

POLAND CATCHING-UP REGIONS

RECOMMENDATIONS FOR EASIER BUSINESS REGISTRATION



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OF ECONOMIC
DEVELOPMENT



ŚWIĘTOKRZYSKIE
VOIVODESHIP



PODKARPACKIE
VOIVODESHIP



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POLAND CATCHING-UP REGIONS

**Recommendations for Easier Business Registration
In The Świętokrzyskie And Podkarpackie Voivodships**

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What is the Lagging Regions Initiative

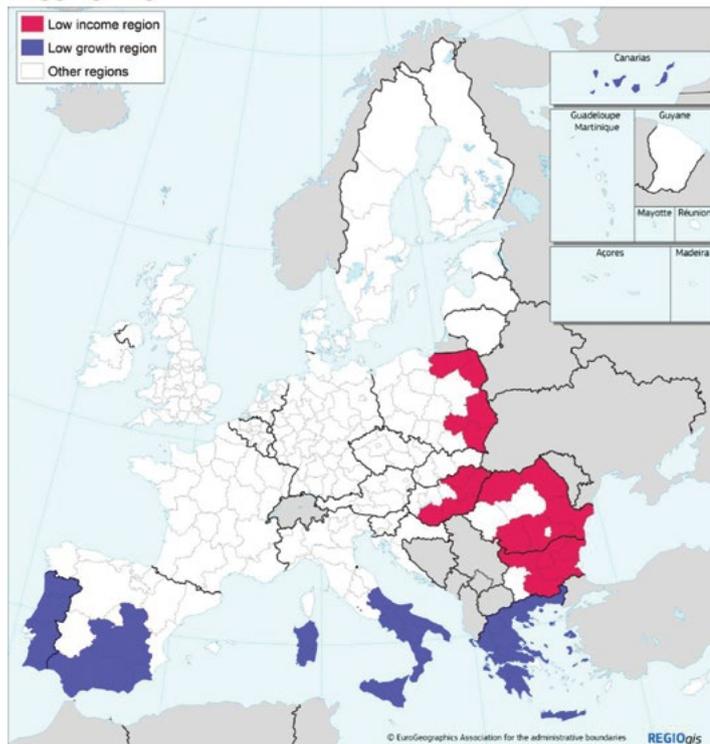
The scope of the EU Cohesion Policy is to narrow development gaps and reduce disparities between Member Countries and regions. To this extent, around €454 billion of ESI (European Structural and Investment) Funds have been allocated to help EU regions become more competitive. However, not all EU regions have been able to fully take advantage of the benefits of EU growth, due to the effects of the 2008 economic crisis and due to a host of structural problems.

To this end, Corina Crețu, the Commissioner for Regional Policy, together with the Task Force for Better Implementation has started the Lagging Regions Initiative. The aim of the Initiative is to identify what holds back growth in less developed regions, and to provide targeted actions for unlocking their growth potential. Thus, these lagging regions will be assisted to involve a broad range of stakeholders (regional and local administrations, educational institutions, business support institutions, SMEs, entrepreneurs, investors, NGOs, IFIs) to help respond to concrete needs they have and to maximize the impact of regional investments. Two types of lagging regions have been identified:

- **LOW GROWTH REGIONS**, which cover the less developed and transition regions that did not converge to the EU average between the years 2000 and 2013 in Member States with a GDP per Capita (PPS) below the EU average in 2013. These include almost all the less developed and transition regions in Greece, Italy, Spain and Portugal
- **LOW INCOME REGIONS**, covering all the regions with a GDP per Capita (PPS) below 50% of the EU average in 2013. This group covers the less developed regions of Bulgaria, Hungary, Poland and Romania.

Lagging Regions in the EU

Lagging Regions



Source: DG REGIO

Poland and Romania are the first countries to pilot this initiative, with two regions each – Swietokrzyskie and Podkarpackie in Poland, and North-West and North-East in Romania. In April 2016, Commissioner Crețu together with Marshal Adam Jarubas in Swietokrzyskie and Marshal Wladyslaw Ortyl in Podkarpackie have officially launched the Polish part of the Lagging Regions Initiative called „Catching-up Regions Poland”. The „Catching-up Regions Poland” is an implementation-focused program that aims at providing tailored support to the two Polish regions to boost the impact of EU and private investments in specific areas selected by the two regions.

Over a year of joint work, the World Bank provided hands-on technical assistance and helped coordinate five activities that were selected by the Podkarpackie and Swietokrzyskie regions in coordination with the European Commission, Ministry of Economic Development, and the Bank. The five selected activities were:

- Improving the commercialization of Research & Development (R&D) results generated by public research facilities and enabling better utilization of existing technology transfer centers in the Podkarpackie region.
- Strengthening the vocational education and training system in the Swietokrzyskie region, using best practice examples from around the world and tailoring them to the regional context.
- Activating entrepreneurship in deprived areas in the Podkarpackie and Swietokrzyskie regions.
- Identifying ways to improve conditions for starting a business in the Podkarpackie and Swietokrzyskie regions.
- Supporting the creation of in-house financial instruments in the Podkarpackie region.

This report constitutes one of the outputs of the “Catching-up Regions Poland” work. More outputs, including an overview report and reports for individual activities in both English and Polish can be accessed on the World Bank’s website.



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ACTIVITY 3

Recommendations for Easier Business Registration in the Świętokrzyskie and Podkarpackie Voivodships

1

INTRODUCTION

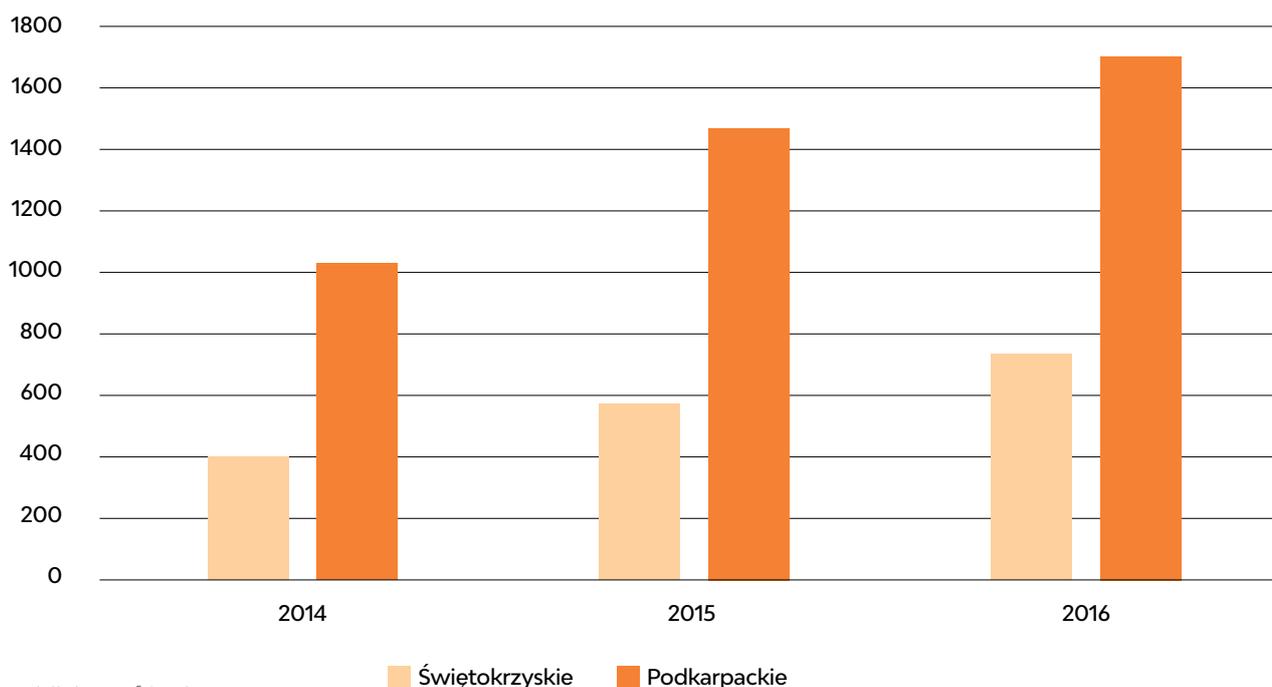
Activity 3 focuses on expediting and simplifying business registration on the basis of the World Bank's 2015 Doing Business in Poland study

This short report presents recommendations to ease business registration in two Polish voivodships: Podkarpackie and Świętokrzyskie. It was prepared under a joint initiative of the European Commission, Poland's Ministry of Economic Development, the Podkarpackie and Świętokrzyskie regions, and the World Bank. This initiative concentrates on supporting the two regions in preparing for the implementation of the 2014-2020 European Structural and Investment Funds in a way that fosters economic growth and innovation. Activity 3 of this joint undertaking focuses on expediting and simplifying business registration on the basis of the World Bank's 2015 Doing Business in Poland study;¹ a comparison of business environments in 18 Polish cities,

incorporated companies continues to steadily grow year to year; 1440 companies were registered in 2014 and it can be expected that in 2016 around 2450 new entities will become operational. The number of business registrations in Podkarpackie is roughly double the number of registrations in Świętokrzyskie, as Podkarpackie has a larger population.

According to World Bank's Doing Business methodology, the ease of registering a business is determined by four indicators: the minimum capital deposited before registration, the number of procedures required to start and operate a company, the time required to complete these procedures,

Figure 1. Number of registered Commercial Code companies



Source: Ministry of Justice

including Rzeszów and Kielce, the capitals of the Podkarpackie and Świętokrzyskie voivodships.

In 2015, about 2050 commercial code companies were registered in Podkarpackie and Świętokrzyskie, of which 84% were limited liability companies (LLCs). The number of

and the associated cost.² Most of these indicators are set at the national level, but differences in performance between regions are noticeable. The minimum capital is fixed for the entire country at 5000 PLN. It takes usually four steps to register a business. Associated costs are generally identical across the country, but they vary between electronic

¹ The Doing Business in Poland 2015 report is based on data gathered in 2014.

² More details on the methodology behind these metrics is available online: <http://www.doingbusiness.org/methodology/starting-a-business>

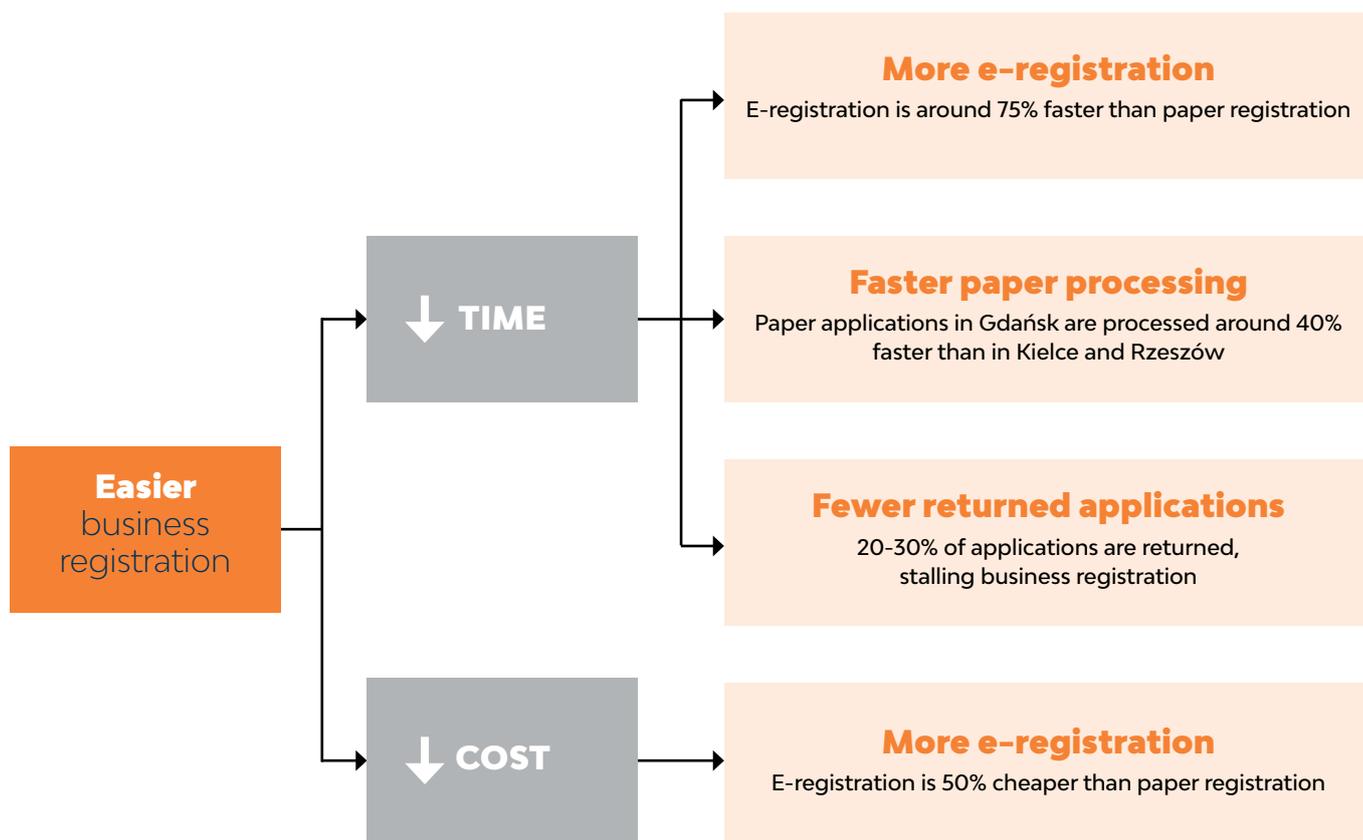
and paper registration (and also by region, depending on the adoption of e-registration). The biggest difference in the ease of starting a business is determined by the required registration time. In line with the Doing Business methodology, it took 36-37 days to register an LLC in Rzeszów/Kielce, while in the leading city of Poznań, an LLC in was registered in eight days through S24,

3. Expedite the processing of correctly filled-out applications.

Of these measures, encouraging online registration is the most important step to make business registration easier in the Podkarpackie and Świętokrzyskie regions, as it impacts both the cost and the time to register a business. The 2015 Doing Business in Poland study found that

Encouraging online registration is the most important step to make business registration easier

Figure 2. Analytical approach for easier business registration



Source: World Bank staff

the electronic registration platform. For the purposes of this report, the World Bank team has identified two factors – time and cost of registration – that have the most variation between Polish regions and the biggest potential for improvement in Podkarpackie and Świętokrzyskie voivodships (see Figure 2 below). As highlighted in the report on best practices in business registration, there are three challenges to reduce the cost of business registration and shorten the time required to start a company in these regions:

1. Encourage online registration;
2. Ensure that applications are correctly filled out and do not need to be returned;

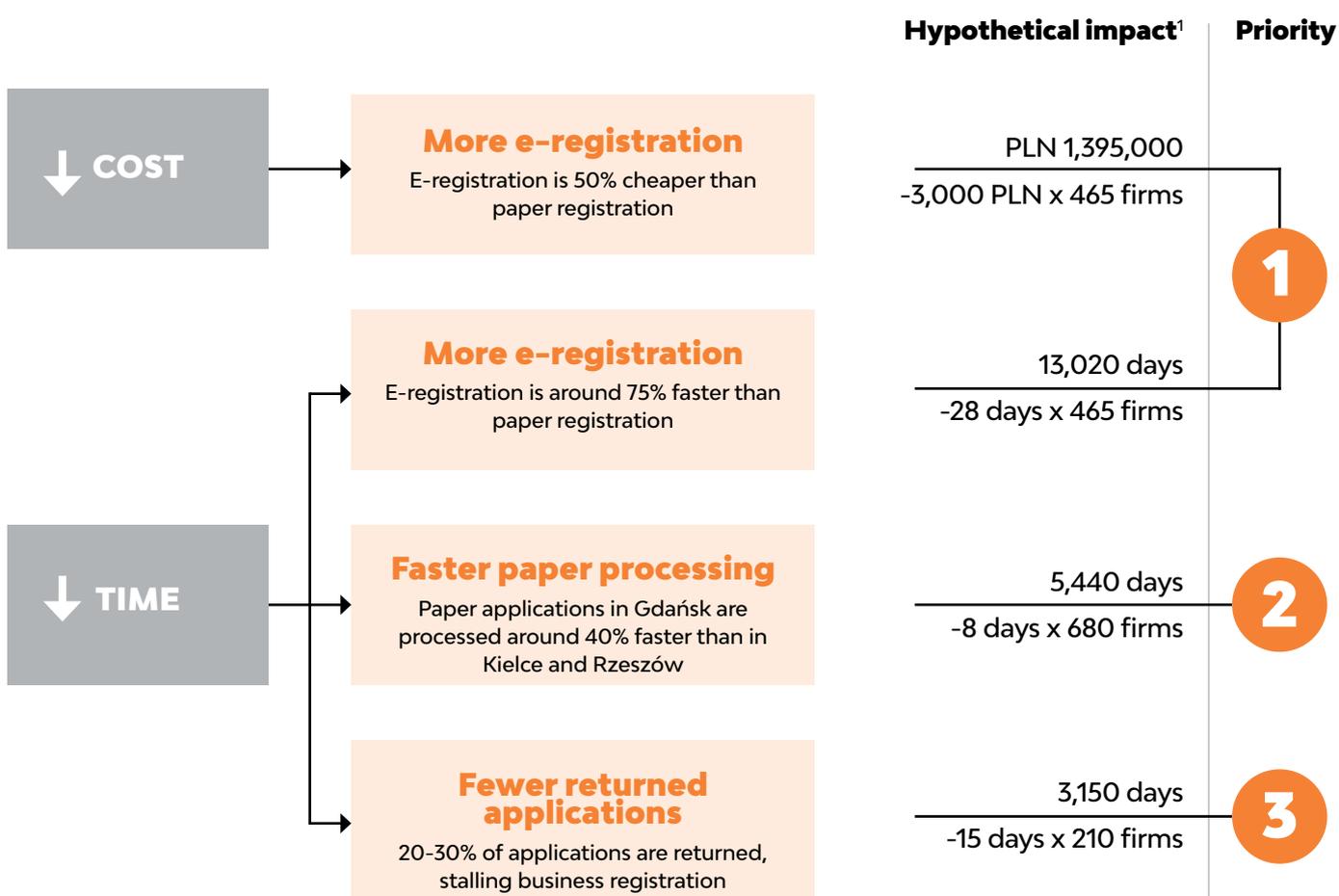
electronic registration is four times faster than paper registration, and half as costly. Firms in Podkarpackie and Świętokrzyskie can also save time if applications are not returned and processed faster. Figure 3 presents an estimate of the potential cost and time savings for firms from all of the above measures, assuming that courts in Podkarpackie and Świętokrzyskie close the gap to the best performing courts in Poland.

In the report, each of these areas is broken down into a set of concrete recommendations based on site visits to the local divisions of the national court registry (Krajowy Rejestr Sądowy, KRS) in Kielce/Rzeszów and Białystok, a top performer among KRS divisions in Eastern Poland.

The analysis also reflects input from meetings with the Ministry of Justice (MoJ) about their plans for national regulations to upgrade and streamline the business registrations and IT systems nationwide. In August 2016, the MoJ proposed to substitute simple e-authentication (with applicant's ID number and address) with stronger proof of identity (certified e-signature or a trusted profile³) to avoid frauds. It plans to expand existing IT systems to make e-registration

mandatory. The details of this plan are still being confirmed. Given the limited use of e-identity forms by Poland's adult population (less than 2% uses e-signatures or trusted profiles), these changes will result in additional steps, time, and costs for first-time users. It is likely that the majority of applicants do not have access to such authentication measures, making electronic business registration more complicated for them.

Figure 3. Indicative impact of measures to ease business registration



¹Annual values assuming 67% e-registration, 50% process improvements, DB methodology

Source: World Bank staff

³ A certified e-signature is available from five providers in Poland and costs about 200 PLN. Usually contracts with providers of e-signatures are signed in person. A trusted profile is free of charge, but requires the opening of an online account and a one-off visit at a government office to confirm the user's identity (e.g tax office, or local office of the social insurance institution).

ACTIVITY 3

Recommendations for Easier Business Registration in the Świętokrzyskie and Podkarpackie Voivodships

2

ENCOURAGING ONLINE REGISTRATION

2.1 Current situation

The use of electronic registration is below its potential. Online applications are cheaper, faster and less likely to be returned or rejected, and yet in 2016 half of applications in Podkarpackie and Świętokrzyskie regions were filed on paper.

Limited adoption of online registration is caused by three factors: (i) low awareness among business entrepreneurs and lawyers, (ii) unsatisfactory user experience with the S24 electronic registration system, and (iii) limited applicability of the standard company agreement template required for e-registration. Details of each are described below.

Electronic business registration is not actively advertised to the public.

Implementation of the service requires a large scale, continuous information campaign to overcome persistent habits. E-application has obvious advantages over the paper-based process, but these advantages are not clearly communicated to potential applicants. Information about the S24 electronic registration platform is posted on government websites but is hard to find. E-registration is also not sufficiently promoted in court offices (see Box 1) and by business associations/business support institutions.

Lawyers, whom most frequently register companies, have not fully adopted online registration.

There has been limited communication or training about online registration for attorneys and legal counsels in Świętokrzyskie or Podkarpackie. Trainings about the online registration system, is a part of bar training organized by the District Chamber of Legal Counsels in Rzeszów, but it only includes in-training of young lawyers. Other reasons for sub-optimum adoption among lawyers include poor user experience and current limitations of the S24 system.

Improved user experience could encourage broader use of S24.

Currently, the level of user experience of the S24 service is relatively low compared to, for example, online banking services in Poland. The S24's confusing layout and cumbersome forms discourage users with limited digital competencies. Users are not offered appropriate guidance when filling out the application form (such as an extended FAQ section, hints/tooltips for the most challenging boxes, and other interactive features). The form is also particularly difficult to comprehend for non-lawyers; applicants are assumed to have a legal background or to be represented by a legal professional, even though applications can be filed directly by entrepreneurs.

BOX 1 S24 promotion at courts – mystery customer survey

The S24 system is not advertised at the regional offices of the court registry. Prospective applicants are not likely to learn about it when contacting the information desk or visiting the district court in Rzeszów or Kielce. When entrepreneurs enquire about business registration, they are automatically given a paper form. Court staff does not understand the S24 interface and, thus, cannot provide the entrepreneur with any guidance on filling out an electronic application. Courts are also not prepared to issue trusted profiles to provide applicants with strong authentication when registering a business online.

QUESTION	Kielce	Rzeszów
When at court register or court information desk, will a client encounter any visual information about the S24 (posters, leaflets, announcements)?	No	No
When a client asks the court staff about (i) how to register a company and (ii) where he/she can obtain paper forms to register a company, will the client be actively informed about online registration by the court staff?	No/No	No/No
If a client asks the court staff directly about the advantages of online registration, will the client learn that this solution is (i) cheaper (ii) faster (iii) more likely to be successful?	Yes/Yes/ No	Yes/Yes/ Yes
When asked directly, will the court staff provide guidance about the S24: (i) website address for online registration? (ii) can the S24 can be used by foreigners?	No/No	No/Yes

Source: World Bank staff

Reliance on online registration is further discouraged by the limitations of the S24 company agreement template. Lawyers from Kielce and Rzeszów complain that the S24 company agreement includes only basic clauses and cannot be customized to specific needs. As a result, many lawyers still

use the paper procedure (especially for companies with multiple partners), even if they are familiar with S24. Another strategy is to register online to avoid the weeks-long paper procedure, and then start the paper-based amendment procedure immediately after the online registration is complete.

2.2 Recommendations at the national and regional level

Promoting online registration among entrepreneurs

Information about S24 and its advantages should be presented on a single government website. It is critical to promote e-registration on government sites, which should offer cost-free reliable and practical information on business registration. Currently, the information on the government's go-to portal for businesses www.biznes.gov.pl is hard to find and does not encourage online registration. The website should be the gateway to comprehensive information about company registration and include references to the S24 platform. To encourage more e-registration, the visitor should be informed that the online process is half the cost, four times faster, and at least twice as likely to be approved, as the paper application.

Entrepreneurs and legal counsels should be able to easily find government information on business registration. Internet research is often the first source of information for entrepreneurs. Currently, when searching phrases such as "how to register a company," entrepreneurs first find commercial registration services that have no reliable information about the process. Search engine optimization should be used to ensure that government information ranks high in web searches.

A robust online advertising campaign to reach potential applicants. Online registration should be promoted via various online marketing tools. With display advertising and pay-per-click (PPC) campaigns, communication can be targeted at would-be entrepreneurs that are looking for information about registering a company and direct users to the registration website. The campaign can be geographically targeted to the Świętokrzyskie and Podkarpackie regions. See Box 2 for sample terms of reference for the campaign and an cost projections.

When visiting a district court, an entrepreneur should have easy access to information about online registration. More assistance in this respect could be provided by information desks in district courts, which often serve as the initial information source via phone and at the courts. The personnel should be instructed to always inform people about registering a company online and the advantages of the S24 through simple messages (e.g., "Cheaper, faster, more reliable!"). It is recommended that the staff have practical experience using the S24 platform, to better assist clients with it. Also, it would be helpful to install terminals at courts to facilitate experiential learning about online registration, and courts should be prepared to issue trusted profiles to provide applicants with strong authentication of e-identity.

Subject of the call for offers: Online marketing campaign aimed at promoting a government service for online registration of companies

Campaign budget: PLN 9,000

Campaign duration: 3 months

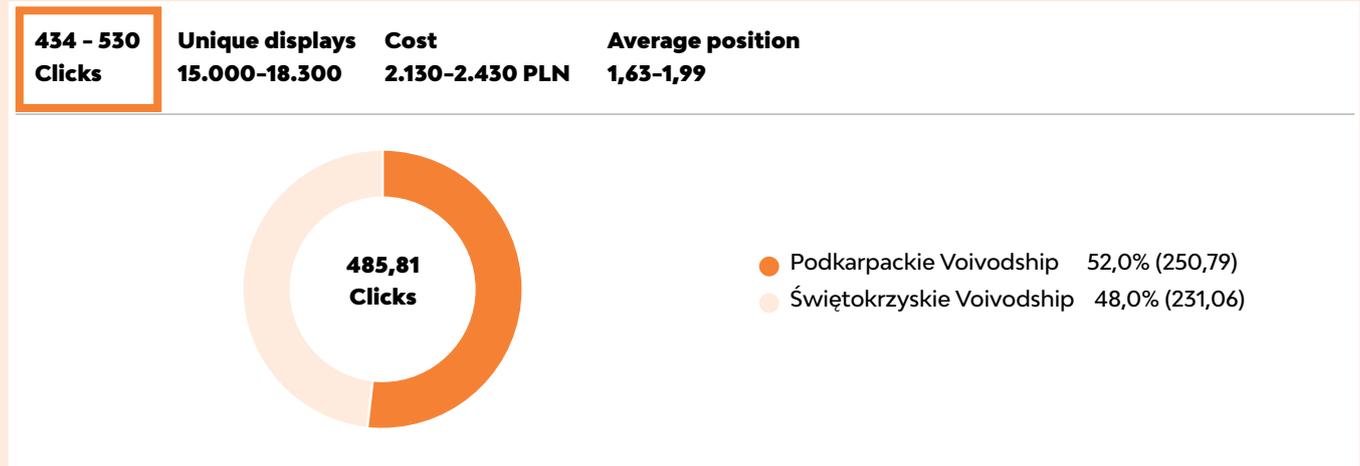
Target audience: potential registrants of limited liability companies

- **Geotargeting:** Świętokrzyskie and Podkarpackie regions

- **Key message:** "Online registration of a company – cheaper, faster, and more reliable."

- **Webpage to which web traffic is redirected:** <https://www.biznes.gov.pl/przedsiębiorcy/biznes-w-polsce/zakladam-firme/rejestracja-dzialalnosci/rejestracja-spolki-z-o-o>

Projection of monthly costs of online PPC advertising campaign



Example from PPC offer in response to World Bank request for proposals

"If you would like to lose time and money, please take the paper form. Otherwise, go to [biznes.gov.pl](https://www.biznes.gov.pl) to learn about the advantages of online registration."

S24 promotion through business support institutions and business associations.

Business support institutions and business associations are often used by start-ups as a first source of information about the regulatory environment. They should be informed about the benefits of e-registration and promote the S24 service to potential applicants through word-of-mouth. Efforts to promote the S24 should not be limited to the Chambers of Commerce in Kielce and Rzeszów, but also include other institutions such as business incubators and technology parks.

Printed promotional materials in courts and business support institutions will also help to generate awareness.

Posters and leaflets for the S24 awareness campaign should be displayed and distributed at information desks in courts, local business support institutions, and business associations. The materials should contain basic

information about the advantages of online registration, and direct people to [biznes.gov.pl](https://www.biznes.gov.pl) for further details and guidance. The campaign should use catchy or provocative phrases to grab people's attention (e.g., "If you would like to lose time and money, please take the paper form. Otherwise, go to [biznes.gov.pl](https://www.biznes.gov.pl) to learn about the advantages of online registration.>").

Online registration should be promoted via different media channels to reach the diverse pool of applicants.

Through local TV and radio stations, district court staff can promote the benefits of online registration to local businesses, while enhancing their business-friendly stance. This approach also complements the e-marketing campaign because it helps overcome potential applicants' psychological barriers (e.g. lack of confidence or sense of insecurity) about the online registration platform by first-time users.

Encouraging legal counsels and attorneys to use online registration

Online registration should be promoted amongst lawyers.

As Poland's judicial system transfers to digitization, it is important to reach out to and educate the legal community. Lawyers can be fairly easily reached through regional chambers of attorneys and legal counsels. Apart from disseminating information, these organizations could also run and organize practical trainings for its members, targeting those with limited digital competencies. Lawyers are viewed by the business community as reliable source of information, and will be invaluable for promoting the S24.

Improving usability of S24

Improved user experience could encourage broader use of S24.

The S24 homepage should include: all information an applicant needs for registration; and definitions of key legal notions and regulations (e.g., explanation of legal constraints with regard to company name). While filling in the form, the applicant should be guided by

tips popping up next to relevant boxes with guidance in plain language on how to fill out the application form. Design and content should focus on areas with elements, which can help applicants to avoid the most common errors in business registration, as listed in Table 2 on pages 12-13. These changes will reduce the number of returned applications (see Chapter 3). The usability of the S24 system should be also improved with foreign entrepreneurs in mind (see Box 3).

Improved company agreement templates should enable universal use of S24.

There are many ways to introduce flexibility into company agreements used by S24, such as:

- (i) Several types of templates;
- (ii) More optional clauses for the standard template;
- (iii) No template but the option to submit any company agreement.

To address the limited applicability of existing online templates, the MoJ is adding some with new clauses. It is advisable to ensure that these solutions are introduced and tested before the S24 platform is rolled out as a mandatory tool for business registration.

The applicant should be guided by tips popping up next to relevant boxes with guidance in plain language on how to fill out the application form. Their design and content should focus on areas which can help applicants to avoid the most errors in business registration

BOX 3 Online business registration by foreigners

Foreigners should be encouraged to use the S24. At present it is possible to register foreign legal or natural persons as partners or members of the board in the S24. Their identity can be verified in the system based on passport details instead of the PESEL number. However, the S24 service and user information are only available in the Polish language, making them inaccessible to foreign users. Also, certain aspects of foreign-related registration, makes it more time-consuming and less successful.

Recommendations at the national level:

- Foreigners should be required to upload via S24 passport scans and potentially other documents, to enable better verification and a swift criminal record check.

According to court clerks, the data provided on application forms by foreigners (e.g., passport number and name, often misspelled when transposed from Russian to Latin alphabet) is insufficient to identify the person and accurately verify their criminal record. More detailed information concerning foreign partners/board members could streamline and expedite the registration process.

- There should be accurate and reliable information in foreign languages about company registration in Poland.

The contents of the government's business registration website should be translated for foreigners. Also, the website should provide information relevant to foreign applicants, such as the documents required under Polish regulations (e.g., in connection with documenting a foreign legal entity's rules of representation, or proving that the parent single-partner company is not single-partner owned). At present, even though foreign-related cases constitute only a small portion of total inflow, errors by foreigners are in general one of the most frequent reasons for the return of applications.

- The S24 service should be available in other language versions.

The S24 should follow the practice of CEIDG service (Central Registry and Information on Business, used primarily by sole proprietorships), and the online registration form should be provided in foreign languages as well.

Source: World Bank staff

ACTIVITY 3

Recommendations for Easier Business Registration in the Świętokrzyskie and Podkarpackie Voivodships

3

REDUCING THE NUMBER OF RETURNED APPLICATIONS

3.1 Current situation

The registration process would be faster if applications were returned less frequently.

Currently, the process is undermined by the relatively high percentage (up to 35%) of returned or rejected applications. For businesses, a failed application doubles or triples the time needed to register a company. For courts, it creates an additional workload and contributes to backlogs. Reducing the number of returned applications could increase process efficiency and predictability.

For many years, the most frequent reason for rejection have been easy-to-avoid errors by applicants.

The form's complexity enables applicants to make numerous errors, resulting in rejection or return. The complex forms are not user-friendly because applicants are assumed to have a legal background or representative, resulting in application's rejection or return. At the same time applications can be also filed directly by entrepreneurs.

Inconsistent jurisprudence creates uncertainty for applicants and causes more applications to be returned.

Certain provisions are interpreted and enforced differently across regions, which makes it more difficult for businesses to comply.

A review of over 300 returned or rejected applications showed a divergent approach between courts in Kielce, Rzeszów, and Białystok regarding:

i) Company name – as to whether and to what extent it can resemble names of companies in the same region or elsewhere, whether it might be misleading about the company's activity, etc.;

ii) Industry classification in the application – whether it should be identical to the one in the company agreement;

iii) Degree of tolerance for obvious mistakes in a paper application.

Inconsistent interpretations are made not only between one region and another, but sometimes also between adjudicating staff in the same region. This results in legal uncertainties for businesses.

Paper applications

Paper applications are often returned on a multitude of grounds

(see Table 1). The applications are complex, making it difficult to register a company without prior experience or legal training. Based on the analysis of the most common reasons for returns, a guide for paper applicants could be developed to help applicants avoid critical mistakes. It should be available on government websites and disseminated among the staff of court information desks.

Online applications

Online applications usually fail because of a single, trivial mistake that can be easily avoided

(see Table 2). S24 reduced the amount of errors by using a template agreement and eliminating multiple appendixes. But, in research, based on the review of rejected or returned electronic applications, critical steps were identified where the S24 system leaves space for errors that could be avoided by upgrading S24/ offering additional guidance to users.

Table 1. Most common grounds for return or rejection of paper applications

Grounds for rejection or return of paper applications		Description
1	Failure to attach an obligatory appendix	There are a number of obligatory appendixes to be attached and signed by the applicant.
2	Rules of representation incorrect or inconsistent with the company agreement	The relevant box is often filled incorrectly, providing either too little, too much, or wrong information.
3	Unpaid court fees	An applicant has to cover court fees in advance (PLN 600);: registration fee (PLN 500) and publication fee (PLN 100). The publication fee is often missing.
4	Company name is already listed in the register or is misleading	The law requires that the company name should not resemble that of any of its competitors or be misleading as to the field of business activity. However, there seem to be different levels of rigor between Kielce and Rzeszów.
5	Error in company name or name of its branch	In many cases, companies provide the name of the company without the legal form, which is inadmissible. However, sometimes the person responsible for processing would not return such an application, but rather fill the missing part with a pencil. In some instances errors are related to the name of the branch (word "branch" missing or no indication of city location, e.g. "in Kielce").
6	Incomplete or lacking address of company seat	Company has to be registered under specific address, even though the company does not have to demonstrate a legitimate legal title to the location.
7	Member of the board with criminal record	Persons convicted for specific felonies and crimes are precluded from being appointed to the board. Such applications are rejected, which also results in the loss of court fees.
8	Inadmissible industry classification	Certain industry classifications (e.g., insurance, social security services) are not available to limited liability companies. When such activity is listed in company agreement, the application gets rejected.
9	Error in the name or details of the partner or board member	Applications often contain misspelled names, wrong registry numbers, incomplete or no address for natural or legal persons listed as partners or members of the board. Such errors cannot be amended.
10	Error in industry classification on the form	Under the law, the leading industry classification should be indicated on the form at the level of a sub-class (5 digits), and not more than 9 other areas of operation can be added (class or sub-class level permitted).
11	Late application	Paper application has to be submitted within 6 months following the signature of the agreement. In many cases this deadline is not kept due to multiple returns of the application. Under the circumstances, the applicant has to prepare a new agreement, which doubles the notary costs.
12	Wrong jurisdiction	The court can only register companies that have their seat in court's district. Misdirected applications are transferred to the competent court, which generates additional burden and prolongs the procedure.

Source: World Bank staff; review of most recent decisions to return or reject a paper application to register a limited liability company at KRS divisions in Kielce and Rzeszów. The table presents causes for rejection or return of application, starting from the most common ones.

Table 2. Most common grounds for return or rejection of online applications

Grounds for rejection or return of online applications	Description
1 Company name is already listed in the register or is misleading	The law requires that the company name should not resemble that of any of its competitors or be misleading as to the field of business activity. However, there seem to be different levels of rigor between Kielce and Rzeszów.
2 Wrong jurisdiction	The court can only register the companies that have their seat in court's district. Misdirected applications are transferred to the competent court, causing further burdens and delays.
3 Error in company name or name of its branch	Often, the name of the company includes the legal form ("spółka z o.o."), which is already pre-defined. If the application was accepted, the official company name would include legal form twice, which is inadmissible. The system does not allow this error to be rectified at a later stage. In some instances, errors concerned the name of the agency (the word "branch" missing or no indication of city location, e.g. "in Kielce").
4 Error in the name or details of the partner or board member	Applications often contain misspelled names, wrong registry numbers, incomplete or no address for natural or legal persons listed on the form, or wrong KRS numbers of companies that are partners.
5 Incomplete or lacking address of company seat	In many instances, the street name was missing while the house number was provided. It might indicate that the S24 form sometimes fails to synchronize with TERYT database. This obvious error might not be visible to the applicant before submission and it cannot be corrected at a later stage.
6 Late application	Online application has to be submitted within seven days following the signature of the agreement (in case of online template-based agreements).
7 Invalid company agreement – signed in breach of rules of representation of a parent company	If a company partners with its board member to incorporate another company, this board member cannot sign the agreement for both. Under such circumstances, Polish law requires that a proxy appointed by all partners represent the company
8 Incorrect date of company agreement provided on the form	The date of the company agreement execution is the date of the last signature of the partners, which is sometimes different than the one put manually on the form.
9 Inadmissible industry classification	Certain industry classifications (e.g., insurance, social security services) are not available to limited liability companies. When such activity is listed in company agreement, the application gets rejected.
10 Invalid or undocumented proxy	There are two types of proxy that can be used before KRS: a professional proxy (legal counsel or attorney) or an unqualified proxy who has an open-ended commission contract with the company. The applicants often use non-professional proxies but fail to document the open-ended nature of the relationship.
11 Member of the board with criminal record	Persons convicted for specific felonies and crimes are precluded from being appointed to the board. Such applications are rejected.
12 Lack of additional documentation from a parent company abroad	Foreign companies that want to incorporate a subsidiary often fail to provide necessary documents to present the rules of representation. Additionally, Polish law does not permit the establishment of a LLC with a single partner by another LLC with a single partner. Foreign companies that are unaware of this provision usually fail to document the status accordingly.

Source: World Bank staff; review of most recent decisions to return or reject online applications to register a limited liability company at KRS divisions in Kielce and Rzeszów. The table presents causes for rejection or return of application, starting from the most common ones.

3.2 Recommendations at the national and regional level

Automatic validation of online applications

Applicant mistakes can be avoided by upgrading the current S24 service.

It is helpful to guide users through the online form, but also to limit their choices and auto-fill as many elements as possible, in order to eliminate potential mistakes. The process should be expedited as more

information is automatically verified instead of by court approval. The gold standard for online forms is that the system, by design, precludes any invalid applications from being submitted and assists the client in completing the form correctly. Table 3, below, presents some practical recommendations to update the S24 system to eliminate applicants' most frequent mistakes.

Table 3. Limiting returned applications – recommendations for the S24 service

Frequently observed grounds for rejection or return of S24 application	How should S24 be upgraded to eliminate the problem?
Company name is already listed in the register or is misleading	The form should automatically verify if the name is similar or identical to the existing one, instructing the applicant about relevant legal requirements. Legal requirements concerning a company name should be explained in a tooltip next to the box.
Wrong jurisdiction	S24 should automatically select the jurisdiction that matches company address.
Error in company name or name of its branch	The form should provide guidance in a tooltip next to the box, on how to complete the box (it could include a positive and a negative example). Alternatively, the system could automatically verify and reject certain phrases (e.g., "spółka z o.o.") if included in the box.
Error in the name or details of the partner or board member	Whenever possible, details such as addresses, names, registration numbers of legal entities, etc. should be automatically verified by the S24 system.
Incomplete or lacking address of company seat	The S24 system should automatically verify whether the full address has been provided, and it should disallow submission of incomplete applications.
Late application	The system should automatically verify the date of the company agreement signature to prevent late submissions and instruct the applicant how to rectify the situation if this does occur.
Invalid company agreement – signed in breach of rules of representation of a parent company	The S24 system should preclude the situation when the same person represents two partners, i.e. oneself and a parent company (as a board member) by cross-verification of relevant boxes.
Incorrect date of company agreement provided on the form	The system should fill this box automatically, using the date of the last electronic signature of the partner.
Inadmissible industry classification	The S24 template company agreement should preclude industry classifications for which LLCs are not eligible.
Invalid or undocumented proxy	The relevant box should provide a drop-down menu to pick the type of proxy from available options. Legal requirements for proxies should be explained clearly in a tooltip next to the box.
Member of the board with criminal record	Criminal registry could be verified automatically by the S24 system before submission, to preclude the submission of ineligible applications to the register.
Lack of additional documentation from a parent company abroad	Using the S24, it should be possible for a parent company abroad to attach required documentation. Legal requirements should be explained in a tooltip next to the box.

Source: World Bank staff

Guidance for business users on how to avoid the most common mistakes

Practical guidance on the registration procedure will reduce the number of failed application cases. It is particularly important for expediting the paper-based process, where multiple mistakes are commonly made. However, assistance for businesses will also help to reduce errors in the online system.

The government website should provide guidance presented in simple language and with a user-friendly layout. The information provided should target the questions on which the applications most frequently fail, as listed in Tables 1-2. The guidance can take the form of practical FAQ on key issues, a checklist that names all prerequisites of a successful application (documents, deadlines), and/or a glossary with explanatory definitions of key legal terms and relevant legal regulations (e.g., regarding the name of the company). Currently, the government website, www.biznes.gov.pl, attempts to provide such support, but the information is incomplete and scattered over multiple webpages which are not interlinked and difficult for users to find.

Court information desks play an important role in reducing the number of failed application cases. Direct communication with the applicants who visit or call the court in search of guidance on the registration procedure is an opportunity to avoid returned or failed applications. An easily accessible and competent information desk may significantly reduce the amount of applicants' mistakes and the workload of the KRS division. It is crucial to ensure that the applicants can receive help from experienced staff who are up to date on legislative developments and local jurisprudence.

Alignment of divergent interpretations within and across the regions

Adjudicating staff should make a conscious effort to try to eliminate inconsistent interpretations of provisions applicable to registration. Divergent interpretations naturally occur in a decentralized court system. They are difficult to overcome, because registration cases seldom reach the Supreme Court, which could provide a standardized interpretation. Yet, several initiatives could be taken to address this issue:

- i) Organize regional and interregional meetings of adjudicating staff, to review recent cases as well as reconcile the divergent interpretations of new legislative provisions;
- ii) Incorporate registration cases into the curricula of the National School of Judiciary and Public Prosecution (Krajowa Szkoła Sądownictwa i Prokuratury, KSSiP);
- iii) Issue aide-memoires and instructions by the Ministry of Justice.

British www.gov.uk is an example of a good practice in providing guidance on business registration. Graphic layout of GOV.UK is clean and it houses links to all communication materials necessary for registration of a private limited company at one site.

The screenshot shows the GOV.UK website page for 'Set up a private limited company'. The page is clean and organized, with a clear navigation structure. The main heading is 'Set up a private limited company', followed by a numbered list of steps: 1. Setting up, 2. Choose a company name, 3. Company address, 4. Appoint directors and a company secretary, 5. Shares and shareholders, 6. Memorandum and articles of association, 7. Register your company, and 8. Register for Corporation Tax. The '1. Setting up' section is expanded, providing detailed information on how to run a private limited company, including its legal separation, separate finances, and the need to register with Companies House. It lists the requirements for setting up a company, such as a suitable name, address, and director, and also mentions the need for shareholders to agree to create the company and the written rules (known as 'memorandum and articles of association'). The page includes a 'Next' button with a right-pointing arrow and the text 'Choose a company name'. At the bottom, there are links for 'Print entire guide', 'Last updated: 27 March 2017', and 'Is there anything wrong with this page?'. The footer contains a grid of links for 'Services and information' and 'Departments and policy', along with the GOV.UK logo and copyright information.

Secure <https://www.gov.uk/limited-company-formation>

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Home > [Business and self-employed](#) > [Running a limited company](#)

Set up a private limited company

- Setting up
- [Choose a company name](#)
- [Company address](#)
- [Appoint directors and a company secretary](#)
- [Shares and shareholders](#)
- [Memorandum and articles of association](#)
- [Register your company](#)
- [Register for Corporation Tax](#)

1. Setting up

You can run your business as a private limited company. This means the company:

- is legally separate from the people who run it
- has separate finances from your personal ones
- can keep any profits it makes after paying tax

What you'll need to do

To set up a private limited company you need to register with Companies House. This is known as 'incorporation'.

You'll need:

- a [suitable company name](#)
- an [address for the company](#)
- at least one [director](#)
- [details of the company's shares](#) - you need at least one shareholder
- to check what your [SIC code](#) is - this identifies what your company does

You'll also need:

- shareholders to agree to create the company and the written rules (known as '[memorandum and articles of association](#)')
- details of [people with significant control](#) over your company, for example anyone with more than 25% shares or voting rights

Once you have these details, you can [register your company](#).

Next >
[Choose a company name](#)

[Print entire guide](#)

Last updated: 27 March 2017

[Is there anything wrong with this page?](#)

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- [Crime, justice and the law](#)
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Source: <https://www.gov.uk/limited-company-formation>

BOX 5 Guidance provided by court staff – a survey

Practical guidance on the registration procedure by experienced court staff will reduce the number of failed applications. In Rzeszów, there is a customer information desk in the main hall of the court, but it does not serve KRS clients. Their calls and visits are redirected to the KRS division, and not all clients are persistent enough to find the division. In Kielce as well, the general information desk in the main building of the court does not serve KRS clients. There is, however, a separate information desk for KRS in the division building. Both in Kielce and in Rzeszów, the court staff was able to correctly answer customer's questions about parts of the form that are commonly filled incorrectly. It is important to keep this level of quality of customer service, especially since increasingly all communication with clients is being handled by information desks rather than the KRS division.

QUESTION	Answer provided by KRS staff	
	Kielce	Rzeszów
How should I fill in the form in the area of the company name box? Should I include the legal form (spółka z ograniczoną odpowiedzialnością) in full or in an abbreviated version (sp. z o.o.) in box 28 of KRS-W3 form?	Correct answer: Put the full name including the legal form with no abbreviation, as it is written in the company agreement.	
	✓	✓
Who should sign the paper application and the appendixes?	Correct answer: The application and all the appendixes should be signed in accordance with the representation provided in the company agreement.	
	✓	✓
How should I fill the appendix on KRS-WM industry classification if my company agreement provides for more than 10 items, some at a class level (two digits) and some at a sub-class level (five digits)?	Correct answer: Pick maximum 10 items to fill the form. At least one of them – the leading industry classification - should be provided at a sub-class level (five digits).	
	✓	✓

Source: World Bank staff

ACTIVITY 3

Recommendations for Easier Business Registration in the Świętokrzyskie and Podkarpackie Voivodships

4

EXPEDITING APPLICATION PROCESSING

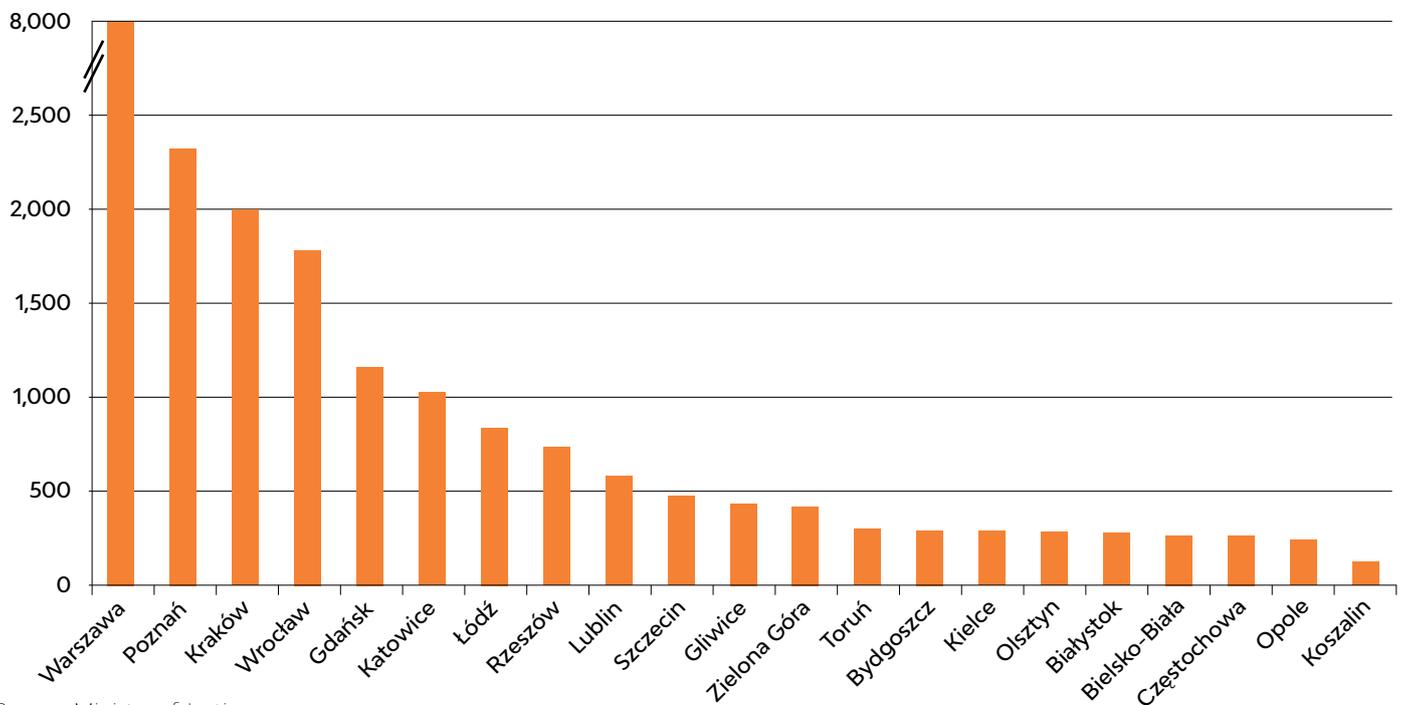
4.1 Current situation

Workload and resources

Podkarpackie and Świętokrzyskie voivodships are served by the two divisions of the national court registry with small to medium-size loads of cases. In the first half of 2016, around 22,000 LLCs were registered in

updating the registry, collecting financial statements, and deregistering the entities that no longer exist. Less than 10% of the caseload in Rzeszów was related to new companies. In Kielce, first registrations were also less frequent than registry updates and other tasks.

Figure 4. Number of LLCs registered in the first half of 2016



Source: Ministry of Justice

Poland. Over 70% of these firms were registered in Warsaw and major Polish cities (Kraków, Łódź, Poznań, Gdańsk, Wrocław). Rzeszów and Kielce are home to a small and medium-size KRS division, which registered about 300 and 750 LLCs, respectively, in the first six months of 2016 (see Figure 4 below).

Registration of new firms represents a small share of the workload of the KRS divisions. In 2015, the KRS division in Rzeszów handled approximately 25,000 cases. The majority of staff time was spent on existing companies -

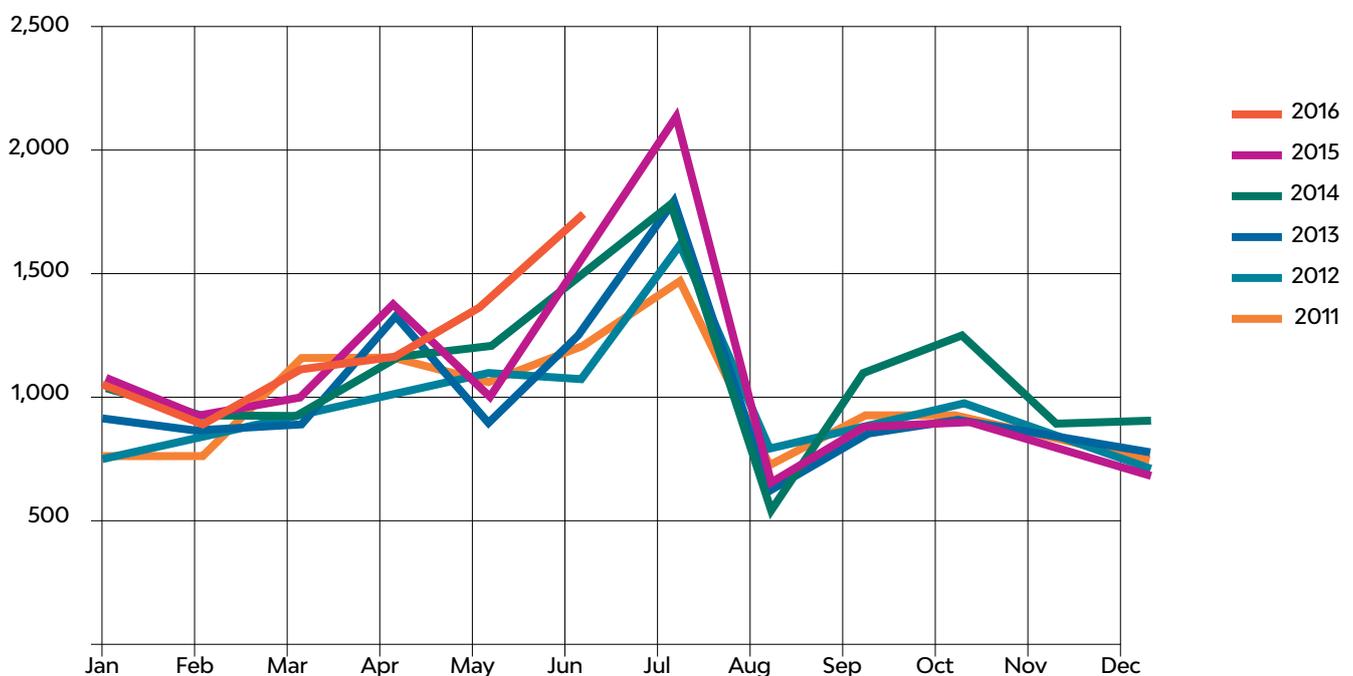
There are backlogs due to seasonal spikes in the number of cases. Backlogs take many months to be eliminated and delay new registrations. This problem is particularly severe during the summer, when staff is on vacation and the inflow of cases nearly doubles due to financial reporting obligations of incorporated companies. Figure 5 illustrates this problem based on five-year data from the KRS division in Białystok, a city in Eastern Poland. Seasonal variation has been also confirmed during interviews in Kielce and Rzeszów.

KRS divisions in Kielce and Rzeszów have a similar organizational structure, with four occupational groups: judges, judicial clerks, clerk assistants, and specialist assistants.

A judge heads the division, as mandated by the Public Courts Act of 2001. Cases are managed by judicial clerks (who are trained lawyers) and, issue decisions independently, and report to the head of their division. Judicial clerks are hired on regular employment contracts, but they have the option of a flexible work schedule, provided they close a certain number of cases per month. Additionally,

each division has a team of personal and specialist assistants who are supervised by the head secretary. Assistants are hired on regular employment contracts, but they have no performance targets and are required to complete 40-hour workweeks. Clerk assistants are assigned to judicial clerks and usually do not work with more than one clerk. Specialist assistants are not assigned to clerks but perform shared tasks for the entire division, e.g. entering data into the registration system. The heads of the KRS division and the head secretary have deputies, who act on their behalf in their absence.

Figure 5. Case inflow in the KRS division in Białystok



Source: District court in Białystok

Table 4. Staff in KRS divisions (active FTE)

	Kielce	Rzeszów
Judges	2 (including 1 head judge)	0.5 (= head judge)
Judicial clerks	6	8
Clerk assistants	10 (including 1 head secretary)	9 (including 1 head secretary)
Specialist assistants	7	5

Source: Interviews in Rzeszów and Kielce district courts

There are differences in the organization of services shared among court divisions.

KRS divisions make use of two shared functions: customer service and reception/document registration. In Kielce, KRS specialists at the customer service desk are the employees of the KRS division. In Rzeszów, there are no KRS specialists at the customer service desk, and inquiries are sent directly to KRS division. In Kielce and Rzeszów, employees at reception and the document registration desk are assigned to an administrative unit supporting all court divisions, but in practice the bulk of document registration is still performed at the KRS division.

There is a diversity amongst employees in the KRS divisions in Kielce and Rzeszów.

Different age groups are represented and young staff members work alongside more experienced, older staff. There is gender balance among clerks (though women are overrepresented among assistants). Court clerks have different specialties and interests, but share similar training, as they are recruited from among graduates of the National School of Judiciary and Public Prosecution (Krajowa Szkoła Sądownictwa i Prokuratury, KSSiP). A number of recent hires in Kielce and Rzeszów are top graduates of KSSiP, suggesting that KRS divisions do not have difficulties in attracting talent.

Few training opportunities are available.

While KSSiP and the MoJ regularly offer trainings for district court employees, they rarely target KRS divisions (and when they do, the number of applicants exceeds the number of available places). There is also limited experience sharing between KRS divisions in different cities of the same region and across Poland. Staff meetings at local divisions are held regularly and are conducive to the exchange of information on difficult cases, thus contributing to mutual learning.

Workflow

KRS divisions in Kielce and Rzeszów follow similar 17-step work routines, but there is some variation in the allocation of individual tasks.

Table 6 shows the standard protocol for paper registration. Applications from new registrants are first recorded in a case management system (CMS) administered by the Ministry of Justice (steps 1-3). In Kielce, this is done at the document registration desk. In Rzeszów, KRS specialist assistants handle registration. The head of the division assigns a registered case to a judge or a judicial clerk (step 4); this task can be also automated in CMS or delegated to a head secretary. The court assistant supporting the clerk in charge of a case prepares a case file (step 5), which contains the application and supporting documents (e.g., proofs of payment). A legal clerk verifies the application, recommends an action, and returns the file to the assistant (step 6), who records the clerk's recommendation in the CMS (step 7). A specialist assistant then enters the data about the new business into the registration system (step 8). Once this step is completed, the clerk's assistant will send an electronic query to the Registry of Convicts (step 9) to verify board members' criminal record. This background check may take one minute or up to several days, depending on the availability of personal details and complexity of the case. Other background checks are also conducted (e.g. verifying whether there might be a business already operating under the name proposed in the application). The clerk's assistant then drafts the decision and supporting documents for the decision (step 10). These documents are signed by the judicial clerk/judge (step 11). The clerk's assistant records the decision in the CMS (step 12) and submits (or asks a specialist assistant to submit) the details about the new firm to the central database administered by the MoJ (step 13). The clerk's assistant then sends the decision by registered post to the applicant (step 14), and records if the decision was received (step 15). Finally, the judicial clerk, the judge, or the head secretary confirms with their signature that the business was registered (step 16), and assistants archive the case file (step 17).

While KSSiP and the MoJ regularly offer trainings for district court employees, they rarely target KRS divisions. There is also limited experience sharing between KRS divisions in different cities of the same region and across Poland

Table 5. Typical workflow for business registration

Task	Task owner
1 Application is stamped	Registration point
2 Preliminary registration of application (application date and type and business entity category are entered in the CMS, payment of court fees is verified, and a case number is assigned)	Registration point/specialist assistant
3 Full registration of application (information about appendixes, applicants, and their legal representatives is entered in the CMS)	Registration point/specialist assistant
4 Case is assigned to a clerk	Office head on behalf of the head judge/CMS
5 Case file is prepared	Clerk assistant
6 Case is analyzed and decision is recommended	Judge/judicial clerk
7 Recommendation is recorded in the CMS	Clerk assistant
8 Data from the application is entered in the RS	Specialist assistant
9 Registry of Convicts and other databases are checked in the CMS	Clerk assistant
10 Draft decision and "non-compliance/non-confidence protocols" are prepared in the CMS (formal obstacles to registration are documented, e.g. a wrong ID number, wrong industry classification, duplicate name, criminal record, etc.)	Clerk assistant
11 Documents are reviewed and decision is signed	Judge/judicial clerk
12 Decision is recorded in the CMS	Clerk assistant
13 Data is submitted to the CDB to obtain tax identification number (NIP) and REGON number	Specialist assistant/clerk assistant
14 Decision is sent by registered post, a record is made in the CMS, and a proof of receipt is filed	Clerk assistant
15 Proof of receipt is recorded in the CMS	Clerk assistant
16 Business registration is confirmed	Judge/judicial clerk/office head
17 Case file is archived	Office head/clerk assistant

Note: CMS = case management system, RS = registration system, CDB = central database, NIP = tax ID

Workflows are similar for both paper and electronic registrations.

This is because electronic applications are printed by the KRS division. The Ministry of Justice requires that electronic applications should be processed within three working days. The application is then processed using the standard protocol described above. The KRS staff in Rzeszów and Kielce is aware of this requirement, and prioritize

reviewing electronic applications. Both divisions meet the ministry's target, but do so at the expense of other cases. A challenge to address in electronic applications is the manual entering of data submitted by firms in the online form into case management and registration systems. Once a decision is made, a notification is signed electronically and sent to applicants by e-mail.

Application processing is expedited by several process-related innovations, namely:

- The head of the KRS division in Kielce authorized the head secretary to assign cases to clerks automatically in the CMS, based on a simple algorithm. Cases are reassigned manually only in exceptional situations, such as a sick leave.
- The back office of the KRS division in Rzeszów has merged steps 2 and 3 (entering the data into the CMS) with step 8 (entering the data into the RS) for electronic applications. The registration system is populated with data at the beginning of the process. This means that cases which end up being returned or rejected are still entered into the system as

drafts; if a firm is not registered, these draft entries are deleted. While this change produces seemingly redundant tasks (entering and deleting some entries in the RS), it simplifies the workflow: judges/judicial clerks do not have to review an application twice, and the delays resulting from a frequent exchange of documents are minimized.

- In Białystok, the KRS division delegates one to two employees to the customer service desk. They have access to the case management system and can respond to queries from business registrants. As a result, the head of the division and the office, clerks and their assistants can focus on handling cases without being disrupted.

4.2 Recommendations at the national and regional level

Avoid backlogs with the help of periodic re-assignments

One of the biggest challenges for the KRS divisions in Kielce, Rzeszów and other cities in Poland is managing the increase in cases during the summer. Once a backlog is created during this time, it takes up to a year to reduce it and, subsequently, all cases are delayed. The district court in Białystok addressed this problem by offering paid internships to young graduates (mostly with bachelor degrees) who have their first work experience, and it addresses the shortfall in staff capacity. These internships are offered on the basis of the Graduate Internship Act of 2009 and they have been successfully applied to avoid backlogs in other regions of Poland.

In addition, staff could be temporarily transferred to the KRS from non-KRS divisions, pursuant to the labor code. Given that judges are entitled to a longer vacation (up to 38 days) than assistants (up to 26 days), and the number of judges is disproportionately larger in other divisions than in KRS, assistants in non-KRS divisions have spare capacity and could be trained to support the KRS division during summer. Transferring assistants to divisions with an occasionally or seasonally high case volume could also limit delays if there is no spare capacity at the assistant level (see Box 6).

BOX 6 Reducing delays resulting from backlogs

Consider two divisions of a court with one assistant each. Each division, at 100% capacity, receives and processes one case per day.

A backlog is created if the number of new cases exceeds those that are processed. This will happen, for instance, if the number of cases in division B triples and the capacity remains unchanged. This situation is depicted in the table below. Division B has received three cases on Day 1, but with the current resources it is able to process only one case that day and will handle the second case on Day 2 (1 day delay), and the third case on Day 3 (2 days delay). As a result, the case arriving on Day 2 will be dealt with on Day 4, and so on. The spike in cases on Day 1 will lead to a total of three days of waiting time for the cases arriving on that day (and two days for the single case arriving the next day and each of the following days).

	Division A			Division B		
	Inflow	Outflow	End-of-day backlog	Inflow	Outflow	End-of-day backlog
Day 1	1	1	0	3	1	2
Day 2	1	1	0	1	1	2
Day 3	1	1	0	1	1	2
Delay	0 days			1 day for the 2nd case from Day 1 2 days for the 3rd case from Day 1 2 days for case from Day 2 2 days for case from Day 3		
TOTAL DELAY: 7 DAYS						

Can the delay be reduced if the assistant is transferred from Division A to Division B? Such a reassignment will inevitably create a backlog in Division A, but it will also help minimize the number of waiting days for the divisions' clients." This is shown in the table, below. The total number of delayed days is smaller when two assistants work in the division with the larger inflow of cases than when they work at full capacity in two separate divisions.

	Division A			Division B		
	Inflow	Outflow	End-of-day backlog	Inflow	Outflow	End-of-day backlog
Day 1	1	0	1	3	2	1
Day 2	1	1	1	1	1	1
Day 3	1	1	1	1	1	1
Delay	1 day for case from Day 1 1 day for case from Day 2 1 day for case from Day 3			1 day for the 3rd case from Day 1 1 day for case from Day 2 1 day for case from Day 3		
TOTAL DELAY: 6 DAYS						

Source: World Bank staff

Pool resources

Currently, four types of professionals work in KRS divisions (judges, judicial clerks, clerk assistants, and specialist assistants), but there are essentially two types of tasks performed by these employees:

- i) entering the data into IT systems and back office support;
- ii) judicial review of applications.

While it is widely recognized that both judicial clerks and judges can review applications, the work of assistants is divided into two exclusive job categories, causing bottlenecks and delays. This fragmentation of staff duties is particularly problematic when specialist or clerk assistants are on leave.

It is recommended that specialist and clerk assistants are trained to perform all types of assistants' tasks, provide back office support throughout the entire business registration process, and are assigned to clerks/cases on a rotating basis. The last of these recommendations can be implemented in phases (for instance, at the beginning, two assistants can be assigned to two clerks, then three assistants to three clerks, etc.).

Reduce the complexity of the registration process through system integration and process re-engineering

An application is currently processed in 17 steps and four IT systems (S24, CMS, RS, CDB), which are not fully integrated. More steps can lead to more errors, and thus likely applications delays. Integration of IT systems, therefore, will simplify the registration process. Today, the data entered online by registrants is not uploaded to the IT system used by court staff. In addition, similar data is entered into the case management system and registration system. The systems could also be more user-friendly, as KRS assistants spend a significant amount of time filling out forms and templates with information that could be automatically generated.⁴

The recommended workflow for business registration should rely on online submissions, and the number of work steps should be reduced from 17 to five. Table 7 presents the recommended workflow for business registration. IT system integration can help eliminate as many as seven steps. Encouraging the judges and judicial clerks to use existing electronic features (such as automatic case assignment to judicial clerks) and to review applications electronically can eliminate two additional steps. Another two steps can be removed if registration decisions are published online instead of being sent by registered post, and electronically certified confirmations are downloaded on demand.

The work of assistants is divided into two exclusive job categories, causing bottlenecks and delays. This fragmentation of staff duties is particularly problematic when specialist or clerk assistants are on leave.

Table 6. Recommended workflow for business registration

1	Automatic validation of registration form (personal ID, industry classification, duplicate name, convict records etc.)	Integrated IT system
2	Automatic validation of application (payment, appendixes, etc.)	Integrated IT system
3	Formal review of application	Assistant
4	Judicial review	Judicial clerk
5	Publication in online business registry	Assistant

Source: World Bank staff

⁴ For instance, assistants need to handwrite on each of the draft registration decisions that the application was reviewed without hearing. This is an obvious formula in the case of business registration, but inserting it 45,000 times for all newly registered LLCs in Poland wastes 90 workdays.

The process can be simplified, even without the implementation of an integrated IT system by the Ministry of Justice.

If the registration process is re-engineered so that assistants are trained to do all formal checks on applications, an additional step will be eliminated and judicial clerks will not have to deal with an application twice and memorize (or re-examine) its content. This is feasible using existing tools and resources.

In addition, staff can be motivated by more flexible work hours.

Flexible work arrangements respond to their needs and demonstrate employer interest in employee welfare. Currently, judicial clerks are entitled to flexible work hours, while assistants have fixed schedules. It is recommended that all staff of the KRS division, irrespective of their job position, have flexible start and end hours.

Incentives for staff to process more cases

At present, the employees at KRS divisions in Kielce and Rzeszów have limited incentives to perform above expectations.

Judicial clerks are given a target number of cases to close during a month, but they are not rewarded for managing more cases than expected. Assistants have no targets and no incentives.

Experience from the district court in Białystok shows that performance pay mechanisms can be successfully used in KRS divisions.

In Białystok, assistants at the KRS division have specified targets of cases that they have to handle in a month. In addition, they have been offered additional pay (Polish *dodatek*) if they exceeded these targets. The additional pay is different from the customary reward payments used in the Polish public sector because they are disbursed based on pre-agreed levels and the funds for these extra payments are guaranteed. Staff has been shown to handle more cases on a daily basis for a fraction of the salary of new employees. Staff and management praise this mechanism as a transparent and efficient tool for dealing with a seasonal increase of workload in the KRS divisions.