

Lessons from implementing One-Stop Shops in OHADA countries

Research summary

February 2019

Country

Democratic Republic of Congo

Author

Decision Support Unit

This is a summary of a research paper produced for the UK Department for International Development's (DFID's) private sector development programme in the Democratic Republic of Congo (DRC). A series of research papers, research summaries, and 'learning briefs' are being published by the programme's Decision Support Unit (DSU), with the aim of sharing information that will help others working on similar projects

Definitions

One-Stop Shops (OSS) – A virtual or physical location bringing together the agencies necessary for business registration. Best practice OSS include business registration process reengineering to integrate and streamline registration procedures. Traditionally, the introduction of OSS aimed to improve business registration, with the intended effect of reducing the time and cost taken to start a business. It was expected that this might then lead to increased business registration, increased profits, business growth, and an expansion of the formal sector.

Commercial, business, or company registries – Refers to a database containing company information held by the government which is recorded at the point business registration and then updated periodically. Information on a company registry can include: name of company, type of company, ownership, articles of association, company accounts etc. This information can be extremely useful for other users.

A collateral registry – This is where financial institutions register movable assets ('collateral') used to secure a loan or other obligation.

Registre du Commerce et du Credit Mobilier (RCCM) (Trade and Personal Property Credit Registry) – For OHADA countries, a key part of the OHADA treaty commitment is the presence of both a commercial (*Registre du Commerce* – 'RC') and collateral (*Credit Mobilier* – 'CM') register – RCCM – which should be national and digitised, and ultimately accessible regionally. This is the model which is being rolled out within the Democratic Republic of Congo (DRC).

Organisation for the Harmonisation of Business Law in Africa (OHADA) – Established in 1993, this is an initiative to provide uniform legal and regulatory frameworks for the private sector across francophone Africa. This includes regularising accounting standards, arbitration, commercial law, collaterals, company law, and insolvency law.

Introduction

This is a summary of a research study undertaken to support the implementation of the UK Department for International Development's (DFID) private sector development programme in the DRC. The full version of the research study can be downloaded at bit.ly/OSS-briefing.

Roll-out of commercial registers has been slow across OHADA countries and funding of One-Stop Shops (OSS) by development agencies has been seen as a way to improve this. This paper therefore seeks to set out a number of practical considerations that should be taken on board by those looking to implement OSS as part of business environment reform programmes.

The DFID DRC programme is split into three component parts:

1. A £50 million, five-year, market systems development project, **ÉLAN**¹, planned to end in December 2018 (although now entering an extension period). The project works across a number of sectors, including agriculture, finance, renewable energy, and transport.
2. **Essor**, a five-year £35 million project aiming to improve the DRC's business environment, ending in January 2020. The portfolio of interventions has included implementation of OHADA (a system of harmonised business laws adopted by 17 francophone African countries), access to finance, access to electricity, and work to reduce corruption.
3. The **Decision Support Unit (DSU)**, a £3.5 million component ending in 2023 supports the ÉLAN and Essor projects with annual reviews, results verifications, evaluations, research, learning, and adaptation activities.

The study was undertaken by the DSU for Essor to identify operational lessons which have supported the successful roll-out of OSS, and Trade and Personal Property Credit Registries (RCCMs) within OHADA countries and similar countries globally.

The study was based on some of the existing research on the roll-out of OSS and RCCMs within OHADA countries. These summaries were augmented by interviews with individuals working on these programmes.

¹ www.elanrdc.com

Findings

Factors influencing the success of RCCMs

RCCM roll-out has been slow across OHADA countries. This has been due to the fact that the skills required to manage a large-scale IT project are outside the core competencies of OHADA. Countries which developed their own software and did not wait to customise the OHADA regional version have moved faster than those that waited.

In addition, the successful reform of the RCCM requires coordination and IT connectivity between different government agencies and departments, and with banks and credit agencies. Without this 'integrated' approach the registry will be under-utilised, and therefore will gradually become less and less effective. Global experience indicates that commercial registries based in a court have been less successful than those that are delivered through a commercially focused agency, such as the ministry of commerce.

How sustainable are RCCMs and OSS?

In general, the establishment of RCCMs in OHADA registries is funded by development partners, and, unsurprisingly, sustainability is a challenge which must be addressed at the outset of implementation programmes.

Whilst many economies are able to cover costs through increased registration and commercial services, (like credit searches and commercial analysis) cost sustainability for fragile and conflict-affected states (FCAS) has been challenged by low numbers of formal businesses and, in time, government must be prepared to fund the ongoing maintenance costs of the RCCM out of its central budget.

OSS face similar sustainability issues to those affecting collateral registries, because they also depend on a strong IT infrastructure. The sustainability of the IT system is also a challenge due to the skills/competence needed to manage the integrity of the database. Some governments have been supported to establish a government-wide IT data centre which manages data integrity and interoperability across the government.

What assessments have been done of OSS?

The assessments of OSS undertaken to date have tended to take one of the following approaches:

- looking at reduction in the procedures, costs, and time taken to start a business, as well as the number of business registrations;
- comparing performance of OSS with different institutional setups;
- reviewing country performance against external indicators (like the

- World Bank Doing Business report); and
- contrasting the impact of OSS on firms before and after reform.

The World Bank Group 'Toolkit'² analysed data from their 'Doing Business' database to show that in 83 economies with OSS offering at least one service in addition to business registration, start-up processes are more than twice as fast as in those without.

An independent evaluation of World Bank Group reforms³ evaluated similar reforms to OSS (i.e. reforms which aimed to reduce the amount of time taken to comply with business procedures). The review covered 819 projects implemented by World Bank Group over the period 2007 to 2013. This included 133 projects in FCAS. The evaluation concludes that projects in FCAS countries are generally less successful than projects in non-FCAS. Their success depends on political feasibility, institutional capacity building, and implementation assistance.

Klapper and Love's paper on business registration⁴ uses panel data on the number of new firm registrations in 91 countries to study how the ease of registering a business and the magnitude of registration reforms affect new firm registrations. The authors find that the costs and procedures required to start a business are important predictors of the number of new firm registrations. However, they find that only significant reforms, in general more than a 40 percent reduction in procedures, or a 50 to 60 percent reduction in costs, have a significant effect on new registrations.

Over time, as more evidence is collected, the impact of OSS implementation on business registration has appeared less clear, particularly where the target has been small informal traders, with evidence indicating that improvements in business registration have the strongest impact on larger informal traders, both in terms of the likelihood that they will register and the impact on their profits and growth.

² World Bank Group Toolkit, 2013.

³ World Bank Group IEG, 2014.

⁴ Klapper, L. and Love, I. (2010) 'The Impact of the Financial Crisis on New Firm Registration'. World Bank.

Implications and conclusions

1. There is good evidence that OSS can lead to reduced time and cost for businesses to comply with business regulation. However, the evidence is less clear about the impact on the number of registrations, with other factors having a strong influence on that measure.
2. To help RCCMs to achieve their goal of reducing the time and cost required to register a business, techniques for overcoming the inherent institutional weakness involved in courts managing a commercial registry must be overcome. Specifically: building in more accountability for delivery of effective services to the private sector, and supporting the coordination of other key ministries involved in registration.
3. These projects are primarily automation or business processing projects, and require skillsets which address these issues across a range of relevant agencies. It is difficult to drive such reforms within host governments without strong incentives. Stakeholder management and coordination is a key skillset for a successful project, as is the availability of a political champion.
4. Many FCAS have significant issues with regard to implementing the integrated IT systems required to facilitate an effective business registry. There are a range of reasons for this, not least problems of coordination between different agencies and ministries. Any business registry needs to be accurate to be effective, which means there must be strong controls on data entry and protection of data, and incentives/enforcement systems to maintain the data. Encouraging the establishment of a government data management system would address this issue.
5. Even with a well implemented system for sharing data, cost sustainability is difficult to achieve. In response to these issues business environment reform programmes need to plan long-term strategies to ensure the sustainability of reforms and to ensure ongoing access to the funds needed for maintenance, including software licences, updates, hardware, and training. In FCAS the host agency is unlikely to deliver an effective service on cost recovery terms. Therefore, programmes should review funding options post-completion and ensure government buy-in to a sustainable business plan.
6. Programmers should undertake a cost/benefit exercise which reviews the likely benefits of business registration, to ensure the benefits justify public funds. Such an exercise should include considering the feasibility of the RCCM providing a foundation for a data warehousing system that will support related commercial databases, e.g. intellectual property, and collateral registry.

About Oxford Policy Management

Oxford Policy Management is committed to helping low- and middle- income countries achieve growth and reduce poverty and disadvantage through public policy reform.

We seek to bring about lasting positive change using analytical and practical policy expertise. Through our global network of offices, we work in partnership with national decision makers to research, design, implement, and evaluate impactful public policy.

We work in all areas of social and economic policy and governance, including health, finance, education, climate change, and public sector management. We draw on our local and international sector experts to provide the very best evidence-based support.

Find out more

For further information

visit: www.opml.co.uk

Or email: admin@opml.co.uk

    OPMglobal



Oxford Policy Management Limited

Registered in England: 3122495

Registered office: Clarendon House,

Level 3, 52 Cornmarket Street,

Oxford, OX1 3HJ, United Kingdom