

## Technical Assistance Facility for Latin America and the Caribbean

### SIMPLIFYING MUNICIPAL BUSINESS REGULATIONS IN GRANADA, LEÓN, AND MASAYA (NICARAGUA)

**Project dates:** October 2004 – June 2006

**Country:** Nicaragua

**Partners:** Nicaragua Chamber of Commerce (CACONIC), Association of Municipalities in Nicaragua (AMUNIC),  
Presidential Commission on Competitiveness (CPC)

**Sponsors:** Swiss Secretariat for Economic Affairs (seco), IFC

Starting a new business in Nicaragua takes 42 days, according to *Doing Business in 2006*, a marked improvement from the *Doing Business in 2004* results (71 days)—but still far from Australia’s global best of two days. Much of the credit for the improved results belongs to the creation of a “one-stop window” for complying with business regulations in Managua (where the Doing Business indicators are measured). However, for businesses operating outside the capital, starting up can still be a lengthy, complicated process.

IFC’s Technical Assistance Facility for Latin America and the Caribbean, with funds from the Swiss Secretariat for Economic Affairs (seco), has brought together local governments from three cities (Granada, León, and Masaya) to simplify municipal procedures for obtaining operating licenses. Granada and León are old colonial cities that now mix tourism and industry as their main economic activities while Masaya, a short distance from the capital, is a vibrant town of artisans. Smaller businesses represent approximately 95% of all firms in these three cities, and more than half of them operate in the informal sector.

All three municipalities recognized that they had significant levels of informality, that their registration processes were bureaucratic and burdensome, and that their information systems were archaic or non-existent. None had even basic information available on the level of demand for licenses or average days to complete the process. However, each of the mayors was committed to change, and all embraced the reform process. Each named highly qualified and committed technical teams as counterparts to the consultants placed in the municipalities.

During the diagnostic, it became clear in all of the municipalities that the process of getting a license crossed several departments that required and reviewed identical information from the entrepreneur and yet were unaware of each other’s activities. It also became obvious that, despite relatively low numbers of applications on a daily basis, the process in each municipality lacked fluidity and frequently became backlogged. In addition, the analysis uncovered some unexpected but important issues, such as zoning requirements not being applied to the business licensing process in Masaya.

The detailed information produced by the diagnostic was a shock to the municipalities and proved to be a great motivator for reform. The level of overlapping duties was unknown to the section managers, and the complexity of the process for the client had never been fully appreciated by workers in the municipalities. In response, the three municipalities agreed to implement a single unified reform so that now the process will be exactly the same in all of them.

All of the municipalities now divide license applicants by risk categories. Those with low risk (e.g. commerce, services, restaurants) will receive their license in a day or less, and those in higher risk categories (nightclubs, some manufacturing and all heavy industry) will require slightly more time to allow for the necessary inspections prior to approving the license.

By mid 2006, the project was already reporting positive and promising results. Across the three municipalities, the reform reduced the number of days to register a new business by an average of 80 percent, from 18 days to one. The data also showed an increase in registered businesses in Masaya, from 89 in 2005 to 300 in the first four months of 2006. IFC is working with the Nicaraguan Chamber of Commerce (CACONIC) and the Association of Nicaraguan Municipalities (AMUNIC) to create public awareness of and demand for simplification, ensuring reform sustainability.