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## Doing Business Reforms in the Philippines

On May 28, President Rodrigo Duterte signed **Republic Act 11032**, or the **Ease of Doing Business (EODB) and Efficient Government Service Delivery Act** of 2018. The law amends the Anti Red-Tape Act (ARTA) in 2007, aimed at efficient turnaround of the delivery of government services and the prevention of graft and corruption.

Ten years since ARTA came into effect, the government implemented a number of policy and regulatory reforms in efforts to facilitate government transactions, streamline business processes, and improve the country's competitiveness.

In 2013 through Administrative Order 38, the Ease of Doing Business Task Force was established. The inter-agency group was tasked to implement and review the Game Plan for Competitiveness designed by the National Competitiveness Council (NCC). The Plan identifies regulatory reforms that would bring down the cost of doing business. The NCC is also mandated to ensure the implementation of key policy improvement processes identified as being closely associated with international competitiveness.

These reforms are also identified in the Philippine Development Plan 2017-2022 to create more open, well-functioning, transparent, and competitive markets. These include creating a competent national body for multimodal transport; formulating and implementing a national broadband plan; institutionalizing a quality regulatory management system; and removing unnecessary regulatory burden through Project Repeal. The plan also seeks to simplify the rules and regulations on business registration and licensing, entry and exit, paying taxes, and access to finance. Several projects have been initiated primarily by the Department of Trade and Industry and coordinated by NCC, as well as other government agencies:

- Streamlining Business Permits and Licensing System (BPLS)

The Department of Trade and Industry, Department of the Interior and Local Government and Department of Information and Communications Technology issued the revised standards in processing business permits and licenses. It prescribes a unified form, processing time (maximum of 2 days), number of procedures (3 steps), and number of signatories (2) for BPLS. The recent issuance adding the Department of Public Works and Highways directs local governments to streamline the issuance of building permits and certificates of occupancy. It sets service standards for processing simple applications for construction-related permits.



- Project Repeal

Launched in 2016, this initiative of NCC provides a systematic way of deliberately reviewing rules and regulations that are no longer relevant and have proven burdensome especially for businesses and consumers. Government agencies submit issuances and legislation for review which ends up being: (i) consolidated with other similar regulations, (ii) amended by certain specific provision, (iii) delisted from the agency's website and active records, (iv) retained if still necessary, and lastly (v) repealed if rendered irrelevant. A total of 5,851 regulations (of over 30,000 issuances reviewed) have been acted upon in the three repeal days that were concluded.

- Online Payments

The government has made it easier for companies, especially MSMEs, to pay taxes and make other payroll-related payments by implementing online options. These include:

- o PAGIBIG's Online Payment Facility
- o PhilHealth's Electronic Premium Remittance System
- o Bureau of Internal Revenue's electronic tax filing and e-payment system
- o Social Security System's online payment scheme, "My.SSS"

## **Needing further reforms**

The signing of the new EODB Law came a week after the release of the IMD WC Report which noted the slip in PH rankings by nine notches to 50th place from 41st the previous year in the competitiveness study covering 63 economies.

The country fell in all four pillars measured in the latest rankings compared to 2017 – economic performance (50th from 26th), government efficiency (44th from 37th), business efficiency (38th from 28th) and infrastructure (60th from 54th). The Report cites the decline in tourism and employment, worsening of public finances and concerns about the education system as among the reasons for the big drop in ranking. Meanwhile, according to the Asian Institute of Management (AIM), one of IMD's partner institutes, the deteriorating perceptions from the more than 6,000 corporate managers surveyed also contributed significantly in overall ranking of the Philippines.

In the latest Ease of Doing Business Report 2018 by World Bank-IFC, the Philippines also slipped to 113th place (out of 190 countries) from 99th in the previous year. While the report noted recent reforms particularly getting electricity and the payment of taxes, the Philippines still fared low in starting a business, registering a property and dealing with construction permits.

Doing Business 2018 further cites that an entrepreneur in Quezon City incorporating his/her business would require 16 procedures, takes 28 days and costs 16% of income per capita. The person would also need to make 20 different tax and contribution payments and personally visit multiple agencies.

## **Reforming for EODB and Anti-Red-Tape**

Republic Act 11032 establishes the Anti-Red Tape Authority to implement and oversee a national policy on anti-red tape and ease of doing business. An Ease of Doing Business and Anti-Red Tape

Advisory Council is created to act as the policy and advisory body to the Authority, and shall plan, draft and propose the national policy. The new council will replace the NCC.

The Authority shall also coordinate with all government offices in the review of existing laws, executive issuances and local ordinances, and recommend the repeal of the same if deemed outdated, redundant, and adds undue burden to the transacting public. In line with this, all proposed regulations of government agencies shall undergo regulatory impact assessment to establish if the proposed measure does not prove burdensome and costly to applicants and requesting parties.

Meanwhile, the DICT is tasked to establish a central business portal to receive and capture applications and data involving business-related transactions including licenses, business clearances, permits, certifications or authorizations issued by LGUs. It also provides for the establishment, management and maintenance of a Philippine Business Databank which shall provide national government agencies and LGUs access to data and information of registered business entities in order to verify their validity and other information pertaining to business entities.

The expanded anti-red tape and EODB Law prescribes the use of single or unified business application form, and the period and steps to process applications in starting a business. When the government office or agency fails to act on an application or request, the same shall be deemed approved or acted in favor of the requesting party, subject to further guidelines.

Government agencies including the LGUs, on the other hand are required to adopt a zero-contact policy except during the preliminary assessment and evaluation of the request. Towards this end, the DICT shall complete within three years after the effectivity of the law a web-based and technology-enabled business-related transaction system. Cities and municipalities are mandated to automate their business permit and licensing system, and the establish one-stop shop for a more efficient business registration.

## **Reforming for Competitiveness**

The government aims to be within the top 20% of the economies or within the top 38 economies covered in the Ease of Doing Business Report by 2020. The recently-signed law is expected to help achieve this target, and improve the competitiveness ranking of the Philippines in general.

Business-related transactions with government offices will be further facilitated by incorporating digital technology with simplified and streamlined processes. By mandating all local governments to establish electronic business one stop shop, business registration process will be faster and more efficient. Providing uniform processes and online platform in all national government agencies and LGUs will also make these processes inter-operable across the country.

This could improve the Philippines performance in the Doing Business particularly in the indicator for starting a business. In the Philippines, starting a business takes 16 steps and completed in 28 days. This category was a drag to the country's overall ranking (113th out of 190 economies) in 2018,

where the Philippines is ranked 173rd.

However, it could be noted that the minimum prescribed processing time in the new law is that applications or requests submitted shall be acted upon by the assigned officer or employee no longer than three (3) working days for simple transactions, and seven (7) working days for complex ones. In the case of signatories, any document shall be limited to a maximum of three (3) signatures. The revised standards in processing business permits and licenses as contained in a Joint Memorandum Circular issued by DILG, DTI and DICT issued in 2016 actually provided a simpler and shorter prescription – maximum of three (3) steps, two (2) signatories, and two (2) days processing time for new business permit applications, and one (1) day for renewals.

While the EODB law has yet to take full effect and its implementing guidelines still in the works, much of the business facilitation programs of the government have been in place and already running. Continuous private sector engagement and support is critical in ensuring that the doing business reforms translate to the efficient delivery of government services and the improvement in the business climate. In the World Economic Forum's Global Competitiveness Report 2017-2018, the most problematic factor for doing business in the Philippines is inefficient government bureaucracy, while corruption is also consistently high in the list at no. 3 in the latest round of report.

The **CongressWatch Report** is a regular publication of the Makati Business Club. Its main mission is to promote accountability and transparency of elected government officials. For inquiries, suggestions, and additional information, please call CongressWatch at telephone nos. 403-3286 or email [patrick.chua@mbc.com.ph](mailto:patrick.chua@mbc.com.ph).

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