

EXCELLENCE IN BUSINESS ENVIRONMENT REFORM

An Award For Best Practices in Donor-Supported Reforms in Asia 2006

AWARD ANNOUNCEMENTS

The Donor Committee for Enterprise Development has established an award programme for best practices in donor-supported reforms - known as the “Excellence in Business Environment Reform”.

The aim of the programme is to highlight excellence in high-impact, sustainable and co-ordinated donor support for business environment reform.

By identifying and promoting best practices in donor-supported business environment reform for enterprise development, the award programme encourages discussion and debate on the elements that lead to successful and sustainable reform efforts.

In 2006, the award focuses on best practices in Asia.

There are two categories of awards:

- 1 Best High-Impact, Sustainable and Co-Ordinated Reform in Asia – this is the main award of the programme.
- 2 Best Sub-National Reform in Asia – this category of award focuses on the reforms within sub-national government authorities such as local municipalities or regional or provincial government authorities and efforts towards local level implementation of central level reform decrees.

Both awards focus on business environments that are:

- 1 **Donor-Supported:** While it is understood that governments are the instigators and managers of successful reform programmes (in partnership with the private sector, civil society and donor agencies), the focus of this programme is on how donor agencies can best support these actors in their reform efforts.
- 2 **Level of impact of the reform:** The impact the reform has had on enterprise development, poverty reduction and economic growth is important.
- 3 **Sustainability:** The award highlights reform efforts that improve the capacity, capability and credibility of key national agencies to identify reform needs and manage change; successful projects/programmes are those that show clear signs of gaining independence from external financial, technical or organizational inputs made by donor agencies.
- 4 **Co-ordination and harmonization:** Successful reform programmes should demonstrate efforts to co-ordinate with and complement the efforts of other development partners (e.g., other donor agencies, governments, private sector agencies, civil society).

**THE WINNER (MAIN AWARD):
INTERNATIONAL FINANCE CORPORATION - MEKONG PRIVATE SECTOR DEVELOPMENT
FACILITY (IFC-MPDF): SUPPORTING THE PROCESS OF BUSINESS ENVIRONMENT
REFORM IN VIETNAM WITH ASSISTANCE TO THE INVESTMENT AND ENTERPRISE LAW
2005**

Over the course of three years, the International Finance Corporation - Mekong Private Sector Development Facility (IFC-MPDF) partnered with Government of Vietnam, the business community and other development partners to provide a comprehensive technical assistance throughout the legislative process.

From its inception, the project had an explicit focus on processes for policy reform, which focused on changing the mindsets of the range of stakeholders - the business community, policy experts, the media, and especially lawmakers (members of National Assembly in particular).

The technical assistance package included:

- Research and information dissemination
- Comments on legislation
- Engagement with National Assembly
- Workshops and seminars
- Ongoing advocacy through the media

The multi-faceted project spanned the entire legislative process: from helping develop the guiding principles for the legal framework, ongoing advocacy until the laws were passed, providing technical assistance to develop implementing decrees of the laws, and now that the laws have passed, to ongoing assistance to monitor implementation of the laws.

LEVEL OF IMPACT

This project has created a significant impact on legislation processes as well as the introduction of business-friendly laws.

This initiative was widely considered “unprecedented” and was even suggested as “a model for future legislation” by government officials. The numerous written briefings and working sessions allowed members of the National Assembly to gain an in-depth understanding of the proposed legislation and the various concerns of different constituencies early in the lawmaking process, which in turn fostered a true debate and a series of revisions before the laws were passed. Both legislators and staff of the Office of National Assembly said that they referred heavily to the Briefing Book and other briefing materials while participating and commenting during the formal discussions in National Assembly.

The project changed mindsets by incorporating the concept and practice of ongoing advocacy in the process and opening up the process itself to a wider group of stakeholders. The significance of this impact is perhaps best reflected in a comment made by a key member of the UEL drafting committee: “The difference between this time and last time [the drafting process of the Enterprise Law 1999] is that last time,

stakeholder feedback involved us [the drafting team] explaining to the business community what was in the law and its merits...this time there has been a lot of debate and discussion, and the business community is telling us what should be in the law.”

The Enterprise and Investment laws had their own direct benefits to private enterprise in Vietnam. They simplified business registration procedures for both domestic and foreign businesses; applied a “negative list” approach to investment in specific sectors; and further defined corporate governance provisions - was widely viewed positively by the business community.

The Investment Law as it was passed (draft 18) was considered a major improvement over earlier drafts of the law by both the domestic and foreign business communities.

SUSTAINABILITY

Because this project focused on the reform process and involving a wide range of stakeholders throughout that process, the capacity of a wide range of stakeholders to identify and manage reform has been improved. Government agencies charged with managing reforms are already capable in many ways of leading the reform process - additional assistance from development partners can provide technical knowledge and input which will transfer gradually to government.

Other stakeholders, such as business associations and the media, through their involvement in the project, have improved their ability to analyze issues, raise them in public fora, and carry out ongoing media advocacy to keep pushing for reform.

The concept introduced by IFC-MPDF - that of engaging in dialogue early in the process - has caught on and the Office of National Assembly has stated that it will try to develop this capacity. Anecdotal evidence tells us that during the recent debate on the Law on HIV/AIDs, advocacy organizations followed IFC-MPDF's example and developed a briefing note to be inserted into legislator's mailboxes immediately preceding the debate.

CO-ORDINATION, HARMONIZATION AND ALIGNMENT

The process of developing the new Enterprise and Investment Laws was led by the government of Vietnam, carried out by the two drafting teams assigned the work, and supported by a large group of donors, development partners and the business community.

UNDP emerged as the agency responsible donor-coordination, and co-sponsored with the government several meetings among development partners throughout the process to ensure that work was coordinated and complementary. IFC-MPDF, working with FIAS and GTZ, was one of the major contributors in terms of technical input, and the work was also coordinated with a USAID project. Partnering with business associations in Vietnam was a major priority of the project, particularly with the Vietnam Chamber of Commerce and Industry (VCCI).

**THE WINNER (SUB-NATIONAL REFORM):
STREAMLINING BUSINESS PERMITS AND LICENSING PROCEDURES IN ORMOC CITY
UNDER GTZ- SMEDSEP-1 (PHILIPPINES)**

As part of the continuing efforts to improve the business environment in Local Government Units (LGUs), the German Technical Cooperation (GTZ) and the Department of Trade and Industry (DTI) through its Small and Medium Enterprises Development for Sustainable Employment Program (SMEDSEP), provided a technical assistance to LGU-Ormoc City to simplify the city's business permits and licensing processes.

The main objectives of the project were to: monitor and evaluate the improved business licensing procedures; recommend ways of further improving the current licensing procedures to achieve client satisfaction; and present the lessons learned to selected LGUs to encourage similar streamlining and systems improvement efforts.

IMPACT OF REFORM

This project improved and streamlined business registration processing system of LGU-Ormoc. As a result, business registrants increased by 25 percent in 2006 compared to 2005.

This is attributed to the following changes in registration procedures:

- A reduction of number of steps in getting business permits (from 17 to five steps)
- An 88 percent reduction in processing time (from 17 days to two days)
- A 50 percent reduction of required documents and forms (from 12 documents to six)
- A PhP675 reduction on the person-hours engaged in processing

At the same time, the LGU-Ormoc realized an increased in tax revenues out of the new improved system as follows: 56 percent from new businesses and 85 percent from renewed businesses or a total estimated revenue collection increase of PhP21.16 Million. This increased revenue collection of LGU-Ormoc was then transformed to social services on a motive to uplift the urban poverty incidence of the City.

All best practices and lessons learned from this reform project on business registration is documented and being disseminated to other interested LGUs to replicate the same framework.

The practical model of Ormoc City BPL Streamlining will be implemented by DTI Provincial Offices in the Visayas or Central Philippines Region hand-in-hand with the various Local Government Units, both Provincial and Municipal levels. Initially, the municipality of Burauen, Leyte has started replicating the Ormoc City BPL experience through their LGU initiative and funding. The DTI-Leyte Provincial Office and the GTZ's Projects namely Environment Natural Resources and Rural Development (EnRD) and SMEDSEP will continue their unified advocacy effort in improving business and enabling business environment in the province. The different municipal and provincial LGUs in the Region will be encouraged to simplify their respective BPL

Procedures guided by the practical Ormoc model. By the end of December 2007, it is expected that about 50% or 21 more LGUs have successfully streamlined their BPL Procedures. The other smaller sized provinces in Region 8 and other regions target about 85% improvement in respective BPL Procedures by year-end 2007.

SUSTAINABILITY

As a result of this project, the Local Government Unit of Ormoc City has adopted the new business registration processing system. They reorganized themselves and manage the change with the leadership and support of its Local Chief Executive, where physical, procedural, equipment and personnel adjustments were made in compliance to the recommendations of the consultants. The Business Permits and Licensing Office of LGU-Ormoc continuously improves its IT capacity such as to install an on-line business registration in the near future.

CO-ORDINATION, HARMONIZATION AND ALIGNMENT

The GTZ SMEDSEP is an active participant in the DTI-coordinated SME donor committee.

Business environment reform programmes, such as SMEDSEP complement the efforts of other donor agencies such as CIDA (Canada), JICA (Japan), ODA (United Kingdom), NORAD (Norway), USAID (United States) and AUSAID (Australia).

The Philippine Government, through its SME Development Agenda of President Gloria Macapagal, fully supports the promotion and development of SMEs and a more enabling business environment in which this project has been implemented. The harmonization of the Philippine National SME Development Plan with the Provincial SMED Plans, included Activity Group (AG) 10 entitled Streamlining Business Permits and Licensing Requirements. The harmonization workshop in Leyte was funded by CIDA together with the other nine pilot provinces in the Philippines. The Leyte Provincial SMED Plan includes two projects under AG 10 namely One-stop Shop Registration and Streamlining Business Permits and Licensing for the period 2007 to 2010.

The Bureau of Small and Medium Enterprise Development (BSMED) has funded the Harmonization and Streamlining of BPL efforts by the Philippine Government while the GTZ will fund this activities in all the other provinces in the Visayas or Central Philippine Regions. CIDA will fund this initiative in the other parts of the Philippines under their program jurisdiction.

Japan International Cooperation Agency (JICA) has just completed their evaluation of the Leyte SMED Center and could probably be tapped to support this SMED Plan on improving the general business and enabling environment for SMEs in the Province of Leyte and other provinces in the Philippines.

For more information, please see:

www.Enterprise-Development.org or www.BusinessEnvironment.org