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Annual Performance Report October 2011 – September 2012

Investment Enabling Environment (INVEST) Project

Submitted to:

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List of Acronyms

AIP	-	Annual Investment Plan
BPLS	-	Business Permit and Licensing System
BOC	-	BPLS Oversight Committee
BOSS	-	Business One-Stop Shop
CDI	-	Cities Development Initiative
CDO	-	Cagayan de Oro
CDP	-	Comprehensive Development Plan
CIP-TWG	-	City Invest Project – Technical Working Group
CLUP	-	Comprehensive Land Use Plan
COR	-	Contracting Officer’s Representative
CPA	-	City Program Adviser
CSC	-	Civil Service Commission
CSO	-	Civil Society Organizations
DILG	-	Department of the Interior and Local Government
DOST	-	Department of Science and Technology
DTI	-	Department of Trade and Industry
ELA	-	Executive-Legislative Agenda
GIC	-	Growth and Investment Climate
ICTO	-	Information and Communications Technology Office
INVEST	-	Investment Enabling Environment Project
LDIP	-	Local Development Investment Plan
LEIPO	-	Local Economic and Investment Promotion Office
LIIC	-	Local Investment Incentives Code
LINC-EG	-	Local Implementation of National Competitiveness for Economic Growth Project
LGU	-	Local Government Unit
LRC	-	Local Revenue Code
LTTA	-	Long-Term Technical Assistance Personnel
MOA	-	Memorandum of Agreement
NERBAC	-	National Economic Research and Business Assistance Center
NCC	-	National Competitiveness Council
OIDCI	-	Orient Integrated Development Consultants, Inc.
PBR	-	Philippine Business Registry
PDF	-	Philippine Development Forum
RCC	-	Regional Competitiveness Council
STTA	-	Short-Term Technical Assistance Personnel
SWG-LIR	-	Sub-Working Group on Local Investment Reforms
TWG-eBPLS	-	Technical Working Group on Electronic Business Permit and Licensing System
USAID	-	United States Agency for International Development

I. INTRODUCTION

The Investment Enabling Environment (INVEST) Project is a two-year (Oct. 2011-Sept. 2013) technical assistance initiative of the United States Agency for International Development (USAID) to help the Philippines attract more private investments, both domestic and foreign, to pursue its goals of progressive, sustainable, and inclusive development. Specifically, it is assisting the first-class cities of Batangas, Iloilo and Cagayan de Oro in: (1) lowering the transaction costs and reducing the cost of doing business in their respective jurisdictions; and (2) increasing their competitiveness as investment destinations.¹ Thus, INVEST is both governance and a city development effort which seeks to increase efficiencies in government operations, while enhancing the role of cities as development hubs. The management of INVEST was awarded to Orient Integrated Development Consultants, Inc. (OIDCI) on September 29, 2011.

This annual report summarizes the activities of the Project for the 12 months ending September 2012. It takes the place of the fourth quarterly report of the Project.

During its first year of implementation, INVEST set up the foundation for the push for reforms that will accelerate in its second year. These preparatory activities consisted of organizing the project management office and the nodal offices in the partner cities; setting up institutional mechanisms at the city level; establishing partnerships with key stakeholders, especially relevant national government agencies and city-level business groups; and implementing initial project activities such as assessments, action planning and capacity building. As a matter of procedure, the outputs and activities of the project have been verified in continuing consultations with national and local government partners since October 2011 and approved by the Contracting Officer's Representative (COR).

This report is divided into six sections. The first section after this introduction summarizes the Project's accomplishments, which is followed by a detailed account of accomplishments by Project component (second section) and by city (third section). The fourth section describes the management of the project. The fifth section describes the Project expenditures for Year 1. The last section raises implementation challenges faced by the Project.

¹ These three cities are also USAID partner cities under the Cities Development Initiative (CDI).

II. ACCOMPLISHMENTS IN SUMMARY

In general, the INVEST Project was a catalyst in promoting a better investment climate in the partner cities. This was done through its assistance in streamlining the cities' regulatory system for processing business permits and in building capacity for investment planning and promotion. The Project, however, also contributed to efforts to reduce the cost of doing business and in enhancing the country's competitiveness at the national level.

A. Stages of Project Implementation

The activities of the Project in Year 1 may be organized under three stages: (1) the project start-up; (2) the initial planning stage starting January 2012 after the cities were informed of their inclusion in the Project; and (3) build-up of project activities at the city level triggered partly by the hiring of the City Project Advisers (CPAs). These, however, are not distinct stages which can be compartmentalized according a time period but actually overlap when viewed according to activities

The first three months of INVEST's project life focused on the physical setting up of its office and the hiring of its personnel, as well as on setting the directions it would take toward its goals. INVEST spent the first six months in a temporary office at OI DCI while its permanent office in Ortigas was being renovated. The administrative start-up took longer than expected due to: (1) delays in the hiring of key personnel; and (2) the long processing of permits and clearances required by the Pasig City government before the renovation could start and before the office can be occupied. In the meantime, its key personnel sought to expand the technical proposal submitted by the OI DCI to win the bid for its management. More specifically, its key personnel sought to give more focus to the directions that it would take by consulting its prospective partners and USAID, translate these directions into goals and objectives, identifying the activities it needs to undertake, and then determining the manner through which these are to be implemented and with what resources. It also assisted USAID in choosing the partner cities. The start-up stage was completed in April 2012 with the Project's transfer to its permanent office and the hiring of all the CPAs.

Once the decision was made at the end of December 2011 on which cities would be its partners in effecting the reforms it seeks at the local level and the formal announcement was issued to the cities in early January 2012, the Project proceeded with initiating contact, generating goodwill, building up confidence, and mobilizing support among its varied stakeholders at the partner city and national levels. It also started hiring project personnel at the city level, a process which was completed in April 17, 2012. However, even without a complete personnel complement at the city level, the Project, mobilizing Home Office staff, started collecting baseline data on business processing and planning and investment promotion activities. All these activities were critical in reform formulation and implementation at the latter stages of the Project.

The third stage of the project, which was triggered partly with the hiring of the CPAs, saw the notable acceleration in project activities. The first critical step was the setting up in each of the partner cities of a City INVEST Project-Technical Working Group (CIP-TWG), a multi-sectoral committee, which would be tasked with implementing the activities of the project in the city. The Project then catalyzed key steps in reform processes at the national and city levels, and

supported the cities in the initial phases of implementing reforms to streamline business registration processes while improving the requisite LGU capabilities in investment planning and promotion.

B. Project Accomplishments

The Project's accomplishments can be classified into four - at the city level, at the national level, with USAID, and with other donor organizations.

City-Level Assistance

1. Encouraged Partnerships among City Government Officials and the Private Sector

The Project recognizes that for these to be sustainable, reform efforts should be owned and participated in by the stakeholders. Hence, one of its first activities it undertook in its partner cities was to meet with business sector representatives, the academic community, civil society representatives, as well as the different department heads of the city government. In this first meeting, it introduced itself, solicited the participation and cooperation of these sectors in what it aims to achieve, and sought their insights and recommendations on the directions it ought to take and how it should achieve its objectives, particularly at the city level. With this and other initiatives, the Project was successful, during its first year of implementation, in mobilizing the full and meaningful participation of the private sector in its activities in the city. In Batangas, in particular, the Project brought together business leaders and the city officials to come up with a common vision for the city, a first given the past adversarial relationship between the city government leadership and some members of the business sector.

2. Laid the Institutional Support Mechanism for Project Implementation

In all the cities, a City INVEST Project Technical Working Group (CIP-TWG) was organized with no less than the City Mayor as chair (except for Cagayan de Oro where the private sector chairs the Management Committee for the INVEST Project). The organization of the working group is based on the Project's principle that its activities should be in response to the cities' needs and that a formal structure in the city should be made accountable for the reform agenda and the project activities that will be implemented in pursuit of these goals. All working groups are multi-sectoral and include private sector representatives.

The Project was also instrumental in the formal designation of the Local Economic and Investment Promotion Officers (LEIPOs) in each of the three cities. These officers shall be the focal point of all investment planning and promotion activities in the cities.

3. Established Baseline Information on Business Processing and Investment Promotion in the Partner Cities

Firmly believing that all of its activities ought to be based on scientifically determined needs, the Project completed the assessment of the cities' procedures for processing new business applications and renewals, the level of automation of their Business Permits and Licensing System (BPLS), the operations of their Business One-Stop Shops (BOSS) and their business registration-related inspection system. It also assessed the different development

plans and local investment incentives codes (LIICs) of the cities as well as the training needs of their LEIPOs. The assessments, which were mostly done by third party evaluators, served as inputs in the training and action planning activities of the project.

4. Conducted Capacity Building Activities

Based on the initial baseline information gathered from the assessment of the business processes and the training needs of the LEIPOs, the Project implemented a number of initiatives to build up the capacity of these and other city officials to undertake the reforms required in the areas of business processing and investment planning and promotion. Among these initiatives were a local study tour for the three cities to see models of good practices in BPLS, a forum on BPLS automation and inspection reforms, and individual city workshops on automation and inspection. The Project also conducted workshops on plan integration, local economic and investment promotion, and the formulation of the city vision.

5. Assisted the Cities in Formulating Action Plans for the Further Streamlining of Business Processing and the Improvement of their Capacity for Investment Planning

During the year, the Project conducted training cum action planning workshops where the cities were able to map their reform agenda in both the business processing and investment promotion. Action plans were formulated for BPLS streamlining, BPLS automation, and the improved operations of BOSS. In the field of investment promotion, the cities also identified measures to strengthen the Local Economic and Investment Offices (and not just the LEIPOs) and activities that would lead to the revision of their local investment incentives codes. These action plans have been submitted and endorsed for implementation by the CIP-TWGs and the Local Chief Executives of the partner cities.

6. Influenced the City in Implementing Initial Reforms in Business Permitting and Investment Promotion

With encouragement and support from the Project, some of the partner cities have already been instituting reforms in their BPLS even prior to the annual renewal period in January 2013. In Batangas City, for instance, the number of signatories has been reduced and the Mayor has delegated her approval authority in granting permits. In Iloilo City, the City Treasurer's Office reduced processing time substantially for new business applicants. In the area of investment promotion, the Project has convinced the Chief Executives of the three cities to set up Local Investment Promotion Centers and the physical location of these have been identified.

7. Enhanced the Investment Planning Capacities of the Cities

To attract investors, the cities should have a credible investment plan based on their development visions. Ensuring the existence of this plan that is closely linked with the cities' development plans was a major concern of the Project. To address this concern, the Project supported the conduct of visioning exercises in the partner cities during the year. As a result of this activity, the partner cities formulated their respective visions of how they wish to progress and develop. The Project also supported the conduct of training on plan integration which enabled the cities to produce a set of programs and projects consistent with their development vision and plans. These set of programs and projects will be submitted for inclusion in the cities' 2013 Annual Investment Program (AIPs) and annual budgets. This is

the project's attempt to help the cities link the budgeting process with their development objectives and plans.

8. Built the Confidence of the City Officials in USAID and INVEST Project Staff

In the last nine months, the Project's various activities have built the trust and confidence of the city officials and the private sector in USAID and the INVEST staff. This is an important Project achievement that has been, and will prove to be, a vital factor in project implementation and in motivating the city officials to undertake reforms, both under INVEST and the Cities Development Initiative (CDI).

9. Leveraged Project Funds with City Governments

Part of the memorandum of agreement (MOA) between USAID and the local governments of partner cities for the implementation of the CDI is the latter's commitment to support the Project. In compliance with this commitment, the city governments have provided an office free of rental and charges for utilities as well as staff support to the CPAs, support during CIP-TWG meetings, as well as counterpart funds for some of the project activities, e.g., local study tour. This support has enabled the Project to engage in and fund more activities from its limited resources, while deepening the sense of ownership for Project activities among the city government officials. This sense of ownership better ensures the sustainability of the reforms jointly undertaken by all stakeholders with guidance and support from the Project.

Assistance to National Government Oversight Agencies

1. Supported the Review of the Philippine Business Registry

One of the important programs of the government in streamlining business processing is the Philippine Business Registry (PBR). The Project contracted an STTA to assist the DTI in evaluating the current state of the PBR and in identifying the options for improving its operations. The DTI's response was quite positive to the Project's recommendations, paving the way for the agency's continued support to get the PBR moving on to its second phase.

2. Assisted the Oversight Agencies in Promoting the Next Wave of BPLS Reforms

The Project was instrumental in forging a partnership among the three oversight agencies, DTI, DILG and Department of Science and Technology (DOST), in launching the BPLS Automation Project, which will implement the next wave of reforms in business registration. It assisted in refining the Memorandum of Agreement that was signed on July 24, 2012 formalizing this partnership. The Project also organized the well-attended Forum that introduced to the Local Government Units (LGUs) the three knowledge products produced by USAID on setting-up a business-friendly inspection system and the planning guide on BPLS automation.

3. Provided Technical Assistance to the National Competitiveness Council (NCC) and Four Policy Level Committees Concerned with Investment and Business Processing Reforms

To be strategically positioned to know the latest reform agenda of the government, to influence decisions in these areas, and to most efficiently and effectively provide assistance when warranted, the Project actively provided technical support to the four inter-agency committees concerned with investment and business policy reforms. These committees are: (1) the Working Group on Growth and Investment Climate (GIC) under the Philippine Development Forum (PDF); (2) the Sub-Working Group on Local Investment Reforms (SWG-LIR); (3) the BPLS Oversight Committee (BOC); and (4) the Technical Working Group on eBPLS (TWG-eBPLS) chaired by the Information and Communication Technology Office (ICTO) of DOST. The Project assisted the technical secretariat of these committees in setting the agenda for the committees and in preparing discussion guides for the meetings. The Project also contracted an STTA that assisted the NCC in evaluating the Client Satisfaction Survey that was used in measuring public perception on the business processing reforms of the government. In connection with the recent organization of the Regional Competitiveness Councils (RCCs) under the Regional Development Committees, the Project participated in the meetings and presented options in drawing up the competitiveness framework for the committee.

4. Leveraged Project Funds with National Government Agencies

Aside from the city governments, the Project also leveraged project resources to raise financial support from national government agencies for some of its activities. Specifically, the BPLS Automation Forum was funded jointly with the Local Government Academy and the National Competitiveness Council. The Project has also been supporting the Sub-Working Group on Local Investment Reforms as well as the informal Technical Working Group on BPLS Automation.

Support to USAID Activities

1. Submitted to USAID a List of Cities for Possible Inclusion in the Project

The Project assisted the USAID in evaluating a list of first class cities for possible inclusion as an INVEST partner city. It submitted a short list of cities based on an agreed criteria and consultations with the government on November 2011.

2. Supported the Launching of the Cities Development Initiative (CDI) in its three Partner Cities

The Project also supported the launching of the CDI in its partner cities. This support took the form of, among other measures, coordinating and liaising with officials of the cities, providing background information on the cities, preparing scene setters for the events, mobilizing the participation of various stakeholders in the ceremonies, and arranging for the venues of the ceremonies.

3. Assisted the COR and Alternate COR in their Participation in NG Oversight Committees

The Project provided support to the COR and Alternate COR, who represent USAID as the Co-Convenor of the Sub-Working Group on Local Investment Reforms. More specifically, it prepared talking points for the Chairs of the committee to ensure a meaningful and productive management of the meetings as well as other background materials on the topics for discussion in the committee.

Working with the Donor Community

Leveraged Project Funds with Development Partners

The Project partnered with members of the development community in the following activities: (a) the BPLS Forum on Automation and Inspection which involved CIDA's Local Government Support program for Local Economic Development (LGSP-LED) and GIZ's Development Project; and (2) the Study on the Framework for Measuring Economic Growth and Competitiveness, which is being undertaken with LGSP-LED and the NCC. These engagements have enabled INVEST to expand the scope of its activities beyond what it would have otherwise been with its limited resources. They have also enabled the Project to help ensure that donor resources in the Philippines are more efficiently utilized.

C. Comparison of Planned and Delivered Outputs

Table 1 summarizes the Project's accomplishments. Out of a total of 51 discrete expected outputs classified according to the project's seven program areas, 28 have been completed although the final reports for 11 still have to be submitted in November 2012.² The accomplishment of 19 outputs will be carried over to Year 2. There were 3 outputs which have not been done and will not be carried over in Year 2 upon consultation with the COR. These include: (1) private sector engagement in BPLS reforms; (2) SEC connectivity in the Philippine

² COR approval was given on October 31, 2012 to submit the remaining outputs in November 2012.

Business Registry (PBR) and; (3) study on the streamlining of the permitting processes in agriculture.

Table 1. Accomplishments of the INVEST Project for Year 1

	No. of Outputs (Approved Work Plan in May 2012)	Completed			Outputs Carried Over to Year 2	Not Accomplished
		Total	Final report submitted to USAID	Report for submission to USAID		
Component 1	26	13	5	8 ¹	10	3
Component 2	19	9	7	2 ²	9	1
Component 3	6	6	5	1	6	
Total	51	28	17	11	19	3

¹ Of this number, 7 final reports will be submitted in Year 2

² Of this number, 1 final report will be submitted in year 2.

III. ACCOMPLISHMENTS BY COMPONENT

The Project activities for Year 1 were based on the approved work plan of the Project in May 2012 whose overall objective is to promote an investment-friendly economic environment in the partner cities. This is proposed to be attained through the Project's two components: (1) streamlining of business registration process and lowering of the business transaction costs of compliance with rules and regulations; and (2) improving investment planning and promotion in target cities. *Annex 1* contains a summary of the Project's components, program areas, and deliverables under each of its two components.

As stated in the work plan, the first year of INVEST will focus on setting up the institutional support to the project in each target city, assessing the state of regulatory procedures and the enabling environment in the target cities, action planning, capacity building, and initial reform implementation. These were generally achieved as explained below.

A. Component 1: Streamlining Business Registration Process and Lowering Business Transaction Costs of Compliance with Rules and Regulations

The component aims to address the high cost of doing business in the Philippines. It has three program areas: (1) improving the business permits and licensing system (BPLS) in partner cities; (2) strengthening national government support to BPLS reforms; and (3) supporting regulatory reforms in the priority sectors and areas of government. In implementing activities in these program areas, the Project referred the Nationwide Upscaling of Business Permits and Licensing System (BPLS) Reforms Program launched by of the Department of Trade and Industry (DTI) and the Department of the Interior and Local Government (DILG) in August 2010.³

The Project's first year work plan was geared towards assisting the partner cities implement reforms in time for the January 2013 registration for business renewals. The project activities in Year 1 focused on: (1) collecting baseline information on the BPLS of, and the level of automation and the business-related inspection system in, the cities; (2) identifying areas for further streamlining that would move the cities within or even better than the service standards for business processing set in the DTI-DILG Joint Memorandum Circular No. 1, Series of 2010 (JMC); and (3) conducting local study tours that would show exemplary models in business processing and investment promotion.

At the national level, the project contributed to the formulation of policy reforms that would further advance business-process streamlining. It assisted the DTI in assessing the Philippine Business Registry. In the area of BPLS computerization, the project helped organize a forum that launched the BPLS Automation Project, which constitutes the next set of BPLS reforms to be promoted by government. In the forum, a Memorandum of Agreement was signed among the DILG, DTI and DOST to jointly implement the project through capacity-building programs and the development of a web-based e-BPLS software for local government units (LGUs). The forum also disseminated and promoted the use of the knowledge products produced by USAID

³This program has five components: (1) mobilizing champions for the BPLS reform process; (2) simplification & standardization of the BPLS (or process re-engineering); (3) computerization of the BPLS; (4) institutionalization of the reforms; and (5) improvements in customer relations

for the DOST that would assist cities and municipalities in setting up computerized business processing systems.

Program Area 1.1: Improving BPLS in Partner cities

This program area aims to accelerate the BPLS streamlining undertaken by the partner cities in the past through the joint efforts of DTI and DILG. Specifically, the Project will: (1) ensure that the standards set by the Upscaling BPLS Reform Program of DTI and DILG are met and even exceeded; (2) expand and/or enhance the existing Business One-Stop Shops (BOSS); (3) maximize the use of automation in business processing; and (4) encourage the setting-up of business-friendly inspection systems.

The Project covered four areas of reform in its Year 1 – the processes for granting a Mayor's permit, the operations of Business One-Stop Shops (BOSS), the automation of business processes, and the conduct of inspections. It laid the groundwork for the implementation of BPLS reforms, from diagnosis to analysis to design of reform measures, and capacity building in preparation for the implementation of reforms, which was reserved for Year 2. The Project also started engaging stakeholders in the BPLS reform program through the organization of local committees that included representation from local chambers and civil society organizations (CSOs). The details of the project accomplishments are described below.

Deliverable No. 1: Ensured Compliance with BPLS Standards.

The Project targeted, at the minimum, compliance by the partner cities with the following standards set in the Upscaling BPLS Reform Program: (1) the use of one unified form; (2) no more than 5 steps; (3) reduced processing time to 5 days for renewals and 10 days for new business applications; and (4) reduced number of signatories in business applications.

For the first year, the Project implemented the following activities, which paved the way for identifying reform areas in BPLS that will be implemented in its second year of operations:

- a. **Assessment of the Current BPLS in the Partner Cities.** A third-party assessment of the cities' BPLS was conducted as an initial step to determine their compliance with the JMC. The assessment was done in three areas, i.e., the business renewal process, the state of automation, and the processes for new business applications, in three different periods and by three sets of consultants. It involved a time-and-motion study and exit interviews of 50 business applicants. The review of the renewal process was done in January 2012 to coincide with the annual renewal period while that for new business applications happened from May to July 2012. The BPLS automation assessment, on the other hand, was conducted between February and April 2012. Three reports were separately submitted to USAID: (1) the integrated assessment report on the renewal process on May 31, 2012; (2) the integrated assessment report on the new business applications on August 7, 2012; and (3) the automation report on July 16, 2012.
- b. **Conduct of Local Study Tours.** The study tour was a learning mechanism for the INVEST partner cities in the areas of BPLS streamlining and enhancement of the local investment environment. More specifically, the cities were exposed to good practices in BPLS processes, automated BPLS, and BPLS link to the PBR.⁴ Conducted between May 30 and

⁴ The study tour was also aimed at exposing city officials and local business groups to investment promotion initiatives of some NCR cities.

June 8, 2012, the tour was attended by 37 city officials, mostly selected members of the TWG for the INVEST Project in the partner city, grouped into three batches, one for each city. The group visited seven model cities and six agencies. The report on the study tour was submitted to USAID on July 12, 2012.

- c. Conduct of Self-Assessment Workshop. The results of the assessment and the knowledge gained from the local study tours served as inputs to the self-assessment workshops which were conducted to enable the partner cities to: (1) identify processes for further streamlining to ensure compliance with the BPLS standards; and (2) prepare action plans for the implementation of the reformed BPLS which will be put in place not later than January 2013. The workshops were held on June 13-21, 2012 for the 3 cities. The action plans will be submitted to USAID November 9, 2012.
- d. Conduct of the BPLS Automation Workshops. With the streamlined processes identified in the three cities, the next step was to determine how automation can be applied in the streamlined processes. BPLS Automation workshops were organized on August 1-2, 2012 for Batangas, August 22-23, 2012 in Cagayan de Oro City and September 6-7, 2012 for Iloilo city will still be holding the workshop on the first week of September. The resulting action plan for automating BPLS will be submitted to USAID on November 9, 2012.

Deliverable No. 2: Improved Business One-Stop Shops (BOSS).

One of the mechanisms usually undertaken by cities to speed-up the processing of business applications is the BOSS, which is usually set-up as part of the business renewal process.⁵ At project inception, INVEST planned to assess (1) the presence or absence of BOSS in the partner cities; (2) the quality of the operations in existing BOSS during the renewal period in January 2012; and (3) the public's perception of the effectiveness of the BOSS through an exit interview among users and a Client Satisfaction Survey. The Project also aimed at enhancing the institutional support to BPLS activities by the DTI through the Philippine Business Registry (PBR), the National Economic Research and Business Assistance Center (NERBAC) at the regional level, and the cities' BOSS.

For Year 1, INVEST undertook the following activities:

- a. Assessment of the BOSS in the Partner Cities. The evaluation of the BOSS in the three partner cities coincided with the review of the business renewal process since cities set up BOSS usually during the renewal period. The report on the BOSS in the partner cities was submitted on May 31, 2012.
- b. Formulation of Action Plans on BOSS Reforms. The self-assessment workshops in the three cities (refer to *Deliverable #1*) included an assessment of the BOSS and the formulation of proposals to reform the BOSS operations. The action plans to implement the BOSS-related reforms will be submitted to USAID on November 9, 2012 together with the BPLS action plans.

Two of the outputs included in Deliverable 2 will be continued in Year 2 as follows:

- a. Subcontract for the Client Satisfaction Survey. The objective of the CSS is to establish baseline data on the perception of local business chambers on the BPLS as well as the

⁵ Some LGUs have established year-round BOSS, e.g. Valenzuela.

general business climate in the cities. The National Competitiveness Council conducted their own CSS at the start of 2012 focusing on business renewal process. However, the response rate for the CDI cities was quite low- The Project issued a Request for Proposal and chose the winning bidder. There was a prolonged negotiation with the winning bidder. However, based on consultation with the National Competitiveness Council, it was decided to hold off the conduct of the survey due to the possibility of converting the client satisfaction survey into a local competitiveness survey based on an agreed upon framework on competitiveness by the government. The survey will be undertaken in year 2 of the Project.

- b. Institutional Study on NERBAC, BOSS & the Philippine Business Registry. Aside from the BOSS which processes business permits, there are two other projects managed by DTI which are related to business permitting - the Philippine Business Registry (PBR) which is a web-based system where applicants can secure clearances from national government (NG) agencies and the National Economic Research and Business Assistance Center (NERBAC) at the regional level which also assists business applicants comply with NG requirements for business permitting. The Project formulated the SOW for the study and hopes to contract the former project BPLS Strategist to undertake the study in Year 2.

Deliverable No. 3: Improved System of Business Inspections. As part of its Year 1 work plan, the Project planned to assess the different business registration-linked inspections in the partner cities (e.g., zoning, fire safety, health and sanitation, and building-related clearances) and assist in establishing more business-friendly inspection systems. The following were undertaken:

- a. Assessment of the Inspection Systems in Partner Cities. The inspection systems were reviewed during the period May-July, 2012 together with the assessment of new business application processes. The rationale for combining the assessments of the two procedures is that most new business applicants either construct an establishment or renovates an existing one before applying for a new business permit to operate. The assessment was originally intended to be done through a subcontract but only one bid passed the evaluation committee (Batangas State University); hence two STTAs were hired for the assessment of the systems in Iloilo and Cagayan de Oro cities. The study used as a framework for analysis the LINC-EG paper entitled “BPLS Inspection Guide: Conducting Business-Friendly Local Inspections in the Philippines.” The initial results were presented to the COR on August 24, 2012. The assessment report will be submitted to USAID on October 5, 2012.
- b. Conduct of the Study on the Benchmarking of Inspection Fees. The study, which was conducted in partnership with the DILG, aims to formulate a framework for setting inspection fees based on the cost of delivering the service, determine the range of fees being imposed by cities, and recommend measures to improve the overall efficiency of inspections. A survey on the fees imposed by cities in the country was conducted in partnership with the Bureau of Local Government Finance under the Department of Finance, who expressed interest in the survey. A more in-depth analysis was undertaken in the three cities of INVEST. The study’s initial findings were presented to the COR on August 24, 2012. A presentation to DILG and DTI was made on September 18, 2012.⁶ The findings of the study for the three target cities will be presented in the Workshops on Business Inspection which will held in the cities on October 2012. The final report was originally due on July 31, 2012. However, in view of the need to conduct a survey of

⁶ The study was also presented to the Bureau of Local Government Finance on October 16, 2012 and to the BPLS Oversight Committee Meeting held on October 22, 2012.

inspection fees among the cities in the country as requested by DILG, the final report will be submitted on November 19, 2012.

Two of the activities on inspection systems will be continued in Year 2 as follows:

- a. Study on Risk-Based Inspection. Risk-based categorization of inspection is one of the recommendations in the past LINC-EG' BPLS Inspections Guide to address the difficulty of conducting inspections on all business enterprises, which seldom happens because of resource constraints. There was a delay in the conduct of the study due to difficulties in getting consultants (e.g. sanitary engineers and fire safety experts). The study will be carried over in Year 2 of the project.
- b. Action Plans of the Partner Cities for the Implementation of Inspection Reforms. The action plans of the partner cities to improve their respective inspection systems will be formulated in workshops aimed at: (1) providing training on the setting-up of business-friendly inspection systems; (2) streamlining of current inspection systems in the three cities; (3) preparation of action plans to implement the streamlined inspection system. The project is targeting the setting up of the streamlined system in time for the renewal period in January 2013. The schedule of the workshops on inspection will spill-over to Year 2 (October 2012); hence the report will be submitted to USAID in November 2012.

Deliverable 4: Engaged Stakeholders on BPLS Reforms. The Project will support the forging of a closer tripartite partnership among the private sector (academe and business), civil society, and the city government in the partner cities in reforming BPLS. This was achieved in Year 1 through the following activities:

- a. Ensuring the membership of stakeholders in the City INVEST Project-Technical Working Group (CIP-TWG) or similar committees which is tasked with implementing the activities of the project including BPLS reforms. The private sector members of the CIP-TWG are as follows:

Table 2. Private Sector Representation in CIP-TWGs

City	Private Sector Member	Affiliation
Batangas	Mr. Faustino Caedo	Batangas Chamber of Commerce and Industry
Iloilo City	Mr. Felix Tiu	Iloilo City Trade and Investment Promotions Board
Cagayan de Oro	Mr. Ruben Vegafria	Promote CDO Foundation, Inc.
	Ms. Ma. Teresa Alegrio	CDO Chamber of Commerce and Industry

- b. Organization of Workshops or Project Activities with Private Sector Involvement The Project ensured that the private sector was invited in the different activities where BPLS reforms were discussed, as shown below:

Table 3. Number of Private Sector Representatives in INVEST Meetings on BPLS

Activity	Batangas City	Iloilo City	Cagayan de Oro City
Orientation Meeting on INVEST	25	20	2
Presentation of BPLS Assessment of BPLS Renewal System	0	6	2
Local Study Tour	0	2	0
BPLS Self-Assessment Workshop	0	5	2
Visioning Workshop	4	12	8

- c. Engaging Academic Institutions and Local Research Institutions in the BPLS-related Studies of the Project. The Project prepared two subcontracts where local academic institutions and research groups were invited to participate: (a) the assessment study on the BPLS renewal processes and the BOSS in the partner cities (request for proposal was issued in December 2011) and (b) the review of the inspection systems and processes for new business applications. Batangas State University qualified for the latter study.

Program Area 1.2: Strengthening National Government Support to BPLS Reforms

The national government oversight agencies under the leadership of the DTI and DILG, through various committees like the BPLS Oversight Committee (BOC) and the newly-created BPLS Automation Committee, play a critical role in initiating the needed procedural changes in business registration processing. While their national leadership provides the vision, direction, and policy support to the reforms, their regional offices provide the monitoring and technical support to LGUs as these go through the streamlining processes. In Year 1, the Project focused on building the institutional support to an important component of BPLS reforms – automation – as well as in assisting the DTI in evaluating the Philippine Business Registry to facilitate compliance by new businesses with the registration requirements of national government agencies. The specific Project interventions are explained below:

Deliverable No. 1: Enhanced Connectivity of the Philippine Business Registry. The PBR, which is a flagship project of the Philippine Government, with DTI as the lead agency,⁷ aims to facilitate the registration processes of businesses in the country. It is a web-based system that would serve as an on-line one-stop facility for entrepreneurs who would either open up a new business or expand operations. It is envisioned to connect the regulatory agencies that process permits: the DTI, SEC, Cooperative Development Authority (CDA), Bureau of Internal Revenue (BIR), Social Security System (SSS), Home Development Mutual Fund (Pag-IBIG), Philippine Health Insurance Corporation (PhilHealth), LGUs, and other permit/license-issuing agencies.

Consistent with its commitment, the Project conducted a technical and institutional assessment of the PBR. An STTA was contracted by the Project based on the advice of a Selection Committee chaired by a DTI Undersecretary to study the current status of the PBR and recommend measures for the next phase of the system’s operations. The results of the study were presented to DTI on August 24 and September 7, 2012. The final report will be submitted to USAID on November 9, 2012.

⁷ DTI oversees the administration of PBR by virtue of Executive Order 587.

The two other outputs originally targeted for Year 1, i.e., the SEC connectivity to the PBR and the connectivity of the three partner cities to the same system, were not undertaken as the Project awaited the results of the PBR assessment. Given the uncertainty of the final configuration of the PBR, which will be decided on by DTI in the next three months, the Project in consultation with the COR will no longer provide assistance in connecting SEC to the PBR. However, the connectivity of the partner cities to PBR will be done in Year 2 of the Project.

Deliverable No.2: Enhanced Policy Support to BPLS Computerization. One of the components of the BPLS Nationwide Streamlining Project is the computerization of business processing. This component is important in ensuring that the service standards prescribed in JMC No.1 is complied with and even exceeded. DTI and DILG reiterated the importance of capacitating targeted LGUs in BPLS automation, which will be the focus of the Upscaling BPLS Reform Program in 2012.⁸ The Project supported the two agencies through the following:

- a. *Preparation of an e-Readiness Survey Questionnaire* The questionnaire was aimed at gauging the extent to which the business processes of the 480 LGUs have been computerized. The survey was also intended to gather information on whether these LGUs have the basic requirements for automation, e.g., manpower, software, and hardware resources. The questionnaire was disseminated by the Local Government Academy, the National Computer Center (or ICTO of the DOST) and the Local Government Support Program for Local Economic Development (LGSP-LED) Project of CIDA before and during the BPLS Automation Forum held on July 24-25, 2012. The e-Readiness Survey instrument was submitted to USAID on July 20, 2012. The analysis of the survey results is presently being undertaken by the Information and Communications Technology Office (ICTO).
- b. *Technical Advice to DTI, DILG and DOST on BPLS Computerization.* The INVEST Project organized meetings among DTI, DILG and the Information and ICTO of the DOST to discuss the MOA that launched the BPLS Automation project in July 2012. The MOA is major policy initiative that: (1) sets the institutional mechanisms for the implementation of the BPLS Automation Project with the creation of a Technical Working Group on eBPLS (TWG-eBPLS) under the BPLs Oversight Committee (BOC); (2) endorses the BPLS Automation Planning and Implementation Guide and the BPLS Baseline Design produced by DOST with USAID support; (3) sets out the work plan and deliverables for the BPLS Automation Project; and (4) instructed the formulation of an eBPLS readiness Survey to be administered to LGUs. The output referred to in the fourth objective had already been developed by the Project. A report on the policy support which the project provided to the three oversight agencies was submitted to USAID on October 10, 2012 as part of the “Report in the INVEST Project Assistance to the Inter-Agency Committees on Investment and Business Regulatory Reforms.”

Deliverable No. 3: Supported National Government BPLS Guide & Standards for LGUs. The Project, in Year 1, aimed at assisting LGA, as coordinator of the BPLS program, in enhancing the BPLS service standards and disseminating knowledge products (KM) that will be used in capacitating LGUs, including the partner cities, on BPLS standards compliance and other related reforms. In this connection, the Project achieved the following:

- a. *Assisted in drafting a Memorandum of Agreement (MOA) among DTI, DILG and DOST*

⁸ Meeting of the Working Group on Growth and Investment Climate (GIC) on November 23, 2011. The GIC included in its work plan the implementation of capacity building activities on BPLS automation in partnership with DILG.

where the three agencies agreed to "jointly endorse... the BPLS Automation Planning and Implementation Guide and the BPLS Baseline Design produced by ICTO of DOST."

One of the outputs of the Project in Year 1 is the submission of a memorandum Circular disseminating the knowledge products on BPLS automation and the automation baseline design, which were developed by USAID's LINC-EG project. Instead of a Memorandum Circular, the oversight agencies instead issued a MOA, which was signed in July 24, 2012, that instructs the oversight agencies to support the dissemination of the said knowledge products. The MOA, which is also described as an accomplishment under *Deliverable No. 2* above, may be considered compliance with output 3.1 under this deliverable. The newly-organized Technical Working Group on eBPLS will have to decide whether a Memorandum Circular will still be necessary to promote the automation of business procedures, including the use of the two KM products financed by USAID.

- b. Conducted a Forum on BPLS Automation and Inspection. The DOST, DTI and DILG organized a forum on July 24-25, 2012 with the theme "***Moving Forward: From BPLS Streamlining to Automation (Sustaining Partnerships for BPLs Reforms)***". The forum, which was mainly organized by INVEST, in partnership with the LGSP-LED, had the following objectives: (1) to launch the next component of BPLS reforms, automation, with the signing of the MOA among three oversight agencies; and (2) to orient LGUs on the two areas of BPLS reforms, automation and inspection, using the three USAID financed materials, i.e. *eBPLS Planning and Implementation Guide: Computerizing Business Permits and Licensing Systems in the Philippines*, the *eBPLS Baseline Design Guide: Automation Systems Flows and Baseline Design* and the *Setting-Up a Business-Friendly Inspection System*. The forum had a good turn-out with 476 participants representing all regions of the country, of which 31 were mayors. The conduct of the Forum represented Outputs 3.3 and 3.4 of the Year 1 work plan under this deliverable. The final report on the forum was submitted to USAID on September 30, 2012. Delays in the submission of the report was caused by (1) the need to solicit comments on the documentation of the forum from 3 agencies- DTI, LGA and ICTO; and (2) the long processing of the LGA of the evaluation forms distributed to the forum participants.
- c. Prepared the SOW of the Assessment of BPLS Standards. The objectives of the assessment are to (1) evaluate the implementation of the BPLS standards; and (2) propose amendments to the JMC, if necessary. The original intention was to partner with the LGA, which is coordinating the BPLS program. However, due to the latter's busy schedules, Project Management instead approached the DTI, through Undersecretary Maglaya and the DTI's Office of Policy Research to be a partner of the Project in the conduct of the study. This is a strategic move since the technical support to BPLS implementation is usually provided by DTI, rather than DILG, at the LGU level. The SOW of the study has been drafted and the search for possible consultants has started. The post will also be advertised. This study will spill over to Year 2.

Deliverable No. 4: Strengthened Monitoring of the Anti-Red Tape Act. The procedural changes in business registration-related activities are concrete measures in response to the Anti-Red Tape Act (ARTA), which aims to enhance good governance and reduce corruption. The Project originally intended to train local CSOs, in coordination with the Civil Service Commission (CSC), in conducting a Report Card Survey in 2012 in the partner cities. The results of the said survey would have been used as inputs in designing the reform agenda on BPLS in the partner cities. However, the Project was informed by CSC, in the meeting of April 2012, that a MOA was signed between CSC and DILG in 2011, under which the DILG will be conducting the Report Card Survey in 2012. In consultation with CSC and DILG, INVEST role was limited to assisting

the DILG validate the Report Card Survey results in the partner cities. However, the Project learned in July 2012 that the DILG survey actually did not include the assessment of business processing. Because of these changes by DILG, the Project was not able to undertake any training for CSOs in Year 1. The Project will be conducting the survey in the three CDI cities in partnership with CSC in Year 2.

Program Area 1.3: Supporting Regulatory Reforms in the Priority Sectors/Areas of the Government

The Sub-Working Group on Local Investment Reforms (SWG-LIR) identified other regulatory reforms critical to generating investment in the priority sectors identified by DTI and DILG as having the most employment impact: agribusiness and tourism. At the same time, the Project intended to support further studies to reform the construction permitting system, which has been the subject of complaints by private business.

Deliverable #1: Streamlined Construction Permitting Process. The Project intends to support the DTI-initiated committee tasked to recommend reforms on the current system for processing building and occupancy permits. More specifically, it will conduct a study on such reforms, using as a basis the “Guidelines for a Business-Friendly Local Inspection System” prepared by LINC-EG. In Year 1, the Project met with Engineer Cuntapay, who is the DPWH official in charge of the Building Code, and agreed that the DPWH will be an agency partner in the study. The DPWH has initiated moves to improve the process of getting construction permits based on the National Building Code. The Implementing Rules and Regulations (IRRs) of the Code was revised in 2004 and took effect on May 1, 2005 after it was published in the Manila Standard on April 1, 8 and 15, 2005. However, interviews with DPWH officials and some building officials seem to indicate that the new IRRs were not immediately implemented due to a court injunction issued in May 2005 but was later lifted in January 2008. While DPWH has started to disseminate the revised IRRs in selected areas in the country, there appears to be a need for wider dissemination of the new procedures stipulated in the new building code. An STTA has been identified to examine the extent to which the LGUs have implemented the new IRRs of the Building Code and recommend measures for the wider dissemination of the new rules. A rOnce the contracting of the STTA will be approved, the Project will commence the study, which is expected to spill over to Year 2.

Deliverable #2: Streamlined Special Permitting Processes in Tourism and Agribusiness. The Philippine Development Plan (PDP) 2011-2016 identifies priority sectors that are envisioned to propel the economy to growth. The Project in Year 1 planned to assist the concerned agencies in conducting a study on special permits required in two of these priority sectors – agribusiness and tourism.

The Project conducted initial work on these studies. More specifically, it engaged key officials of the national government agencies directly involved in the priority sectors. It met with Undersecretary Jasmin of DOT on March 12, 2012 to engage DOT in the assessment study. DOT recommended limiting the study to the permitting processes for setting up hotel establishments and the hotel transport facilities. The SOW was formulated and the search for consultants started. However, the conduct of the study will slide into Year 2 of the Project.

In the case of the study on the permitting process for agribusiness, the Project approached Mr. Marriz Agbon, President of the Philippine Agricultural Development and Commercial

Corporation (PADCC), the agribusiness investment promotion and marketing arm of the Philippine Department of Agriculture (DA). He advised that the study be limited to the permitting process for setting up establishments in livestock and poultry and fisheries. The Project needed to directly engage the DA Undersecretary for Research and Development, the Undersecretary for Fisheries, and the heads of the Bureau of Animal Industry and Bureau of Fisheries and Aquatic Resources.

Due to more urgent activities, it was decided that these initiatives will be pursued in Year 2. However, the COR advised that the Project focus on the study to streamline the permitting process for tourism and to remove the study on the agriculture permitting process from the Year 2 work plan.

B. Component 2: Improving Investment Planning and Promotion in Partner Cities

This component aims to assist the partner cities to create an enabling environment that will attract investment. In order to achieve this and to address the major challenges in the 3 pilot cities, Component 2 focused its activities during Year 1 on the following major strategic themes: (a) strengthening institutional support system for the implementation of the Project; (b) enhancing the technical capacities of the three CDI cities in investment planning and promotion; and (c) enhancing partnership between and among the executive departments and the local legislative assembly, the business groups, civil society organizations and the academe in major activities of the Project. These three (3) strategic themes laid the foundation for the smooth delivery and implementation of Project activities.

For Year 1, Component 2 focused on 2 groups of activities, namely: (a) assessment of systems, processes and documents related to the promotion of economic and investment growth; and (b) capacity building and enhancement.

Program Area 2.1: Strengthened Planning and Investment Programming and Budgeting in Partner Cities.

The presence and quality of city plans are important in attracting investments. Among the more important reasons for this is that city plans indicate the development directions being pursued by the city and the determination and will with which it would pursue such goals. City plans are also the bases of many regulations at the local level, including those on investment. In this program area, INVEST planned to assist the partner cities: (1) revisit and enhance their vision for business and investment growth, update their Local Investment Incentives Codes (LIICs) taking into account national incentives-related policies, and ensure consistency between their LIICs and Local Revenue Codes (LRCs); (2) strengthen the participatory process in plan formulation, investment programming, and prioritization, as well as in plan implementation; and (3) deepen understanding of the roles, responsibilities, and accountabilities by both LGUs and the private sector so that they can manage relationships in investment programming and joint implementation of priority development projects.

Deliverable No.1: Enhanced Required Local Planning Documents (e.g., CDP/CLUP, LDIP/AIP, Annual Budget, and ELA). A major challenge the INVEST Project faced in the early stages of implementation is the lack of common direction for economic growth. Different groups in the three cities have varying interests and industry biases where investment initiatives should focus on. The city governments also have their own priority investment sectors. While the three pilot

cities are easily considered as port cities, their identified priority investment areas at the start of the Project are tourism and cultural promotion, agri-business development, information and communication technology, and business process outsourcing. The determination of a development direction shared by all stakeholders and partners is critical so that special focus and attention could be accorded to the cities. Without a clear and common objective for economic growth, it is difficult to plan and promote the cities as investment hubs. In view of this, the Project implemented the following activities:

- a. Assessment of Planning Processes and Documents. The planning processes and documents in the partner cities were assessed in February and March 2012 to provide critical inputs to ensuring the internal, horizontal and vertical alignment of the cities' various development declarations. One of the main purposes of the Project is to ensure the consistency of planned city investments to existing development plans (e.g. comprehensive development plans (CDPs), comprehensive land use plans (CLUPs), and executive-legislative agenda (ELA), among others), and making certain that these development plans are also supportive of provincial, regional and national development goals as ultimately presented in the Philippine Development Plan (PDP).

The results of the assessment were presented to: (a) USAID on April 12, 2012; (b) Batangas City on April 27, 2012; (c) Iloilo City on April 25, 2012; and (d) Cagayan de Oro City on May 2, 2012. The final consolidated report was submitted to USAID on May 31, 2012.

- b. Conducted the Training on Plan Integration. While the subject training set the tone for Program Area 1, it was also intended to provide a strong foundation for the two other program areas (Program Areas 2 and 3). The training was proposed as a means to address some issues related to development planning at the city level. While various local planning guidelines mandate that development plans should be translated into local development investment programs which should, in turn, be translated into budgets, there is an observable disconnect between proposed projects as identified in the local development investment programs and those that are actually included in annual budgets. Most often, some proposed projects listed in the investment programs are not considered in the annual budget while other projects not listed in the investment programs go into the annual budget. The training was conducted from July 18 to 20, 2012 at the Lancaster Hotel, Mandaluyong City and participated in by 8 key officials and stakeholders' representatives from each partner city, including the City Planning and Development Coordinator (CPDC), the Local Economic and Investment Promotion Officer (LEIPO), the City Treasurer, the City Budget Officer, 2 City Councilors, and representatives of business sector groups.

The training generated the following outputs:

- i. List of programs, projects and activities proposed for inclusion in the CY 2013 Annual Investment Program (AIP) and supportive of, and consistent with, the economic thrusts and industry priorities of the pilot cities. This corresponds to Output 1.4, which was submitted to USAID on October 1, 2012;
- ii. List of programs and projects proposed for funding under public-private partnership arrangements, which will also be submitted to USAID on October 1, 2012; and
- iii. Legislative reforms and interventions for the promotion of identified economic thrusts and priorities of the partner cities.

- c. Revisited the Development Vision in Partner cities. The targeted cities were assisted by the Project in reviewing and enhancing their vision for business and investment growth through the participation of key stakeholders, namely, the local chief executive, members of the city council, and representatives of business groups and CSOs, in visioning exercises undertaken on July 5, 2012 for Cagayan de Oro, July 11, 2012 for Batangas City, and August 28, 2012 for Iloilo City. However, Iloilo City decided to have another visioning session which is scheduled on October 24, 2012. Hence, the report on the shared vision for investment growth among key stakeholders in the partner cities will be submitted in Year 2.
- d. Conducted Initial Research for the Study Tour. The Project initially planned to organize three international study tours separately for each of the partner cities. A survey on the preferred sites and schedules of the tour was undertaken. An activity design was also undertaken. The survey indicated that the cities would like the tour to be undertaken in Year 2 of the Project. In addition, COR advised that only one international tour be conducted by the Project, which is tentatively scheduled in the first quarter of Year 2.

Deliverable No.2: Enhanced and Updated Local Investment Incentive Code (LIIC) and Local Revenue Code (LRC). One critical area in investment planning and promotion is the formulation of investment incentive codes that are appropriate and responsive to current opportunities and requirements. In Year 1, INVEST needed to (1) determine the presence of LIICs in the partner cities; (2) assess the consistency of the LIIC with incentives in sectors such as tourism, agribusiness and other priority sectors that are provided in national laws; (3) determine whether the cities' LIICs needed reviewing, updating or reformulation; (4) convince the Local Chief Executive (LCE) to undertake the needed revisions in the LIIC, if any, and securing his approval; and (5) evaluate the assistance that the INVEST can provide in the activity. INVEST conducted two prerequisite activities that would address the above concerns.

- a. Conduct of a study on the investment incentives provided under national policies for priority sectors. It has been observed that a number of incentives for priority economic development sectors provided under various national laws and policies have yet to be incorporated in LIICs for the following reasons: (a) these policies are relatively new; (b) LIICs were formulated much earlier than the passage of these laws or the issuance of the relevant policies; (c) local governments are not aware of the existence of these policies; (d) there might have been no opportunities yet for local governments to update their LIICs; and (e) concerned local governments have not formulated their LIICs.

The Project contracted the services of Atty. Rachel Folloso to conduct the subject study which produced: (1) a compendium of incentives found in national laws; (2) general comments on how the LIICs should be formulated; (3) comments on the Guide for LIIC formulation prepared by the DILG and the LGSP-LED; and (4) comments on the LIICs of the target cities of INVEST. The study was started middle of May 2012 and the initial results were presented to the USAID on July 17, 2012 and to some key officials of the cities during the training on local economic and investment promotion office on July 25, 2012 in Cebu City. A presentation was also made to DILG and DTI on September 25, 2012. The study will also be presented to the Sub-Working Group on Local Investment Reforms as well as to the local chambers and members of the local legislature in October 2012. The final report on the study is targeted for submission to USAID on November 14, 2012.

- b. Assessment of the City Requirements on the Local Investment Incentives Code (LIIC). To determine the needs of the partner cities in relation to LIIC updating, the Project ensured that, in the training of Local Economic and Investment Promotion Officers (LEIPOs)

conducted on July 24-27, 2012, the workshop design will include an action planning activity that will identify the need to revise the LIIC and the activities leading to its updating and/or reformulation. The presence of city councilors during the LEIPO Training was strategic since any revision in the LIIC will need the approval of the city's legislature or *Sanggunian Panglungsod* (SP). The report on the requirements of the cities in relation to the LIIC formulation and their action plans (Output 2.2) was submitted to USAID on August 10, 2012.

Deliverable No. 3: Strengthened Involvement of the Private Sector in Investment Programming and Implementation of Public Sector Projects. Through the Project, the involvement of the private sector in the planning, investment programming, and program implementation of the partner cities shall be strengthened. Specifically, training shall be conducted to clarify responsibilities and accountabilities of both local governments and the private sector in investment programming and the joint implementation of priority development programs and projects. This training is designed to generate a list of priority programs, projects, and activities that could be either jointly implemented by the government and the private sector or implemented by the private sector acting on its own. The Project prepared the design of the training, which was scheduled in late August 2012 but had to be postpone for Year 2 due to the need to give way to the series of action planning workshops on BPLS automation.⁹ The outputs under this deliverable will be put on hold until the conduct of the training in Year 2.

Program Area 2.2: Supporting Capacity Building of Partner Cities in Investment Planning and Promotion.

Investment planning and promotion at the local level has been enhanced by the creation of the post for Local Economic and Investment Promotion Officers (LEIPOs) through DILG Memorandum Circular No. 2010-113 issued on October 13, 2010.

Deliverable No. 1: Enhanced Capacity of the Local Economic and Investment Promotion Officers in the Partner Cities. Under this program area, the following activities and outputs were undertaken:

- a. *Designation of the LEIPO in the Partner Cities.* The Project discovered that the partner cities have not officially designated a LEIPO as advised in DILG Circular 2010-113. Hence, the Project persuaded the cities to appoint a LEIPO as part of the institutional strengthening of their city's investment promotion activities. As a consequence, executive orders were issued by the cities designating a LEIPO to conduct the investment promotion activities of the city.
- b. *Assessment of the Local Economic and Investment Promotion Officers (LEIPOs) in the Partner Cities.* Since building the capacities of LEIPOs in performing their functions was identified as one of INVEST's strategic interventions, a Rapid Training Needs Assessment (RTNA) was conducted to serve as basis for designing approaches in improving local capacities in economic and investment promotion through the LEIPOs. It is ultimately envisioned that improved LEIPO knowledge, skills and capacities, as a direct outcome of INVEST Component 2, will facilitate the creation of an effective Investment Promotion Office in the three partner cities. The assessment was conducted in February and March 2012 and its results were presented to: (a) USAID on April 12, 2012; (b) Batangas City on April 27, 2012; (c) Iloilo City on April 25, 2012; and (d) Cagayan de Oro City on May 2, 2012. The final consolidated report was submitted to USAID on May 31, 2012.

⁹ The training was eventually conducted on October 9-12, 2012.

- c. Training on Local Economic and Investment Promotion. The training which was conducted on July 24 – 27, 2012 in Cebu City, was designed to capacitate the LEIPOs and other officials and stakeholders involved in investment planning and promotion with the necessary skills to fulfill their mandated functions. Results from the RTNA administered reinforced the need for capacity building as appointed LEIPOs themselves have declared their lack of knowledge and skills in delivering some of their functions. Participated in by eight key officials and representatives from the private sector in each of the pilot cities, the training generated the following outputs:
- i. Action plan for the institutionalization of the local economic and investment promotion office;
 - ii. Sample brochure for the effective marketing of the cities as investment destinations;
 - iii. Action Plan for the review and updating of the Local Investment Incentive Code (LIIC) of the pilot cities;
 - iv. Areas of assistance required by the pilot cities in the review and updating of their respective LIICS;
 - v. Concept of the City Business Forum unique to each of the 3 pilot cities and action plan for the mounting of the City Business Forum; and
 - vi. Action plan for the implementation of activities and reforms to enhance local economic and investment planning and promotion.

Two (2) critical project outputs have been submitted to USAID on August 10, 2012 based on the outputs of the training workshops, namely: (a) action plan for the institutionalization of the local economic and investment promotion office combined with the action plan for the implementation of activities and reforms to enhance local economic and investment planning and promotion (Output 1.2); and (b) action plan for the review and updating of the LIIC of the partner cities combined with the areas of assistance required by the pilot cities in the review and updating of their respective LIIC.

- d. Setting up the Local Investment Center. The Project was able to convince the city governments to set up an Investment Center in the partner cities. In Year 1, the sites for the centers have been identified. The operation of the Centers is targeted for Year 2. Output 1.3 on forging partnership agreements between the partner cities and relevant national government agencies, local chambers, and/or business groups was really intended in connection with the need to maintain a data base of information for the Center. Since the operationalization of the Center will be in Year 2, this output will be worked on in Year 2, though the COFR advised that no report will be required as a deliverable on the partnership agreements forged in the year 2 work plan.

Deliverable No.2: City Business Forums Organized INVEST, together with private sector groups in the partner cities, will assist the LEIPOs in organizing and mounting City Business Forums. This deliverable has two objectives, to wit: (1) enhance the capacity of LEIPOs in promoting the partner cities as investment destinations in a way that they could easily do on their own even after the INVEST Project; and (2) provide a venue for the partner cities to (a) showcase their economic and industry potentials, (b) manifest the need of SMEs and industries for investors to help further develop or strengthen their capacities to contribute to the economic well-being of the cities, and (c) stage business matching among SME and industry players, potential investors, and financing groups or institutions. Upon consultations with city officials, the holding of the business forums will be on Year 2.

Deliverable No. 3: Strengthened NERBAC Support to Partner cities. INVEST will build on LINC-EG assistance to DTI in this area, including the needs assessment the former conducted on Information and Knowledge Management Systems in NERBACs. During the year, the Project started initial work for the hiring of a consultant. It initiated discussions with DTI through Undersecretary Merly Cruz and Assistant Regional Director Doris de Lima on the requirements for strengthening the NERBAC. On the basis of the results of these discussions, it prepared the scope of work for two consultants. There is a pending request to hire the Project's former BPLS Strategist who is an organization development expert, to undertake the study, which will be included in the work plan for Year 2.

Program Area 2.3: Enhancing the Performance of the Partner Cities towards Competitiveness.

Studies have shown that the future growth of cities will partly be driven by good governance and a culture of innovation. This program area thus aims to support efforts to provide incentives for good governance and establish a culture of excellence and innovation in the partner cities through the activities described below.

Deliverable No. 1: Enhanced Mechanisms in Promoting Innovation in the Partner cities. Given the critical role that cities play in promoting economic growth and the importance of technological development in the race toward globalization, the Project will undertake a strategic study, in coordination with the DOST, that will assess the potential of the partner cities in creating "knowledge structures" or "technopoles" or other facilities or institutions that would promote innovation and industry clustering. For Year 1, it started conducting the innovation study for Batangas City by contracting the services of Mr. Jun Berba. The study will be finished in Year 2.

Deliverable No. 2: Enhanced Capacity to Measure the Economic Performance of Partner cities towards Competitiveness. The National Statistics Coordination Board (NSCB) has already formulated a methodology and a set of leading indicators of economic performance by local governments. The methodology has been used in two (2) provinces but its application at the city level has yet to be tested.

During the year, the Project hired an economist to assist the National Competitiveness Council in formulating a framework that will define proxy indicators for assessing economic performance and competitiveness at the city level. Jointly undertaken with LGSP-LED, the output of the project will also be used by the partner cities as well as newly-formed Regional Competitiveness Councils in designing a competitiveness index at the city and regional levels. A competitiveness survey will also be designed using the same framework that will be agreed upon with the NCC. The output of the study will be included in Year 2 of the project.

Deliverable No. 3: Enhanced Positioning of Industries in Partner cities. To further promote the competitiveness of the partner cities, the Project will assist in the conduct of industry studies that will identify industry niches and potentials of the partner cities. In this connection, the following were undertaken in Year 1.

- a. Hiring of Consultants to Conduct Industry Studies in the Three Cities. The Project contracted three economists that will undertake the study in year 1. The outputs are expected to be submitted in Year 2 of the Project.
- b. Provision of assistance in the mounting of the Arangkada 2012. The Project assisted the Joint Foreign Chambers (JFC) in mounting the Arangkada 2012 on January 26, 2012 at

Marriott Hotel. The recommendations put forward by the Arangkada 2012 in ensuring the competitiveness of the country in the coming years had been considered in the implementation of activities and in the formulation of strategies for the Project.

Deliverable No.4: Enhanced Credit Availment in Partner cities. The Project assisted the USAID's Development Credit Authority (DCA) Loan Guarantee in providing background information that it can use in designing a credit loan guarantee facility that can be administered by a local bank. To support the DCA, the Project conducted a study on financing gaps for small and medium enterprises in the 3 pilot cities. Given that financing is an important consideration in the growth and development of SMEs, the study was intended to provide a cursory review of the demand for financing among SMEs in the 3 pilot cities. The review provided information on the profile and growth trends of SMEs in the cities as well as some anecdotal evidence regarding the specific demand patterns for credit in the key SME sub-sectors. Indicative views of few lenders in the cities were also provided to determine the supply of financing for SMEs.

Based on the results of the study, economic growth and with it, growth in SMEs, is expected in the 3 pilot cities. Demand for financing for SMEs is therefore expected to similarly rise, although apparently there could be a tightness in supply. The demand for the 3 cities is estimated to total a little over PHP 725 Million a year. The largest demand will be from Batangas City, followed by Iloilo and then Cagayan de Oro. The majority of this demand will come from medium, rather than small enterprises. The report on the study was submitted to USAID on March 5, 2012.

C. Component 3: Addressing Cross-Cutting Concerns

The Project also undertook activities that cut across its two components as follows:

Deliverable No. 1: Assistance in the Selection of Partner cities.

- a. Selection of Cities to be assisted by INVEST. The Project assisted USAID in the competitive selection of the partner cities by (1) formulating the criteria for the pre-selection and the short-listing of potential partner cities; (2) providing secretariat support to USAID in the briefing for pre-selected cities and in the evaluation of those that submitted their expressions of interest to participate in the Project; and (3) helping in making arrangements and providing logistical support for field visits that were undertaken as part of the selection process. The short-list of cities was submitted to USAID in late November 2011.
- b. Assistance to USAID in the Launching of the Cities Development Initiative (CDI). The Project provided logistical and technical support to USAID during the CDI launching in its three partner cities, which were held on March 2, 2012 in Iloilo City, May 3, 2012 in Batangas City and June 29, 2012 for Cagayan de Oro City. . This support took the form of, among other measures, coordinating and liaising with officials of the cities, providing background information on the cities, preparing scene setters for the events, mobilizing the participation of various stakeholders in the ceremonies, and arranging for the venues of the ceremonies. A report on the launching will be submitted to USAID on November 12, 2012.

Deliverable No. 2: Support to the Government Inter-agency Committees on Investment and Business Registration. The government has created a number of inter-agency committees that set policy directions in various priority areas. One of INVEST's strategies in pushing for its reform agenda is to support the important committees that set the directions in investment-related reforms. Its participation in the affairs of the committees would enable it to influence, to

the extent it is allowed to do so, the direction of policy-making in the said reform areas. INVEST provided technical assistance to the four committees in eight meetings that were organized during the former's first year of implementation (Table 4). Its assistance consisted of the following: (1) assisting the committee secretariats based in DTI and/or DOST set the agenda, formulate the work plan, and provide advice on the management and direction of the committees and (2) assist in the orderly conduct of the meetings of the committees by preparing discussion guides for the chairs of the committee. An added benefit to this strategy is the Project's contribution to better donor coordination in investment-related areas, consistent with the harmonization and ownership principles of the Paris Declaration on Aid Effectiveness.

Table 4. Summary of Meetings of Inter-Agency Committees Supported by INVEST

Title of the Meeting	Date	Participants		
		Male	Female	Total
Working Group on Growth and Investment Climate (WG-GIC)				
1 st WG-GIC Meeting 2012	30 March 2012	17	18	35
2 nd WG-GIC Meeting 2011	23 November 2011	19	20	39
Sub-Working Group on Local Investment Reforms (SWG-LIR)				
2 nd Meeting of the SWG-LIR	19 March 2012	12	25	37
BPLS Oversight Committee				
5 th BPLS Oversight Committee Meeting	19 June 2012	18	17	35
Technical Working Group on eBPLS				
Meeting No. 1	30 May 2012	2	5	7
Meeting No. 2	5 June 2012	8	2	10
Meeting No. 3	25 June 2012	5	2	7
Meeting No. 4	10 July 2012	8	2	10

Deliverable 3: Formulated and Implemented a Project Monitoring and Evaluation (M&E) Plan. For Year 1, the Project, as part of its reporting requirements to USAID, achieved the following:

- a. Formulation of the Monitoring and Evaluation Plan. The Project submitted the M& E Plan on January 16, 2012. A revision of the Plan has become necessary given the modifications made in the original work plan on May 2012 and the Year 2 Work plan. The revision of the M&E Plan will be undertaken in Year 2 and an updated M & E Plan will be submitted to USAID on November 15, 2012.
- b. Quarterly Reports on the Project. Three quarterly reports were submitted to USAID on February, April, and July 2012.

Deliverable 4: Formulated and Implemented a Gender Action Plan. In relation to the Project, a Gender Action Plan (GAP) was submitted together with the M & E Plan on January 16, 2012 that identifies entry points for the integration of gender concerns in its various phases and activities. The Project has been requesting for a Gender Briefing from the gender specialist of USAID but has not been favorably granted. A gender briefing will again be requested in Year 2 which may lead to a revision of the GAP. The Project, in the meantime, will be implementing the GAP as submitted in January 2012.

IV. ACCOMPLISHMENTS BY PARTNER CITY

The INVEST Project is assisting three cities, Batangas, Iloilo and Cagayan de Oro, to improve their business climate in order to generate more investments. For Year 1, the Project assisted the cities in assessing their initial conditions, re-engineer their processes, capacitate city officials in the reform process and plan for reform implementation. For Year 1, the Project's interventions focused on the streamlining of the business permitting process, enhancing investment planning and promotion and building partnerships. The progress of each of the partner cities in these areas is described below.

A. Batangas City

1. Streamlining the BPLS

All preparatory activities were undertaken in Year 1 for the implementation of the program to reform the BPLS in Batangas City in Year 2 of INVEST.

Streamlining the processing of new applications for business permits. The assessment conducted by the Project on June 20 and 21, 2012 showed the extent to which the BPLS in Batangas City needed to be reformed for it to comply with the standards set in the DTI-DILG Joint Memorandum Circular No. 1, Series of 2010. It revealed that a new business applicant has to fill-up two (2) application forms, prepare five (5) documents, undertakes 28 steps that includes securing six (6) signatories. It also found that the whole process of securing a new business permit in the city takes from three (3) to five (5) days.

After undergoing various capacity-building activities supported by INVEST, namely, going to a study tour of cities that had implemented BPLS reform initiatives and undergoing both a self-assessment workshop and a workshop on BPLS automation, and after receiving encouragement and technical advice from Project Management Office (PMO) personnel and the CPA, the Batangas CIP-TWG formulated its BPLS Action Plan. The plan seeks to improve the indicators of the city's BPLS to levels that would exceed the standards contained in the JMC. More specifically, the city government plans to revise the BPLS so that it would involve just two (file/ assess and pay and claim or at most three steps (file-pay-claim), a unified form, two signatories, one documentary requirement (the Barangay Clearance), and a significantly reduced processing time of one hour (Table 5).

**Table 5. Current and Proposed Streamlined BPLS Process
for New Business Applications in Batangas City**

BPLS Process Indicators	Current System	Target for January 2013
Steps	28	2 (File/Assess & Pay and Claim); or 3 (File-Pay-Claim)
Forms	2 forms	Unified Form
Time	3-5 days	1 hour
Signatories	6	2
Documents Required	5	1

Streamlining the processing of applications for the renewal of business permits. The CIP-TWG also formulated an action plan to streamline the processing of applications for business permit renewals. Likewise based on the results of the assessment done by the Project in the first half of 2012, this plan seeks to reduce the indicators to conform with the standards in the JMC. More specifically, the plan also aims limit the steps to three, require the use of a unified form, confine the number of signatories to two, reduce the documentary requirements to one (barangay clearance), and limit the processing time from one day, five hours and 30 minutes to 1 hour (Table 6).

**Table 6. Current and Proposed Streamlined BPLS Process
for Renewal of Business Permits in Batangas City**

BPLS Process Indicators	Assessment Findings	Target for January 2013
Steps	17 steps	2 steps (File/Assess & Pay and Claim); or 3 steps (File-Pay-Claim)
Forms	3 forms	Unified form
Time	1 day, 5 hrs and 30 minutes	1 hour
Signatories	14	2
Documents Required	9	1

Both plans call for a number of activities that include the revision of the united form, the removal of compliance with local and national agency clearances from the processes, the conduct of inspections prior the processing of applications, decentralization of the cashiering function to units other than the City Treasurer's Office, updating of the citizen's charter, and conducting an advocacy campaign to encourage more applications.

Automating the BPLS. The Batangas CIP-TWG also decided to fully automate its BPLS as a way to better streamline business registration in the city. More specifically, it decided to interconnect the computerized BPLS within the Business Permits and Licensing Office (BPLO) and Collection Management System (CMS) at the City Treasurers Office (CTO) with the rest of the units involved in the business registration process. It plans to look for, and implement, a long-term solution toward this end and include this in the city's ISSP. As a stop-gap measure in time for the January 2013 registration, the group to focus on establishing a protocol for file sharing among the regulatory units of the local government and automating the computation and payment of fees.

Improving the BOSS. As a further measure to facilitate business registration in Batangas City, the CIP-TWG also decided to improve the city's BOSS, which the INVEST assessment found it not to be compliant with the JMC standards and well-organized mainly because the procedures are not clear to the applicants. As remedial measures, the TWG will establish a temporary BOSS by December 2012 in time for the business renewal on January 2013 and will operate until the permanent BOSS is established by June 2013. The permanent BOSS integrates the business registration process and redesigns the operations of the CTO for real property tax payments.

2. Enhancing Investment Planning and Promotion.

In Year 1, INVEST fully supported the creation and operations of the Batangas City Local Economic and Investment Promotion Office. It supported the establishment of the office's institutional structure by advocating for, and securing, the creation of the position of the Local Economic and Investment Promotion Officer (LEIPO) and the immediate designation of a city government personnel to the position through an executive order. It also encouraged the creation of the LEIPO Office and the transfer or detailing of city government personnel to man it. It had also assessed the capacity of the LEIPO to fulfill his functions and started mentoring him to improve his capacity to do so.

Substantial progress had also been achieved by the Project either in preparing the groundwork for the institutionalization of reforms or in instituting reforms to strengthen Batangas City's capacities to attract investments more effectively and efficiently. It reviewed the planning processes and documents and, based on the results of this assessment, supported the conduct of activities to improve either processes, documents, or both. Among the activities it supported were the conduct of the Visioning Workshop to help the city formulate the economic and development goals it would wish to pursue, the preparatory work for the conceptualization and execution of various investment promotion materials, and the inventory of projects for possible funding under public-private partnership schemes. The Project also supported the formulation of an action plan for the enhancement of the economic and investment planning and promotion capacities of the city. This action plan will be implemented in the second year of INVEST implementation.

3. Building Partnerships

Throughout its first year of implementation, INVEST paid special attention to harnessing support and participation from all stakeholders in its partner cities, which included city government officials and personnel, officials of local offices of relevant national government agencies, members of the business community, members of the academe, and civil society organizations.

The major business groups of the city are the Batangas Province Chamber of Commerce and Industry (BPCCI), and the Filipino-Chinese Chamber of Commerce and Industry (FCCCI) Batangas Chapter which have been identified by the INVEST Project as critical key partners. The BPCCI, who is headed by its President, Mr. Faustino G. Caedo, is affiliated with the Philippine Chamber of Commerce and Industry (PCCI) and belongs to a wide network of Chambers of Commerce and Industry and Business Councils all over the Philippines. Meanwhile, Mr. Andrew C. Tan heads the FCCCI Batangas Chapter, which is affiliated with the Filipino-Chinese Chamber of Commerce and Industry (FCCCI).

Unfortunately, the city does not have a local chamber, which unifies the business entities inside the city. However, despite the absence of such, the aforementioned chambers cover the local business groups operating in the city.

Among the mobilization methods employed by INVEST was the holding of an orientation workshop for the stakeholders during which the Project was introduced and the key roles to be played by the different sectors were identified. Also undertaken were one-on-one and small meetings, and dialogues with key representatives of particular groups. The Project also ensured that all stakeholders were invited in important events of the project such as the launching of the CDI, study tours and the action planning workshops. Finally, the stakeholders were constantly informed of the progress of the various initiatives undertaken under the Project.

Mobilizing the business community in Batangas City was a special challenge to the Project because of the lack of an organization or organizations of businessmen based in the city. During the year, substantial effort was exerted to encourage the formation of a Batangas City Chamber of Commerce and Industry. This effort has borne initial progress and will be pursued vigorously in Year 2.

B. Iloilo City

1. Streamlining the BPLS

The year's effort to reform the BPLS in Iloilo City, supported fully by INVEST, has resulted in the Iloilo City CIP-TWG formulating an integrated action plan to streamline the business registration system in the city. This plan will be implemented in Year 2 of the INVEST Project and involves improving the processing of applications both for new business permits and for the renewal of existing ones, automating the BPLS, and improving the design and processes of the BOSS.

Streamlining the processing of new applications for business permits. The current registration process for new businesses requires an applicant to undergo 21 steps, accomplish 3 forms, obtain 9 signatures, and secure 3 required documents. It lasts for 4 days, 14 hours and 25 minutes. To make the process compliant with the standards contained in the JMC, the CIP-TWG formulated a plan that seeks to reduce these indicators to 5 steps, the use of a unified form, the securing of 3 signatures, and the presentation of 3 required documents. This new process will take 1 day, 4 hours with inspection. It will only take 39 minutes without inspection (Table 7).

Table 7. Current and Proposed Streamlined BPLS Process for New Business Applications in Iloilo City

BPLS Process Indicators	Current System	Target for January 2013
Steps	21	5
Forms	3	1
Signatories	9	3
Required Documents	3	3
Elapsed Time	4days, 14 hours, 25mins	1day, 4 hours (w/ inspection); 39 mins (w/o inspection)

Streamlining the processing of applications for the renewal of business permits. The TWG also came up with an action plan to streamline the processing of business permit renewal applications. From a process that takes 13 steps; requires applicants to accomplish 4 forms, obtain 13 signatures, and secure 6 documents; and takes 3 days and 4 hours, this action plan aims to create a process that takes 3 steps; requires a unified form, 2 signatures and 3 required documents; and takes only 25 minutes (Table 8).

Table 8. Current and Proposed Streamlined BPLS Process for the Renewal of Business Permits in Iloilo City

BPLS Process Indicators	Current System	Target for January 2013
Steps	13	3
Forms	4	1
Signatories	13	2
Required Documents	6	3
Elapsed Time	3D 4H	25 minutes

The CIP-TWG's action plan for the streamlining of the processing of applications for new permits and the renewal of old ones calls for the removal of unnecessary steps, signatures and requirements; the conduct of inspections after the permits have been issued; improving the BPLS taxpayers' lounge and the posting of flow charts; the conduct of capability-building training for frontline BPLS personnel; and the conduct of an Information and educational campaign (IEC) to inform taxpayers of the new processes.

Automating the BPLS. The city also has formulated a plan to further improve the automation of its BPLS. This plan calls for providing for the on-line submission of the business permit application, the automation of the one-time assessment and payment system, payment through collection agents, and on-line approval of applications. The plan will be implemented within the second year of INVEST.

Improving the BOSS. A BOSS will be set up at the ground floor of the new city hall in January 2013. The CIP-TWG Sub-Committee on Streamlining will design the layout and process flow before the renewal period. It will conduct dialogues with involved regional offices of national government agencies to ensure that the BOSS will be more efficient than previous years. A dry-run of the BOSS will be set up and tested prior to the renewal period. An appropriate IEC campaign will be waged to ensure that taxpayers become aware of, and understand, the new

system at the BOSS and bring the required documents to facilitate the faster processing of permits.

2. Enhancing Investment Planning and Promotion

INVEST provided technical and logistic support to the city for it to undertake the preparatory activities and the institutionalization of the LEIPO Office. It advocated for the creation of the LEIPO position in the city government plantilla and then the designation of a city government employee to assume the functions of the position in the interim that an official designation has yet to be issued. It also advocated and succeeded in having a physical LEIPO Office set up, complete with furnishing and some equipment, together with office supplies. It assessed the capacity of the interim LEIPO to undertake his functions and had started mentoring him. Finally, it guided the CIP-TWG in formulating an action plan that would ensure the full and sustainable operation of the LEIPO Office. The operation of the office will be in full swing starting in Year 2 of INVEST implementation.

In Year 1, the Project also supported activities that improved the capacity of Iloilo City in investment planning and promotion. As with Batangas City, it supported the visioning exercise to formulate the city's growth and development goals, the review and analysis of the planning processes and documents, and the inventory of projects, which have the potential for the engagement of the private sector under PPP arrangements. Iloilo City was also guided in formulating an action plan, which will be executed on Year 2 implementation of INVEST, on strengthening its capacity to plan and to promote investments. This action plan will be implemented in Year 2.

3. Building Partnerships

Iloilo City has eight influential business groups: the Iloilo Business Club (IBC), Chamber of Commerce and Industry of Iloilo, Inc. (CCIII), Philippine Chinese Chamber of Commerce, Inc. (PCCCI), Iloilo Multi-Sectoral Business Organization, Inc. (IMSBOI), Filipino-Chinese Chamber of Commerce, Inc. (FCCCI), Federation of Filipino-Chinese Chamber of Commerce of Panay (FFCCCP), Iloilo Economic Development Foundation, Inc. (ILED), and the Iloilo City Trade and Investment Promotions Board (ICTIPB). Most of these business groups had been involved in the major activities of INVEST Project. Their leaders participated in the CDI MOU Signing in March 2, 2012 at Hotel del Rio; INVEST Project Orientation Meeting in March 15, 2012; and the Visioning Exercise in August 29, 2012 at Small Ville, Iloilo City. They were involved in the assessment meetings conducted by the CDI team as well as the INVEST Team prior to the launching of both projects. Their inputs and recommendations shaped the development of the industry study and business forum activities of the INVEST project, among others.

The City Invest Project-Technical Working Group, created in April 12, 2012, is co-chaired by the Chairman of the ICTIPB. This enabled INVEST to work closely with its 12 members, ten of which are representatives of the different business groups. The members of the Board were involved in the conduct of the Local Study Tour, the Self Assessment Workshop and BPLS Reform Action Planning, the Visioning Exercise, the Inspection Study and LIIC Technical Review Presentations, and the conduct of the Industry Study. The Board was instrumental in the provision of INVEST Nodal Office in the new City Hall.

Besides leading the CIP-TWG and ensuring that the activities are implemented as planned, the Board works closely with INVEST in the implementation of its own activities. Currently, INVEST is assisting the Board in the conduct of series of consultations with the industry players in IT-BPO, Education, Tourism and Manufacturing sectors. Recommendations to support these industries will be presented to the City Mayor for actions and policy reforms.

INVEST continues to coordinate its actions with the IBC and ILED through its Executive Director and common members of the ICTIPB. INVEST hopes to move this tie up to a higher level by engaging them in specific activities (such as the conduct of the business forum) and to work closely with them through the Iloilo Provincial Trade and Investment Board in addressing key issues and concerns of the business sector.

There is strong public-private in Iloilo City, although the challenge was of a different nature, with the sector being fractured along political lines. The Project had been especially sensitive to this situation and had succeeded in making slow progress in ensuring the participation of all key groups within the sector during its activities.

C. Cagayan de Oro City

1. Streamlining the BPLS

The skills learned and the various insights gathered during the various preparatory activities undertaken under INVEST resulted in the Cagayan de Oro TWG formulating an integrated action plan to make the city's BPLS more efficient, speedier and less costly.

Streamlining the processing of new applications for business permits. The component plan for the streamlining of the process for applications for new business permits took note of the findings of the INVEST assessment of the existing process. This assessment showed that the current process entails 17 steps and requires the accomplishment of 10 forms, the submission of 14 documents, and the securing of 27 initials and/or signatures. In all, the process takes 19 days and 20 minutes. The plan seeks to establish the file-pay-claim scheme that would only require 3 steps, the use of a single unified application form, the signature of the city treasurer, and no documents required for submission together with the application form. The new process is to take only an hour (Table 9).

Table 9. Current and Proposed Streamlined BPLS Process for New Business Applications in CDO

BPLS Process Indicators	Current System	Target for January 2013
Steps	17	3
Forms	10	1
Time	19 days and 20 mins	1 hr.
Signatories	27	1
Documents Required	14	0

Streamlining the processing of applications for the renewal of business permits. As far as the process for the applications for the renewal of business registrations is concerned, the TWG plans to establish a system that would reduce the number of steps from 8 to 3, the number of forms used from 2 to 1, the signatories from 13 to 1, the documents required from 1 to none, and the time elapsed from 2 days and 2 hours to 1 hour (Table 10).

Table 10. Current and Proposed Streamlined BPLS Process for the Renewal of Business Permits in CDO

BPLS Process Indicators	Current System	Target for January 2013
Steps	8	3
Forms	2	1
Time	2 days and 2 hrs.	1 hour
Signatories	13	1
Documents required	1	0

The component plan to streamline the processes for new applications and applications for renewal seeks the following reforms: (a) locating the BFP and the CTO at the BOSS; (b) automating the issuance of the FSIC and the OR; (c) using the digital signature of the mayor on the approvals of applications; (d) issuing business plates and stickers upon payment of business taxes and fees; and (e) foregoing to the notarization requirement for the application. It also calls for exploring other distribution channels for the application forms, managing better the volume of applicants during the renewal period, conducting customer relations training for frontline personnel, establishing an MIS at the BPLO, conducting IEC campaigns to inform applicants of the BPLS reforms, and activating the Joint Inspection Team Office.

Automating the BPLS. The component plan for the computerization of the BPLS seeks to upgrade the existing system, which was established in 1995 and therefore uses an application form different from that prescribed by the JMC. It calls for the redesigning and re-development of the system over the long term. As a stop-gap measure in time for the business permit renewal period in January 2013, the plan seeks to expand the current system that will allow e-notification and, in the medium-term, accommodate online payment.

Improving the BOSS. The current BOSS was established in 2010 with support from USAID's LINC-EG Project. The system in place has been deemed to increase the comfort level of applicants and their general satisfaction with the BPLS processes. Its remaining inefficiencies have been addressed by the requirement of only one signature at the BOSS, the elimination of the notary requirement, and location of the Bureau of Fire Protection (BFP) cashier with the CTO cashier in the facility. However, there is a need to enlarge the space of the office and the budget for such expansion and renovation had already been approved in the 2013 AIP of the city.

2. Enhancing Investment Planning and Promotion

Despite the late mobilization of the CPA for Cagayan de Oro, INVEST was able to support all the activities that are required for the full operation of the city's LEIPO Office, programmed for the second year of its implementation. It encouraged and secured the designation of a physical space in the city hall as the LEIPO Office, the renovation and furnishing of this office space with

furniture, fixtures and equipment, and the provision of office supplies and materials. It also supported the formulation of the functional structure of the office and secured the designation by executive order of the LEIPO. It also assisted in the formulation of the office's budget and ensured that this was included in the city's 2013 budget. Finally, it provided technical assistance in the drafting of an action plan for the full operations of the office. The office will be fully functional in YEAR 2 of INVEST implementation, as an Investment Promotions Office.

Year 1 also saw the Project assisting Cagayan de Oro City enhance its capacity to plan and to promote investment. The series of activities that were conducted for this purposes for both Batangas and Iloilo cities were also undertaken by the city, with support from the Project.

3. Building Partnerships

The goodwill generated by the LINC-EG Project of USAID made building partnerships with the various stakeholders in Cagayan de Oro City easier than in Batangas and Iloilo cities. The Project nonetheless continued strengthening old partnerships and establishing linkages with active sector associations that appreciate the importance of the Project to the economic growth of Cagayan de Oro and, thence, to the advancement of their sector. The Project recognizes the primary role of Promote CDO Foundation, which was established to focus on the promotion and marketing of Cagayan de Oro by, among others, the Cagayan de Oro Chamber of Commerce and Industry. As the umbrella organization for businesses in Cagayan de Oro, the Oro chamber concentrates on membership development, entrepreneurship trainings and advocacy in behalf of its members. Nevertheless, the Oro chamber is also an active member of the Project's Management Committee, which it chairs, and in the Investment Promotion Subcommittee.

Annex 1. PROPOSED WORK PLAN FOR THE INVEST PROJECT, OCTOBER 2011- SEPTEMBER 2012

