



## HOW TO SIMPLIFY BUSINESS REGISTRATION AT THE LOCAL LEVEL

### Problem

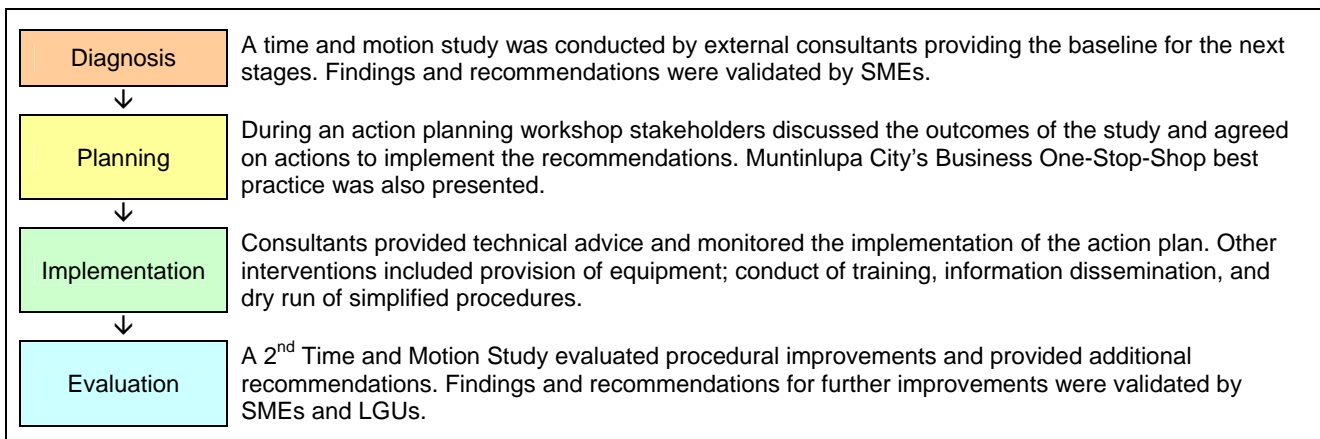
Businesses in the Philippines face burdensome registration procedures. As a result, many choose to remain in the informal economy and are thus unable to access services such as bank loans, state-provided business services and government procurement. At the same time, unregistered companies also imply lost tax revenues for local government units (LGUs).

### Solution

Simplification of business registration procedures is the reduction or elimination of elements (e.g. steps, requirements, signatures) in order to reduce complexity and inefficiency. This is achieved by bringing together all private and public stakeholders involved in the business registration procedures in a participatory four-stage approach supported by a strong commitment and political will of the Mayor.

### Approach

Since business registration procedures are not standardized by law and thus vary among LGUs, this good practice does not look at procedures but focuses on facilitating the change process. The following chart describes the four stages and tools applied in the pilot cities of Ormoc and Bacolod:



In the two cities, the whole process from diagnosis to evaluation took about 1.5 years, from December 2004 to April 2006. The time and motion studies were conducted during the registration period which is in January every year.

### Outcome

The table below shows that the number of steps, time needed and requirements have been significantly reduced and customer satisfaction has improved. The increase in business permits approved can only partly be attributed to the greater efficiency and effectiveness of LGU services. This could eventually lead to higher employment and increased tax revenues, however, respective data is not available yet.

Indicator	Bacolod		Ormoc	
	2005	2006	2005	2006
No. of steps to get permit - renewal/new	19/21	15/15	14/17	5/10
No. of days to get permit	9	2	17	2
No. of documents and forms required	19	10	12	6
Customer satisfaction (SMEs)	Not satisfied	Satisfied	Not satisfied	Satisfied
No. of permits approved during registration period	12 681	14 010 (↑9.5%)	2 013	2 681 (↑24.9%)

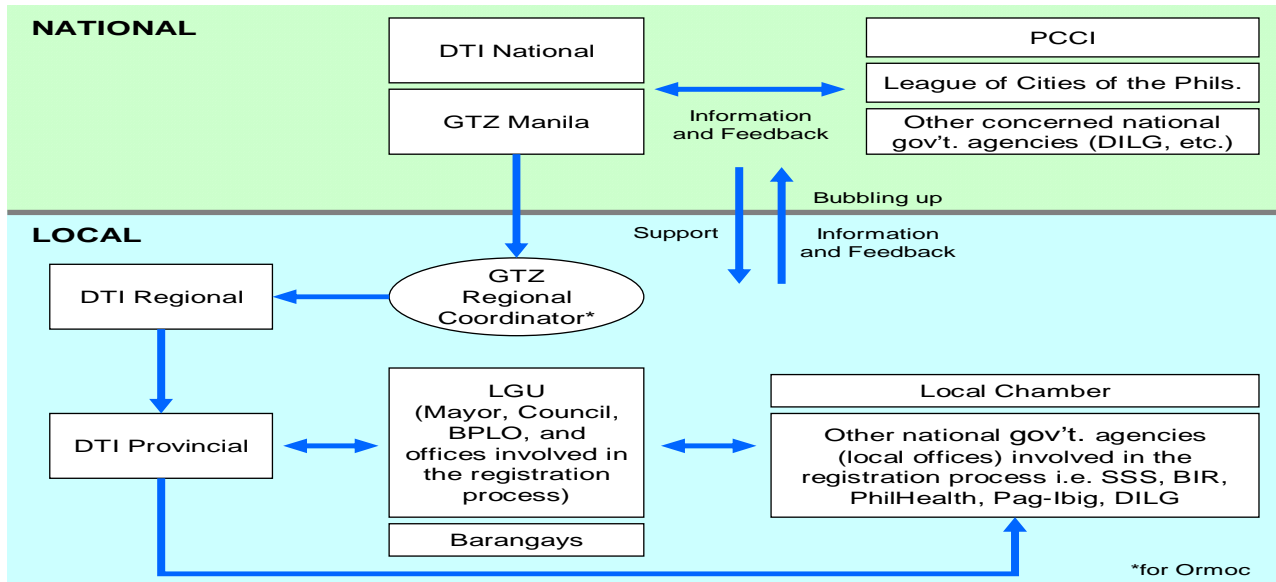
Such results can be achieved at relatively low cost. Resource requirements mainly comprise manpower, additional equipment (if necessary) and capacity building. Financial viability is not a major concern because once the system is in place, only regular maintenance of equipment and training is needed. Sustainability of the simplified procedures is rated high as it would need at least a memorandum of the Mayor or a decision of the Council to introduce more steps again.



## Context

The AIM Philippine Cities Competitiveness Ranking Project (PCCRP) 2003 identified critical areas of the business and investment climate. In the 8 Visayan cities covered by the survey, GTZ and DTI conducted focus group discussions with private and public sector representatives to prioritize areas for local reform. Business registration was confirmed as the most promising area for local reform with regard to visible short-term impact achievable at low cost. Ormoc and Bacolod were selected by GTZ as pilot cities with the Mayors being very committed to lead such a change process.

Simplifying business registration involves many stakeholders from both the private and public sectors:



## Challenges and lessons learned:

- Because the process involved many stakeholders, the challenge was to get them to work together in a coordinated effort. Applying a participatory approach allows for ownership of the process.
- Simplification implied that some officials had to accept the redundancy and thus removal of their signatures. The political will of the Mayor and showing the good practices from Muntinlupa were crucial in getting their agreement.
- It is important to keep the stakeholders at the national level informed about experiences and developments at the local level because
  - resistance to change of stakeholders at the local level can more easily be overcome with the support/involvement of their counterparts at the national level, and
  - awareness as well as demand for reform and replication at the national level is created.

## Success Factors

The success of simplifying business registration procedures depends largely on the following factors:

- ✓ Political will, support and involvement of the Mayor in adopting changes
- ✓ Bringing together private and public partners (participatory approach)
- ✓ Full cooperation and support of concerned agencies
- ✓ The commitment and coordinated efforts of LGU employees, especially the Business Permits and Licensing Office (BPLO) Chief
- ✓ Flexibility and process orientation, no blueprint solution.

## Adaptation Requirements

For successful replication, the following adaptation requirements are recommended:

- For choosing LGUs, clear selection criteria should be applied and a selection committee set-up.
- Signing of a Memorandum of Agreement should be a prerequisite for starting the process.
- In order to ensure a low cost process, LGUs need to be capacitated to evaluate and monitor (e.g. through time and motion study) the procedures themselves in coordination with the private sector.
- The BPLO chiefs in the pilot cities should be capacitated to act as resource persons sharing their good practices and coaching other LGUs.
- A focal person should be identified and capacitated in each region.