

*Our latest note shows how the rich administrative data already collected by many governments can be used to evaluate a policy reform, and provides an example where impact evaluation reveals that a policy didn't work as well as intended.*

## **The impact of expanding simplified start-up procedures to more remote areas: The Minas Fácil Expresso program**

*Miriam Bruhn and David McKenzie*

Reforms to make it easier to register a business are the most common type of reform tracked by *Doing Business*, with over 75 percent of countries adopting at least one reform in this area over the past decade. One of the most popular types of reforms is to set up a “one-stop shop” by integrating different registration steps with different levels of government into a single streamlined process.

In larger municipalities this one-stop shop can be a physical office that firms can come to. The State of Minas Gerais in Brazil introduced such offices into 31 of the state's 853 municipalities covering the more populous municipalities with highest levels of firm registrations. The simplifications resulted in a reduction from 8 to 4 procedures required to register, and a reduction in the time taken to register from 28 to 9 days.

However, such offices are expensive to set-up and maintain, and so the challenge facing policymakers is whether they can extend such services to less populous municipalities, and if so, what the impact is?

### **Minas Fácil Expresso**

In order to extend the one-stop shop concept to more of the municipalities in a cost-effective way, the state began a program called Minas Fácil Expresso (Minas Easy Express). This involved setting up a system to mimic the one-stop shop within existing municipal offices, but with documents received from entrepreneurs scanned and emailed into the central offices instead of processing them onsite.

In the absence of this program, firm owners would have had to travel to their municipal office to register at this level, and then separately into a large city to register at the state and federal levels.

Deploying an express unit costs approximately 40,000 Reais (US\$19,000) for the first year, which includes the cost of training, computer equipment, furniture, and running costs. The goal was to increase the opening of formal businesses in these municipalities, and as a result, also increase tax receipts by bringing more firms into the formal system.

### **Evaluating the Impact**

The State Government set a target of opening 50 Minas Fácil Expresso offices by the end of 2011, and then expanding further to the rest of the state. An initial list of 50 municipalities was selected based on the volume of registrations occurring in 2010, as well as whether the municipalities had expressed interest in having the program. In practice actual implementation occurred for 32 of these 50 municipalities, beginning in September 2011, along with a further 23 municipalities for a total of 55 municipalities by the end of August 2012.

To evaluate the impact of this program, we use administrative data on the number of firms registering in each municipality in each month, as well as monthly municipal tax collected.

The typical municipality in which this program was introduced had a population of 56,000, and averaged 12 firms per month registering in the year before the

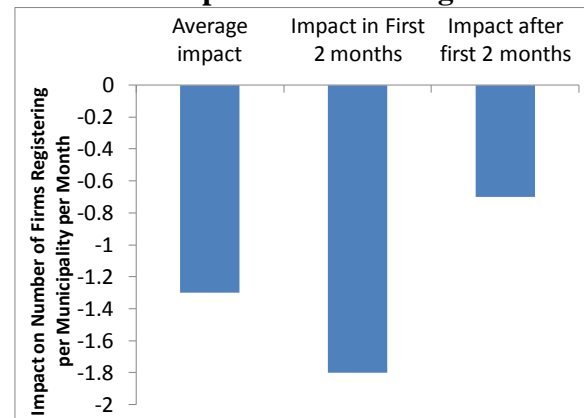
new program was introduced. These numbers are much smaller than in the 31 municipalities with physical offices, but larger than the averages for the remaining 767 municipalities.

We therefore combine propensity-score matching with difference-in-differences to obtain an appropriate counterfactual for what the registration rates would have looked like in the absence of the intervention. Nearest neighbor matching on 36 months of pre-intervention data enables us to obtain control municipalities which have very similar pre-intervention trends to the treated municipalities. As a second control group, we also use the set of municipalities where the offices were planned, but had not yet been implemented.

## Results

- We estimate that introducing the Minas Fácil Expresso units actually led to a **drop in the number of registrations**: 1.3 fewer firms registered per month per treated municipality, a 10.4 percent fall in registrations (figure 1).
- This impact appears to be largely concentrated in the first two months after the new units opened, but there is also no evidence of subsequent catch-up.
- We find no significant increase in total tax receipts in the municipality.

**Figure 1: Summary of Estimated Treatment Impacts on Firm Registrations**



## Implications

The results are consistent with other recent experimental evidence that calls into question the view that most informal firms would really like to formalize, but are just hampered from doing so by burdensome regulations (e.g. see [Impact note 17](#)). Instead most firms may see very little benefit from formalizing. This is particularly likely to be true as one considers firms in more remote municipalities.

As a result, policymakers need to reconsider the cost-benefit to both private informal firms, and to the state, of trying to bring these informal firms into the formal sector. If they wish to bring such firms in, increasing the benefits of being formal, and increasing the costs of informality through more enforcement are likely to be needed.

More generally, this impact evaluation provides an illustration of how municipal administrative data can be used to quickly and cheaply evaluate the impact of municipal-level reforms. The data and Stata do files used to conduct this analysis are available in the World Bank's microdata library to aid others who wish to follow this approach.

[For further reading see:](#) Miriam Bruhn and David McKenzie (2013) "Using Administrative Data to Evaluate Municipal Reforms: An Evaluation of the Impact of Minas Fácil Expresso" [World Bank Policy Research Working Paper no. 6358](#)

*Recent impact notes are available on our website:* <http://econ.worldbank.org/programs/finance/impact>