

Simplifying Business Registration at the Local Level: A Four-Phased Approach

Context

In order to identify critical business and investment climate areas, SMEDSEP made use of the Philippine Cities Competitiveness Ranking Project 2003 of the Asian Institute of Management. In the eight 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 came out as the most promising area for local reform, particularly in achieving visible short-term impact at low cost. Ormoc and Bacolod were selected as pilot cities for simplifying business registration with the Local Chief Executives being very committed to lead such a change management process.

Problem

Doing business in the Philippines entails burdensome registration procedures. As a result, many businesses choose to pursue entrepreneurial activities within the informal economy and are unable to access government

procurement and services such as bank loans and state-provided business services. Unregistered companies also means loss of tax revenues for local government units (LGUs).

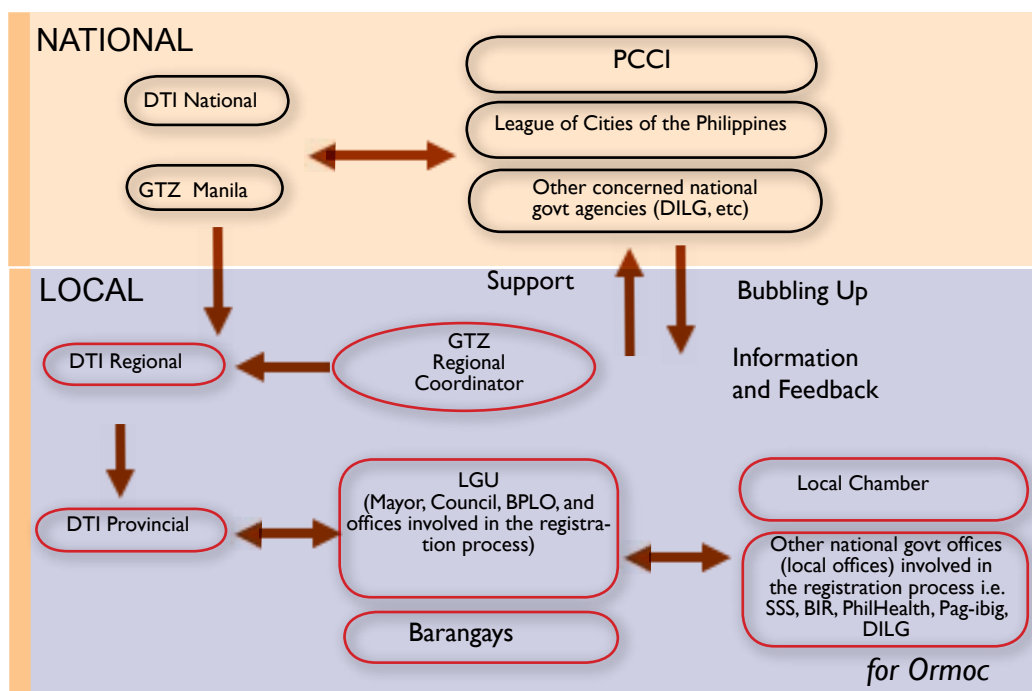
Solution

Reduce the complexity of local business registration through the **Four-Phased Approach** and promote more efficient local government management.

Approach

The Four-Phased Approach in Simplifying Business Registration at the Local Level

Simplifying business registration brings together all private and public stakeholders involved in the process of business registration and requires a strong commitment and political will of the Local Chief Executive.



The following chart describes the four phases and tools applied in the pilot cities of Ormoc and Bacolod:

| Phases | Description | Timeline |
|----------------|--|-----------------------|
| Diagnosis | A time and motion study was conducted by external consultants to provide the baseline information. Findings and recommendations were validated by SMEs that participated in the workshop. | Dec. 2004 - Jan. 2005 |
| ↓ | | |
| Planning | An action planning workshop was held with multi-stakeholders from the LGU, the private sectors and other relevant sector to discuss the results of the baseline assessment and develop an action plan for the implementation of the recommendations. The Good Practice of Muntinlupa City's streamlined business registration procedures was shared as a model practice/benchmark. | March - April 2005 |
| ↓ | | |
| Implementation | Implementation of the action plan with technical advice from external consultants. Activities in this phase included: conduct of training, information dissemination, and provision of equipment. | Aug. - Dec. 2005 |
| ↓ | | |
| Evaluation | A 2 nd Time and Motion Study evaluated the outcomes of the change process including procedural improvements and customer satisfaction. The evaluation also provided additional recommendations, which were validated by the participating SMEs and LGUs. | Jan. - April 2006 |

In the pilot cities of Ormoc and Bacolod, 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 annual registration period in January.

Key Results

The table below shows that the required procedures of, the number of steps in and the time it takes for the business registration process have significantly been reduced and that customer satisfaction has improved. The increase in business permits approved can be partly attributed to the greater efficiency and effectiveness of LGU services.

| Indicators | 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%) |

The following are the outcomes of the process:

- Capacity of LGU to provide streamlined and more efficient services strengthened
- Increased customer satisfaction
- LGU-NGA-Private Sector dialogue strengthened.

Lessons Learned

- Building consensus through consultations builds ownership
- Simplification of business registration procedures requires reorganization, which may result in a loss of power of some LGU officials. A Local Chief Executive who has the will to follow through strategic decisions and secure buy in from his/her constituents spells the difference

- Signing a Memorandum of Agreement should be a prerequisite for starting the process
- Bringing in the Good Practice of Muntinlupa City as a benchmark of simplified business registration procedures was an effective way in securing buy in of all stakeholders
- It is important to keep the stakeholders at the national level informed about experiences and developments at the local level:
 - o Chances to overcome resistance to change of local stakeholders increase when there is support at the national level.
 - o Awareness as well as demand for replication

in other LGUs and policy reform at the national level is created. LGUs need to be capacitated to evaluate and monitor the business registration procedures themselves.

Success Factors

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

- Political will and commitment of the Local Chief Executive in adopting changes
- Full support of the Business Permits and Licensing Office (BPLO) Chief
- Participatory process that brings together private and public partners and builds consensus and local ownership
- Flexibility and process orientation.

For more information, please contact Ms. Martina Vahlhaus, GTZ Program Manager. You can also email the Program (smedsep@mozcom.com) and visit the website (www.smedsep.ph)

