

One-stop shopping in Portugal

CAMILLE RAMOS

In 2005 it took 11 procedures and 78 days to start a business in Portugal—slower than in the Democratic Republic of Congo. An entrepreneur needed 20 forms and documents, more than in any other European Union country, and the cost came to almost €2,000. The planning for reform began as soon as new Prime Minister Jose Socrates took office in March 2005. And in 4 months On the Spot Firm, the one-stop shop for creating a company, was fully operational. Portugal is now one of the easiest countries to start a business, taking only 7 procedures, 7 days, and €600.

Well begun means half done

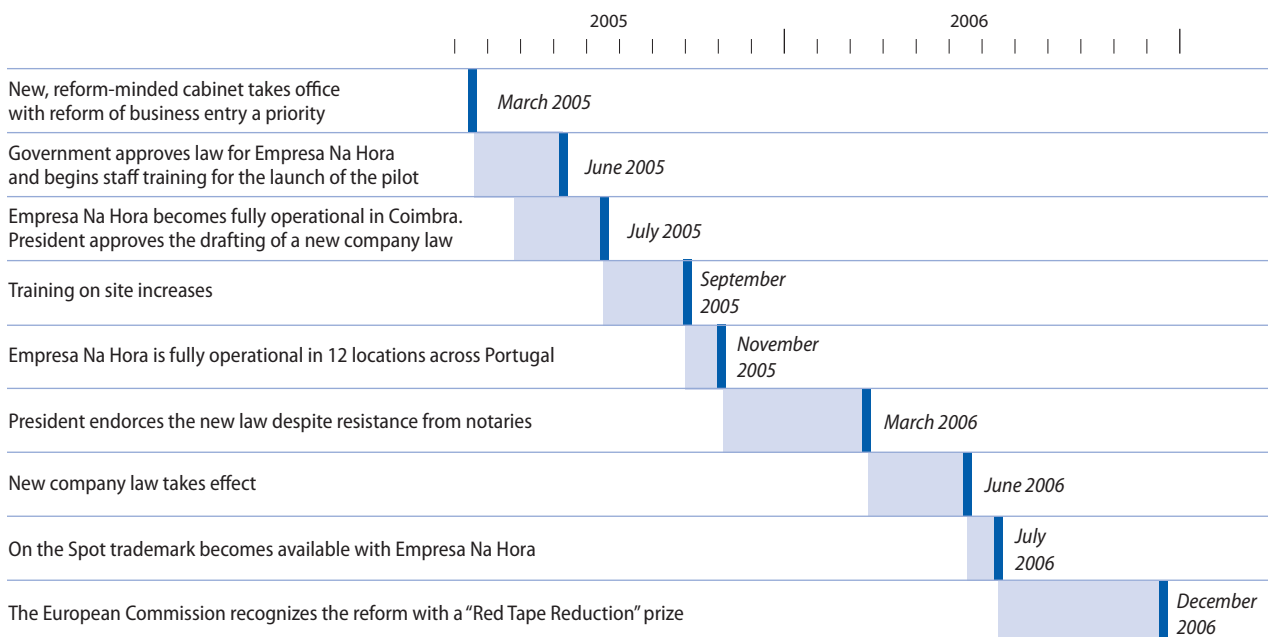
Times were tough for the Portuguese government at the end of 2004. The previous Parliament had been dissolved in November 2004, and government scandals spurred early elections. The economy it was no better—Portugal had Western Europe's lowest gross domestic product per capita. In February 2005 the Socialist party won its largest victory ever, and Jose Socrates was sworn in as prime minister.

Building on the momentum, the new government committed to cutting the bureaucracy and modernizing and simplifying public services. To jump-start

FIGURE 1

Timeline of business start-up reform in Portugal

Source: Doing Business database.



the reform process, the government chose 2 initiatives likely to be quick wins. The plan was to achieve these quick reforms and then to incorporate them in a larger process.

Just after the May 2005 elections the government set up the Unit for Coordination of Administrative Modernization (UCMA), a cross-departmental task force of 7 people to oversee the program for modernizing public services. A platform for cooperation across many departments, the UCMA was integrated into the Presidency of the Council of Ministers and under the direct authority of the minister of state and internal affairs, Antonio Costa, who was in charge of the government's program on administrative modernization.

As head of the UCMA, Maria Manuel Leitão Marques was responsible for bringing together the Ministries of Justice, Finance, Economy, and Labor and Social Security—all involved in starting a business—to make reform a reality. Each ministry also had working groups in charge of modernization. These worked closely with the UCMA team. UCMA's job was to aggregate and coordinate measures proposed by the different ministries and public services, supervise implementation, and assess the results.

Targeting past failures

Among the government's first targets was simplifying starting a business. But the UCMA decided to inspire the government by showing that quick reform was possible in another area—targeting earlier failed attempts to reform car registration. Paulo Henriques, an advisor to the UCMA, remembers that “for 10 years, a reform to create a single document to register a car was in the pipeline, and parties could never come to an agreement over how the fees were to be split.” Within 3 months UCMA had settled the issue—there would be one document and the fee would be equally split among the Road Traffic Agency and the Public Registrar —and a single car registration became possible.

The idea was to develop a pilot that could be implemented as quickly as possible—reforms that are too broad or too drawn out can mean delays, resistance, and failure. Building on the success of the car registration reform, in less than 2 months the new government drafted a law simplifying business startup. And in 4 months the reform was fully operational.

The goal for On the Spot Firm was to create a one-stop shop that would allow an entrepreneur to register a company in an hour. On the Spot Firm was to bring all agencies under a single roof, getting them to collaborate so that promoters did not have to visit every office to get the required documents. In the one-stop shop the corporate taxpayer number, the social security number, commercial registra-

tion, and the declaration of beginning activity could all be taken care of the same day. Allowing companies to use standardized articles of association, making notaries optional in evaluating the company deeds, and choosing company names from a pre-approved list eliminated major bottlenecks.

The keys to success were central coordination and the support of the prime minister. Cutting across ministries, the UCMA was able to work closely with all involved—and thus knew what to prioritize. The ministries all had priorities with the reform, so having an intermediary designate a work schedule was important. The UCMA was in charge of making sure departments and ministries complied with its hard deadlines.

To ensure that the reform would be delivered when promised (in 2 months, from May to July 2005), representatives of each ministry met frequently to confirm that everything was going well. UCMA kept a close watch, to identify potential setbacks. Some ministries did not always cooperate and lagged behind. But the prime minister stayed informed, addressing the issues during the next cabinet meetings. Attaining early buy-in at the highest levels locked in political allies, reducing the risk of reversal.

You can't please everyone

Not everybody was happy with the reform. The Association of Notaries very clearly disapproved. The notaries estimated that eliminating them from starting a company would cost at least \$3.7 million and about 65,000 deeds. “It's not that we are against debureaucratization,” claims Joaquim Lopes, the president of the association, “but the state violated its duty of good faith and the principle of judicial safety.” The state's privatization of notary services, undertaken in the previous government, created an expectation of continuity. Notaries had invested in modernizing their services to enter a more competitive market. But the prices at On the Spot Firm were lower than the notary fees, which the government had also fixed.

At the end of 2007 the notaries threatened to take their complaints to court, claiming that the government created a monopoly and was price dumping. They argued that On the Spot Firm violated the rules of competition. “In these cases, the state annihilates the competition that it itself created and legitimated,” argues Joaquim Gomes Canotilho, a law professor.

Explaining the new system helped the government counter the notaries' resistance. The benefits of change were a powerful communication tool. On the Spot Firm reduced the total waiting time by 230,000 days in a year. This generated 19,500 new jobs and more than €93 million in investment.

What gets measured gets done

Public servants were wholly responsible for On the Spot Firm. No external consultants were involved—a source of great pride. The UCMA boasts that the only external consulting they received was on the logo. Marques' advisers felt that it was important to involve mid-level public officials in the reform. If they believed in the reform, they would drive it from one day to the next. To ensure that everything went smoothly, the personnel underwent rigorous training.

On the Spot Firm launched its pilot in Coimbra, and once things were running smoothly there, staff from other cities came for training on site. The program swiftly expanded to 12 locations across the country, and today it is present in 93. Training occurred onsite and offsite, and initially the oversight was weekly or biweekly. But as the delivery date approached, control checks came up to twice a day.

Progress as a constant

The 2006 reform became part of a larger package for administrative and legislative simplification, called SIMPLEX, targeting both companies and individual citizens. The idea was to build collaboration and information sharing between the different public agencies and, above all, to increase Portugal's global competitiveness.

The SIMPLEX measures focused on transparency and accountability—with a public delivery date. On the Spot Firm wanted to foster a culture of reform, and Marques emphasized that public performance measurements ensured accountability. Progress would be the constant—and the measurements would be rigorous. The UCMA's model was the private sector. Every month an online report published the number of companies registered and how much time it took.

Who suggests reforms? Everyone

But the most important judge was the customer—citizens and businesses. More than 70% now use the new system. Complaints or suggestions are welcomed any time—in person, by mail, or electronically. Henriques comments, "We take the suggestions seriously, as they are usually valuable concerns. We have incorporated suggestions such as diminishing the number of documents that have to be presented, or incorporating different clauses into the standardized articles of association—all public suggestions." Every year the reform program for the coming year is published online, open for comments for 2 months. For the 2007 SIMPLEX program 86 of the 256 new initiatives came directly from the public.

Even after these successful reforms, Portugal faced pressure to continue reform. In January 2007 the European Committee launched the Action Program for Reducing Administrative Burdens in the European Union, whose goal was to reduce by 25% the administrative burdens on companies by 2012. Portugal responded by developing an action plan aligned with SIMPLEX.

Some reforms also had input from the private sector. A private sector committee under the Office of the Secretary of State for Justice, the Committee for Cutting Red Tape Initiatives, met once a month to informally discuss concerns, barriers, and suggestions for improvements based on committee members' experiences. Marques remembers, "We were always brainstorming on how to improve. That's where the reformers got the idea to eliminate the outdated requirement for entrepreneurs to register and legalize their financial accounting books, which was recognized in *Doing Business in 2008*. Companies would purchase the accounting books only to satisfy legal requirements to start a business, but would not use them. Not only was there political will to change this, but there also was the desire to climb in the *Doing Business* rankings."

Still seeking a budget solution

Although the reform was centrally coordinated, the budget was fragmented. This meant that the main budget for each reform came from a specific ministry (for On the Spot Firm, from the Department of Justice). But because each reform involved other ministries, ministries had to pay for different aspects of the reform. And it was the UCMA's job to enforce the system. The decisions sometimes created friction between the UCMA and the ministries. Marques comments, "in a system in which departments were not used to working together, coordination was especially difficult when it came to the budget."

If the budget had been allocated to individual projects instead of coming from ministry budgets, the process would have been much smoother. In future reforms the government plans to create a budget for each project. How?

The Ministry of Finance, investigating ways to improve the situation, has created a working group to discuss different possibilities. The ministry wants to assign a budget for each project, but the transition to the new system must be done carefully. So, the ministry is looking at how other Organisation for Economic Cooperation and Development countries have solved their budgeting issues and how these solutions might be adapted for Portugal. Its goal is to have a plan by 2009.

What's next?

With the success of On the Spot Firm and the SIMPLEX program, Portugal hopes to make more services accessible to the public online. It wants to be at the forefront in the electronic era, offering the public easy access to information and services. For some services, the country is developing a multichannel approach that combines online services with other channels (say, call-center and in-person services).

On the Spot Firm has succeed, and the reform team is proud that more than 50,000 entrepreneurs have used the services since 2005. Its success has inspired other countries. Angola and Cape Verde have requested legal and technical assistance based on the Portuguese model. Cape Verde will soon be ready to follow through with the reform. Other countries such Slovenia, Hungary, Egypt, Mozambique, Angola, São Tomé and Príncipe, Chile, Finland, Bosnia-Herzegovina, Romania, China, Brazil, Turkey, Sweden, and Andorra have visited the On the Spot Firm service.