



Building Business Friendly and Competitive LGUs

*League of Local Planning and Development
Coordinators of the Philippines, Inc.*

*Iloilo City
23 May 2017*

*“Reforms to ensure **competitiveness** and promote **ease of doing business** will be mandatory. Reacting to these needs, the restrictions on the economy will be needed to make more investments to come and to develop labor-intensive industries such as manufacturing, agriculture and tourism shall be pursued.”*



State of the Nation Address (SONA) 2016



10-POINT SOCIO-ECONOMIC AGENDA

1. Continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies.
2. Institute progressive tax reform and more effective tax collection, indexing taxes to inflation.
- 3. Increase competitiveness and the ease of doing business.**
4. Accelerate annual infrastructure spending.
5. Promote rural and value chain development.
6. Ensure security of land tenure to encourage investments, and address bottlenecks in land management and titling agencies.
7. Invest in human capital development, including health and education systems, and match skills and training.
8. Promote science, technology, and the creative arts to enhance innovation and creative capacity.
9. Improve social protection programs, including the government's Conditional Cash Transfer program.
10. Strengthen implementation of the Responsible Parenthood and Reproductive Health Law.



WHAT DO WE COMPETE FOR?









MICHAEL CINCO

DRUM





INVESTMENTS



TRADE



JOBS



TOURISTS



PEOPLE



It's more fun in the Philippines

Arturo P. Boncato, Jr.
PROTECTOR GENERAL
© 2013

IMAGE/BRAND

#LabanLang





NATIONAL
COMPETITIVENESS
COUNCIL | PHILIPPINES

CULTIVATING GLOBAL COMPETITIVENESS

created by Executive Order 44 in 2011



Global Competitiveness Report Card

REPORT	2010/2011	2016/2017	GOAL (Top 3rd)	CHANGE 4 to 6 yrs
1. Doing Business Report (IFC)	148/183	99/190	63	↑ 49
2. Economic Freedom Index (HF)*	115/179	58/180*	60	↑ 57
3. Corruption Perceptions Index (TI)	134/178	101/175	58	↑ 33
4. Global Competitiveness Index (WEF)	85/139	57/138	47	↑ 28
5. Global Enabling Trade Index (WEF)	92/125	64/138	46	↑ 28
6. Travel and Tourism Report (WEF)	94/139	79/136	46	↑ 15
7. WIPO- Global Innovation Index (WIPO)	91/125	74/128	47	↑ 17
8. Global Information Technology Report (WEF)	86/138	77/139	46	↑ 9
9. E-Government Index (UN)	78/184	71/193	64	↑ 7
10. Fragile States Index (FFP) **	50/177	54/178	118	↑ 4
11. Global Gender Gap Report (WEF)	9/142	7/144	47	↑ 2
12. World Competitiveness Report (IMD)	41/59	42/60	20	↓ 1
13. Logistics Performance Index (WB)	44/155	71/160	53	↓ 27

REACHED THE TOP THIRD

LATEST PERFORMANCE

UPGRADE

DOWNGRADE

*with 2017 Results, **reverse ranking (1 as worst)

Philippines Doing Business Indicators : (2011 -2017)

INDICATORS	2017 REPORT (190 economies)	2016 REPORT (189 economies)	Change 2016-2017
OVER-ALL RANKING	99	103	↑ 4
1. Starting a Business	171	165	↓ 6
2. Dealing w/ Construction Permits	85	99	↑ 14
3. Getting Electricity	22	19	↓ 3
4. Registering Property	112	112	--
5. Getting Credit	118	109	↓ 9
6. Protecting Investors	137	155	↑ 18
7. Paying Taxes	115	126	↑ 11
8. Trading Across Borders	95	95	--
9. Enforcing Contracts	136	140	↑ 4
10. Resolving Insolvency	56	53	↓ 3

Source: Published Doing Business Report

Top 4 Gains since 2010 / 2011



+57

No. 58
from No. 115

**ECONOMIC FREEDOM
INDEX**



+49

No. 99
from No. 148

**DOING BUSINESS
REPORT**



+33

No. 101
from No. 134

**CORRUPTION
PERCEPTION
INDEX**



+28

No. 57
from No. 85

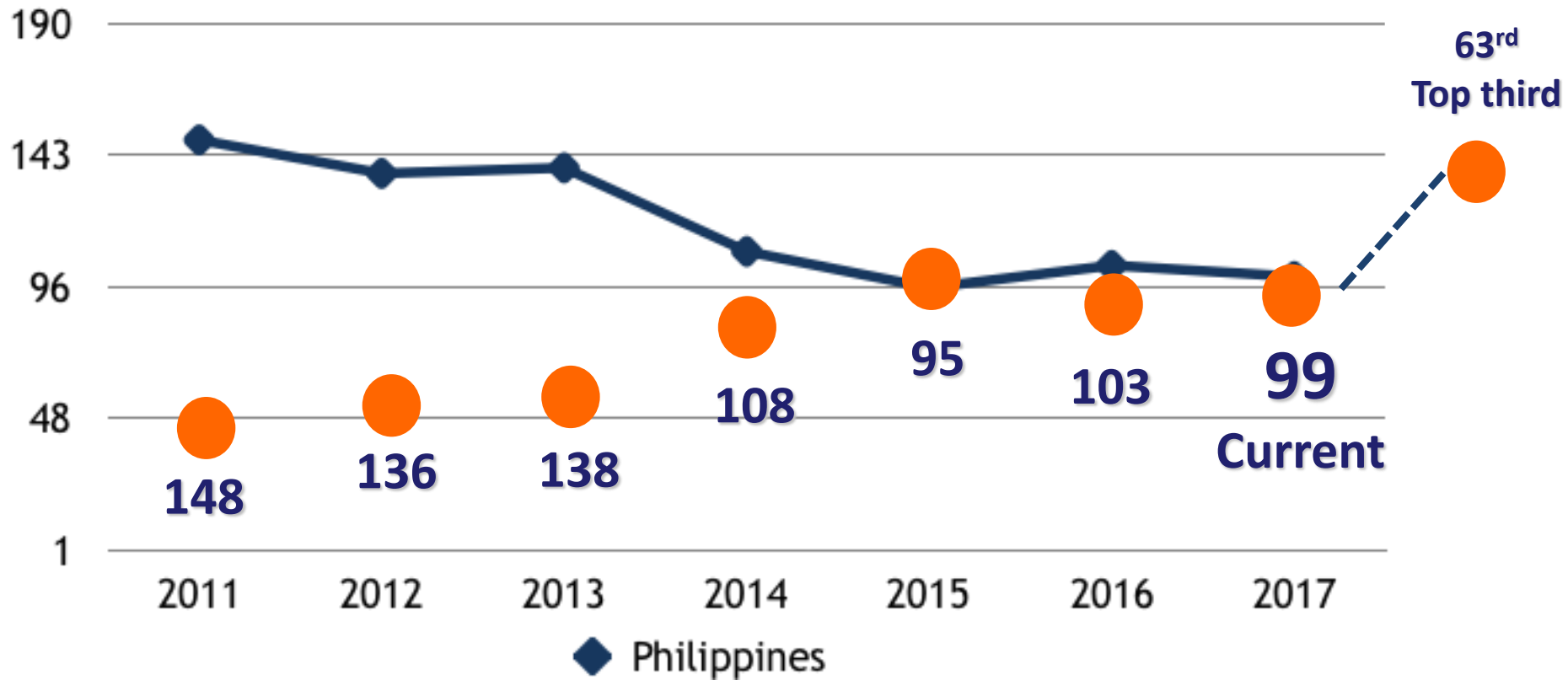
**GLOBAL
COMPETITIVENESS
REPORT**



Philippines vs ASEAN : (2011 -2017)

Economy	2017 (190)	2016 (189)	2015 (189)	2014 (189)	2013 (185)	2012 (183)	2011 (183)	Change 2016-2017	Change 2011-2017
Singapore	2	1	1	1	1	1	1	-1	-1
Malaysia	23	18	18	6	12	18	21	-5	-2
Thailand	46	49	26	18	18	17	19	3	-27
Brunei Darussalam	72	84	101	59	79	83	112	12	40
Vietnam	82	90	78	99	99	98	78	8	-4
Indonesia	91	109	114	120	128	129	121	18	30
Philippines	99	103	95	108	138	136	148	4	49

Doing Business Report : Philippines (2011 -2017)



Upgrades and Downgrades : Indicator Rankings (2011 -2017)

Resolving
Insolvency

+97

From 153 to 56

Dealing with
Construction
Permits

+71

From 156 to 85

Getting
Electricity

+32

From 54 to 22

Paying
Taxes

+11

From 124 to 115

Getting
Credit

+10

From 128 to 118

Trading Across
Borders

-34

From 61 to 95

Enforcing
Contracts

-18

From 118 to
136

Starting
a Business

-15

From 156 to
171

Registering
Property

-10

From 102 to
112

Protecting
Minority
Investors

-5

From 132
to 137

Source: Published Doing Business Report

Current Initiatives on EODB : New Zealand Exploratory Support Exercises

A 10-day scoping mission on our Starting a Business Process

- Individual meetings with DTI, SEC, CDA, DICT, DOF
- Workshops / visits with LGUs Quezon City, Lapu-Lapu (and other regional cities) and Davao (and other regional cities)
- Interviewed 21 corporations, 23 sole proprietors & 15 cooperatives



Based on consultation with business community:

- “Elapsed time for registration of corporations (end to end) is typically 1 – 2 months” if there are no hiccups
- Frequent trips to offices required as a result of:
 - Key people not being available (e.g. for signatures)
 - Requirements are not consistent with published information (e.g. on the website) or have changed without being communicated
 - Online services not available / website down
- Waiting time is significant – sometimes several hours + travel time to offices – results in min. ½ day away from businesses per interaction with agency / LGU



Based on consultation with business community:

- Lots of duplication of same basic information required for forms:
 1. SEC / DTI / CDA
 2. Clearances – Barangay, Fire, Sanitation, Location, etc
 3. LGU
- Frustration with name reservation process for corporations – “10 name suggestions required until one is approved”



Based on consultation with business community:

- Use 3rd parties (lawyer, accountant, representative) to complete process because it is too much hassle to complete by business directly – some with “special access” to agencies / LGUs
- “User experience on websites is poor” – takes a long time to find information required
- No pro-active communication from agencies to businesses – typically have to call or visit the office to find out status of processing
- “No lunch break” means that during lunch hours there may only be 1 or 2 counters open



Based on consultation with business community:

- Sometimes frontline staff are not knowledgeable on specifics of the process or recent changes to the processes
- Mayor's permit sometimes not granted or severely delayed if mayor does not like a new business
- Confusion about whether "Green Lane" process is still available / in use
- Rules in regulation (legislation) out of sync with current practices – e.g. holding face to face AGMs with overseas shareholders



Based on consultation with business community:

- Chicken and egg situation for paid-in capital from overseas shareholders – uncertainty over which bank clearance is required (i.e. company bank account doesn't exist so needs to be paid into another account)
- No aggregate payment of all fees and charges in one payment – some components can be paid in cash only (e.g. stock and transfer book)
- Lack of consistency at LGU level – different requirements between LGUs (difficult for businesses with operations across LGUs)
- 100% of businesses we asked would like a fully electronic, online process



Based on agency / LGU perspective:

- Procurement process is lengthy and complicated – many failed attempts that require re-tendering – hard to make progress quickly
- Issue with contracting of providers in some cases – no access to source code / data
- Internet stability, bandwidth, speed, reliability
- Authoritarian approach of mandating change does not always work
- Internal perception by staff that streamlined / online processes will lead to redundancies -> resistance to change



Based on agency / LGU perspective:

- Uncertainty over application and use of electronic signatures
- Many opportunities to link databases between national agencies as well as national agencies and LGUs but has been difficult to implement



General themes observed in the said scoping mission:

- ***“Actual customer experience varies (significantly) from agency view”***
- ***“Focus on immediate area of operation only”*** – limited visibility / awareness of end to end journey for customer
- ***“Compliance mindset”*** – agencies / LGUs are typically referring to businesses / entrepreneurs as “taxpayer”
- ***“Limited data”*** on filing agent / businesses – limited evidence of segmentation of the businesses and filing agents

General themes observed in the said scoping mission:

- **“Passive feedback”** - limited scope of customer feedback
- **“Inconsistency”** - wide range of different requirements / clearances by LGU
- **“Hidden requirements”** - change of requirements or “new”, undocumented requirements
- **“Duplication”** – multiple collection and data entry (both by customer and agencies)

Implications for businesses :

- **Process is “too hard”** - motivation for non-compliance – operating without license or use of “fixers”
- **Productivity loss for the economy** (1m+ days of economic activity lost)
- **Millennials losing faith / confidence in Government** (local and national)
- **Reduced (overseas) investor confidence** in processes, reluctance to invest
- **High barriers to entry especially for young / first time entrepreneurs.**
Impacts the “backbone” of the economy hardest - micro enterprises and small/medium sized enterprises

Current Initiatives on EODB : Expanded ARTA

- NGAs and LGUs must provide a **COMPREHENSIVE CHECKLIST** of requirements for every type of license, clearance and/or permit being issued.



- A **SINGLE OR UNIFIED BUSINESS APPLICATION FORM** shall be used in processing new applications for business permits and business renewals which consolidates all the information of the applicant by various local government departments.

PRESCRIBED PROCESSING TIME



- MSMEs : **(3) working days** for simple applications and ten **(10) working days** for complex applications.
- For **special types of businesses** that require clearances, accreditation and/or licenses : **30 working days**

REGULATORY IMPACT ASSESSMENT

All proposed regulations **shall undergo regulatory impact assessment**

CENTRAL BUSINESS PORTAL

- DICT shall establish a central system to receive applications and capture application data from business entities.

PHILIPPINE BUSINESS REGISTRY DATABANK

- Business licensing and/or permitting agencies will have access to this database to verify validity, existence and other information relevant to a business entity.

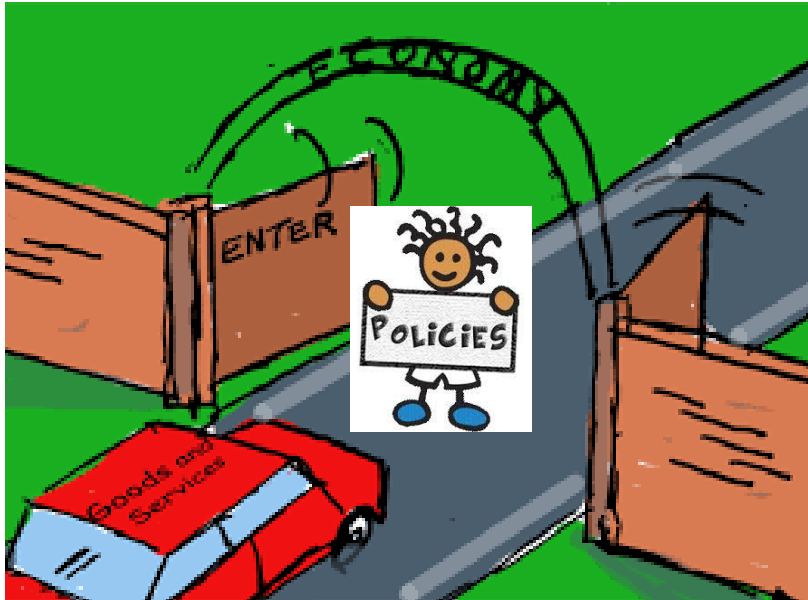


Challenges



EASE OF DOING BUSINESS





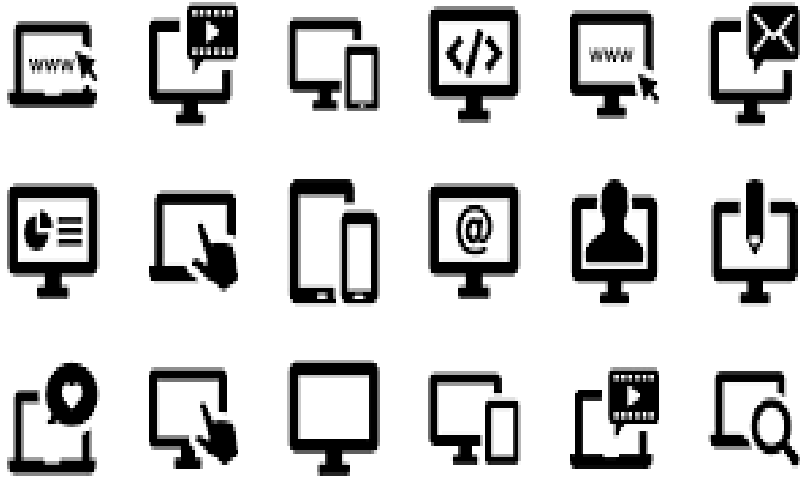
Relatively open with a number of policies limiting both domestic & foreign competition

Regulations were borne as reactionary measures rather than instruments based on coherent government strategy



Complex regulations and un-harmonized regulatory framework

Outdated, overlapping and/or contradictory laws and regulations

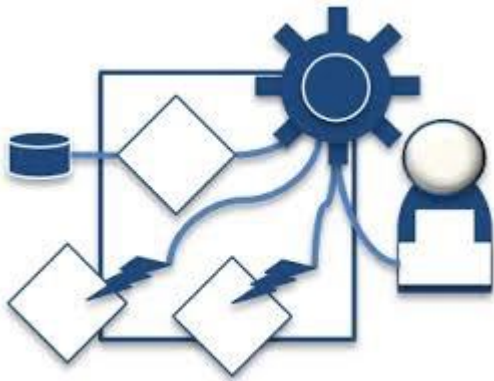


Low utilization of and access to modern and innovative technologies

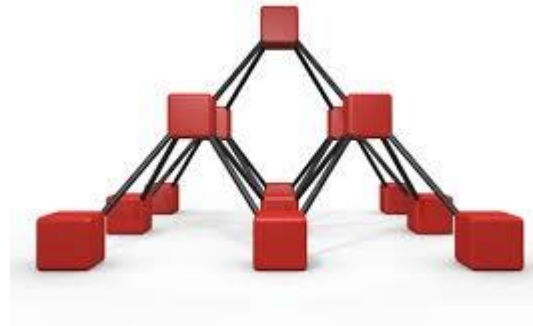


Substantial tariff and non-tariff barriers in several key industries, mostly in agriculture

Governance Issues that Tempered the Impact of Reforms



Process



Structure



System

Key Initiatives



EASE OF DOING BUSINESS



AO 38- EASE OF DOING BUSINESS

TASKFORCE



DOF



SEC



DILG



CREDIT INFORMATION CORPORATION



BAP-Credit Bureau



BFP



BIR



BOC



DOJ



PagIBIG



DPWH



LRA



BSP



QUEZON CITY

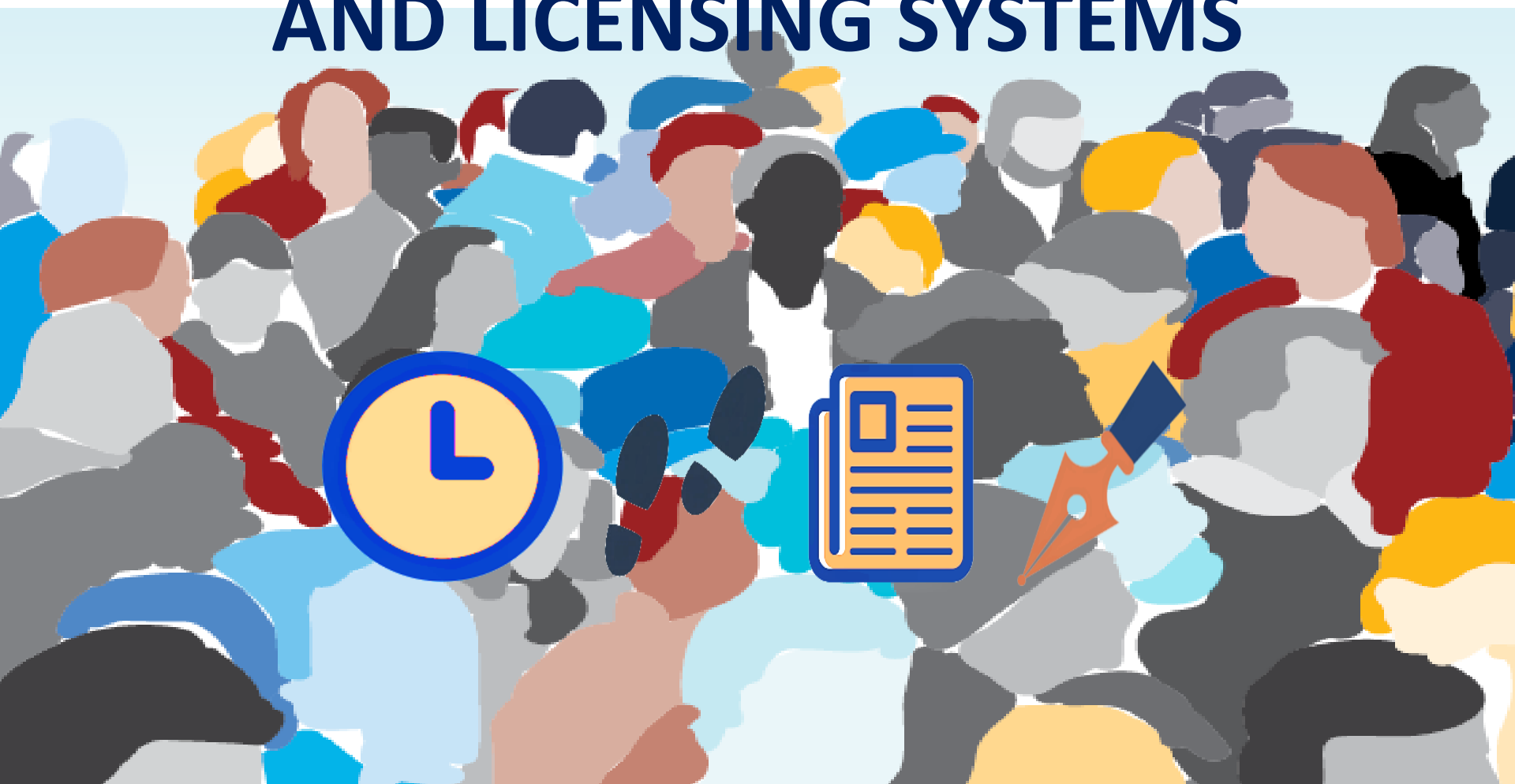


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BUSINESS PERMITS AND LICENSING SYSTEMS



OLD vs NEW BPLS STANDARDS

	<u>JMC 2010</u>	<u>JMC 2016</u>
 PROCESSING TIME	New : 10 - 5 days Renewal : 5 days or less	New : 1 – 2 days Renewal : 1 day or less
 NUMBER OF STEPS	Max of 5 steps for New and Renewal of business registration	Max of <u>3 steps</u> for New and Renewal of business registration
 NUMBER OF FORMS	Unified Form	Unified Form (Print and Electronic document)
 NUMBER OF SIGNATORIES	Max of 2, Mayor and Treasurer/BPLO	Max of 2, Mayor and Treasurer/BPLO with alternatives

LGUs WITH BPLS AUTOMATION

LGU Category	Automated	Not Automated	No Data Available	Coverage
Highly Urbanized Cities	30	3 (Las Pinas, San Juan, and Zamboanga)	1 (Navotas)	34
Component / Independent Component Cities	77	23	10	110
1 st to 2 nd Class Municipalities	241	192	55	488
3 rd to 6 th Class Municipalities	229	443	85	757
TOTAL	577	661	151	1,389

Source: Cities and Municipalities Competitiveness Index 2016

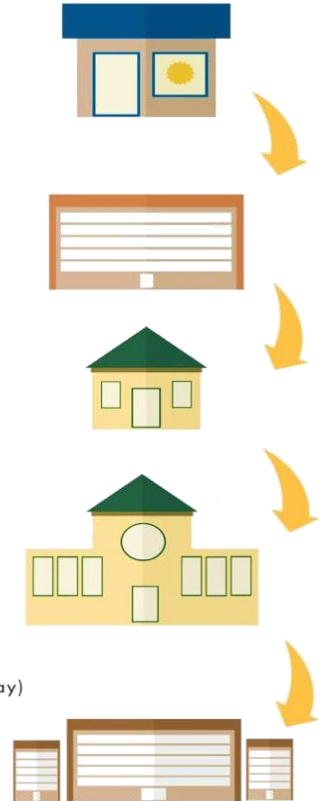
STARTING A BUSINESS (FROM 16 STEPS 29 DAYS TO 6 STEPS , 8 DAYS)

OLD



NEW

- 1 **APPLICANT**
Prepare articles of incorporation, by-laws, and treasurer's affidavit, signed by the incorporators for notarization. (1 Day)
- 2 **SEC**
Obtain SEC Registration Number, BIR Tax Identification Number, Pag-IBIG Fund, PhilHealth, and SSS Employer Numbers (ERNs) at the Securities and Exchange Commission through its Integrated Business Registration System. Applicant will receive a Unified Registration Form. (1 Day)
- 3 **BARANGAY HALL**
Obtain Barangay Clearance. (1 Day)
- 4 **CITY HALL**
Obtain Business Permit to Operate from the Business Permit and Licensing Office and pay necessary fees. (2-3 Days)
- 5 **BIR**
Secure Certificate of Registration and Registration of Books of Accounts at the Bureau of Internal Revenue. (1 Day)
- 6 ...still at BIR
A. Registration of Cash Register Machine (CRM) or Point of Sale Machine (POS). (1 Day)
OR
B. Secure Authority to Print Receipt / Invoices (Manual Receipts). (1 - 7 Days)



3 STEPS AND 3 DAYS

1



National Government

Register the company with
SEC + BIR + SSS + Pag-IBIG
Fund + PhilHealth (All in
one form and transaction)

2



Local Government

Barangay Clearance
+ Community Tax
Certificate (CTC)
+ Mayor's Permit

3



BIR

Streamlining
of related
procedures

MSMEs in the Philippines



Philippine Business Registry

www.business.gov.ph

Business Name Registration

- secure TIN
- secure SSS number
- secure PhilHealth number
- secure PAG-IBIG number
- e-payment
- e-certificate

Business Registry

- database of LGU-licensed businesses
- crowd-sourcing function
- DTI Negosyo Connect (business search function)

PROJECT

REPEAL



The Philippine **Red Tape** Challenge

PARTICIPATING AGENCIES

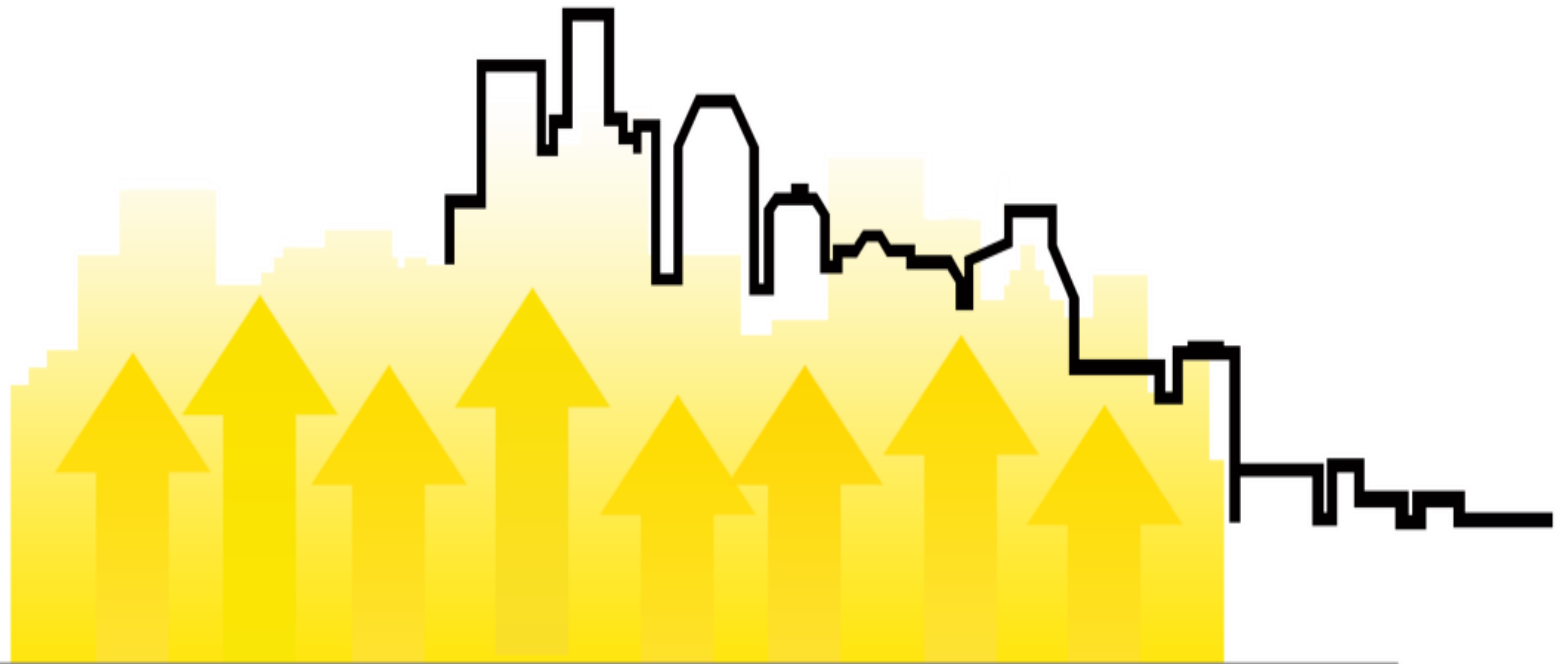


**Initial
Participating
Agencies**



**Participating Agencies +
Partners**

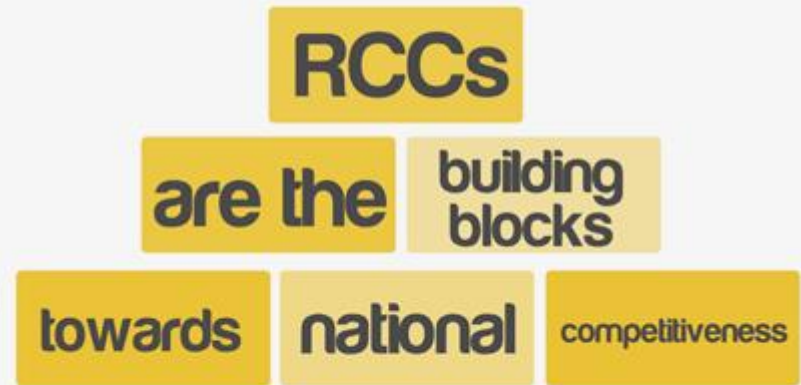
✦ Increased participation from National Government Agencies and Academe



Cities & Municipalities Competitiveness Index

Regional Competitiveness Committees (RCCs)

Regional Competitiveness Committees



Currently, there are 16 RCCs across the country and composed of representatives from NGAs such as Department of Trade and Industry (DTI), Department of Interior and Local Government (DILG), National Economic Development Authority (NEDA), local and business chambers, and partner academe.

Competitiveness Ranking Categories



3rd to 6th Class
Municipalities



1st to 2nd Class
Municipalities



Component
Cities

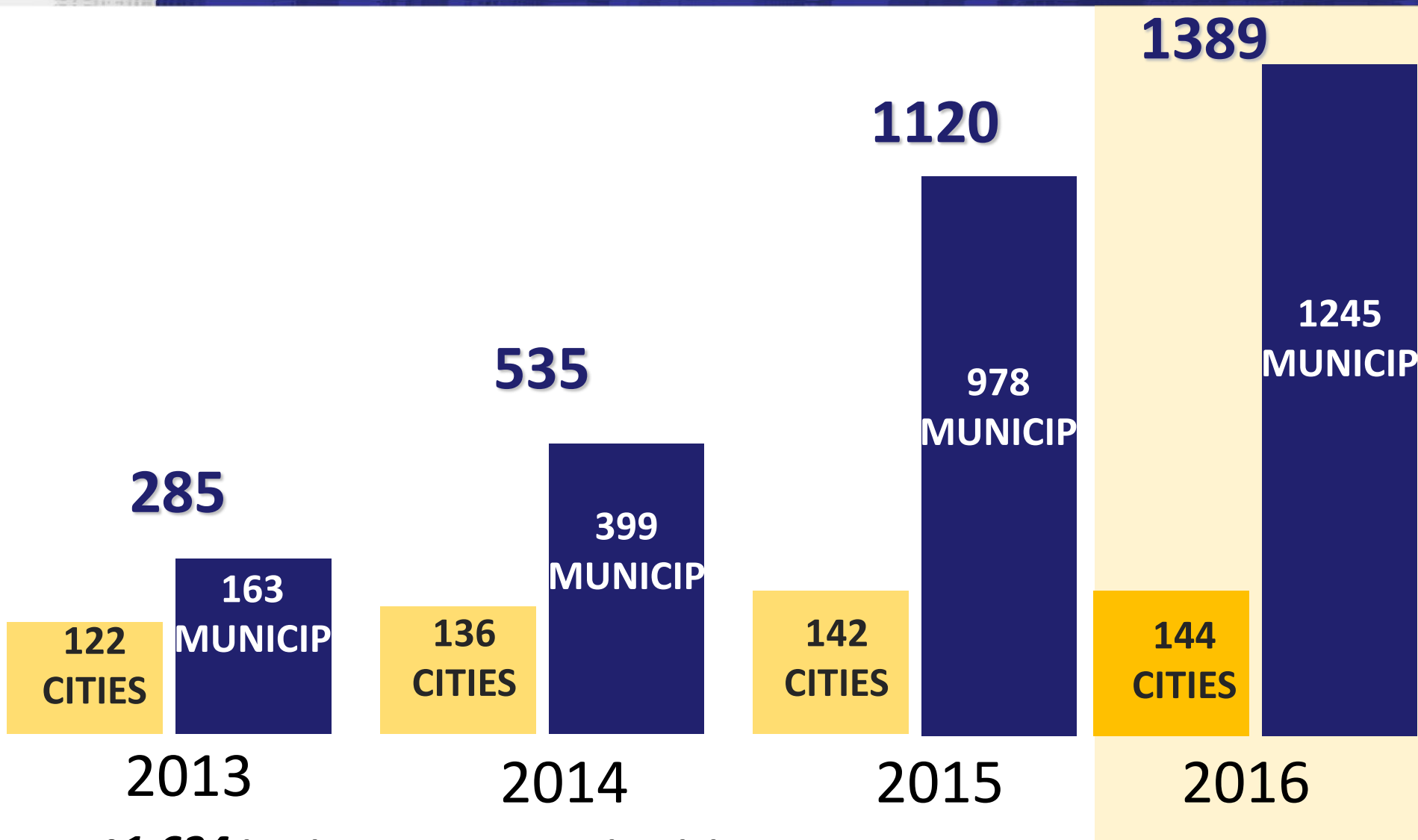


Highly Urbanized
Cities



Provinces

CMCI Coverage : 2013 - 2016



Out of 1,634 local governments in the Philippines

New Pillar for Competitiveness





- **99.5% of total businesses**

- **Negosyo Centers**

- 510 nationwide
- 300,000 served
- 8,300 seminars conducted

- **SME Roving Academy**

- **Shared Service Facilities**

- **(Mentor Me) Kapatid Program**

- **Go Lokal Stores**

- **OTOP Next Generation**

- **National & Trade Shows**

OTOP NEXT GEN 2016 onwards



Mainstreaming MSMEs

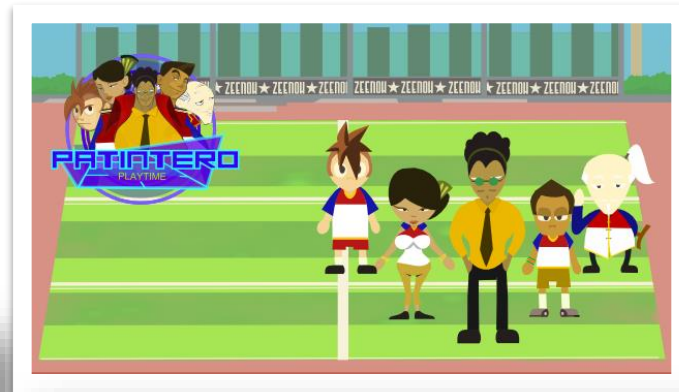


Sample application



FASHION

SOFTWARE





FOOD



Program Imperatives



EASE OF DOING BUSINESS



GOVERNMENT ONLINE

- Online Business Interactive
- Licensing System



Whole – of – Government Policy Reform Initiative



re **form**



Strengthening Institutional Arrangements



**TRANSPARENCY
LEADS TO
COMPETITIVENESS**

GOVERNANCE MATTERS!



**WORK IN
PROGRESS**
IS
**NOT GOOD
ENOUGH**

NO MORE SILOS!



TEAMWORK

IS REQUIRED



FOCUS

ON

**MULTIPLE
FRONTS**



NO SINGLE VARIABLE



THE COMPETITION NEVER SLEEPS



**THE BAR
ALWAYS**

RISES

We move up a weight class and
meet larger,
stronger competition



SPEED TO **REFORM**



SHOULD BE OUR NEW MANTRA

MAINTAIN

M O M E N T U M

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and

INSTITUTIONALIZE

change

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PUBLIC  **PRIVATE**
COLLABORATION

We learn from each other!

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