

# Best Practices and Lessons Learned on e-BRs

A Summary of a Research Paper on  
Implementing e-BRs in Europe

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# The Paper Covers

- The role of e-BRs in private sector development
  - Types of e-BRs
  - e-BR reform in EU Accession States
  - Good practice online products and services of e-BRs
  - Public Private Partnership models for e-BRs
  - Legal implications of e-BRs
  - M&E of e-BRs
  - Integrating e-BRs into national e-Government frameworks
- This is a ten minute review of some of the findings.

# Helping EU Accession Countries

- EU Directives on Electronic Documents
- **Countries needed to comply by January 2007**
- EU members must open a centralized registry
- Business registries must be able to accept electronic filings and offer certified extractions
  - Legality of electronic documents and signatures needs to be in place
  - Safe IT systems need to be in place (e.g. to authenticate users)
- EU companies must have a unique identifier and their documents are to be available to the public.

# E-BR Stages

1. Centralization

Some countries need to centralize the front-end

2. Automation

... some may be centralized but paper-based, and need to automate

3. Authentication

... some are automated but need to implement better authentication to remove last in-person visits or paper requirements

4. Integration

... some are fully automated and need to integrate e-Gov services and regionally

# Benefits of an e-BR

Potential Users of an e-BR	Potential use of e-BR services:
A business owner ...	... registers a new business or lists the board of directors of a firm.
A loan approval officer at a financial institution ...	... confirms the financial health and history of a potential borrowing firm and owners.
A potential business partner ...	... confirms the details of a potential business partner, such as who in the company is legally entrusted with signing agreements.
A potential customer ...	... confirms historical information on the operations and management of the firms.
A potential supplier ...	... confirms the financial health of a potential buyer in making trade credit decisions.
A lawyer or notary ...	... validates information.
A government official (e.g. a tax, customs, pension, VAT or social security authority official))	... verifies a company's active business status.

## ... and more benefits...

- Produce efficiencies, e.g. in Latvia, e-BR reduced processing time from weeks to (rush-charge) 4 hours
- Improve the business environment and opportunities for FDI
- Offer reliable information to creditors on SMEs and lead to better access to credit
- Assist private sector development
- Help anti-corruption efforts
- Provide transparency of information
- Provide simultaneous “real time” access to data updates, improve service availability, provide a consistently user-friendly interface
- Streamline transaction processes, remove hurdles
- Improve data accuracy, reliability and quality
- Improve transaction security
- Reduce costs and improve efficiencies for private businesses
- Provide a better tool for market surveillance and business monitoring

# Best Practices & Lessons

**1. Online Products and Services**

**2. Public-Private Partnerships**

**3. e-Government**

# Online Services and Products

## Basic

- Registering a new company
  - Changing names / addresses
  - Changing board / management
  - Pledging property / raise capital
  - Checking firm for insolvency
  - Checking that a person has signature rights
  - Receipt of annual information (e.g. tax)
- Pay per use

## Advanced

- Automatic feed of media news on company viewed
  - Tracking companies of interest
  - Annual accounts data entered online by firm
  - Analysis and structuring of annual accounts data: aggregates, rankings by sector, profitability
  - Accountants can log in to digitally sign a firm's docs
- Private sector data firms can become competition to e-BRs when buying bulk

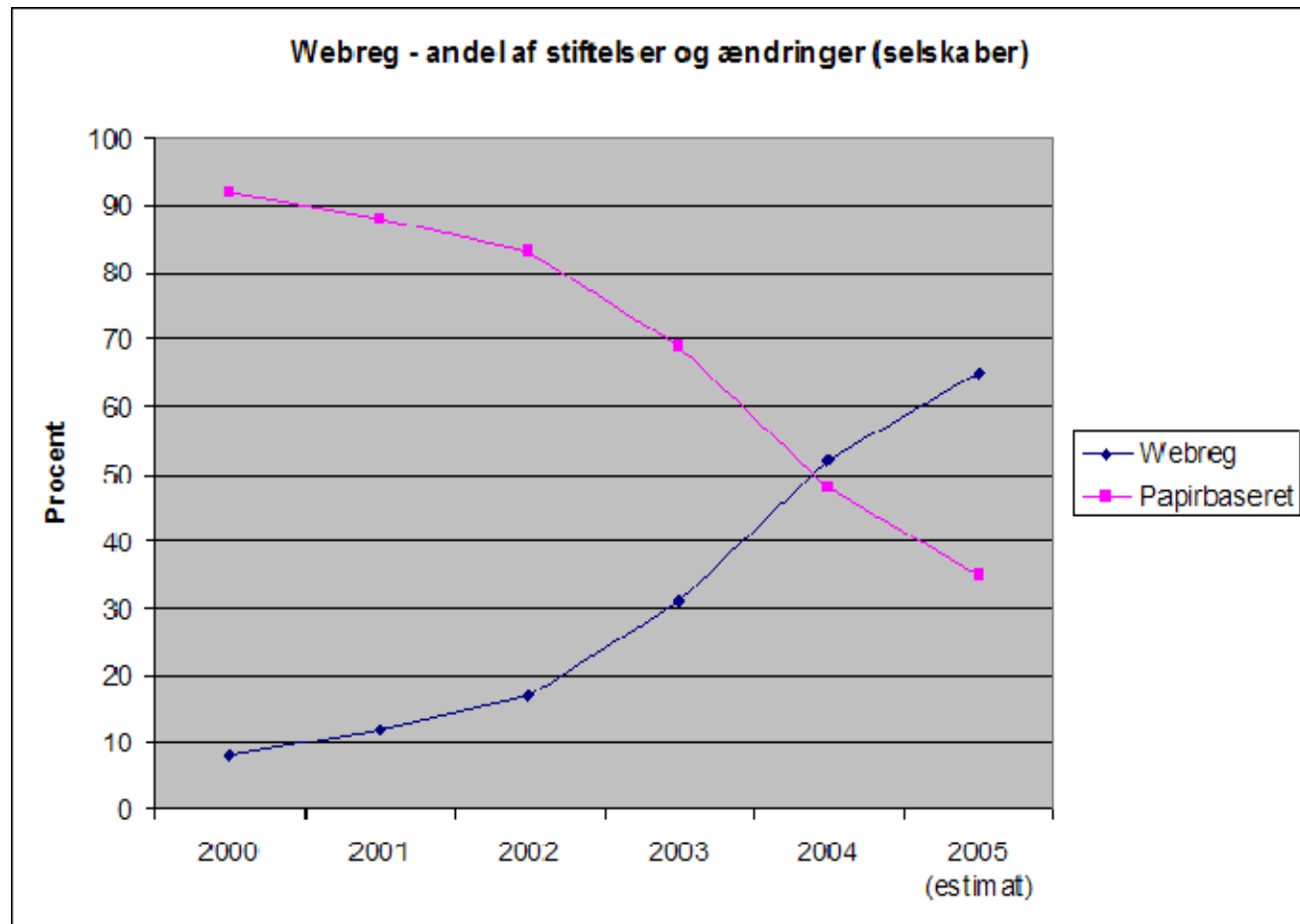
# Portugal's FastTrack

- Users select a pre-approved name from the registry's website
- ... proceed to the one-stop website to register the company
- ... the registry deals with tax, social security and labor registration, and publishes the incorporation notice, and
- ... articles of association are standard – there is no need for a notary.

*Within a year, the number of companies using FastTrack rose from 12 to 75 a day.*

# e-BR Services Overtake Paper

Denmark: in 2004 online transactions outnumbered paper



# Austria: Centralizing Information

- Austria is working on software to automate the connection between 16 local high courts with the central registry
- Lawyers and notaries would enter information into software, which automatically populates the main registry database in Vienna
- Currently notaries create verified documents, scan, and send a link to the central registry that allows downloading.

# Centralized Back-End & Reform

*“Business start-up takes 20 days more on average where judges have to approve the applications.”*

- Bulgaria and Serbia avoided delays by creating a new administrative registry.
- Italy and Honduras transferred registration from judges to private chambers of commerce.
- Bosnia and Herzegovina, Romania and Slovakia left registration in the courts but shifted responsibility from judges to legal clerks.

Doing Business Report, World Bank 2007.

# Best Practices & Lessons

## 2. Public-Private Partnerships

# PPPs are Useful When

- The public budget for the implementation of the e-BR is insufficient or scarce;
- The private sector is interested in investing, even when up-fronting the needed investment cost for e-BR implementation may be difficult;
- Levels of technical skills/capacity in the IT cadre of the public sector are insufficient to implement or operate an e-BR, or fall short of the skills available in the private sector;
- An incentive structure for rewarding timely and qualitative performance is absent in the public sector.

# Public Private Partnerships

- *Austria*: Ministry of Justice owns data. Eight private clearing houses are on contract to provide services and share profits.
- *Latvia*: One company on contract with BR to provide software and services. Provides services to BR for free but keeps profits.
- *Denmark*: Pre-qualify a group of 7 firms for contracts, of which 4 resell data from business register (2 have annual accounts) and pay royalties. Profits are reinvested.

# Public Private Partnerships

The Following areas are esp. sensitive to the project's success

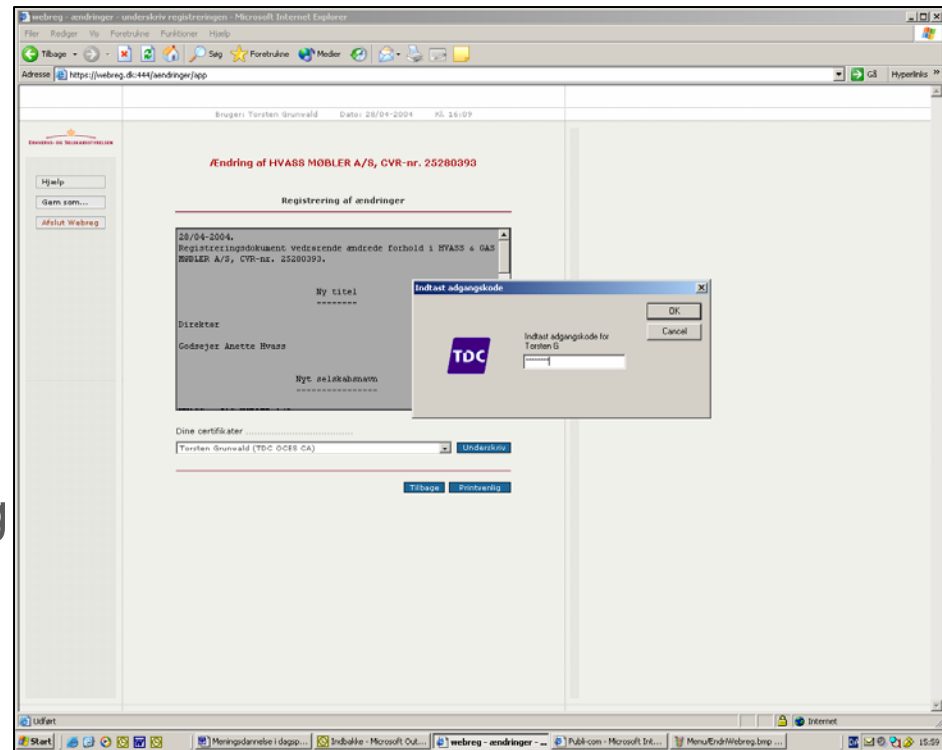
1. Fees for transactions
2. Profit sharing agreement
3. Ownership of the data
4. Intellectual Property rights
5. Security and Privacy issues
6. Public sector oversight
7. Openness to competition of PPP arrangements
8. Consultation with stakeholders

# Best Practices & Lessons

## 3. Electronic Signatures

# Electronic Authentication

- From institutional perspective: timing of legal/regulatory implementation should work with development of IT systems solution.
- Latvia: using online banking authentication methods while electronic authentication authority is being accredited



## Danish e-Signature Implementation on "Webreg"

- Free, distributed by Denmark's biggest telecom company
- Based on personal number, or company number and name

# Legal Issues to Address

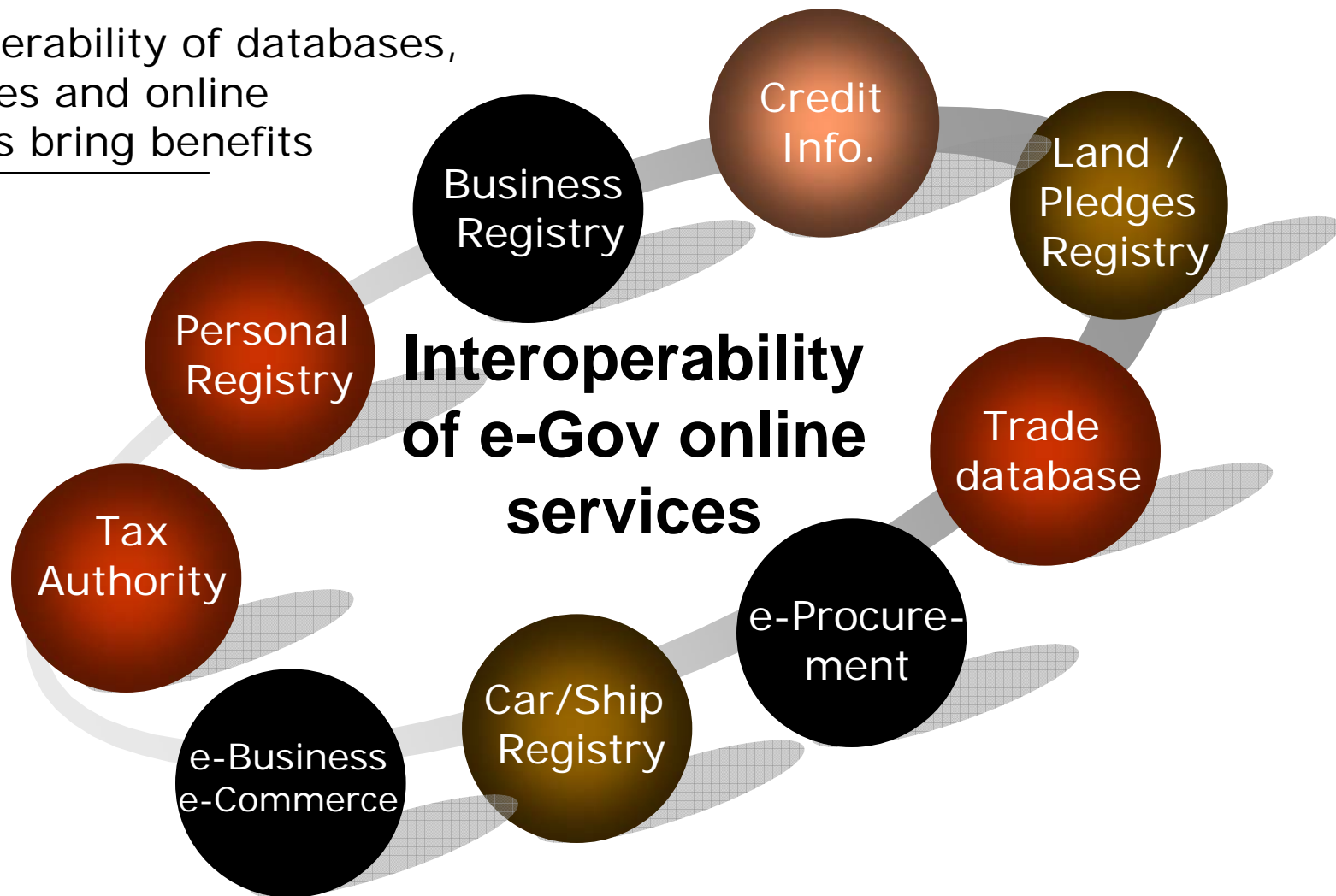
- Assigning adequate powers to the business registry;
- Choosing the nature and scope of data to be public;
- Defining the degree of privacy and treatment of non-public information retained by the registry;
- Avoiding multiple filings, domestically and internationally;
- Ensuring the legal validity of electronic documents and electronic signatures;
- Defining the rules of dispatch and receipt the transfer of data through the e-BR;
- Ensuring the e-BR's data integrity and protecting its data base;
- Considering the e-BR as 'Critical Infrastructure' and subjecting it to the Critical Infrastructure Protection (CIP) rules;
- Protect the e-BR from cyber-crime; and
- Ensuring the legal interoperability of the e-BR with other government data bases

# Best Practices & Lessons

## 3. e-Government

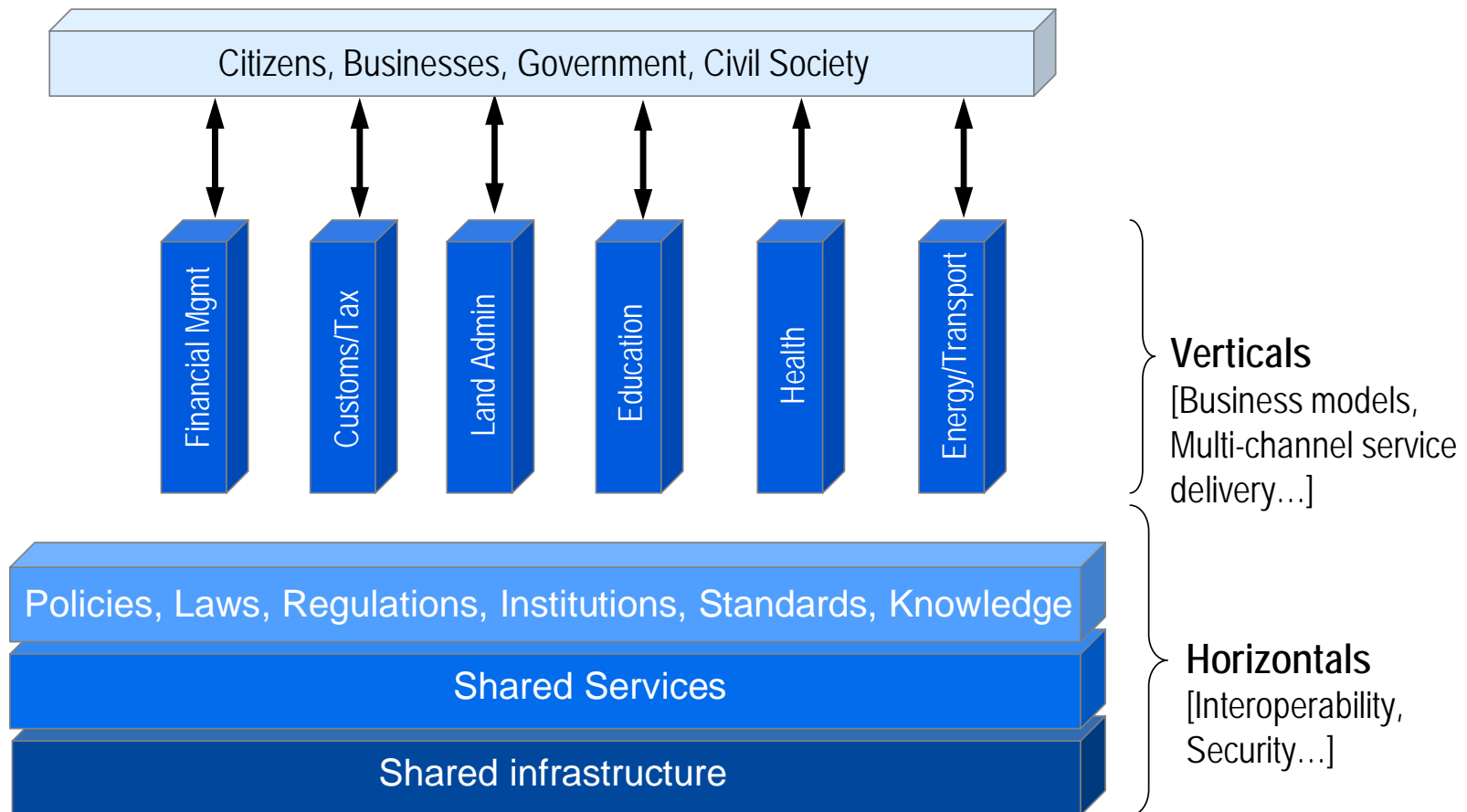
# Integration of Registries

Interoperability of databases, registries and online services bring benefits



# E-Government

## Framework for ICT in Government



# e-BRs are part of e-Government

- Good Practices
  - Registries form a part of the government's vision for private sector development
  - They are also a component of the Government Enterprise Architecture Framework within e-Gov
  - Registries would comply with standards of other shared implementations
  - e-BRs are part of the Government's Interoperability framework, such that databases can be interoperable and interlinked
- Lessons Learned
  - Need to outline larger policy objectives first and embed them in registry design
  - Need a reasonable earmarked budget
  - Need a strong champion and agency
  - Need to be insulated from politicization

# Survey Results: Basic Functions

- Survey covered EU Accession Countries and some high-income economies in Europe
- Countries that answered the questionnaire are: Estonia, Hungary, Ireland, Latvia, Lithuania, Norway, Romania, Slovakia, Slovenia, and United Kingdom
- Countries were asked 40 detailed questions about availability of data, functions, automation, PPPs, authentication, interoperability and services.
- Best Practices in e-BR functionality are: Estonia, Norway, Latvia, Lithuania

# Service-Oriented Architecture (SOA) and Payment Systems

- Services commonly required by various e-Government applications can be rolled out to be used by all → e.g. same Payment System is invoked by e-BR as well as by other services.
- Technologies for payment systems can vary. In countries where ratification of laws for digital signatures may lag, and the number of banks is small, countries could plug into established online banking processes (Latvia two years ago). In other countries, the government may develop a single payment system (e-Dinar in Tunisia) using Post Office account system. In others yet, credit cards are widely used. Important is to choose an appropriate technology and implant it into the SOA.

# M&E of e-BRs

<b>Inputs</b>	<ul style="list-style-type: none"><li>• Annual costs to public sector of running the business registry (before and after implementing the online e-BR platform)</li><li>• Annual costs to the private sector partner (if any) of running the business registry (before and after implementing the online e-BR platform)</li><li>• Total Investment costs of implementing the online e-BR platform (public plus private investment)</li><li>• Private investment in e-BR reform (% of total investment)</li><li>• Projected number of years until investment costs will be recouped</li><li>• Actual number of years until investment costs were recouped</li></ul>
<b>Outputs</b>	<ul style="list-style-type: none"><li>• Number of registered users of the business registry (# of login accounts) per year</li><li>• Number of information downloads per year</li><li>• Number of information uploads per year</li><li>• Annual revenues of the e-BR operations</li><li>• Annual profits of the e-BR operations (government +private profits)</li></ul>

# M&E of e-BRs

<b>Outcomes</b>	<ul style="list-style-type: none"><li>• Cost of a basket of typical annual transactions with the business registry before and after the reform</li><li>• Average processing time for (a) business registration, (b) business de-activation before and after implementing the online platform</li><li>• Waiting time to process a transaction before and after the reform (includes average time needed to reach business registry office, queues, follow-up visits to same or other governmental offices, etc)</li><li>• Processing time for a rush-order transaction before (if it was possible then) and after implementation of the online platform</li><li>• Number of interlinked e-government services (of different agencies) before and after reform</li></ul>
<b>Impact</b>	<ul style="list-style-type: none"><li>• Annual savings for the registry of moving the business registry transactions online</li><li>• Annual savings of firms moving business registry transactions online</li><li>• Private sector's satisfaction with the business registry before and after automation (survey)</li><li>• Annual number of new business registrations (before and after implementing the online e-BR platform)</li></ul>

# Context

- The paper was written as a team effort by World Bank staff with different skill profiles:
- ICT experts (Anat Lewin, Bruno Lanvin in GICT)
- A senior expert on business registries in Eastern Europe (Sophie Sirtaine in ECA)
- An Economist assessing the impact of e-BRs on the private sector (Leora Klapper in DEC)
- Experts from our Legal Department in ICTs (David Satola and Richard Symonds in LEG)

Thank you

**If you have any questions or for a copy of the paper, please contact Anat Lewin [alewin@worldbank.org](mailto:alewin@worldbank.org) or John Wille at [jwille@worldbank.org](mailto:jwille@worldbank.org).**