

BUSINESS LICENSING REFORMS
INSIGHTS FROM SELECTED COUNTRY EXPERIENCES



Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

AUTHOR

Aris Molfetas (amolfetas@worldbank.org) is a Private Sector Specialist in the World Bank Group's Global Business Regulation Unit. He advises governments in a range of areas relevant to business regulation.

ACKNOWLEDGMENTS

The author appreciates the input, feedback, and advice received from **Wafa Aranki** (Senior Private Sector Specialist) throughout this work, the insights and input provided by **Ursula Blotte** (Operations Officer) and **Emilia Abusada** (Consultant) on the Peru case study, the feedback and comments of **Peter Kusek** (Senior Private Sector Specialist) and **Lars Grava** (Senior Private Sector Specialist) and the general guidance of **Catherine Masinde** (Practice Manager).

DISCLAIMER

This note is published by the Global Business Regulation Unit of the World Bank Group. It discusses practical considerations and approaches for implementing reforms that aim to improve the business environment. The findings, interpretations, and conclusions in this note are those of the authors and do not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent.

ABOUT THE GLOBAL BUSINESS REGULATION UNIT

The Global Business Regulation Unit of the World Bank Group supports client governments through analytics, advice, and lending operations to implement reforms designed to promote an efficient, transparent, and predictable business environment for growth.

| EXECUTIVE SUMMARY

Business licensing is a key component of any country's business environment because government licenses are often required to set up business activities and conduct operations. Licenses and other forms of ex-ante approvals typically impose on businesses a range of conditions and obligations while providing certain rights. If appropriately implemented, licenses can help regulators address market failures, monitor businesses that may pose risks to public goods, restrict entry to businesses failing to meet minimum regulatory standards, and allow the controlled use of valuable and scarce community resources.

At the same time, business licensing is often cited by the private sector—across regions and income levels—as an obstacle to doing business. Entrepreneurs are sometimes constrained by convoluted procedures, onerous compliance standards, unaffordable fees, overlapping or sometimes duplicating approval processes, and fragmented governance systems, among other shortcomings. In some cases, business licensing may be captured by vested interests and deployed as a barrier to new entrants, thus protecting incumbents from competition. In response, some jurisdictions have reformed their regulatory frameworks to lower compliance costs for businesses, increase compliance levels, and ultimately improve regulatory outcomes, such as protection of public health, safety, and the environment.

This publication provides a collection of case studies documenting successful licensing reforms

in five jurisdictions. These case studies complement previous publications of the World Bank Group in the areas of business registration, licensing, and inspections, such as the 2006 publication “Business Licensing Reform: A Toolkit for Development Practitioners” and the 2009 publication “Licensing Case Studies for the Tourism Sector.” The 2006 publication provided both an overview of the phases and approaches as well as specific examples of licensing reform. This collection of case studies discusses additional examples of such reforms by exploring policies, institutions, and procedures as well as innovative approaches to licensing reform to inform development practitioners and governments on practices and solutions in this critical regulatory area.

The reforms featured in the case studies do not necessarily represent the most recent or international best practices. Instead, they have been

selected based on the availability of resources and the different angles taken by each reform highlighted.

Canada's BizPaL illustrates a publicly available multi-jurisdictional database of licenses regulating business activity. BizPaL clarified a formerly complicated and opaque licensing system, rendering it transparent and client-centric and creating cost savings for business. It started small, with only a few pilot municipalities, but grew organically over the years into a comprehensive, publicly available database of information on business licenses for both local and federal governments.

Chicago's overhaul of the city's regulatory compliance regime exemplifies the different tools and approaches that can be employed to modernize outdated regulatory compliance systems, including the use of data analytics. Moreover, the reform's success highlights the importance of benefiting from the private sector's extensive engagement throughout the reform process, during both the diagnostic and the implementation phases. Lastly, this case study discusses interesting approaches employed to accommodate new business types and promote innovation.

Singapore's Online Business Licensing Service (OBLS) was one of the first transactional portals for

licensing. Although Singapore has now migrated to an even more comprehensive portal, known as LicenseOne, the case study illuminates the importance of having an appropriate institutional setup for reform when attempting to deliver integrated, cross-agency, government-to-business services. The author relied primarily on the work of Thompson S.H. Teo, Tat Koon Koh, Pelly Periasamy and Siew-Kein Sia for information on the OBLS reform.

Malaysia, a middle-income country, successfully implemented the guillotine approach at the federal and state level in initiating its Modernizing Business Licensing program. Similar to the case study on Singapore, Malaysia's case study highlights the importance of an adequate institutional setup in implementing reforms across ministries and in digitalizing procedures.

Peru's simplification project for tourism licensing demonstrates sector-specific regulatory simplification at the subnational level. The case study underscores how improvements in government-to-business service delivery through decentralization and streamlining help improve both the investors' journey and authorities' regulatory oversight. The latter was crucial given the importance of preserving the cultural heritage sites of Peru's Cusco region.

CANADA

LEVERAGING TECHNOLOGY SOLUTIONS TO CREATE AN INTERGOVERNMENTAL ONE-STOP SHOP FOR LICENSING

Canada's BizPaL illustrates a publicly available multijurisdictional database of licenses regulating business activity. BizPaL clarified a formerly complicated and opaque licensing system, rendering it transparent and client-centric and creating cost savings for businesses. It started small, with only a few pilot municipalities, but it grew organically over the years into a comprehensive, publicly available database of information on business licenses for both local and federal governments. The author relied primarily on resources from the Canadian government and the Canadian Federation of Independent Business for information on the BizPaL reform.

THE CHALLENGE

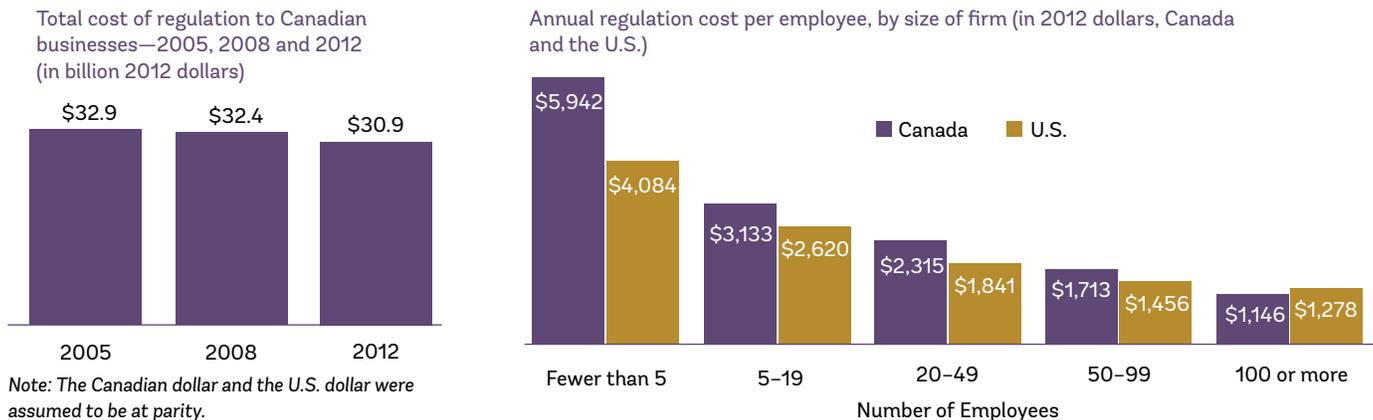
In the early 2000s, entrepreneurs in Canada reported that the regulatory burden posed a significant challenge to their operations and indicated that excessive regulations discouraged business growth. The Canadian Federation of Independent Business (CFIB) estimated that the total cost of the regulatory burden amounted to US\$32.9 billion in 2005.¹ Additionally, small business owners reported that regulations were detrimental beyond their direct financial costs. For example, a CFIB survey in 2005² found that 73 percent of business owners thought that excessive regulations added significant stress to their lives, and 51 percent reported spending time dealing with compliance issues outside regular business hours. Some of the specific challenges

highlighted by entrepreneurs were the lack of clearly communicated regulations and poor customer service.³ A growing consensus among the business community and independent think tanks⁴ at the time pressured local and federal authorities to find ways to improve the businesses' experience dealing with multiple governments.

In response to these findings, the Canadian authorities focused on select areas of the business environment to improve service delivery to the private sector. Obtaining authorizations such as licenses and permits was one of the areas entrepreneurs had significant struggles with, spending several hours navigating the convoluted regulatory environment. Government authorizations were fragmented across three government levels: entrepreneurs often had to visit federal, provincial/territorial, and local

Government authorizations were fragmented across three government levels: entrepreneurs often had to visit federal, provincial/territorial, and local government offices and websites to find necessary information.

FIGURE 1: THE COMPLIANCE COST FOR CANADIAN FIRMS IS BEING REDUCED AS A RESULT OF PROGRAMS TO CUT RED TAPE, BUT IT REMAINED HIGH WHEN COMPARED TO U.S. FIRMS AND AFFECTED THE SME SECTOR DISPROPORTIONATELY.



Source: Canadian Federation of Independent Business, “Canada’s Red Tape Report—With U.S. Comparisons,” January 2013.

government offices and websites to find necessary information. Since the various government departments were siloed, entrepreneurs frequently received fragmented or even conflicting advice. A move away from an agency-focused approach and toward a more integrated, client-centric approach was necessary to address these constraints.

THE REFORM

Creating a seamless environment for businesses is a challenging task for every government; it can be even more daunting when the reform involves several governments, each at a different administrative level in a federal system. Its multilevel governance structure was a core challenge faced by the Canadian authorities in their efforts to shape government-to-business services in the era of digital governance. In response, they forged multijurisdictional partnerships among federal, territorial, provincial, and local governments.

One of the most successful examples of Canada’s digital governance endeavor is BizPaL,⁵ an innovative online service that provides users with up-to-date information on licenses, permits, and other authorization requirements to start and operate a business in Canada. BizPaL was conceived as a client oriented, self-service, web-based tool that would provide entrepreneurs a transparent environment and save them significant time and cost in comply-

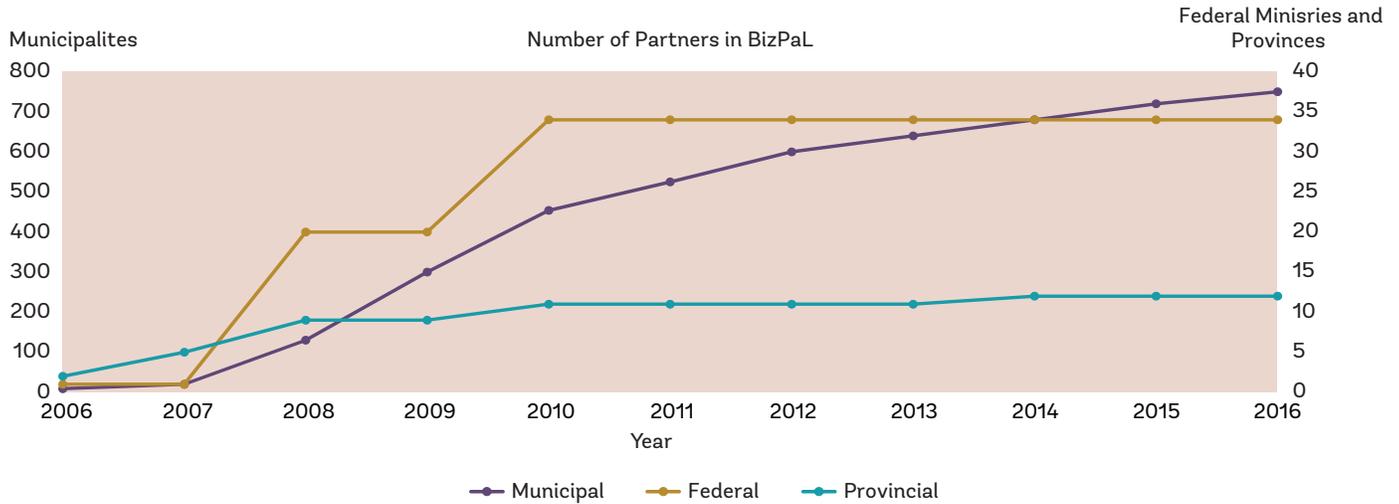
ing with regulations at the three government levels. BizPaL was the product of a partnership led by the federal department Industry Canada under a shared governance and costing model with collaborative decision making among the governments participating in the platform.

The platform launched a pilot phase in December 2005 with a small number of Canada’s leading jurisdictions, but it has since expanded to include over 700 jurisdictions. For BizPaL to work effectively, it required seven federal departments, all provinces and territories, and all municipalities across Canada to agree on a common way of doing business.⁶ The opportunity for such an interjurisdictional partnership emerged in the early 2000s when a mandate to help small- and medium-sized firms and to integrate government services online coincided with a 2004 federal budget calling for a reduced regulatory burden for small businesses. At the time, the compliance cost for Canadian businesses was estimated at over Can\$32 billion or around 1.7 percent of Canada’s gross domestic product (GDP).⁷ Given that in small firms it is predominantly the business owner who deals with regulatory issues, the compliance burden was estimated to be comparatively higher for the SME sector.⁸

Managing the project’s multijurisdictional nature required forging horizontal and vertical partnerships across jurisdictional boundaries.⁹ To that end, a governance model was established with

BizPaL was conceived as a client oriented, self-service, web-based tool that would provide entrepreneurs a transparent environment and save them significant time and cost in complying with regulations at the three government levels.

FIGURE 2: FOLLOWING A SUCCESSFUL PILOT IN FEW SELECT PROVINCES, BIZPAL GREW EXPONENTIALLY, BOTH HORIZONTALLY BETWEEN LOCAL GOVERNMENTS AND VERTICALLY AMONG THE LOCAL, PROVINCIAL/TERRITORIAL, AND FEDERAL GOVERNMENT AUTHORITIES



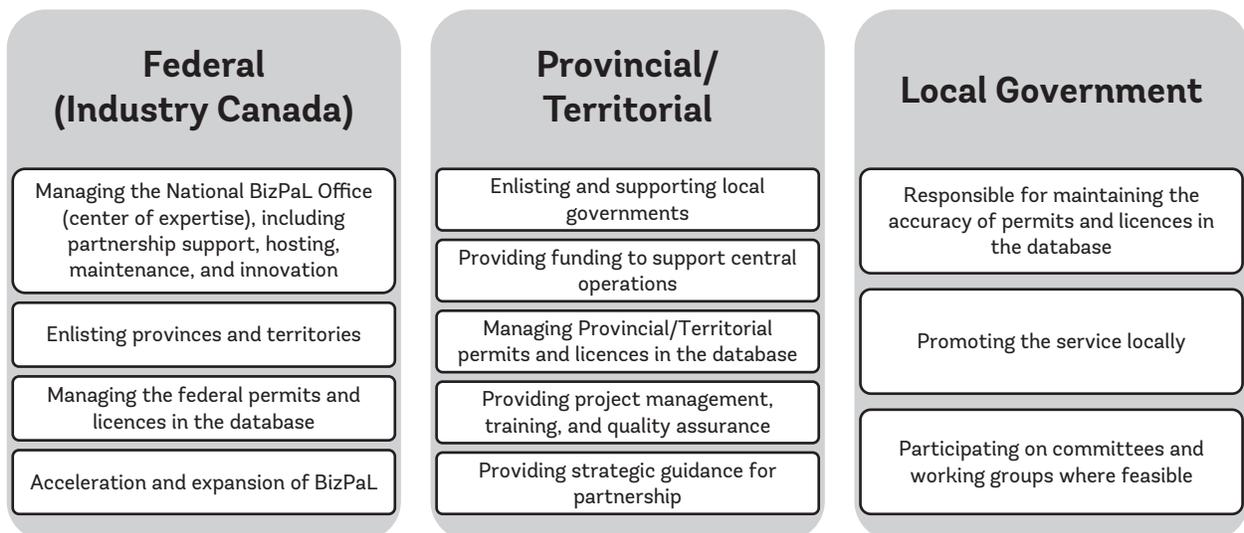
Source: Mike Davis, Partner at Davis Pier.

clear partnership roles and responsibilities (see Figure 3). Participating provincial/territorial partners signed an Intergovernmental Letter of Agreement (ILA), agreeing to participate in the project with a consensus-based approach and spirit. The ILA stipulated a cost-sharing model based on population criteria and was intended to provide a framework

for maintaining the system. Based on this arrangement, each jurisdiction was also responsible for adding and maintaining its regulatory information in BizPaL accurately.

Accordingly, Industry Canada led the BizPaL initiative and was responsible for managing the

FIGURE 3: PARTNERSHIP ROLES AND RESPONSIBILITIES FOR THE BIZPAL PROJECT



Source: "Evaluation of Innovation, Science, and Economic Development Canada's BizPaL Service," November 2015.

The National BizPaL Office in charge of day-to-day platform operations reported that the BizPaL database had grown to include more than 13,000 licenses in 2014 and that the platform served more than 10,000 businesses on a quarterly basis.

The project aimed to provide a reliable information portal, not to overhaul Canada's entire licensing regime. The reform process, therefore, did not involve a comprehensive policy review and overhaul of compliance requirements or undertake streamlining of existing procedures or rationalizing documentation.

centralized governance structure. At the same time, regional and local governments retained authority over their participation, including their own information and the presentation of their respective websites. Industry Canada introduced the National BizPaL Office (NBO), a project team tasked with managing BizPaL's day-to-day operations, ranging from content management to liaison and harmonization activities. As the project expanded, the NBO assumed a secretariat function to support the partnerships, oversee the technology infrastructure, and provide links to all other federal departments and agencies.¹⁰

The BizPaL initiative was developed by Industry Canada over a two-year period starting in 2004, under the umbrella of the multiyear "Government Online" initiative. Initially, Industry Canada received Can\$336,000 to develop a proof of concept for a licensing service in collaboration with three municipalities across the three levels of government and private technology partners. Following the pilot's successful launch in 2005, Industry Canada received additional funding to accelerate BizPaL's expansion nationwide. As implementation moved from the pilot phase into a full-fledged program, a more sustainable governance structure was necessary. A Steering Committee consisting of representatives from all participating governments and federal agencies was introduced as BizPaL's decision-making body.¹¹ Additionally, a Project Manager's Committee was established to work with the NBO and support the Steering Committee's decision making with informed input and recommendations for delivering the BizPaL initiative.

The project aimed to provide a reliable information portal, not to overhaul Canada's entire licensing regime. The reform process, therefore, did not involve a comprehensive policy review and overhaul of compliance requirements or undertake streamlining of existing procedures or rationalizing documentation. Instead, efforts focused on performing in-depth business process mapping to create an inventory and capture each license, permit, and other ex-ante authorization. Additionally, the project intended to chart every step that entrepreneurs were required to go through to apply for and obtain needed approvals. As a result, local government experts had to account for all business types, sizes, and activities. The platform also required updates and maintenance to ensure that it reflected new industries that developed and any changes in regulations.

Following the platform's implementation, all levels of government and all channels directed clients to the BizPaL service. Through the online service, entrepreneurs were able to easily identify all the necessary ex-ante approvals, such as the licenses and permits required by each level of government, as well as information on how to obtain them. The platform is thus more than an aggregator of authorization requirements for multiple jurisdictions. It provides customized online information by prompting end users to respond to a question-and-answer wizard and enter details specific to their businesses, such as the firm's location, business type, and planned activities. Based on the user's responses, BizPaL automatically generates a list of all required authorizations from all levels of government, including information on the cost and frequency of renewal, the issuing authority's contact information, the application forms, and links to government websites on which users can find more information on the regulatory requirements. Even though the platform does not currently¹² offer a transactional feature, in some cases users can apply for their licenses online, provided that the government website in the respective jurisdiction offers this service.

The National BizPaL Office in charge of day-to-day platform operations reported that the BizPaL database had grown to include more than 13,000 licenses in 2014 and that the platform served more than 10,000 businesses on a quarterly basis. The NBO is currently exploring ways to further improve the service and make it even more client-centric by offering industry specific bundles that aggregate information beyond licensing. At the time of this writing, these functionalities are offered by some jurisdictions in Canada. For example, Nova Scotia has developed bundles for restaurants, small shops, and accommodation businesses.¹³ These are comprehensive business planning tools that aggregate regulatory information for specific business activities (see Figure 5). The bundles provide entrepreneurs with a bird's eye view of the relevant compliance activities, detailed guidelines for each activity, the steps required to be taken and the order in which they must be completed. These allow end-users to complete several steps online, including registering their businesses, reserving a name, applying for all relevant business licenses and building permits, scheduling inspections, receiving information about compliance (e.g., tax or occupational safety), and even exploring funding opportunities.¹⁴

FIGURE 4: THE BIZPAL APPLICATION GENERATES A CUSTOMIZED LIST OF LICENSES AND PERMITS REQUIRED BY THE THREE LEVELS OF GOVERNMENT: FEDERAL, TERRITORIAL/PROVINCIAL, AND MUNICIPAL

Step 1: Location | Step 2: Business Type | Step 3: Activities | Results

Step-by-Step | Search by Keyword

Where is your business?
Look up your city, municipality or First Nation as you type.

What is your business?
Enter a keyword and select the best match.

Find permits and licences for these topics.
Select any that may apply to you.

- Starting or managing a business (general)
 - Recruiting or hiring workers (1 permits)
 - Registering your business (11 permits)
 - Signs, billboards and other advertising (3 permits)
- Serving, selling, exporting, importing
 - Serving or selling food or alcohol (10 permits)
 - Exporting or importing goods, animals or plants (5 permits)
 - Selling tobacco (retail or wholesale) (1 permits)
- Construction, development and zoning
 - Constructing, renovating, demolishing or moving buildings (5 permits)
 - Erecting temporary structures (tents, trailers, hoardings) (1 permits)
 - Development, including environmental assessments and zoning (4 permits)
 - Constructing roads or railways, including road cuts (4 permits)
 - Road and highway access, entrances, allowances (4 permits)
- Electrical, plumbing, heating, pools, etc.
 - Plumbing, water connections, drainage, sewage and septic (4 permits)
 - Electrical installations or changes, including electricity transmission (3 permits)
 - Elevators (1 permits)
 - Swimming pools and hot tubs (1 permits)
- Using roads, sidewalks, and public facilities
 - Parking (1 permits)
 - Closing or obstructing or changing access to a

21 Results

You may need the following permits and licences. Add items to the briefcase to create a customized list for bookmarking, emailing or printing.

Permits in the briefcase: [View](#)

Municipal Permits (5)

- 1. Café Seating Permit**
OTTAWA - SERVING OR SELLING FOOD OR ALCOHOL

The Café Seating program allows businesses to place limited outdoor seating on the road allowance. A Café Seating Permit allows businesses to have a maximum of four tables with two chairs each against the wall of their building. At no...
- 2. Food Premise Health Review Application**
OTTAWA - SERVING OR SELLING FOOD OR ALCOHOL

Every person who intends to commence to operate a food premise shall give notice of the person's intention to the health unit in which the food premise will be located. A food premises is defined as a premises where food or milk is...
- 3. Food Premises Licence**
OTTAWA - SERVING OR SELLING FOOD OR ALCOHOL

Required by a person who owns or operates a food premises, which can include a bakery, a butcher shop, restaurants, cafes, cafeterias, dining rooms, lunch counters, catering services and ice cream parlours but does not include a...
- 4. Food Service at a Special Event**
OTTAWA - GAMING, ENTERTAINMENT OR RECREATION, INCLUDING SPECIAL EVENTS - SERVING OR SELLING FOOD OR ALCOHOL

Every person who intends to commence to operate a food premise shall give notice of the person's intention to the health unit in which the food premise will be located.

This application is for temporary food service at special events.
- 5. Mobile Refreshment Cart, Mobile Refreshment Vehicle, Mobile Canteen & Refreshment Stand Licence**
OTTAWA - SERVING OR SELLING FOOD OR ALCOHOL

A Mobile Refreshment Cart Licence is required for any hand-powered or pedal-powered vehicle from which refreshments may be cooked, carried or offered for sale to the general public. This includes ice cream and frozen milk products. A...

Provincial or Territorial Permits (13)

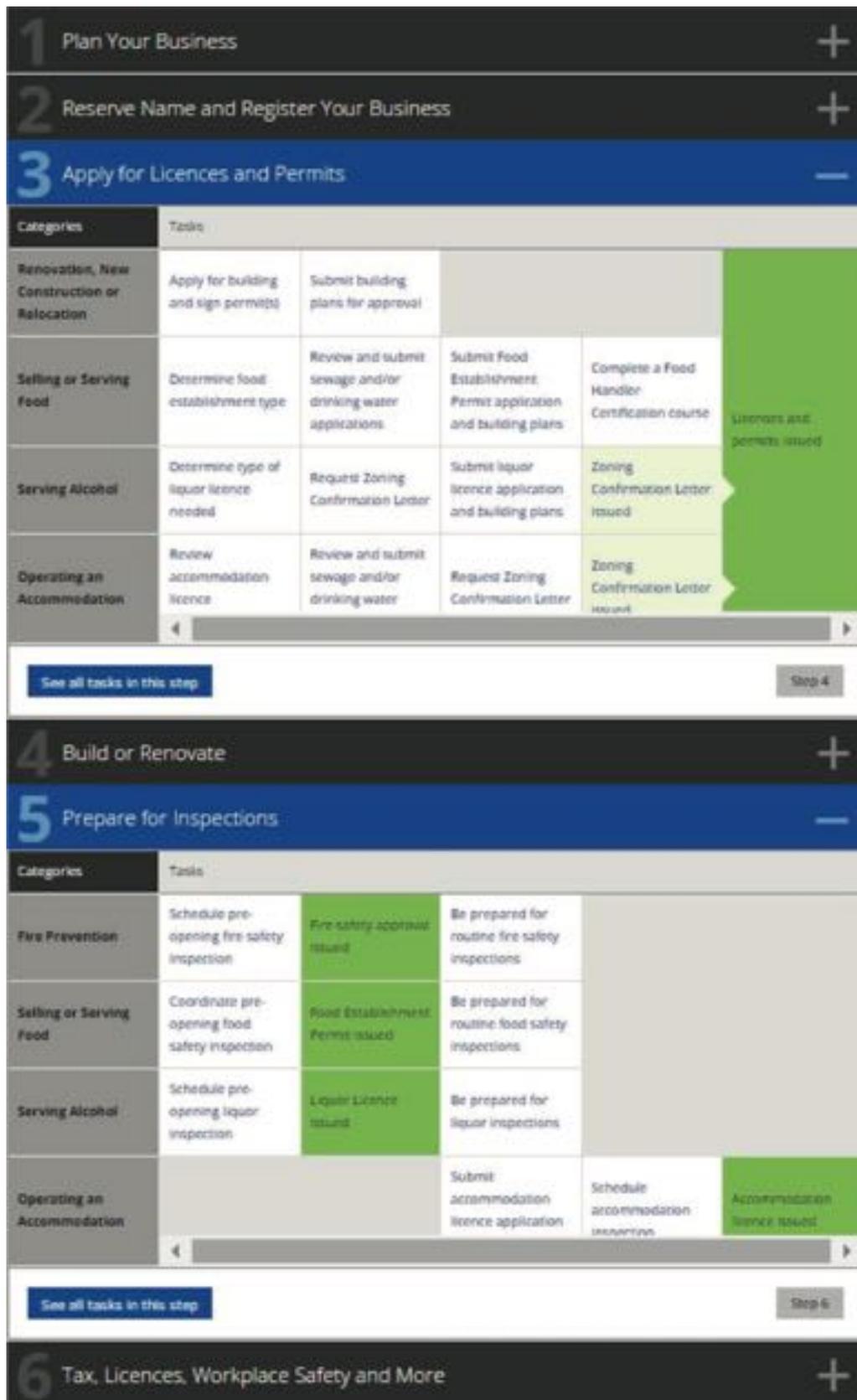
- 1. Application for Extra-Provincial Licence Form 1 Extra-Provincial Corporations Act**
ONTARIO - REGISTERING YOUR BUSINESS

Foreign business corporations incorporated outside of Canada must obtain an Extra-Provincial Licence in order to do business in Ontario.
- 2. Articles of Continuance**
ONTARIO - REGISTERING YOUR BUSINESS

This form must be completed and submitted to CPPSB by a corporation that is incorporated under the laws of a jurisdiction outside Ontario to apply to continue into Ontario as an Ontario corporation subject to the Ontario Business...

Source: BizPaL online platform, available at <http://www.bizpal.ca/en/>.

FIGURE 5: THE PROVINCE OF NOVA SCOTIA'S INDUSTRY-SPECIFIC BUNDLE



Source: Nova Scotia's online service; available at https://accesstobusiness.snsnr.gov.ns.ca/a2b_web/portal/industryBundle.jsf.

BOX 1: THE MOBILE BUSINESS LICENSE: ANOTHER LEVEL IN BUSINESS LICENSING SIMPLIFICATION

A few years after BizPaL launched, Canada introduced an additional regulatory reform: the Mobile Business License (MBL).^a The MBL is another example of a licensing reform across jurisdictional boundaries, in this case at the municipal and provincial levels.^b Before this reform, businesses operating across different municipalities or provinces were required to obtain the respective licenses and permits of each jurisdiction. This was particularly burdensome for mobile contractors such as catering businesses or freelancers, which had to obtain multiple nonresident permits. The MBL effectively eliminated the requirement to issue a separate license in each municipality in which a business operated. The MBL allowed entrepreneurs to obtain from their local government one license—in addition to their basic Business License—that allowed them to do business in any municipality in the province. The governments remained responsible for enforcement within their jurisdiction and retained all revenue generated through the MBL. Businesses remained responsible for complying with the bylaws of each local government in which they operated.

After a pilot launched in 2008, businesses in British Columbia that were surveyed reported that the MBL was cost effective. Businesses reported compliance cost savings from purchasing only one rather than multiple permits and that the MBL allowed them to offer their services where needed more efficiently. More importantly, by reducing the administrative burdens and allowing businesses to operate where their services were in demand, consumers had more services to choose from.

At the same time, the MBL was beneficial for the local authorities as well. According to the 2008 study, the MBL led to significant revenue gains of over 55 percent in one year as every participating municipality saw a revenue increase and issued more licenses. Additionally, the number of licensed contractors increased by 20 percent in one year, a strong indication that compliance increased under the program.

^a Also referred to as an Inter-Community Business License or Inter-Municipal Business License.

^b For more information on the Mobile Business License in British Columbia, please visit: <http://www2.gov.bc.ca/gov/content/employment-business/business/small-business/mobile-business-licence-program>

The MBL effectively eliminated the requirement to issue a separate license in each municipality in which a business operated.

THE RESULTS

The BizPaL reform brought several improvements for both the public and private sectors. The most apparent benefit is the reduced complexity in identifying all ex-ante authorizations for businesses. Following the reform, entrepreneurs can access comprehensive regulatory information in a fast, user-friendly, and convenient way through a single access point. As a result, entrepreneurs in Canada can now

comply with regulations in a much more predictable and transparent business environment while saving time and money when searching for information. For example, the government of Ontario reported that BizPaL generated cost savings of US\$26.6 million and saved over 700,000 working hours for the private sector between 2012 and 2016.¹⁵

Additionally, the reform improved administrative efficiency in the public sector by promoting

The BizPaL service also provided a viable source of reliable and comparable information on the licensing burden across industries and jurisdictions. This type of information, when combined with other sources, can be leveraged to inform policy making.

cross-jurisdictional collaboration and coordination in delivering services cost effectively. As BizPaL facilitated self-service, it freed up government resources and permitted more efficient allocation of staff dedicated to client service. Moreover, it offered an up-to-date tool for government agents at all levels. Industry Canada estimated that the platform generated savings of Can\$3 million in public administration between 2004 and 2009. The customized information also reduced the risk of noncompliance, in turn helping regulators reach better regulatory outcomes.

Lastly, the BizPaL service also provided a viable source of reliable and comparable information on the licensing burden across industries and jurisdictions. This type of information, when combined with other sources, can be leveraged to inform policy making. For example, Statistics Canada combined BizPaL information with data on the number of businesses in each sector and the contribution of each sector to GDP to identify areas that could benefit from regulatory reform. The already existing inventory can serve as a solid foundation for any review of current licenses.

CHICAGO

STIMULATING THE SMALL BUSINESS SECTOR THROUGH LICENSING REFORM AT THE CITY LEVEL

Chicago's overhaul of the City's regulatory compliance regime exemplifies the different tools and approaches that can be employed to modernize outdated regulatory compliance systems, including the use of data analytics. Moreover, the reform's success highlights the importance of benefiting from the private sector's extensive engagement throughout the reform process, during both the diagnostic and the implementation phases. Lastly, the case study discusses interesting approaches employed to accommodate new business types and promote innovation. The author relied primarily on resources from the Ash Center for Democratic Governance and Innovation at Harvard University's John F. Kennedy School of Government for information on Chicago's reform.

THE CHALLENGE

Chicago's Plan for Economic Growth and Jobs, launched in 2012, identified the city's regulatory system as one of the city's major obstacles to growth.¹⁶ With more than 1,700 units of government within the fourteen-county metro area,¹⁷ governance was fragmented. This posed an increasing challenge to businesses that had to navigate a complex bureaucracy for even routine tasks. These findings were consistent with other studies¹⁸ and surveys¹⁹ indicating that regulations for day-to-day business operations involving taxes, zoning, licensing, and permitting regulations were perceived by local entrepreneurs as major obstacles to doing business. The report highlighted the need for reform and

recommended specific strategies for addressing some of the bottlenecks that disproportionately affected small and medium-sized enterprises, which play a major role in the region's economy.²⁰

Then recently elected mayor Rahm Israel Emanuel, who had commissioned the 2012 study, swiftly responded to the report's findings and recommendations by charging the city's Innovation Delivery Team²¹ with the daunting task of overhauling Chicago's licensing and permitting system. The Innovation Delivery Team had been established a few months earlier and was tasked with creating and implementing innovative solutions to improve the city's efficiency, primarily vis-à-vis accessibility of government services and energy efficiency.²²

Chicago's Plan for Economic Growth and Jobs, launched in 2012, identified the city's regulatory system as one of the city's major obstacles to growth.

The number of licenses and administrative formalities had been on the rise since the previous reform in the mid-1990s, an indication that the framework lacked the flexibility to account for market changes without introducing new regulations.

THE REFORM

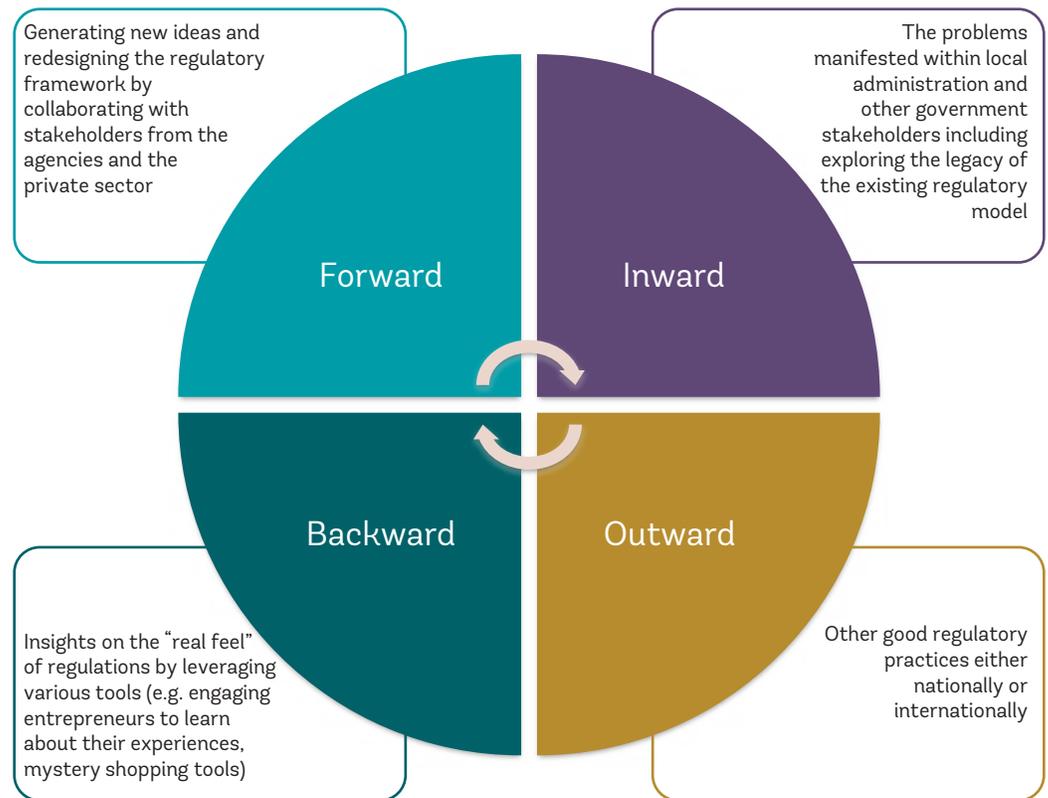
The team employed a mix of approaches in assessing the regulatory landscape, guided by the “ideation” process. This involved systematic examination of the problems and their possible solutions through a four-perspective approach.

More specifically, the team traced the city’s management of business license categories as well as studied previous licensing reforms. This was important for understanding the source of the rising number of licenses. The team interviewed staff who had worked on the city’s last major licensing reform in 1992 to learn from their experiences and gain their insights into the ever-expanding number of licenses and permits. This exercise revealed a need to improve the conceptual framework of licensing more broadly²³ rather than simply to reduce the number of licenses or streamline the existing licensing procedures. The team deemed that previous reforms had failed to address this since new licenses

were introduced every time a business activity was not covered by the established categories. The number of licenses and administrative formalities had been on the rise since the previous reform in the mid-1990s, an indication that the framework lacked the flexibility to account for market changes without introducing new regulations. Additionally, the benchmarking exercise on Chicago’s regulatory environment revealed that other large U.S. cities employed less-complex frameworks with significantly fewer licenses in most cases. As a result, the team concluded that business process reengineering would not be sufficient to ensure reform sustainability if the overall framework was not addressed first.

The team mapped the regulatory framework by creating an inventory of all licenses; their respective procedures for application, review, and issuance; and the data management systems employed by each issuing authority. These findings were complemented with data provided by the issuing agencies

FIGURE 6: THE FOUR-PERSPECTIVE APPROACH EMPLOYED TO REVIEW CHICAGO’S LICENSING REGIME



to quantify and establish baselines on volume, time, resources, and level of effort.²⁴ The data analysis revealed inefficiencies beyond the licensing administrative procedures, extending into interrelated areas such as zoning and inspections. For example, the team found that only 42 percent of new restaurants passed their first health inspection²⁵—an indication of other shortfalls, such as poorly communicated compliance requirements or inconsistent inspection criteria. Additionally, the financial costs incurred by businesses extended beyond direct licensing costs. For example, for some licensing activities entrepreneurs had to wait for months to obtain an approval, thus bearing the cost of nonrevenue days for their businesses.

The team sought to complement the data analytics with a better understanding of the private sector's experience. To that end, the team engaged in "mystery shopping" assignments by impersonating prospective entrepreneurs seeking to open a business, collect the necessary documentation, and apply for the required authorizations. More importantly, the team organized roundtable discussions with private sector representatives and small business owners to bulletproof its findings and gain more insights into the day-to-day challenges local entrepreneurs dealt with. These discussions revealed redundant licenses and lack of coordination between the various departments, as well as some overlaps and duplications. For example, instead of obtaining a single motor vehicle services license, auto shops had to apply for three separate licenses to work on cars, on car engines, and on car tires.²⁶ In addition, the roundtables highlighted the challenges entrepreneurs faced when trying to access user-friendly guidance on technical compliance standards. For example, the city had issued a 100-page guide to help restaurant owners comply with regulations; however, those in the industry found this impenetrable to read.²⁷ As a result, entrepreneurs wasted their resources going to several agencies just to understand the regulations, and in many cases, they were unable to comply due to the fragmented and incomplete guidance they received.

Lastly, the team sought the private sector's feedback to improve prototype guides and tools before rolling them out to the public. For example, the team developed prototype versions of its new website and the streamlined 100-page guide for restaurant owners.²⁸ Groups of business owners were then invited to provide their feedback on each prototype through various techniques: participants were

asked to rate each prototype or to provide comments for improving the services, tools, or guides presented. This process of prototyping and testing proved valuable in two ways. First, by testing and refining the prototypes with end users, the team was able to develop customer-centric services. Second, the process helped build trust between the local government and the businesses. This, in turn, was an important factor in building consensus and support for the project.

Roundtables with stakeholders from the public sector, such as subject matter experts and representatives and frontline staff from city departments, were also carried out to gain a deeper understanding of specific procedures, build consensus, and brainstorm on redesigning government to business service delivery. These deep-dive roundtables were held over the course of several months and included representatives from various city departments, including Public Health, Planning and Development, Consumer Protection, Fire Safety, and others. The roundtable discussions with the public sector delved beyond streamlining and simplification, aiming to help determine a framework for establishing which regulatory areas needed more attention and which needed less.²⁹ Additionally, the roundtables helped promote buy-in from the various agencies by making them part of the problem-solving process. Bringing together staff from different departments and discussing problems that transcended individual agencies helped break the government silos and develop shared goals and holistic solutions.

The various approaches employed to assess and analyze the existing regulatory framework underscored the failure of the licensing system to serve its mandated purpose of reducing risks for businesses, consumers, and the environment. Licensing was instead being used as an "information tracker" for the enforcement agencies. Since the regulatory system was not designed to differentiate the levels of control based on risk considerations, however, inspections were not targeted, and inspectors were overwhelmed by the scope of their work. For example, more than 1,300 buildings required in excess of three different inspections each year, an overwhelming task for the inspectors and a misallocation of resources for the inspectorates.³⁰

In response to these findings, the city set forth an ambitious reform agenda with a number of milestone goals, looking beyond the number of licenses and into performance. For example, it sought to

The data analysis revealed inefficiencies beyond the licensing administrative procedures, extending into interrelated areas such as zoning and inspections.

Following the in-depth review of both regulatory codes and instruments (i.e., licenses, permits, or other ex-ante requirements), the team categorized all business licenses into three tiers, based on type and mandated objective (e.g., consumer protection). This bundling helped differentiate between more heavily regulated activities (e.g., retail sale of liquor), where a license served a legitimate and specific objective, versus more moderately regulated activities, where the licensing requirement was not always justified.

improve compliance rates for health inspections to over 65 percent (for more information see Box 2) and, to increase impact, to significantly reduce the average time required to open a business in specific high-business-density activities.

Following the in-depth review of both regulatory codes and instruments (i.e., licenses, permits, or other ex-ante requirements), the team categorized all business licenses into three tiers, based on type and mandated objective (e.g., consumer protection). This bundling helped differentiate between more heavily regulated activities (e.g., retail sale of liquor), where a license served a legitimate and specific objective, versus more moderately regulated activities, where the licensing requirement was not always justified. The team was hoping to lower redundancy by ensuring that the selected regulatory instruments were proportional to the regulatory control mandated by the code. The reformed

licensing regime designed based on this framework established three license categories:

- ☐ Limited Business Licenses (LBLs), which applied to low-risk activities (e.g., retail stores)
- ☐ Regulated business licenses, which applied to moderately regulated industry-specific activities (e.g., tattooing, body piercing, and tanning facilities)
- ☐ Specialty licenses for more heavily regulated activities (e.g., retail sale of liquor, tobacco, or animals)

The majority of licenses mandated under the old regime were either eliminated or combined based on “smart enforcement decisions”: the concept of reducing enforcement of violations with low public safety risk and targeting resources toward riskier activities, repeat offenders, or more serious violations (e.g., consumer fraud). More importantly, a business that

BOX 2: PILOT ON FOOD INSPECTION FORECASTING: OPTIMIZING INSPECTIONS WITH ADVANCED ANALYTICS

Chicago is home to more than three million people and more than 15,000 food establishments. At the same time, only around 35 inspectors undertake annually inspections of all food retail businesses. To optimize its risk-based inspection regime, the city partnered with the Department of Public Health and the private sector (consulting and insurance groups) in a pilot program to leverage data and build a predictive analytics platform. This platform was intended to aggregate all the data stored in disparate systems, such as food inspection reports, complaints received, and weather records, among other resources.

The platform has the ability to analyze relationships in the data and to predict which establishments might present risks. In processing and analyzing the data, Chicago found several key predicting variables that, when observed, indicated considerable likelihood that a restaurant could commit a serious violation. These predicting variables included prior history of serious violations, length of time since the previous inspection, possession of a tobacco and/or incidental alcohol consumption licenses, average three-day temperature, and establishment location, among others.

Following a pilot launch in 2014, Chicago’s analytics team found that inspections could be allocated more efficiently using the data-optimized forecast list than with the list generated by traditional procedures, and inspectors were able to identify serious violations much more quickly. Chicago’s pilot on inspections demonstrates the increasing adaptation of advanced analytics to improve service delivery to the private sector, allocate government resources more efficiently, and deliver better regulatory outcomes for the community, including protection of health and safety.

previously required a number of separate licenses, one for each regulated activity, could now comply with various sets of regulations through a single license.

Additionally, a new form of licensing was introduced for newly founded businesses engaging in activities that did not fall within any of the license categories prescribed by the city Code. The new instrument, named Emerging Business Permit (EBP), would be issued with a two-year validity. This was conceived as a strategy to enable entrepreneurs with innovative ideas to enter the market fast by avoiding entanglement in a prescriptive regulatory regime. As a result, innovative business activities that could not be classified under the existing licensing categories would receive a provisional license to commence operations, subject to a two-year “probation.” At the end of the two years, the city would either shut down the new business activity—due to unmitigated risks—or incorporate it under one of the existing license categories. EBP provided city regulators and enforcement agencies with an opportunity to evaluate the risks associated with new activities and the time to develop appropriate regulatory responses without hindering innovation.

These reforms were complemented by various other initiatives geared toward small businesses. For example, the city reengineered procedures for issuing licenses and renewals, introduced fast-track lanes for customers with less complex requests, and simplified documentation requirements and application forms. Moreover, the city clarified inspection criteria; implemented strict timelines for concurrent reviews through a cooperation agreement (e.g., Memorandums of Understanding or Service Level Agreements) between the various stakeholder agencies; and launched an online portal³¹ with both educational material and transactional services.

The portal provides information on all regulated activities that require a business license. This includes information on the fee to obtain each license, whether entrepreneurs can apply online, if a zoning review and/or a criminal history review is required, a list of all the on-site inspections that may take place, and links to the relevant technical requirements with which each business establishment must comply (see Figure 7). Additionally, the city developed an online portal called Chicago Business Direct³² through which entrepreneurs can apply for

The new instrument, named Emerging Business Permit (EBP), would be issued with a two-year validity. This was conceived as a strategy to enable entrepreneurs with innovative ideas to enter the market fast by avoiding entanglement in a prescriptive regulatory regime.

FIGURE 7: INFORMATION ENTREPRENEURS CAN ACCESS ON CHICAGO’S BUSINESS LICENSES

BUSINESS SECTOR/Activity	LICENSE TYPE	LICENSE APPLICATION FEE / 2 YEARS	APPLY ONLINE	ZONING REVIEW	CRIMINAL HISTORY BACKGROUND	ONSITE INSPECTIONS	MUNICIPAL CODE
MANUFACTURING							
Hazardous Materials	Regulated Business	\$250	√	√		Fire	4-6-210
Manufacturing – mechanical and/or chemical processing	Manufacturing	\$275	√	√		Fire	4-224
MOTOR VEHICLE SERVICES							
Filling Station	Filling Station	\$220	√	√		Fire	4-108
Motor Vehicle Repair	Motor Vehicle Services	\$240	√	√			4-228
Tire Facility	Motor Vehicle Services	\$240	√	√		Fire	4-228-305

Source: City of Chicago online platform, available at https://www.chicago.gov/city/en/depts/bacp/sbc/business_licensing.html#Personal.

More than 6,000 businesses no longer require a general business license, while heavily regulated activities can comply through a single license instead of obtaining multiple agency-specific authorizations.

or renew the majority of business licenses, file their tax returns, or make tax payments. Lastly, the city provides a helpline to the business community to resolve issues relating to business regulations, including tax, licensing, consumer protection, and other business affairs. End users submit their inquiries to the Small Business Center over the phone or online through the Chicago Business Direct portal.³³

THE RESULTS

Overall, the new regulatory framework provided a more transparent and predictable environment for businesses. The number of license types was reduced by 60 percent from 117 to 49, and entrepreneurs can now save significant time and money when obtaining approvals. More than 6,000 businesses

no longer require a general business license,³⁴ while heavily regulated activities can comply through a single license instead of obtaining multiple agency-specific authorizations. Process reengineering and form simplification yielded results as well. For example, the average time required for zoning reviews dropped from one to two weeks to just two days, and the previously convoluted 17-page restaurant application was simplified into three pages. Lastly, a pilot program implemented for restaurants revealed encouraging results for compliance, with participating newly founded businesses passing inspection at a 72 percent rate, a 30 percent increase over the previous regime. All these initiatives have saved businesses in Chicago an estimated US\$2 million in license fees in each year since implementation of the reform. At the same time, the city deployed its resources more efficiently and improved compliance.

SINGAPORE

DEVELOPING A MULTIAGENCY, CUSTOMER-FOCUSED INFORMATION SYSTEM FOR LICENSES

Singapore's Online Business Licensing Service (OBLs) was one of the first transactional licensing portals. Although Singapore has now migrated to an even more comprehensive portal, known as LicenseOne, this case study illuminates the importance for licensing reform of an appropriate institutional set up when attempting to deliver cross-agency, integrated, government-to-business service delivery. The author relied primarily on the work of Thompson S.H. Teo, Tat Koon Koh, Pelly Periasamy and Siew-Kein Sia for information on the OBLs reform.

THE CHALLENGE

Singapore is now recognized internationally for its positive scores in various indicators measuring the attractiveness of the investment climate. Starting a business in Singapore was not always easy, however. In the late 1990s, opening a new business required filling out multiple forms, interacting with several regulatory agencies, and spending hours in tedious and convoluted procedures. The licensing procedures used to be a particular bottleneck both for new business registrations and for existing business license renewals.

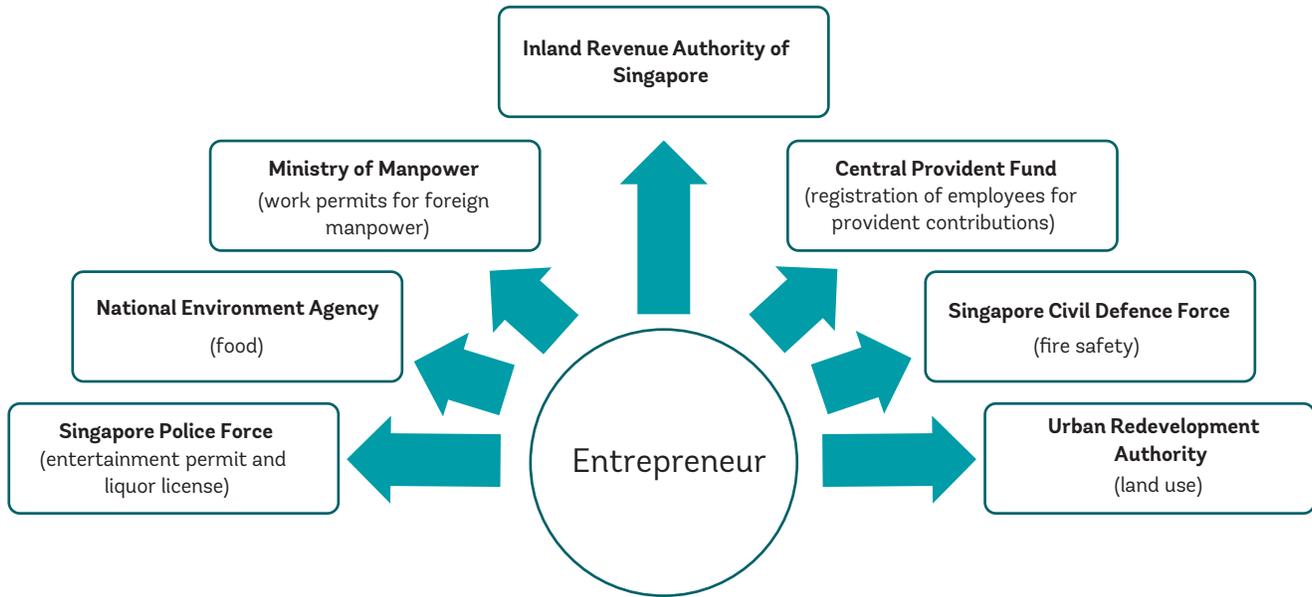
Most business activities fell under the purview of more than one agency, and as a result, entrepreneurs had to visit multiple departments, spend hours filling out separate applications for each approval, and in many cases enter the same information repeatedly. For example, starting a public entertainment outlet³⁵ required license applications, payments, and approvals from at least seven

agencies regulating business registration, use of premises, food hygiene, liquor distribution, fire safety, and tax collection (Figure 8).³⁶ In short, the licensing regime was agency focused rather than client focused. In some cases, the registration and licensing process could take months, particularly when licensing arrangements were linked and approval of one license depended on approval of another.³⁷

In 2000, Singapore's business community spoke out against these conditions and communicated its concerns to the Pro-Enterprise Panel (PEP), a high-level public-private dialogue panel comprised of business leaders and senior civil servants. PEP in turn raised these concerns with the Committee of Permanent Secretaries (COPS),³⁸ who in turn appointed the Ministry of Trade and Industry (MTI), the Ministry of Finance (MoF), and Infocomm Development Authority (IDA) to deliver a solution. These actors worked closely together to reform the licensing regime

The licensing regime was agency focused rather than client focused. In some cases, the registration and licensing process could take months, particularly when licensing arrangements were linked and approval of one license depended on approval of another.

FIGURE 8: BEFORE THE OBLS SYSTEM WAS IMPLEMENTED, OBTAINING A LICENSE FOR A PUBLIC ENTERTAINMENT OUTLET IN SINGAPORE REQUIRED SEVERAL INTERACTIONS FOR APPLICATIONS, PAYMENTS, AND APPROVALS AND INVOLVED AT LEAST SEVEN AGENCIES



Source: Jeannie Chua, "National Strategies to Harness Information Technology: The e-Transformation Journey of Singapore," November 2011.

and leverage information and communication technology (ICT) to implement a one-stop-shop solution for business registration and licensing in line with the government's "Many agencies—One government vision."³⁹ The MTI assumed the leading role, while IDA served as project manager and the MoF provided the funds.

As part of a strategy of using technology to enable government transformation, since the 1980s Singapore had committed to e-governance reforms to modernize public administration and service delivery, starting with the five-year National Computerization Plan in 1980 and successive National Infocomm Plans in the following decades. Although the provision of government services through one-stop solutions such as TradeNet, LawNet, and MediNet had been part of early efforts to computerize civil service, many agencies were still siloed. Moreover, these systems were principally informational in nature rather than being able to provide integrated government services with transactional features.⁴⁰ In response, the Online Business Licensing Service (OBLs) project was

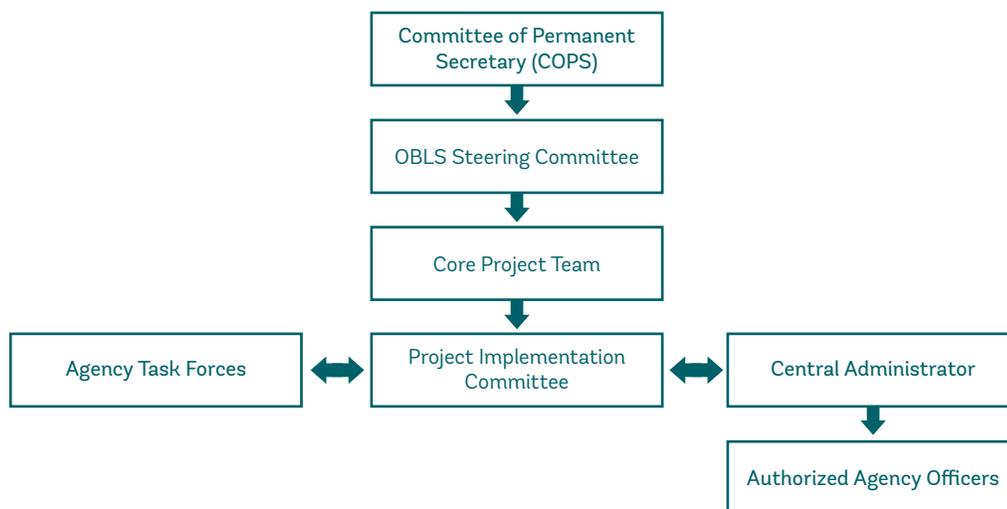
developed to fill the gap and deliver an integrated registration and licensing portal to the business community.

THE REFORM

In the OBLs project, a formal governance structure was introduced with the COPS at the top, providing political leadership and ensuring buy-in from the various stakeholder agencies. A Steering Committee consisting of senior-level representatives from key agencies ensured coordination, top-level vision, and project alignment with the government's other e-governance programs and strategies. A Core Project Team consisting of MTI and IDA representatives took the lead on project management and oversaw the agency task force, the project implementation committee, and the central administrator. The agency task force consisted of staff from the implementing agencies tasked with process reengineering and integration to the platform. A project implementation committee

The Online Business Licensing Service (OBLs) project was developed to fill the gap and deliver an integrated registration and licensing portal to the business community.

FIGURE 9: GOVERNANCE STRUCTURE FOR THE ONLINE BUSINESS LICENSING SERVICE PROJECT



Source: Periasamy and Sia, “Challenges in Delivering Cross-Agency Integrated e-Services: The OBLS Project,” Nanyang Business School, Nanyang Technological University, Singapore (November 2007).

provided technical support to the agency task force and quality control for each agency’s OBLS implementation. Lastly, a central administrator worked with officers at each implementing agency to ensure that the portal’s content was up to date.

The project was delivered in three main stages:

- i. conceptualization
- ii. policy review and business process re-engineering
- iii. automation

At the outset, the agency task force bundled licenses based on sectors. For example, all licenses regulating activities in the food and beverage industry or in childcare and education services were grouped together. This approach helped prioritize sectors in which licensing was more complex, thus executing the project more effectively. More importantly, this approach was part of a broader buy-in strategy targeting high-transaction volume clusters and engaging with more technologically mature agencies early on to accomplish quick wins and convince the less receptive agencies to join later.⁴¹ To that end, a number of business-based criteria were taken into account, such as process complexity, the number of documents required to apply,

and the number of agencies involved, among others. The second step involved reviewing the policy and process for each license. This was performed jointly by the Core Project Team and members of the Agency Task Force (see Box 3 for more details).

Among the 156 licenses undergoing the initial comprehensive review, several revealed opportunities for streamlining. Some licenses were deemed redundant and were eliminated. In other cases, two or more licenses were combined if the teams identified overlap or duplication among them. In still other situations the license was converted into a less onerous instrument (e.g., notification instead of approval). In two cases, the licenses were preserved but requirements for renewal were eliminated. Moreover, seven licenses were converted into composite licenses for specific business activities. The composite licenses allowed entrepreneurs to obtain one license for multiple locations, instead of a separate license for each location. Lastly, in some cases substantive conditions were made less onerous for applicants required to obtain a license.

When the policy review was completed, the Agency Task Force identified potential areas for streamlining, following a license review model

Some licenses were deemed redundant and were eliminated. In other cases, two or more licenses were combined if the teams identified overlap or duplication among them. In still other situations the license was converted into a less onerous instrument (e.g., notification instead of approval).

BOX 3: THE LICENSING POLICY REVIEW FOR OBLs CHALLENGED EVERY ASPECT OF THE EXISTING LICENSING POLICY

- ☒ What is the rationale for the license?
- ☒ What are the requirements for obtaining the license?
- ☒ Why were these requirements selected?
- ☒ How often are these requirements waived and why?
- ☒ What is the fee charged for the license and why?
- ☒ How often is an application rejected and why?
- ☒ How often are inspections conducted?
- ☒ How often are violators caught?
- ☒ Is there a need to meet the applicant in person, and if yes, what is the purpose of the meeting?

Source: Periasamy and Sia.

More importantly, the BPR addressed interdependency across agencies. Previously, in some cases applicants had to obtain various approvals from other agencies before submitting a license application. Prior approvals often resulted in significant delays and unpredictable outcomes. These interdependencies were addressed through the introduction of a common reference number (unique business identifier), which allowed concurrent reviews.

developed by the Core Project Team. The model guided the respective licensing review activities in each agency vis-à-vis both the substantive licensing conditions and the procedures for application and renewal. First, the task force members in each agency reviewed the substantive requirements to ensure that these aligned with the stated policy objective; they then removed overly prescriptive requirements and developed positive and negative lists for licensing conditions. Second, the review delved into a comprehensive mapping, rethinking, and redesigning of licensing procedures through business process reengineering (BPR). This involved comprehensive review of administrative formalities, such as the procedures for application renewal, termination, documentation requirements, levels of approval, and fees. Additionally, at this point the review delved into institutional issues such as the degree of integration and information sharing between the various agencies.

For example, in some cases the applicants were repeatedly asked to provide the same information to several different agencies. Improving information sharing across agencies and leveraging existing databases that had previously captured this information drastically streamlined application forms. Similarly, supporting documentation and other administrative requirements found to be excessive were rationalized. For example, private schools were being asked to provide a detailed course syllabus to the Ministry

of Education. As Ministry staff admitted that they were not always able to review the documentation, this requirement added very limited value for the regulator and was eliminated.⁴² In other cases, where the license was converted to a notification, documentation requirements were replaced with a self-declaration of compliance. This way, the regulator received notice about the new business and could verify compliance through ex-post controls, such as an inspection. During the on-site visit, inspectors could then ask the entrepreneur to provide any documents and certificates required by regulation.

More importantly, the BPR addressed interdependency across agencies. Previously, in some cases applicants had to obtain various approvals from other agencies before submitting a license application. Prior approvals often resulted in significant delays and unpredictable outcomes. These interdependencies were addressed through the introduction of a common reference number (unique business identifier), which allowed concurrent reviews. Agencies evaluating an application for compliance with its specific regulations could do so in parallel with other authorities. The common reference number allowed agencies to check on prior approvals by other agencies as well as to retrieve information relevant to their scope of work.

Design and implementation of the OBLs portal commenced while the process reengineering work was underway at the agency level. Representatives from the agencies liaised with the Project Implementation Committee to provide feedback on the reengineering activities and to make sure their in-house information systems aligned with the OBLs systems. This was important to permit real-time data exchange and automated processing. One challenge at this stage was that the various agencies were at different levels of maturity and automation. This is a unique feature in multi-agency projects, and it increases the complexity and standardization during project implementation.⁴³ For example, in some cases agencies had neither the front-end interfaces for their users to use in applying for licenses nor the back-end systems needed to process applications.⁴⁴ To fill this gap, where automated back-end procedures were not in place, the OBLs developers created an application called the business administrative tool (BAT). In other cases, where the agencies had already developed high-end, well-integrated technology solutions, migration to the OBLs platform was more challenging, as in most cases this entailed discontinuing the

agency's "ownership" of the application process. Moreover, it entailed adapting those agencies' back-end systems to the OBLs platform to ensure interoperability for processing and data-exchange. The project team had to overcome resistance and convince these agencies of the strategic vision and benefits of the client-centric approach.⁴⁵

As each agency completed its BPR activities and was integrated into the platform, license processing was transferred to OBLs.⁴⁶ At the end of this migration process, OBLs was a fully-fledged one-stop shop online portal, offering informational, advisory, and transactional services. The portal introduced an automated client-centric platform that allowed end users to customize their searches based on their specific business activities. Accordingly, the system allowed end users to perform their searches by government agency, industry, business activity, or keyword and generate a single application form tailored to each applicant's individual needs. When the end user completed the application, the system would automatically route the request to the relevant government agencies for processing.

At the time it was initiated, one of the platform's most notable innovations was its data verification system. OBLs captured data concurrently with the application and verified it against other information stored in the Public Service Infrastructure⁴⁷ or other databases at the agency level. For example, existing users who signed in with their Singpass passwords⁴⁸ would permit the OBLs system to load information relevant to their profile from other government databases. This integration and interoperability across databases reduced applicants' need to fill in the same information repeatedly on forms for different agencies. Each time an applicant provided information online to the government, the information was captured and stored and later leveraged in further transactions. The integrated application form eliminated duplicate information, as the applicant was asked only once for the information. As a result, data entry was estimated to have been reduced by up to 60 percent.⁴⁹ Another important OBLs feature was its tracking and notification application. This allowed applicants to receive automatic SMS or email notifications as soon as their applications were processed. In turn, successful license applicants would be able to pay the fees for all required licenses in a single consolidated online payment.

THE RESULTS

The success of the OBLs was evident early on, with notable improvements across the board for both the private sector and the government. First, by removing or reducing the scope of licenses, the regulatory burden was lowered in multiple sectors. Second, processing times were significantly reduced for all new license applications, including those not handled by OBLs, as a result of the process reengineering. The average approval processing time was reduced by 65 percent, and in some cases, improvements were even more drastic. For example, the application process for the electricity generation license at the Energy Market Authority was reduced from six months to six weeks.⁵⁰ Third, as the BPR activities removed redundancy and optimized the process, opportunities for cost reductions emerged, and some agencies were able to lower their licensing fees. Based on a cost-benefit analysis of its eighteen months of operation, businesses benefited from the OBLs project with an estimated cost savings of US\$27 million.⁵¹

Lastly, information exchange between government agencies immensely improved, and this trickled down to the end users as data entry requirements during the application, renewal, or termination processes were significantly streamlined. Early estimates reported that the OBLs accounted for 98 percent of all transactions for newly founded companies in Singapore. Given that small and medium enterprises were the main target of the OBLs project, this is strong evidence of the uptake by the private sector and attests to the project's success. Following the platform's success, the government of Singapore further modernized the business licensing system by introducing a new platform effectively upgrading the OBLs. The new platform, called LicenseOne,⁵² offers additional features and functionalities, as well as integrates more government licenses. For example, LicenseOne offers end users tracking of current and past transactions; a single point of contact for communication with licensing officers; and the ability to seamlessly track items requiring action, search by keyword or agency, apply for multiple licenses from the same or different agencies in a single application, and submit information only once. LicenseOne also sends alerts to amend information, submit supporting documents, or take action on pending payments.

Following the platform's success, the government of Singapore further modernized the business licensing system by introducing a new platform effectively upgrading the OBLs. The new platform, called LicenseOne, offers additional features and functionalities, as well as integrates more government licenses.

MALAYSIA

OVERHAULING THE LICENSING REGIME THROUGH THE REGULATORY GUILLOTINE APPROACH

Malaysia, a middle-income country, successfully implemented the guillotine approach at the federal and state level in initiating its Modernizing Business Licensing program. Similar to the case study on Singapore, Malaysia's case study highlights the importance of an adequate institutional setup in implementing reforms across ministries and in digitalizing procedures. The author relied primarily on government resources documenting the guillotine and BLESS reforms.

THE CHALLENGE

In 2010, the government of Malaysia unveiled an ambitious plan known as the New Economic Model (NEM) introducing reforms to promote private sector investment through economic liberalization and to help the country reach high-income status by the year 2020. A key pillar of NEM aimed at reducing the cost of doing business and enhancing government to business service delivery by, inter alia, reviewing and simplifying regulations and procedures; expediting issuance of licenses, permits, and approvals; and promoting greater transparency.

Following the example of earlier reformers, such as Sweden, South Korea, Mexico, and Hungary, Malaysia employed the regulatory guillotine approach,⁵³ pioneered by Sweden in the 1980s, to review and streamline the licensing regime. The licensing reform was implemented under the leadership of PEMUDAH, a high-powered,

cross-ministerial task force introduced to address the issues of regulatory and administrative constraints through public-private dialogue.

PEMUDAH was originally established in 2007. It comprised twenty-three individuals (nine from the private sector and the rest from government) and reported directly to the prime minister.⁵⁴ Three working groups and nineteen focus groups, co-chaired by the government and the private sector, collaborated to identify bottlenecks and then worked with the implementing agencies to develop evidence-based, practical solutions. Trust between the private sector and the government, fostered over several years, allowed PEMUDAH to successfully lead a number of reform initiatives. Additionally, PEMUDAH was successful in part because it delved deeply into issues by using data to diagnose problems and set targets, as well as because it employed monitoring and evaluation tools to assess implementation. The private sec-

PEMUDAH was successful in part because it delved deeply into issues by using data to diagnose problems and set targets, as well as because it employed monitoring and evaluation tools to assess implementation.

The scope of this reform was remarkably broad, as it involved activities at both the federal and the state levels. A total of twenty-three ministries,⁵⁶ including the agencies under their purview, as well as two federal agencies under the Prime Minister's Office were part of this exercise at the federal level. The review had a vertical scope as well, as it encompassed business licenses in thirteen states.

tor dialogue revealed that the licensing system existing at the time was inefficient, with the number of licenses growing exponentially over the years, and in need of an overhaul.⁵⁵

THE REFORM

PEMUDAH introduced the Focus Group on Business Process Re-engineering (FGBPR), under the working group on efficiency issues, in June 2010 to coordinate and monitor implementation of the Modernizing Business Licensing (MBL) initiative. FGBPR relied on three other government units to implement the MBL reform. The overall effort was spearheaded by the Implementation Coordination Unit (ICU) of the Prime Minister's Office. Two other agencies, the Malaysian Administrative Modernization and Management Planning Unit (MAMPU) and the Malaysia Productivity Corporation (MPC), took the lead on the “heavy-lifting” exercises and laid the groundwork for the reform.

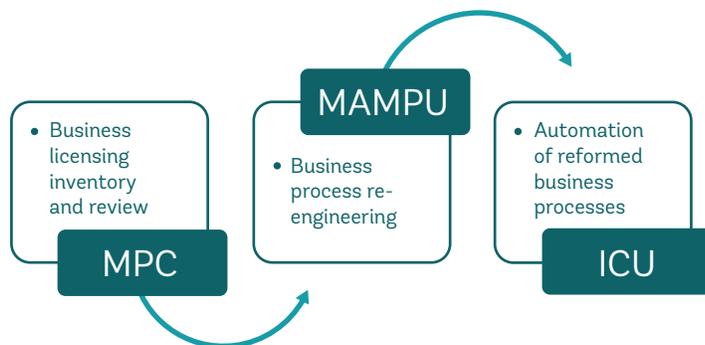
In particular, the MPC coordinated with all the relevant ministries and agencies under the FGBPR initiatives. Moreover, the MPC reviewed the licensing framework and the quality of licensing administration in the competent agencies. This also included a rigorous review of each business license, consistent with the regulatory guillotine approach, by assessing its legality and necessity. The MPC served as the secretariat for this initiative as well. As soon as the MPC completed the inventory and review exercises, MAMPU took the lead as the

business process reengineering “lab.” MAMPU coordinated activities and monitored simplification and streamlining of business licensing processes across all relevant public sector agencies. Subsequently, the ICU oversaw implementation in the final phase of the reform, automating business processes and making them publicly available through a transactional portal.

The scope of this reform was remarkably broad, as it involved activities at both the federal and the state levels. A total of twenty-three ministries,⁵⁶ including the agencies under their purview, as well as two federal agencies under the Prime Minister's Office were part of this exercise at the federal level. The review had a vertical scope as well, as it encompassed business licenses in thirteen states. Including the state-level governments was critical, as these were often involved in service delivery and regulatory enforcement for several of the areas covered by the business licenses. Due to the reform's broad scope, activities were carried out in a phased approach over several years. Project implementation was initiated at the federal level by reviewing all business licenses in five ministries and subsequently included reviews at the remaining line ministries and at the state level. The first review of regulations and business process reengineering was carried out between 2011 and 2014. Subsequent reviews have followed since. The reform was anchored around five principles specifying the purposes of the reformed licensing regime:

- i. Use minimum requirements to achieve the regulatory objectives.
- ii. Be less prescriptive when establishing regulatory requirements on how businesses should operate.
- iii. Provide easy and transparent access to information.
- iv. Be integrated and consistent with other licensing tools.
- v. Communicate effectively with businesses and other stakeholders.⁵⁷

FIGURE 10: ROLES OF THE KEY AGENCIES INVOLVED IN THE MODERNIZING BUSINESS LICENSING INITIATIVE



The first step in the reform process involved a comprehensive review of all existing licenses by examining their legal justification. Following this first screening, regulators evaluated the proportionality of the remaining regulatory instruments in achieving the mandated regulatory objectives (i.e., their necessity). Following this in-depth review, some licensing regulations were deemed to impose

excessive, unjustified requirements and were either reformulated or eliminated altogether. The review process also revealed overlaps and duplication between a number of existing licenses issued by different authorities. These licenses were either eliminated or combined to improve efficiency and coordination in public administration. The remaining licenses that met these criteria (i.e., legality and necessity) but were deemed not business friendly (i.e., delivered efficiently to the private sector), were simplified.

Subsequently, the project focused on improving service delivery by reviewing all procedures and documentation requirements related to the application and approval processes. This exercise aimed to assess the compliance burden these processes posed for the private sector: namely the time and effort required to obtain each of the remaining licenses. First, the project team under MAMPU's guidance reviewed the compliance burden related to each license and presented its findings to the Focus Group on Business Process Re-engineering. Following a consultation process, the team proceeded to implement the reengineered procedures. Subsequently, the team formulated operation modules for online applications and determined standards for service delivery. The final phase of the reform involved automating government to business service delivery by implementing a government portal where entrepreneurs could apply for and obtain their licenses.

To that end, the Business Licensing Electronic Support System (BLESS) was introduced. BLESS is an online portal based on the Malaysian government's service delivery concept of "one service, one delivery, no wrong door." The platform func-

FIGURE 11: OVERALL PROJECT IMPLEMENTATION OF THE MODERNIZING BUSINESS LICENSING (MBL) PROJECT



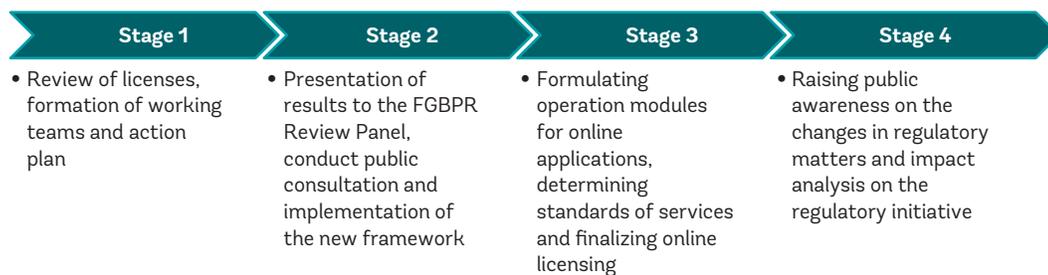
Source: The authors.

tions as a one-stop service center for licenses and permits. The portal consolidates information on regulatory requirements and facilitates transactions between the private sector and various regulatory agencies by handling the application, submission, monitoring and approval of licenses and permits. Being a virtual one-stop service center, BLESS allows businesses to apply through standardized application forms, pay the fees online, and obtain their licenses by interacting through a single access point. Moreover, a company's profile is entered only once in BLESS. Applicants need not fill in the same information twice, even when applying for an additional authorization in the future. This information can be accessed automatically from the Companies' Commission of Malaysia (CCM) because BLESS has integrated CCM's company profiles.

Additionally, BLESS offers online tracking and monitoring features as well as an online communication platform through which entrepreneurs can obtain feedback on the status of their applications. For example, issuing agencies can follow up with applicants directly, informing them if an application

As of 2015, more than 1,400 licenses were reengineered and amalgamated into 900 new licenses at the federal level. This reduction was achieved largely through license rationalization and, since July 2011, an estimated US\$172 million savings in business compliance costs has been achieved.

FIGURE 12: BUSINESS PROCESS REENGINEERING: PROJECT IMPLEMENTATION



Source: Malaysia Productivity Corporation.

BOX 4: MAIN FEATURES OF THE BUSINESS LICENSING ELECTRONIC SUPPORT SYSTEM PLATFORM

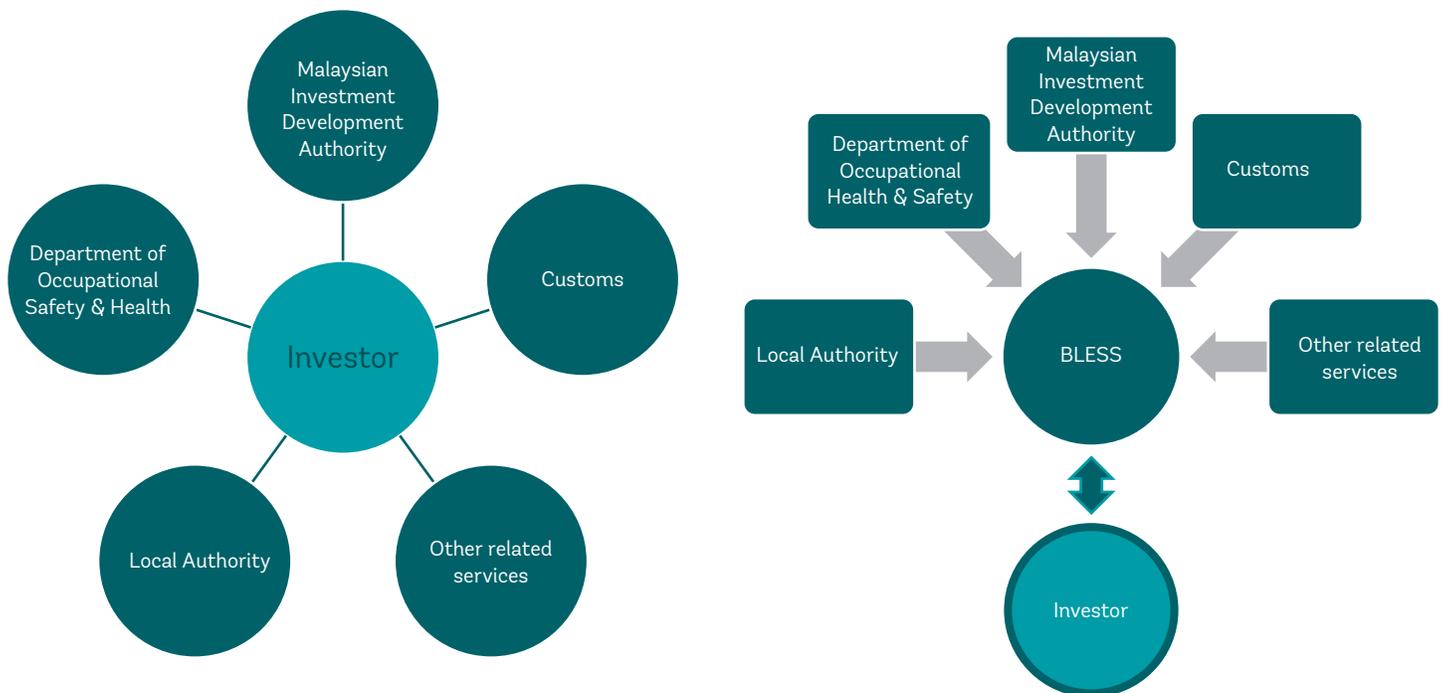
- ☑ Multiple licensing applications
- ☑ Simultaneous processing and updating by respective agencies
- ☑ Composite and standardized forms
- ☑ Online submission, approval, and notification
- ☑ Online queries
- ☑ Online tracking and monitoring
- ☑ Electronic payments
- ☑ Feedback mechanisms

is deemed incomplete or offering clarification on the regulatory requirements. This way entrepreneurs can avoid multiple on-site visits or the need to deal separately with each licensing authority, saving time and resources both for the agencies and for the private sector.

THE RESULTS

By the end of 2014, 843 business processes had been reviewed at the federal level, and more than 2,500 business processes had been reviewed across 13 states. As of 2015, more than 1,400 licenses were reengineered and amalgamated into 900 new licenses at the federal level. This reduction was achieved largely through license rationalization and, since July 2011, an estimated US\$172 million savings in business compliance costs has been achieved.⁵⁸ Moreover, at the state level, 2,659 licenses were reviewed, reengineered, and reduced to 1,915 composite licenses, involving estimated potential compliance cost savings of RM1.7 billion (about US\$390 million in 2017 prices).⁵⁹ At the early stages of automation, when the BLESS system was introduced, 136 licenses and permits were offered by 45 agencies in the construction, manufacturing, and hotel sectors within the Greater Kuala Lumpur region. Automation and centralization of business license applications and approvals into the BLESS portal was an ongoing project, and more licenses were planned to be incorporated in the next phases

FIGURE 13: AT LEFT IS AN EXAMPLE OF THE AGENCY-CENTRIC APPROACH, BEFORE THE MBL REFORM. AT RIGHT IS AN EXAMPLE OF THE CLIENT-ORIENTED APPROACH DELIVERED THROUGH THE BLESS ONLINE PLATFORM



of the reform, covering additional sectors such as tourism, health, education and training, logistics, and distributive trading. This second phase was expected to cover 350 licenses from 73 agencies, and at the time this report was being written, a total of 217 business licenses had been automated.⁶⁰

By overhauling its licensing regime, Malaysia made compliance easier for businesses by eliminating excessive regulatory requirements, reducing the number of agencies involved, extending the validity period for business licenses, and empowering more government officials to make administrative decisions. Moreover, the reforms lowered compliance costs for the private sector by simplifying the regulatory instruments and by improving processing times through simplified forms, fewer documentation requirements, streamlined procedures, and automation. Additionally, savings were achieved for the public sector due to the lowered administrative costs for processing standardized forms and procedures and by removing low value-

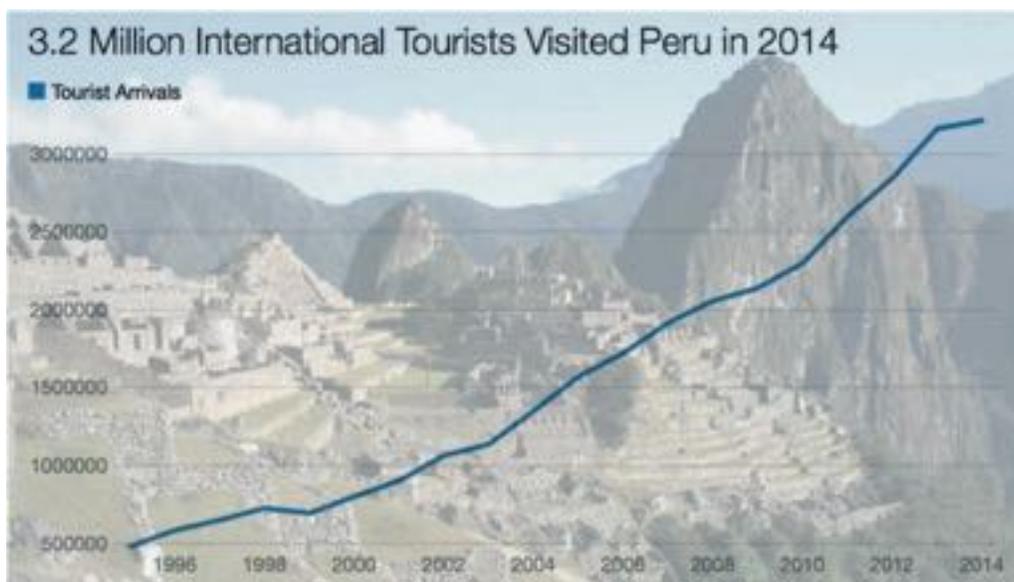
added activities. Automation also improved transparency and predictability for all transacting parties. Entrepreneurs were able to navigate the system faster and access and collect information from authoritative sources at a lower cost.

Following the success of the MBL reforms, Malaysia undertook similar initiatives to lower the regulatory burden for businesses in select sectors.⁶¹ This endeavor, known as the Reducing Unnecessary Regulatory Burdens (RURB) project, is currently being led by the MPC. It involves a substantive review of all regulations relevant to the sector in an effort to remove regulatory overlap and overly prescriptive requirements that hinder innovation, to ensure uniform implementation, and to improve regulatory cohesion and enforcement practices. Similar to the MBL reform, MPC will combine mapping exercises, interviews with regulators and the private sector, and cost-benefit analyses to identify potential improvements across each sector's value chain.

PERU

SIMPLIFYING LICENSING PROCEDURES TO BOOST TOURISM IN CUSCO

The Cusco region is home of Machu Picchu, the Incan citadel hidden deep in the Andes Mountains. A World Heritage Site since 1983, Machu Picchu is an international tourist destination attracting millions of visitors every year. Cusco is growing steadily, and the numbers of international tourists is climbing. This poses challenges for the domestic private sector, with local firms sometimes struggling to provide the infrastructure and services needed to meet the increasing demand. The author relied exclusively on information shared by the World Bank Group's Latin America and the Caribbean region team which carried out the reform in the Cusco region.



Source: World Bank Development Indicators, World Bank Group.

Red tape in Peru was typically one of the obstacles contributing to uncertainty for both local and foreign investors, who faced convoluted procedures, high compliance costs, arbitrary decision making, and long delays in obtaining the approvals necessary to start and operate their businesses.

THE CHALLENGE

Despite the world-renowned historic and cultural attractions in the region, Cusco has been one of Peru's poorest regions. More than 20 percent of its population has at least one basic need unmet, and the average monthly family income is US\$165 per capita. Accordingly, unlocking opportunities for the local private sector, improving its productivity, and creating linkages between domestic and foreign businesses becomes even more important for the region.

Red tape in Peru was typically one of the obstacles contributing to uncertainty for both local and foreign investors, who faced convoluted procedures, high compliance costs, arbitrary decision making, and long delays in obtaining the approvals necessary to start and operate their businesses.

Particularly in Cusco, deficiencies in service delivery were often attributable to lack of coordination among the different subnational entities. Tourism licensing involved at least four different agencies from all levels of government, and the process was plagued by overlaps and duplication, high fees, excessive documentation requirements, and lack of transparency, among other failures in government-to-business service delivery. Additionally, the combination of low capacity and the limited use of information and communication technology (ICT) and project management tools in government to business service delivery contributed to an unfavorable investment climate.

As a result, local entrepreneurs often carried out their businesses informally. In the hospitality sector, the overall number of hotels and other accommodation providers in Peru was one of the highest in the region on a per capita basis. Between 52 and 55 percent of all firms in the tourism sector were estimated to conduct their business informally, however. The bureaucratic barriers were perceived as key contributors to the moderate formalization numbers.

In turn, this resulted in suboptimal regulatory oversight, ultimately jeopardizing the protection of Cusco's cultural heritage. For example, in 2010 the Ima Sumaq shopping mall development caused irreversible damage to a wall that once belonged to a palace constructed for Inca Emperor Pachacutec. Although the project's investors sought to obtain several authorizations from local and central government authorities before implementing their

project, they claimed that delays in obtaining the Ministry of Culture permit were so significant that they decided to initiate the development without the proper authorization. Several people were later convicted, including former employees of the Cusco regional government's culture office.

In response to a request from the government of Peru in 2012, the World Bank Group (WBG) initiated a project, financed jointly by the International Finance Corporation (IFC), Switzerland's State Secretariat for Economic Affairs (SECO), and Corporación Andina de Fomento (CAF), to design a strategy for bringing together stakeholder agencies from the three levels of government (national, regional, and local) to improve the business environment, with a focus on the hospitality sector (broadly defined to include hotels, tour operators, restaurants, and other enterprises).

THE REFORM

Because it is home to a diverse set of tourist attractions ranging from the Inca empire's ruins to Spanish colonial architecture and national reserves, Cusco was selected as the pilot for this reform. Four different entities from the three levels of government were involved in entry and operations procedures for tourism businesses: the Ministry of Culture, through its local department in Cusco, the Regional Direction of Foreign Trade and Tourism, and the Provincial Municipalities of Cusco and Urubamba. A complete diagnostic of the regulatory framework was carried out to help the team select the appropriate approach for implementation and to prioritize activities.

Specific institutional arrangements were introduced to ensure buy-in from the stakeholders and successful project implementation. The WBG team had identified from the outset that the various stakeholder agencies were siloed from one another with separate reporting lines, misaligned incentives, and a narrow focus on each agency's individual mandate. Two working groups were introduced to address this institutional failure and to provide a participatory, transparent and consultative platform where public sector employees and decision makers would be able to voice their concerns and offer insights.

One working group was established at the national level to lead the reform agenda, ensure buy-in

from the various agencies, and provide an overarching strategy and vision. This included representatives from the applicable ministries as well as entities from the private sector, such as the National Chamber of Tourism and the National Hotel Association. A second, regional level of working groups was introduced to operationalize the strategy and oversee day-to-day implementation at the agency level. The regional working groups consisted of representatives from the implementing agencies, such as the regional department on cultural heritage, the regional management unit on foreign trade and tourism, and the municipalities. These regional working groups were perceived as important elements in fostering ownership of the reforms at the local level, especially given the legacy of mistrust between the largely native population living in the mountainous Cusco region and the central government in Lima. The regional working groups were regularly updated on project implementation. Moreover, they were regularly invited to provide feedback and recommendations during implementation to minimize the gap between the law's intended interpretation and its actual, on-the-ground interpretation, as well as to ensure reform sustainability in the longer term.

Representatives from the private sector, such as the regional chambers of commerce and tourism-specific associations were also engaged in the regional working groups to ensure that the private sector had a strong voice and embraced the agenda. After all, the project was initiated in response to requests from the private sector for an improved business environment with strengthened stakeholder coordination and a lower cost compliance burden for economic activities. More importantly, engaging with the private sector was crucial to building trust between the regional authorities and the reform's intended beneficiaries. The private sector played a key role at both the design and the implementation stages. At the design stage, entrepreneurs offered valuable insights based on their first-hand experiences, the major bottlenecks encountered, and market failures. During implementation, the private sector was a key partner in promoting the reform efforts and ensuring they became priorities at higher levels. Additionally, the private sector helped communicate with the community about the reform efforts. These contributions were key to the project's success, empowering public sector officials, building consensus, catalyzing partnerships, and ensuring the necessary buy-in of local private sector stakeholders.

For example, the project engaged in activities to raise awareness among citizens and local media on the importance of reforming the existing licensing regime and easing the compliance burden, while at the same time ensuring protection of the region's cultural heritage and meeting urban planning requirements. Additionally, the project highlighted the benefits of formalization for economic growth, job creation, and the protection of the cultural heritage by using the slogan "Ser formal es un buen negocio!" (Being formal is good business) in several communication campaigns. This was achieved through local public awareness campaigns consisting of 26 radio programs, 18 television programs, 5 publications in printed media, and 10 virtual bulletins promoting new local tourism businesses.

The review took stock of the instruments employed by the authorities to regulate businesses. This included licenses, permits, other ex-ante authorizations as well as ex-post procedures necessary to start up and operate a business in Cusco. The team prioritized the activities affecting the business categories most closely linked to the tourism sector. At the outset, this involved reviewing the legal basis for each requirement and subsequently mapping the procedures, documentation requirements, and fees necessary to obtain and renew operating licenses. This also involved taking stock of the on-site inspections typically carried out for the hospitality sector, restaurants, and tour operators. Additionally, the project helped develop an improved framework for archeological evaluations by defining clear and specific requirements as well as by providing a more transparent framework to enable consistent decision making.

Following the stock-taking exercises, the WBG team and the public sector officials worked hand-in-hand through workshops to identify specific activities and procedures with limited value added. This exercise revealed quick wins that were leveraged to build momentum for the reforms and motivate other implementing agencies. Identifying quick wins was important, particularly in ensuring buy-in at the municipal level. As the local authorities were bracing for elections shortly after the advisory project was initiated, showcasing tangible reforms to their constituents was at the top of their political agendas.

In support of these activities, the WBG experts engaged with the process owners and regulators to foster a "cultural shift" from a prescriptive "tick-the-box" to a more client-oriented approach. The team

The private sector played a key role at both the design and the implementation stages. At the design stage, entrepreneurs offered valuable insights based on their first-hand experiences, the major bottlenecks encountered, and market failures. During implementation, the private sector was a key partner in promoting the reform efforts and ensuring they became priorities at higher levels.

used visuals and flowcharts to communicate low added value procedures that could be streamlined or eliminated without jeopardizing the regulators' mandated objectives and public sector outcomes. This exercise helped build consensus through a participatory process and fostered a behavioral change in the implementing agencies' culture on service delivery.

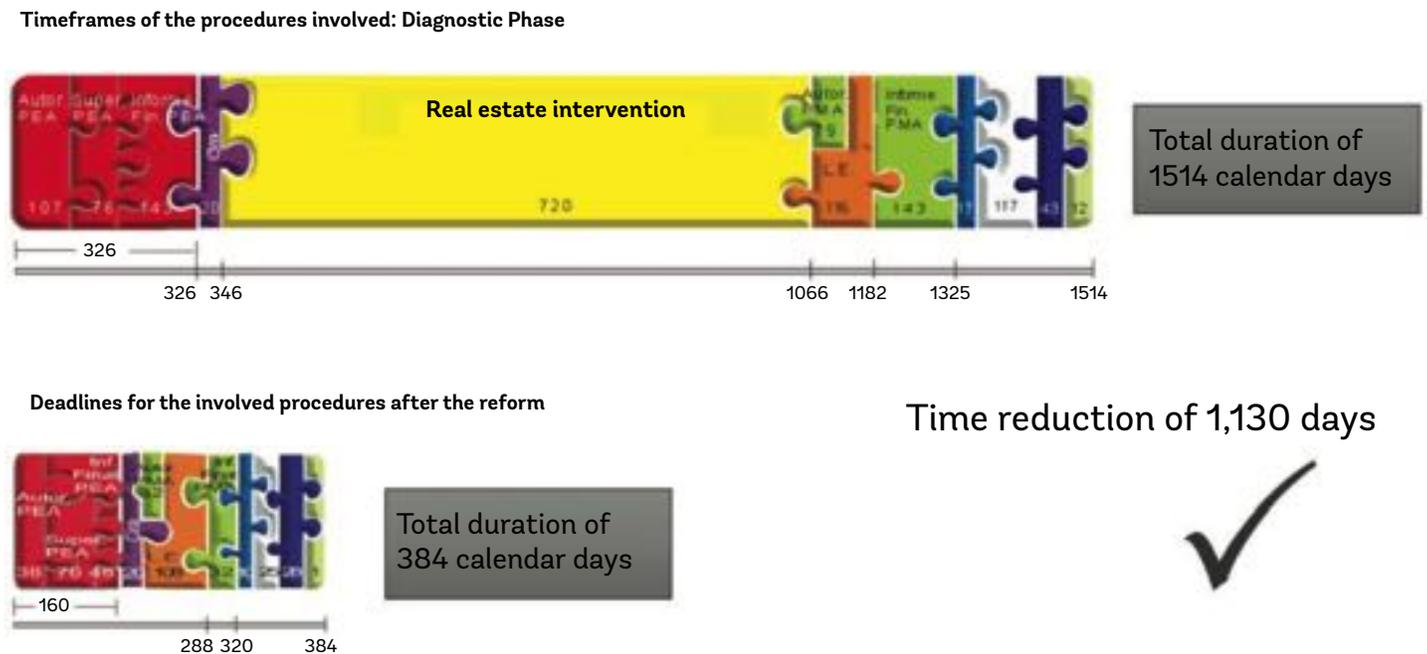
Moreover, the project leveraged ICT solutions to improve record management and firm registration in the tourism sector at the agency level. Two custom-developed software solutions were introduced to support the issuing authorities' activities. These were back-end solutions implemented to improve internal workflows and data management. The back-end solutions were complemented by two platforms for customer support and by the development of informative materials such as a procedure manual with detailed flowcharts and other user-friendly features to communicate the new procedures to tourism businesses. A component on capacity building was also used to train agency staff on the new software. The project supported hands-on training activities for more than 750 public sector officials, with a view to improve customer service and administrative processes.

THE RESULTS

The licensing reforms lowered the regulatory burden for businesses beyond the tourism sector and generated spillover benefits for small and medium-sized firms in the region. The project's activities helped reform 80 licenses and eliminate more than 150 unnecessary ex-ante requirements, such as duplicative forms and procedures or excessive requirements, like clearances from nontechnical bodies (e.g., elected officials), that imposed compliance costs on businesses without adding value to achieving the mandated regulatory objectives. Removing these excessive requirements reduced the business registration process by three years.

Furthermore, the project significantly improved turn-around time between the various agencies. The time for approval was reduced across the chain of procedures under the project's review and reengineering activities, as shown in Figure 14 below. In some cases, procedures were deemed to add inconsequential value compared to their regulatory burden, and these were eliminated altogether. For example, every construction or business operation located near or adjacent to a land plot demarcated as part of the cultural

FIGURE 14: THE PROJECT REALIZED SIGNIFICANT GAINS BY STREAMLINING PROCEDURES, ULTIMATELY IMPROVING EFFICIENCY AND PREDICTABILITY IN THE LICENSING AND PERMITTING PROCESS.



Source: Ursula Blotte, Operations Officer, World Bank Group.

heritage was subject to plan review and approval by the Ministry of Culture. As this procedure was only carried out centrally by the authorities in Lima, it usually took several months for completion. In response, to improve efficiency, the government amended the law to include a representative from the Ministry of Culture in the construction permit issuing process and decentralized that process to the regional authorities in Cusco. Moreover, the project eliminated this procedure as a requirement for obtaining an operating license as it was deemed to duplicate the checks carried out for construction permits.

By rationalizing the registration fees and improving processing times, the reforms generated more than US\$1.9 million in compliance cost savings for the private sector after just eight months. The drastic reduction in the cost to obtain licenses and permits was largely attributed to the introduction of a cost-based methodology in calculating administrative fees. This activity was not part of the project's initial design but was incorporated at a later stage when the pricing policy was identified as a source of uncertainty and inflated costs for the private sector. For example, fee calculations were reportedly performed on an *ad hoc* basis, lacked transparency, and served a tax collection—rather than a regulatory—function. Accordingly, the team's technical assistance supported the implementing agencies in aligning their pricing policies with international good practices by rendering fees affordable for local firms while at the same time ensuring cost recovery that would support sustainable service delivery. Additionally, the number of licenses issued by project completion in 2016 was 70 percent higher than the number of licenses issued in 2014, a strong indicator of increased formalization and compliance.

The reform's notable impact on the private sector is also supported by anecdotal evidence. For example, before the reform, a leading operator in Cusco's hospitality sector reported taking a total of eight years to realize a project from inception to completion, primarily due to excessive bureaucracy. Following the reform, another leading operator in the hospitality sector reported taking a total of six months for a project of about the same size. Evidently, measuring the benefits of such reforms narrowly in terms of compliance cost savings at the firm level can tell only part of the story. Facilitating investments and addressing inefficient service delivery can yield spillover effects and generate broader benefits for local employment, businesses, and tax revenues that are more difficult to capture

and attribute to focused interventions such as the one in question. The reality remains, however: Each day of delayed project implementation in the hospitality sector translates into “rooms not booked, employees not hired, purchases from local business not made, and taxes to local and national authorities not paid.”⁶²

This project was aligned with the Peruvian Government's National Competitiveness Agenda and built momentum for further simplification efforts at other tourist destinations. Following project completion and Peru's change of government, the new Minister of Tourism and Foreign Trade articulated a clear message, namely strengthening Peru's position as a competitive, sustainable, quality tourism destination able to deliver a diversified product and contribute to the country's economic and social development in a decentralized manner. The minister established two ambitious milestones to be reached by 2021: first, 100 percent growth in the number of international tourists (from 3.5 million to 7 million), and second, 50 percent growth in the number of domestic tourist trips, from 40 million to 60 million.

The WBG received a prize from the National Chamber of Tourism acknowledging the institution's notable contribution to developing Peru's tourism sector. More importantly, as a result of the success of the WBG project, the team was asked to build client capacity to implement similar reforms in other Peruvian cities, this time without WBG's technical assistance. Currently, similar reform activities are under way in five additional cities in the Cusco region, employing the same methodology and approach.

An innovation of the WBG strategy was its partnership with the Destination Management Organization of Cusco (DMO), a public-private nonprofit organization promoting sustainable development in Cusco, and with other public and private stakeholders. During implementation, the WBG built capacity in the DMO to further expand reforms in other locations in Cusco. The DMO is currently implementing a project, financed by SECO, to introduce simplified licensing reform in five additional district municipalities in Cusco, using the WBG project's design, methodology, and delivery model.

At the national level, the project supported the creation of a one-stop shop, currently being implemented by the Ministry of Tourism and Foreign Trade. The project offered valuable insights for the WBG team as well, and similar projects are now being rolled out in other countries, such as Benin, drawing on Peru's experience.

The number of licenses issued by project completion in 2016 was 70 percent higher than the number of licenses issued in 2014, a strong indicator of increased formalization and compliance.

ENDNOTES

- ¹ In 2012 dollars.
- ² Canadian Federation of Independent Business, “Rated R: Prosperity Restricted by Red Tape” (2005).
- ³ Ibid.
- ⁴ For example, see a series of studies carried out by the Fraser Institute on Canada’s regulatory burden.
- ⁵ <http://www.bcbizpal.ca>.
- ⁶ “Case study: Industry Canada BizPaL”; see <http://www.ctlabs.ca/client-sectors/government/case-study-industry-canada-bizpal/> (last visited December 19, 2016).
- ⁷ Canadian Federation of Independent Business, “Canada’s Red Tape Report—With U.S. Comparisons” (January 2013). (Note: estimate is in 2012 prices.)
- ⁸ A survey of regulatory compliance costs by Statistics Canada found that businesses with fewer than 20 employees were disproportionately affected by compliance; a small business with one to four employees incurred at least seven times more cost per employee than did larger counterparts (i.e., those with 20 to 99 employees).
- ⁹ Horizontal partnerships refer to collaboration between municipalities; vertical partnerships refer to collaboration among local governments and authorities at the provincial/territorial and federal levels.
- ¹⁰ “Evaluation of Industry Canada’s BizPaL Service, Final Report” (March 2011).
- ¹¹ More specifically, the Steering Committee included a representative from each province/territory, a representative from local government from each province/territory, a representative from Industry Canada, and a member representing all other different participants.
- ¹² According to a recent evaluation report, the NBO is exploring the possibility of moving to a transactional model. For more information, see https://www.ic.gc.ca/eic/site/ae-ve.nsf/eng/h_03810.html (last visited January 24, 2017).
- ¹³ For more information, see https://accessbusiness.snsmr.gov.ns.ca/a2b_web/portal/industryBundleStartUp.jsf (last visited February 24, 2017).
- ¹⁴ For more information, see <https://www.youtube.com/watch?v=BHJEDC-ej4E> and https://www.youtube.com/watch?v=5kYqwH8UU_Y.
- ¹⁵ For more information, see <https://www.ontario.ca/page/2016-burden-reduction-report#foot-2> (last visited on January 24, 2017).
- ¹⁶ “A Plan for Economic Growth and Jobs,” *World Business Chicago* (March 2012), p. 33.
- ¹⁷ Metropolis Strategies, analysis of 2007 Census of Governments Data.
- ¹⁸ Study by the Institute for Justice Clinic on Entrepreneurship.
- ¹⁹ Illinois Chamber of Commerce, *Opportunities and Challenges of Doing Business in Illinois: A Survey of Illinois Commercial and Industrial Real Estate Agents and Brokers: 2008*.
- ²⁰ “A Plan for Economic Growth and Jobs,” *World Business Chicago* (March 2012), p. 46.
- ²¹ An initiative funded by the Bloomberg Philanthropies, based out of the Mayor’s Office, tasked with bringing innovative and more informed solutions to local governance and service delivery challenges.
- ²² City of Chicago Press Releases, Mayor’s Press Office, July 14, 2011.
- ²³ “Chicago Licensing and Permitting Reform” (Paper Series: Regulatory Reform for the 21st Century City, Ash Center for Democratic Governance and Innovation, John F. Kennedy School of Government, Harvard University, January 15, 2015).
- ²⁴ Ibid.
- ²⁵ Ibid.
- ²⁶ Sean Thornton, “Regulatory Reform in Chicago: A Discussion on Innovation” (Paper Series: Regulatory Reform for the 21st Century City, Ash Center for Democratic Governance and Innovation, John F. Kennedy School of Government, Harvard University, April 8, 2014).
- ²⁷ “Governing the States and Localities”; see <http://www.governing.com/blogs/bfc/col-ideation-innovation-delivery-teams-four-directions.html>.
- ²⁸ NYU Wagner Innovation Labs, “Getting to Innovation: How Cities Are Rethinking Municipal Governance” (October 2012).
- ²⁹ Thornton (2014).
- ³⁰ “Chicago Licensing and Permitting Reform” (2015).
- ³¹ For more information, see https://www.chicago.gov/city/en/depts/bacp/sbc/business_licensing.html.
- ³² For more information, see <https://webapps1.cityofchicago.org/AccountServices/login.jsp>.

- ³³ For more information, see <https://webapps1.cityofchicago.org/AccountServices/contactUs.jsp>.
- ³⁴ “Chicago Licensing and Permitting Reform” (2015).
- ³⁵ Unless exempted, a public entertainment or arts entertainment license is required under the Public Entertainments and Meetings (PEM) Act, Chapter 257, for any entertainment provided in any place to which the public or any class of public has access, whether gratuitously or otherwise. For more information, visit <https://www.police.gov.sg/e-services/apply/licenses-and-permits/public-entertainment/important-notice>.
- ³⁶ Jeannie Chua, “National Strategies to Harness Information Technology: The e-Transformation Journey of Singapore” (November 2011).
- ³⁷ K. Pelly Periasamy and Siew-Kien Sia, “Challenges in Delivering Cross-Agency Integrated e-Services: The OBLs Project,” Nanyang Business School, Nanyang Technological University, Singapore (November 2007).
- ³⁸ The Committee of Permanent Secretaries is Singapore’s highest civil service committee and sets the agenda of the public sector reform program. It comprises public officers appointed by the president to head a ministry.
- ³⁹ See https://www.challenge.gov.sg/2003_06/cover_story/gov.html (last visited February 22, 2017).
- ⁴⁰ Thompson S.H. Teo and Tat Koon Koh, “Lessons from Multi-Agency Information Management Projects: Case of the Online Business Licensing Service (OBLs) Project, Singapore,” *International Journal of Information Management* (2009).
- ⁴¹ Ibid.
- ⁴² Periasamy and Sia.
- ⁴³ K. Layne and J. Lee, “Developing Fully Functional e-Government: A Four-Stage Model,” *Government Information Quarterly* 18, no. 2 (2001): 122–36.
- ⁴⁴ Teo and Koh (2009).
- ⁴⁵ Ibid.
- ⁴⁶ In some exceptional cases where license processing involved special clearance (e.g., for national security purposes), the license was retained at the agency level. In these cases, the online application portals were maintained at the agency level and a hyperlink was included in the OBLs portal to redirect users.
- ⁴⁷ The Public Service Infrastructure refers to a public centralized software designed to support the delivery of government services.
- ⁴⁸ Singpass is a common password used by citizens to transact business with government departments online.
- ⁴⁹ Teo and Koh (2009).
- ⁵⁰ Periasamy and Sia.
- ⁵¹ Anita Mittal, “Case Studies on E-Governance in India: E-Biz.” (2013–2014).
- ⁵² For more information, see <https://licence1.business.gov.sg/>.
- ⁵³ The Regulatory Guillotine is a technique for rapidly reviewing a large stock of existing regulations and eliminating those deemed obsolete, without the need for lengthy and costly legal action on each regulation. The core principle of the Regulatory Guillotine is that regulations not required to meet the future policy needs of market-led development or not justified as legal, are eliminated. Any regulation that is needed but is not business-friendly will be simplified to the extent possible.
- ⁵⁴ PEMUDAH’s composition is dynamic. For example, in 2016 it comprised of 15 heads of government ministries and 10 leaders of the Malaysian business community.
- ⁵⁵ PEMUDAH, *Annual Report 2014: “Your Business Our Priority,”* www.pemudah.gov.my.
- ⁵⁶ The first phase involved reviews in five ministries: Ministry of Rural and Regional Development; Ministry of Domestic Trade, Co-operatives, and Consumerism; Ministry of Energy, Green Technology, and Water; Ministry of Plantation Industries and Commodities; and Ministry of Federal Territories and Urban Wellbeing. The second phase involved reviews in nine ministries: Ministry of Tourism; Ministry of Transport; Ministry of Natural Resources and Environment; Ministry of Housing and Local Government; Ministry of Finance; Ministry of Human Resources; Ministry of Science; Ministry of Technology and Innovation; and the Ministry of Information, Communication, and Culture. Lastly, the third phase of the project at the federal level involved reviews in nine ministries: namely the Ministry of Works; Ministry of Education; Ministry of Agriculture and Agro-Based Industry; Ministry of International Trade and Industry; Ministry of Higher Education; Ministry of Home Affairs; Ministry of Women, Family, and Community

- Development; Ministry of Youth and Sports; and the Land Public Transport Commission. ⁵⁷ PEMUDAH (2014).
- ⁵⁸ Thiruchelvam K., Aini Suzana, and Mazlan Ali, “Igniting Productivity Improvements in the Public Sector: A Case Study on Organizational Innovation in Malaysia” (Perdana School of Science, Technology, and Innovation Policy, Universiti Teknologi, 2015). (Note that the estimated compliance cost savings amounted to RM729.2 million, or US\$172 million at the exchange rate of US\$1 = RM4.26 at the time the report was written.)
- ⁵⁹ Government of Malaysia, Annual Report on Modernization of Regulations (2016).
- ⁶⁰ Datuk J. Jayasiri, Ministry of International Trade and Industry, “Good Regulatory Practice (GRP) in Malaysia” (presentation at the Capam 2016 Biennial Conference, August 20, 2016).
- ⁶¹ These are Oil, Gas, and Energy; Financial Services; Wholesale and Retail; Palm Oil; Tourism; Electronics and Electrical; Business Services; Communications Content and Infrastructure; Education; Agriculture; and Healthcare. Also addressed are activities in the Greater Kuala Lumpur/Klang Valley. The 11 sectors account for almost one-third of Malaysia’s total gross domestic product, while the urban agglomeration in the Greater Kuala Lumpur/Klang Valley is considered a potential driver of economic growth.
- ⁶² World Bank Group, “Peru: Easing Business Regulations in One of the World’s Most Famous Tourist Destinations” (World Bank Group, Washington, DC, November 1, 2016).



WORLD BANK GROUP