, which makes it easier, politically, to implement the procedures.

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### **5. GREECE (REDUCTION IN SCREENING PROCEDURES FOR SMALL PLCS)**

#### **COUNTRY BACKGROUND**

In recent years Greece has made considerable steps in joining the Euro-zone and has engaged into an ambitious programme of structural reform, liberalization and privatization. This program, still under way, has created favorable conditions for the development of private (mainly small and medium size) initiative, while Greece’s economy is expanding currently at a rate almost 1,5% higher than the EU average. Moreover, Greece is one of the big beneficiaries of EC Funding and a great amount of liquidity, under the form of direct subsidies or low interest loans, is expected to flow into the Greek market in the near future. Finally, the perspective of the 2004 Olympic Games being held in Athens is also a factor fostering economic activity.

However, Greece has had very limited success in attracting DFI, despite the declared will of the Greek Government to do so. One main reason for this is the existence of excessive red tape and unpredictable bureaucratic hurdles. Such hurdles have been highlighted by the OECD in its Report for Regulatory Reform in Greece (2001).

In this respect, the late computerization of the Greek public sector leaves considerable room for improvement in the field of inter-service communication, such as the possibility to get on-line information about the payment of social security charges or the possibility to have a single on-line register for all Greek companies. The totality of registered Greek and EC Trade-Marks is already available on-line. Moreover, improvements are also marked in the field of consumer – administration relationship. One first achievement is the possibility to submit (not to pay) the VAT declaration in electronic form, while other, bigger scale ones, are under way. Finally, all Ministries and almost all public entities have websites in which they provide important information about their functioning and services.

Independently from simplification stemming from the use of ICTs, the Greek Government has chosen to revise some of the core procedures necessary for setting up a new company, in order to make them more user friendly.

#### **PREVIOUS SITUATION**

The procedure for setting up a PLC involved many visits to at least 13 contact points, an average of 24 accompanying documents and an average time of 45 days. For Private Limited Companies 10 authorities were involved and an average of 15 days needed. This relatively heavy system was rendered even more

complicated by the fact that some of the above authorities intervened twice or several times in the course of the process. The Greek Government has chosen to enact legislation rationalizing the whole procedure.

### **REASONS FOR CHANGE**

Changes were needed because of two major problems. Specifically:

- An entrepreneur wishing to establish a company had to deal at least twice – if not 5 times – with each administration concerned. What is more, every authority was supposed to check that all previous formalities have been complied with. This, in turn, had two effects, one undesirable and one illogical.

Undesirable: it was impossible for the entrepreneur to try to accomplish the different formalities simultaneously.

Illogical: the central registry authority, of the minister of Commerce or the Prefectures, who is supposed to check on the legality of the company itself was lead to checking that taxes and other expenses have been paid to the VAT authority (Ministry of National Economy).

- Too much time was needed by the Prefectures/Ministry of Commerce in order to undertake their a priori control of new Public Limited Companies (PLCs). Moreover, there were great discrepancies in the time needed, between Prefectures in the large cities (Athens: 60 days) and smaller Prefectures (5-6 days).

This control, based on a formal, legal requirement, was originally established, in 1929, principally for new Public Limited Companies with large-scale equity capital. However, the amount of minimum paid-up share capital for new PLCs referred to was Drachma 10 million in 1929 and is only Drachma 20 million (58.694 Ecu) today, which represent a clearly lower value in real terms.

### **CHANGES INTRODUCED**

The overall process has been rationalised, and all the formalities concerning a single authority have been put together at a single stage of the process. Although this does not cut down the number of authorities, it has an appreciable effect on time.

Moreover, the number of circulating documents have been reduced: when the payment and the certification of the payment are made by different directorates of the same authority – not an other, external authority – chances are that the documents used will be simpler, or that they will be replaced by intranet electronic correspondence.

Finally, the law has been changed such that “small” PLCs can be set up with no prior control by public authorities, just like “big” Private Limited Companies. Consequently, PLCs with paid-up share capital of less than EUR 300.000 are registered on the very same day of their submission to the relevant authority. Of course, there are some exceptions and all the PLCs remain subject to the usual checks and controls in relation to their regular operation – only the ex ante control has been eliminated.

### **BENEFITS**

The benefits are of, at least, three types:

- *First*, all entrepreneurs, irrespectively of the type of company they are to set up, have to accomplish a procedure including notably fewer steps. From 13 down to 9 contact points for the PLCs and from 10 down to 9 for the Private Limited Companies. Likewise, the number supporting documents have been reduced by some 25%.
- *Second*, entrepreneurs wishing to set up a “small” PLC, with paid-up share capital of less than EUR 300.000, are certain to get its registration done in one single day, thus avoiding a

cumbersome and time-consuming procedure. For Private Limited Companies change has been limited and average time has been reduced only marginally, but important cuts have been made possible in relation to minimum time.

- *Third*, the above benefits lead indirectly to the reduction of creation costs.

## LESSONS LEARNT

The new Act was only passed in August 2001 and then a circular was issued giving instructions on the precise application of the Act. The new procedure became operational only as late as mid-November 2001. It is therefore too early to draw conclusions. The first impression, however, from the entrepreneurs and practicing lawyers is that the new procedure, when properly applied, does constitute a considerable effort of rationalisation. Officials of the registration authority, on the other hand, complain that the lack of any controlling power is problematic where the Articles of Constitution of the company contain flagrant illegalities. It is believed, however, that the manpower economised from the *ex ante* purely formal control will be placed to monitor the proper functioning of companies.

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## 6. IRELAND (CRODISK SYSTEM)

### COUNTRY BACKGROUND

Ireland's performance over the part number of years has been outstanding and this success has been underpinned by its competitiveness. Competitiveness is a key focus of government and SMEs and entrepreneurship play an important part.

Unless there is a rapid implementation of decentralisation of economic activity and a move away from the concentration of the Dublin region, Ireland's recent economic growth is not sustainable because of infrastructural and demographic pressures. While great efforts are being made to encourage location of foreign investment in the regions, this has to be accompanied by increased indigenous economic growth especially through the encouragement of SME development.

Entrepreneurial activity is essential in manufacturing and internationally traded services sectors of the economy if strong, internationally competitive indigenous small enterprises are to emerge and make a significant contribution to Ireland's economic development. Entrepreneurial activity in the established indigenous sector is crucial in encouraging growth of large established Irish companies. These companies develop the skills of Irish managers, create wealth among managers and private investors, create potential spin offs through corporate venturing, develop our knowledge and experience of overseas markets, and create demand for capital, all of which are important components of dynamic entrepreneurial economy.<sup>45</sup>

The Companies Registration Office (CRO) is a government organisation under the remit of the Department of Enterprise, Trade and Employment and is the central repository of public statutory information on Irish companies. Its main functions are as follows:

- Incorporation of companies
- Registration of business names
- Registration of company post-incorporation documentation

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<sup>45</sup> Irish National Competitiveness Council 'Draft Statement on Small Business' (2001).

- Registration of charges in business name particulars
- Enforcement, prosecution and striking companies off the Register of Companies
- Provision of information to the public

While there is always scope for simplifying and streamlining existing systems, the scale of the registration process in Ireland is comparatively not excessive. Persons wishing to form a company must first prepare the memorandum and articles of association that provide the company with its constitution. These documents, together with the prescribed application form and registration fee, are lodged with the CRO. The Registrar of Companies issues a certificate of incorporation when he is satisfied the documents are in order and the name chosen is acceptable.

### **PREVIOUS SITUATION**

Two processes were available for company incorporation:

- Ordinary scheme: Companies (all company types) are registered within 15 working days of the relevant documentation being completed correctly and lodged with the CRO;
- Urgent scheme: Companies (excluding public limited companies) are registered within 10 working days of the relevant documents being completed correctly and lodged with the CRO. Company promoters who opt to participate in the scheme are required to forward a draft memorandum and articles of association to the CRO for approval. When approved, the draft becomes the standard text against which all future applications will be examined. Thus, companies lodged under this scheme do not require the usual intensive level of attention as the memorandum and articles have been checked previously.

In November 1999, the CRO introduced a third company incorporation scheme called CRODisk.

Both ordinary and urgent schemes are still in existence. However, with such a high uptake in CRODisk applications, the urgent scheme is being phased out over a period of time.

### **REASONS FOR CHANGE**

The impetus for change was two-fold: In January 1999, an Action Plan on Implementing the Information Society in Ireland committed government departments to exploiting the use of information and communication technologies in their contacts with clients. In addition, the three components under which the operation of the CRO can be measured are input, output and quality. Quality is assured by checking the documents lodged.

The CRODisk scheme was designed to:

- Facilitate quality control by freeing staff to check documents more thoroughly; and,
- Improve customer service standards.

### **CHANGES INTRODUCED**

CRODisk is a hybrid paper and electronic system. Using the CRO's software package, the client inputs the requisite data, prints a paper copy of the form for signatures and downloads the data onto a diskette. The diskette and paper copy (accompanied by the pre-approved memorandum and articles of association) are submitted directly to New Companies Section; as a CRO account is a necessary prerequisite, the application bypasses the cash office. Having checked the paper copy and accompanying documentation, staff upload the diskette data to the CRO's computer data processing system and proceed to registration. This process automatically deducts the requisite fee from the client's CRO account.

The CRODisk scheme is open only to members of the urgent scheme and guarantees a certificate of incorporation within five working days. However, it is currently typical for companies to be incorporated



within two/three working days. There is no subscription charge for the service. The only cost is the applicable statutory fee.

#### **BENEFITS**

The benefit to entrepreneurs is guaranteed company incorporation within five working days and typically three working days. The CRO gains by directing staff efforts away from inputting data to thoroughly checking documents thus ensuring they are an accurate and valuable source of company data and that the CRO's own internal records accurately reflect the information filed.

This hybrid paper and electronic system is also suited to those regimes where electronic signatures are not legally accepted.

Currently, 65% of all applications for company incorporation are submitted on diskette and a great deal of interest in it continues to be generated.

The CRODisk service is being extended to free notices of change of registered office or officers (or their particulars). This is enabled by the ease of use of the system, saving the company the usual registration fee.

#### **LESSONS LEARNT**

As with any new electronic system, there were some initial glitches particularly in respect of a few company promoters who decided to adapt the CRODisk software in order to integrate it into their own software packages. Detailed specifications on the software were not initially made available with the result that, where company promoters had adapted the CRO software, disks submitted to the CRO could not be uploaded and time was spent in identifying the specific problems. Releasing the specifications ironed out this problem.

Since its introduction, various refinements have been made to the software to ensure customer needs are met.

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## 7. ITALY (ASSISTANCE WITH START-UPS PROGRAMME)

### COUNTRY BACKGROUND

“A late starter compared with many other nations, Italy spent the nineties catching up with the most advanced OECD area countries in the field of economic and institutional reform” through a wide ranging and complex reform of its regulatory systems<sup>46</sup>.

The changes made to the civil service were particularly significant. Three objectives were considered to be top priority:

- Decentralization of tasks and functions from central government to regional authorities;
- Simplification and reduction of administrative obligations (to lighten the bureaucratic burden on citizens and businesses); and,
- Reorganization of central government.

The pace of reform was recently stepped up, in part due to the need to comply with the stabilization process that allowed Italy to join the European Monetary Union: it was essential to speed up the process and decrease the pervasive and inefficient role of the State in order to provide adequate support to the economic performance improvement processes.

The Italian business system has a twofold structure: a limited number of large companies and a great many minor and medium-sized business concerns (the latter employ about 75% of the production system working population).

This peculiarity, which is considered a strong point of the Italian economy due to the greater business flexibility it allows, has, on the one hand, been attributed by the OECD to the national production structure (specialization in sectors which require large amounts of manpower and resources), and on the other, to a particularly burdensome regulatory system (high administrative costs, market inelasticity and strong tax restrictions), which contributes towards the tendency of companies to stay small and also favours non-regulated business activities (workers off the books).

Towards the end of the nineties, the Italian business system grew rapidly in terms of number of companies. This has been confirmed by the most recent data regarding the registration of new firms published by the Union of Chambers of Commerce (second quarter 2001)<sup>47</sup>.

The data records 110,916 new entries in the trade register (60.9% of the new registrations were individual concerns). The growth rate (companies entered/companies cancelled) was 1.13% (the highest figure since 1993); the new companies record goes to the South of Italy with a growth rate of 1.17%.

### PREVIOUS SITUATION

Until the late 1990s, an Italian entrepreneur setting up a new business was forced to undertake long and very expensive mandatory procedures.

Reform was slow. One year after the entry into force of the Law 59/97 (Law Bassanini), only 5 of 112 procedures had been simplified. The number of procedures to create a new business was estimated at 25, and the maximum time needed for the entire process was 22 weeks. Costs were high: Euro 7,700 for an incorporated entity, and Euro 1,150 for an individual enterprise.

Progress was slower than expected because of excessive legal controls, resistance within the public administration, and obstacles, particularly at local-level.

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<sup>46</sup> OECD *‘Review of Regulatory Reform in Italy’* (2001)

<sup>47</sup> Infocamere *‘Movimprese, natalita e mortalita delle imprese italiane registrate’* (2001)

The situation was more complex in regions that experienced negative economic growth and where businesses had to incur additional costs for advice about obligatory paperwork.

### **REASONS FOR CHANGE**

Besides revealing a general improvement in the economic environment, the positive growth trend in the business structure may be taken as a sign that the administrative regulatory system is moving more into line with business needs by pursuing the objectives which underlie the reform programme: in short, a straightforward, more efficient, less expensive administrative system.

The extent to which all of the expected effects of the programme of administrative reform can be achieved, is restricted by two types of limitation:

- Most of the reforms are still too recent or incomplete; and,
- A geographically uneven application of the reform programme, especially in less developed areas, due to big differences in economic environment, administrative efficiency and regional management, as well as the different procedures found in the regulations of the various regional autonomies.

A recent survey carried out by the Ministry of Productive Activities confirmed this<sup>48</sup>. According to the data given, new businesses still see bureaucracy as the biggest hurdle they have to overcome: it was mentioned as a problem in 40% of cases in Italy as a whole; that figure rises to 70% of cases in South Italy (from the point of view of new businesses, bureaucratic restrictions far exceed problems linked to labour costs or attributed to the poor market visibility of new companies).

### **CHANGES INTRODUCED**

In order to overcome these limitations, administrative streamlining and simplification is being undertaken along with the introduction of business start-up assistance services that facilitate interrelationships between the bureaucratic apparatus and business system.

These services are run nationally by Sviluppo Italia (the Italian Government Agency for Business Promotion and Development).

The services Sviluppo Italia (SI) provides were recently restructured by law 185/2000 “Incentives for self enterprise and self employment”, and encompass:

- Technical assistance services (in order to set up and start up enterprises);
- Financial benefits; and,
- Training support (aimed at developing the managerial expertise needed to run firms).

Many of the potential beneficiaries are young people setting up their first business. In these cases, SI provides support (including help with the necessary paperwork) right from the initial establishment of the firm up to when they start running the business.

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<sup>48</sup> Italian Ministry of Foreign Trade and Industry ‘*Velocità, Semplicità, Sviluppo. Libro bianco del Ministero dell’industria e del commercio estero*’, (2000)

## **BENEFITS**

The services promoted by Sviluppo Italia have led to:

- The creation and start-up of about 26,000 new companies (limited liability companies, partnerships and, in the vast majority of cases, Individual Enterprises), 94% of which are in South Italy<sup>49</sup>;
- The tax and administrative affairs of a significant number of businesses being put in order (estimated at around 35% in the case of Individual Enterprises);
- Young people living in fringe economic areas having access to assistance services (30% of the applications received by SI came from subjects resident in municipalities with less than 10,000 inhabitants);
- A continuous interrelationship with the official bodies responsible for issuing permits and licenses; and,
- The elimination of the costs normally incurred by businesses for advice concerning obligatory paperwork (recent analysis has estimated that the annual costs incurred by minor and medium-sized business concerns for this type of advice is around Lira 5 million).

All companies that benefit from SI operations have an electronic link in order to facilitate exchanges (both of experience and commercial) and the receipt of further services over the Internet.

The data concerning the companies (and the problems linked with their start-ups) is constantly classified and updated in the SI database and made available to government offices and statistical institutes.

## **LESSONS LEARNT**

One strong point of the business start-up assistance services is their widespread use of Information and Communication Technologies (ICT):

- The whole service supply process is computerized, and allows “just in time” monitoring of the different implementation stages and the situations of individual firms;
- There is a “free phone number” which everyone concerned may call to receive complete information on the state of a particular start-up; and,
- The SI web site ([www.sviluppoitalia.it](http://www.sviluppoitalia.it)) provides detailed information regarding the types of services and how to access them (it is possible to send service access applications directly through the Internet), as well as constant updates on national and international initiatives regarding business start-ups and the development of local economies.

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<sup>49</sup> On the basis of Unioncamere (the Union of Chambers of Commerce) data, it is estimated that about 19% of the new companies registered in the second quarter of 2001 were the result of the assistance and consultancy offered to new businesses by the Government Agency.

## **8. NETHERLANDS (REDUCTION IN BUSINESS QUALIFICATIONS)**

### **COUNTRY BACKGROUND**

General Government policy, as set out by the Ministry of Economic Affairs, is to stimulate new entrepreneurship by reducing the obstacles and regulations to set up new businesses. Institutions as Chamber of Commerce, Syntens and Senter carry out this policy. A detailed description of this policy is set out in the memorandum: *'De ondernemende samenleving', meer kansen, minder belemmeringen voor ondernemerschap* (*The Entrepreneurial Society: more opportunities, less obstacles for Entrepreneurship*) dated September 1999.

### **PREVIOUS SITUATION**

Prior to 2001, it was obligatory to apply for a business license under the Establishment Law of 1996, for every activity, except the so-called "free occupations" (lawyers, accountants, architects, advisors). For various activities in the retail-trade (clothing shops, supermarkets, catering) and services (hairdressers, painters) prospective entrepreneurs had also to demonstrate that they possessed business management skills that met the standards defined in the General Entrepreneurs Skills qualification. A course of study lasting between 6 months and 1 year is needed to obtain the relevant diploma (AOV, Algemene Ondernemers Vaardigheden).

### **REASONS FOR CHANGE**

The Establishment Law was introduced to protect consumers from inferior products. An evaluation of the Establishment Law, however, informed the Government that there was no relationship between the qualifications held by entrepreneurs and the quality level of products and services. A lot of highly experienced entrepreneurs, for example, had to apply for a diploma that cost them often between 1/2 - 1 year. In an open market, consumers decide if they need quality products. Only the most able and experienced entrepreneurs survive in this "battle".

### **CHANGES INTRODUCED**

For a lot of activities mostly in the retail-trade, catering and craft it is no longer mandatory to apply for the AOV diploma. These are now described as "basic-businesses" Only a registration of the businesses in the Trade Register of The Chamber of Commerce is mandatory.

For specified branches a license is still needed. These businesses have still to comply with requirements regarding safety, health-protection and environment. Examples of these branches are: construction, electrical installers (central-heating, fitters, etc) transport and food companies (bakers, butchers, poulterers, and fish industry). New businesses must still apply for licences regarding engineering and technical-requirements.

The Chamber of Commerce carries out this Establishment Law.

### **BENEFITS**

For experienced and skilled entrepreneurs this policy reduces the obstacles to set up a business.

Since the reform, a lot of new entrepreneurs have set-up new enterprises and there are no signs of increases in the number of bankruptcies.

New entrepreneurs are very enthusiastic about the policy reform. Some existing entrepreneurs, however, are less enthusiastic because for them the competition is sharper. For well-qualified entrepreneurs and competitive businesses, in general, the policy change has not created problems.

## **LESSONS LEARNT**

Full details of the evaluation of the New Establishment Law are not yet available. However, there is already evidence that more entrepreneurs are starting business in the Netherlands. In 2000, there were 65,000 start-ups, compared to 55,000 in 1999. Despite this, the rate of bankruptcy is unchanged: 2% of entrepreneurs fail after one year because of insolvency. There is, therefore, no evidence of any negative impact of the reduction in qualifications on the 'quality' of entrepreneurship.

The reform also demonstrates that the Dutch government is working hard to reduce substantially the cost and time involved in setting up a new business.

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## **9. PORTUGAL (SINGLE ACCESS POINTS)**

### **COUNTRY BACKGROUND**

Traditionally, the state, which is a natural monopoly, has a low propensity for organisational innovation. Over time, the state cannot keep pace with enterprise, innovation, and often makes the wrong choices about the business environment.

However, citizen awareness is increasing as we enter the 21<sup>st</sup> Century. People now demand that public services provide satisfaction with service, speed, and decentralisation. From an organisational viewpoint, the State must learn to innovate on an ongoing basis.

Portugal's integration into Europe requires a closer focus on microeconomic policies, especially those related to greater market efficiency. Also, companies must be creative and quick. Companies cannot tolerate having their response times slowed by the State

### **PREVIOUS SITUATION**

Until just over four years ago, Portuguese entrepreneurs faced an almost inhuman task when legally setting up a business.

The path to tread to secure commercial registration, and other licences and permits, was long and arduous. It required financial resources, a great deal of time and, above all, patience. Traditionally, it was a drawn-out process that discouraged many potential creators. If entrepreneurs did not desist as soon as they realised what awaited them, they would fall by the wayside, defeated by myriad bureaucracy, and by the inefficiency of public agencies.

The full administrative process to set up a company in Portugal, before the creation of the Business Formalities Centres, took three, four, or in some cases, six months to complete!

### **REASONS FOR CHANGE**

The early days in the life of a company are ones of constant struggle for the entrepreneur, as he or she tries to gain market share. There are rewards and, at times, major disappointments.

Nobody can take the place of the entrepreneur in this task. However, the State must create an environment that is helpful, because we cannot companies are sources of jobs and wealth.

Any action that might improve company competitiveness, and thus contribute to economic growth, will also lead to higher employment and greater wealth.

### **CHANGES INTRODUCED**

It was against this background that, at the end of October 1997, the first two Business Formalities Centres were created in Lisbon and Oporto.

These Business Formalities Centres were set up with two main objectives:

- To bring together under one roof the entities involved in setting up a company, amending deeds of incorporation, and completing other formalities. Five ministries were required to work together: Finance; Justice; Economy; Labour and Welfare; and State Reform and Public Investment.
- To optimise work-flow, drastically reducing processing times without having to amend existing laws.

At each Business Formalities Centre are representatives of the following organisations:

- IAPMEI - Institute for the Support of Small and Medium-Sized Enterprises and Investment
- National Companies Register Office
- Notary
- National tax authority
- Regional social security centre
- Ministry of Justice registration support
- A government savings bank

All these agencies are grouped together in a single place, equipped with the latest technologies. The offices of the various entities are answerable to their own directorates-general. The manager of each Centre coordinates interaction and Centre operation.

The centres are linked together by a computer network used for the electronic transfer of documents. Certification of transmitted documents is the responsibility of the entity involved. Each entity is also linked on-line to its relevant ministerial databases.

The success achieved in the first month of operation of the two Centres demonstrates that this was the right way forward, given its welcome by users. There also were clear productivity gains made, compared to the traditional procedures.

The enhanced flexibility and coordination of procedures resulted in a more focused, friendlier and faster service for entrepreneurs and potential entrepreneurs. This success is attributed to the strong political will, transmitted from the highest level of Portuguese national government, to create a mission structure for instituting methods to combine the work of the different bureaucratic entities.

Following a five-month period to consolidate the initiative, the national network of Business Formalities Centres has been established

The network is currently comprised of seven centres in major cities, plus an outreach office. Each Centre has about 22 to 25 employees, and can establish up to 5.000 companies annually.

## **BENEFITS**

The main benefit is the simplification of the administration process of business start-up and consequently the reduction of time. Setting up a company requires just three visits to the Centre.

On the first visit, the entrepreneur applies for a certificate attesting to the admissibility of the company type and name, and for a provisional corporate identity card, computer is used to search the databases of the National Companies Register.

A second visit sets the date for the signing of the deed of incorporation.

The deed of incorporation is signed on the third visit. A declaration is made that the company can begin trading. The company is registered for social security. Its commercial registration is applied for, resulting in publication of the deed of incorporation in the Portuguese Official Gazette and issue of the corporate identity card.

All fees are paid at a branch of the National Savings Bank located at the Business Formalities Centre. After completion of the process, entrepreneurs can launch their business. Shortly afterward, they are sent a package containing the company registration certificate, proof of publication of the deed of incorporation in the Official Gazette, and the corporate identity card.

On the first of October of this year, three years and eleven months after the first Centres opened, the Business Formalities Centre network had initiated 81.973 applications, and completed 54.744. Of these, 46.277 are new companies.

Initial experience has led to initiatives to offer further complementary services.

Thus, when the fourth Centre was opened, it was set up to include an industrial, commercial and tourism licensing office. This office provides all the specialised information an entrepreneur needs for legal authorisations for varied economic activities.

An Enterprise Creation Observatory was also set up. This concentrates on the large number of entrepreneurs from every region of Portugal who set up their own companies through the Business Formalities Centres

Finally, an Information Service for Micro and Small Companies has gradually been introduced into each Centre. This service gives entrepreneurs access to information on products and services that can assist in their business activities.

## **LESSONS LEARNT**

The success of the Centres is based on:

- Strong political will, transmitted from the highest level;
- The Centres do not replace traditional procedures – they are simply an attractive alternative;
- The Centres are pro-active. They have a specialised reception team, mainly legal specialists;
- Setting up the Centres did not require changes in the law – they simply do the same things in a coordinated manner at a single location; and,
- There is no extra cost for the entrepreneur.

New entrepreneurs receive services that work in a rational, simplified and friendly manner, reducing completion time to one sixth of the previous time.

Implementation required from all considerable dialogue, enthusiasm, and humility in both defeat and victories.



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## **10. UNITED KINGDOM (MANAGEMENT TARGETS AND STAFF BONUSES)**

### **COUNTRY BACKGROUND**

Companies House is an agency of the UK Department of Trade and Industry. It is the official body dealing with the registration and dissolution of companies (legal entities) in Great Britain. Companies House examines and holds documents delivered under the Companies Act and related legislation, and makes them available to the public.

Companies House takes its role of providing a high quality service to providers of company information and users of company information very seriously. Much is done to ensure that all documents received are processed quickly and accurately, and to help achieve this, staff motivation is regarded as an important issue.

### **PREVIOUS SITUATION**

For many years, sections in Companies House responsible for document processing and output products have had targets set that they have been required to work to. These have then been disseminated to individual or team targets and the figures used as a major factor when writing the annual reports of individuals and monitoring the output of the sections.

To enable output to be monitored more closely, for many years a central section has co-ordinated activities and monitored against targets output figures from the sections to use as a management tool and to help in the regulation of throughput of work. This monitoring was one of the factors that made possible the eventual introduction of a “Staff Bonus Scheme”

### **REASONS FOR CHANGE**

The “Staff Bonus Scheme” was designed to encourage and reward improved performance across the organisation. The introduction of this was partly possible because of the status of Companies House; it became a government agency in 1988 and it was possible to introduce subsequent enhancements after 1991 when it became a “trading fund” (i.e. with a large degree of financial autonomy).

Since the introduction of the scheme various refinements and changes have been made, and continue to be made, to ensure that targets remain stretching and that they are in line with the policy goals and objectives of the organisation and, most importantly, meet the needs of our customers.

## CHANGES INTRODUCED

Currently there are three types of targets:

1. Public Targets - agreed with Government Ministers and Published on web site and in the Annual Report and Accts. These cover:
  - Efficiency
    - To achieve, on average, a monthly compliance rate to Accounts submitted of 95%
    - To answer 90% of incoming calls within 20 seconds
    - The Chief Executive to reply to all letters from Members of Parliament delegated to him for reply within 10 working days
    - To clear up 90% of complaints within 5 working days
    - To process 99% of public documents within a maximum of 5 working days of receipt at Companies House
  - Quality
    - To ensure that 96% of forms are captured error-free
    - To ensure that there is a minimum of 98% error-free work in current microfiche processing
  - Financial
    - To reduce the real unit costs of registration activity by 3% compared to the out-turn in 1998-1999
    - To achieve, taking one year with another, a 6% cumulative average annual rate of return based on the operating surplus expressed as a percentage of average net assets
    - To pay all invoices within 30 days or other agreed terms
2. Internal Targets – these targets are not published but they are all aimed at contributing to improved quality of the domestic or internal operation of the organisation as well as the output side of our operation. They include targets such as sickness levels and completion of annual appraisals (things that generally help us to do our jobs more effectively and encourage staff).
3. Directorate and Project Targets – these targets are also not published but again many are generally concerned with improving the service that is given to the public. Each directorate has targets relating to a wide range of activities from document processing and timely completion of projects to staff training.

A maximum cash figure is set for the year as to what can be earned as a bonus. This is broken into two parts, the slightly larger portion related to achievement of targets and the other to cost savings made.

Achievement of each of the targets set, results in the earning of Bonus Points (missing the target by a small percentage reduces the points earned). The earning of bonus points results in the distribution of a proportion of the bonus pool to all the staff. Payment is made in two parts, the first payment reflecting performance from April to September and is paid with the November salaries and the second for October to March at the end of the financial year when the cost savings are known. The same amount is given to all full time staff irrespective of grade (part time staff are paid on a pro-rata basis). There are exemptions however, staff who have not reached a satisfactory level of performance, those that have had excessive sick leave and those that have not been in the organisation long enough to qualify (6 months). Staff, have the choice of opting out if they wish – this does not happen!

The Bonus Scheme is reviewed on a regular basis and adapted in the light of various developments in the business plan and development plan. Recent adjustments have been aimed at increasing the “fairness” of the operation of the bonus. These have meant that not just selected areas of the organisation are responsible for earning bonus points, the earning of points is spread more evenly to increase the numbers of staff responsible, it also acts as an incentive for managers to manage their areas effectively. The pressure to satisfactorily achieve targets is a useful management tool. The scheme is also responsive to the results of our annual staff survey (this is carried out once a year and all staff are canvassed on their views and opinions on all aspects of the operation of the organisation including the staff bonus). Where possible and relevant these views can be used to guide the structure of the scheme in future.

Staff are informed monthly about the progress towards achievement of bonus points through internal publications available in paper form and over our Intranet. This information is produced in such a way that it is easy to interpret so it is possible to keep a close watch on what is being achieved. These give a running total of what has been achieved on a cumulative basis. Following the year-end audit, when the actual cash figures are established, exact details of the final figure to be paid are given.

#### **BENEFITS**

Though improvements in speed of document processing etc over the last 10 years or so has been a product of many factors, the Bonus Scheme has undoubtedly made a significant contribution.

#### **LESSONS LEARNT**

Such a scheme has many merits but much of course depends on the financial structure of the organisation. The incentive of financial reward shows what can be done and the peer pressure factor where everyone can see what colleagues are achieving also acts as a powerful motivator.

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## APPENDIX I

### IMPLEMENTATION OF EUROPEAN COMMISSION RECOMMENDATIONS BY MEMBER STATES

In the mid-1990's, the European Commission identified a series of steps that Member States could take to improve the efficiency of the business registration process. The recommendations are shown below along with the progress that the EU's Member States have made in implementing them:

- **Introduce a single business registration form** – five member states (*Finland, France, Luxembourg, the Netherlands, and Sweden*) have made progress towards this in the last five years;
- **Set up single contact points where a single registration form can be deposited** – progress to setting these up has been made in twelve member states (*Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and United Kingdom*);
- **Introduce a system whereby public authorities can recognise enterprises by a single identification number** – four member states (*Denmark, Finland, Italy, and Sweden*) have moved towards establishing this in the last five years;
- **Ensure that government departments avoid introducing duplicated or superfluous forms and/or contact points** – twelve member states (*Austria, Belgium, Denmark, Finland, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Spain, and Sweden*) have undertaken a fundamental review of the official documents needed to register a business and ten (*Austria, Denmark, Finland, France, Greece, Italy, Luxembourg, the Netherlands, Spain, and Sweden*) have reviewed the supporting documents;
- **Set clear targets in terms of deadlines for the processing of enterprises' requests and the granting of licences or authorisations** – nine Member States (*Denmark, Finland, Greece, Italy, Ireland, the Netherlands, Portugal, Spain, and United Kingdom*) now set targets for the time needed by business registration offices to complete activities;
- **Introduce, where appropriate, a system whereby an application is deemed to have been automatically granted if the administration has not responded within the fixed deadline** – in the last five years, progress towards the introduction of “silence is consent” rules has been made in three Member States (*Germany, Greece, and Italy*); and,
- **Use information technology and databases as much as possible for the transmission and authentication of information submitted and/or the exchange of information between public authorities** – on-line registration is possible in three Member States (*Denmark, Italy, and United Kingdom*), and seven countries (*Denmark, Finland, Germany, Italy, Ireland, Portugal, and Spain*) computerise all requests for registration.