Business Registration Reform Case Studies

Estonia

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About the Investment Climate Advisory Services of the World Bank Group

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<td>businesses</td>
<td>entities in the Commercial Register</td>
</tr>
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<td>CEC</td>
<td>Consultative Expert Council</td>
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<td>Citizen Card</td>
<td>identity card</td>
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<td>Commercial Register</td>
<td>Registration department under the County Court also named Registration Court</td>
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<td>CReP</td>
<td>Company Registration Portal</td>
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<td>CRIS</td>
<td>Center of Registers and Information Systems</td>
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<td>DFPLR</td>
<td>Division of Liberal Professions and Legal Registries</td>
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<td>ECRF</td>
<td>European Commercial Register Forum</td>
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<tr>
<td>EEK</td>
<td>Estonian krooni (Estonian currency)</td>
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<tr>
<td>enterprise</td>
<td>entity in the Commercial Registry</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>€</td>
<td>euro</td>
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<tr>
<td>ICT</td>
<td>information communications technology</td>
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<td>IT</td>
<td>information technology</td>
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<tr>
<td>MoF</td>
<td>Ministry of Finance of the Republic of Estonia</td>
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<td>MoJ</td>
<td>Ministry of Justice of the Republic of Estonia</td>
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<tr>
<td>NACE</td>
<td>Nomenclature Generale des Activites Economiques (dans L’Union Europeanne), equivalent to NAICS – North American Industry Classification System</td>
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<tr>
<td>OSS</td>
<td>one-stop shop</td>
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<tr>
<td>RC</td>
<td>Registration Court, registration department under the County Court</td>
</tr>
<tr>
<td>Single-point registration</td>
<td>Unified process of registration with several public agencies and mandate delegated to one agency</td>
</tr>
<tr>
<td>SK</td>
<td>Certification Centre, (official name in Estonian: AS Sertifitseerimiskeskus) the country’s certification authority, which provides certificates for authentication and digital signing to Estonian identity cards</td>
</tr>
<tr>
<td>Unique ID</td>
<td>Digital code assigned to an object. The unique ID remains the same throughout the whole life-span of the object and by which the object is identified by all public administration and officials. The same code will never be used again even if the existence of the original object is stopped.</td>
</tr>
<tr>
<td>VAT</td>
<td>Value-added tax</td>
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Introduction

Over the last twenty years, a number of countries have recognized the importance of smooth and efficient business start up procedures. A functioning business registration system is now viewed as an important regulatory requirement of any economy, and a predictable, transparent, and modern business registration system is acknowledged to help promote private sector growth and job generation.

Increasingly, governments around the world have undertaken efforts to streamline their business registration systems in order to gain whatever advantage they could in creating growth and jobs. Representatives among developed nations, countries in transition, and developing countries have explored and implemented varied approaches to transforming their business registration regulatory requirements.

While the approaches have varied, the foundation of all business registration reform is redesigning the legal and institutional regulatory framework that underlies the business registration process. Stable and professional business registration institutions help establish standards of trust, transparency, and predictability, and ensure that the public is informed of the facts as quickly as possible.

Tools that have been employed to implement reforms also have not been uniform. Some governments have created one-stop shops, while others have not; some have introduced technology and modern management techniques, while others have relied on traditional methods; some have empowered registration bodies to focus on service, while others have imposed penalty regimes on delinquent companies. Practice shows that in order to achieve sustainable reform, the menu of specific changes is not nearly as important the overall goals of reform. Countries who have achieved more business friendly environments and, consequently, larger formal private sectors following implementation of reforms, all set out to simplify the system and remove burdens on companies while focusing on protecting third parties by maintaining accuracy and encouraging compliance.

Business registration gives businesses formal status and formal operation in the marketplace. It is a dynamic process that impacts the life of its stakeholders, commercial counterparties, and employees by introducing new responsibilities, opportunities, and challenges.
Methodology

This collection of case studies describes experiences and draws lessons from varied business registration reform programs in economies in vastly different stages of development: Bulgaria, Estonia, Ireland, Madagascar, and Malaysia. The case studies were written based on a desk study of reforms in each country discussed. Then, more detailed information was gathered by field-based researchers. In some cases, detail on the business registration process that was in place prior to implementation of reforms was unavailable. As such, data on the number of businesses registered and the time required to completed registration before and after the reforms cannot be compared and contrasted.

Not all of the stories are of comprehensive reform programs that were widely successful. Most countries took different approaches to implementing the reforms. In fact, one of this paper’s most important findings is that reforms of business registration processes can be implemented in a variety of legal, institutional, and cultural settings, and while most countries share common desired reform outcomes, there is no single model for achieving these results.

Whatever their range of success, all of the reforms discussed in these case studies sought to improve the instruments, processes, and institutions underlying all forms of business registration and related services. In all five countries, the broad goals of reforms were to increase economic growth and bring as many businesses as possible into the formal sector. Given the varied nature of the countries, the reform programs focused on achieving different aspects of the desired outcomes—simplified and reduced numbers of procedures, reduced costs, increased availability and transparency of information, increased compliance rates, increased protection of third parties.

Results of the Reforms

Bulgaria: Prior to reforms, business registration was handled in the 28 district courts. While a registration agency was created to take over business registration, the reform process was only partially successful due to problems in four areas: lack of strong legislative will, insufficient financial support by the government, inappropriate organizational structure of the new business registration agency, and weak human resource management.

Estonia: The government-led initiative to reform business registration introduced an experimental approach to e-registration. However, this approach achieved real reductions in the time required to register businesses only after the Minister of Justice set a requirement that business registration be completed in two hours. The actual time required was one day, but in addition to the time savings, the reforms led to a 130 percent increases in the number of enterprises registered from 1998 to 2008.
Ireland: During the economy’s high-growth period of 1980s and 1990s, a low rate of company compliance with the annual return obligations contributed to a large backlog in registry updates. Although Parliament discussed this problem on numerous occasions over these two decades, improvements occurred only following a direct initiative from the Prime Minster in 1999 to introduce an enforcement and penalty regime. Perhaps in part due to the fact that the registry in Ireland is not legally binding, companies saw little incentive to change their behavior prior to the introduction of penalties for failure to update the registry. However, as of 2008, compliance with filing annual returns is above 90 percent and still improving.

Madagascar: While the donor-initiated reform program led to the establishment of a one-stop shop for business registration failed to achieve any recognizable improvements of the business registration process and services, the President's instruction to create the Economic Development Board of Madagascar (EDBM) resulted in significant simplification of registration requirements and procedures. When the EDBM began managing one-stop-shop procedures, registration of companies in Antananarivo was able to be completed in one step and within 5-7 days. This led to a 158 percent increase in the number of new businesses registered from 1998 to 2007.

Malaysia: The Cabinet established the Companies Commission of Malaysia in order to facilitate growth of the private sector economy. The top-down supported reform was implemented by this autonomous agency that adopted a service orientation and utilized IT and modern management tools to improve performance while the steps in the process of business registration remained unchanged. Through the electronic system, registration time dropped to one day, and the number of new enterprises registered increased by 58 percent from 2001 to 2008.

Lessons from the Case Studies

Despite lack of similarity among the case studies, some themes emerge as important lessons about business registration reform.

1. **Top-level support improves results.** Results are most likely to be achieved if they are supported by and even led from the highest levels of government. This is particularly true if the reforms are occurring in a tumultuous or high-growth period for the country.

2. **Legal concept and principles matter.**
   - Legally valid business registries are most likely to be kept up-to-date by companies and therefore also provide third parties who access the information the best protection from inaccuracies.
• Simplification of pre-registration procedures, such as notarization requirements and publishing business registration publicly for a period of time have substantial impact on the time and costs of starting of a business.

3. **Technology leads to efficiency.**

• The use of information technology can facilitate the simplification of registration procedures and consolidation of steps in the registration process; however, recognition of an electronic signature is required to make e-registries equal to other solutions.
• An electronic registry is a prerequisite for an efficient information service.

4. **Impact of one-stop-shops depends on the approach.** While institutional cooperation and/or a one-stop-shop will reduce the burden on the business, the impact to the efficiency, costs, and quality of registration procedures will differ depending on whether the approach to the one-stop-shop is a postal, physical, or network service or a single-point registration.

Postal services allow businesses to business file the registration dossier in once place, and physical services co-locate staff of the different institutions in one place. In the network service registration materials are electronically distributed to and from the necessary institutions, and in a single-point system, which represents the best practice approach, the registration mandate is delegated to one institution that perfects the registration on behalf of collaborating institutions.

5. **Information service must consider public access.** Registry frameworks and reforms not including public access to legally binding information do not represent good practice for providing protection of third parties.
Summary and Key Characteristics of the Reform

This case study focuses on the attempts of the government of Estonia (GoE) to promote and implement reform of the business registration system to better suit the new economic framework that emerged in the country following Estonia’s independence and the collapse of the Soviet Union in 1991.

Like many countries in Eastern Europe, Estonia underwent two stages of business registration reforms as a result of the political changes in the 1990s. The first stage was to create a business registry from scratch and the second was to modernize it. The two distinct stages of reforms marked two separate periods in the sociopolitical development of Estonia: the transformation from a planned to market economy and the accession of the country to the European Union (EU). The first period of reform, after Estonia’s secession from the Soviet Union in the early 1990s, led to the creation of a new business registration system under the purview of the courts. Beginning in 2006, the second period of reform further streamlined the procedures, enabling on-line registration and implementation of information communications technology (ICT) applications.

The second phase of reforms in Estonia coincided with the new EU policy toward unifying and streamlining business registration procedures and standards across EU member states. Within the EU, the necessity for coordinating legislation on enterprises was recognized at an early stage of the union (in the mid 1960s). All new member-states, including Estonia, were required to comply with those standards. The Estonia case is unique in that after the reform process was completed, the commercial courts remained in charge of the business registration process, unlike many other European countries where the business registration became part of the executive branch after the reform.

The purpose of this case study is to show that (i) business registration reform can be successful, regardless of the institution in charge of the reform process; and, (ii) membership (or the prospect of membership) in international trade blocs or organizations such as the EU can be a powerful trigger for business registration reforms.

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1 Most Eastern European countries did not have companies and company laws prior to 1990 because all enterprises were state-owned and controlled. After 1990, those countries needed first to create institutions to manage the business registration, and then to reform and modernize the institutions.


3 For example, Bulgaria, France, Italy, Romania, the Russian Federation, Spain, and the United Kingdom.
Key Characteristics and Components of the Reform

<table>
<thead>
<tr>
<th>Component</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Context</td>
<td>Reform was initiated at the top level of government aiming to &quot;bring law and order&quot; to the business community</td>
</tr>
<tr>
<td>Baseline data</td>
<td>Number of enterprises registered in 1998: 40,977 Time to complete registration in 2000: approximately 72 days</td>
</tr>
<tr>
<td>Post-reform performance indicators</td>
<td>Number of enterprises registered as of the end of 2007: 93,966 (+130% from baseline) Time to complete registration: less than 1 day (online registration through Company Registration Portal – CReP system)</td>
</tr>
</tbody>
</table>
| Scope                            | *Legal*: Enactment of Commercial Code  
                        *Institutional*  
                        Overhaul of Centre of Registers and Information Systems (CRIS); Establishment and organization of Registration Courts; Creation of Company Registration Portal (CReP) |
| Funding                          | All funds provided by the MoJ and CRIS                                                                                                           |
| Approach and methodology         | Practical approach based on lessons derived from past experience in continental Europe                                                        |
| Monitoring program               | Reporting and monitoring conducted according to standard MoJ procedure                                                                          |
| Stakeholder involvement          | Consultative Expert Council representation, but little active involvement in the reform process                                                |
| Training                         | Registration Court staff received thorough training                                                                                            |
| Awareness building               | Limited distribution of leaflets and radio announcements                                                                                         |

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*Doing Business 2005 report.*
A. Background

A.1. Legal Framework and EU Membership

Estonia’s legal system, including its company law, is derived from German/Austrian and Roman law. However, during the Soviet era business records were maintained by several authorities, including municipalities, provincial authorities, government ministries, and the central bank. Hard copies of data on a variety of enterprises were kept locally and a central database compiled information received from the different institutions and authorities.

In 1990, Estonia became independent and re-introduced its former legal system. However, between 1992 and 1995 the country’s business registration framework was characterized by unreliable records; high levels of corruption within local authorities; non-harmonization of registration procedures; and a lack of incentive to update registry information. The most common form of enterprise was the public limited company with share capital.5

The registration requirements during this period were onerous and time consuming. Entrepreneurs were required to submit registration dossiers to different agencies in person, and in some cases, to submit to several offices or departments within a single agency.

This situation coincided at the turn of the century with the Estonian government’s efforts to achieve EU accession. As in other political unions, an important precondition of EU accession criteria is the harmonization of certain legislative proceedings in the member-states. As a candidate for EU membership, Estonia needed to reform its company laws, including its business registration process, in order to meet EU standards.

For many years, the EU has emphasized the importance of streamlined business enterprise registration procedures and has adopted best-practice guidelines on developing business registration principles and standards. These guidelines, embodied in Directive 1(68/151/EEC), function as the standards for the registration of businesses in Europe. The Directive only provides minimum requirements to member states, so implementation and practices may differ between the member states. The protection of third parties, legislation on publicity, and the liability and obligations of the enterprises and their legal status are considered of utmost importance. The Directive also emphasizes transparency; it states that third parties should have access to the incorporation documents of enterprises, the identity of the persons authorized to represent enterprises, and other key information about registered enterprises.

5 The minimum share capital of the public limited company was approximately 15 euros.
All these EU requirements were taken into consideration when the Estonian Ministry of Justice launched the business registration reform in 2006.

A.2. Institutional Framework

In 1995, the government of Estonia passed the Commercial Code, which established the Registration Courts (RCs). Under the Commercial Code, there is one registration court for each of four county courts. RCs are mandated to cover any registration pertaining to the Commercial Registry; the Registry of Associations and Foundations; the Registry of Commercial Pledges; and the Ship Registry. The Commercial Registry includes all new entries: registration of new enterprises, cancellation or dissolution of existing enterprises, and updating of previously registered information. Registration with an RC has a constitutive effect on a legal entity’s incorporation as well as on all developments that occur after registration, such as a merger or acquisition, division and transformation, and amendment to share capital, articles, and statutes.

A.3. Business Registration Procedures before the Reform

The business registration regime before the reform entailed the following procedures:

1. **Payment.** The full amount of authorized capital had to be paid in before a company could be registered. The bank then issued a notice that could be presented as evidence at the Commercial Registry. Following registration, this account could then be used as an operational account for everyday business. Shares were paid monetarily unless the company’s by-laws permitted in-kind contributions.

2. **Business Name.** Entrepreneurs checked that the name of the business they wished to register was not in use and was clearly distinguishable from existing business names. The Registry had the right to refuse to register a company not meeting these requirements.

3. **Application to Commercial Registry.** The management board submitted an application to the Commercial Registry within six months of concluding the foundation agreement. The registrar usually reviewed the application within 15 days of receipt; under extraordinary circumstances, the review period could be extended to three months. The county chief judge or city court that maintained the Commercial Registry could extend the term up to 30 days under circumstances requiring special investigation (complicated in-kind contributions, documents of foreign origin). The review ended with a judgment of acceptance or refusal. The new business had to be entered into the registry no later than the fifth working day after the decision document was handed down. The process required the involvement of a notary and the fee (excluding that of the notary) was EEK2 200.6 It was necessary also to make a separate registration with the National Social Insurance Board.

4. **Application to Tax and Customs Board.** The company’s management board filed an application for company registration with the Tax and Customs Board. This filing made

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6 Estonian Krooni.
the company liable for value-added tax (VAT) of 18 percent within three days of the date on which taxable turnover exceeded EEK250,000, as calculated from the beginning of the calendar year. Registration was completed by the Tax and Customs Board within three days of filing. Registration was often effected immediately after incorporation, allowing companies to reclaim VAT that could not be offset by VAT charged to purchasers of their goods and services.

5. Registration with the Central Health Fund. Employers were obligated to register all new employees, board members, and contractual workers with the Central Health Fund within seven days of their employment date. Employers also paid a social tax amounting to 33 percent of the taxable amount, which was due by the 10th day of the month following the taxable period.

B. Reform Planning

B.1. Mandate

In 1995, Estonia’s Ministry of Justice (MoJ) began to streamline the country’s business registration procedures and improve the provision of information services. The stated objective for reform was "to bring law and order" to the business community and to support private-sector development by strengthening registration processes institutionally and administratively. The 1995 Commercial Code formed the basis for an overhauled business registration framework, including Registration Courts, a registry system, and an online portal. Overall, the reform was intended to align Estonia’s regulatory framework with EU norms.

B.2. Institutions in Charge of Reform Execution and Monitoring & Evaluation

The Ministry of Justice (MoJ) assumed overall responsibility for implementing the business registration overhaul. The MoJ took a goal-oriented approach to the reform, which was spearheaded by the minister and implemented by the Division of Liberal Professions and Legal Registries (DFPLR), a department of the ministry. Legislative changes were executed by ministry legal staff in cooperation with the Center of Registers and Information Systems (CRIS), an MoJ agency tasked to develop and operate new applications and services. DFPLR cooperated closely with CRIS to further improve and simplify registration procedures and integrate current information technology. (See Figure 1.)

Progress was assessed on an annual basis and these assessments informed plans for the following year’s activities that were to be incorporated into the MoJ’s yearly work plan.

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7 The national health fund of Estonia
C. Reform Process

C.1. Description of the Reform Process

In scope, Estonia’s business registration reform covered: (i) the development and enactment of new legislation; (ii) creation of a new organizational structure predicated on establishment of Registration Courts; (iii) development of a single-location registration process that could be completed in a single day; (iv) implementation of harmonized registration procedures and a national computerized registry database; and, (v) provision of public access to legally binding and reliable information on enterprises.

As part of the reform, there was a two-year transition period (between September 1995 and September 1997) during which it was necessary for enterprises to re-register with the Registration Courts. This allowed company representatives to verify the information on record in the database and to submit supplementary data in compliance with the provisions of the 1995 Commercial Code. Enterprises that did not re-register with the RC were not entered into the new Commercial Registry.

C.2. Legal Reform

The major legislative development with respect to business registration reform was the enactment of the Commercial Code in 1995, which set up the registration courts. However, several amendments were passed between 1997 and 2007 that altered or removed registration requirements and procedures (see Table 2).
Table 2: Amendments to the Commercial Code

<table>
<thead>
<tr>
<th>Date</th>
<th>Amendment</th>
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<tbody>
<tr>
<td>1998</td>
<td>Registration of the transfer of ownership of companies</td>
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<tr>
<td>2002</td>
<td>Introduction of e-reporting and abolishment of the right of public agencies to request hard-copy reports</td>
</tr>
<tr>
<td>2005</td>
<td>Representation of entrepreneurs by notaries allowed in the registration process</td>
</tr>
<tr>
<td>2006</td>
<td>Abolishment of notarization requirements for CReP services</td>
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</table>

C.3. Institutional Reform

In 1994, the Center of Registers and Information System (CRIS) was operating as a registration and computer center under the auspices of the Statistics Committee. CRIS subsequently became a separate agency under the control of the Ministry of Finance and its main function was to maintain the Commercial Registry database. In 2000, CRIS was transferred to the MoJ and in 2006, merged with the ministry’s information technology department. In January 2007, in cooperation with the MoJ’s Division of Liberal Professions and Legal Registries, CRIS unveiled the Company Registration Portal (CReP) registration service as an optional registration procedure. (See Figure 2.)

Figure 2: Institutional Organization of Estonia’s Registry System

C.4. Operational Reform

In 1997, an electronic registration system was developed and implemented to allow re-registration, validation, and uploading of information into the Commercial Registry database by users, most of which were companies and businesses.
Also in 1997, CRIS introduced an Internet-based information service to allow users to access the Commercial Registry and search for information using a range of criteria. Access to basic information (names, addresses, and identification numbers) became free of charge. However, service fees were set for access to more extensive information.

Since 2002 the Commercial Registry has been exclusively electronic. Registry entries are legally binding with respect to third parties from the moment the data appears in the registry.

C.5. Reform Costs and Donor Support

The MoJ earmarked funds from its annual budget for reform implementation, including the drafting of legislation and staff training. Revenues from CRIS’s service fees were used to fund procurement of IT systems and equipment in line with ministerial rules and regulations. The MoJ did not solicit financial or technical support from any external donors. However, the European Union Structural Fund contributed hardware for the courts’ IT systems and facilitated missions to Austria and Germany for Estonian officials to learn about operating a new framework for business registration. Support was also provided through comparative studies and discussions with professional associations of commercial registrars, such as the European Commercial Registers Forum (ECRF).\(^8\)

C.6. Stakeholder Involvement

The MoJ formed a Consultative Expert Council (CEC) to guide the design of various elements of the registration reform. The council included members of the Chambers of Commerce, lawyers, auditors, accountants, and business consultants. However, the CEC was not actively consulted and did not exert significant influence on the reform process.

D. Business Registration after the Reform

D.1. Pre-registration Requirements

After the reform, the pre-registration procedures were streamlined. In addition to preparing and signing the incorporation documents, the pre-registration requirements for starting a company include four steps for filing a hard-copy application: (i) completion of the registration form; (ii) notarization of the incorporation documents and signatures; (iii) payment of share-capital contribution; and, (iv) obtaining payment

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\(^8\) The European Commercial Registers Forum is a non-governmental professional association of business registries in Europe that was established in 2000 in Cardiff, United Kingdom. It has 21 members and a Steering Committee that consists of representatives from the Registers of Italy, the United Kingdom, Norway, and Sweden.
evidence from the bank. If the business files via CReP, however, pre-registration entails: (i) completion of downloaded Form PNA 42 (registration form); and (ii) payment of the share-capital contribution to the nominated bank account. (See Figure 3.)

Figure 3: Comparison of Electronic and Hard-copy Registration Steps

D.2. Registration Process

After the reform, the submission procedures for applications depend on whether filing is completed via a hard copy or electronic application. For hard copy applications, the procedure requires that the government perform five steps: (i) checking the database to verify that the prospective company name is available and if so, reserving it; (ii) receiving payment of the registration fee; (iii) completing registration procedures and verification of submitted information and documentation; (iv) issuing the Certificate of Incorporation; and, (v) forwarding the required information to cooperating institutions so that records can be updated.

For electronic registrations via CReP, the procedure requires six steps: (i) receiving electronic submission and signature from a business using a Citizen Card; (ii) receiving
verification of the digital signature from the Certification Center; (iii) verifying payment of share capital and registration fees, which occurs automatically through system links to banks; (iv) additional cross-checking and verification by CReP; (v) issuing the Certificate of Incorporation; and (vi) forwarding the required information to cooperating institutions so that records can be updated.

D.3. Post-registration Procedures

Enterprises must notify the registration courts of any changes to previously filed information. As in registering an amendment, information changes may be filed electronically via CReP or manually in hard-copy format. Companies must also file their annual reports, including annual financial statements.

E. Conclusion and Results Achieved through Reform

Between 1997 and 2008, Estonia’s business registration process underwent a multi-stage reform. In April 2006, the Minister of Justice prioritized the creation of a business registration process that could be completed in a maximum of two hours. By August 2008, it was possible for a business to register electronically in one day and manually in a week. Reliable information on registered businesses in Estonia could be accessed via the Internet.

The Central Commercial Register was established as a result of the reform. The Central Commercial Register is an online service offered by the Ministry of Justice Centre of Registers and Information Systems and this register is based on the central database of registration departments of the courts. This central database includes digital data from the commercial register, the register of non-profit associations and foundations and the commercial pledge register. In January 2007, the introduction of CReP, an optional service that allows registration to be completed without notarization or verification of capital contribution, cut registration time to one day. However, hard-copy registration may still require as long as one week. (See Annex 2 for a table comparing pre- and post-reform costs and durations.)

Table 3: Reform Milestones

<table>
<thead>
<tr>
<th>Date</th>
<th>Milestone</th>
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<tbody>
<tr>
<td>1995</td>
<td>Enactment of Commercial Code; creation of Registration Courts</td>
</tr>
<tr>
<td>1995</td>
<td>Creation of a central database and electronic court system by CRIS</td>
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</tbody>
</table>

9 Source http://www.rik.ee/33169
Estonia Business Registration Reform

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-1997</td>
<td>Re-registration and dissolution of all enterprises</td>
</tr>
<tr>
<td>1997</td>
<td>Web-enabled services introduced by CRIS</td>
</tr>
<tr>
<td>1998</td>
<td>Notarization required for share-transfer transactions of private limited companies</td>
</tr>
<tr>
<td>2002</td>
<td>Registry becomes fully electronic; public agencies can no longer request that the private firms provide hard-copy reporting</td>
</tr>
<tr>
<td>2003</td>
<td>Electronic submission of annual reports</td>
</tr>
<tr>
<td>2007</td>
<td>Electronic enterprise registration goes online</td>
</tr>
</tbody>
</table>

Estonia’s electronic registration system is designed to operate as a single-point service in which tax registration, registration with the Central Health Fund, and notification of the Statistics Committee all can be executed by the Registration Court. The applicant submits a single consolidated registration form and receives a digital number as a unique ID recognizable by all public institutions. Estonia’s company registration service is considered among the most efficient worldwide.10

Although the business registration process remains under the auspices of the courts, the reforms eventually resulted in the establishment and operation of an effective physical and online one-stop shop (OSS) for business registration. Adopting the classic European model, in which the commercial court is in charge of business registration,11 did not prevent Estonia from creating a sophisticated, state-of-the-art business registration system. The new system reduced the time and cost of business registration. In addition, the Estonian reform demonstrates that the prospect of membership in a regional organization or bloc, in this case the EU, can be a powerful trigger for reform.

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10 Pending legislation will integrate VAT registration into CReP; VAT registration using notaries as a one-stop shop is currently allowed, but rarely used. It is not clear whether integration of VAT registration into CReP will extend the time needed for registration.

11 For instance, in Germany, Austria, and Switzerland, the commercial courts are in charge of business registration.
ANNEX 1: Key Persons Contributing to the Reform

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ANNEX 2: Pre- and Post-reform Costs and Duration

<table>
<thead>
<tr>
<th>Procedures</th>
<th>Manual or hard copy(^\text{12})</th>
<th>CReP procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Days</td>
<td>Costs</td>
</tr>
<tr>
<td>1. Deposit initial capital in a bank and verification of payment</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>2. Checking of name</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>3. Registration with the Registration Court</td>
<td>1</td>
<td>Sole trader, limited and general partnership: 200 EEK; Limited company (public and private): 2,200 EEK</td>
</tr>
<tr>
<td>4. VAT registration</td>
<td>up to 3</td>
<td>0</td>
</tr>
<tr>
<td>5. Registration with the Central Sickness Fund</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>up to 7</td>
<td>1</td>
</tr>
</tbody>
</table>

\(^{12}\) Doing Business 2009 report.