

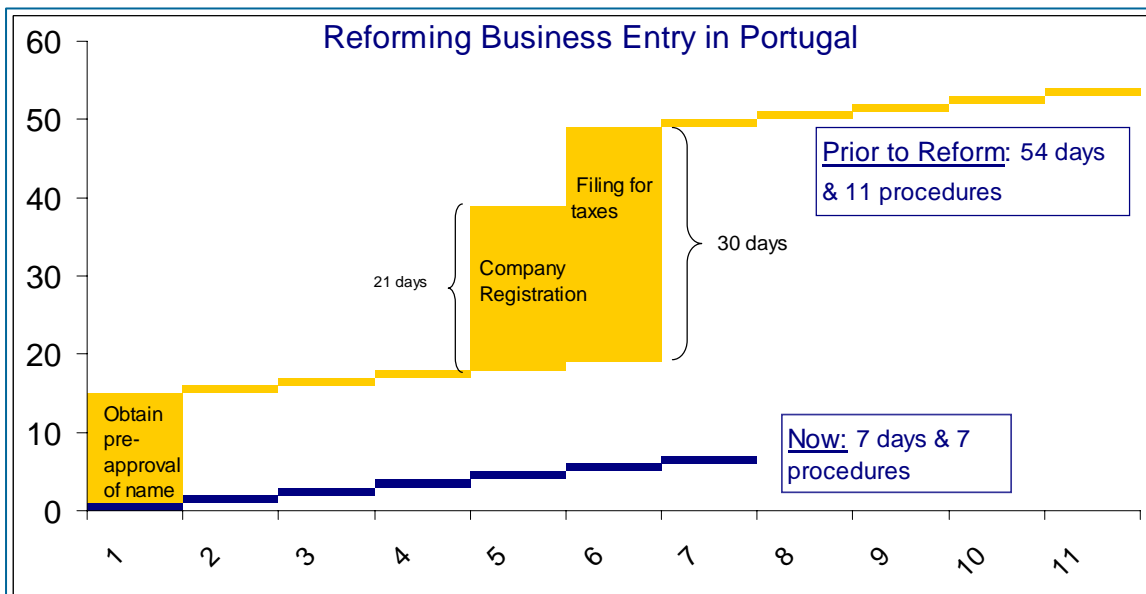
ONE-STOP SHOPPING IN PORTUGAL

MARIA MANUEL LEITÃO MARQUES

In 2005, it took 11 procedures and 78 days to start a business in Portugal, making it slower than the Democratic Republic of Congo. An entrepreneur would need 20 forms and documents, more than for any other EU country, and the total cost was 13.5 percent of the GNI. As soon as new Prime Minister Jose Socrates took office in March of 2005, the planning for reform began, and in four months *Empresa Na Hora* (*On the Spot Firm*), the Portuguese one-stop shop for creating a company, was fully operational. Portugal is now one of the easiest countries to start a business in, taking only seven procedures, and the total cost has decreased to 3.4 percent of the GNI.



As head of UCMA (Office of Public Services Reform), I was responsible for bringing together the Ministry of Justice, Ministry of Finance, Ministry of Economy, and the Ministry of Labour and Social Security—all involved in the process of starting a business—to make this change a reality.



Well begun, half done—the story behind central coordination

Lesson: Ride the crest of the wave. Reform when there is momentum—usually in the first 100 days of a new government.

Lesson: Choose quick wins to start the reform.

Building on the momentum of the election victory, the new government made a commitment to cut the bureaucracy by modernizing and simplifying public-services structures and procedures, and thus helping to improve the lives of citizens and businesses. A plan for reform was created and two initiatives most likely to achieve “quick wins” were chosen to start it.

Among the government’s first reforms would be the simplification of the starting a business and car registration procedures. UCMA decided to inspire the government’s confidence by showing it that quick reform was possible—in this case, targeting earlier failed attempts to reform the car registration process. For about 10 years, a reform to create a single document to register a car was in the pipeline, but parties could not agree on how the fees were to be split. Within three months the issue was settled and a single step for car registration became possible.

Building on this success, the law for starting a business was drafted in less than two months, and in four months the reform was fully operational. The new model for *Empresa Na Hora* (except for the logo) was entirely conceived by public servants, who were involved in the conception and implementation of the project from the start. My advisers felt it was also very important to involve mid-level public officials in the reform, because if they believe in it, they will drive the reform. Ultimately it is the officials who will be dealing with the project on a day-to-day basis. To make sure everything was perfectly run at the one-stop shop, the personnel would have to undergo rigorous training. Training occurred on site and off site, *Empresa Na Hora* began in 12 locations, and once things were running smoothly there, staff from other cities would be sent to be trained on site. It is now present in 60 locations.

Lesson: Reform should be seen as an ongoing process; a systematic process for pursuing simplification should be defined and implemented.

But these two reforms are part of a larger reform package called SIMPLEX, a program for administrative and legislative simplification.

Taking into account that simplification should be seen as a policy of continuous actions, UCMA was charged with drawing up specific programs for this purpose. However, since simplification has to be a joint task shared by every ministry, these programs result from the efforts of the whole government. UCMA’s job was to aggregate and coordinate the measures proposed by the different ministries and public services, and then supervise implementation of those measures and assess the results.

Lesson: Institutionalize reform. By establishing a committee that can centrally coordinate the process of reform, you can create mechanisms to ensure that each player does its part.

Lesson: Create and adhere strictly to deadlines.

Just after the elections in May 2005, a cross-departmental body was set up to oversee the implementation of the government’s program for modernizing public services. As the platform for cooperation between the various governmental departments, UCMA was integrated into the Presidency of the Council of Ministers and was under the direct authority of the Ministry of State and Internal Affairs, Antonio Costa, in charge of leading the government’s program on administrative modernization.¹ UCMA was a task force of seven people who ensured that tasks were carried out and deadlines met. However, each ministry had working groups, called the “Simplex Sirs/Madams,” who were in charge of modernization and worked closely with the UCMA team.

The key to the reform’s success was central coordination combined with the support and enforcement of the prime minister. I believe the ministries were all very engaged and knew what they wanted to achieve

¹ In May 2007, Maria Manuel Marques had become the Secretary of State for Administrative Modernization. Her office is now under the direct authority of the Ministry of the Presidency of the Council of Ministers, Pedro Silva Pereira, who is currently in charge of leading the government’s program on administrative modernization.

from the reform, thus it was important to have an intermediary to designate a work schedule. Hard deadlines were set, and UCMA was in charge of making sure departments and ministries complied.

Lesson: Make sure the initiative is backed by and reports to the central government.

Our main objective for *Empresa Na Hora* was to develop a quicker, easier, and cheaper way to start a business. To guarantee that the reform would be delivered when promised (in two months), we frequently met representatives of each ministry to ensure that everything was going well. By keeping a close watch, we were able to know where the issues were coming from. The Prime Minister's engagement with the reform was equally crucial. Every Minister knew that he would address these issues in the next cabinet meeting.

I think my greatest surprise was to see that we accomplished so much in so little time. Without firm deadlines, you can talk forever, but nothing will get done.

Some of these reforms also had input from different spheres from within the private sector, and a private sector committee² met about once a month and informally discussed concerns, barriers, and suggestions for improvements based on committee members' own experiences. We are always brainstorming on how to improve. That is where the idea came from to eliminate the outdated requirement for entrepreneurs to register and legalize their financial accounting books, Portugal's reform for *Doing Business in 2008*. Companies would purchase the books only to satisfy legal requirements to start a business, but would not use them. Not only was there political will to change this, but there also was the desire to climb in the Doing Business rankings.

What gets measured gets done—raising the bar

All the SIMPLEX simplification measures were based on transparency and accountability and had a public delivery date. For instance, *Empresa Na Hora* owes its success to constantly being improved. I would emphasize that constant performance measures reported to the public would ensure that we didn't fall back, but continued to improve. This new service also has concrete ways to measure its performance. Through the rigorous measurement of time and number of users of the service, nothing falls through the cracks. It was also important to follow through. We liked to think of ourselves as being run like the private sector. Every month, we have a report in which the results are published online. As a result, it now takes only 46 minutes to start a business as opposed to 53 minutes a few months ago.

The most important judge, however, is always the customer—in this case citizens and businesses. That is why we compare the number of users of the new system to those who use the traditional way. More than 70 percent are now using the new system. Complaints or suggestions are received any time—in person, by mail, or electronically—and very few have complained about the system. Suggestions were usually valuable, and we acted on them—for example, reducing the number of documents to be presented, or incorporating different clauses into the standardized articles of association.

In the broader program (SIMPLEX), reformers also make sure to include the public and thereby address what's really important to them. Every year, the reform program planned for the coming year is published online for two months and open for comments. For the 2007 SIMPLEX program, 86 of the 235 new initiatives came directly from the public.

Learning the ropes, the budgeting burden of checks and balances

Lesson: Measure the results and implications of each step. It will serve as a diagnosis.

² The Committee for Cutting Red Tape Initiatives (Comissão para a Desformalização), created under the Office of the Secretary of State for Justice.

Lesson: Follow up. Progress should be a constant. Make room for it.

Lesson: Create a budget for the reform; it will be easier to get each department to comply.

Though the reform was centrally coordinated, the budget was fragmented. The main budget for each reform comes from a specific ministry (in the case of *Empresa Na Hora* it came from the Department of Justice), but since it involves other ministries, each ministry has to pay for different aspects of the reform, and it is UCMA's job to enforce this system. Although I never had any issues with enforcement, it definitely created some friction. In a system in which departments were not used to working together, coordination was especially difficult when it came to the budget.

If the budget had been allocated to the reform or project instead of coming out of the individual ministries' budgets, it would have been a smoother process. The administration understood this and created a committee to analyze this issue. In future reforms, we will consider creating a budget for each project.

The Ministry of Finance has begun investigating how to improve this situation and has created a working group that is discussing different scenarios that could make the process smoother. They know they want to assign a budget for each project, but it is important to make the transition to this new system carefully. The Ministry of Finance is looking at how other OECD countries have solved their budgeting issues and how these solutions might be adapted for Portugal. Its goal is to have a plan by 2009.

What comes next?

With the success of *Empresa Na Hora* and the SIMPLEX program, Portugal hopes to make more services accessible to the public online. We are working to make sure that all the procedures related to a business's life cycle can be available online. Portugal wants to be at the forefront in this electronic era, offering the public easy access to information and services. For some services, we are also developing a multichannel approach that combines online services with other channels (call-center and in-person services).

Empresa Na Hora has been successful and prides itself that more than 37,000 entrepreneurs choose to use the services, and its success has inspired other countries to seek assistance to reform. Countries such as Angola and Cape Verde have requested legal and technical assistance based on the success of Portuguese model. Cape Verde will soon be ready to begin the process, and will be receiving assistance to follow through with the reform. Other countries such as Slovenia, Hungary, Egypt, Mozambique, Angola, São Tomé and Príncipe, Chile, Finland, Bosnia-Herzegovina, Romania, China, Brazil, Turkey, Sweden, and Andorra have visited the *Empresa Na Hora* service.

The author would like to thank Camille Ramos for her assistance in the preparation of this paper.

About the Author

Maria Manuel Leitão Marques is Secretary of State for Administrative Modernization, since May 2007. From May 2005 to May 2007, she was the President of the Office of Public Services Reform (UCMA). She has a PhD degree in economics (economic law) at the Faculty of Economics of the University of Coimbra, where she is, since 2003, a full professor.

DISCLAIMER

SmartLessons (<http://smartlessons>) is an awards program developed by the Knowledge Management Unit of the Small and Medium Enterprise Department to share best practices and lessons learned about IFC advisory services operations across various regions and business lines. The findings, interpretations, and conclusions expressed in this paper are the authors' own and do not necessarily reflect the views of the SME Department and IFC.

Please contact the SmartLessons Program at smartlessons@ifc.org