

One Stop Shop Licensing Services for Businesses



Published On: 23 April 2015

Organisation: Investment and Licensing Service of Barru District, South Sulawesi

Country: Indonesia

Level of government: Local government

Sector: Economic affairs

Type: Organisational Design, Other

Launched in: 2011

Overall development time: 4 year(s)

Link to the innovation's website

Like this innovation

0 persons like this innovation

Description

Doing business used to be difficult in Barru (a rural district in South Sulawesi), due to a complex licensing process. It took around 20 working days to issue a license, and applicants were charged more than official rates. The local government of Barru realised that poor performance in business licensing compromised private sector investment and reflected bad governance in public service provision.

The local government transferred 129 types of licences from 14 departments to a One Stop Shop incrementally. The One Stop Shop developed standard operating procedures based on national service standards, and trained staff to ensure they provided standardised services.

Why the innovation was developed

- Private sector investment in Barru was relatively low prior to the initiative, making up only 4% of the regional GDP. This problem occurred due to a complicated licensing process. Applicants had to go through many offices to obtain a business licence and were frequently charged 15-20% more than official rates.
 - Although the Government of Indonesia promoted the establishment of one stop shops at sub-national levels to simplify business licenses in 2001, many offices including that in Barru had no or limited authority to issue licences. E.g. In 2010 – 2011, the one stop shop in Barru was only authorised to issue seven types of licenses, while the 122 others were issued by 14 technical departments. The one stop shop also lacked standard operating procedures to process license applications or to handle complaints. As a result, service quality was poor.
 - The lengthy licensing process reflected poor governance in public service provision and increased opportunities for corruption. It also demotivated the private sector to formalise their businesses. In 2011, only 26% of 2,781 businesses possessed valid permits.
-

Objectives

Improve efficiency, Improve service quality, Support economic growth

- Streamline and deregulate business licensing services.
 - Increase the number of businesses with correct licences.
 - Promote private sector investment.
 - Apply good governance in public service delivery.
 - Improve customer satisfaction.
-

Main beneficiaries

Businesses

- Business entities: significant deregulation in licensing has facilitated business licensing.

Results

Efficiency

- From 2011 to 2013, the official stated time to process a licence was reduced by 30%, while the actual time was reduced by 50%.
-

Effectiveness

- Types of required business licences were reduced by 70%.
 - Businesses with the correct licences increased from 26% to 45% over three years.
 - Private sector investment jumped from USD 4.3 million to USD 130.6 million over three years.
-

Service quality

Accessibility:

- More people can access business licences as the one stop shop issues all 30 types of business licences.
- Transparent and clear information about licensing procedures is available for the public.
- All business applicants can raise their concerns through various complaint mechanisms.
- People living in remote areas can access the licensing services through regular one stop shop visits to villages.

Responsiveness:

- Complaint handling mechanisms and standard operating procedures help customers raise their concerns and receive appropriate responses.
 - Displaying business licensing procedure information meets people's demands for increased transparency.
-

User satisfaction

- Customer satisfaction increased from 77.3% in 2012 to 82.0% in 2013.

Development

Design

The main implementation body was the working group established by the local government of Barru. The group was led by the one stop shop and included members from their legal, organisation and administrative divisions, and staff from the local development planning board and local legislative members.

At the design phase, the group held discussions with local government departments and the private sector to understand licensing problems. They also conducted a customer satisfaction survey to quantitatively measure the satisfaction of licensing services. Further, the group conducted discussions with the private sector and technical departments to map which departments were responsible for which licences and developed a licence reduction plan.

The district head played an important role in issuing a regulatory framework for the reform. The regulations limit the types of licences that are required for business operation in the district, support fee exemptions for small and micro enterprises, and improve the one stop shop's performance.

Justice and Welfare Foundation (YAS) – a local NGO, with a support from USAID Kinerja – helped the working group to discuss with, and obtain support from other local government departments, local business associations, and other civil society organisations (academics, mass media and NGOs).

Testing

- Based on the discussions with the technical departments and private sector, it was identified that the one stop shop only had authority for 5% of licenses (authority for the remaining 95% sat with the departments). Licensing reform may therefore have political implications.
 - Understanding this the local government of Barru adopted an incremental and opportunistic approach to implement the initiative. The licences that were under the technical departments that had strong support were prioritised for repeal, merge and transfer to the one stop shop.
 - This process represented the testing phase of the reform, as the lessons learnt during this phase were then applied to the latter parts of the programme.
-

Implementation

Tools used:

- Formal and informal consultations with technical departments and the private sector to obtain their support for the reform.
- Face-to-face discussions and radio talkshows to raise awareness and support among business executives and civil society organisations.
- Regulatory frameworks on transfer licensing service were issued.
- Capacity building for the one stop shop staff and technical team members on standard operating procedure implementation, service standard and service-oriented office culture.
- Publicity of licensing procedures (time, cost and requirements to obtain a licence) was published on information boards and the internet.
- Complaint handling mechanisms (phones, SMS, suggestion boxes, in person and by email) have been installed to enable citizens raise their concerns for follow up.

Resources used:

- The local government of Barru spent a significant amount of money on the design and implementation of the initiative, as well as for the operations of the one stop shop,. This included IDR 409 million (about USD 40,900) in 2011, IDR 558 million (about USD 55,800) in 2012, and IDR 998 billion (about USD 99,800) in 2013.
 - YAS received support from USAID Kinerja to the amount of IDR 393 million (about USD 39,300) and IDR 283 million (about USD 28,300) in 2012 and 2013, respectively. These funds were used to finance training/workshops/meetings and other activities, as well as YAS personnel and travel expenses.
 - Technical resources used included national guidelines and training modules, as well as YAS' institutional memory in supporting one stop shop development in other districts in South Sulawesi.
 - Human resources used were the local stakeholders in Barru – government, private sector and other civil society organisations – as well as YAS' personnel.
-

Diffusion

- A “mass-licensing day” event was held to reach out to businesses that may not otherwise come into contact with the one stop shop, such as micro and women-owned enterprises. Approximately 60% of the 360 local business owners who participated in the event were women.
 - The one stop shop conducted regular visits to villages to provide mobile licensing services for the residents.
 - The one stop shop shared good practices with other technical departments within the local government of Barru, other one stop shop offices – members of the one stop shop forum in South Sulawesi – as well as with local governments within and outside the province. In June 2014, the district head was also invited to talk about the initiative at a major national symposium in front of representatives of national and local governments.
-

Challenges and solutions

- Resistance from local technical departments who had issued licences prior to the transfer of authority and deregulation. The working group took steps to address the challenge:
 - A gradual reduction of the types of licences and transfer of licensing authority was conducted without waiting for all technical departments to agree to cede control.
 - The working group held a series of discussions with local technical departments that at first were unsupportive of licensing reform. These efforts were ultimately successful in winning over early resistors.
 - The District Head of Barru made consistent and strong public statements on multiple occasions that the local government was committed to improving its investment climate by reducing the number of licences required and by increasing the authority of the one stop shop.
 - The one stop shop technical teams were established to ensure that technical licence applications were adequately reviewed.
 - There are several national technical regulations that are not supportive of the efforts to simplify regulatory environments or to transfer authority to the one stop shop. Overcoming this issue, the local government took the initiative to follow the spirit, rather than the letter, of national regulations by issuing its own local regulations.
-

Partnerships

Market Business Owner Association

Private sector

The local government of Barru involved multiple government offices, the private sector, and local business associations to garner their input for the reform.

Yayasan Adil dan Sejahtera (YAS)

Civil Society

The one stop shop received technical assistance from USAID Kinerja through its local NGO partner, YAS. The NGO assisted the one stop shop to develop standard operating procedures as well as to train the staff on good governance and a service-oriented culture. In addition, the one stop shop cooperated with YAS to establish complaint handling mechanisms and to conduct outreach and awareness-raising activities.

Lessons Learned

Lessons Learned

- Strong commitment from the district leader needs to be operationalised through middle-level management. The district head of Barru has demonstrated strong commitment to improving the investment climate, particularly for the poor and for micro businesses. However, substantial improvements can only be made if middle level management is capable of operationalising that commitment and building a coalition for reform within the government.
 - Substantial reform will face resistance which requires an incremental approach to overcome. The driver of reform, the licensing working group, needed to be patient in convincing the technical departments to support the reform process. The incremental approach helped on two fronts: (i) to slowly build the capacity of the one stop shop; and (ii) to provide evidence of successes that can convince early skeptics to join the “reform coalition.”
 - Working with civil society organisations is important to accelerate reform and sustain it. Intensive interactions with business associations, NGOs, journalists and academics were significant in improving the understanding of licensing problems. Furthermore, this interaction can also be used to create pressure for technical departments that were resistant to reform, and to reach out to the general public as well as specific target beneficiaries, such as the poor and micro businesses.
-

Conditions for success

- The licensing working group, which includes representatives of the one stop shop, local development planning board and several government divisions, was able to operationalise high commitment from the District Head of Barru to improve the business climate. The working group was effective in working with other technical departments.
 - Licensing deregulation efforts were legalised through a local regulation, which was approved by the local legislative council (DPRD). This is the highest level of regulation that a local government can issue and is expected to sustain, even if the district head is replaced. The transfer of licensing authority to the one stop shop improved quality of services and governance of the one stop shop was also legalised through district head decrees or regulations.
 - The inclusive design and implementation of the licensing reform processes heavily relied on involvement from civil society organisations, including business associations, for their feedback and guidance on priority areas. This provision of an active stake in ongoing reform is expected to create continued demand from civil society for high-quality licensing services and their proper governance.
-

Copyright OECD. All rights reserved.