Business Regulation
Operational Guide
# Business Regulation Operational Guide

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Introduction

The private sector has been at the forefront of economic transformation, job creation, and poverty reduction around the world for the past three decades. In developing countries, the private sector provides over 90 percent of jobs. According to a World Bank Group survey of the poor, getting a job or starting a business is the most effective way out of poverty. As the global economy seeks to repair the economic scars from the COVID-19 pandemic, with strained public resources, countries will have to rely even more on the private sector to mobilize the investment needed for recovery.

Unlocking private sector-led growth is contingent on a country’s ability to establish a predictable and transparent business environment that encourages productive investments. Business regulations, which govern everything from the procedures required to start and operate a new business, to the digitization of government-to-business services, licensing and inspection regimes, contract enforcement and real estate transfers, generally address a wide range of public policy objectives, from protection of property rights to consumer’s safety and environmental concerns. Regulations inevitably impose costs on businesses, but they are also critical to address market failures since they reduce the costs of negative externalities or asymmetric information by providing insurance or public goods.

Business regulations and the way in which they are implemented shape a firm’s operating environment. They impact the cost and risk of doing business, the composition of players in the market, and the nature of competition. Efficient regulations help encourage productive local and foreign firms to enter the market and scale-up operations and they can enable non-viable firms to exit. In aggregate, regulations impact private sector growth by facilitating the reallocation of resources to their most productive use. The right combination of regulations can help firms maintain acceptable risk for market discovery, experimentation, and expansion. This kind of risk-taking and innovation are prerequisites to maintain long term productivity growth.

The World Bank Group Investment Climate (IC) team works with regional teams and client countries to develop regulatory reform programs to support private sector development in five workstreams (Figure 1). The areas of work include identifying and designing reforms to improve the regulatory environment for firms along all phases of the business life cycle – formalization and entry, operations, expansion, and exit. For all areas of regulations, the IC team also provides advisory services to set up institutional arrangements and other mechanisms for effective implementation. Due to the delicate interplay of different regulatory areas and the different institutions and levels of government involved, government interagency coordination and closing implementation gaps are crucial to enable effective reforms.

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Beyond foundational reforms, the IC team supports countries to adopt second generation reforms through innovative regulatory approaches such as risk-based regulations, integrated G2B service delivery, and subnational reforms. The IC team supports countries to develop regulatory technology (RegTech) solutions to improve transparency and agility in managing government-to-business services, and to leveraging data and technology for agile policymaking. Technology solutions hold great potential, and they are already fundamentally changing the way governments interact with businesses and regulate the private sector as a whole. Finally, the IC team supports dedicated reform programs to address legal and regulatory distortions present in many economies that discourage two key drivers of sustainable economic growth: green investments and female economic participation.

Investment Climate programs are implemented through the full range of WBG instruments, both lending and advisory. Depending on the type of instrument and the engagement, the IC team supports client governments during specific phases throughout the reform process. These phases include conducting diagnostics to identify priorities, setting up institutional arrangements for reforms, supporting implementation, and measuring and communicating results (Figure 2).
This guide provides a framework for policy makers and economic development practitioners to use to design effective regulatory reforms addressing the entire life cycle of a firm. In all areas of regulation, the IC team emphasizes the equal importance of refining the rules to create a foundation for reform and improving implementation to provide a truly level playing field for businesses.

This guide is based on operational experience in more than 60 countries worldwide. It includes a summary of diagnostics offered by the IC team along with offerings on reform governance, and a closer look at the topics of business entry and exit, operations and growth, regulatory technology (RegTech), and reforms to promote women’s economic participation. A full list of the research papers and academic sources used for the preparation of this guide is listed in the bibliography.

**Business Environment Diagnostics**

The Business Environment diagnostic is an analytical and stakeholder engagement tool that assesses the quality of a country’s business environment by helping users to identify policy reforms linked to specific objectives. The diagnostic is composed of three evidence-based modules. It focuses on key questions related to a country’s private sector performance and reform priorities relative to international good practice and country peers. Ideally demand-driven, it follows a flexible approach and can be adapted to specific country context and operational needs.

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3 The business environment can be defined as a complex of policy, legal, institutional, and regulatory conditions that govern business activities. More specifically, it is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate. In this regard, and as described in the upcoming paragraphs, it must be noted that the Business Environment Diagnostic focuses primarily on the regulatory aspects of the business environment (administrative, legal, and institutional) as opposed to fiscal (e.g., taxation, subsidies and incentives, public spending, etc.) and other non-fiscal matters (e.g., infrastructure, human development, etc.).
• **Module 1—Private sector performance:** What is the private sector’s composition and what is the contribution to jobs and aggregate productivity by different types of firms? What have been the trends in firm outcomes in terms of entry, exit and growth over their life cycle? Is there evidence of market distortions? What are the constraints faced by different types of firms? What is the potential impact of reform on different types of firms? Will these firms contribute disproportionally to aggregate economic outcomes?

• **Module 2—Business regulation determinants:** What are the main administrative, legal, and institutional constraints impacting entry, exit, and expansion? What is the institutional setup and governance of business environment reforms?

• **Module 3—Reform recommendations:** What high-priority administrative, legal and institutional reforms can improve the business environment and unlock private sector potential in the short, medium, and long term? How can the institutional setup for reform be improved to increase the likelihood of success?

**Determinants of Informality Diagnostic**

Given the prevalence of the informal sector in many client countries, a Determinants of Informality Diagnostic can be conducted either in addition to or as part of an overall Business Environment diagnostic. A Determinants of Informality diagnostic is designed to inform policy action to change the formalization cost-benefit equation by creating incentives for firms to participate in the formal economy. It aims to help policy makers identify drivers of informality based on entrepreneurs' perceived tradeoffs and the client country's economic and regulatory landscape. It includes an assessment of applicable regulations and their application to identify potential drivers of informality.

The targeted diagnostic tool is deployed at a country level to help policy makers identify the main drivers of informality in their specific country. It offers analysis at three different levels:

1. **Macro-level analysis** to inform broad economy-wide conditions that include the enabling environment and business regulations that are conducive or detrimental to formalization.

2. **Micro-level analysis** which involves understanding barriers and constraints at the firm level that might deter businesses of various sizes to formalize.

3. **Behavioral and economic aspects** of an entrepreneur's decision-making approach with respect to formalization.

The diagnostic includes a country-level review of available data sources and resources from national statistical offices to develop sector-level and firm-level estimates of informality.

A greater understanding of the trade-offs informal businesses face can inform policy makers in designing and adopting supportive policies. By looking at a broad range of identifiable determinants underlying informality, appropriate interventions can be designed.

As with any diagnostic, following research and analysis, the findings are reviewed and validated by other WBG experts and government counterparts.
**Reform Governance**

The institutional environment in a country and its political economy can substantively influence the success of business environment reform programs. Even well-designed reform plans can fail to achieve their goals due to lack of high-level buy-in, ineffective oversight and poor coordination mechanisms during implementation. Effective reform governance including stakeholder engagement, cross-institutional coordination, and accountability, is critical (Table 1). Both the content of the reform program and its design and implementation are critical. The IC team supports client governments to develop strategies and institutional mechanisms to (i) successfully identify and prioritize reforms, and (ii) ensure successful reform implementation in different country contexts. For more information, see Organizing for Reform: Global Experiences and Reforming at the Subnational Level: Global Experiences.

**Table 1:**

<table>
<thead>
<tr>
<th><strong>Level</strong></th>
<th><strong>Features</strong></th>
<th><strong>Responsibilities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High-level buy-in and oversight mechanism</strong></td>
<td>Often public-private • Relevant ministries for investment climate reform agenda • Direct periodic reporting PM or President (e.g., monthly; every three months)</td>
<td>• Determine overall priorities • Set KPIs • Unblock implementation obstacles/delays together with PM/President</td>
</tr>
<tr>
<td><strong>Coordinating unit</strong></td>
<td>Technical staff • Direct reporting line to PM • Liaise between technical level working groups and steering committee or PM • Escalate key issues to steering committee or PM for action</td>
<td>• Oversee reform program day-to-day across all areas • Monitor reform roadmap and KPIs/setting KPIs • Ensure agenda setting, minutes, follow-up items, timelines • Escalate issues</td>
</tr>
<tr>
<td><strong>Technical working groups (organized by reform area)</strong></td>
<td>Key stakeholders from public agencies (e.g., focal points of relevant line ministries) • Private sector; professional experts (relevant for the reform area – e.g., lawyers, IT, accountants, architects, etc.) • Frequent structured meetings (e.g., bi-monthly)</td>
<td>• Develop and implement detailed action plans, bringing in expertise where needed (e.g., legal assessments, proposals for legal amendments, IT assessments, budget proposals) • Develop timelines and milestones; clarify responsibilities</td>
</tr>
</tbody>
</table>
Introduction

Business entry, the first stage in the business life cycle, refers to the process by which a business enters the market by registering and starting operations. This may include obtaining relevant pre-registration authorizations (e.g., licenses, permits, etc.). Business exit refers to the voluntary or involuntary liquidation and deregistration of a business. Together, efficient entry and exit regulations promote market contestability, contribute to a level playing field in which firms can compete and grow. They also encourage effective resource allocation to productive firms and sectors.

Issues Client Countries Face

Businesses operating in WBG client countries face several constraints related to market entry and exit. These include:

- Inefficient and discretionary legal and institutional frameworks for business registration, liquidation, and insolvency that undermine legal certainty, increase costs for the private sector, and negatively impact market dynamics.

- Restrictive market entry regulations that impose direct regulatory requirements and high administrative and procedural burdens and create opportunities for economic rents by restricting the number of new entrants in business activities and professional services, protecting incumbents, and ultimately limiting innovation and productivity growth.

- Lack of robust mechanisms for updating business registration data that deprive market participants of information they need to value their risks in investing, trading, or accessing a market and deprive governments of the ability to leverage this information to design policies and strengthen other existing registries (e.g., securities registry, collateral registry, etc.).

- Lack of data sharing mechanisms and interconnected systems, forcing citizens and companies to provide the same standard information with the public authorities and administrations over and over, thus increasing the time spent dealing with bureaucratic requirements and red tape.

- Lack of authoritative resources with reliable information on market entry requirements, contributing to information asymmetries, increasing opportunities for discretion, and implying higher transaction costs for new market entrants.

Barriers to entry and exit continue to be comparatively higher in emerging and developing economies relative to developed ones, and although improvements in some metrics have been observed (e.g., time and cost to register an LLC), other regulatory barriers to entry and exit remain (see Figure 3).
**Figure 3:**
Barriers to entry and exit by region

Thanks to reforms, the time to register a domestic LLC has fallen globally

![Graph showing time and procedures for registering a domestic LLC](image)

*Source: Doing Business database.*

But new firm entry levels have not consistently improved

![Graph showing new business density](image)

*Source: Bank entrepreneurship project.*

*Note: New business entry density is defined as the number of newly registered corporations per 1000 working-age people (ages 15-64). As the World Bank’s annual Doing Business report, the units of measurement are private, formal sector companies with limited liability.*
Other regulatory barriers to entry remain.

Source: Enterprise Surveys database.

And exit remains difficult in the majority of countries.

Source: Doing Business database.

**Our Offering**

The Investment Climate unit offers reform solutions to address barriers to entry and exit, including registration, business and professional licensing, deregistration, and liquidation. Diagnostics and solution designs cover all aspects of the business environment, including the legal, institutional, and digital technology dimensions. The IC team assesses direct and indirect barriers systematically (Table 2) and works with counterparts to design solutions accordingly.

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4 In this regard, it must be noted that, where appropriate, the IC team works in close collaboration with the Financial Inclusion & Infrastructure team to integrate expertise in WBG operations addressing insolvency reforms. Insolvency legislation, however, is not a topic that is directly addressed by the IC team.
### Table 2
Potential regulatory sources of barriers to entry

<table>
<thead>
<tr>
<th>Type of constraint</th>
<th>Description</th>
<th>Examples</th>
</tr>
</thead>
</table>
| Direct restrictive requirements         | Regulations that ban or raise the threshold for entry via their explicit content | • Minimum size requirements  
• Firm characteristic requirements  
• Licensing restrictions/quotas  
• Limitations to foreign equity ownership and voting rights, special licenses, requirements for local partners or managers |
| Administrative and procedural burdens   | Regulations that increase direct and indirect costs                         | • Lengthy registration and permitting procedures  
• Cumbersome licensing procedures and unclear requirements  
• High registration fees, minimum capital requirements, and compulsory reserves  
• Mandatory involvement of intermediaries  
• Onerous corporate governance auditing and formality requirements |
| Discretionary implementation            | Regulations that allow for discretionary application of rules, thereby increasing uncertainty | • Case-by-case approval for permits without set criteria  
• Lack of clear and objective approval criteria  
• Vaguely specified operational thresholds and requirements  
• Unequal treatment between domestic and foreign investors |
| Regulatory risk and capture            | Processes and regulations contributing to conflicts of interest and impeding transparency; unpredictable changes in regulation | • Lack of easily accessible, consolidated gazette of relevant regulations  
• Lack of easily accessible, up-to-date information on businesses/legal entities  
• Requirements for incumbents to opine on entry and exit  
• Regulations that facilitate capture  
• Mandatory registration/membership requirements or license renewals |

**Reform solutions for business entry and exit include:**

- Introducing legal frameworks (e.g., company laws and acts) that ensure transparent, efficient, and affordable registration, deregistration, liquidation, and (in collaboration with the Financial Inclusion, Infrastructure, and Access unit) insolvency; eliminating measures that discriminate between domestic and foreign companies; reducing discretionary decision-making; and removing unnecessary costs such as minimum capital requirements and compulsory reserves.

- Developing robust, cost-effective, and sustainable institutional frameworks with clear roles and responsibilities; removing the mandatory involvement of intermediaries (e.g., notaries); ensuring efficient service delivery to the private sector and proper accountability through grievance and redress mechanisms; integrating and consolidating registration databases; developing institutional capacities through training for new tools and digital technologies; developing new processes, and rehabilitating offices for physical one-stop shops in low digital capacity environments.

- Supporting digital technology solutions and data tracking tools through RegTech, such as online one-stop shops that fully digitalize business registration and integrate with other G2B services for seamless
business entry; supporting adoption of unique business identifiers to streamline cross-agency cooperation and improve efficiency; and introducing databases that provide accurate information on businesses to market participants.

- Designing **simplified legal forms and allowing temporary or intermediate status** to incentivize small- and medium-sized informal firms to register and enter the formal private sector; offering an alternative corporate form better tailored to the characteristics and needs of a small- and medium-sized informal business with potential for formalization. In recent years, several countries, including Colombia, Chile, Mexico, and Peru, have successfully implemented legal reforms to introduce a more flexible legal form with a simplified incorporation process. Known as a **Simplified Stock Corporation (SAS, Sociedades por Acciones Simplificadas)**, this company type offers benefits beyond lowering registration costs, including reduced operating cost and greater flexibility for managing the company (Table 3).

### Table 3:
Key elements of a simplified corporation form compared to a corporation in Ecuador

<table>
<thead>
<tr>
<th>Ecuador</th>
<th>S.A.S. (Simplified Stock Corporation)</th>
<th>S.A. (Stock Corporation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Possibility of a single shareholder and no maximum number of members</td>
<td>Yes</td>
<td>A minimum of two (2) shareholders</td>
</tr>
<tr>
<td>Possibility of single director</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Board of directors</td>
<td>Not mandatory</td>
<td>Mandatory</td>
</tr>
<tr>
<td>No minimum capital requirement</td>
<td>Yes</td>
<td>US$800</td>
</tr>
<tr>
<td>Deadline to pay the capital</td>
<td>Up to two (2) years</td>
<td>Immediately</td>
</tr>
<tr>
<td>Liability</td>
<td>Shareholders only liable up to the amount of their contributions</td>
<td>Only liable up to the amount of their contributions</td>
</tr>
<tr>
<td>Broad purpose clause or none at all</td>
<td>Any lawful activity</td>
<td>Specific purpose</td>
</tr>
<tr>
<td>Term of the entity</td>
<td>Long (indefinite) term or fixed term</td>
<td>Fixed term</td>
</tr>
<tr>
<td>Optional use of intermediaries to incorporate a company (e.g., lawyers, notaries, witnesses)</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Incorporation document</td>
<td>Private document</td>
<td>Public deed</td>
</tr>
<tr>
<td>Simplified accounting requirements (e.g., no mandatory internal auditors)</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Simplified registration and incorporation documents and possibility to incorporate the company electronically</td>
<td>Yes</td>
<td>More complex registration; can also be incorporated electronically</td>
</tr>
<tr>
<td>Possibility to have accounting books in a digital format</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Maximum freedom of contract</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>General assembly (in person and/or virtual)</td>
<td>In person and/or virtual</td>
<td>In person</td>
</tr>
</tbody>
</table>
Reform solutions for business and professional licensing include:

- Introducing streamlined legal frameworks for businesses and professionals that regulate entry and conduct only to the extent necessary to protect the public interest against risks, removing direct regulatory requirements that ban or raise the threshold for entry, reducing administrative and procedural burdens, and limiting opportunities for discretion and corruption.

- Developing institutional capacity to support stakeholder coordination when determining market entry requirements and in efficiently delivering services to the private sector, promoting mechanisms to ensure information on market entry requirements remains accurate, and removing regulatory capture by vested interests (e.g., business or professional associations); developing institutional capacity for training in risk-based regulatory delivery and ICT tools, rehabilitating offices for one-stop shops in low digital capacity environments, and providing mobile inspection equipment for laboratory sampling in the case of high-risk ex ante permits.

- Supporting digital technology solutions through RegTech, such as online platforms with easy-to-navigate catalogs of regulatory requirements and procedures on market entry requirements for each business and professional activity; integrated G2B services through single points of contact or one-stop shops, which coordinate service delivery for business entry; and trustworthy business data by promoting the “Once Only” principle which says firms and citizens should only be required to provide certain basic data to government agencies one time.

**DOs & DON’Ts**

- Review the broader legal framework for registration and entrepreneurship, not just the service delivery aspects.
- Make business registration an administrative—not a judicial—process and limit the registry’s discretionary and supervisory powers to only what is necessary to maintain accurate data.
- Coordinate across all agencies that provide regulatory services for market entry.
- Explore policy and legal solutions, such as a consolidated legal and operational framework for licensing reforms, that can multiply impact and help implement uniform principles and practices.

- Assume that market entry ends with the initial registration process. Other requirements usually apply before a business can start operations, like obtaining licenses. Business registration also involves several procedures after the initial registration, such as reporting financial statements, reporting key changes, and closing a business.
- Focus only on the registration process for one legal entity type. Improving the registration procedure for one legal entity is a piecemeal solution.
- Support digital technology solutions such as information portals on market entry requirements without first developing a sustainability plan on how the information will be updated by the stakeholders.
Evidence of Impact

Complex registration requirements, restrictive entry regulations, delays in issuing licenses and permits, and high start-up costs have been found to hinder the entry of new firms and entrepreneurs with business skills, new products, and technologies and to protect older, less productive firms. Such barriers to market entry are detrimental to productivity and income growth. Entry and size restrictions have also been found to distort the allocation of resources and generate large reductions in aggregate productivity. Costly regulations hamper the creation of new firms, especially in industries that should naturally have high entry. Empirical evidence suggests that substantial reductions in the number of procedures required to start a new business is associated with an increase of 5 to 6 percent in the creation of new firms.\(^5\)

On the other hand, regulations that enable exit can incentivize entrepreneurship and firm entry. When closing a business is rule-based and relatively simple, for example when an economy has effective bankruptcy laws, entrepreneurs need not be concerned about the risk of losing private property when their businesses are no longer viable. Business exit reforms also result in substantial within-industry productivity and job creation due to the swift reallocation of resources such as labor, assets, and capital from low-growth older firms to high-growth younger firms. Barriers to firm exit, such as weak or missing insolvency provisions or inefficient liquidation procedures, delay or prevent non-viable businesses from closing operations. Robust exit frameworks are advantageous to creditors as well, facilitating a predictable mechanism to recover their investments.

Country Examples

Serbia replaced an inefficient, court-based registration system with a new administrative, self-sustainable agency with an electronic central business register for its entire territory linked to other business-related registers such as the Collateral Registry and the Financial Accounts Registry. This was complemented by a new Companies Law that modernized the framework for entrepreneurship. During its first year, the Serbian Business Registry Agency registered almost 11,000 new companies, 70 percent more than in 2004. In two years, the number of registered businesses more than doubled. Analysis based on administrative data from Serbia before and after the overhaul of the business registration system found that the number of new firms increased by up to 34 percent. Additionally, the number of new firms increased more in regions with higher initial levels of distrust in the court system, by up to 34 percent, and the one- and two-year survival rates of new firms improved by 3.8 percent and 8.3 percent, respectively.

Botswana identified 35 business activities that do not pose immediate health or safety concerns and therefore should not be subject to stringent additional licensing requirements. This reform has allowed businesses engaged in these low-risk activities to send a simple notification to the local authority that the business was duly registered with the company registrar before commencing operations. From June 2020 to February 2021, a total of 3,369 business registration certificates for low-risk activities were issued and only 945 licenses for higher-risk activities. Only 20 percent of new businesses required an additional license.

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Business Regulation: Operations and Growth

Introduction

“Business operations” refers to regulatory requirements that businesses face and the government institutions that they interact with after they enter the market and begin to conduct day-to-day activities. An effective business operations system in a country includes low compliance costs and regulatory certainty related to licensing, permits, and inspections, as well as strong regulations and institutions that reduce operating risks for businesses and encourage investment and growth.

Governments can improve their legal infrastructure and their regulatory and enforcement frameworks to strengthen service delivery to the private sector and reduce risks. Solutions include risk-based licensing and inspection systems, robust building regulatory systems, sound company laws, and protected contractual and property rights. The goal is not necessarily to reduce regulations. It is to design regulations and institutions that can achieve public policy objectives - such as health, safety, and open markets - while imposing the least burden on businesses, delivering high-quality services, and increasing business confidence. Well-designed regulations and institutions can address market and regulatory failures such as environmental or social protection or lack of competitive markets, remove indirect barriers to market access and contestability, and increase competitiveness. Lack of efficient government-to-business (G2B) service delivery may affect firm productivity in the long term.

Issues Client Countries Face

Businesses operating in WBG client countries face a number of constraints related to their day-to-day operations and growth objectives. These include, but are not limited to:

• Inefficient and ineffective licensing and inspection regimes that hinder businesses’ ability to conduct certain types of activities and raise costs for businesses while failing to achieve their regulatory objectives (e.g., protecting the environment and public health or safety). Onerous or overly prescriptive requirements, cumbersome procedures, or excessive inspections can increase compliance costs.

• An unpredictable operating environment due to unclear requirements, overlapping institutional mandates, excessive discretion by inspectors, uneven application of regulations, implementation gaps where the law as written is not applied in practice, and rent seeking by inspectors all contribute to increased direct and indirect costs for businesses such as transaction costs and corruption and they create an uneven playing field.

• Dysfunctional planning and building control systems, weak building regulatory institutions, an insufficient legislative foundation, and unaffordable costs create opportunities for rent-seeking, lead to higher costs for the private sector, perpetuate informal construction, and inhibit greater investment in the sector and the development of mortgage markets.
• Weak company law frameworks award high discretionary powers to supervisory authorities and reduce legal certainty for the private sector. They limit access to information for shareholders, creditors and the market, and they restrict freedom of contract, impose onerous corporate governance requirements and regulate company forms excessively and disproportionately to the risks posed to the public interest. In addition, they often inadequately protect minority investors and creditors and increase risks for conflicts of interest and collusion.

• Weak regulatory and institutional frameworks governing property and contractual rights including lack of sound land and property registries, result in unclear property rights and they can discourage private sector investment and inhibits access to land and access to credit for businesses. Ineffective judicial mechanisms for contract enforcement increase risk by reducing predictability in economic transactions, thus discouraging businesses from expanding.

Operational barriers and risks continue to be comparatively higher in emerging and developing economies relative to developed ones (Figure 4).

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**Figure 4:**

Barriers to day-to-day operations and business growth across regions

Complexity of construction permitting process persists across regions

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E-government services are severely lacking in lower-income countries

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Upon request the IC team can carry out rapid diagnostic assessments on the major constraints to businesses in the above-mentioned areas. Following that, the IC team can reach out to (and work in collaboration with) the specialized WBG teams in relevant follow-up operations.
Rent-seeking behavior inhibits growth and expansion

Judicial efficiency has barely improved in the past 15 years

Our Offering

The Investment Climate team offers reform solutions to support governments to improve the operating environment for businesses by reducing compliance costs and increasing regulatory predictability and quality. The IC team deploys diagnostics that systematically assess regulatory costs and quality (Table 4) and works together with counterparts to design solutions, bringing in experts from different WB Global Practices, as needed.

Sources: Doing Business and Enterprise Surveys databases.
### Table 4:
Potential regulatory sources of costs and risks for business

<table>
<thead>
<tr>
<th>Type of constraint</th>
<th>Description</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative and procedural burdens</td>
<td>Regulations that increase direct and indirect costs</td>
<td>• Lengthy licensing and construction permitting procedures</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cumbersome licensing and permit renewal procedures and unclear requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cumbersome land registration procedures</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Burdensome contract enforcement processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• High licensing/permitting fees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Onerous auditing requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Multiple and overlapping inspections</td>
</tr>
<tr>
<td>Discretionary implementation</td>
<td>Regulations that allow for discretionary application of rules, thereby increasing uncertainty</td>
<td>• Lack of clear and objective approval criteria for business licensing and construction permits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Uneven application of rules during approval of permitting and/or inspections</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Rent seeking by inspectors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Unclear mandates for each inspectorate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lack of sound decision-making frameworks for enforcement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lack of risk-based approaches to business regulation</td>
</tr>
<tr>
<td>Regulatory risk and capture</td>
<td>Processes and regulations that contribute to conflicts of interest, impede transparency, or lead to unpredictable changes in regulations</td>
<td>• Lack of information on laws, procedures, and requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lack of predictability and sudden changes in applicable regulations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lack of coordination among regulators</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cronyism and capture in business operations (access to public tenders, access to incentives, obtaining and renewing licenses and permits, inspections, lack of appeal and grievance mechanisms)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Suboptimal company laws, with weak corporate governance and minority investor protection framework</td>
</tr>
</tbody>
</table>

**Reforms solutions on business operations include:**

- **Effective risk management through licensing and inspection regimes** that reduce regulatory costs and risks to businesses as much as possible while safeguarding public policy objectives, such as health, safety, and the environment. These reform solutions include:
  - **Legal reforms** introducing economy-wide and sector-specific laws on business licensing and inspections; purposeful pre-registration authorizations and technical requirements for businesses; and risk-based regulation frameworks that mandate proportional, targeted, and consistent approaches to supervision and enforcement.
Administrative and procedural reforms that enhance risk-based targeting and reduce the burden on lower-risk businesses while maintaining sufficiently stringent requirements for high-risk businesses.

Institutional reforms that establish clear areas of responsibility for supervising authorities and build institutional capacity through training in risk-based regulatory delivery and digital technologies.

Digital technology solutions through RegTech including introducing shared inspection management systems for improved risk management, mobile inspection equipment for laboratory sampling and registries of regulation, online one-stop shops for G2B services; trustworthy business data using the Once Only principle; and easy-to-navigate catalogs of regulatory requirements and procedures related to licensing and inspections.

Sound construction regulation and permitting systems that ensure adequate planning and building code administration while facilitating investment in new construction. This includes:

Legal reforms to create a unified legal framework for building control at the national or local level; clear roles and responsibilities for the stakeholders; liability systems for private sector professionals; and adequate professional qualification frameworks.

Institutional reforms to build institutional capacity through training on risk-based regulatory delivery and on digital technologies to ensure affordable, efficient, and transparent implementation procedures for buildings, and land planning regulation and rehabilitating offices for one-stop shops in low digital capacity environments.

Digital technology solutions through RegTech that introduce online single points of contact for integrated building control services; mobile inspection equipment for building inspections; and easily navigated catalogs of regulatory requirements and procedures related to permitting and inspections.

Sound company law and commercial code frameworks that promote legal certainty in commercial transactions and regulate businesses only to the extent necessary to protect stakeholders. This includes:

Legal reform to ensure that the regulatory framework for businesses promotes freedom of contract for investors, adequately protects minority investors and creditors, includes proportional corporate governance requirements, and draws clear boundaries between the various legal forms in terms of liability frameworks, decision-making, transfer of ownership, forms of financing, etc.

Institutional reform to streamline and clarify the roles and responsibilities of supervision authorities and to train judges and government officials on the new legal framework.

Improving contractual and property rights to support private investment and investor confidence for both domestic and foreign firms. In collaboration with urban development and governance and debt enforcement experts, the IC team conducts analytics and designs solutions in the following areas:

Administrative reforms that simplify property registration and increase transparency of information and predictability of services provided by the property registry and the cadaster, as well as associated legal reforms to improve the reliability of the land administration system as a whole.
- **Institutional reforms** that improve the land administration institutional framework, expand geographic coverage of the registry and the cadaster, increase their accountability through grievance and redress mechanisms, and link property rights and land databases.

- **Legal and institutional reforms** to support predictability and efficiency of the court system and alternative dispute resolution mechanisms, that include amendments to the civil procedure codes and arbitration laws, creation of specialized chambers or courts for commercial or small claims cases, performance-based court management systems, court automation, and case management.

### DOs & DON'Ts

<table>
<thead>
<tr>
<th>DOs</th>
<th>DON'Ts</th>
</tr>
</thead>
<tbody>
<tr>
<td>✅ Adapt and apply tools (like process mapping) to identify redundancies and costs, improve information accessibility, and ensure consistency in application of regulations.</td>
<td>✗ Separate licensing and inspections reforms. From the perspective of the implementing agency and the regulated business, these are two sides of the same regulatory compliance coin.</td>
</tr>
<tr>
<td>✅ Throughout the process, engage all stakeholders potentially involved, including agencies regulating a particular domain, policy-making bodies, and the private sector.</td>
<td>✗ Implement digital technologies for inspections without first, or in parallel, revising and developing inspection approaches, tools, and techniques.</td>
</tr>
<tr>
<td>✅ Design reforms around core regulatory delivery principles such as the point of single contact and the Once Only principle.</td>
<td>✗ Attempt to implement risk-based approaches to regulation or digital technologies without first ensuring that the licensing and inspections system has the required maturity level to absorb them.</td>
</tr>
<tr>
<td>✅ Consult with sectoral and domain experts when reviewing licensing and inspection regulations.</td>
<td>✗ Attempt to reform building control frameworks without first clarifying the institutional mandates and roles and responsibilities of each stakeholder.</td>
</tr>
<tr>
<td>✅ Design solutions and reforms based on each regulator’s maturity level and absorption capacity.</td>
<td></td>
</tr>
<tr>
<td>✅ Explore policy and legal solutions like a consolidated legal and operational framework for licensing reforms that can help implement uniform principles and practices.</td>
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</tr>
<tr>
<td>✅ Introduce a robust monitoring and evaluation system for licensing and inspection reforms to increase sustainability.</td>
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</tr>
</tbody>
</table>

### Evidence of Impact

Overregulation and licensing can contribute to keeping firms small and informal, thus reducing their competitiveness. Nontransparent licensing regimes also increase the risk of capture. On the other hand, inspections and licensing reforms can create a more level playing field among businesses, enhancing their ability to compete.

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7 The Once Only principle aims to ensure that citizens and businesses provide public administrations with standard information only once, thus requiring public agencies and authorities to take action to share and reuse data internally—even across borders—while respecting data protection regulations and other constraints.
Effective regulations pertaining to contract enforcement and property rights enhance firm value and growth, which leads to higher firm productivity and increased job creation. Stronger property rights encourage businesses to undertake value-adding investments, and they have been shown to be positively associated with firm performance, capital formation, and growth. Literature also documents the positive effects of strong contract enforcement on growth and economic performance.

Country Examples

In Greece, the IC team supported the government to introduce a streamlined risk-based licensing and inspections regime in line with European Union good practice that protects the public interest but reduces unnecessary burdens on businesses and opportunities for rent seeking. The first phase focused on removing and simplifying approvals in over 150 economic activities in key sectors such as tourism, food manufacturing, and waste management. This greatly reduced the time required to comply with regulations for example in food businesses, the time was reduced by an average of three months. In the second phase, the IC team is supporting the government to consolidate inspections and mainstream risk management in all inspection agencies across regulatory domains.

In Mongolia, the IC team supported the integration of inspection agencies and the adoption of a risk-based methodology to regulate businesses across the economy. The reduced burden for inspections and permitting processes generated cumulative savings in administrative compliance costs of US$2.1 million per year.

In Jordan, the IC team supported the government to consolidate the inspections system through a new law on inspections and through an ICT solution known as the Shared Inspections Management System, which connected ten supervisory authorities. Businesses reported receiving an average of ten inspection visits per year, compared to 31 before the reforms. The average number of inspection agencies visiting the same enterprise per year was reduced from seven entities to three. In 2019, private sector cost savings were estimated to be US$10.1 million annually and US$38.6 million over four years. These reforms had a positive impact on business compliance, as shown by the reduced number of notices including fines, violations, and closures. According to inspection records, the number of notices dropped from 106,734 to 42,751, while the number of complaints against businesses dropped from 14,436 to 10,205. More importantly, the new inspections system helped improve transparency, legal certainty, and predictability for the private sector.

In Brazil, the State of Ceara reformed the risk categories for environmental licensing. Over one hundred sectoral activities were impacted. A survey conducted with the Federation of Industries of Ceara identified median cost savings of 56 percent for business thanks to the risk-based environmental licensing reform—without compromising environmental protection.

In Kenya, the IC team has supported the implementation of an online construction permit administration system. Business process reengineering was used to improve workflow and automation; processing time was reduced by five months and transactions increased by 300 percent.

In Bolivia, the IC team supported the improvement of construction regulation transparency and risk management procedures across three cities. A risk assessment system assigned risk scores, precise documentation requirements and types of inspection required. The private sector had compliance cost savings of US$2.5 million annually and the time to obtain permits was cut in half.

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RegTech for the Investment Climate

Introduction

Regulatory technology for the investment climate (RegTech) combines real-time data and emerging technologies, such as artificial intelligence (AI), for innovative regulatory models and service delivery to businesses and citizens. The approach has three pillars: (1) business data management, (2) agile policy making, and (3) smart G2B service delivery.

<table>
<thead>
<tr>
<th>Pillar I</th>
<th>Pillar II</th>
<th>Pillar III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business data management</td>
<td>Agile policy making</td>
<td>Smart G2B service delivery</td>
</tr>
<tr>
<td>• Design of integrated data for</td>
<td>• AI-supported mapping of administrative</td>
<td>• Implementation of a single digital point of</td>
</tr>
<tr>
<td>regulatory delivery, minimizing</td>
<td>procedures for easy navigation and</td>
<td>contact for businesses and investors.</td>
</tr>
<tr>
<td>data requirements from</td>
<td>understanding by businesses using a digital</td>
<td>• Integration of G2B services throughout the</td>
</tr>
<tr>
<td>businesses.</td>
<td>registry of regulations.</td>
<td>business life cycle—from entry through</td>
</tr>
<tr>
<td>• Design of investor’s promotion</td>
<td>• Analysis and design of policies and</td>
<td>operation to exit—for increased</td>
</tr>
<tr>
<td>databases and use of digital</td>
<td>forward-looking regulations for</td>
<td>regulatory effectiveness and</td>
</tr>
<tr>
<td>platforms to connect businesses to</td>
<td>seamless, digital regulatory delivery.</td>
<td>reduced compliance burden.</td>
</tr>
<tr>
<td>global value chains (GVCs).</td>
<td></td>
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</tr>
</tbody>
</table>

Issues Client Countries Face

Businesses operating in WBG client countries face many constraints related to the lack of digitization in business regulation. These include:

- Policies and regulations do not allow advancement and digitization of service delivery because of mandated use of paper documents or physical presence, lack of digital business IDs and interoperability, or similar constraints.

- Legal uncertainty and information asymmetries arise when regulations and rules are not published online and cannot be easily located and navigated by businesses. Policy makers and regulators want firms to meet new and existing regulatory requirements, creating increased compliance cost pressures and information asymmetries.
• Lack of trustworthy business databases, such as business registries, permit registries, and supplier databases, deprives domestic and foreign investors of information related to market access and prevents domestic suppliers from connecting to global value chains. Low quality of business registry data impedes the production of reliable economic statistics and makes it more difficult for governments to design effective economic policies and mobilize resources efficiently. Poor business data management also impedes effective risk-based regulatory delivery for improved public health and environmental protection and minimize compliance costs to businesses.

• Physical visits required to obtain services related to business entry, operation, and exit, multiple submissions of paper documents, and unnecessary inspections, all contribute to increased transaction costs both for regulators and businesses. This affects private sector dynamics and jeopardizes resilient and sustainable service delivery in case of emergencies such as the global COVID-19 pandemic.

These challenges continue to be comparatively higher in emerging and developing economies, especially in Sub-Saharan Africa, relative to developed ones due to the digital divide, and resolution will require regulatory reforms as well as RegTech.

**Our Offering**

RegTech solution design builds on a RegTech-specific diagnostic, which is applied after reforms are prioritized through other Investment Climate diagnostics and consultations with key stakeholders. The diagnostic looks into the institutional setup, roles and responsibilities, procedures, current use of digital technologies for business regulation, and the status of existing e-Government shared services. Following the diagnostic and identification of priorities and needs, a technical note is developed identifying RegTech activities, theory of change, costs, and investments. The technical note then informs the design of RegTech activities including investment financing and advisory operations.

When designing RegTech systems, the IC team applies its knowledge and experience in emerging technologies for regulatory processes. Solutions range from artificial intelligence and natural language processing (AI/NLP) to facilitate business name validation to AI/machine learning to improve risk-based inspection targeting. A recent publication developed under the Donor Committee for Enterprise Development explores additional opportunities for governments to integrate technology and service delivery.

The IC team also supports governments to assess outcomes at the end of each phase of implementation. This includes evaluation of uptake of newly implemented RegTech digital platforms and online services by businesses and investors, change management and policy design.

The IC team supports continual improvement in digital services, for example Moldova recently established a legal requirement for each new business permit and license to include a quick response (QR) code generated through its business licensing digital platform.

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9 [https://dctmrest.ifc.org/ifcrest/repositories/ifcecmidocs/objects/090224b0a2504c6e/content-media?format=pdf&modifier&page=0](https://dctmrest.ifc.org/ifcrest/repositories/ifcecmidocs/objects/090224b0a2504c6e/content-media?format=pdf&modifier&page=0) The document can also be obtained from the Investment Climate team upon request.
Figure 5:
RegTech implementation framework

Figure 6:
Artificial intelligence (AI) for regulatory delivery

<table>
<thead>
<tr>
<th>Text analytics and NLP</th>
<th>Machine learning</th>
<th>Decision management</th>
<th>Virtual agents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rulemaking</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Inventory of regulatory requirements</td>
<td>Review of regulatory requirements</td>
<td>Prompt decision-makers with possible decisions</td>
<td>Support online public consultations</td>
</tr>
<tr>
<td>Regulatory impact analysis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Business Registration</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selection of business name</td>
<td>Review business registration application</td>
<td>Decide on business registration case</td>
<td>Conversational application form</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Browse business registry</td>
</tr>
<tr>
<td><strong>Business Licensing</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Filter applicable permits and licenses</td>
<td>Review permit/license application</td>
<td>Decide on issuing license/permit case</td>
<td>Conversational application form</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Decide on renewing permit/license</td>
<td>Informing on administrative procedures</td>
</tr>
<tr>
<td><strong>Business Inspections</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discover risks (e.g., by analyzing social media posts)</td>
<td>Risk assessment of business/locations/facilities/products</td>
<td>Inspection targeting</td>
<td>Informing on inspection checklists</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prioritization of checks</td>
<td>Self-assessment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Selection of actions</td>
<td></td>
</tr>
</tbody>
</table>
Using agile project management (Figure 5 and Figure 6), the IC team supports task team leaders (TTLs) throughout the entire project life cycle. For example, RegTech offers AI-automated mapping of administrative procedures by scanning national regulations registries. Such mapping utilizes AI/NLP to identify business authorizations and other administrative procedures according to business activity or sector and prioritizes phased streamlining and digitalization. Following the assessment, the IC team supports the development of technical requirement specifications for procuring RegTech systems and tools and provides quality assurance during phased implementation. This approach ensures delivery of feasible RegTech systems within regulators’ capacity for sustainable and resilient G2B service delivery, while achieving outcomes earlier in a project life cycle.

Table 5: RegTech interventions are organized in three core pillars

<table>
<thead>
<tr>
<th>Pillar I</th>
<th>Policy areas</th>
<th>Examples of interventions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pillar I Business data management</td>
<td>Business data collection and integration on digital platforms</td>
<td>• Data management policies for regulatory delivery, including minimum data requirements (registrations, licensing, inspections, construction permitting), data sharing, and data privacy protection</td>
</tr>
<tr>
<td>Pillar II Agile policy making</td>
<td>Policies and regulations for seamless business entry and operation through the use of emerging technologies</td>
<td>• Digital regulations registry and AI-supported mapping of administrative procedures according to business sectors for easy navigation and understanding by businesses and investors • Analysis and design of forward-looking policies and regulations promoting innovations, including entry of new digital businesses</td>
</tr>
<tr>
<td>Pillar III Smart G2B service delivery</td>
<td>Emerging digital technology solutions to improve the efficiency of regulatory service delivery</td>
<td>• Implementation of a single digital point of contact for businesses and investors • Templates for “green by design” digital government-to-business (G2B) services • Integrated, transactional G2B services end-to-end throughout the business life cycle, according to business life events</td>
</tr>
</tbody>
</table>

**DOs & DON’Ts**

- Focus on data management for RegTech solutions.
- Plan comprehensive legal, institutional, and digital transformation, moving in conjunction.
- Design forward-looking regulations allowing innovations through digitalization.
- Apply an evolutionary approach for feasible and sustainable RegTech solutions.
- Develop regulatory delivery digital platforms (registrations, permitting, inspections) using e-Government shared services as a foundation.
- Use lessons learned and innovation through collaboration with academia.
- Develop individual “siloed” software for registrations, inspections, etc.
- Allow transformational projects to focus only on software development with no legal or institutional improvements.
- Underestimate procurement efforts for RegTech digital solutions.
- Plan RegTech digital transformations without investment financing operations.
### Evidence of Impact and Country Examples

<table>
<thead>
<tr>
<th>Pillar I</th>
<th>Business data management</th>
<th>Pillar II</th>
<th>Agile policy making</th>
<th>Pillar III</th>
<th>Smart G2B service delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Guangxi authorities</strong>, representing a relatively poor province in Southwest China bordering Vietnam, use big-data-driven performance management to promote innovation in public administration, such as developing technology platforms for poverty targeting and investment tracking.</td>
<td>Through its Better Rules–Better Outcomes program and methodology, <strong>New Zealand</strong> developed machine-readable laws to improve regulatory compliance using digital systems. The approach uses AI/NLP and chatbots to combine data from regulations, guidelines, rules, and expert knowledge.</td>
<td><strong>In Moldova</strong>, recent regulatory reforms and digitalization of business licenses supported by the World Bank Group resulted in US$15 million annually in compliance cost savings for the private sector, enabling <strong>business continuity despite COVID-19 restrictions</strong>. Since April 2020, 70 percent of business license applications were submitted online. This continuity in new business registrations has almost certainly contributed to Moldova’s US$250 million in new exports and 1,333 new jobs.</td>
<td></td>
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<tr>
<td>The <strong>Jakarta Transport Authority</strong> collaborated with several application providers, including Trafi, Waze, and Google Maps, to evaluate alternative traffic schemes for the city. The apps helped by providing data for policy making and evaluation. Eventually, the efforts reduced travel times for Transjakarta buses by 20 percent and increased ridership by 30 percent.</td>
<td><strong>Andhra Pradesh</strong> in India enacted the legal framework to collect data for seamless digital service delivery for citizens and businesses. The new framework allowed the urban development department to use drones for a geographic information system (GIS) mapping of land that increased property taxes by four to five times.</td>
<td><strong>Shanghai’s “All-in-One” Network for Public Service Delivery</strong> merges public services of different government departments, streamlining approval procedures and providing digital service delivery. Shanghai established Big Data, pushing requisite data integration on the backend to ensure the digital service delivery platform can reach its full potential.</td>
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<td><strong>In Singapore</strong>, through regulatory reform and digitalization of business licenses, businesses save an estimated US$27 million in the first two years of operation.</td>
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</tr>
<tr>
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<td><strong>Estonia</strong> improved regulatory compliance in the use of technology for government subsidies for farmers, directly saving US$755,000 in the first year by replacing manual inspections with satellite imagery and AI/machine learning.</td>
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</table>
Introduction

At every stage of their working lives, women face legal barriers that undermine their economic participation. Discriminatory laws and regulations and absence of legal protections negatively impact economic outcomes, including women’s employment, business ownership, and wages. Gender equality in the law contributes to a level playing field where women can participate in the economy and improve their incomes. Additionally, women’s economic participation associated with better development outcomes, such as lower rates of vulnerable employment and lower rates of extreme poverty among female workers.

The IC team supports women’s participation in the economy by closing legal gender gaps throughout their working lives and supporting the design and implementation of gender-equal laws (see Figure 7).

Figure 7: Laws affect women throughout their working lives

- **Mobility**: Examines constraints on freedom of movement
- **Pay**: Measures laws and regulations affecting women’s pay
- **Parenthood**: Examines laws affecting women’s work after having children
- **Assets**: Considers gender differences in property and inheritance
- **Workplace**: Analyzes laws affecting women’s decisions to work
- **Marriage**: Assesses legal constraints related to marriage
- **Entrepreneurship**: Analyzes constraints on women’s starting and running businesses
- **Pension**: Assesses laws affecting the size of a woman’s pension
Issues Client Countries Face

Although today more women participate in the labor market than at any other time in history, their economic participation remains well below men’s. In 2018, the ILO reported a global female labor force participation rate of 48.5 percent, 26.5 percentage points below that of men. The Middle East and North Africa (MENA) region for instance has the world’s lowest female labor force participation, estimated at 20 percent in 2019, compared to 70 percent for men. South Asia also has a low women’s participation rate estimated at 25 percent. In Sub-Saharan Africa, despite the high female labor participation (63 percent), women are still concentrated in low-paid and low skilled jobs.

Women’s entrepreneurship is still particularly low in certain regions. The Global Entrepreneurship Monitor Report 2017 found that women in MENA have the lowest rates of total entrepreneurial activity (TEA) at merely four percent of the population, and they are only half as likely to engage in entrepreneurial activity as their male counterparts. In Africa and Latin America and the Caribbean, eight women were engaged in entrepreneurial activity for every ten male entrepreneurs. The Women, Business, and the Law 2021 (WBL) report shows that, on average, women have just three-quarters of the legal rights afforded to men. In MENA, they have half the rights of men. Along with MENA, Sub-Saharan Africa and South Asia recorded the lowest regional performances on the WBL index. Legal barriers pertaining to parenthood and pay are the most common indicator across regions of women’s inability to achieve balance between work life and family responsibility (Figure 8).

Figure 8:
Restrictions in the parenthood area are the most common across regions, followed by restrictions undermining women’s pay

Note: OECD = Organisation for Economic Co-operation and Development.
Our Offering

The IC team offers legal analysis and reform solutions to address legal gender inequities that constitute barriers to women’s participation in the economy (Table 6):

Table 6: Potential regulatory sources of barriers to women’s participation in the economy

<table>
<thead>
<tr>
<th>Type of constraint</th>
<th>Description</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal restrictions in labor law</td>
<td>Unequal provisions in labor law discriminating against women</td>
<td>• Restrictions on women’s night work and work in certain jobs and industries  \</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Unequal retirement ages</td>
</tr>
<tr>
<td>Legal restrictions in family law</td>
<td>Unequal provisions undermining women’s decision-making capacity within marriage</td>
<td>• Limitations to women’s mobility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Unequal property rights</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Obedience requirements</td>
</tr>
<tr>
<td>Lack of legal protections</td>
<td>Lack of protections against violence and discrimination</td>
<td>• Lack of legislation addressing domestic violence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lack of prohibition of gender-based discrimination in employment and access to credit</td>
</tr>
<tr>
<td>Lack of legal enablers</td>
<td>Lack of legal provisions allowing women to balance work life and family responsibility</td>
<td>• Lack of paid maternity leave of at least 14 weeks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The cost of maternity leave borne by the employer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lack of paid leave available to fathers</td>
</tr>
</tbody>
</table>

The IC team works with client countries to address legal inequities between men and women in the following areas:

- **Mobility**: Unequal rights for women to choose where to live and travel outside their home including internationally, which negatively impacts their access to labor markets and finance.

- **Workplace**: Additional requirements for a woman to obtain a job (i.e., husband’s permission) and absence of legal protections against gender-based discrimination and sexual harassment in the workplace.

- **Pay**: Restrictions on women’s night work and work in certain jobs and industries; absence of legal protections against wage discrimination (the principle of equal remuneration for work of equal value).

- **Marriage**: Unequal rights within marriage affecting women’s decision-making capacity, including the right to be head of household, to make decisions without having to obey the husband, and to divorce and remarry; lack of protection against domestic violence.

- **Parenthood**: Lack of provisions protecting maternity and allowing women to better balance work and family. These provisions include the ILO’s threshold for paid maternity leave (14 weeks) administered by the government, paid parental and paternity leaves, and the protecting pregnant workers from dismissal.
Entrepreneurship: Unequal rights affecting women's ownership of businesses and access to finance, including the rights to open a bank account, register a business, and sign a contract; lack of protection from gender-based discrimination in access to credit.

Assets: Unequal property rights, including inheritance rights and ownership and control of property within marriage; absence of provisions for the valuation of nonmonetary contributions of spouses at the time of divorce.

Pension: Unequal mandatory retirement ages and retirement ages with both full pension benefits and partial benefits; not assessing periods of absence due to childcare in pension benefits.

These legal gaps are often further exacerbated by strong social norms and customary practices. The IC team supports client governments from diagnostics to legal reforms to implementation through dissemination and training:

Country level diagnostic: Reform roadmap with analysis of legal and regulatory gaps restricting women's participation in the economy and actionable policy recommendations.

Time-bound action plans: Together with counterparts, reform areas are prioritized based on their economic and political feasibility, followed by action planning for the short-, medium-, and long-terms.

Legal reviews: Based on consultations with key stakeholders, support with legal reviews, including drafts, to address the identified legal gaps.

Reform dissemination and communication: Awareness-raising campaigns with extensive sensitization of beneficiaries, public officials, and private sector employers on the implications and benefits of the reforms through traditional and social media channels, workshops, and seminars.

Creation of grievance mechanisms: The IC team works with counterparts to set up relevant grievance mechanisms for filing and resolving claims which are an important part of successful implementation for certain reforms. Examples include mechanisms allowing employees to file grievances related to equal remuneration for work of equal value or to gender-based discrimination in the workplace; others allow bank customers to file grievances related to gender-based discrimination in access to credit.

Outcome and impact measurement: Based on an established results framework, the program supports collecting and tracking baseline data on key economic outcomes and impact indicators during and after reform implementation.

Case studies: Successful reform case studies illustrate the reform process, reform outcomes and impact, and lessons learned.

Peer-to-peer learning activities: The program organizes and co-organizes conferences and webinars aimed at promoting peer-to-peer learning by creating platforms for client countries to exchange their experiences and lessons learned.
Promote a reform without considering its possible adverse effects: Some reforms may have adverse effects. Removing the waiting period requirement for a divorced or widowed woman to be able to remarry in the same way as a man may have adverse effects on children in countries where it is complicated and costly to prove filiation.

Assume that legal reforms suffice to improve women’s participation in the economy: Additional policies must often be adopted. For example, removing legal restrictions on women’s night work or work in certain industries traditionally dominated by men would not be enough to change the segregated employment patterns in those areas. Additional policies should address social perceptions and safety considerations pertaining to these reforms, for example, by providing transportation in countries where it is not safe for women to travel at night.

Ensure strong political leadership. Some legal reforms tackled by the program can be controversial (for example, giving women the right to be head of household). To effectively respond to likely resistance, strong political will and leadership with a gender-sensitive agenda is needed.

Review the broader legal framework. Certain reforms may have implications for other laws and regulations. A change in the head of household legislation, for instance, may require a change in the tax code, social security code, or civil code.

Ensure implementation mechanisms are built into reform design. Enactment of legal reforms is often not sufficient to spur the desired change. Adoption of the equal pay for work of equal value principle, for instance, would not be enough without guidelines on how to implement it and how to measure the value of work. Grievance mechanisms to file and resolve cases of gender-based discrimination in employment or access to credit are necessary to ensure enforcement of such legal protections.

Prioritize reform areas based on feasibility. Certain reforms are associated with financial costs. Extending paid maternity leave or adopting new childcare leave policies generate costs that governments in many developing countries are unable to bear. Cost assessment of the different reform options in a given area may be needed.

Support access to additional expertise when needed. Some reforms are associated with institutional changes that require a level of state capacity and expertise that some countries lack. Equalizing the retirement ages for men and women, for instance, may require restructuring the social security system. Supporting governments to conduct feasibility studies and/or access relevant expertise is critical throughout the reform process.

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Evidence of Impact

The economic cost of gender inequality in labor markets is high. According to a World Bank study, countries are losing US$160 trillion in wealth due to differences in lifetime earnings between women and men. A McKinsey report finds that if women played the same role in labor markets as men, as much as US$28 trillion could be added to global GDP by 2025.

Women’s economic participation is shaped by multiple factors, including laws and policies. Reforming in the direction of legal gender equality encourages more women to work. Data collected by Women, Business, and the Law between 2008 and 2017 show that female labor force participation in economies reforming toward gender equality increased by more percentage points than non-reforming economies, everything else being equal.

In addition to higher female labor force participation, gender equality in the laws is associated with a range of outcomes, including more women in legislatures and lower gender wage gaps. Evidence from the literature shows the association between the eight areas covered by the WBL Index and women’s economic outcomes, including female labor force participation, business ownership, and wages (Figure 9).

![Figure 9: Gender legal equality is correlated with positive outcomes for women](image)

With greater equality of opportunity, more women work, and when they do work, they are paid better.

Sources: Women, Business and the Law and World Development Indicators databases; World Economic Forum.
Gender equality in labor law is associated with more women working and earning more relative to men.

Sources: Women, Business and the Law and World Development Indicators databases; World Economic Forum Global Gender Gap Report 2016 (Table C3, p.47).

More women have accounts and debit cards at financial institutions where the law prohibits gender-based discrimination in access to credit.

Sources: Women, Business and the Law and Enterprise Surveys databases.
Women are less likely to hold leadership positions in business when they lack property rights

Sources: Women, Business and the Law and Enterprise Surveys databases.

Where there are laws on sexual harassment at work, more women are likely to own firms

Sources: Women, Business and the Law and Enterprise Surveys databases.

Country Examples
United Arab Emirates

In August 2020, the UAE adopted a broad reform package, including the following provisions:

- **Freedom of movement**: Amendments to the Personal Status Law (Articles 71 and 72). The amendments introduced provisions allowing women to choose where to live, travel, and work outside the home in the same way as men.

- **Removal of obedience provision**: The Personal Status Law (Article 56) was amended, repealing the obedience provision and removing all references in the law to “other duties prescribed by Sharia” from the list of marital duties that a wife is required to fulfill. The explicit mention of “obedience” under Article 72, in relation to women’s work, was removed.
• **Equal pay for work of equal value:** Article 32 of the Labor Law was amended to introduce the principle of “equal pay for work of equal value,” to be applied by all employers in the public and private sectors.

• **Parental leave:** The UAE became the first country in MENA to establish paid parental leave. A new provision was introduced in the Labor Law to establish paid parental leave, providing each worker in the UAE, regardless of sex, the right to five working days of fully paid parental leave. A working couple is entitled to 10 days of paid leave in total, in addition to the existing maternity leave.

• **Equality in access to credit:** The UAE introduced legislation embodying the principle of nondiscrimination in access to credit. The Central Bank issued a circular requiring all banks and financial institutions to provide equal services to their individual and businessowner customers of both genders. The Central Bank of the UAE has a grievance mechanism that allows bank customers to report and file cases of gender-based discrimination. A nationwide PR campaign, including messages displayed on ATM screens across the country, disseminated information about the reform.

**Saudi Arabia**

Since 2019, the IC team has been working closely with the government of Saudi Arabia to design and implement gender-equal laws. In July 2019, it supported the enactment of eleven historic measures that fundamentally changed the role of women in Saudi society, giving them unprecedented economic freedoms. The measures allow women to obtain a passport in the same way as men, enable women to be head of household in the same way as men, and permit women to choose a place of residency in the same way as men. They also prohibit the dismissal of pregnant workers and gender-based discrimination in employment and access to credit, and they equalize the retirement ages for men and women. They mandate pension care credits for maternity leave, and they remove the obedience provision for women.

A year later, in August 2020, the program supported amendments to the Labor Law that lifted restrictions on women’s ability to work at night, repealed Article 149 which prohibited women from working in jobs deemed dangerous or hazardous, and amended Article 186 lifting the restriction on women’s ability to work in mining.

This work fundamentally changed the prospects and opportunities for all future generations of Saudi women. The 11 historic measures supported by the team now benefit six million women. While the full impact of these reforms will be measured over the years to come, positive impact can already be seen on women’s employment and entrepreneurship:

• **Employment:** Between Q3 2016 and Q3 2020 labor force participation of Saudi women increased by almost 12 percentage points, from 19.7 percent to over 31.3 percent. In the same period, the male labor force participation rate increased by 2.5 percent. The gender reforms contributed to this strong increase in women's economic participation.

• **Entrepreneurship:** Between December 2019 and August 2020, the number of enterprises owned by women increased by 23 percent. Forty thousand additional companies owned by women, most of them still small, created at least 53,000 jobs in half a year. In the same period, many male-owned small-sized companies shrank in size or went bankrupt, leading to a loss of at least 13,000 jobs.
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