

**EUROPEAN COMMISSION  
ENTERPRISE DIRECTORATE  
GENERAL**

# EU Benchmarking Achievements and What Next ?

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## **The Achievements in the EU Benchmarking Exercise What Needs to be Done Now ?**

### **The Overall Achievement**

The results of the EU benchmarking exercise on start-up procedures have been presented in a report that is rich in detail, containing key data on all the main elements of current performance as experienced by enterprises, along with many useful insights into current administrative practices and ways to make further improvements. There is a robust and detailed analysis of the kind that stands up the detailed scrutiny of the administrations that have participated in the exercise. In this respect the exercise has been able to build on and surpass previous studies in this area that employed a more tentative methodology.

### **Political Achievement**

The benchmarking exercise began life with a relatively high profile, since the Lisbon European Council had specifically called for such an exercise ‘on the time and costs involved in setting up a company’.

The work was also able to build on a certain consciousness of the issue arising from earlier work at a European level, notably that resulting in 1997 in the Commission Recommendation on Improving and Simplifying the Business Environment for Business Start-ups.

Consequently, when the results of the exercise were presented to the informal ministerial meeting organised by the Spanish presidency of the EU at Aranjuez on 23<sup>rd</sup> February, they were received with considerable interest. I would draw your attention to the conclusions of this meeting that in essence supported all the major conclusions of the exercise :

‘Pursuant to the second implementation report of the Feira Charter and the report of the EU Experts’ Group on costs and timeframes for the creation of companies, it is observed that notable advances have been made in reducing both.

Nonetheless, greater use needs still to be made of the Information and Communication Technologies (ICT’s), especially as regards on-line registration, reducing the number and complexity of the documents necessary for the setting up of a company and considering the possibility of putting such documents in telematic format, making it possible to process them from “Single Access Points” as well as setting obligatory response times. It would also be advisable to perform comparative studies of documents and deadlines for the setting up of companies in third countries.

Furthermore it is necessary to establish simple legal forms for companies that are better adapted to the reality of smaller companies, paying special attention to reducing the amount of capital required to set them up, reducing the obligatory costs that they currently have to support, especially those relating to the obligations on publishing their registration, and seeking to provide tax deferment for company creation.

The meeting of the heads of government at the Barcelona European Council, on 15th and 16<sup>th</sup> March, effectively endorsed the SME ministers' position by referring to the need to 'make it as simple as possible to set up new businesses, in particular through the full use of the Internet'.

High level political backing for our work, therefore, that was reflected in a considerable amount of press coverage.

Furthermore, the main results have been incorporated into various scoreboarding and monitoring exercises conducted by the Commission, with a view to gauging progress in Economic policy generally and Enterprise policy in particular.

There have been references to the results of the exercise in the Broad Economic Policy Guidelines, the Internal Market Report and in the Report on the Implementation of the European Charter for Small Enterprises. Shortly, the reports on the implementation of the Employment National Action Plans and the Structural Indicators will also refer to them and the key data will appear in the Enterprise Scoreboard. Generally the message is an encouraging one : considerable progress has been made in this area, but there is still more to do.

So, what was it that generated all this attention ?

### **The Principal Conclusions**

The most important conclusions of the exercise are **a series of benchmarks**, which in this context represent **high standards of performance that should in general be achievable in all Member States**.

The benchmarks define the levels of performance that should be attained by all Member States if they are to offer a really competitive business environment. They relate not only to the outcome 'headline' performance indicators (time and costs of start-up), but also to operational factors (such as number of procedures) that determine an important part of the outcome. They are presented in table 1.

It should be noted that the benchmarks are not the 'best' performance. Because of the range of different administrative and legal systems, it was decided that citing the 'best' performance would not present a performance that was 'achievable in all Member States'. In fact, after discussion, the lower quartile was chosen as a figure that represented a high, but achievable level of performance.

**Table 1****Start-up Procedures Key Findings :****Benchmarks****HEADLINE BENCHMARKS**

<b>Individual Enterprise</b>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>	<b><u>Benchmark</u></b>
Typical Time (Elapsed business days)	12	35	1	<i>3</i>
Minimum Time (Elapsed business days)	3	7	1	<i>1</i>
Typical Cost (Euro)	250	1,572	0	<i>0</i>
Minimum Cost (Euro)	90	750	0	<i>0</i>

<b>Private Limited Company</b>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>	<b><u>Benchmark</u></b>
Typical Time (Elapsed business days)	24	35	7	<i>18</i>
Minimum Time (Elapsed business days)	7	15	2	<i>3</i>
Typical Cost (Euro)	830	2,232	0	<i>213</i>
Minimum Cost (Euro)	680	1,700	0	<i>213</i>
Minimum Paid-up Share Capital (Euro)	9,200	23,477	1	<i>3,000</i>

**OPERATIONAL BENCHMARKS**

<b>Individual Enterprise</b>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>	<b><u>Benchmark</u></b>
Number of procedures	8	15	1	<i>4</i>
Number of Contact Points – for entrepreneur	4	7	1	<i>2</i>
Number of Official Forms and Documents	4	13	1	<i>1</i>
Number of Official Licences, Approvals, and Confirmations	2	7	0	<i>1</i>
Number of Public and Private Bodies Involved	4	7	1	<i>3</i>

<b>Private Limited Company</b>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>	<b><u>Benchmark</u></b>
Number of procedures	16	26	8	<i>9</i>
Number of Contact Points – for the entrepreneur	5	10	2	<i>3</i>
Number of Official Forms and Documents	9	20	3	<i>5</i>
Number of Official Licences, Approvals, and Confirmations	4	9	0	<i>1</i>
Number of Public and Private Bodies Involved	6	13	2	<i>4</i>

## **Encouraging Progress**

There is no doubt that efforts are being made in all Member States to improve the situation and in some Member States there has been radical change.

An indication of this progress is the extent to which Member States have responded in the specific areas mentioned in the Commission Recommendation on Improving and Simplifying the Business Environment for Business Start-ups (1997).

Table 2

**IMPLEMENTATION OF THE COMMISSION RECOMMENDATION ON START-UPS BY MEMBER STATES**  
**(BLACK BOXES INDICATE PROGRESS SINCE 1997)**

MEASURE		B	DK	D	EL	ES	FR	IRL	IT	LU	NL	AU	PT	FIN	SW	UK
Introduce a single business registration form																
Set up single contact points where a single registration form can be deposited																
Introduce a system whereby public authorities can recognise enterprises by a single identification number																
Ensure that government departments avoid introducing duplicated or superfluous forms and/or contact points	Fundamental review of the official documents															
	Review of the supporting documents															
Set clear targets in terms of deadlines for the processing of enterprises' requests and the granting of licences or authorisations																
Introduce, where appropriate, a system whereby an application is deemed to have been automatically granted if the administration has not responded within the fixed deadline																
Use information technology and databases as much as possible for the transmission and authentication of information submitted and/or the exchange of information between public authorities	Online registration possible															
	Computerise all requests for registration															
<b>TOTAL</b>		<b>2</b>	<b>6</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>7</b>	<b>5</b>	<b>3</b>

## **Clarification of the Process**

Further progress requires comparisons of performance relating to the requirements and procedures of the different national systems.

An important initial achievement of the benchmarking exercise was the mapping out of the different requirements of the Member States. This, of course, involves considerable detail. Table 3 shows part of the situation for private limited companies (the registration stage).

One question immediately arises. Why do some Member States require procedures that other Member States do not regard as necessary ?

In one Member State currently, there are 25 different procedures required in the registration of a private limited company. The benchmark for the number of procedures is 9.

**Table 3**

**REGISTRATION STAGE – MAIN MANDATORY PROCEDURES CHECKLIST - PRIVATE LIMITED COMPANY**

**Procedure**

- Legal announcement in newspapers*
- Submit registration dossier to “one-stop-shop”*
- Seek approval for registration from Commercial Court/Court of First Instance or equivalent*
- Seek approval from Companies Agency or equivalent*
- Seek approval for registration from local/municipal authorities*
- Seek approval for registration from central government*
- Approval of name by official agency*
- Register (notify) with Commercial Court/Trade Register/Companies Agency/Craft Register or equivalent*
- Register with Trade Association/Chamber of Commerce*
- Tax Office or equivalent stamps/certify company records or account books*
- Publish registration in Official Journal or equivalent*
- Apply for tax identification card/number*
- Apply for opening licence from local/municipal authorities*
- Obtain mandatory pension insurance*
- Obtain mandatory civil insurance, e.g. employers’ liability*
- Notify Tax Office (all taxes)*
- Notify Social Security Office or insurance fund*
- Notify VAT Office*
- Notify Business Tax Office*
- Notify National Statistical Office*
- Notify Ministry of Labour*
- Notify local/municipal tax authorities*
- Notify other local/municipal authorities of registration*
- Tax office verifies business domicile*
- Notify Post Office*
- Compulsory accident insurance*
- TOTAL**

A	B	DK	F	FI	DE	GR	IT	IR	LU	NL	PO	ES	SW	UK
	√		√		√	√				√	√			
	√		√											
	√					√					√			
											√			
										√	√	√		
		√		√				√		√	√	√	√	
√	√	√	Via SAP	√	√		√	√	√	√	√	√	√	√
√					√	√	√		√	√		√		
	√		Via SAP			√	√			√	√			
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√	√		Via SAP			√			√		√	√		
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√	√		Via SAP				√				√	√		
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			√											
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<b>6</b>	<b>8</b>	<b>4</b>	<b>11</b>	<b>6</b>	<b>7</b>	<b>9</b>	<b>11</b>	<b>3</b>	<b>8</b>	<b>8</b>	<b>17</b>	<b>12</b>	<b>5</b>	<b>3</b>

SAP = Single Access Point

### **The Time and Costs of Start-up – the ‘headline data’**

The general policy focus is on the time and costs of starting up a private limited company. This is what was requested by the Lisbon European Council. This is also what is appearing in the Enterprise Scoreboard, the Broad Economic Policy Guidelines etc.

In order to meet criticisms of earlier work, the Report presents data both on ‘minimum’ and ‘typical’ times and costs. The former is the fastest possible time and lowest possible cost achievable, while the latter is more representative of the usual experience of entrepreneurs. ‘Typical’ data should have the higher public profile.

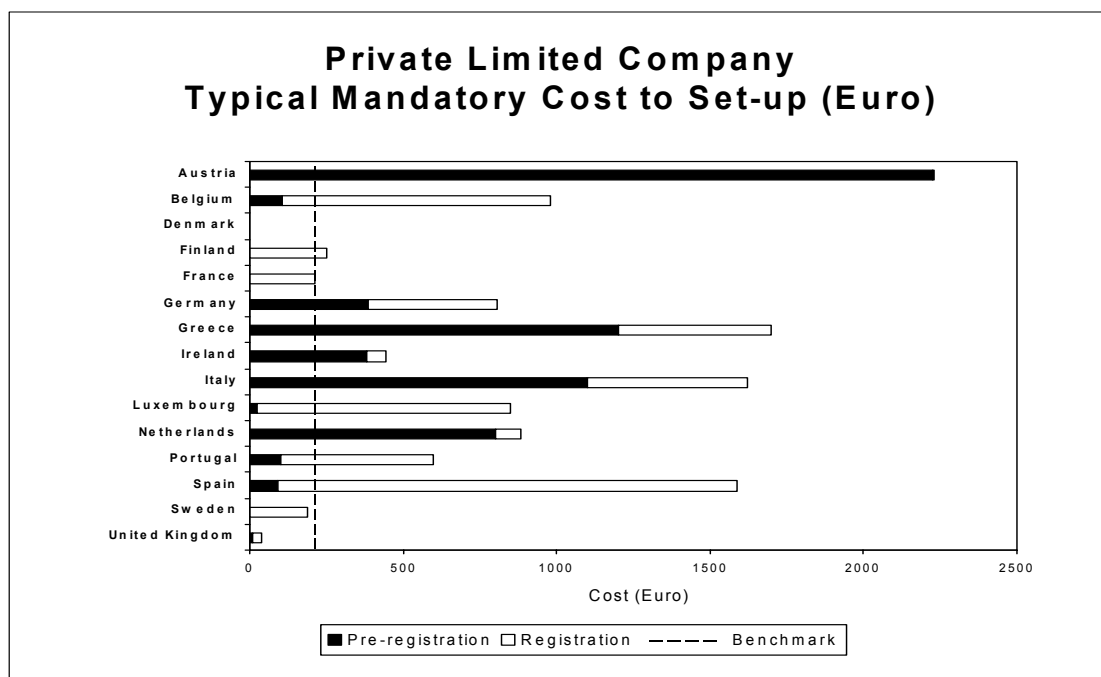
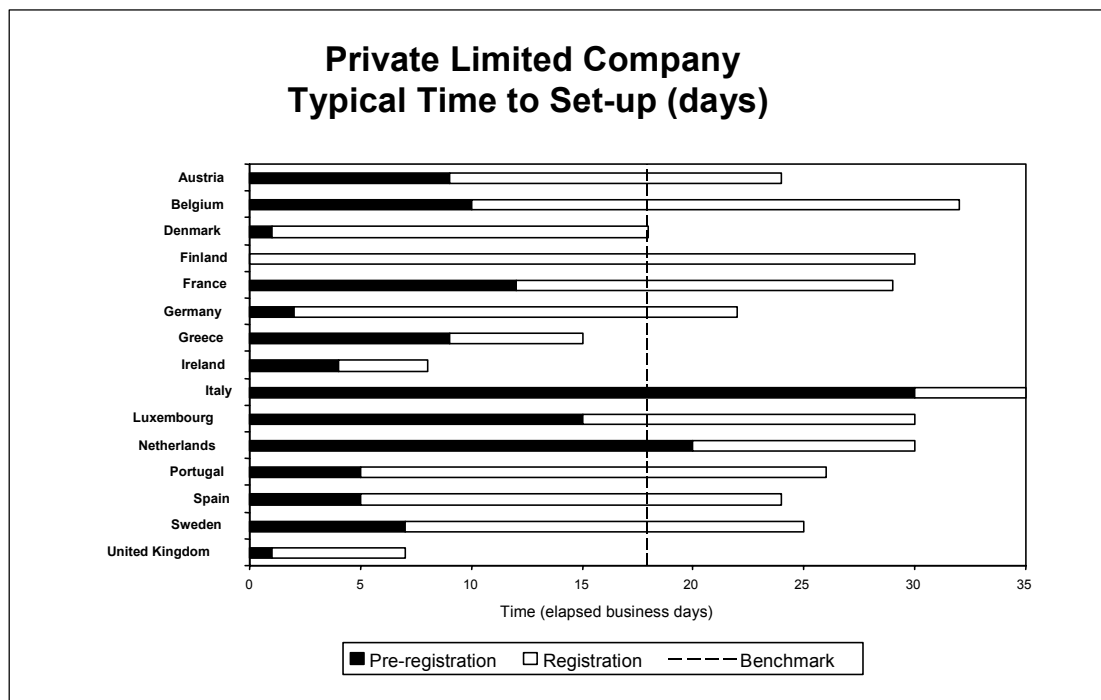
Table 4 sets out the critical information on both time and costs. A distinction is made between the time (or costs) involved in preparing documents for submission to the registration authorities – ‘pre-registration’ - and the time (or costs) required for processing the documents once they have been submitted – ‘registration’.

There is clearly still room for improvement in this area.

**The benchmark typical time is 18 working days.**

**The benchmark cost is € 213.**

Table 4



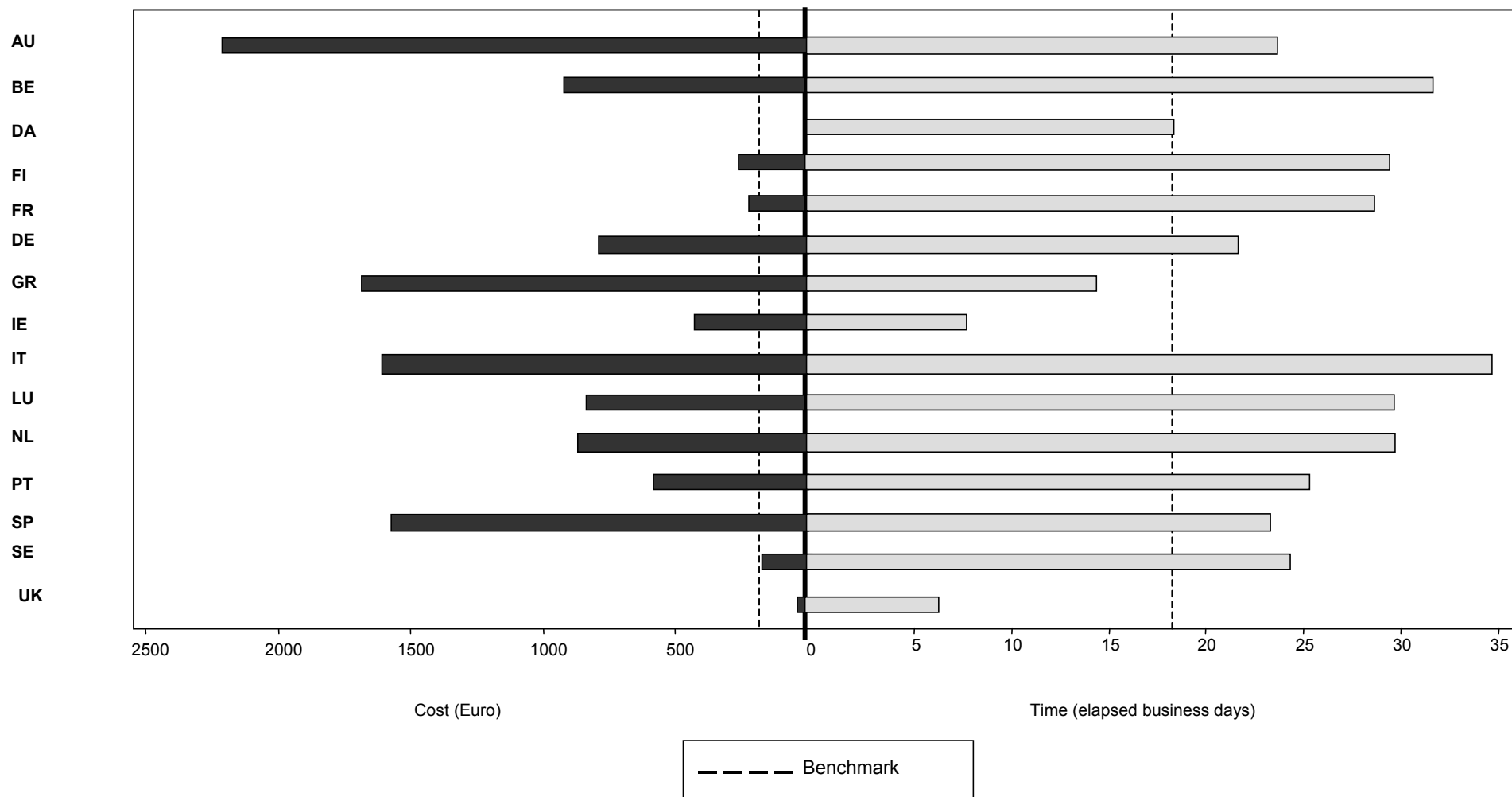
### **The Relationship between Time and Costs of Start-up**

Time and costs are of interest separately. However there is also an interest in seeing the interaction between them, since this can reflect an important policy choice. Greece, for instance, has recently reduced times significantly, but this has been achieved at the expense of an increase in costs.

Table 5 sets out the information on both time and costs in one diagramme. This allows the play-off between times and costs to be observed.

Note, however, that these figures do represent a snap shot of the situation as it was last year. We know that some further improvements were in the pipeline and likely to lead especially to further reductions in the time taken.

The Typical Time and Cost of Setting Up a Private Limited Company



## **Start-up Capital**

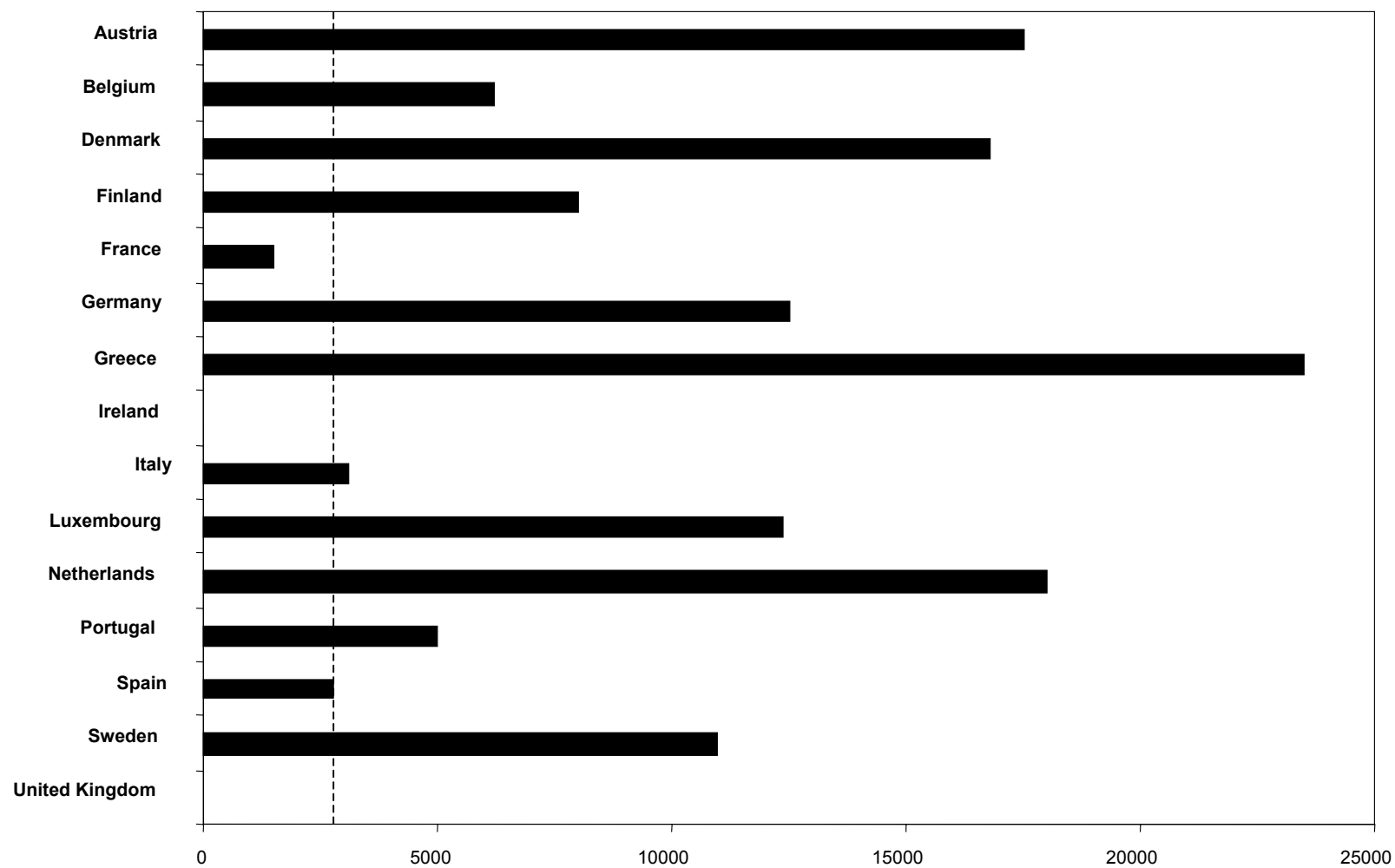
As well as direct costs in the form of fees and charges, entrepreneurs in the different Member States face differing requirements in terms of the amount of share capital they have to raise (Table 6).

In 6 Member States, minimum paid-up share capital can be over 50% of average annual earnings.

In contrast, in the UK and Ireland, the minimum capital required is just over €1.

In view of the lower capital requirements in many modern service industries and some doubts about the effectiveness of having high entry barriers as a means of reducing subsequent failures, this matter should be seriously examined in those Member States that have capital requirements that exceed the benchmark of € 3,000.

### Private Limited Company Minimum Paid-up Share Capital





## **On-line Registration**

The use of ICT in the registration process is important in three areas :

- Making information available to prospective entrepreneurs;
- Submitting registration documents to official bodies;
- Improving communication between official bodies and the efficiency with which these bodies can conduct notification and screening.

The ultimate objective is to allow registration to be fully completed on-line.

**No Member State has reaped all the advantages of the application of ICT in business registration processes.**

In most Member States, either the issue of electronic signatures has not yet been fully resolved or the solutions have not yet been implemented.

However, as elsewhere, the application of ICT is not just a question of computerising former procedures. To get the real benefits, the basic system needs to be re-designed.

**Introducing on-line registration systems should be the occasion of a more fundamental review of regulatory and administrative procedures.**

As the Commissioner is quoted as saying in the press release on the benchmarking report :

*'Starting-up a business is now a lot easier than it used to be, but we need to make simple, direct on-line registration our goal and that means further simplification of regulations and procedures'*

## Other Conclusions

The report, of course, provides a lot more detail and analysis than it is possible to present in a conference paper. In political terms, there is a lot of substance behind the headline figures that will attract most of the attention.

With an audience such as this, however, we should at least note some of the other material – ideas, recommendations and analysis that the report generated. It is this material that is most persuasive for the professionals. First the practical recommendations:

- national governments should consider reducing or eliminating the charges they impose for registration;
- formal screening procedures by notaries, lawyers, or government officials for all unincorporated entities could be removed;
- greater use could be made of self-certification during the pre-registration stage for all types of business entity;
- tailored constitutions for incorporated entities could be replaced in many instances by standard (“off-the-peg”) constitutions, which include general objects clauses;
- entrepreneurs could be permitted to start trading as soon as a new business entity is registered in the Trade Register, or equivalent, i.e. the need for entities to wait for tax, insurance, or social security numbers before they can trade could be removed by making such registrations ‘automatic’ from the point of listing in the business register;
- the level and causes of initial rejections of registration applications should be monitored and addressed;
- the internal professional management systems for registration authorities could be benchmarked;
- the performance of registration offices and variations across regions could be made more transparent and results published.

Secondly, we should note some of the methodological features of the report.:

The aim was not just to characterise the problem, but also to assist in the resolution, in this case, by assisting further developments that would build on the improvements that had already taken place. Three contributions were made to facilitate these further improvements :

- i) the identification of operational benchmarks
- ii) the identification of performance drivers
- iii) citing specific cases of best practice.

Operational Benchmarks : the headline time and cost benchmarks have attracted most of the attention, but these concern outputs, end results, the proper concern of policy makers. Intermediary or operational benchmarks, that concern the number of procedures, the number of forms that have to be completed, the number of agencies

involved, get nearer to the concerns of people that have to actually deliver improvements in the system.

Performance Drivers : benchmarks are fixed at a particular point in time. They are fixed points against which progress can be gauged. Identifying performance drivers promotes an understanding of the more dynamic processes involved. Essentially they concern the factors that are causing change. In this instance they fell into three categories :

Reform of Administrative Procedures  
Management Processes  
the Use of ICT

Some of these factors attracted the attention of the policy makers, as we saw in the Barcelona conclusions. However, continuing change will require all of them to be addressed.

Cases of Best Practice : carrying on the logic of assisting further change, a series of practical examples were identified, which illustrated how change had been brought about on the ground in various Member States. These cases of best practice were specifically intended to illustrate the operation of the performance drivers. They pointed to, for instance, the Single Registration Form in France, the management targets and staff bonuses in the UK and the CRODisk system in Ireland.

In some senses, then, these more operational results represent the real achievement of the exercise and provide us with the most significant contribution to defining a way forward.

### **What Next ?**

The next step, though, is very much over to you. It is the people working at an operational level that have to react, to use the evidence that has been provided to re-examine their own administrative frameworks and operational procedures. I know that EBRF members are keen to react in this way. Indeed, there have already been various activities that respond to the exercise or are moving in parallel.

The Commission does not intend to repeat the exercise in the near future. However, we have been co-operating with the OECD that intends to run a very similar exercise in the near future involving OECD member countries, including the US and Japan.

In addition, the EBRF exercise is already providing an up-date on some of the data we collected. Plus your benchmarking exercises at a management level are taking the process to a level of further detail.

What the Commission will do is to keep on bringing the results of the benchmarking exercise to the attention of officials in the national ministries.

There is an annual monitoring cycle, which leads to a report on progress that is being made. As part of this process there is a high level visit to the ministries in all the

Member States, where officials are asked to present achievements and to explain lack of progress, where this is the case. So far, Member States have taken this process seriously and do regard it as a useful input into the development of their own national programmes.

And, as I have mentioned, the particular question of the ease of start-up features in in the Broad Economic Policy Guidelines and other macro policy discussions.

There will, therefore, continue to be political pressure to address this question. You and your members, I know, are committed to providing evidence of further progress.

I wish you all the best in your endeavours.