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# Final Report

## Investment Enabling Environment (INVEST) Project

Submitted to:

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## ACRONYMS AND ABBREVIATIONS

AF	Application Forum
AG&P	Atlantic, Gulf and Pacific Company
APEC	Asia-Pacific Economic Cooperation
ARTA	Anti-Red Tape Act
ASEAN	Association of Southeast Asian Nations
ASUD	Achieving Sustainable Urban Development
BBC	Batangas City Business Club
BCBC	Batangas City Business Club
BCG	Batangas City Government
BF	Business Forum
BFP	Bureau of Fire Protection
BIR	Bureau of Internal Revenue
BLGF	Bureau of Local Government and Finance
BOI	Board of Investments
BOSS	Business One-Stop Shop
BPCCI	Batangas Province Chamber of Commerce and Industry
BPLO	Business Permits and Licensing Office
BPLS	Business Permits and Licensing System
BPOSS	One-Stop-Shop for Building and Occupancy Permit
BRIC	Business Resource and Innovation Center
BSU	Batangas State University
CBF	City Business Forum
CDA	Cooperatives Development Authority
CDI	Cities Development Initiative
CDO	Cagayan de Oro
CENRO	City Environment and Natural Resources Office
CEO	City Engineer's Office
CHO	City Health Office
CIP-TWG	City INVEST Project Technical Working Group
CMCI	Cities and Municipalities Competitiveness Index
COMPETE	Advancing Philippine Competitiveness
COR	Contracting Officer Representative
CPA	City Program Adviser
CPDC	City Planning and Development Coordinator
CSC	Civil Service Commission
CSO	Civil Society Organization
CTO	City Treasurer's Office
DA	Department of Agriculture
DBP	Development Bank of the Philippines
DGR	Declaration of Gross Receipts
DILG	Department of the Interior and Local Government
DOF	Department of Finance
DOST	Department of Science and Technology
DOT	Department of Tourism
DPWH	Department of Public Works and Highways
DRIT	Disclosure and Revenue Team
DTI	Department of Trade and Industry

eBPLS –TWG	eBPLS Technical Working Group
EO	Executive Order
FCCCI	Filipino-Chinese Chamber of Commerce, Inc.
FFCCCP	Federation of Filipino-Chinese Chamber of Commerce of Panay
FGD	Focus Group Discussion
FSIC	Fire Safety Inspection Certificate
GAD	Gender and Development
HDMF	Home Development Mutual Fund
HEPP	Higher Education Productivity Project
HLRTD	High-Level Roundtable Discussion
HRDMO	Human Resources Development and Management Office
IBC	Iloilo Business Club
ICT	Information and Communications Technology
ICTIPB	Iloilo City Trade and Investment Promotions Board
ICTO	Information and Communications Technology Office
IFC	International Finance Corporation
ILED	Iloilo Economic Development Foundation, Inc.
INVEST	Investment Enabling Environment Project
IPC	Investment Promotions Center
IR	Intermediate Result
IRO	Investor Relations Office
ISSP	Information System Strategic Plan
IT	Information Technology
ITSD	Information Technology Services Division
JIT	Joint Inspection Team
JMC	Joint Memorandum Circular No. 1, series of 2010
KPI	Key Performance Indicators
KRA	Key Results Area
LCDC	Liveable Cities Design Challenge
LEIPO	Local Economic and Investment Promotion Officer
LGU	Local Government Unit
LIIC	Local Investment Incentives Code
LINC-EG	Local Implementation of National Competitiveness for Economic Growth
LOE	Level-of-Effort
LOGFRAME	Logical Framework
LRC	Local Revenue Code
LTTA	Long-term Technical Assistance
M&E	Monitoring and Evaluation
MBBC	Metro Batangas Business Club
MIGEDC	Metro-Iloilo Guimaras Economic Development Council
MFO	Major Final Output
MEET	Meetings, Exhibitions, and Events Team
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MUST	Mindanao University for Science and Technology
NCC	National Competitiveness Council
NEDA	National Economic and Development Authority
NERBAC	National Economic Research and Business Assistance Center
NGA	National Government Agency
OBLs	One Business Licensing Service

OCVAS	Office of the City Veterinary and Agricultural Services
OIDCI	Orient Integrated Development Consultants, Inc.
PBED	Philippine Business for Education
PBR	Philippine Business Registry
PCCI	Philippine Chamber of Commerce and Industry, Inc.
PDF	Philippine Development Forum
PEZA	Philippine Export Zone Authority
PFG	Partnership for Growth
PIRS	Performance Indicator Reference Sheet
PMO	Project Management Office
PPP	Public-Private Partnership
PTO	Project Technical Officer
RCC	Regional Competitiveness Committees
RFP	Request for Proposal
SEC	Securities and Exchange Commission
SIDC	Sorosoro Ibaba Development Cooperative
SIMM	Scaling Innovations in Mobile Money
SME	Small- and Medium-Enterprises
SO	Strategic Objective
SOW	Scope of Work
SP	Sangguniang Panlungsod
SSS	Social Security System
STTA	Short-term Technical Assistance
SWG-LIR	Sub-Working Group on Local Investment Reforms
TCD	Target Completion Date
TCCP	Turkish Chamber of Commerce of the Philippines
TIEZA	Tourism Infrastructure and Enterprise Zone Authority
TOP	Tax Order of Payment
TWG	Technical Working Group
TWGeBPLS	Technical Working Group on eBPLS Automation
UA&P	University of Asia and the Pacific
UIC	Unified Inspection Checklist
UPV	University of the Philippines Visayas
USAID	United States Agency for International Development
WBS	Work Breakdown Structure
WG-GIC	Working Group on Growth and Investment Climate

# I. INTRODUCTION

The Investment Enabling Environment (INVEST) Project was originally a two-year project of the United States Agency for International Development (USAID) under its Partnership for Growth (PfG) program. The Project sought to improve the enabling business environment in three partner cities: Batangas City, Iloilo City, and Cagayan de Oro City. Over the past three years, the Project worked with local government units (LGUs) and other stakeholders in partner cities, and engaged national government agencies to create an environment supportive of efforts to improve competitiveness and generate more investments.

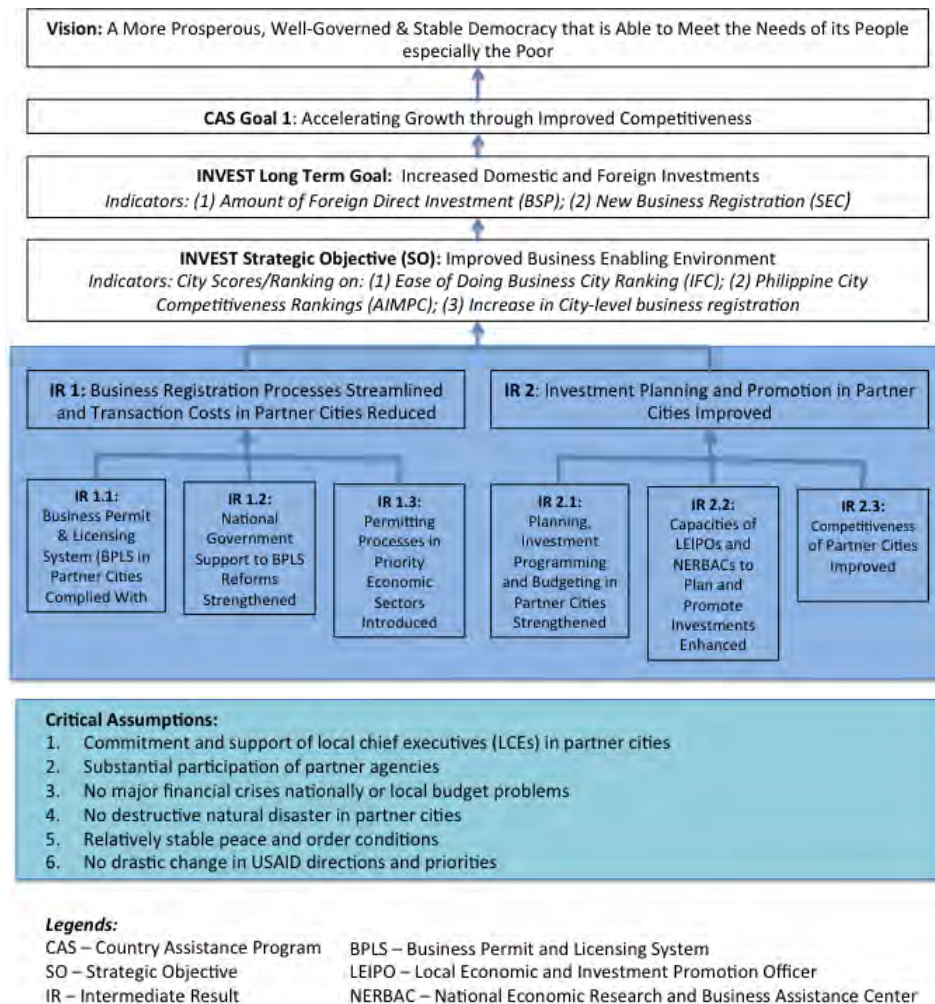
The Project had two key reform components: (1) streamlining business registration processes and lowering the business transaction costs of compliance with government rules and regulations; and (2) improving investment planning and promotion in partner cities. The Project also undertook activities that fell under cross-cutting concerns, i.e. support activities to improve the competitiveness of partner cities. This was often considered as the Project's third component.

USAID awarded the Project to Orient Integrated Development Consultants, Inc. (OIDCI) on September 30, 2011. On April 10, 2013, USAID issued a Preliminary Notice of Intent to Exercise of Option. Subsequently, on September 26, 2013, USAID issued a modification of original contract that extended the life of the Project up to September 2014 and provided for additional budget for the Option Year. During the Option Year, the Project continued to implement activities under its three components. Thereafter, the Project was extended for another three months (up to end-December 2014) to work on the following deliverables: (1) assistance to the National Competitiveness Council (NCC) to mount the Liveable Cities Design Challenge (LCDC); and (b) logistical and administrative support to USAID in the expansion of the Cities Development Initiatives (CDI) Program.

This Final Report is being submitted in compliance with the provisions of F.7g of Contract No. AID-492-C-11-00005. For the purpose of comprehensiveness, all the studies and reports for each Project output and the quarterly and annual reports previously submitted to USAID are considered as annexes of this Final Report.

As shown in the Results Framework (*Figure 1*), the Project's long-term goal was to increase foreign and local investments, which was critical in achieving Goal 1 of USAID's Country Assistance Strategy (CAS) for the Philippines, i.e., "*accelerating growth through improved competitiveness.*" The Project's strategic objective (SO), as agreed with USAID, was to improve the business-enabling environment in the country. This strategic objective would be attained through the Project's two intermediate results (IR). These IRs were aligned to the Project's two components: (1) streamlining of business registration processes and lowering of the business transaction costs of compliance with rules and regulations; and (2) improving investment planning and promotion in target cities. The activities under these components were meant to encourage the entry of new local and foreign investments, which, in turn, would lead to new jobs and additional revenues for the partner cities, while enhancing their competitiveness.

**Figure 1.  
Project Results Framework**



Work Breakdown Structure for Years 1 and 2

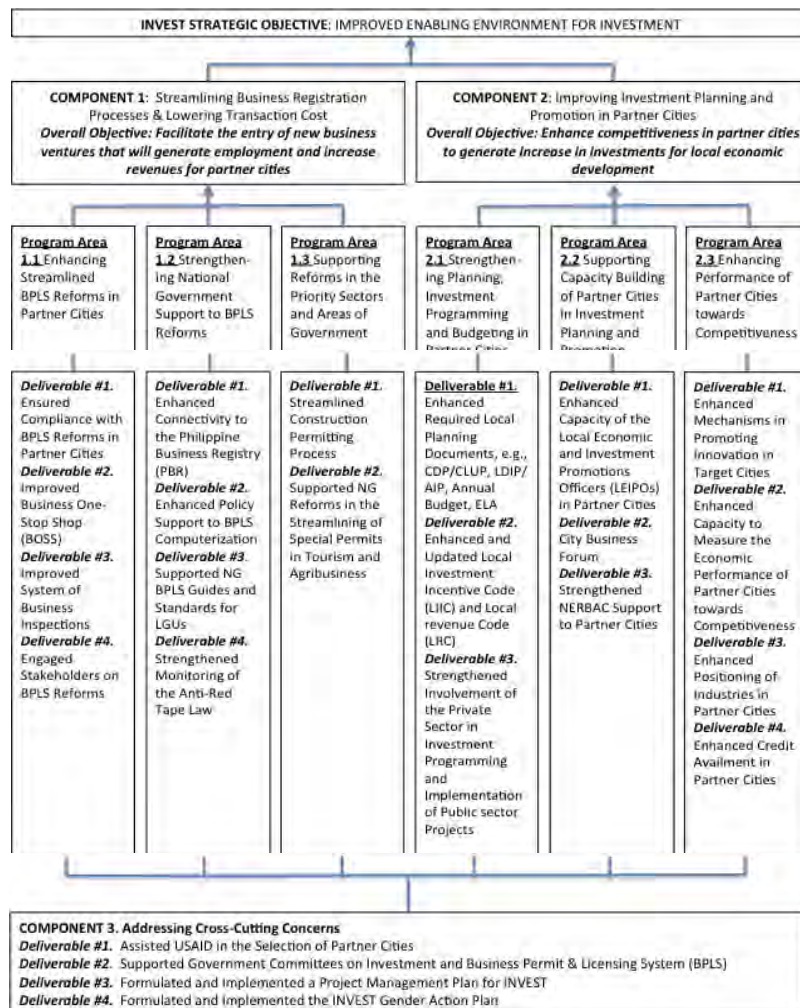
This results framework was translated into a Work Breakdown Structure (WBS), which guided project implementation for Years 1 and 2 (Figure 2). Each of the two components of the Project had three program areas and several deliverables. Component 1 had three program areas: (1) enhancing the business permits and licensing systems (BPLS) in the target cities; (2) strengthening national government support for BPLS reform; and (3) supporting regulatory reforms in the priority sectors and areas of government.

Component 2 also had three program areas: (1) strengthening planning, investment programming and budgeting in the target cities; (2) supporting the building up of the capacity of target cities in investment planning and promotion; and (3) enhancing the performance of target cities towards improved competitiveness.



A crosscutting component was added to the Project that included: (1) assistance to USAID in activities related to the Cities Development Initiative (CDI) and the selection of cities for its next project; (2) the technical support to the inter-agency committees on Investment and Business Permits and Licensing System (BPLS); (3) formulation of the project management plan; and (4) the formulation of the Gender Action Plan.

**Figure 2.**  
**Years 1 and 2 Work Breakdown Structure**



**Work Breakdown Structure for the Option Year**

The WBS for the Option Year was revised to reflect the Project’s reduced activities, moving towards its closure but still ensuring that the Project’s outputs would be as significant as in the previous two years. The Project had two program areas under each component (Figure 3).

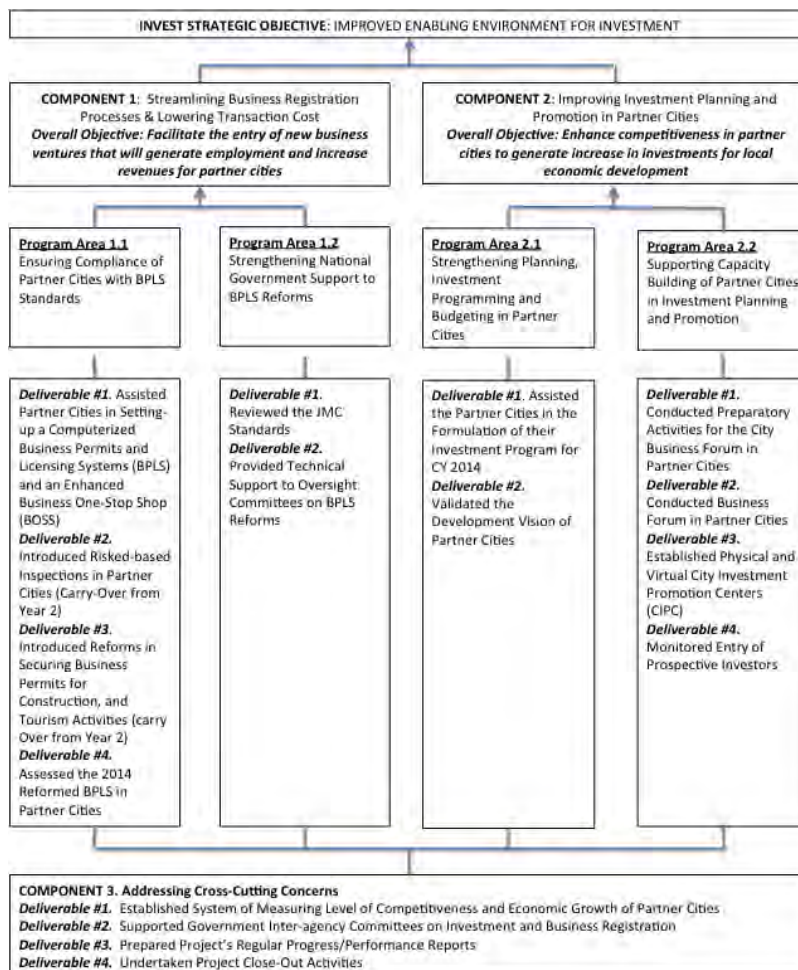
Under Component 1 of the Project, the first program area focused on the cities’ compliance with the service standards for business permits and licensing system (BPLS), specifically on the following: (1) the setting up of a computerized business permitting system; (2) introduction of risk-based inspection system; (3) streamlining of procedures for securing construction-related

permits and those for operating hotel establishments. The second program area under Component 1 complemented the first program area but addressed national government policies on business permitting.

For Component 2, the Project continued the capacity building activities in investment planning and promotion. These activities focused on the cities' abilities to mount Business Forums, which hopefully would lead to investment interest and business matches. The four related deliverables under this program area were: (1) activities that would be necessary to prepare the city for the Forum, such as investment planning workshops, preparation of business briefs, among others; (2) the mounting of the Business Forum; (3) the establishment of City Investment Promotion Centers; and (4) monitoring of the entry of prospective investors.

Under crosscutting component (Component 3), the Project committed to outputs under four major categories: (1) system for measuring the level of competitiveness in partner cities; (2) support to inter-agency committees on investment; (3) submission of performance reports; and (4) project close-out activities.

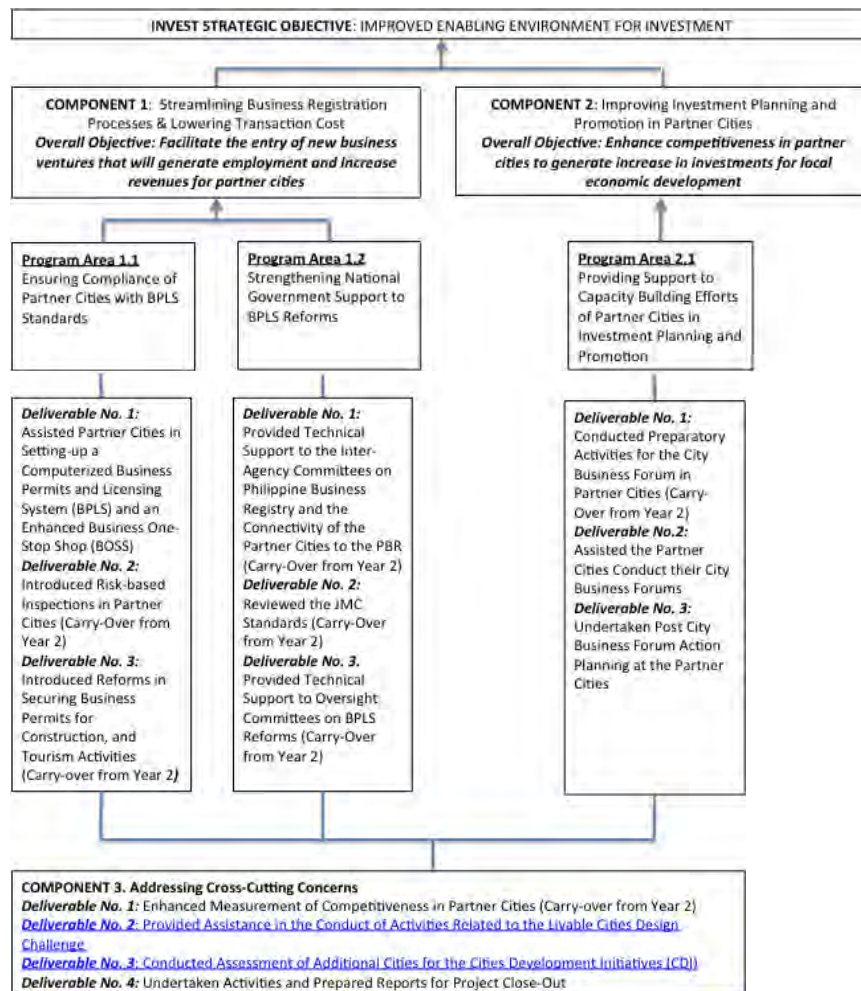
**Figure 3.**  
**Option Year Work Breakdown Structure**



## Three Months Extension

The Project was accorded an extension of three months due to the need to integrate two additional deliverables under Component 3. These were the conduct of the Liveable Cities Design Challenge (LCDC) and the assistance to USAID in the assessment of the next cities to be included in the CDI. The implications of the additional deliverables in the Project's work breakdown structure are shown in Figure 4.

**Figure 4.**  
**Adjusted Work Breakdown Structure**  
**for the Updated Option Year Work Plan**



The new deliverables were as follows:

- (1) Deliverable No. 2 (of Component 3): Provided Assistance in the Conduct of Activities Related to the Livable Cities Design Challenge.

Under this deliverable, the Project assisted the NCC in mounting the LCDC. The LCDC was designed as a planning and design competition whose objective was to get city planners across the Philippines to better plan their respective cities and municipalities for a climate-defined future by being more aware and better prepared for disaster-risk reduction. At the same time,

city planners were encouraged to design “livable cities” that offer safety, convenience, livelihood, lifestyle and sustainability that attract people to live, work and play so their cities can be competitive.

- (2) Deliverable No. 3 (of Component 3): Conducted the Assessment of New Cities for the Cities Development Initiative (CDI)

This deliverable was intended to assist USAID in the assessment, evaluation and selection of new cities for its CDI program. This deliverable involved the identification of indicators or criteria for selection, gathering and analysis of data, city verification and validation, and ranking of cities for consideration of the USAID. The Project will also organize assessment visits for USAID to the “candidate” cities.

## II. SUMMARY OF ACCOMPLISHMENTS

The Project's long-term goal was measured in terms of various indicators for domestic and foreign investments. While the Project was too small to significantly affect the inflow of investments at the national level in three years, the reforms pursued by the Project and the local governance practices it adopted could contribute to additional investments and sustained growth in more cities in the coming years.

The Project was implemented during the time when the Philippine economy enjoyed good reviews and upgrades in credit rating. This positive environment encouraged capital flows into the Philippines (primarily in the form of portfolio investments). In the last three years, however, investors realized that there were more opportunities in the Philippines in the form of direct investments in areas outside of Metro Manila.

The positive outlook for investments in the Philippines was reflected in the impact/goal indicators for the Project (Table 1).

The *Bangko Sentral ng Pilipinas* reported that net foreign direct investments increased by 185% from 2011 to 2013, i.e. from US\$2.0 billion in 2011 to US\$3.7 in 2013<sup>1</sup>. In the first nine months of 2014, net foreign direct investments has already reached US\$4.9 billion. In terms of foreign direct investments as a percentage of gross domestic product, the figure increased from 0.9% in 2011 to 1.3% in 2013.

This positive performance was mirrored in other investment indicators. For instance, domestic business registration based on data from the Securities and Exchange Commission (SEC) increased from 27,895 in 2011 to 32,922 in 2013, or a compounded annual growth of 8.6%.

Business name registrations for single proprietorship with the Department of Trade and Industry (DTI) rose by 20.9% from 272,429 in 2011 to 329,390 in 2012.

The Cooperatives Development Authority (CDA) reported that there were 23,672 registered cooperatives in its masterlist as of December 2013 compared to 20,792 cooperatives as of December 2011, or a compounded annual growth of 6.7%.

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<sup>1</sup>This is equivalent to a compounded annual growth rate of 36%.

**Table 1.**  
**National Impact/Goal Indicators of INVEST Logframe**

Indicators	2011	2012	2013	% Growth <sup>2</sup>
Foreign investment as % of GDP <sup>3</sup>	0.9	1.3	1.3	20.2
No. of domestic business registration (SEC)	27,895	n/a	32,922	8.6
No. of new business names registered (DTI)	272,429	329,390	n/a	20.9
No. of registered cooperatives (CDA) <sup>4</sup>	20,792	22,555	23,672	6.7

Source of Basic Data: WB, DTI, CDA websites

At the city level, the total number of business registrations from January to September for both new and renewals in the three cities rose by an average of 26.1%, i.e. from 31,512 in 2011 (base period) to 39,740 in 2014 (Table 2).<sup>5</sup> Between 2014 and 2011, there were 8,228 more business registrations (or 26% higher in terms of levels). Among the cities, Batangas City posted the largest increase in business registrants during the Project lifetime at 32.8%, followed by Iloilo City at 29.4%.

**Table 2.**  
**City Level Impact/Goal Indicators of INVEST Logframe: Number of Business Registrations (January to September)<sup>6</sup>**

Indicators	2011 (baseline)	2012	2013	2014	%Growth (2011-2014)
No. of Business Registrations	31,512	31,581	34,048	39,740	8.0
- Batangas City	5,184	5,456	6,434	6,886	9.9
- Iloilo City	9,084	9,435	10,035	11,759	8.9
- Cagayan de Oro City	17,244	16,690	17,579	21,095	6.9

Source of Basic Data: City Treasurer's Offices of the cities of Batangas, Iloilo and Cagayan de Oro

Using full year data up to 2013, the same pattern of improvement can be observed though more subdued (Table 3). This implies that the full-year 2014 rise in business registrations must have been substantial.

<sup>2</sup>All growth rates were computed in terms of compounded annual growth rate, except for the number of new business names registered, which used simple growth rate.

<sup>3</sup>Data is taken from World Bank Indicators (<http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS>). Base line data is the figure for 2011.

<sup>4</sup>Based on CDA's Masterlist of Cooperatives as of December 31, 2013 and 2011-2012 Selected Statistics taken from the CDA website (<http://www.cda.gov.ph/index.php/resources/updates/statistics>)

<sup>5</sup>2011 is the year before INVEST started. Reforms under the Project started in 2012 but actual implementation of reforms started during the 2013 renewal period.

<sup>6</sup>At the time of report writing, full year 2014 data was not yet available. Hence, this report is using the January to September data for the period 2011-2014.

**Table 3.**  
**City Level Impact/Goal Indicators of INVEST Logframe: Number of Business Registrations**  
**(2011 - 2013)**

Indicators	2011 (baseline)	2012	2013	%Growth (2011-2013)
No. of Business Registrations	32,791	33,224	35,476	4.0
- Batangas City	5,286	5,753	6,566	11.5
- Iloilo City	9,635	10,084	10,710	5.4
- Cagayan de Oro City	17,870	17,387	18,200	0.9

Indeed, Table 4 below shows the gradual acceleration in the growth of total business registrations in the three cities over time, which peaked in 2014. The pattern of growth in the number of business applications coincided with the implementation of the reforms in the cities.

**Table 4.**  
**City Level Impact/Goal Indicators of INVEST Logframe:**  
**Growth in the No. of Business Registrations**  
**(January to September, 2011-2014)**

Indicators/	2011-2012	2012-2013	2013-2014	2011-2014
Growth in the Number of Business Registrations	0.02	7.8	16.7	8.0
- Batangas City	5.2	17.9	7.0	9.9
- Iloilo City	3.9	6.4	17.2	8.9
- Cagayan de Oro City	-3.2	5.3	20.0	6.9

For instance, it was during the 2013 business renewal period when Batangas City opened its newly constructed business one-stops shop (BOSS), resulting in a 14.1% increase in registrations over the previous year. In Iloilo and Cagayan de Oro cities, 2014 was the year when more aggressive business permits and licensing reforms were implemented. These two cities accounted for the bulk of the increase in total registrations for the three cities combined in 2014.

### **Outcome of Project Accomplishments in Year 2**

In the absence of indicators on city rankings comparable to the baseline data at the start of the Project (which was based on the Philippine Cities Competitiveness Report Project), it may be observed that there were other indicators that show improvement in the competitiveness of partner cities.

Batangas City was able to establish a BOSS and was successful in exceeding the standards set by the national government. In the 2013 Business Permits and Licensing System (BPLS) Customer Satisfaction Survey conducted by the National Competitiveness Council (NCC), Batangas City garnered the second highest satisfaction score among the 14 cities included in the survey, which had businessmen as respondents. The Batangas Province Chamber of Commerce and Industry (BPCCI) also recommended it as the most business-friendly local government unit (LGU) in the region.

Cagayan de Oro (CDO) was ranked second over-all by the NCC in 2014 based on the Cities and Municipalities Competitiveness Index (CMCI)<sup>7</sup> and first in 2013. The City was ranked first in e-Readiness based on the survey conducted by the Department of Science and Technology (DOST) in 2014. It was also the winner in the “City Government/Evacuation Center” category of the 2014 Liveable Cities Design Challenge (LCDC) organized by the NCC.

Iloilo City was ranked sixth over-all based on the 2014 CMCI and second in 2013. Iloilo City was given the Presidential Award by the Philippine Chamber of Commerce and Industry, Inc. (PCCI) in 2013 for its “commendable efforts in local economic development program, particularly its outstanding initiatives which enabled the City to become a vibrant and attractive destination for investments.” It was also the winner in the “APEC Venue” category of the 2014 LCDC.

In terms of revenues from business permits, the partner cities showed improvements for the period January to September 2011 – 2014. By 2014, revenues from business permits of the three cities was Php503 million more than the 2011 baseline (or an increase of 46.9%). Aggregate revenues of the three cities grew by an annual average of 13.7% (see Table 5). This pattern was consistent with the reported rise in the number of business registrations as a result of the streamlining reforms.

**Table 5.**  
**City Level Impact/Goal Indicators of INVEST Logframe: Revenues,**  
**January to September 2011-2014**  
**(inPhp millions)**

Indicators	2011	2012	2013	2014	2011-2014 % Growth
Revenues from Business Permits	1,074.7	1,215.9	1,334.2	1,578.2	13.7
- Batangas City	331.1	369.6	410.3	417.3	8.0
- Iloilo City	295.7	326.1	345.6	382.7	9.0
- Cagayan de Oro	447.9	520.1	578.3	778.2	20.2

A similar trend was seen using annual figures from 2011 to 2013. Aggregate revenues of the three cities from business permits increased by Php 353.6 million (or 27.2% higher in terms of levels). Aggregate revenues had an annual average growth of 12.8% over the period (see Table 6).

**Table 6.**  
**City Level Impact/Goal Indicators of INVEST Logframe: Revenues, 2011-2013**  
**(In Php millions)**

Indicators	2011	2012	2013	2011-2013 %Growth
Revenues from Business Permits	1,298.5	1,474.1	1,652.1	12.8
- Batangas City	407.1	449.8	510.7	12.0
- Iloilo City	351.5	387.7	411.1	8.1
- Cagayan de Oro City	539.9	636.7	730.4	16.3

<sup>7</sup>The CMCI is an index to compare competitiveness of Philippines cities established by the NCC. Details of this initiative is discussed in the accomplishment report for Component 3.



## **A. ACCOMPLISHMENTS BY COMPONENT**

In the Project's Monitoring and Evaluation Plan, key performance indicators (KPIs) were identified for the Project's deliverables. The following accomplishment summarizes what the Project has achieved under each KPI.

### **1. Component 1: Streamlining Business Registration Processes and Reducing Transactions Costs**

This Component sought to address the high cost of doing business in the Philippines. It had 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 to the Nationwide Upscaling of Business Permits and Licensing System (BPLS) Reform Program launched by the Department of Trade and Industry (DTI) and the Department of the Interior and Local Government (DILG) in August 2010.

Improving the BPLS in partner cities was gauged through four areas – compliance with service standards set in the DTI-DILG Joint Memorandum Circular 1 (series of 2010) (henceforth referred to as JMC), an enhanced Business One-Stop Shop (BOSS), a business-friendly inspection system and a more engaged private sector in reforming the business permitting system. These areas constituted the Project's deliverables for the first program area under Component 1.

The reforms in business permitting generally emanate from the national government. Hence, the project's second program area aimed at strengthening government support to BPLS reforms through (1) assistance to the DTI in making the Philippine Business Registry (PBR) more operable; (2) support to agencies such as the Department of Science and Technology (DOST), DILG and DTI in their promotion of BPLS computerization; (3) preparation of knowledge products related to business permitting that can be used by local government units; and (4) support to the Anti-Red Tape Act (ARTA) since business permitting systems are generally avenues for corruption.

Since getting a Mayor's Permit was only one of the many licenses and permits that firms have to comply with, the project realized that other permitting systems need to be streamlined as well. Hence, the Project's work plan included studies that would indicate succeeding areas for streamlining reforms. These studies focused on construction, sanitation and tourism.

Based on the above work plan, the following describes the accomplishments of the Project under Component 1.

#### **1.1 CDI Cities Exceeded the BPLS Standards**

The JMC set standards for processing applications for first time business applications and renewals. Five standards were set: (1) use of a unified application form; (2) a minimal set of documentary requirements accompanying the application form; (3) maximum of two required signatories; (4) maximum of five steps; and (5) processing time compliant with or below the requirements set forth under the ARTA for both simple and complex transactions. Further, the JMC also contained guidance that could help cities and municipalities comply with the

standards, such as removing redundancies related to inspections and granting of clearances in connection with the business permitting process. The JMC provided policy guidance for the Project.

Tables 7 and 8 show the accomplishments of the partner cities in 2013 and 2014 for both new business applications and business renewals using the service standards set in the JMC. In general, the cities were either compliant with or exceeded the standards set in the JMC in all five BPLS standards.

The improvements from the baseline were very impressive for all the three cities. Among the partner cities, Batangas City achieved a two-step business permitting process, improving on the 5-step standard in the JMC. Processing time was substantially reduced to less than a day.

All of the cities initially followed the standard unified form in the JMC. In 2014, because of their computerized database, the cities further innovated by either removing the form (information is gathered thru an interview process), shortening the form to basic information or just requiring an affidavit of gross sales.

Signatories were down to two and the cities adopted digitized signatures, compared to the usual practice of the Mayor sign each and every application. Documentary requirements were also reduced to at most five (for new) and seven (for renewals).

**Table 7.  
Comparison of Baseline<sup>1</sup> and Streamlined<sup>2</sup> BPLS for Applications for New Business Permits  
in Partner Cities, 2012-2014**

BPLS Indicators	Batangas			Iloilo			Cagayan de Oro		
	Baseline (2012)	2013	2014	Baseline (2012)	2013	2014	Baseline (2012)	2013	2014
Steps	17	3	2	27	18	4	17	5	3
Form	11	1	0	8	2	1	10	5	1
Signatories	22 (manual)	2	2 (digitized)	27	4	1	27	7	4 (digitized)
Required Documents	7	3	0	6	5	5	14	7	5
Elapsed/ Processing Time	Around 11 days	3 hours, 21 mins	1 hour, 30 mins	About 2-3 days	17 days	Walk in: 1 hour	19 days	Less than 1 hour	30 mins – 1 hour

<sup>1</sup>Baseline data were collected during the Self-Assessment Workshops in June- July 2012.

<sup>2</sup> Streamlined data were based on third party assessments done by INVEST in 2013 and 2014.

<sup>3</sup> Covers data for January-March for the years indicated

**Table 8.  
Baseline<sup>1</sup> and Streamlined<sup>2</sup>BPLS for Applications for the Renewal of Business Permits  
in Partner Cities, 2012-2014**

BPLS Indicators	Batangas			Iloilo			Cagayan de Oro		
	Baseline	2013	2014	Baseline	2013	2014	Baseline	2013	2014
Steps	17	3	2	9	11	3 (walk-in); 1 (online)	8	4	3
Form	3	1	0	4	1	0	2	5	1
Signatories	14 (manual)	2	2 (digitized)	13	2	1	13	4-5	4
Required Documents	9	4	2	6	6	5	1	5	7
Elapsed/ Processing Time	1-2 days	5 hours, 38 mins	1 hour, 27 mins	3 days	1 and ½ days	Walk in: 1.5 - 4 hrs Online: < an hour - 1.5 hr	2-3 days	Less than 2 hours	Less than an hour

<sup>1</sup>Baseline data were collected during the Self-Assessment Workshops in June- July 2012.

<sup>2</sup> Streamlined data were based on third party assessments done by INVEST in 2013 and 2014.

<sup>3</sup>Covers data for January-March for the years indicated

## 1.2. Enhanced BOSS Adopted in the Partner Cities

The JMC defined a Business One-Stop-Shop as “an arrangement where a single common site or location is designated for all concerned agencies in the BPL system to receive and process applications for business registration thru a streamlined system.” It was envisioned as a physical set-up during business renewal period that was intended to facilitate the processing of business permits. As part of its work plan, the Project assessed (1) the presence or absence of BOSS in the targeted areas; (2) the quality of the operations in existing BOSS during the renewal period in January 2012; and (3) the public perception on the effectiveness of the BOSS through an exit interview among the users of BOSS. The latter will be discussed in another section of the report.

In general, there were significant improvements in the lay-out of the BOSS in the three cities.

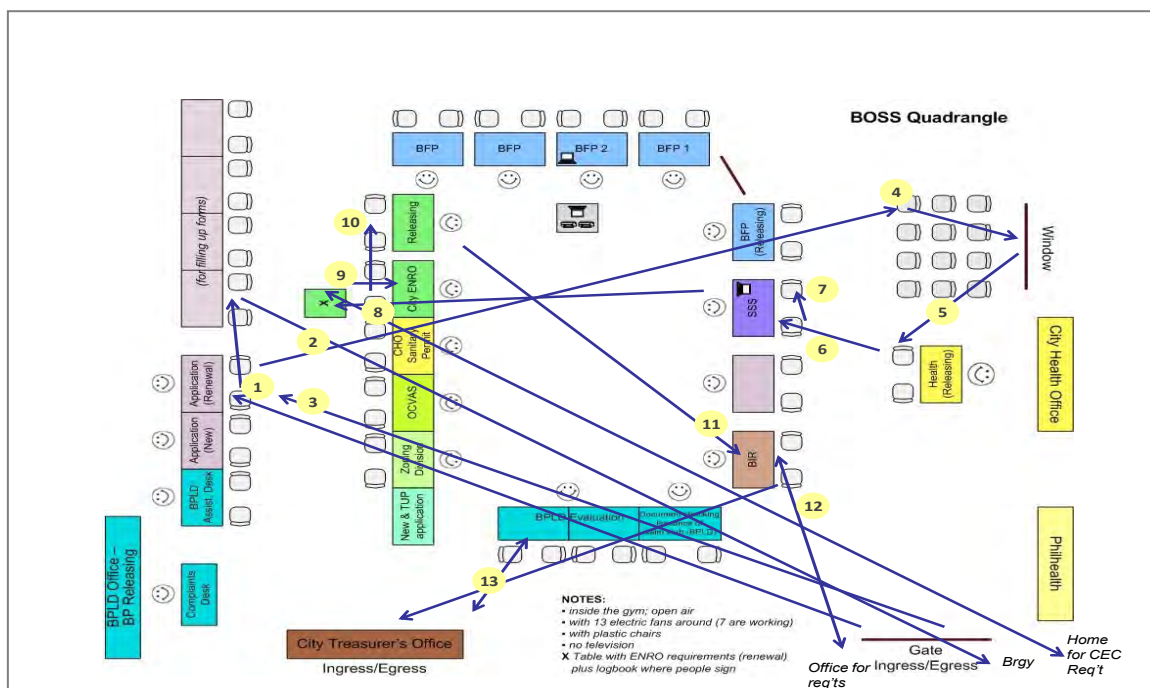
### Batangas City

In 2012, Batangas City’s BOSS was a 1,200 square meter (sq. m.) quadrangle located within the premises of the City Hall (refer to the diagram on Figure 5<sup>8</sup>). Surrounding the enclosed area were offices of the various departments of the local government, including the City Health Office

<sup>8</sup>Figures 5-8, in addition to showing the physical lay-out of the BOSS, also illustrates the steps of one applicant renewing his business permit in Batangas City, tracked by the Project in 2012. In this one case, the applicant went through 31 steps before he was able to secure a business permit.

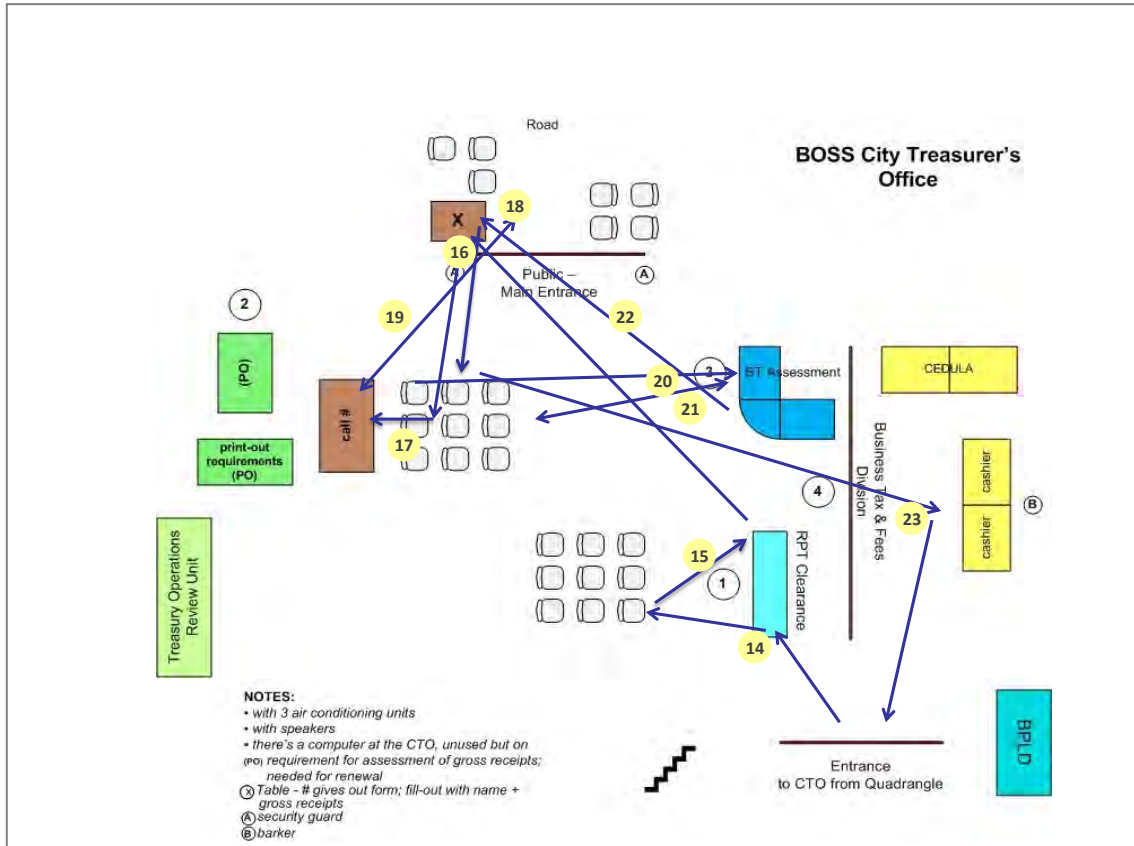
(CHO). Applicants had to exit the BOSS quadrangle to visit the City Treasurer's Office (CTO) and pay taxes and fees. The 35 sq. m. CTO lobby functioned as the waiting area together with the outside main entrance to City Hall, which was by the road (refer to the diagram on Figure 6). After paying the business registration fees, the applicant went back to the quadrangle for the processing of the Fire Safety Inspection Certificate (FSIC) and to get the business permit sticker and plate (Figure 7).

**Figure 5.**  
**Business One-Stop Shop (BOSS) in Batangas, 2012**



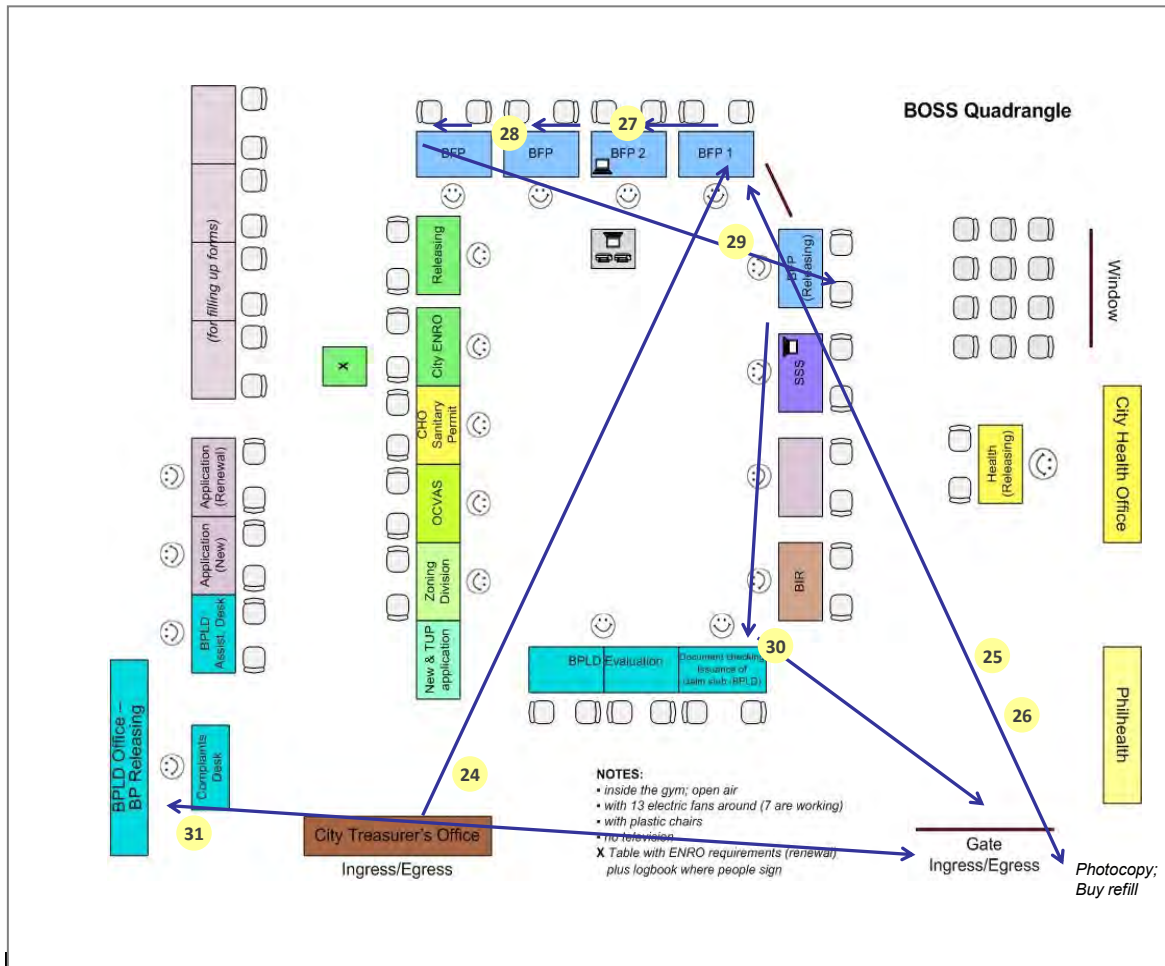
Process Flow from the Applicant's Perspective	
1 - Entered the BOSS, inquired & asked for an application form (AF) from the Business Permit & Licensing Office (BPLO) Desk for Renewals & filled-out the AF	2 - Exited the BOSS to secure a <i>barangay</i> clearance from the <i>barangay</i> where the business is located. As the <i>barangay</i> clearance could be secured in City Hall, the applicant initially tried to but was discouraged by the long lines.
3 - Returned to the BOSS with the <i>barangay</i> clearance and submitted the AF	4 - Waited in queue to submit the AF to the CHO window for processing of Sanitary Permit to Operate & submitted AF
5 - Waited in queue to claim the permit	6 - Submitted AF & showed required documents at the Social Security System desk
7 - Claimed the certificate of compliance	8 - Wrote on Environment and Natural resources Office (ENRO) logbook, went home to get previous yr.'s Certificate of Environment Clearance (CEC), returned, got a no. & waited in queue
9 - Submitted requirements & answered questions	10 - Claimed the ENRO certificate
11 - Proceeded to Bureau of Internal Revenue (BIR) desk but official not yet there	12 - Gets req'ts from office; returns to BOSS to submit AF & req'ts, secured BIR clearance
13 - Exited the Quad to proceed to the CTO but told to have AF validated at BPLD desk	

**Figure 6.**  
**Process Flow in BOSS City Treasurer's Office in Batangas, 2012**



<b>Process Flow from the Applicant's Perspective</b>	
14 - Submitted BPLD AF & requirements for Real Property Tax Clearance, waited in queue	15 - Claimed signed BPLD AF
16 - Got no. from table outside to secure assessment, waited in queue	17 - Submitted AF & req'ts for TORU
18 - Exited the BOSS to photocopy MP '11	19 - Returned & claimed AF with initials by TORU
20 - Submitted BPLD AF for BT assessment, waited in queue	21 - Claimed BPLD AF w/ initials by assessment
22 - Got no. outside for BT payment, waited in queue	23 - Paid Business Tax and fees & exited to Quad

**Figure 7.**  
**Process Flow in BOSS Quadrangle in Batangas, 2012**



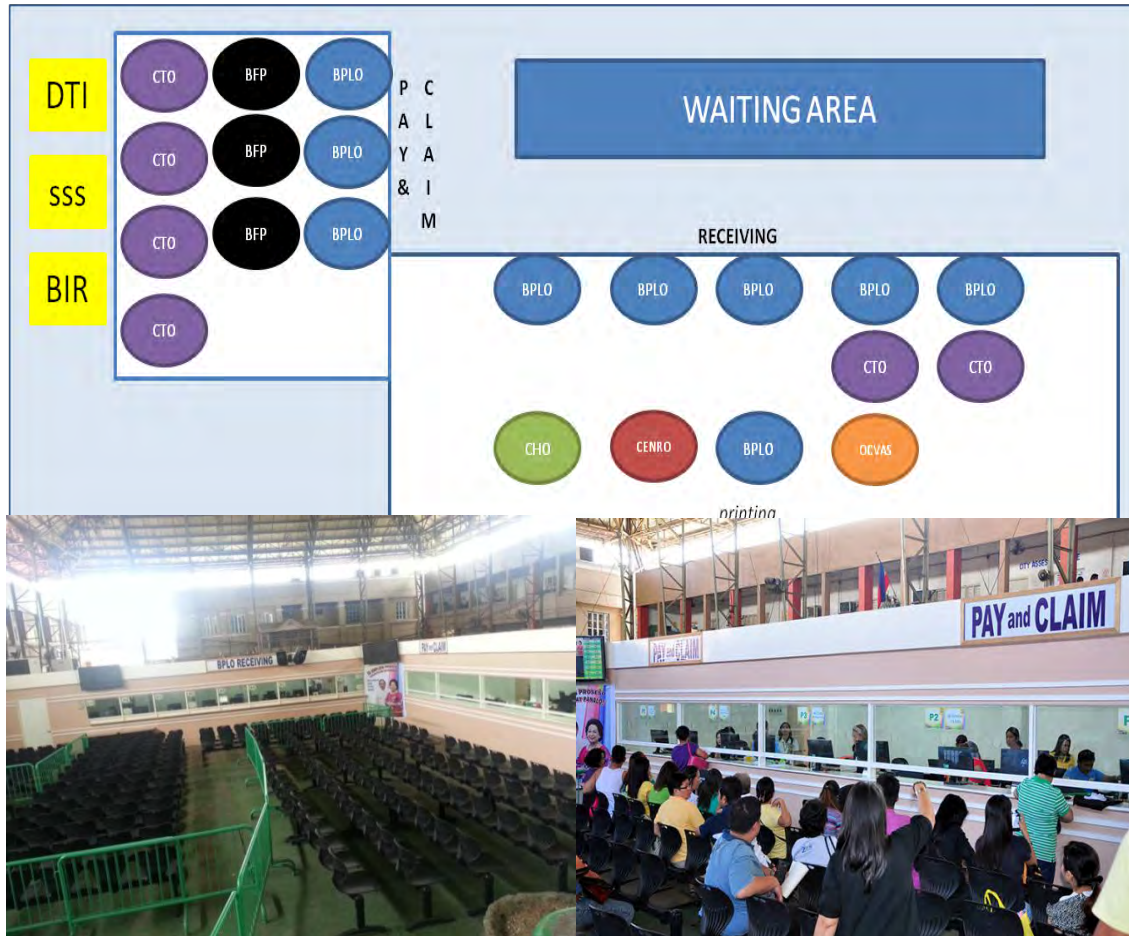
Process Flow from the Applicant's Perspective	
24 – Got Bureau of Fire Protection AF & list of req'ts	25 – Exited to photocopy the 2011 Mayor's Permit.
26 - Bought a fire extinguisher refill from a private provider	27 – Returned to the BOSS & submitted req'ts
28 – Got claim stub.	29 - Claimed the FSIC and signed the logbook
30 -- Submitted the completed AF, got claim stub, & exited the BOSS	31 – Returned after 1 day & claimed Business Permit

Figure 8 provides a schematic of the Business One-Stop-Shop (BOSS) layout of Batangas City in 2014, which included the internal backroom operations. From the client's perspective, a separate Pay and Claim area was created to clearly distinguish the two steps and assigned personnel per task. When the system called the queue number, clients proceeded to the Receiving area where BPLD staff initiated the process. When it was time to pay the taxes and fees, the applicant moved to the other side of the area. As mentioned, it was convenient for clients because the work was undertaken in extensive backroom operations (which the client did not get involved in).

Just outside the main BOSS facility, national agencies were provided with a space to entertain applicants. DTI facilitated registration of new businesses (single proprietors) for business

names while representatives from the Social Security System (SSS) and the Bureau of Internal Revenue (BIR) provided information in case applicants required assistance.

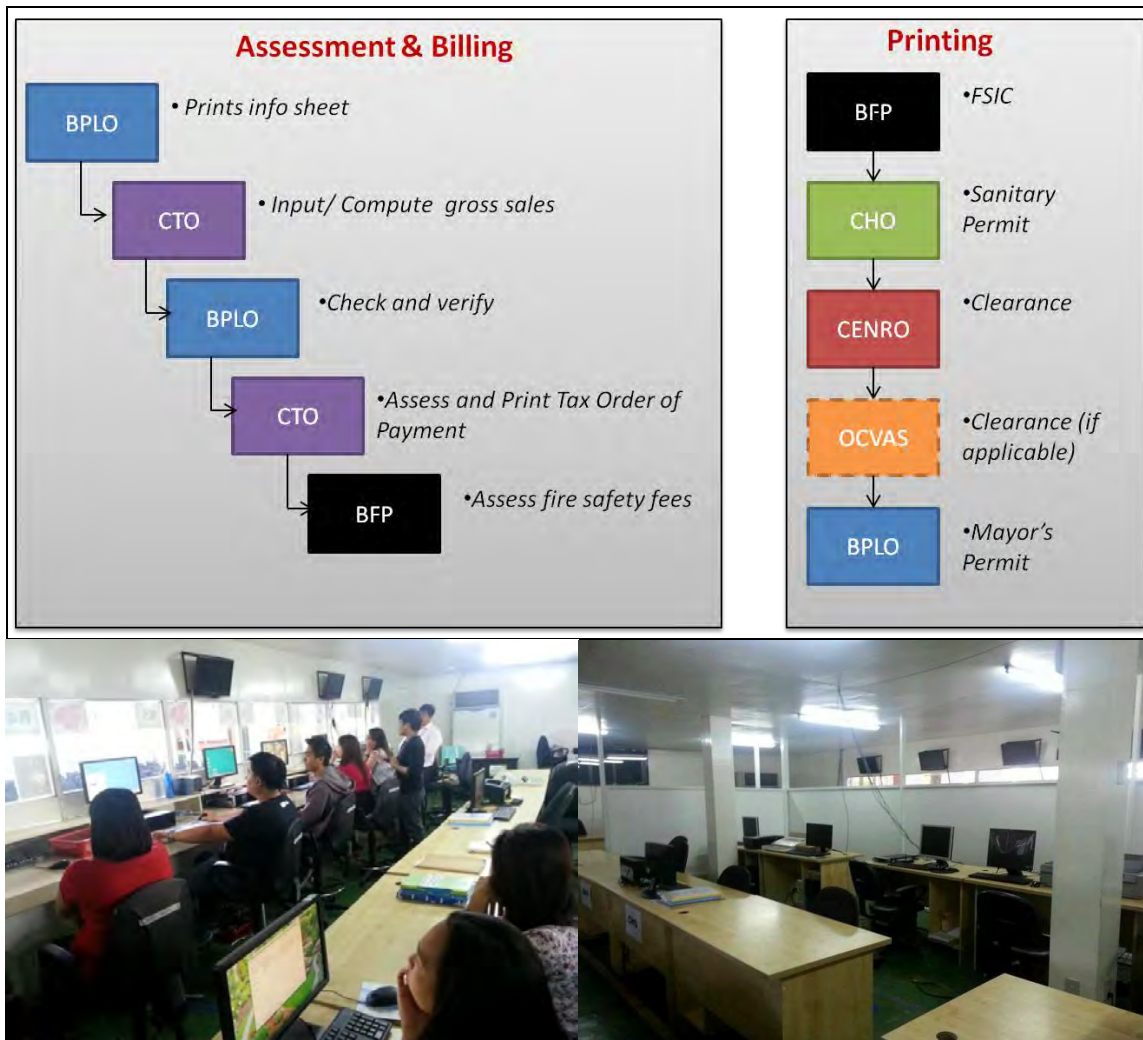
**Figure 8.**  
**Business One-Stop-Shop Facility in Batangas City , 2014**



BOSS Facility (clients' perspective) showing separate Receiving and Pay and Claim counters

Figure 9 shows the backroom operations in detail. For assessment and billing, the CTO and BPLO worked hand in hand in computing gross sales and verifying information. Once the Treasurer's office had assessed and printed the Tax Order of Payment, the Bureau of Fire Protection (BFP) did the same to compute for the fire safety inspection fees and other fire fees for applicable establishments. Printing of permits and clearances also followed an 'assembly line' approach with BFP printing the Fire Safety Inspection Certificate (FSIC) followed by clearances from City Health Office (CHO), City Environment and Natural Resources Office (CENRO), Office of the City Veterinary and Agriculture Office (OCVAS) (if applicable), then finally, BPLO for the Mayor's permit.

**Figure 9.**  
**BOSS Backroom Operations in Batangas City, 2014**



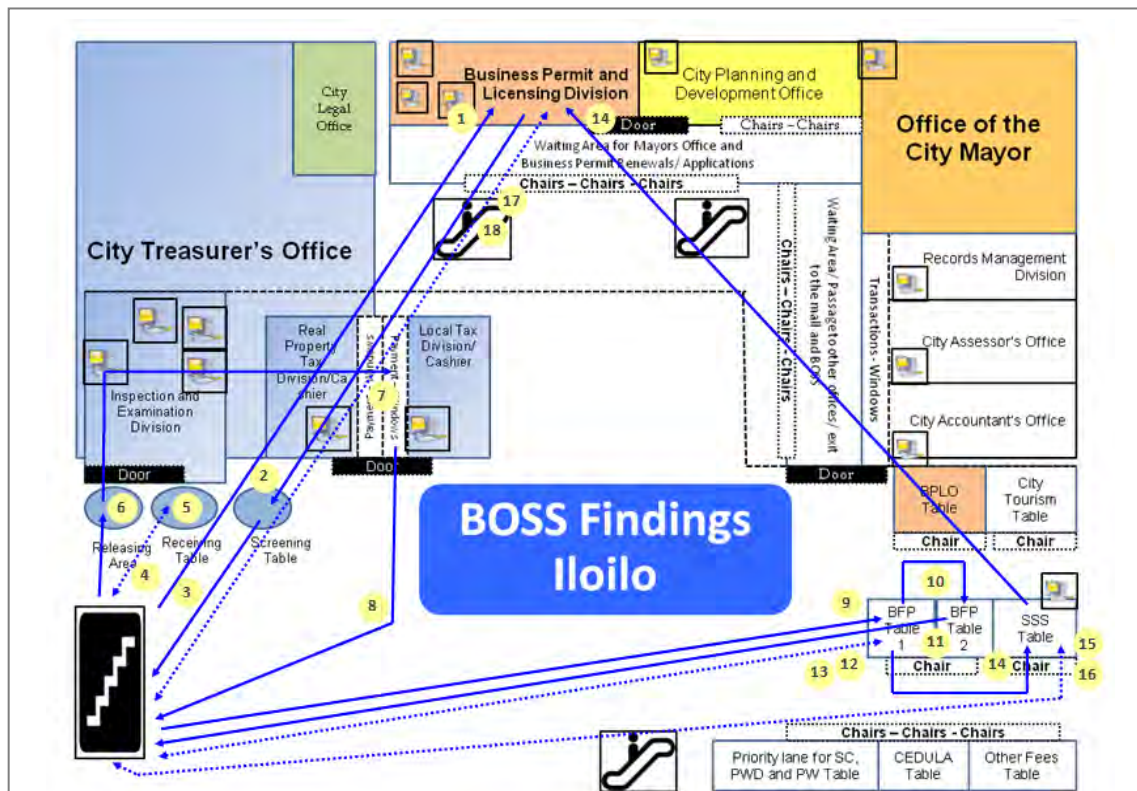
**Iloilo City**

In 2012, Iloilo’s BOSS was inside the Robinsons’ Mall, together with the city offices that were to give way to the renovation of the City Hall (refer to Figure 10<sup>9</sup>). It was on the same floor as the city offices but in a different area where some tables were set-up. The loud sounds from the mall’s activity area were audible in the BOSS.

<sup>9</sup>Figure 10 also illustrates the steps of a sample applicant renewing his business permit in Iloilo City, tracked by the Project in 2012. This applicant went through 18 steps before he was able to secure a business permit.



**Figure 10.**  
**Process Flow in BOSS in Iloilo, 2012**



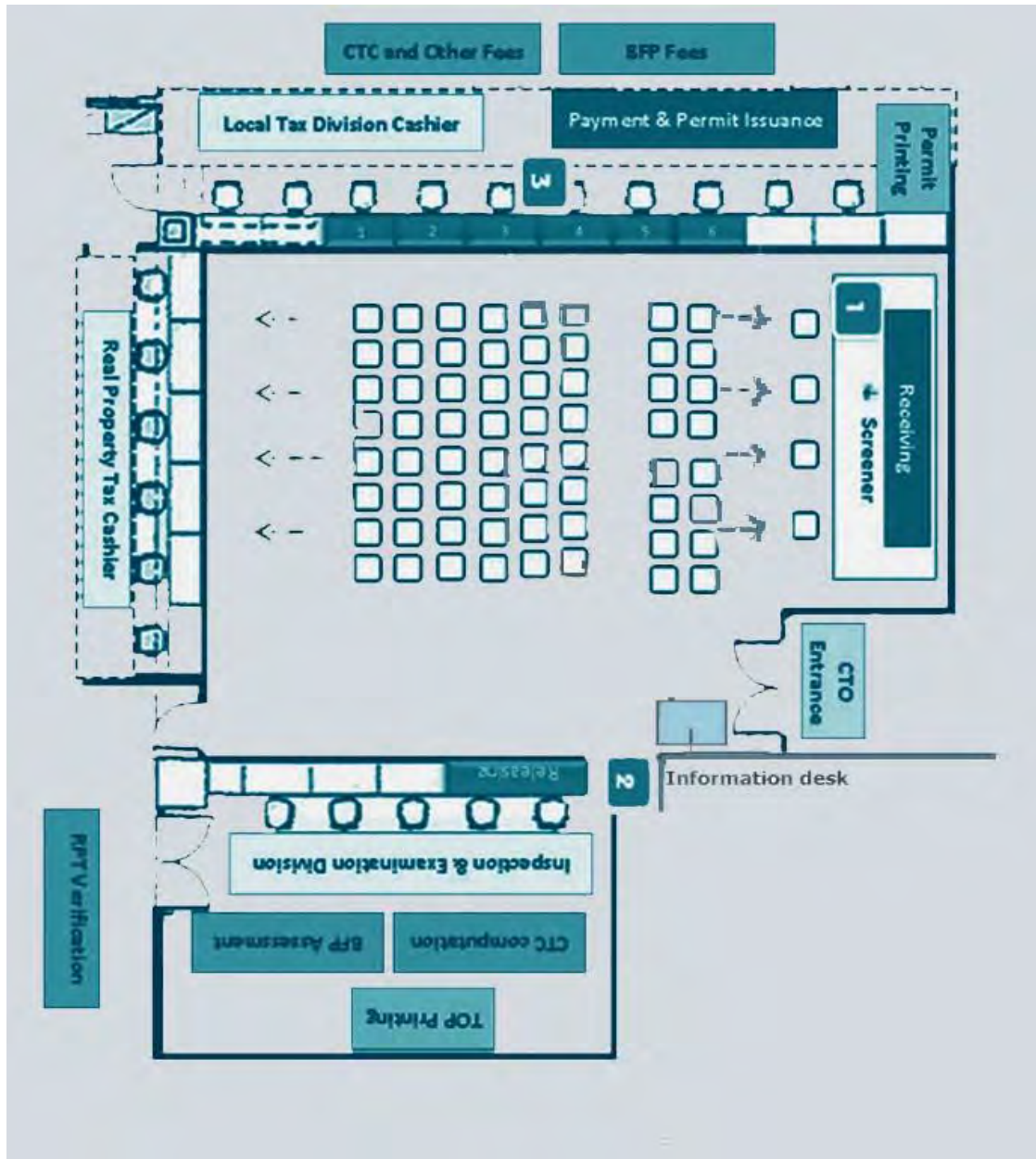
**Process Flow from the Applicant's Perspective**

1 -- Entered the BOSS and got an AF and the sworn statement	2 -- Submitted the completed AF for screening
3 -- Exited the BOSS to secure the <i>barangay</i> clearance	4 -- Photocopied the Community Tax Certificate (CTC)
5 -- Returned to the BOSS and submitted the req'ts to the receiving desk for the processing of the Tax Order of Payment (TOP), exited the BOSS	6 -- Returned after 2 days (ave.) claim the TOP
7 -- Paid BT and fees	8 -- Exited the BOSS to photocopy the BT OR
9 -- Returned to the BOSS and secured and completed the FSIC AF	10 -- Paid the FSIC fee
11 -- Exited the BOSS to photocopy the BFP OR	12 -- Returned to the BOSS and submitted FSIC AF
13 -- Claimed the FSIC at the BFP Office	14 -- Returned to the BOSS to secure SSS Certificate of Compliance
15 -- Exited the BOSS 3f to pay the fee at the ground floor	16 -- Returned to the BOSS and claimed the certificate
17 -- Submitted AF & req'ts to BPLO and exited the BOSS	18 -- Returned to the BOSS after 1 day and claimed the BP

During the 2014 renewal of business permits, the city set up a BOSS located at the ground floor of the new Iloilo City Hall, which was inside the City Treasurers' Office (refer to Figure 11). All the processes were done in one floor, from the receipt and checking of documents, issuance and payment of the tax order of payment (TOP), and finally to the releasing of the permit. The Information Desk was located at the entrance of the BOSS and at its right side was the Receiving and Screening section where the verification of documents by the BPLO and the City Treasurer was done (Step 1). The opposite side of the Receiving and Screening Section was

the Real Property Tax Division. Beside the information desk was the Inspection and Examination Division where the TOP was released (Step 2). On its opposite side was the Payment and Releasing Window where permits were released (Step 3). At the center of the BOSS was the waiting area for the applicants, where seats were provided to the clients.

**Figure 11.**  
**BOSS Layout in Iloilo City, 2014**



The place was also air conditioned and well-lighted. These were the amenities provided by the City Government to ensure that applicants were comfortable while waiting for their permit. However, the chairs were not enough inside the BOSS area especially during peak days. To

address this issue, there were additional chairs that were placed outside the BOSS area to accommodate applicants and to avoid crowding inside the BOSS. Toilets were situated outside the BOSS but within the same floor (at the back entrance of the city hall besides the extension office of the City Treasurer).

Officials of the Bureau of Fire Protection were assigned in the BOSS area, located at the back of the cashier to assess and received payment of fire fees. The representatives were seen in the entire renewal period of the business permit.

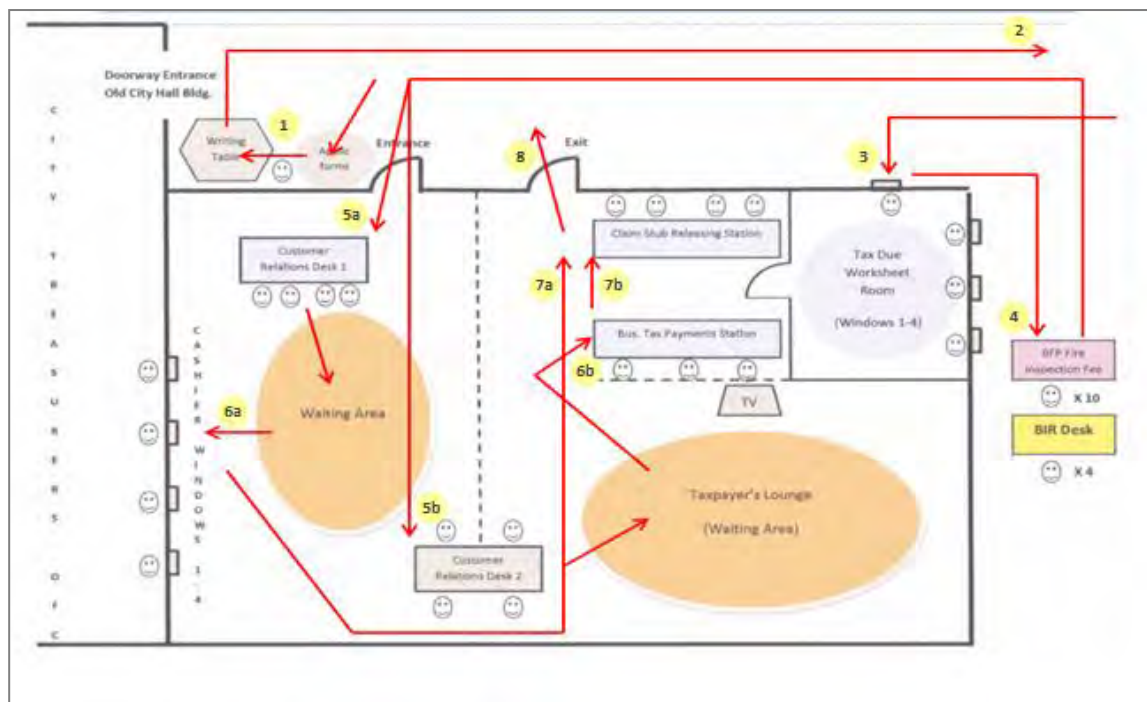
**Cagayan de Oro**

Among the three cities, CDO is unique in having two BOSS areas. In 2012, CDO set up a BOSS at the City Hall and at the National Economic Research and Business Assistance Center (NERBAC) based at the DTI Regional Office. The former was air-conditioned and had a waiting lounge where applicants could watch television (refer to Figure 12). It was well-manned with some 36 city hall personnel assigned to the various “customer relations” and other desks. Services continued during lunch. The BIR had a desk outside the BOSS, while the BFP held office outside the City Hall premises.

NGA offices had manned desks in the NERBAC BOSS only. In 2011, NGA offices were provided desks outside the City Hall BOSS but this space was occupied in 2012 due to relief efforts following the Typhoon *Sendong* disaster.

There were streamers showing the process flows. The NERBAC BOSS distributed information kits on the process and the various application forms of NGAs. While the City Hall BOSS could comfortably accommodate the number of people during the early part of the registration period, the space got very crowded in the last two days of registration.

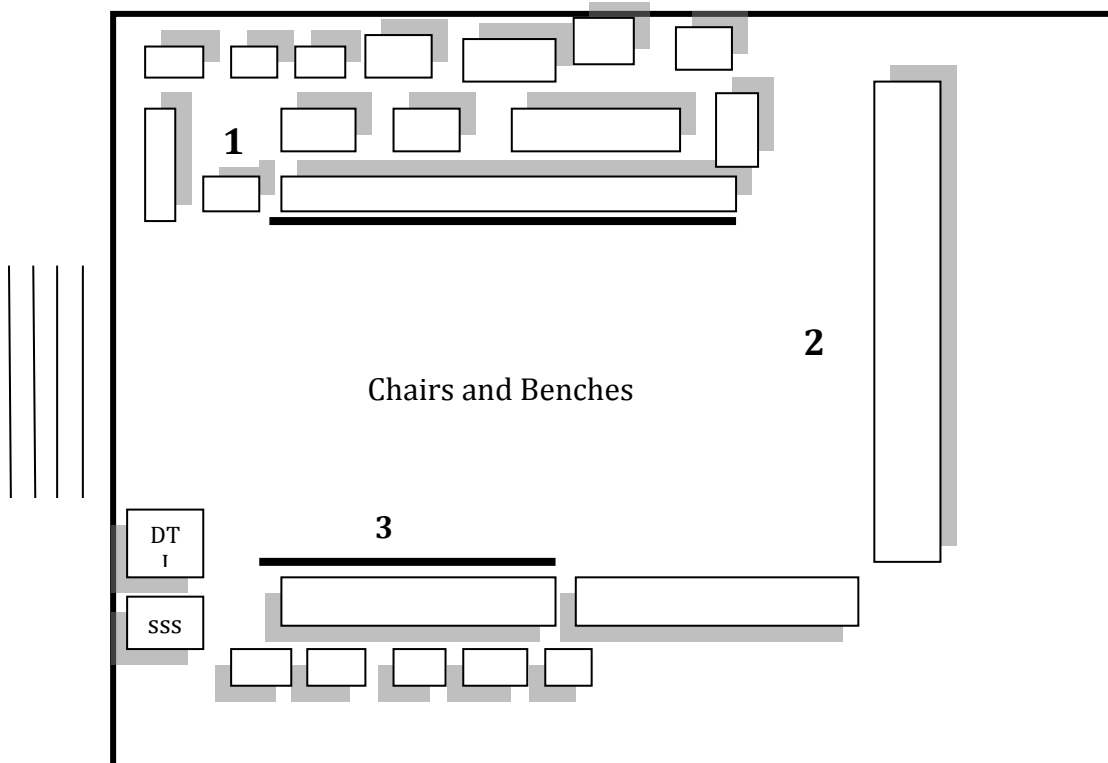
**Figure 12.**  
**Business One-Stop Shop Layout at the City Hall in CDO, 2012**



Process Flow from the Applicant's Perspective	
1 -- Obtained and completed the AF	2 -- Exited the BOSS and secured <i>barangay</i> clearance from the LGU where the business is located
3 -- Returned to the BOSS and claimed the Tax Due Worksheet	4 -- Paid the Fire Inspection Fee
5 -- Had documents validated at one of two Customer Relations Desks	6 -- Paid the BT and fees at the designated payment stations
7 -- Got the claim stubs for the BP and business license plate and exited the BOSS	8 -- Returned to the BOSS and claimed the business permit

During the 2014 renewal period, a temporary BOSS was set up at the City Tourism Hall, and a satellite BOSS at the Robinson's Mall. The former was an air conditioned area that accommodated all the BPLS transactions and the PBR with a common waiting area (Figure 13). Signage at the entrance and inside the hall gave clear instructions and requirements. Inside the Tourism Hall, the arrangement was rectangular and basically followed the sequence of the steps with backroom processing at the assessment and releasing steps. The shortened form was handed out at a small table, filled up at a long table and submitted at one of the ten assessment windows according to the business permit number. At off-peak days, applicants waited at the railing to get their tax due worksheet. However, on peak days, applicants crowded at the railing. There was no queuing system at this step so that people waited at the railing to be able to hear their name called. Later, a microphone was provided so that applicants could sit down and wait to be called.

**Figure 13.**  
**Business One-Stop Shop Layout at the City Hall in Cagayan de Oro, 2014**



DTI had a desk in the city hall BOSS that processed applications for business name registration for single proprietors through the Philippine Business Registry (refer to Figure 14), the first in the Mindanao area.

**Figure 14. Department of Trade and Industry  
Philippine Business Registry**



The Satellite BOSS at Robinson's Mall operated only during the peak period because of the delayed connection by PLDT. It was located at the *Lingkod Pinoy Center* where SSS, Philhealth and TESDA had regular staff (Figure 15). A long table was provided by Robinson's Mall for the three City Hall staff-- one for tax due and two cashiers-- and one BFP collector. The applicant could receive their business permit at the end but needed to go to City Hall to get the business plate.

**Figure 15.  
Satellite Business One-Stop Shop at Robinson's Hall in Cagayan de Oro, 2014**



The City Treasurer's Office has been re-designed to be the permanent BOSS. The BOSS will be operated year round with a BFP cashier and BPLO staff. Figure 16 is a picture of the new BOSS at the CDO, which was made operational by March 2014.

**Figure 16.**  
**Business One-Stop Shop at Cagayan de Oro City Hall, 2014**



## **1.2 Client Satisfaction Survey Conducted in the Partner Cities**

Perception toward the business permitting processes in the three cities were gathered by conducting interviews of applicants as they completed the process of applying for or renewing their business permit. The survey measured perceptions and attitudes toward the efficiency of the process, the service provided by the frontline staff, and the comfort of the surroundings/site. The instrument contained three sections: the respondent's background, the profile of the enterprise whose business permit was being renewed, and the process section.

The exit interviews were done every renewal period from 2012 to 2014. A sample of 50 respondents per city was chosen in the initial survey run in 2012 but this was increased to 300 respondents in the 2<sup>nd</sup> and 3<sup>rd</sup> year of the project. The conduct of the exit interviews were subcontracted and/or conducted by hired interviewers.

The results of the exit interviews for the three years are contained in Tables 9 to 12.<sup>10</sup> Among the three cities, the level of satisfaction with the process was highest in Batangas city in 2014, which clearly showed a gradual improvement in perception from 2012 to 2014. Cagayan de Oro followed, despite issues experienced in 2013 and 2014.<sup>11</sup>

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<sup>10</sup>Tables 11 and 12 covered 2013 and 2014 only since there were changes in the questionnaire for these years compared to that executed in 2012.

<sup>11</sup>The 2012 renewal period coincided with rallies for/against the incumbent mayor while 2014 renewal period experienced long interview process by the newly designated Treasurer as a new administration was elected in office after the 2013 elections.

Table 9.  
Applicants' Satisfaction with the Business Permit Process  
of the CDI Cities, 2012-2014  
(in %)

	2012	2013	2014
<b>Batangas City</b>			
Very Satisfied	30	55	77
Satisfied	54	29	21
Neutral	14	14	1
Dissatisfied	2	2	0
Very Dissatisfied	0	0	0
<b>Iloilo City</b>			
Very Satisfied	26	28	21
Satisfied	62	57	45
Neutral	12	13	26
Dissatisfied	0	2	8
Very Dissatisfied	0	0	0
<b>Cagayan de Oro</b>			
Very Satisfied	51	38	38
Satisfied	47	50	45
Neutral	2	61	14
Dissatisfied	0	2	3
Very Dissatisfied	0	0	0

In terms of comfort at the BOSS area, again Batangas topped the bill, with Iloilo as second (Table 10). There was however a significant improvement in the level of comfort at CDO from 2013 to 2014. It was raining in 2013 during the renewal period coinciding with demonstrations, which the small space at BOSS which made processing of permits messy.

Table 10.  
Applicants' Comfort at the Business One-Stop Shops (BOSS)  
of the CDI Cities, 2012-2014  
(in %)

	2012	2013	2014
<b>Batangas City</b>			
Very Comfortable	34	36	70
Comfortable	34	55	16
A Little Comfortable	18	7	14
A Little Uncomfortable	14	2	0
Very Uncomfortable	0	0	0
<b>Iloilo City</b>			
Very Comfortable	12	29	13
Comfortable	78	23	63
A Little Comfortable	4	37	15
A Little Uncomfortable	2	11	9
Very Uncomfortable	4	0	0

	2013	2014	2012
<b>Cagayan de Oro</b>			
Very Comfortable	70	19	51
Comfortable	21	18	10
A Little Comfortable	7	51	37
A Little Uncomfortable	2	10	2
Very Uncomfortable	0	1	0

In terms of the attitude of city hall staff at the BOSS, again Batangas city garnered the highest ratings among the three cities (Tables 11 and 12). INVEST conducted customer satisfaction trainings in the three cities which seem to have the most impact in Batangas city employees.

Table 11.  
LGUs Staff Friendliness to Applicants' at the Business One-Stop Shops (BOSS)  
of the CDI Cities, 2013-2014  
(in %)

	2013	2014
<b>Batangas City</b>		
Very Friendly	57	88
Friendly	9	7
A Little Friendly	34	5
A Little Unfriendly	0	0
Very Unfriendly	0	0
<b>Iloilo City</b>		
Very Friendly	37	22
Friendly	41	61
A Little Friendly	19	15
A Little Unfriendly	3	2
Very Unfriendly	0	0
<b>Cagayan de Oro</b>		
Very Friendly	33	45
Friendly	15	20
A Little Friendly	49	50
A Little Unfriendly	2	3
Very Unfriendly	1	1



Table 12.  
LGUs Staff Helpfulness to Applicants' at the Business One-Stop Shops (BOSS)  
of the CDI Cities, 2013-2014  
(in %)

	2013	2014
<b>Batangas City</b>		
Very Helpful	57	89
Helpful	38	7
A Little Helpful	5	4
A Little Unhelpful	0	0
Very Unhelpful	0	0
<b>Iloilo City</b>		
Very Helpful	40	29
Helpful	18	53
A Little Helpful	41	17
A Little Unhelpful	1	1
Very Unhelpful	0	0
<b>Cagayan de Oro</b>		
Very Helpful	42	45
Helpful	45	21
A Little Helpful	12	22
A Little Unhelpful	1	0
Very Unhelpful	0	0

### 1.3 Inspection Action Plan Prepared and Improved Systems Implemented

The approach adopted by the Project in promoting inspection reforms was two-pronged. Baseline data on inspection practices in the three partner cities was initially gathered from May to July 2012.<sup>12</sup> The results of the assessment served as important bases for the reform agenda that the cities would pursue in improving its inspections processes and for which the Project's support would be provided.

Two workshops were subsequently conducted in each of the three cities, the first one from end-September to October 2012 aimed at (1) validating the third party assessment of the inspection systems in the cities; (2) reviewing and mapping the current end-to-end business permitting processes with the inspection; (3) training the city officials on how to set-up a business-friendly inspection system; and (4) designing a streamlined end-to-end business permitting process with inspections. A second workshop was conducted in March 2013 in each of the cities to assess the effectiveness, efficiency, transparency, and fairness of the inspection systems as well as the reasonableness of inspection fees using the framework in the study, *A Guidebook for Local Governments on the Conduct of Business Friendly Inspections* prepared by the Local Implementation of National Competitiveness for Economic Growth (LINC-EG). Based on the identified business inspection reforms in the first workshop, the city officials formulated city action plans with detailed activities and time frames.

<sup>12</sup>A report containing the findings entitled "*Integrated Assessment Report on Business Registration-Linked Inspections Processes: Cities of Batangas, Iloilo and Cagayan de Oro*" was submitted to USAID on October 7, 2013.

## Batangas City

Table 13 provides a summary of the implementation of Batangas City's inspection reform action plans as assessed by the Project. The exercise evaluated the accomplishment of the different action items indicated in Batangas City's inspections reform action plan issued through Executive Order No. 8, series of 2013, "*Adopting the Inspection Reform Action Plan to Establish a Business Friendly Inspection System in Batangas City.*"

Many of the action items planned have been implemented. The preparation of an Executive Order to support the inspection reform has been done. As indicated above, EO no. 8 was issued to adopt and issue the plan. In addition, separate EOs were issued for each of the JITs that have been formed and operationalized (i.e. Disclosure and Revenue Inspection Team (DRIT) and Safety). The City Government, together with national agencies, was also successful in developing unified checklists for both the Safety and DRIT. Classifying business establishments according to operational and area risk, even before the JITs were operationalized, had been a practice for Batangas City. For example, CHO prioritized inspections of food establishments over non-food businesses. OCVAS, on the other hand, prioritized slaughterhouses and local meat vendors. For DRIT, as per discussions with the BPLO office, beginning 2015, scheduling of inspections would be based on risk-based criteria which prioritized areas (i.e. *barangays*) that have had higher rates of non-compliances with regard to disclosure and operating without requisite permits. Similarly, the Safety JIT prioritized areas with higher rates of compliance and with larger number of business. As such, Safety JIT inspections prioritize businesses in the 24 *barangays* of the city proper (*poblacion*) and peripheral urban areas.

Some action items have not been implemented or have not been implemented in full. The Compliance JIT had not been operationalized. Also, the development, installation and use of an automated inspection system is still being undertaken, beginning with the development of a mobile 'app' or tool for paperless checklists to be followed by a computerized database linked to existing city database systems. In terms of hiring and training of new qualified inspectors as well as existing inspectors, additional personnel were hired to strengthen staff complement for inspection processes but was still deemed insufficient. Based on discussions with City Engineering Office (CEO), inspections could be expedited if more qualified personnel can be hired together with the purchase of at least one other service vehicle. Additional personnel would also be required to fully satisfy the requirements of the Compliance JIT. At present, at least for CEO, pre-registrations slowed down because similar personnel and service vehicles were utilized for the conduct of Safety inspections.

Especially for the JITs, orientation and simulation workshops were conducted prior to their launchings. While inspection manuals had not been formally developed, detailed guidelines that detail inspection processes were put in place, especially for the constituted JITs. For logistical support, at least for the Safety JIT, in consultation with member offices and departments, the CEO, as lead coordinator, compiled and submitted a list of equipment and supplies required to adequately fulfill inspection procedures. This list also included several items needed by the DRIT team. Lastly, the compliance merit system for the purpose of giving awards as planned has not been developed or designed as of this writing.

**Table 13.  
Summary of Assessment of Implementation of  
Batangas City Inspection Reform Action Plans**

Action Item	Office	Implemented?	Explanation/Observation/Comment
Prepare an Executive Order (EO) supporting the inspection reform	BPLO	Yes	<ul style="list-style-type: none"> <li>Executive Order no. 8, s. 2013 signed by the city Mayor issued to adopt the inspection reform plan</li> <li>EO no. 30, s. 2013 issued to operationalize DRIT</li> <li>EO no. 17, s. 2014 issued to operationalize Safety JIT</li> </ul>
Organize the Joint Inspection Team (JIT)	BPLO, CENRO, CHO, OCVAS, CEO, BFP	Partial	<ul style="list-style-type: none"> <li>2 JITs have been formed and operationalized – DRIT and Safety JITs</li> <li>The JIT for Compliance has not been operationalized</li> </ul>
Prepare and use unified checklist for inspection	BPLO, CENRO, CHO, OCVAS, CEO, BFP	Yes	<ul style="list-style-type: none"> <li>The DRIT and Safety JITs have their respective unified checklists</li> </ul>
Classify business establishments according to operational and area risk	CHO, BFP, BPLO	Yes	<ul style="list-style-type: none"> <li>All offices have a set of categorized classification according by area risk and as first come first serve basis</li> <li>Main focus as of now is the <i>poblacion</i> area</li> </ul>
Develop, install and use an automated inspection system	ITSD	No (ongoing)	<ul style="list-style-type: none"> <li>Ongoing development of a mobile 'app' for a paperless checklist system (to be piloted by the Safety JIT team before adoption by other JITs)</li> </ul>
Hire and train new qualified inspectors, and train existing inspectors.	BPLO, CENRO, CHO, CEO, OCVAS	Partial	<ul style="list-style-type: none"> <li>General increase in number of inspectors per office/ department but still insufficient</li> <li>Orientation and simulation exercises undertaken prior to launch of joint inspections</li> </ul>
Propose regular expenditures for inspection (e.g. logistics, supplies, and gadgets)	BPLO, CEO, CENRO, CHO, OCVAS, BFP	No	<ul style="list-style-type: none"> <li>General lack of equipment required for adequate inspection processes</li> <li>List of equipment and supplies consolidated and transmitted by CEO to CMO and GSD.</li> </ul>
Develop and use an inspection manual	BPLO, CEO, CENRO, CHO, OCVAS, BFP	Partial	<ul style="list-style-type: none"> <li>No operation manuals developed but detailed operational guidelines developed and disseminated for DRIT and Safety JITs</li> </ul>
Develop a compliance merit system for purpose of giving awards.	BPLO, CEO, CENRO, CHO, OCVAS, BFP	No	<ul style="list-style-type: none"> <li>This has not been developed</li> </ul>

Cagayan de Oro City

Cagayan de Oro's change in administration in 2013 affected the implementation of inspection reforms, which were drawn up by the previous administration. As indicated below, the new government, which had limited budget, prioritized the implementation of business permit reforms during its first year of implementation (2014 renewal period). With changes in the city's department heads, there was also no time to revisit the action plan for inspections for the city. However, with the partnership forged by the city with the Mindanao University of Science and Technology, a revision of its inspection procedures is expected in 2015 as the system for securing building and occupancy permits is set up at the city hall.

**Table 14.  
Summary of Assessment of Implementation of  
Cagayan de Oro's Inspection Reform Action Plans**

<b>Action Item</b>	<b>Office</b>	<b>Implemented?</b>	<b>Explanation/Observation/Comment</b>
Use of uniform Barangay clearance form for business  - Alternative action is through issuance of Executive Order	BPLD, CPDO, BFP, CTO, CHO, OBO	No	<ul style="list-style-type: none"> <li>This was difficult to implement politically because less than 25% of the barangays belong to the same party as the newly elected Mayor. This was only slightly improved after the barangay elections in October, 2013.</li> </ul>
Checklist for inspection by office	BPLD, CPDO, BFP, CTO, CHO, OBO	No	<ul style="list-style-type: none"> <li>The heads of the regulatory offices, i.e., CTO, OBO and CHO, were replaced and another Technical Working Group organized with additional private sector members. The new TWG opted to use the old prescribed checklists and review the checklists after release of the studies commissioned by Invest</li> </ul>
Install an integrated computerized system that would include inspection-related data	BPLO, IT Transition Team	Partial	<ul style="list-style-type: none"> <li>The recently formulated Information System Strategic Plan (ISSP), which was supported by the project, includes an integrated computerized system for the regulatory offices that would enable document tracking and tagging in case of violations based on inspection reports.</li> <li>The Mindanao University of Science and Technology is preparing a computerized system design for the Office of the City Building Official.</li> <li>A budget of PhP5-million was proposed by the Mayor for the 2014 budget to start off the computerization, but the proposal was disapproved by the local legislature.</li> </ul>

Iloilo City

There were two workshops conducted in Iloilo City to develop its Inspection Reform Action Plan. The first workshop was conducted in October 7 and 8, 2012 and the second workshop was conducted in March 14 and 15, 2013. It was only in the second workshop that the Iloilo city officials formulated the city action plan with detailed activities and timeframes.

On July 29-31, a new action plan was crafted by the LEIPO and INVEST CPA, which contained a package of streamlining, automation, and inspections reform interventions. A series of meetings with the BPLS TWG were conducted to finalize the plan, which the Mayor approved through an EO, which he signed on February 2014. The draft EO with accompanying implementation guidelines contained the inspection reforms and actions (JIT, checklist, schedule, service quality standards) that the city intends to implement. The table below shows the summary of inspection reform actions conducted by the city based on the revised inspection reform action plan.

**Table 15.  
Summary of Assessment of Implementation of  
Iloilo's Inspection Reform Action Plans**

<b>Action Item</b>	<b>Office</b>	<b>Implemented? Yes/No</b>	<b>Explanation/Observation/Comment</b>
Prior Inspection Notice for New Applicants	JIT	Yes	This was only through verbal notice (face to face or phone call).
Use of Official Unified Inspection Report	JIT	Yes	There were instances when the CTO inspectors did not sign the inspection report.
Post inspection- A year round inspection after the renewal period shall be conducted by the JIT.	JIT	Yes	The JIT conducted pre-inspection instead of post inspection. Post inspection of the BFP and CHO were conducted separately.
Observe rules of conduct during inspection	JIT	Yes	There were instances when the CTO fielded inspectors who are just job hires (not qualified inspectors).
Results of an inspection should be released by the JIT no more than one (1) day after the inspection	JIT	Yes	The JIT released the results upon completion of the inspection. The BFP issued clearance after signing the JIT checklist. There were instances, however, that the CTO inspector do not sign the checklist and thus the BPLO had to wait before it can release the after inspection report.
Inspections for Collection of Readily-Available Data-use of Google maps/data sharing	JIT	No	Use of Google maps and sharing of data were made possible by the on-line system developed by the University of the Philippines (Visayas) only in October 2014 and will be used in 2015.
Elimination of Duplicative Inspections	JIT	Partial	For those with occupancy permit, there is no need for inspection. Others are still required to get locational clearances.

## 1.4 Risk-based Criteria in Conducting Inspection Formulated

Inspections are required when securing various types of permits/clearances. The Project initially planned to conduct two studies that would rationalize the conduct of inspections in relation to the grant of sanitary permits and those done in connection with the processing of fire safety inspection certificates. However, due to the difficulty of getting consultants who could do the latter study, the project was only able to conduct the study on risk-based inspection for firms applying for sanitation permits.

Common to all risk-based inspection categorizations was the use of the establishments' history of compliance, risk management systems in place, likely occurrence of food-borne diseases, and the magnitude or scale of the potential consumers. All of these factors were considered in the formulation of the risk-based inspection system presented during the LGU consultations.

In developing the risk-based inspection procedure, two things were considered in the analysis of the risk associated with the establishments: (a) incident potential; and (b) health consequence.

Incident potential referred to the likelihood that an incident will happen due to the operation of the establishment or due to the product coming out of the establishment. Incidents may be related to food poisoning, transmission of communicable diseases, water contamination, outbreak of water borne diseases, and chemical contamination.

In the proposed risk-based sanitary inspection system, all establishments (even new establishments) will be rated according to the incident potential descriptions shown in Table 14.

**Table 16.**  
**Proposed Incident Potential Rating for Establishments**

Rating	Definition
Low	<p><i>Event:</i> Unlikely to happen or theoretically possible to happen but no report of its occurrence is available locally</p> <p><i>Historical Compliance of the Establishment:</i> Establishments with high inspection compliance (90%-100%)</p>
Medium	<p><i>Event:</i> Has happened <i>once</i> in the establishment</p> <p><i>Historical Compliance of the Establishment:</i> Establishments with inspection compliance of 70% to 89%</p>
High	<p><i>Event:</i> Has happened <i>more than once</i> in the establishment Primary food processing operations</p> <p><i>Historical Compliance of the Establishment:</i> Establishments with low inspection compliance (&lt; 69%)</p>

The rating on health consequence of the operation and product of the establishment is described in Table 16. The health consequence referred to the possible harm that may be caused to the general public and the potential magnitude of such harm.

**Table 17.  
Health Consequence of an Incident**

Rating	Health Consequence Definition (in terms of potential to cause harm to people)	Sample Establishments
1	SLIGHT ILLNESS: Not affecting activities of daily living, nor cause disabilities or morbidities to members of the community. Incident not hazardous to health (e.g. cough, cold, minor respiratory illnesses).  SMALL NUMBER OF POTENTIAL RECEPTORS	Offices, sari-sari store, payment centers, banks, parlors / barber shop
2	MINOR ILLNESS: Affecting activities of daily living (schooling, cooking, washing clothes) or a need to take a few days off to fully recover the activities of daily living. Incident with limited health effects, which are reversible (e.g. LBM, skin irritation).  SMALL NUMBER OF POTENTIAL RECEPTORS	Hotels (small), motels, quick service restaurants, junk shop
3	MAJOR ILLNESS: Resulting in a permanent partial disability or affecting activities of daily living of members of the community in the long-term. Incidents of irreversible damage without serious disability (e.g. Hepatitis, Tuberculosis, STD).  LARGE NUMBER OF POTENTIAL RECEPTORS but with several layers of distribution before end-consumer	Manufacturing companies, poultry, piggeries, sauna/health spa
4	PERMANENT TOTAL DISABILITY OR FATALITY: Incident capable of irreversible damage with serious disability or death to vulnerable members of the community (e.g. food poisoning, exposure to chemicals with known human carcinogen)  LARGE NUMBER OF POTENTIAL RECEPTORS	School cafeteria / canteen, water refilling, market, abattoir, large hotels

Based on the above factors, a proposed risk-based inspection frequency is shown in Table 17. This table prescribed the number of inspection to be conducted per year based on health consequence and incident potential.

A low incident potential with a low health consequence rating would mean less inspection frequency (0-1) while a high incident potential with a high health consequence rating would mean frequent inspection (i.e., monthly). A high incident potential occurring with a low health consequence would have a maximum of two inspections per year.

**Table 18.  
Health Consequence Matrix for Various Incident Potentials**

Health Consequence	Number of Inspections per Year		
	<i>Incident Potential - Low</i>	<i>Incident Potential - Medium</i>	<i>Incident Potential - High</i>
1	0 to 1	0 to 1	2
2	0 to 1	2	3
3	2	3	Monthly
4	2	3	Monthly

Using the analysis in Table 18, establishments can then be classified into the Risk Category Matrix shown in Table 19.

**Table 19.**  
**Proposed Categories of Establishments and the Prescribed Frequency of Inspection**

Category	Minimum Number of Inspections per Year
1	0 to 1
2	2
3	3 (or quarterly)
4	At least monthly

It was recommended that LGUs categorize all business establishments applying for sanitary permits (new and renewal) into these four categories. The SI's may develop their inspection work plan or schedule of sanitary inspection for the year based on this categorization and listing.

The results of the study were presented to the Department of Health (DOH), the DILG and all the three cities. A draft memorandum circular to implement the recommendations have been prepared and submitted to the DOH. The complete study was submitted to USAID on December 10, 2014.

### **1.5 Partner Cities Connected to the Philippine Business Registry**

The Philippine Business Registry (PBR) isa project of the DTI aimed at developing a web-based portal that seeks to facilitate the processing of NGAs documentary requirements for business permitting. One of the key features of this portal is the web-based registry for all types of business entities registered in the country (i.e., sole proprietorships, partnerships, corporations, profit and non-profit organizations, and cooperatives). The option year work plan of the Project included the connectivity of the three cities to the PBR.

The Project played a key role in convincing the partner cities to connect to the PBR. Meetings were initially organized between the newly appointed Undersecretary of DTI, Nora Terrado, and the local chief executives of Cagayan de Oro (September 26, 2013) and Iloilo (October 9, 2013) for the former to explain the advantages of and requirements for PBR connectivity. In these meetings, it was generally agreed that the partner cities of Iloilo and CDO would be connected to PBR and the necessary clearances from the respective local legislatures would be sought to allow the Mayors to sign a MOA with DTI to implement the connectivity. Discussions with Batangas City were also undertaken to encourage them to connect to the PBR. These initial efforts led to the actual signing of the MOAs between the DTI and the partner cities on PBR on December 11, 2013 during the Batangas Business Forum. This MOA paved the way for the establishment of PBR desks in the cities by January 2014.

Starting 2014, Batangas City and Cagayan de Oro cities had PBR kiosks set up in the City Hall's BOSS, where single proprietors could secure their business name certificates without going to the DTI regional offices and directly proceed to get their Mayor's Permit in the City Hall. The PBR also made it possible for sole proprietors to obtain the Taxpayer Identification Number and the Employer Registration Numbers from the Social Security System (SSS), the Philippine Health Insurance Corporation (PhilHealth) and the Home Development Mutual Fund (HDMF). In Batangas City, 318 new business applicants were processed in the PBR kiosk while 126 clients were served in Cagayan de Oro City. While Iloilo City was included in the MOA signing on



December 11, 2014, it was not able to set up a PBR kiosk in the city hall since it did not process new business registrants during the renewal period.

## **1.6 Policies to Support BPLS Computerization Promoted**

BPLS computerization, which is one of the components of the BPLS Upscaling Program of DTI and DILG, is key to the improvement in the ranking of the Philippines in global competitiveness surveys.

The project supported the DTI, DILG and the DOST in launching the BPLS Automation Project on July 24, 2012 that established the TWG. Hence, the project included as one of its deliverables “policy support to BPLS computerization.’ In relation to this, the project included a section on BPLS computerization in the draft Joint Memorandum Circular entitled “*Revised Standards In Processing Business Permits and Licenses in All Cities and Municipalities in the Philippines*”.<sup>13</sup> Sections 5.4 and 5.5 contained the following provisions:

- (1) *Encourages cities and municipalities to computerize their business permitting system and refers them to two knowledge products prepared by the DOST on BPLS Automation: (1) the BPLS Planning and Implementation Guide: Computerizing Business Permits and Licensing Systems in the Philippines; and (2) BPLS Automation and Baseline Design Guide: Automation System Flows and Baseline Design;*
- (2) *Enjoins LGUs to automate their business permit application processes, including but not limited to the following:*
  - (a) *Retrieval of previously submitted information to minimize required forms or fields;*
  - (b) *Consolidation and retrieval of negative lists/ positive findings for one-time verification;*
  - (c) *Assessment of business taxes, charges, and fees;*
  - (d) *Printing of tax orders of payment; and*
  - (e) *Printing of business/Mayor’s permit and other permits and clearances.*
- (3) *Provision of training programs for cities and municipalities that have passed the eReadiness Survey conducted by DOST and DILG; and*
- (4) *Encourages local governments to develop online mechanisms for both new business registrations and permit renewal applications (e.g. to make applications more convenient for clients.*

The revised JMC, which would be signed by DILG, DTI and DOST, was endorsed by the BPLS Oversight Committee on June 13, 2014 and the National Competitiveness Council (NCC) secretariat agreed to shepherd the signing of the new JMC by the concerned agencies by early 2015. The NCC also organized three island-wide National Forums on BPLS in October 2014 to present the revised JMC.

## **1.7 Updated Issuances from NGAs on BPLS Standards**

Policies and program initiatives of NGAs impact on the nature, speed and sustainability of the reform process that would be undertaken in target cities. Hence, the Project supported the oversight agencies – DILG, DTI and DOST- in formulating policies that would reform the

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<sup>13</sup>The new JMC is part of the report entitled “Review of Local Government Implementation of Standards for Processing Business Permits” which was submitted on December 7, 2014.

permitting processes that businessmen have to go through. Presented below are circulars that were signed by the oversight agencies aimed at making the business permitting procedures easier.

- (1) Memorandum of Agreement (MOA) by the Secretaries of DILG, DTI and DOST (signed on July 24, 2012). The MOA launched the BPLS Automation Project, delineated the respective responsibilities of the three agencies in the implementation of BPLS automation and set the institutional support to the project by formalizing the organization of a Technical Working Group on eBPLS headed by DOST.<sup>14</sup>
- (2) Joint DILG-SSS Memorandum Circular No. 01, s. 2012 (signed December 26, 2012). The circular streamlined the procedures for getting clearances from SSS as a requirement in getting a business permit.
- (3) DILG-Philhealth-SSS-DTI Joint Memorandum Circular re: New Procedures For Securing Clearances from the Social Security System and the Philippine Health Insurance Corporation and for Renewing Business Permits and Other Purposes (signed on February 14, 2014). This circular, sought to remove the additional step of physically securing documents required for business permits from the social security agencies. The circular paved the way for exchange of information between cities and municipalities and the social security agencies and DTI.
- (4) MOA between DILG and Philhealth (signed on February 14, 2014). This MOA delineated responsibilities between the two agencies in implementing streamlined procedures for identifying delinquent members of Philhealth which should not be allowed to register.

In addition to the above directives, the project also drafted circulars aimed at further streamlining business permits. These are currently being reviewed by the oversight agencies.

- (1) DILG-DTI-DOST Memorandum Circular on the “Revised Guidelines in Implementing Standards in Processing Business Permits and Licenses in all Cities and Municipalities in the Philippines.”The circular contains the following revised standards, i.e. reduced steps (from 8 to 2-3 steps) and processing time (from 3 days to a day), limiting documentary requirements to at most five for new business applicants and two for business renewals, and to two signatories.<sup>15</sup>
- (2) Bureau of Fire Protection Circular on “Amending Certain Sections of the Implementing Rules and Regulations of Republic Act 9514 (Fire Code of the Philippines of 2008) Related to Inspections, Issuance of the Fire Inspection Safety Certificate (FSIC), Assessment and Collection of Fire Code.” This Circular is critical before any procedural reforms for streamlining the procedures for securing Fire Safety Inspection Certificates can be implemented. The draft circular had been submitted to the DILG and BFP.<sup>16</sup>
- (3) Draft DILG Circular on “Streamlined Procedures for Securing Fire Safety Inspection Certificate (FSIC) as a Requirement for the Grant of Business Permit in Cities and Municipalities.” This circular is directed to cities and municipalities containing proposed

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<sup>14</sup>Refer to the report entitled “Automation and Inspection Forum Report” submitted to USAID on September 30, 2014.

<sup>15</sup>Refer to the report entitled “Review of Local government Implementation of Standards for Processing Business Permits” which was submitted to USAID on December 7, 2014.

<sup>16</sup>Ibid.

- procedures for processing the FSIC which was intended to enable a three-step processing of business permits.<sup>17</sup>
- (4) DOT-DILG Circular on “Guidelines For Processing Business Permit Applications of Tourism Enterprises.” This circular clarifies the requirements from tourism enterprises for business permits. At the same time, the circular will promote the exchange of information between local governments and the DOT.<sup>18</sup>
  - (5) DOF Circular on “Guidelines In Setting Reasonable Fees And Charges For Inspection Services Rendered By Local Governments.” The guidelines aim to address the huge discrepancy in inspection fees imposed by LGUs through the use of a cost accounting framework in fee setting. The draft circular has been submitted to DOF for comments.
  - (6) DILG Circular on “Guidelines For Implementing A Business Friendly Inspection System In All Cities And Municipalities.” This circular enjoins LGUs to follow a set of parameters/principles in conducting business-friendly inspections of establishments. The draft circular has been submitted to DILG for comments.
  - (7) DPWH-DILG Joint Memorandum Circular entitled “Guidelines in the Implementation of a Streamlined Processes in the Issuance of Building Permits and Certificates of Occupancy.” The circular proposes new standards and reform initiatives in processing construction and occupancy permits by cities and municipalities. The draft circular has been submitted to DILG for comments.

### **1.8 Recommendations to streamline permits system in construction and tourism submitted**

Securing a Mayor’s Permit is just one aspect of the whole permitting system in the Philippines. Reducing the cost of doing business will require examining the procedures for getting a permit or license for other sectors. The oversight member agencies of the Sub-Working Group on Local Investment Reforms identified other regulatory reforms critical to generating investments in priority sectors of government. The Project, after consultations with the concerned agencies, included in its work plan the streamlining of permitting procedures in construction and tourism. These two studies were undertaken in the Option Year of the project. The recommendations of the construction study were presented to the BPLS Oversight Committee during its 9<sup>th</sup> meeting held on June 30, 2014 while the tourism study was discussed during the 10<sup>th</sup> meeting of the same committee on September 11, 2014 and November 20, 2014. These studies were also the topics in the dissemination forums organized by the Project in the partner cities.

The tourism study recommended the simplification of requirements for DOT accreditation and the streamlining of the procedures for securing a Mayor’s Permit for tourism enterprises. On the latter, the study proposed that cities and municipalities which are processing business permits be enjoined to adopt the following:

- (1) Require the DOT accreditation as a requirement only for tourism enterprises that fall under the “primary enterprises” classification only, but not for secondary tourism enterprises, although the latter could get accreditation on voluntary basis;<sup>19</sup>

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<sup>17</sup>Ibid.

<sup>18</sup>The Circular can be found in the report entitled “Study in the Streamlining of Business Permits Procedures for Tourism Enterprises” which was submitted to USAID on December 6, 2014.

<sup>19</sup>Secondary Tourism Enterprises – facilities and services that may be related to tourism and which may opt to secure a DOT-accreditation for the availment of its non-fiscal benefits such as, but not limited to, restaurants; specialty shops and department stores; sports facilities and recreational centers such as, museums and galleries, theme parks, zoos; health and wellness facilities such as, but not limited to, spas, tertiary hospitals, ambulatory clinics and medical concierge; rest areas in gas stations; agri-tourism

- (2) Require the DOT accreditation certificate only for business renewal but not for first-time applicants for a business permit;
- (3) Refrain from accrediting tourism establishments since only DOT has this mandate; and
- (4) That LGUs may accept a certificate of ongoing accreditation application for tourism businesses that is issued by the DOT as basis for granting business registration renewal.

The construction study on the other hand, recommended a set of service standards for processing building permits and the certificate of occupancy. These standards covered the process, documentary requirements, and processing time.

### **1.9 Conduct of Seminal Surveys on Inspection Fees and eReadiness of LGUs**

The Project supported the conduct of two new surveys that provided oversight national government agencies with information on the ability of the cities and municipalities to design business-friendly regulations. These surveys are (1) the Survey on Business Tax and Fees among the cities in the Philippines which was conducted in partnership with the Department of Finance through the Bureau of Local Government Finance (BLGF) and the DILG; and (2) the BPLS Compliance and E-Readiness Survey which the DOST and the DILG conducted for two rounds in 2012 and 2014. The first survey on business tax and fees was administered online to all 141 cities in the country through the City Treasurers Offices of LGUs, with a 50% response rate. The first of its kind to be administered, the survey showed the wide variation in business tax and fees imposed b LGUs, which need to be standardized.

The second survey had the following objectives: (1) assess the institutional capacity of the LGU to automate its BPLS; (2) evaluate the sufficiency of the Information Technology (IT) staff complement at the LGUs; and (3) explore automation options that an LGU can employ based on the results of the survey. Conducted online by both DILG and DOST, an estimated 117 cities (out of the 143 cities in the country) and 1,007 (out of the total 1,491) participated in the survey or 68.8% response rate. The survey results indicate the extent of preparedness of LGUs in setting up a computerized business permitting system.

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farms and facilities; tourism training centers or institutes and such other enterprises as may be identified by the Secretary, after due consultation with concerned sectors.

## 2. Component 2: Investment Planning and Promotion

This Component sought to assist partner cities in creating an enabling environment that would attract more and better investments through planning and promotion activities. The Project would support the partner cities along three program areas: (1) strengthening planning, investment programming, and budgeting; (2) providing capacity building support in investment planning and promotion; and (3) managing performance to enhance competitiveness in the partner cities.

In the first program area, the Project recognized that one of the causes of the inadequate flow of investments at the local level is the absence of a clear strategic vision and a set of investment projects that could be funded by private investors. In some cases when there could be viable projects for investments, cities lack the capacity to evaluate the funding facilities that could be tapped for project implementation. Thus, the Project assisted the partner cities revisit, redefine and enhance their vision – one that is shared by all local stakeholders and partners<sup>20</sup>. The Project also assisted the cities in benchmarking themselves with Philippine cities and with competitive cities in other countries. The deliverables under this program area were measured in terms of the percentage of projects in the city's Local Development Investment Program (LDIP) funded, the updating of the Local Investment and Incentives Code (LIIC), the number of new project concepts developed by the partner cities (for use in its investment generation and promotion efforts), and partnership agreements initiated by the partner cities, and the training events undertaken for the Local Economic and Investment Promotion Officers (LEIPOs).

In the second program area, the DILG issued DILG Memorandum Circular No. 2010-113 dated October 3, 2010 enjoining all provincial and city mayors to designate a LEIPO tasked to facilitate investment promotion in the LGUs and to coordinate activities with the newly-designated DILG Regional Economic and Investment Officers. When the Project came in, the Offices of LEIPOs have not been set up in some cities, or in cities where they have been designated, LEIPOs have yet to undertake meaningful investment promotion activities. Enhancing the capacities of LEIPOs was envisioned to facilitate the provision of investment-related information often needed by investors as well as in business-matching activities. Hence, the Project assisted the partner cities in capacitating their LEIPOs and in organizing investment promotion initiatives. The deliverables were measured in terms of the conduct of their respective Business Forums and other investment promotion activities undertaken by the partner cities.

In the third program area, the Project took note of studies by the Asian Development Bank and the World Bank that cited the important role of cities in driving economic growth due to their strong reception to the demands of globalization. It was therefore critical that the target cities were assisted in becoming the models of competitiveness that promoted innovation, good governance, and strong linkages with the private sector, among others. Thus, the Project assisted its partner cities in addressing the usual constraints to investments such as availability of credit, lack of relevant economic information on cities, inadequate industry support, as well as lack of incentives for innovation and good governance. The Project's deliverables were measured through the conduct of innovation and incubation study in Batangas City and industry studies in the three partner cities.

Based on the above, the following describes the accomplishments of the Project under Component 2.

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<sup>20</sup>The report on the shared vision of each of the partner cities was submitted to USAID on November 29, 2012.

## **2.1 Percentage of Projects in the Annual Investment Programs of Partner Cities Funded**

One of the first activities of the Project was the conduct of a review of planning documents in partner cities.<sup>21</sup> The review served as input to the partner cities in ensuring consistency in their development planning, programming, and budgeting processes.

The Annual Investment Programs (AIPs) in Batangas City and Iloilo City were generally funded by their respective *Sangguniang Panglungsod*. This can be attributed to the political support of the *Sanggunian* to their respective Mayors. In the case of Cagayan de Oro, the proposed budget in 2013 and 2014 were not acted upon by the *Sanggunian*.

## **2.2 LIIC and Pertinent Provisions of the Local Revenue Code Updated**

The Project assisted its partner cities in assessing whether their LIICs need to be updated. To lay the groundwork for this assessment, the Project conducted a study<sup>22</sup> that prepared an inventory of incentives provided to priority sectors under various national laws. The Project also drafted an LIIC template that would ensure consistency of the incentives provided in the LIIC with national laws.

The review of investment incentives under the LIIC was also part of the preparatory activities for the Business Forum. The partner cities, however, had different approaches in dealing with the effort to update investment incentives.

### **Batangas City**

The Project supported the CPDC and LEIPO offices to formulate the revised LIIC beginning August 2013. A series of meetings from February to May 2015 were convened by this group to solicit inputs from city officials and councilors involved in the Committee on Trade, Industry, and Operation of Markets to identify the following: composition of the Board, incentives to be granted, criteria and computation of incentive measures, and local investment priority areas.

The LIIC draft was further enhanced in July 2014 after DTI and BOI provided specific suggestions during the DTI-BOI training on investments promotion in June 2014 mentioned earlier.

On November 20, 2014, a meeting was held among Victor Reginald Dimacuha (Chief of Staff), CPDO Januario Godoy, CLO Atty. Teodulfo Deguito, LEIPO Erick Anthony Sanohan, and Councilor Aileen Montalbo (Chairperson, Committee on Trade, Industry, and Operation of Markets) to approve and finalize the draft. Shortly thereafter, on November 25, 2014, the Mayor formally submitted the LIIC Draft to the *Sanggunian* to initiate the legislative process.

### **Cagayan de Oro**

Incentives for businesses in Cagayan de Oro were contained in two ordinances: (1) Ordinance No. 8268 – 2002, known as the Cagayan de Oro Investment Incentives Ordinance of 2002,

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<sup>21</sup>The review was submitted to USAID on May 31, 2012.

<sup>22</sup>The study, which also contained a compendium of incentives provided under national laws, was submitted to USAID on November 22, 2012. The LIIC template was prepared by the Project in Year 2 and will be published separately as one of the Project's knowledge products.

providing incentives to prospective and existing investors; and (2) Ordinance No. 10014 – 2006, providing incentives to Information and Communications Technology (ICT) – related businesses. There was another ordinance (Ordinance No. 11219 – 2008) that approved the establishment of the Cagayan de Oro Trade and Investment Promotions Center as a tripartite cooperation among the City Government of Cagayan de Oro, the DTI - Misamis Oriental and the Promote CDO Foundation.

In order to harmonize the investment incentive system of the City, the Mayor issued Executive Order No. 55 – 2013 creating the Local Investment Incentives Review Committee. The Committee was tasked to formulate and recommend appropriate investment policies that will enhance the city's position as an investment haven.

The Project provided technical support to the Committee. The Committee noted that under Ordinance No. 8268 – 2002, *“the City Mayor shall promulgate the Implementing Rules and Regulations including the negative list of investments.”* Thus the Committee drafted an Executive Order providing for the implementing rules and regulations of the Cagayan de Oro Investment Incentives Ordinance No. 8268 – 2002. The Mayor approved and signed this Executive Order on August 20, 2014, during the visit of USAID Regional Director for East Asia and the Pacific Ernesto Uribe.

Among the local investment priority areas identified in the Executive Order were (1) agribusiness, (2) logistics, (3) tourism, (4) ICT and support infrastructure, (5) tertiary education, (6) modernization of medical facilities, and (7) light metal industries. These incentives were in line with the priority areas highlighted during the Business Forum.

#### Iloilo City

Iloilo City decided not to update its existing LIIC since it was still relatively new<sup>23</sup>. Hence, the LIIC which was amended through Ordinance No. 2009-256 on June 17, 2009 remained in effect during the Business Forum.

On July 9, 2014, the Project conducted a planning workshop for the establishment of the Investment Promotion Center. During the discussion on next steps, the participants observed that there may still be need to review the LIIC in order to strengthen the organizational set-up for the Investment Promotion Center. The review of the LIIC is part of the continuing work of the new LEIPO.

### **2.3 Number of New Project Concepts Developed**

The Project conducted a training workshop for partner cities on managing risks and responsibilities in joint implementation of development projects between the city government and private sector. The training sought to (1) familiarize partner cities with the different modalities and approaches of involving the private sector in the implementation of development projects and (2) assist them in preparing project documents which could be funded under Public-Private Partnership (PPP) arrangements. The training was held in Pasig City on October 9-12, 2012.

Thereafter, the partner cities prepared PPP project concept notes. The Project assisted Batangas City in developing the concept note for the city's integrated transport terminal, which

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<sup>23</sup>The latest version of the LIIC was passed on 2009 when the Current Mayor, Jed Patrick Mabilog, was the Vice Mayor and Presiding Officer of the Sanggunian.

was eventually discussed with the PPP Center on September 12, 2013. In Iloilo City and Cagayan de Oro City, project proposals that may be funded by PPP were presented in their respective Business Forums.

The identification of projects for the Business Forum started with a determination of the investment priority areas by the partner cities. The key players were local government officials, representatives of national government agencies, and the private sector—coordinating within the structure of the Business Forum Organizing Committees. This was followed by the identification of specific projects that will be presented during the Business Forum.

### Batangas City

Batangas City prepared one Project Concept Note on an integrated transport terminal that was initially discussed with the PPP Center. The proposal, however, did not push through and the City decided to fund the terminal using its own resources. For the Business Forum, Batangas City had five (5) investment priority areas: (1) infrastructure development and (2) human resource development. In the course of the discussions, the Organizing Committee agreed to include the following sectors: (1) agribusiness, (2) industry and manufacturing, and (3) tourism. The specific projects were as follows:

- (1) Yellow corn production,
- (2) Banana chips and coated peanuts,
- (3) Eggplant production and marketing,
- (4) Integrated organic farming community project,
- (5) Roving packaging and marketing business for high-value and specialty organic crops and herbs,
- (6) Certified organic free range chicken dressing plant,
- (7) Construction of Batangas Bay Road – STAR Tollway Bypass Road, and
- (8) Development of ecozone for manufacturing and logistics enterprises.

### Cagayan de Oro

Cagayan de Oro prepared four PPP concept notes: (1) solid waste management, (2) wastewater and septage management, (3) food terminal for small and medium scale enterprises (SMEs), and (4) berth expansion of the Mindanao Container Terminal. These were all packaged for the Business Forum. For the Business Forum, the Organizing Committee decided to categorize the City's investment priorities in the following manner: (1) logistics, (2) agribusiness, (3) leisure and living, and (4) industry and services. The Organizing Committee also identified the projects that will be included in the investment opportunity briefs for the Business Forum:

- (1) Triple A poultry dressing plant,
- (2) Triple A livestock slaughterhouse and meat fabrication project,
- (3) CDO airport shuttle terminal,
- (4) CDO septage management project,
- (5) CDO solid waste management project,
- (6) Fruit and vegetable processing center,
- (7) Expansion of Mindanao Container Terminal, and
- (8) Livestock auction market.

### Iloilo City



The City Government and the private sector prepared several project briefs for the Business Forum along the priority sectors for Iloilo City, i.e. education, tourism, agro-fishery manufacturing and processing, and services:

- (1) Combined project briefs for expansion of fish processing plant, establishment of fish canning facility, and construction of alternative energy source,
- (2) Purchase and operation of the Philippine Training Ship,
- (3) Sports Academy,
- (4) Development of various properties owned by the City Government,
- (5) Medical complex,
- (6) Commercial estate,
- (7) Redevelopment of various markets,
- (8) Esplanade apartment hotel,
- (9) International hotel, and
- (10) Plazuela de Iloilo

#### **2.4 New Partnership Agreements with National Government Agencies, Local Chambers, Businesses Initiated by Partner Cities**

Various partnership agreements were forged by partner cities in the past three years. The highlight agreement was the signing of a Memorandum of Understanding (MOU) for the establishment of sister-city relations among Batangas, Cagayan de Oro, and Iloilo on December 15, 2014. The signing was witnessed by USAID Asst. to the Administrator Eric Postel, USAID Mission Director Gloria Steele, DTI Undersecretary Zenaida Maglaya of DTI, and DIGL Director Anna Bonagua. The MOU established the commitment of the three CDI cities to support each other as growth hubs in their respective regions and as growth drivers of the whole Philippines. Under the MOU, the partner cities shall mutually engage in exchange programs that will enhance their understanding in developing their cities as models of competitiveness and sustainable development. They will also conduct mutual business development and professional, educational, tourism, and cultural exchange.

Several other Memorandum of Agreements (MOAs)/MOUs were highlighted during the Business Forums organized by the Project.

##### **Batangas City**

The Organizing Committee sought to highlight during the Business Forum some businesses that were ready and willing to express their intention to invest in Batangas City. The Committee, however, recognized that this would not be possible at that time due to the groundwork needed for such announcements.

Hence, the Committee agreed to instead put emphasis on the signing of three MOAs that could show Batangas City's readiness to attract new investments:

- (1) MOA was between Batangas State University (BSU) and the Atlantic, Gulf and Pacific Company (AG&P),
- (2) MOA between Batangas City Government and the Philippine Men's National Football Team, and
- (3) MOA between the Department of Trade and Industry (DTI) and the Mayors of the three CDI cities for the PBR

### Cagayan de Oro

The Project has been providing technical support to the City in meetings with potential investors. For example, the Project assisted the Mayor and the LEIPO during the meeting with Swedish investors on a waste-to-energy project (held on July 31, 2013), with Nestle Philippines on coffee production in rural barangays of Cagayan de Oro (held on March 7, 2014) and with possible investors on an IT project involving medical coding.

In the preparations for the Business Forum, the Organizing Committee decided to highlight public-private initiatives that can generate more investments in the City. Six (6) Memoranda of Understanding (MOU) were signed during the Business Forum, representing investment commitments in various sectors and joint efforts in development initiatives:

- (1) MOU was between the City Government and A. Brown Energy and Resources Development Corporation,
- (2) MOU was between the City Government and the Rocky Mountain Arabica and Coffee Company,
- (3) Tripartite Agreement between the City Government, Emerging Power Inc., and Waste Recovery Boras,
- (4) MOU between the City Government and *Balay Mindanaw*,
- (5) MOU between the City Government and Xavier University, and
- (6) MOU between the City Government and Cagayan de Oro Chamber of Commerce Foundation, Xavier University, Mindanao University of Science and Technology (MUST), Liceo de Cagayan University, Cagayan de Oro College – PHINMA Education Network, Del Monte Philippines Inc, Cagayan Electric Power and Light Co (CEPALCO), Cagayan de Oro Hotel and Restaurant Association, Cagayan de Oro Information and Communications Business Technology Council, and the Philippine Business for Education (PBED)

Another MOU was also signed on August 20, 2014 between the City Government, DTI-Misamis Oriental, and Oro Chamber for the establishment and operation of the Trade and Investment Promotion Center.

### Iloilo City

Iloilo City actively worked to have specific investment commitments announced during the Business Forum. Under the leadership of Mayor Mabilog, the City met with potential investors individually. The commitments to invest were firmed up prior to the Business Forum. There was no signing of an MOU during the Business Forum. Instead, each of the investors were given time to express their commitment to the City, by describing their companies, the businesses or developments that they intend to pursue, and the expected amounts to be invested.

The following companies announced that they would put in new investments in the City:

- (1) Palm Concepcion Power Corporation,
- (2) Global Business Power Corporation,
- (3) Dream Engineering Co. Ltd.,
- (4) Energy Renewables Asia, Inc.,
- (5) NV Vogt Singapore Pte. Ltd.,
- (6) Intracare, Inc., and
- (7) Double Dragon Properties Corp.

## **2.5 Training Events Undertaken for LEIPOs**

The Project, through its City Program Advisers, provided on-the-job training and coaching for LEIPOs. In addition, the Project also organized several formal training activities:

- (1) The Project conducted a training on plan integration for the partner cities. The training was utilized as a means to address some issues related to development planning at the city level. The training was conducted from July 18-20, 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, two City Councilors, and representatives of business sector groups.
- (2) As mentioned in the previous section, the Project also conducted a training workshop for partner cities on managing risks and responsibilities in joint implementation of development projects between the city government and private sector groups. This was held in Pasig City on October 9-12, 2012.
- (3) From May 30-June 1, 2012, the Project organized a local study tour where the Mayors, the LEIPOs, and the members of the partner cities Technical Working Groups visited city government offices of Valenzuela, Quezon City, and Manila as well as the offices of Fort Bonifacio Development Corporation and UP-Ayala Land Techno Hub. The tour allowed the partner cities to observe business registration and investment planning and promotion activities.
- (4) The Project organized the International Exposure Trip on February 14-19, 2013 in Singapore and Malaysia. The Exposure Trip sought to provide a wider and more global perspective on the ongoing reforms that the Project is supporting in partner cities. The tour gave the partner cities the chance to observe, inquire about, and analyze the solutions that competitive cities in other countries (and organizations) executed to reduce transaction costs for investors and promote their cities as investment destinations.

## **2.6 Business Forums Conducted**

The Business Forum was meant to showcase the capacity of the partner cities in general to conduct investment promotion activities and of the respective LEIPOs in particular to organize a major investment promotion event. In the course of the preparations, however, the Project emphasized to its partners that the Business Forum was not just an event. It was part of a bigger investment promotion program of the City, where various inputs (both administrative and substantive) were needed. The Business Forum required the establishment of working relationships between government and the private sector, as members of the Organizing Committees and as partners in soliciting participation and generating investment leads. The Business Forum was also a venue for the cities to share to the business community their "selling propositions" as investment destinations.

### **Batangas City**

In Batangas City, the Business Forum led to the signing of several MOAs. The MOA between BSU and AG&P was a prelude to the bigger industry-academe consortium that would be established through another USAID Project. It highlighted the cooperation between academe

and industry, reflecting a conscious effort to bridge the traditional gap between the requirements of businesses and the graduates of universities. The MOA between the City and *Azkals* placed the City at the center of local and international football competitions. This could spur the growth of other related businesses. The MOA between the CDI Cities and DTI facilitated business registration, with the connection of the cities to DTI's Philippine Business Registry.

Because Batangas City was not often considered as a top-of-mind investment destination in the past, the Business Forum (a first for the city) turned out to be its "coming out party." It was through the Business Forum that Batangas City announced its readiness to play as host to local and foreign investments. This message was what prompted the Turkish Chamber of Commerce of the Philippines (TCCP), which sent a representative in the Batangas Business Forum, to consider organizing a trade and investment mission to Batangas. Batangas City also caught the attention of Lima Land and Paradigm Global Investment. After the Forum, an existing investor, Asian Terminals Inc (ATI), which operated the Batangas City Port, met with the City to discuss ways to improve Batangas City's port utilization rate. The Batangas Business Forum generated a public relations (PR) value of Php2.11 million. Given all the above, it could be said that the investing community heard Batangas City's message loud and clear. It would now be up to the City and its business sector to continue working together to convert the leads into actual investments.

### *Cagayan de Oro City*

Cagayan de Oro City was the most competitive city in 2013 and second most competitive in 2014<sup>24</sup>. The City Government, the national agencies operating in CDO, and the private sector have substantial experience in organizing conferences. The Organizing Committee of the CDO Business Forum was also behind the Local Stakeholder's Forum (held a month before the CDO Business Forum) and the Agribusiness Forum (held a month after the CDO Business Forum). Both of these were organized in CDO. But the messaging remained consistent -- that of promoting CDO as an economic hub. Thus, for these stakeholders, working together for an event was not new. What was novel, however, was having a Business Forum outside of CDO, in Makati. For them, this was like organizing a big investment mission, with the entire business community as audience.

CDO's Business Forum resulted in several MOUs that reflected (1) the continuing interest of companies to do business in CDO, and (2) the significant role of civil society in the city's drive towards sustained growth. On the former, the MOUs between the City and A. Brown Energy and Resources Development Corporation (for a 1,300-hectare industrial tree plantation) and between the City and Rocky Mountain Arabica Coffee Company (for the development of 1,000 hectares of Arabica coffee plantation) emphasized the dynamism of CDOs agricultural sector. The MOUs between the City, Emerging Power Inc., and Waste Recovery Boras (for the City's solid waste management plan) and between the City and Xavier University (for participation in the solid waste management program) showed the City's seriousness in addressing its waste management problem and moving towards sustainable development. The multisectoral MOU between the City Government, academe, and business sought to address investor's concerns on the capability of university graduates to take on jobs created by new businesses. On the latter, the MOU between the City and *Balay Mindanaw* brought civil society at the center of CDO's drive towards transparency, accountability, and grassroots-based development. As part of the pre-Business Forum activities, the Project also assisted the City during meetings with

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<sup>24</sup>This is based on the Cities and Municipalities Competitiveness Index (CMCI) prepared by the National Competitiveness Council, with technical support from the Project.

investors, such as the meeting with Swedish investors on a waste-to-energy project (held on July 31, 2013), with Nestle Philippines on coffee production in rural *barangays* (held on March 7, 2014) and with possible investors on an IT project involving medical coding. All these created investment leads that could support CDOs development vision. The Forum also generated a PR value of Php2.18 million.

### Iloilo City

The Iloilo Business Forum was often cited for the Php31.5 billion worth of investment commitments announced by local and foreign businessmen, the Php4.0 billion infrastructure projects for Iloilo announced by Department of Public Works and Highways (DPWH) Secretary Rogelio Singson, and the expressions of commitment to stay and even expand their operations coming from big names in the corporate world who have already set up businesses in Iloilo. That the City was able to get all of them to announce their commitments during the Business Forum was a feat in itself, which required substantial work to be done by the Mayor, his staff, and the private sector. These statements of commitment could arguably be the highest points of the event. After all, the Forum sought to get the attention of investors so that they will invest in Iloilo -- and a public statement from business leaders about their intention to invest was as clear a response as could be hoped for. On the media side, the Iloilo Business Forum generated a PR value of Php1.9 million.

There was, however, a more subtle yet equally important achievement coming out of the Iloilo Business Forum. The Business Forum brought together practically the entire political leadership of Iloilo (from the Senate President, to the Governor, to the Mayor of Iloilo City, and the Mayors Passi City and other municipalities of the province) together with top officials from the national government (the NCC Private Sector Co-Chairman, the DPWH Secretary, and Undersecretaries of DTI and DILG) and top leaders of the business community (those based in Iloilo City, in the province, and from Metro Manila). This spirit of partnership came across as one of the strengths of the Iloilo Business Forum -- from the way the program evolved, to the working dynamics among different business organizations in the City, to the collaboration across different levels of government, and to the participation of stakeholders from Iloilo City and Iloilo Province. The process was full of challenges. But from the eyes of investors, the message of unity in promoting the development potentials of Iloilo was very welcome. It turned out to be one of the strengths of the entire Iloilo Business Forum that should be sustained in the future.

## **2.7 Investment Promotion Activities Organized by Cities**

Other than the Business Forum itself, the Project also assisted the partner cities in undertaking other investment promotion activities.

### Batangas City

As an offshoot of the Business Forum, Batangas City hosted a Turkish mission for a business matching event in the City on January 21, 2014 (slightly more than a month after the Business Forum). The activity was participated in by 26 Turkish businessmen and women from the Active Industrialists and Businessmen's Association of Kocaeli Province in Turkey, 35 local private sector representatives (businesses and schools), and 16 Batangas City government officials and staff who were strategically grouped into sectors of interest (such as agriculture/food/supermarkets, infrastructure/ industry, education/human capital, and tourism/accommodation).

Asian Terminals, Inc. (ATI), the operator of the Batangas International Port, followed up their initial informal discussions with the Batangas City Chief-of-Staff during the Business Forum by holding meetings with the City Government in February and March 2014 to discuss strategies to improve the utilization rate of Batangas Port for cargo traffic. Both parties agreed to take advantage of locators' renewed interest in Batangas given Manila's recently-passed truck ban ordinance. The City Government agreed to relax its current truck ban policy for port-related trucks as long as these would only utilize designated roads (i.e. Diversion Road) in order not to further cause traffic along residential roads and the old national highway.

The Business Forum produced other significant investment leads. Lima Land, the developer of an ecozone in nearby Lipa City, expressed interest in exploring investment opportunities in Batangas City. Lima Land was one of the participants in the Business Forum. A meeting between the city government's Chief-of-Staff, the Project's City Program Adviser (CPA), and Lima Land was held on March 21, 2014. During the meeting, the City reiterated investment opportunities that Lima Land/Aboitiz may be interested in pursuing, namely development of logistics hubs, commercial centers, and joint ventures for road infrastructure development.

Batangas City, with the support of the Project, communicated with Paradigm Global Investment Management, Inc. (PGIMI) which expressed interest in meeting with the City Government to discuss possible joint venture options for upgrading the city's infrastructure, possibly including a by-pass road from the STAR toll exit to the city's industrial section which the Chief-of-Staff presented during the Business Forum.

### Cagayan de Oro City

The Project has been providing technical support to the City in meetings with potential investors. For example, the Project assisted the Mayor and the LEIPO during the meeting with Swedish investors on a waste-to-energy project (held on July 31, 2013), with Nestle Philippines on coffee production in rural barangays of Cagayan de Oro (held on March 7, 2014) and with possible investors on an IT project involving medical coding.

A few months after the Business Forum, on May 20, 2014, the City and its local partners organized an Agribusiness Forum. The Agribusiness Forum focused on agricultural activities in the rural and upland *barangays* of Cagayan de Oro. The Forum sought to open up rural *barangays* through agricultural development and provision of alternative livelihood opportunities to informal mining.

On June 11, 2014, the City participated in the SIAL-ASEAN 2014 Investment Forum in partnership with MAFBEX - June 11 – 13, 2014. Investment opportunities in the City and the priority sectors were presented by the LEIPO. The SIAL-ASEAN Investment Forum generated interest in a possible 10,000-hectare oil palm estate with a refinery in CDO.

The Project assisted the City in setting up the physical and virtual Trade and Investment Promotion Center (Oro-TIPC). The Oro -TIPC was launched in Cagayan de Oro City during the visit of Ms. Gloria Steele, USAID Philippines Mission Director, on October 23, 2014.

## Iloilo City

Iloilo City actively worked to have specific investment commitments announced during the Business Forum. Under the leadership of Mayor Mabilog, the City met with potential investors individually. As mentioned in the previous section, the commitments to invest were firmed up prior to the Business Forum.

Iloilo also launched its Virtual Investment Promotion Center on December 4, 2014.

### **2.8 Conduct of Incubation and Innovation Study in Batangas City**

The Project prepared a study on setting the environment for innovation in Batangas City. The study has been previously presented to USAID and was presented once more to a wider audience during the *Kapihan sa Batangas*. The final report was submitted to USAID on August 8, 2013. The study highlighted the potential of Batangas City to promote S&T development. One of the recommendations of the study is the establishment of a Philippine Science High School Campus (PSHS) in the city. The local government has already initiated discussions with PSHS and has offered a 5-hectare property in the city as a possible site for the campus.

### **2.9 Conduct of Industry Studies for the Three Partner Cities**

From the start, the Project conducted consultations with local business groups, which indicate the lack of information on potentials for industrial growth in the cities. Thus, the project commissioned studies in the industry potentials and competitive advantages of the partner cities. The industry studies for Batangas and Cagayan de Oro were submitted to USAID on October 3, 2013. The study for Iloilo City was submitted on December 7, 2014. The results of these industry studies were cited and used as inputs in various workshops and consultations, most particularly in preparation for the City Business Forums.

### **2.10 Enhanced Credit Availment of SMEs**

As among the start-up activities, the Project sought to assist the USAID in promoting the credit guarantee facility for SMEs. While this was not pursued by the USAID through the INVEST,<sup>25</sup> it was envisioned that the facility would be among the credit support open to SMEs in the partner cities.

The Project assisted the USAID by providing background information that it can use in the design of the envisaged credit loan guarantee facility that can be administered by a local bank. The Project conducted a study on financing gaps for small and medium enterprises in the 3 partner 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 partner 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. The report on the study was submitted to USAID on March 5, 2012.

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<sup>25</sup>As a consequence, the Project was restrained from pursuing the achievement of this KPI.

## **2.11 Conduct of Seminal Surveys on Inspection Fees and eReadiness of LGUs**

The Project supported the conduct of two new surveys that provided oversight national government agencies with information on the ability of the cities and municipalities to design business-friendly regulations. These surveys are (1) the Survey on Business Tax and Fees among the cities in the Philippines which was conducted in partnership with the Department of Finance through the Bureau of Local Government Finance (BLGF) and the DILG; and (2) the BPLS Compliance and E-Readiness Survey which the DOST and the DILG conducted with support from INVEST. The first survey was administered online to all 141 cities in the country through the City Treasurers Offices of LGUs, with a 50% response rate. The first of its kind to be administered, the survey showed the wide variation in business tax and fees imposed b LGUs, which need to be standardized.

The second survey had the following objectives: (1) assess the institutional capacity of the LGU to automate its BPLS; (2) evaluate the sufficiency of the Information Technology (IT) staff complement; and (3) explore automation options an LGU can employ based on the results of the survey. Conducted online by both DILG and DOST. There were about 1,124 respondents out of the total number of cities and municipalities in the Philippines (1,634) or 68.8% response rate. An estimated 117 cities (out of the 143 cities in the country) and 1,007 (out of the total 1,491) participated in the survey. The survey results indicate the extent of preparedness of LGUs in setting up a computerized business permitting system.



### **3. Component 3: Cross-Cutting Concerns**

Component 3 of the Project evolved throughout the 3-year period of implementation in terms of the nature and coverage of its activities. At the start, it was conceived as the component for project management and some cross-cutting concerns. The cross-cutting concerns gradually expanded and covered some very specific tasks that could not be included in either Components 1 or 2 yet supportive of these two project components. In the second year of the Project, some of the initially listed activities were dropped based on the instruction and approval of USAID. Hence, the list of the key performance indicators (KPIs) for the Component is updated in this report; the originally listed KPIs are retained<sup>26</sup> and the KPIs for new activities<sup>27</sup> are included in this report.

#### **3.1 Development of a Framework for Measuring Local Economic Growth and Level of Competitiveness**

From the start, the Project realized the lack of a competitiveness framework for the country that could be used to guide agencies as well as LGUs in designing programs and projects that will enhance the country's competitiveness. Thus, the Project commissioned a study to formulate a national competitiveness framework based on existing global frameworks for competitiveness and generate a set of indicators that can be used to measure competitiveness at the local level on a regular basis. The National Competitiveness Council (NCC) adopted the framework prepared by the Project. The study was submitted to USAID on May 1, 2013.

The study proved to be useful to NCC and generated a lot of follow-up work. On February 18-19, 2013, the framework and the set of indicators were presented to the meeting of Regional Competitiveness Committees (RCCs) in Cebu City. The RCCs were tasked to generate the data for the competitiveness indicators. The Project also assisted the NCC in analyzing the data consolidated by the RCCs and in preparing a competitiveness ranking of cities. The ranking was presented during the First Regional Competitiveness Summit held on July 30, 2013.

As a follow-through, the Project prepared a manual of operations for the data gathering in connection with 2014 competitiveness ranking of LGUs. The draft manual incorporated the final list of indicators for assessing LGUs' competitiveness and the description of the processes for data collection, processing and reporting of the results. The Project assisted the NCC in computing the 2014 competitiveness rankings of LGUs.

The Project completed its assistance to the NCC with: (1) coaching provided to its staff in the computing the 2014 Cities and Municipalities Competitiveness Index (CMCI); (2) the joint sponsorship of the 2nd Competitiveness Summit on August 7, 2014 where the results of the CMCI ranking was publicly released; and (3) finalization of an operations manual on the cities and municipalities competitiveness index. More than 500 participants from different LGUs nationwide attended the Summit. The Project exceeded its target of producing a single manual for computing the CMCI, producing instead three (3) distinctly formatted manuals of operation, each for the NCC, the RCCs, and the cities and municipalities. The manuals of operation were submitted to the USAID on September 8, 2014.

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<sup>26</sup>Retained only for reporting purposes.

<sup>27</sup>New activities are those that were identified and included in the project's work plans after the submission of the performance management plan (PMP), better known as the Monitoring and Evaluation Plan, to USAID on January 16, 2012.

### **3.2 Policy Initiatives and Technical Reports Presented in Oversight and Inter-agency Bodies and Committees on Investment and Business Registration**

The Project has been actively participating in inter-agency committees organized by the national government to set policy directions in priority areas aligned with the Project's objectives, namely: (i) the Working Group on Growth and Investment Climate under the Philippine Development Forum; (ii) the BPLS Oversight Committee; (iii) the Sub-Working Group on Local Investment Reforms; (iv) the DTI Technical Committee on the Philippine Business Registry; and (v) the Technical Working Group on BPLS Automation.

More specifically, the Project consistently provided assistance to DTI in managing the Working Group on Growth and Investment Climate. As part of the preparations for the Philippine Development Forum in 2013 and 2014, it submitted inputs to the papers submitted by the secretariat for the Forum. The Project further assisted DTI and DILG in formulating the agenda and in submitting briefings for the back-to-back meetings of the Sub-Working Group on Local Investment Reforms and the BPLS Oversight Committee. The Project further supported the work of the Technical Committee on the PBR and the TWG on BPLS Automation.

Among the major policy initiatives and technical reports presented to these bodies are the following:

- (1) Vision for the next-generation Philippine Business Registry (PBR) signed by the agency head of the Bureau of Internal Revenue (BIR), Social Security System (SSS), Philippine Health Insurance Corp. (PhilHealth), and Home Development Mutual Fund (PagIBIG) on March 18, 2013. The envisioned system will give potential and existing businessmen access to business registration services from a single portal, will process all national business registration requirements, including those of the BIR, SSS, PhilHealth, and PagIBIG, and will enable information sharing among government agencies concerned and between the government and private organizations;
- (2) Joint DILG-SSS Memorandum Circular No. 01, s. 2012, dated December 26, 2012. Under this circular, business establishments renewing their licenses/permits shall no longer be required to submit a Certificate of SSS Coverage and Compliance as requirement in securing/renewing a Mayor's Permit;
- (3) A Memorandum of Agreement signed among three oversight agencies, DTI, DILG and DOST on July 24, 2012 for the launching of the BPLS Automation Project;
- (4) Draft Memorandum Circular that promotes BPLS automation;
- (5) Administrative Order 38 on May 17, 2013, that created the Inter-agency Task Force on Ease of Doing Business, whose structure is akin to Malaysia's PEMUDAH;
- (6) Local Investment Incentives Code Ordinance Template (with guidelines);
- (7) Findings and results of the study on: (a) the fees and business tax charged by cities nationwide and (b) the cost of delivering inspection services at the local government level;
- (8) Assessment Reports on the Reforms implemented for BPLS, BOSS and the Inspection Systems in INVEST Partner Cities for years 2012, 2013, and 2014;

- (9) Recommendations on the streamlining of the processes for securing construction-related permits;
- (10) Recommendations on areas for reforms on the licensing and permitting processes for tourism establishments; and
- (11) Assessment of the DTI-DILG JMC 1, s. 2010 that provides the standards in securing business permits.

The Project also assisted the oversight agencies in two major forums: (1) the Automation and Inspection Forum in July 23-24, 2014; and the (2) ICT Innovations Forum which was held on June 18, 2014.

In addition, the Project assisted the DOST and DILG in conducting the e-Readiness Survey in 2012 and 2014, which identified the local governments which can be assisted to computerize their business permits system. CDO and Batangas cities were ranked 1<sup>st</sup> and 9<sup>th</sup> in the survey in terms of eReadiness.

### **3.3 Formulation of CDI Work Plans in Partner Cities**

In Year 2, the Project assisted the partner cities draw up and refine their action plans for the implementation of the CDI in their localities. The Project prepared the design for the CDI action planning workshops, coordinated and managed the actual workshops, and prepared the integrated report on the results of the workshops, which were conducted in October 2012 for the three cities. These workshops ended with the stakeholders signing the Expression of Support for the CDI. The CDI action plans were refined in January 2013 by the city governments with selected stakeholders. Relatedly, as part of CDI efforts, the Project also organized a roundtable discussion on urban development challenges in the Philippines, which brought together experts from the academe, the private urban planning practitioners, the government, and the development partners. This discussion coincided with the visit of Mr. Mike Keshishian, the urban specialist of USAID from Washington, who also went to the different cities to interview various stakeholders.

The CDI Work Plans (or Action Plans) of the 3 partner cities were submitted to USAID on January 5, 2013. After the formulation of the Action Plans, the Project assisted USAID in the conduct of monitoring visits, and in the preparation of reports on the status of CDI Action Plans' implementation.

### **3.4 Preparation of List of Additional Cities for CDI**

As part of its original work plan, the Project identified initial indicators and parameters for the selection of second wave cities for the CDI. The Project likewise, formulated an initial concept design for the selection of second wave cities for CDI. This was submitted to USAID on August 28, 2014.

### **3.5 Conduct of Training on Gender Sensitivity and Mainstreaming**

The Project conducted a gender briefing for the INVEST Staff with Ms. Lucy Lazo as moderator on November 15, 2012 in compliance with USAID requirements.

### **3.6 Integration of Gender and Development Perspective in Project Component Activities**

A gender and development action plan (GAP) was formulated initially in November 2011, and was revisited and submitted in January 2013 based on the guidelines of the USAID. The plan aims to: (1) build the capacities of project personnel to promote gender equality and integrate GAD in their respective responsibilities and activities; (2) integrate gender equality concerns in the project workplan and monitoring and evaluation system; and (3) provide equal opportunities for men and women to avail of capacity development programs supported by the project.

Gender indicators were already integrated in the updated M&E plan of the project, which was submitted to USAID in January 2013, and in the Performance Indicator Reference Sheets (PIRS) section of the aforementioned document.

The Project commissioned a study on the profile of business establishments in partner cities. Among others, the study aimed to analyze the number of female-owned businesses and the trends between male- and female- owned businesses. The study was submitted to USAID in December 2014.

### **3.7 Conduct of needs assessment for four USAID-identified cities as potential second batch of CDI partner cities**

USAID requested the Project to undertake activities that would help assess four cities, which are being considered for inclusion under the CDI. These are Puerto Princesa City (Palawan), Tagbilaran City (Bohol), Tacloban City (Leyte), and Zamboanga City (Zamboanga del.

Beyond review and analysis of available documents and initial discussions with stakeholders, the assessment of the four cities' constraints to growth and competitiveness required formal needs assessment workshops which had gathered stakeholders together to start the process of talking about these cities' future. The surfacing of needs informed potential areas of assistance that can be provided by USAID to the city, which in turn, will be the basis for their potential participation in the CDI.

The workshops had the following objectives: (1) to understand the city's plans and priorities in the short, medium, and long term; (2) to discuss the city's potentials in terms of economic development and growth; and (3) to determine the constraints and bottlenecks inhibiting faster and inclusive growth in the city and identify corresponding interventions that need to be implemented to address such concerns.

The Needs Assessment Workshops were conducted in the three cities on: (1) Zamboanga City – November 7, 2014; (2) Tagbilaran City – November 11, 2014; and (3) Puerto Princesa City – November 25, 2014. Zamboanga City was launched by USAID as CDI partner city on November 14, 2014.

The report was submitted to USAID on December 19, 2014.

### **3.8 Mounting of the Liveable Cities Design Challenge**

Launched March 2014 during the 2<sup>nd</sup> Annual Meeting of the Pacific Cities Sustainability Initiative, the Liveable Cities Design Challenge (LCDC), through the mechanism of a competition, aimed to encourage and promote liveable and resilient urban centers. A total of 21 cities were initially invited to participate. While all attended the launch and signified their interest to join the competition, only 16 cities formally joined the competition. Out of the 16 cities that participated in the competition, 15 were able to submit their final entries.

Last 15 October 2014, the LCDC held its “Final Conference and Awards Ceremony”, a very successful culminating activity that capped off the first ever urban planning and architectural design competition intended for cities. Given the themes of liveability and resilience as central reference points for the development of plans and designs, the cities of Iloilo and Cagayan de Oro emerged as the winners, respectively, for the competition categories of “APEC Meeting Venue” and “City Government/Evacuation Center”. The report to USAID on the LCDC activities was submitted on December 13, 2014.

## **B. ACCOMPLISHMENTS BY CITY**

### **1. Batangas City**

The Project started its activities in Batangas City through a Coordination Meeting with the INVEST Project Team spearheaded by the Project's Chief of Party on February 16, 2012. This meeting was held to introduce the project and level off expectations on the proposed support from USAID. The City Program Adviser (CPA) was formally deployed to the City on March 1, 2012.

With the support of the Project, a multi-stakeholder city-level Working Group – City INVEST Project-Technical Working Group (CIP-TWG) – was created through Executive Order 9, series of 2012 on April 2, 2012. The CIP-TWG was tasked to set directions, supervise implementation, and participate in reform activities targeting the objectives of the Project. The CIP-TWG was chaired by the Mayor and was composed of relevant Department Heads and Division Chiefs of the City Government, local unit heads of concerned national government agencies (e.g. Bureau of Fire Protection, City Department of the Interior and Local Government), and private sector representatives. On May 3, 2012, the city signed an MoU with USAID to formalize the two parties' partnership under the Cities Development Initiative (CDI).

When the Project started, business registration was a long and cumbersome process. According to a formal assessment of the BPLS system of the city conducted in January 2012, it took an average of 28 steps spanning three to five days and multiple signatories and requirements to register a new business. It took 17 steps and two days to renew the Mayor's permit. Further, businesses reported inconvenient inspection processes with unclear procedures entailing multiple visits from the different local-level regulatory offices.

At present, renewing or registering a new business only takes two steps and two hours at most to complete. Such dramatic reduction in the cost of doing businesses contributed to the significant increase in the number of registrations and business tax revenues per year. Further, joint inspection teams have been operationalized to make post-inspection processes more convenient, and further curb potential opportunities for corruption.

Initial assessments undertaken by the Project also indicated several points for improvement in terms of investments promotion. For one, when the Project started, the Batangas City Government (BCG) did not have a Local Economic and Investments Promotion Officer (LEIPO) or a dedicated office or center for investments planning and promotion and business care activities. The City was also not actively undertaking profiling or studies of its economic sectors. Further, stakeholders reported that the City Government had a weak partnership with the private sector.

At present, the city has a fully-dedicated LEIPO Officer supported by six technical and administrative staff. The Investment Promotion Center which will provide frontline investor services is being established jointly with a DTI Business Resource Center, together with a virtual center, lodged within the City's website. The City, in partnership with the Metro Batangas Business Club (MBBC) had successfully organized the Batangas Business Forum in December 2013, showcasing the city's potential as an investment hub and presenting investment opportunities. The event garnered significant interest from foreign and local investors.

## a. Institutional Strengthening

*Creation and Institutionalization of LEIPO Office and Building Capacities of Staff.* Shortly after the city government signed the MoU with USAID under the CDI, the City Government designated a dedicated Local Economic and Investment Promotion Officer (LEIPO) through Executive Order No. 17-B, entitled “*Designation of Erick Anthony A. Sanohan as the Acting City of Batangas City,*” signed on June 26, 2012.

As investment planning and promotion cannot be undertaken by a single person, the Project supported the gradual build up of the LEIPO office in order for the LEIPO Officer to have sufficient staff support. The Project helped formulate the organizational design of the office with the following proposed divisions: Policy and Plan Review and Formulation Unit, Investment and Business Development Unit, and Information and Communication Unit. Since the creation of additional positions in the city government have budgetary implications, *Sanggunian* approval was necessary. With the support of the Project, the *Sanggunian* enacted Ordinance No. 10, series of 2013, on October 7, 2013, approving the creation of four additional positions in the LEIPO office. At present, the LEIPO office is composed of the LEIPO officer and six technical and administrative staff.

Because the Project targeted the sustainability of reforms with the goal of having the city take on reforms itself after the Project had ended, one area of focus was on building the skills and competencies of the LEIPO Officer and staff to adequately perform the functions expected from the investment promotion office. Even before the LEIPO Officer was formally designated together with support staff, the Project’s CPA undertook a training needs assessment (TNA) in the first quarter of 2012 to identify areas requiring capacity building interventions.

Some of the formal training sessions provided by the CPA included the following: realizing LEIPO functions; incentives policies and investment incentives; economic and investment planning, including financing; “complete staff work” (CSW) processes; public-private partnerships, and article writing. Selected LEIPO staff also participated in international and local study tours (discussed in the next part).

To ensure that learning acquired was applied to LEIPO work, these efforts were complemented with “*learning by doing*” approaches, especially in accomplishing reforms targeted under the Project. For example, the LEIPO staff supported the Project in undertaking scoping work to explore the possibility of constructing an integrated transport terminal through the PPP modality. In the conduct of research and policy/ program recommendations, staff applied CSW processes.

Other skills that were improved through active participation in tasks include the following: coordination and workshop/ conference organization; research; action planning and assessment; planning processes and familiarity with national, regional, and city plans; public speaking and delivering presentations.

One recent illustration of LEIPO’s improved capacity is the organization of the last USAID CDI Monitoring Visit. Mr. Clay Epperson, Director for Program Resources Management, USAID/ Philippines met with the Batangas City officials on August 13, 2014 to receive updates on the city’s progress on its CDI Action Plan and pledge continuing support after the INVEST CPA had ended his field assignment. The LEIPO team organized the event and prepared substantive documents, including the main presentation materials, with very minimal supervision from the Project.

Learning and Training for Key City Government Staff. One effective method for letting City officials learn innovative systems, technologies, and procedures from other areas was the organization of structured study visits. The objective was not to influence them to adopt systems but to appreciate different ways of doing things, extract elements that contributed to successful outcomes, and assess which could be adopted in their particular context.

Since reforms targeted under the Project also required the participation and willingness of other key officials, it was crucial that exposure visits were not limited to LEIPO staff. The Project targeted members of the City INVEST Project – Technical Working Groups (CIP-TWG) in the conduct of these learning activities, including the Business Permits and Licensing Officer.

The CIP-TWG members participated in local and international study tours. For example, from May 30 to June 1, 2012, the Mayor and other members of the TWG visited city government offices of Valenzuela, Quezon City, and Manila as well as the offices of Fort Bonifacio Development Corporation and UP-Ayala Land Techno Hub to observe the business registration and investment planning and promotion activities. From February 13-20, 2013, the members visited Singapore and Malaysia to observe the business permits and licensing system and the investment promotion policies and centers of these two countries.

The Batangas City experience illustrates the effectiveness of study visits. For example, as a result of the local study tours, former Mayor Vilma Dimacuha issued directives for the removal of the Real Property Tax (RPT) clearance, a requirement for securing a business permit, and eliminated certain backroom processing prior to the Mayor's signature. These immediately cut four steps and two days in the processing of permits.

Empowerment of BPLO Officer, BPLO Staff, and Concerned Business One-Stop-Shop (BOSS) Staff. The Business Permits and Licensing Officer is a critical partner given that streamlining the issuance of business permits is one of the major components of the project. Aside from participating in study visits discussed in the previous part, the BPLO together with selected staff from her office, as well as frontline staff of the Business One-Stop-Shop (BOSS), participated in formal training programs, such as customer service orientation, BPLS Automation, and BPLS processes.

Beyond upgrading competencies, the Project also helped empower the BPLO Officer. For its efforts at streamlining its permitting processes, Batangas City has been recognized as a trailblazer of BPLS reforms in the country. In many occasions in 2014, the BPLO Officer was invited to forums to present the city's efforts so that other cities may learn from their efforts. These include various Regional Competitiveness Council (RCC) meetings (e.g. Cordillera Administrative Region and SOCKSARGEN), and the NCC BPLS Road shows in Luzon, Visayas, and Mindanao held in October 2014. These events capacitated Batangas City's BPLO Officer in delivering presentations on their processes in large forums.



## **b. Streamlining of BPLS**

*Streamlining and Automation of BPLS Systems.* The initial formal assessment conducted during the renewal period in January 2012 revealed that the City significantly exceeded prescribed maximum standards in requirements, procedures, and processing time. To catalyze the reform process, the Project facilitated a self-assessment workshop in June 2012 that helped the City target reductions in each of the five dimensions. These were based on existing good practices in other cities. The Project supported initiatives to identify re-engineering processes that led to dramatic improvements. The following initiatives introduced by the Project were considered as critical elements that made the reforms possible:

- (1) *Consolidation of required information into a single form.* The assessment and meetings held revealed that the various regulatory offices required similar information from clients, thereby leading to different forms requiring the same data. The decision was to consolidate information in one form as prescribed by the DILG-DTI JMC and come up with information sharing mechanisms between offices. One innovation in the City was the inclusion of fields for the Bureau of Fire Protection in a designated perforated area in the form for easy detachment and retrieval.
- (2) *Improvement of the BOSS facility set-up and processes.* Co-location could lead to efficiency gains but is not automatic. While the City had co-location arrangements, the permitting process was relatively inefficient in 2012. The Project supported the improvement of the layout as well as processes involved. Once the BPLO representative received the application, the various offices checked for compliance with national and local laws and ordinances through an “assembly line” approach. Upon clearance, the City Treasurer and BFP representatives who sat side by side assessed applicable taxes and fees. If the client would pay at that time, the application went to City Government and BFP cashiers who also sat side-by-side. After the client paid and got official receipts, the permit was printed together with other clearances, similarly, in an assembly line fashion.
- (3) *Adoption of the principle of negative lists and positive findings.* One crucial change implemented by the city government was the adoption of the principle of negative lists and ‘positive findings’ (instances of non-compliances). Businesses no longer need to secure clearances from each of the different offices within the renewal process to establish continuing compliance with national and local laws in the operation of their businesses. Inspections undertaken throughout the year served as basis for establishing compliance or non-compliance. A list of non-compliant establishments was drawn up which made it easier to filter and validate each business registrant in the assembly line process.
- (4) *Post-permitting inspections.* Related to the use of negative lists was the inspection system. Inspections served as the basis for assessing the eligibility of a business to secure or renew a business permit. The city removed any inspection processes during the application process and strictly observed post-permitting inspections. Specifically, inspections were undertaken throughout the year after the renewal period (i.e. February to December). The results were used to validate eligibility to renew the permit in the succeeding year.
- (5) *Utilization of electronic signatures.* Another innovation was the use of electronic signatures for the business permit, consisting of the Mayor’s and BPL Officer’s signatures. This also helped reduce processing times as issuance of permits was no longer dependent on the physical presence of designated signatories.
- (6) *Coordination and agreements with the BFP.* Clearance from BFP and payment of fire safety fees were requirements prior to renewal as per the Fire Code. In many LGUs, this

contributed to significant delays in securing permits. While BFP played a critical role in the process, they were not within the control of the City Government. The Project facilitated discussions and agreements between the local BFP unit, headed by the local Fire Marshal. The Batangas City BFP unit agreed to the following: co-location at the BOSS, incorporation of fields in the unified form, use of negative lists, and conduct of post-permitting inspections. Such agreements contributed to the significant reduction in steps and processing time.

- (7) *Institutionalization of processes.* Another area where the Project provided significant contribution was support in drafting an executive order to ensure compliance from concerned city government personnel. The issuance was accompanied by a comprehensive operations manual to serve as reference for the staff.
- (8) *Capacity building.* To ensure that concerned city government and BFP personnel would have adequate knowledge and familiarity with the revised processes, training sessions were held, especially in December 2013, which included simulations. These were largely based on the processes indicated in the manual.

Even with the impressive results in January 2013, Batangas City committed to further improving the BPLS system. In 2013, the Project supported the City in introducing computerization and automation elements in the system.

The first decision in terms of BPLS improvements was the development of a comprehensive computerized database of businesses which would contain various fields corresponding to information in application forms previously submitted. The City Government decided to encode information from application forms in the previous year so as to do away with submission of application forms. Instead of registrants having to fill up the form every year, the system printed out the information for verification. For new applications, information was gathered through an interview process and encoded in the database in real-time.

The database also included an important feature that further simplified processes. The database consolidated the “positive findings” (instances of non-compliances) and negative lists to enable single verification of eligibility for renewal. Once an applicant provided a unique identifier – Tax Identification Number (TIN) or business name – the database reported any ‘positive findings.’ If there was none, the application proceeded with assessment of taxes and fees. The “assembly line” process adopted in January 2013 was considered efficient relative to previous renewal periods but this feature further collapsed the sub-steps into a single step with no need for individual agencies to undertake separate checks.

To help build the database, the city contracted the services of Lexsys, a third-party IT service provider. Batangas City discovered Lexsys during their study visit to Valenzuela as the firm provided the same IT services to the city. The database developed by Lexsys went beyond BPLS data and provided applications for other city services data, including real property taxes.

Because of these improvements, Batangas City further reduced its processing times for both new business registrations and renewal processes. Even during peak periods during the renewal period in January, permits were processed in less than two hours for both types of permits.

Such improvements led to increased customer satisfaction. Overall, based on exit interviews conducted by third-party exit interviewers, the city garnered a net satisfaction rating (satisfied minus dissatisfied) on the permitting process of 98%, a significant improvement from previous scores of 82% in 2012 and 2013.

The number of business registrations (combined total of new registrations and permit renewals) increased by around 8% in 2014 (January to November figure)<sup>28</sup>. Correspondingly, business tax revenues, at least in the first quarter, increased by 8.9 % and 5.4% in 2013 and 2014, respectively. These outcomes may not be totally attributed to improvements in the permitting process. But the reduced transactions costs definitely helped attract additional investments to the city.

Further, from being a recipient of learning innovations, the city is now a knowledge provider. As indicated in the previous section, for its successful efforts at streamlining its permitting processes, Batangas City was recognized by DTI and DILG as a trailblazer of BPLS reforms in the country and had been invited to various forums and workshops so that other LGUs can learn from its reforms.

Online Business Registration. Beyond computerizing the BPLS system, the city government successfully piloted an online renewal system in January 2014. Out of the randomly selected 100 establishments that were invited to test the system, 44 firms took advantage of the modality. It should be noted that the online system was developed fully in-house by City Government staff (IT Systems Division). Based on the process tracking undertaken in the Project's BPLS-BOSS Assessment for 2014, average time spent to file and submit applications online was 14.5 minutes with firms receiving their Tax Orders of Payment (TOPs) within 24 hours. The online process for 2014 only entailed filing and assessment. Payment still had to be done physically at the City Hall. However, since establishments that agreed to test the online system were accorded priority status for payment at the counters, payments and receipt of permits on the average, took slightly less than 30 minutes. The ability to apply for renewal of permits will be open to anyone during the renewal period in 2015.

Use of Mobile Money. Batangas City, with the support of the Project and USAID's Scaling Innovations in Mobile Money (SIMM), enabled a mobile payment system for business taxes on March 16, 2014. Thus, it became the first city in the country to enable the payment of taxes associated with business permits through mobile phones under Globe's G-Cash platform. Taxpayers were given the option of not going to City Hall to make their payments, saving time and money. The target clientele of the service were micro and small enterprises, especially those located far from City Hall. A market vendor or a small shop owner located several kilometers away from City Hall could conveniently pay remotely without leaving the store, instead of foregoing a few hours that could be devoted to selling products.

A formal launch entitled "*Let's Talk Business: May Mobile Payment na Dine!*"<sup>29</sup> was held on March 31, 2014. This drew in 86 guests, including City Councilors and Department Heads; Batangas-based cooperatives, including Soro-Soro Ibaba Development Cooperative (SIDC), the largest agri-based cooperative in the Philippines; national agencies, namely Bureau of Fire Protection, Department of Trade and Industry, Department of the Interior and Local Government, and Social Security System; and local utility companies. A key highlight of the launch was a live demonstration where the proprietors of a randomly selected small business (Learners' Haven Pre-School Learning Center) paid their second quarter business tax due through G-Cash.

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<sup>28</sup>The number of registrations for 2013 cannot be compared with figures for 2012. Beginning 2013, Batangas City required establishments that have multiple lines of businesses to secure a permit for each. For examples, before 2013, an establishment with 3 lines of businesses only had 1 permit; beginning 2013, the business had to secure 3 permits.

<sup>29</sup>It may be noted that Batangas City used the same tagline as the one used for the Business Form (i.e. "*Let's Talk Business*"), to emphasize the continuity in investment promotion efforts from the Business Forum in December 2012 to subsequent activities to improve the business environment.

*Business-One-Stop-Shop for Construction-Related Permits.* Before a proprietor or a company could secure a Mayor's permit to start operations, the business had to secure a building permit prior to construction and a certificate of occupancy to authorize use of the business space. In most LGUs, including Batangas City, the process for securing each type of permit could take weeks to complete.

To help expedite processes and make applications more convenient for applicants, the Project facilitated the establishment of a One-Stop-Shop for Building and Occupancy Permits (BPOSS), composed of representatives from the City Engineer's Office (CEO), Zoning Division, City Environment and Natural Resources Office (CENRO), Office of the City Veterinary and Agriculture Services (OCVAS), and BFP. The BPOSS was launched in January 2014 in a building adjacent to the People's Quadrangle where the BOSS was located. In July 2014, the BPOSS transferred to a place immediately alongside BOSS. The set up made it more convenient for clients as main offices of CEO, BFP, and OCVAS were located outside the vicinity of City Hall. The Project supported the drafting of an executive order issued in June 2014 which formalized the operationalization of the BPOSS.

*Joint Inspection Teams.* Inspections played a critical role in the overall permitting process. Aside from serving as basis for eligibility of businesses to renew their permits to continue operating, inspections helped ensure that businesses were complying with national and local laws. However, this was an area which could cause undue inconvenience to businesses. The process became burdensome to businesses when inspections were done separately as business operations were disrupted several times in the course of one year. In this regard, the Project advocated for the formation of Joint Inspection Teams, as prescribed in the DILG-DTI JMC, to minimize burden to businesses while continuing to enforcing compliance. At the same time, the JIT contributed to curbing corruption as the presence of other offices dissuaded extortion or similar attempts.

The Project supported the conceptualization of the city's Joint Inspection System. As envisaged, this would be composed of three JITs with different functions. The "Compliance" JIT was concerned with conducting requisite inspections prior to approval of building and occupancy permits. The team was composed of representatives of the agencies involved in the BPOSS, namely CEO, CPDO/ Zoning, CENRO, and BFP. Post-permitting JITs were "Disclosure and Revenue Team" (DRIT) and the "Safety" JIT. The former, composed of representatives from the Business Permits and Licensing Office, City Treasurer's Office, City Health Office (CHO), CENRO, BFP, and Social Security System (SSS), was responsible for verifying information declared by the business in the application for business permit and for identifying unregistered businesses. Inspections of BFP and Batangas City regulatory offices for this purpose have been deputized to the BPLO. The Safety JIT, composed of CEO, CPDO, CENRO, CHO, OCVAS, and BFP, was responsible for checking continuing compliance with safety standards as per national laws and local ordinances.

With support from the Project, the DRIT and Safety JITs were operationalized in September 2013 and June 2014, respectively through separate executive orders. The Project provided technical advice in the formulation of action plans and the development of unified checklists, prioritization criteria, and protocols/guidelines for each JIT. To enable paperless checklists, the city government, with the support of the Project, also developed a mobile tablet/smartphone-based electronic checklist. The tool would be deployed in January 2015 after procurement of tablet devices.

Initial drafts of the checklist and guidelines for Compliance JIT were drafted with the support of the Project. The Compliance JIT will be operationalized in 2015.

### **c. Enhancing investment planning and promotion**

*Batangas City Business Forum (BCBF)*. December 2013 was a significant milestone for Batangas City. For the first time, the city government, together with the emerging (Metro) Batangas City Business Club, organized a Business Forum to showcase its potential as an investment hub in the region.<sup>30</sup>

The Business Forum was significant in many respects. It proved that the city government can work with the business sector for a project that would benefit the city as a whole, despite differences of opinion on issues internal to the city. On the part of the business groups, the success of the event strengthened their resolve to organize themselves into a formal business association or club. The Business Forum was the first undertaking of the MBBC but, despite lacking a formal structure, the individual members spent time to mount the event. The financial contribution of the City Government to the event amounting to nearly half of the total cost also signaled the city's serious attitude towards investment promotion. The event also generated support from USAID projects (Higher Education Partnership Project implemented by the Philippine Business for Education, COMPETE, and the four recipient banks under the Development Credit Authority) and the American Chamber of Commerce of the Philippines.

The Business Forum yielded immediate success for Batangas City. Before the end of December 2013, a forum attendee from the Turkish Chamber of Commerce of the Philippines (TCCP) made initial contacts with the City Mayor's Office requesting the city to host Turkish businessmen who were interested in exploring business opportunities in the City. This led to the Business Matching activity in January 2014 in Batangas City, attended by 26 business owners from the Turkish Chamber and 35 local enterprises.

The Business Forum produced other significant investment leads. One was the expressed interest from Lima Land, the developer of an economic zone in nearby Lipa City. A meeting between the city government's Chief-of-Staff, together with the CPA, and Lima Land was held on March 21, 2014. Batangas City reiterated the investment opportunities in the city which Lima Land/ Aboitiz may have been interested in pursuing, namely development of logistics hubs, commercial centers, and even joint ventures for road infrastructure development. With the support of the Project, the city also communicated with Paradigm Global Investment Management, Inc. (PGIMI) which expressed interest in meeting with the City Government to discuss possible joint venture options for upgrading the city's infrastructure, possibly including a by-pass road from the STAR toll exit to the city's industrial section (which the Chief-of-Staff presented during the Business Forum). The initial meeting was scheduled in February 2014 but this had been indefinitely postponed due to scheduling conflicts between PGIMI and the City Government.

Batangas City implemented several key activities that would prepare the city government in hosting its very first business forum.

- (1) *Scoping activities*. In the second quarter of 2013, the Project had several meetings to generate ideas for the Business Forum. Initial discussions emphasized the potential of

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<sup>30</sup>A separate report on the conduct of the Business Forums was submitted to USAID on December 28, 2014.

the agriculture sector in the city. The Project CPA together with LEIPO staff held several dialogues with officials of OCVAS and Batangas Hog Producers Marketing, Inc (BHOPMI). The engagement resulted in commitments to identify facilities, financing programs, and business ventures which can help the agricultural sector.

- (2) *Private Sector Partnership for the Business Forum.* Given the crucial role of the private sector in the conduct of the Business Forum, in June 2013, USAID and the Project met representatives of the business groups in Batangas City at the Pontefino Hotel to discuss the concept of the City Business Forum. During the meeting, the business group suggested that the Project request the City Government to present its vision for economic growth and development and to define the priority sectors to be promoted. Significantly, through the meeting, the Project was able to gauge the level of support of the business sector in conducting the City Business Forum. This became the basis for defining succeeding preparatory activities at Batangas City.
- (3) *Formation of the Organizing Committee for the Business Forum.* Support from the private sector was realized through the creation of a joint City-Government-Private Sector Organizing Committee for the Business Forum. The government was represented by the Chief-of-Staff, LEIPO, and City Planning and Development Coordinator (CPDC) while the private sector was represented by the Batangas Province Chamber of Commerce and Industry, Inc., Pontefino Hotel, SM City Batangas, University of Batangas, First Gas, and Yellow Corn Growers, Inc. These organizations were part of the core group of the emerging Batangas City Business Club as agreed during its organizational meeting on September 20, 2013. The first preparatory meeting was held on October 16, 2013 followed by weekly meetings to formulate the program, draft substantive materials, including sectoral profiles and investment opportunity briefs, and identify critical targeted invites. Support from the private sector was clearly illustrated with hosting of meetings done by the various organizations on a rotating basis.
- (4) *Forums to Provide Inputs to the Business Forum.* Several significant forums were held to surface the city's potentials and opportunities, serving as inputs to the BCBF. One was the "*Kapihan sa Batangas: Forum on Economic Growth and Investment Opportunities in Batangas City*" held in July 2013. The *Kapihan* presented the result of the business registration third-party assessment, industry studies, investment potentials of the city, and development of the opportunities for the international port. The forum also provided an opportunity for the business groups to understand the development direction of the City Government. On September 27, 2013, the City held a Focus Group Discussion on Agriculture to present the sector's profile in the city, identify constraints, and initially identify potential investment areas in agriculture. The meeting agreed to develop investment project briefs, including eco-tourism, natural farming, agro-processing, and high-value crop cultivation. Soro-Soro Ibaba Development Cooperative (SIDC), the country's largest agri-based cooperative based in Batangas City, hosted the meeting together with the Project and OCVAS.

*Business Matching with the Turkish Chamber of the Philippines.* As indicated previously, shortly after the Batangas City Business Forum, the Turkish Chamber of Commerce of the Philippines, one of the event's attendees, requested that Batangas City host a group of investors for a business matching event in the city, given their interest in what Batangas can offer. The business matching session, a first for the city, was participated in by 26 Turkish businessmen and women from the Active Industrialists and Businessmen's Association of Kocaeli Province in Turkey, 35 local private sector representatives (businesses and schools), and 16 Batangas City

government officials and staff who were strategically grouped into sectors of interest (i.e. agriculture/food/supermarkets, infrastructure/industry, education/human capital, and tourism/accommodation). Potential partnerships were discussed, such as the joint production of large quantities of cow's milk by four big cooperatives in the city to supply a Turkish firm that makes cheese. Another opportunity was the distribution of Turkish fruit juices at SM City Batangas and other shopping complexes. There was also a commitment on the part of the TCCP to facilitate a sisterhood agreement between Batangas City and Izmit City in northwestern Turkey, which is also an industrial port city. Such an agreement will facilitate potential business partnerships, including possible joint ventures, as well as mutual knowledge sharing on common areas of interest such as those related to shipping, tourism and agribusiness. The Metro Batangas Business Club (MBBC)'s participation was instrumental in making the event a success. MBBC members were responsible for identifying and pulling in relevant local businesses to participate in the activity.

*Establishment of the Metro Batangas Business Club.* When the Project started, the City did not have an organized city-level business group that could engage the City Government on various development initiatives. The Project initially worked with the Batangas Province Chamber of Commerce and Industry, Inc. (BPCCII), the provincial chapter of the Philippine Chamber of Commerce and Industry, Inc. (PCCII), and the Filipino-Chinese Chamber of Commerce and Industry (FCCCI)- Batangas Chapter. The Project held orientation workshops and meetings with heads and city-based members of the two chambers followed by periodic meetings to solicit inputs and provide updates on the Project. They were also invited to participate in significant Project activities, such as CDI launching, study tours, and action planning activities.

Both the business sector and City Government saw the need for a separate city-level business group given the unique set of business stakeholders and nuanced development challenges and potentials of the city. Part of the city's CDI Action Plan finalized in October 2012 included a target on the creation of the "Batangas City Business Club (BCBC)." This group was envisioned to serve as a platform for engaging with the City Government to identify investment bottlenecks and potential improvements to make the city even more business-friendly.

The first organizational meeting of the emerging BCBC was held on September 20, 2013 (organized by the INVEST Project in cooperation with BPCCII and FFCCII). The meeting identified a core group which would take the lead in organizing the club, composed of officials from Pontefino, Citimart, Batangas Hog Producers Marketing Inc., Asian Terminals Inc., SM Batangas, Planters Bank, Sorosoro Ibaba Development Cooperative, People's Courier, and Honda Cars, with BPCCII and FFCCII acting as advisers.

In the following months, the emerging BCBC became a critical partner in the preparation and conduct of the Business Forum (as discussed in the previous section) with Fely Ramos, Chief Operating Officer and Senior Vice President of the Pontefino Hotel Group, acting as the interim convenor/leader of the BCBC. In the Business Forum preparatory meeting held in SM on November 27, 2013, the group decided to elevate its scope to a metro-level club – Metro Batangas Business Club (MBBC), covering nearby towns such as San Pascual, Bauan, and Mabini, given that many business concerns (e.g. infrastructure) span across multiple jurisdictions. The City Government also expressed its support to this idea.

After the successful Business Forum in December 2013, the emerging MBBC re-convened on January 29, 2014 to discuss how to move forward with the formal organization of the club. The meeting reflected and re-assessed the need for the club. The business representatives present unanimously declared their desire to continue pursuing the organization of the group and

clarified their mission – a two-way platform for engaging government to pursue actions to make Batangas City and its peripheral towns more business-friendly.

To better help the group structure its organization and undertake activities to formally register with the Securities and Exchange Commission (SEC), the BCBC embarked on meetings with established business groups in the country to learn from them. On February 5, 2014, the lead BCBC sectoral representatives and the CPA met with officials of the Makati Business Club to learn the latter's business model and to solicit ideas and useful lessons for the MBBC. On March 18, 2014 majority of the proposed incorporators hosted the Cebu Business Club President in Pontefino Hotel to similarly learn their model and get useful insights in the organization of the MBBC. After this meeting, the members agreed to begin drafting requisite Articles of Incorporation and By-Laws as a non-stock, non-profit corporation for the MBBC. After months of drafting and discussing the contents of the documents, the group formally filed for registration at the SEC in October 2014. However, at present, MBBC is resolving an issue with its registration given a similar name (Batangas Business Club) registered with the SEC.

Even if formally registration had not been completed, the MBBC continued to hold monthly meetings on a rotating basis. It is also worth noting that the club had started initiating activities on their own with minimal support from the Project, even before the CPA ended his presence in the city. For instance, the group organized a meeting with Batangas 2<sup>nd</sup> District Congressional Representative Rainier Abu in May 2014 to learn about the Congressman's proposals for improving the infrastructure network within the district and the creation of a supra-metro development authority.

*Investment Promotion Center.* The Project supported the city government in pursuing the establishment of the joint DTI Business Resource Center and BCG Investment Promotion Center. Conceptualization of the city's Investment Promotion Center (IPC) was undertaken in 2013. The initial basic concept design was developed by the CPA with support of the Project's Investment Strategist and the LEIPO Office. This was presented to the MBBC in their January 2014 meeting.

The IPC's role was envisioned as a focal center where (1) prospective investors can go to acquire information on business opportunities and get assistance in setting up businesses (including employment facilitation and site selection) and (2) existing businesses can receive support services, including business matching, development of investment opportunity profiles, employment facilitation. Taking off from DTI's NERBAC models, the menu of services proposed cover knowledge management, investment promotion, business services, and intelligence services. Relatively simple services, such as providing comprehensive library of relevant local business rules and regulations could be made available immediately with other more complex services, including market forecasting can be developed over time. The center was also envisaged to be operated as a partnership between the city government and the MBBC where the latter would support by providing staff complement and technical and advisory assistance to the various services to be provided by the center. The City decided to establish the IPC in the *Gusali ng Kalikasan at Kapayapaan* ("Green Building") which is the building adjacent to the main City Hall compound.

In May 2014, DTI approached the City Government to discuss the proposed establishment of a Regional Business Resource and Innovation Center (BRIC/BRC) to be housed in Batangas City. The center would provide support services, especially to small and medium enterprises (SMEs) in the CALABARZON Region. After a scoping mission from the DTI BRIC Program



Manager on May 19, 2014 followed by technical discussions, DTI and BCG agreed to establish a joint BRIC-IPC facility within the City Hall premises.

The target start of construction was July 2014. Because the space identified for the joint center was being occupied by the BPOSS at that time, the entire BPOSS office moved to the People's Quadrangle adjacent to the BOSS in late June 2014. DTI had initial designs for the space as well as operational guidelines, which were slightly modified and fine-tuned with inputs from the City Government and the Project. However, until November 2014, construction has not started because of internal discussions within DTI, which has implications on the role and services of the BRIC. DTI had committed to commence work on the center in January 2015 in a letter transmitted to the BCG in November 2014.

The Project also supported the development of a virtual (online) IPC to be lodged in the city government's official website. In July 2014, the LEIPO Office under supervision of the Project supported the design of the section/sub-page and data gathering and analysis for the development of a virtual IPC. The elements were based on suggestions from DTI and Board of Investments (BoI), drawn from templates provided during the June 2014 DTI-BoI training on investment incentives and promotion. Such data include relevant information, anchored on DTI's standard checklist of factors determining investment location as well as a common "Cost of Doing Business" template. By the end of November 2014, data to be uploaded in the sub-site has been completed. The City Government's IT Department will be finished with the technical configuration by December 2014 and will begin uploading of IPC materials. The virtual IPC is expected to be launched in January 2015.

Revision of Local Investment Incentives Code. The Project supported the revision of Batangas City's Local Investment Incentives Code (LIIC). When the Project started, the city's existing LIIC, enacted in 2009, did not have sufficient provisions on incentives, an Investment Board, and specific priority areas that would be granted additional incentives.

The main reference document used to provide guidance to the City Government was the report produced by Project on the "Inventory of Investment Incentives and Recommendations for Local Applications."

#### **d. Building Partnerships**

Partnership of the City Government and the Private Sector. As evidenced by the conduct of the Business Forum, the Project enabled the city government to have a better working relationship with significant businesses in the city. The Organizing Committee initiated this partnership which was continued with the formalization of the MBBC.

This partnership had been sustained even after the Business Forum. In 2014, the City Government regularly included the MBBC members in consultations on key projects and policy initiatives. The strong partnership was further illustrated when the Calumpang Bridge, a major passageway in the city, collapsed in June 2014 during Typhoon Glenda. The MBBC members immediately met with the City Government and among themselves to explore ways in which the private sector can provide assistance, such as financial support for the construction of a temporary pedestrian footbridge and support to follow up with key officials in the National Government.

Collaboration with National Government Agencies. The Project supported the City Government in establishing cooperative working arrangements with national government agencies. One key agency is the local unit of the Bureau of Fire Protection (BFP). The city government and BFP

established a productive partnership as evidenced by the close working relationship in the BOSS, BPOSS, and Joint Inspection operations.

Another improved partnership that was fostered was with the provincial DTI Office. The Project helped DTI collaborate with the City in the following activities: conduct of training on investment incentives promotion (with BoI), provision of shared service facilities to OCVAS, presence at the BOSS during renewal period for DTI/ PBR registrations, and designing of joint BRIC-IPC Center (to be established in 2015).

The Project also supported cooperation arrangements with SSS, especially in the organization of the DRIT JIT. BPLO and SSS staff embarked on joint inspections to verify accuracy of application information submitted by clients as well as status of contribution remittances to SSS.

*Strengthened Inter-Office Collaboration and Coordination.* The Project also facilitated better inter-office coordination. For one, arrangements led to cooperative arrangements for construction-related permitting (i.e. BPOSS) and business registration (BOSS) processes. The various regulatory offices are also working together in the conduct of post-permitting inspections (i.e. JITs).

*Partnership with Other USAID Projects.* The Project worked with other USAID Projects present in the city/province to exploit potential synergies. The partnership with the Scaling Innovations in Mobile Money (SIMM) facilitated the piloting of business tax payments through mobile technologies which made Batangas City the first city in the country to do so.

The Project also worked with the Higher Education Productivity Project (HEPP). Their initiatives on industry-academe linkages aligned with the Project's efforts on improving human resources and industry sectors. With HEPP's facilitation, Batangas State University and Asia, Gulf, and Pacific Co. signed a MoA for the former to provide English Learning Proficiency Training to AG&P employees during the business forum.

The Project also worked with COMPETE in the holding of the FGD on agriculture—a preparatory activity for the Business Forum.

#### **e. CDI-Related Activities**

*CDI Launching and CDI Action Plan.* The City Government, represented by Mayor Vilma Dimacuja and USAID, represented by Deputy Administrator Donald Steinberg, signed an MOU to formalize the CDI partnership on May 3, 2012. The Project's support took the form of logistics and the mobilization of support from the various stakeholders in the city. The launch was preceded by consultations conducted by USAID on the CDI with city officials and representatives from the regional offices of NGAs, business groups, civil society organizations and higher education institutions.

The Project also supported the City in the development of a CDI Action Plan to identify needs and priorities of the city government in terms of education and health, energy, power and environment, economy and investment, and governance. On October 23, 2012, a CDI Action Planning Workshop was held involving the various sectors that participated in the CDI launch in May 2012. The workshop produced a preliminary action plan that identified specific actions and time bound targets with corresponding assignment of responsible parties. The CDI Action Plan was finalized in January 22, 2013 through a follow-up meeting among key stakeholders to

secure the commitment of the city government and key city leaders to implement the specific measures identified in the said workshop.

CDI Monitoring After the CDI Action Plan had been finalized, USAID officials visited Batangas City in two separate occasions to monitor the implementation of the said plan. The first visit was held on November 22, 2013 and the other on August 12, 2014. The first meeting provided an opportunity not just to review the city's progress vis-à-vis plan targets but also to have a separate meeting with the emerging Batangas Business Club. The second visit gave USAID the opportunity to express continuing support to the city given the end of the services of the Project's CPA in the city.

## **2. Cagayan de Oro City**

Cagayan de Oro was declared the most competitive city in 2013 and 2<sup>nd</sup> most competitive city in 2014 by the NCC. There were two factors where the Project may have had a direct positive contribution: Business Registration Efficiency, where the city ranked no. 5, and Investment Promotion, where the city ranked no. 1, in the 2014 ranking.

Since January 2013, the City has fully met the JMC standards for BPLS with the average processing time reduced to less than one hour in January 2014. It is continuing the drive towards higher efficiency by preparing for online registration in 2015. The Project assisted USAID SIMM in installing mobile money payments in the city, particularly in having the ordinance authorizing online payment and collection system (EPCS) passed by the City Council in July 2014. On October 22, 2014, mobile money was launched together with online business registration making end-to-end online registration an option for many businesses.

The improvement in the business environment in CDO was also reflected in the amount of registered investments received by the Board of Investments for Metro Cagayan de Oro, which totaled Php33.5 billion from January 2013 to February 2014 consisting of investments in agribusiness, tourism, infrastructure and energy. Other reported investments included those made by ABERDI in oil palm plantation (Php750 million), San Martin Steel rehabilitation and upgrading of equipment (Php358 million) and JACOBI Swedish investment in activated carbon manufacturing (Php165 million). Total capitalization of new business establishments in Cagayan de Oro registered for the period January to October 2014 reached Php1.7 billion.

On October 23, 2014, the Trade and Investment Promotion Center was launched. The TIPC was a cooperative endeavor of the City Government, Promote Cagayan de Oro and DTI, representing the three lead actors in local investment promotion.

### **a. Institutional Strengthening**

The Project set up the institutions responsible for improving the environment for business and conducting investment promotion in collaboration with the private sector and academe.

*Establishment of LEIPO and IPC.* Prior to the Project, the City Government neither had a Local Economic and Investment Promotion Officer nor an investment promotion office despite the issuance of DILG MC 2010 – 113 that encouraged the designation of the LEIPO. At that time, the Mayor entrusted to the DTI-Misamis Oriental the conduct of investment promotion activities, the coordination and organization of inbound and outbound missions as well as the servicing of individual investors. Even the international sister city program was handled by the DTI-Misamis Oriental. On the other hand, the Cagayan de Oro Chamber of Commerce and Industry, the premier business group in the city, organized an annual trade fair and investment forum dubbed “Oro Best.” The City government provided some cash counterpart for the event.

In July 2012, at the initiative of the Project, EO No. 75 – 2012 created the Investment Promotion Center and designated the LEIPO as head of the Investment Promotion Center (IPC). Subsequently, the LEIPO, joined by a City Council representative, two business sector representatives (Oro Chamber and Promote CDO) and the local DTI and BOI, underwent a training seminar organized by the Project on investment marketing and promotions. This resulted in the formulation of a LEIPO action plan that would, among others, institutionalize both the LEIPO and the IPC.

Establishment of TIPC. The Investment Promotions Center, headed by the Local Economic and Investment Promotion Officer, was re-established by EO 005-2013 in July 2013 under a new administration.

To ensure permanence, the creation of the IPC was one of the provisions proposed under a draft Local Investment Incentives Code formulated by the LIIC Drafting Committee, which was intended to replace the CDO Incentives Ordinance 8268-2002. However, in conducting an inventory of all investment related ordinances, Ordinance 11219-2008 was found to have authorized the creation of a Trade and Investment Promotion Center (TIPC). Instead of a new LIIC, the implementing rules and regulation of the existing CDO Incentives Ordinance was revised which consolidated all incentive related ordinances and institutionalized the IPC. The new implementing rules and regulations (IRR) was signed on August 20, 2014. The TIPC was launched on October 23, 2014 with the Mission Director Gloria Steele as the guest of honor.

Even before the formalization of the Trade and Investment Promotion Center, a series of training seminars on various facets of investment marketing was organized by the Project for the staff of the IPC and partners from other city departments (i.e., the City Tourism Office and the City Agriculture Office), involved in business promotion. It was conducted by the BOI – Cagayan de Oro Extension Office.

After more than two years of training sessions and experiential learnings, the Project conducted a two-day investment promotions planning activity in July. The TIPC was joined by the private sector partners, Promote CDO and the Oro Chamber, as well as the DTI regional and provincial office and the BOI- Cagayan de Oro Extension Office. The objectives were to clarify the TIPC's major final outputs (MFOs) and corresponding indicators and the activities that will lead to such outputs together with the supporting budget for 2015. Since investment marketing was conducted within the framework of city competitiveness, one of the TIPC's MFO was the promotion and development of city competitiveness. Thus, among others, it was tasked to sustain and advance the ease of doing business.

Besides business facilitation services and conducting promotional events such as holding of business fora and missions, the IPC was also tasked with the administration of the local incentives and the promotion of city competitiveness. Thus, the Invest Project Management Committee was transformed into the CDO TIPC Advisory Board which will guide the City's investment promotion policies and programs.

#### **b. Streamlining of BPLS**

The Cagayan de Oro's BOSS was established in December 2010 with the support of USAID' LINC-EG. However, in the Doing Business Subnational Survey of the World Bank in 2011, Cagayan de Oro ranked 14<sup>th</sup> out of 25 cities in starting a business, with 17 procedures and 32 days to get a new business permit. Moreover, in the 2012 BPLS Assessment conducted by the Project, the City again fell short of the JMC standards in all the parameters: number of steps, forms, number of signatories and processing time for new business registrations and permit renewals. In addition, while EO NO. 083- 2010 created both the BOSS and the Joint Inspection Team, the JIT was not activated.

Streamlining of BPLS. The interventions of the Project produced positive results in the succeeding registration periods in 2013 and 2014 with regard to the JMC standards. The standards were all surpassed, notably in processing time, which in 2014 averaged less than an

hour. Simultaneously, there were increases in the number of business registrants and revenues in the same period.

The Project also assisted the city to make succeeding payments of business taxes easier. By facilitating access to a DOST grant for workstations, printers and licensed software amounting to Php1 million, the Project contributed in enabling the City to set up three kiosks that would display the tax or payment due and print the queuing number for payment. With the innovations in business permit processing and payment, the City received an award as the most eReady among cities in 2013 from the DOST and DILG.

*Use of Mobile Money.* The Project facilitated approval of an Ordinance in July 2014 recognizing the use of the electronic payment and collection system by the City. Thus, USAID's SIMM Project launched mobile payment for business tax and real property tax in September 2014. The Ordinance also paved the way for payment through credit or debit cards and enable end-to-end online business registration. Thus, in January 2015, business registrants could choose among three locations for renewal or new business registration: (1) the City Hall BOSS, (2) the satellite BOSS in a mall; or (3) from their office using online business registration.

*Introduced Payment Kiosk.* To facilitate payment, the City introduced payment kiosks at the City Treasurer's Office in April 2014. At the kiosk, a taxpayer can get his/her billing statement for real property tax and business tax and a queue number. The CTO reported about 1000 kiosk transactions per day.

*Capability-Building Initiatives for BPLS Streamlining.* The following are the key initiatives pursued by the Project that supported the City's efforts to streamline its BPLS:

- (1) Study Tour (May 23 – 25, 2012). The Technical Working Group joined key officials (e.g. LEIPO, City Treasurer, City Assessor, representatives of OBO, CHO) to visit models of BPLS streamlining and investment promotion agencies: Quezon City and Valenzuela City. Participants gathered ideas on BPLS streamlining innovations and best practices and the operation of the PBR.
- (2) Self Assessment Workshop on BPLS Streamlining (June 11 – 13, 2012) which formulated an action plan for streamlining new and renewal business registration processes and the enhancing the BOSS that applied some learning experiences from the study tour.
- (3) BPLS Automation Workshop (August 22 – 23, 2012). The TWG members, with assistance from the Project, analyzed the state of automation of the city's BPLS, identified areas for possible BPLS automation and identified realistic targets for semi-automation of its BPLS.
- (4) Simplifying the Business Inspection System of Cagayan de Oro City: A Look at the Present State and Defining the Future (October 18 – 19, 2012). The workshop introduced the *Guide to Business Friendly Inspection*, a USAID funded knowledge product, and formulated an action plan to comply with the DILG – DTI JMC and improve inspection processes.
- (5) Basic Customer Service Skills Training (December 3-5, 2012). This workshop provided training to frontline service workers on good customer relations.

*BPLS Innovations.* After the capability building activities and upon recommendation of the INVEST Management Committee, the City Mayor issued EO No. 096 – 2012 on October 22, 2012 adopting the streamlining reforms introduced by the Project to be operational during the

January 2013 registration which had the following reform features: (1) use of electronic signature to be affixed to the License Certificate; (2) removal of notarization from the process flow; and (3) adoption of the unified application form as prescribed by the DILG – DTI JMC.

Two other innovations were introduced in the 2013 business registration, e.g.: (1) the BFP cashier was co-located with the CTO cashier; and (2) a Satellite BOSS at the NERBAC, DTI Regional Office. A third party assessment conducted by the Project in January 2013 showed remarkable success in meeting the standards, even exceeding the standard in processing time to less than two hours on the average.

The new city administration took over in mid-2013 and created the BPLS Technical Committee tasked to pursue further BPLS streamlining through automation, client-friendly operation of the BOSS and business-friendly inspection. The following were introduced at the 2014 business registration:

- (1) Reduction of the business renewal process to three steps for the 2014 business registration period;
- (2) Setting up of a PBR kiosk at the City Hall's BOSS; and
- (3) Setting up of a Satellite BOSS at the Robinson's Lingkod Pinoy Center with SSS and Philhealth.

Resource Generation for the City. The Project assisted the City in securing a Php 1.2 million equipment grant from DOST to be used at the City Hall's BOSS and the Satellite BOSS. Ten workstations with printers, a server and programming software were purchased for the purpose. Another BPLS assessment was conducted in January 2014 which showed that the JMC standards were exceeded with the average processing time further reduced to less than an hour.

Creation of Joint Inspection Team. In November 2013, EO No. 202 -2013 created the Joint Inspection Team (JIT), which was tasked to follow the business-friendly inspection guidelines. The JIT was briefed on the guide to business friendly inspection, the action plans prepared at the two inspection workshops in October 2012 and March 2013 and the results of the assessments in 2012 and 2013 that showed failures in adhering to the guide. The JIT was finally activated in April 2014. The BPLO was given the responsibility to coordinate the joint inspections and instructed to come up with recommendations to improve JIT operations after three months.

### **c. Enhancing Investment Planning and Promotion**

In the 2014 Cities and Municipalities Competitiveness Index (CMCI), Cagayan de Oro was ranked 1<sup>st</sup> as the most competitive city in the country. This can be considered a direct result of the Project's Component 2 (Improving investment planning and promotion in the City. The City now has a functioning Trade and Investment Promotion Center headed by the LEIPO, which led in the organization of the business forums: Local Stakeholder's Forum on October 11, 2013, City Business Forum on February 19, 2014, and Agribusiness Forum on May 20, 2014.

The real test of the LEIPO and the IPC of CDO was the mounting of the City Business Forum (CBF) on February 19, 2014. The CBF was the outcome of coordination among the city government, the business sector, the regional line agencies and the academe in promoting the city as an investment destination. It served as an "on the job" training for the LEIPO and the IPC staff on project management, which consisted programming and monitoring activities and

tasks, organizing focused group discussions to elicit sector profiles and sector specific project briefs, preparation of promotional collaterals and overseeing event management.

Capacity building. The Project conducted several capacity-building initiatives for CDO to support its efforts in investment planning and promotion:

- (1) Local Study Tour (May 23 – 25, 2012). The CDO team, consisting of key officials such as the LEIPO, City Treasurer, City Assessor, representatives of OBO, CHO and other members of the Technical Working Group, visited investment promotion agencies, e.g. Ayala Technohub, the office of the Philippine export Zone Authority, Olongapo City and the Subic Bay Metropolitan Authority (SBMA). Participants gathered ideas on effective promotion of innovation and investment, implementation of strategies and good practices in investment promotion.
- (2) Economic Visioning (July 5, 2012). The Mayor, who was newly-elected, with successful businessmen from the City were gathered by the Chair of the Development Bank of the Philippines, himself from CDO, to discuss a common economic vision for the City, i.e. to be the hub of Southern Philippines with focus on agribusiness, logistics, tourism and ICT. This economic vision was intended to guide the promotional activities, especially the City Business Forum.
- (3) Planning and Investment Programming Integration Seminar/Workshop (July 18 -20 2012). The workshop presented the principles of socio-economic development planning and guided the participants on the proper identification of, prioritization and innovative financing of development projects. Health and education were identified as the priorities of CDO to support social development goals.
- (4) Local Economic and Investment Promotion Training (July 24 – 28, 2012). The outputs in this workshop were the LEIPO action plan, which included the institutionalization of the investment promotion center, the formulation of the local investment incentives code and the mounting of the City Business Forum.
- (5) Training on Managing Risks and Responsibilities between Government and the Private Sector in Formulating and Implementing Development Projects. (October 9 – 12, 2012). This topic of the workshop included the identification, development and evaluation of public – private partnership (PPP) projects. The output of the workshop was a list of projects from the city for PPP support.
- (6) Exposure Trip to Singapore and Malaysia on Business Permit Reforms and Investment Promotion (February 14 – 19, 2013). The study tour was an opportunity to learn and benchmark with two leading ASEAN countries in ease of doing business and competitiveness. An action plan was prepared by the delegation that included facilitating online business registration, promoting efficient and effective inspection system, especially building and health permits, setting up the requisites for an effective investment promotion and gearing up for long-term and strategic urban planning.



Conduct of Business Forums. The Project assisted the City in organizing its Business Forum. The Projects' assistance covered activities prior to, during, and after the event.

- (1) Local Stakeholder's Forum (October 11, 2013). This local forum apprised local entrepreneurs of key competitiveness factors for investors, identified the advantages and opportunities in selected sectors and generated interest in the City Business Forum.
- (2) Business Forum (February 19, 2014). The Forum targeted investments in agribusiness, logistics, tourism and infrastructure projects. It was the successful climax of investment promotion capability building activities of INVEST: (a) development visioning – where the city identified its positioning and sector strengths; (b) training of the LEIPO, key city officials and business sector representatives (Promote CDO and Oro Chamber) in investment promotion and marketing; and (c) focused group discussions in selected sectors. Organized by the Investment Promotion Center and led by the LEIPO together with Promote CDO and Oro Chamber, it harnessed the support of business and academe. To date, investments in the targeted sectors in Cagayan de Oro and the adjacent Phividec Industrial Estate amounted to more than Php37B as outlined earlier.
- (3) Agribusiness Forum (May 20, 2014). This was conducted to focus on agricultural activities in the rural and upland barangays of Cagayan de Oro. Opening up the rural barangays will promote inclusive growth and offer alternative livelihood opportunities to informal mining.
- (4) SIAL ASEAN 2014 in partnership with MAFBEX (June 11 – 13, 2014). The Oil Palm Plantation Project was featured in the investment forum organized by the Department of Agriculture. The opportunities in the City and the featured sector were presented by the LEIPO. It has generated interest in a 10,000 ha. oil palm estate with a refinery.
- (5) Institutionalization of the Investment Promotion Center (November 2014). The Investment Promotion Center was created by EO 075 – 2012 in August 2012 and, again, by EO 005 – 2013 in July 2013. In both cases, the LEIPO headed the IPC and coordinated the BPLS streamlining and investment promotion activities in the City. A series of trainings was given by the BOI – Cagayan de Oro Extension Office for the staff of the IPC. In an inventory of investment related ordinances, Ordinance No. 11219-2008 was found that had created the Trade and Investment Promotion Center in December 2008. This Ordinance provided a legal basis for the TIPC and its inclusion in the regular budget.

Revision of the IRR of CDO's LIIC. When the Project started, the City had an existing investment incentives code, Ordinance No. 008268-2002. The Project conducted an assessment of this code and found several deficiencies. The report pointed out several ways to improve the city's incentives code. In addition, the Project provided a template for an incentives code. Thus, EO No. 055 – 2013 was issued in September, 2013 which created the Local Incentives Drafting Committee to formulate a new investments code using as resource materials the Report on Local Investment Incentives and an LIIC template prepared by the Project. The Drafting Committee completed its work in January 2014. Because of the difficult relationship between the City Mayor and the *Sanggunian*, the Mayor decided against submitting the draft LIIC to the City Council. Instead, a revised IRR consolidating three investment related ordinances was prepared by the Project, submitted for comments to the legal consultants and City Legal Officer. This EO was eventually approved by the Mayor and signed on 20 August, 2014. The first awarding of certificates of registration for local incentives was done on October 23, 2014 at the launching of the Trade and Investment Promotion Center.

#### **d. Building Partnerships**

For almost a decade, business development and promotion in Cagayan de Oro has been a tripartite cooperation among the City government, the business sector represented by the Oro Chamber and Promote CDO, and the DTI. The Oro Chamber is purely private sector, with membership across the business spectrum of CDO while Promote CDO, although led by the private sector, brings together the private and public sectors for the promotion of the city. The City is represented in the Board of Promote CDO, usually the Chairmen of the Committees on Trade and Tourism. The national agencies, on the other hand, are represented by the DTI and the DOT regional directors.

Early on, this collaboration was harnessed by the Project through their membership in the INVEST Project Management Committee and the Technical Working Groups. At the first half of the Project, the Management Committee was even chaired by the President of Promote CDO. When the city administration changed, the Management Committee was chaired by the Mayor and reinforced by the addition of the chairman of Balay Mindanao, a civil society organization, and the presidents of two universities - the Mindanao University of Science and Technology, a state university, and Xavier University (formerly Ateneo de Cagayan).

The partnerships were established through the following:

- (1) The Project harnessed the established PPP public-private in its implementation through membership of public and privates sector representatives in the management and technical committees. The first INVEST Project Management Committee was chaired by Promote CDO with Oro Chamber as member. The 2<sup>nd</sup> Management Committee was chaired by the Mayor but the Vice-chairman was the Chairman of Balay Mindanao, a civil society group. Furthermore, The President of the Mindanao University of Science and Technology was a member while the President of Xavier University was tapped as adviser.
- (2) Oro Chamber and Promote CDO actively participated in the Organizing Committee of the City Business Forum. Promote CDO undertook the generation of sponsors for the event which covered the production of the promotional collaterals, i.e., the CDO Factbook, the investment folder, the video and the City Profile.
- (3) Active involvement of DTI Regional and Provincial Offices and the BOI Extension Office in the mounting of the City Business Forum, especially in the conduct of the sector focused group discussions (FGDs) which generated the sector profiles and project briefs, and the management of the networking meeting.
- (4) Using the materials for the City Business Forum, the DA promoted the agribusiness projects of the city. Oil Palm was featured in the SIAL ASEAN 2014 in June 2014, which resulted in an inquiry on a 10,000 ha. oil palm plantation foreign investment. The DA has committed support to the farm to market road for the rural barangays of CDO and for the slaughterhouse project.
- (5) As part of the implementation of the MOU signed at the CBF between the city government and the Mindanao University for Science and Technology (MUST), a Building Permit Management System was designed by MUST. A MOA was signed on August 1, 2014 to implement the program over a two-year period.

#### **e. CDI-Related Activities**

The Project coordinated the CDI activities in the City such as the CDI Launching on June 29, 2012, with Ambassador Harry Thomas and Mission Director Gloria Steele, a CDI Consultation on October 25, 2012 that generated action plans for the economic and education sectors, energy and environment and health, and a CDI Review on January 24, 2013 with USAID's Mr. Mike Keshishian and Mr. John Avila.

The Project participated in the Vulnerability Assessment and Adaptation workshops of UN Habitat and contributed to the economic assessment using the industry study and business registration database. These influenced the identification of climate change risks for the economic sector. Cagayan de Oro is also one of the cities selected by the UN Habitat for its Achieving Sustainable Urban Development (ASUD). A city extension area has been selected for which a City Extension Plan will be prepared following UN Habitat's sustainable urban design principles. The Project made a contribution on the economic potential and investment opportunities at the selected extension area.

### 3. Iloilo City

Iloilo seeks to be a city with sustained investment growth and economic development founded on a dynamic partnership of government and business sector by making it competitive through efficient ways of doing business.

The City had several accomplishments which could be used to build on the attainment of the City's vision. The City was considered as one of the most competitive cities in the Philippines based on the CMCI. It ranked 2<sup>nd</sup> over-all in 2013 and 6<sup>th</sup> over-all in 2014. Iloilo City was chosen as a site for the APEC meetings—based on a rigid process of selection adopted by the APEC Organizing Committee. Iloilo City won the APEC Venue category of the Liveable Cities Design Challenge organized by the National Competitiveness Council. Iloilo City was also a recipient of the Presidential Award in 2013 given by the PCCI for being a business-friendly LGU.

The gains achieved by Iloilo City built on the success of its streamlining reforms (that reduced the transactions costs of doing business in the City) and investment promotion efforts. This year, its BPLS exceeded the standards set by the JMC. Iloilo has also launched its online registration system. Iloilo also held a very successful Business Forum, generating P31.5 billion worth of investments in the City.

#### a. Institutional Strengthening

Worked for Designation of the LEIPO. The Project advocated for the formal designation of a LEIPO for the City. On April 30, 2013, the Mayor signed EO No. 20 on April 30, 2013 officially appointing Mr. Francis Cruz as the new LEIPO. Similarly, while the City has been implementing BPLS reforms since 2012, these have not been formalized by the city government. The Mayor also signed EO 21 on April 30, 2013 forming a new BPLS Technical Working Group to implement the BPLS reforms. The EO also provided operational guidelines for processing business permits. This issuance removes the uncertainty of some department offices on their roles in implementing BPLS reforms.

With the designation by the Mayor of a new LEIPO, the Project saw the need to provide additional technical and capability-building support. From June 30 to July 1, 2014, the Project facilitated the holding of a strategic planning workshop for the LEIPO and her staff. The workshop enabled the LEIPO to map out important action plans that should be undertaken in line with her duties and responsibilities. The new LEIPO also participated in the province-led conduct of LEIPO training on September 29-30, 2014. The Project provided technical support to the LEIPO so that she can maximize her learnings from the training.

Guided by a new action plan, with a city budget and DTI equipment, and the support of all business groups, the City has an operational LEIPO. A virtual IPC linked to the online BOSS and the APEC website was launched in December 2014.

Provided Institutional Support to BPLO. The Project assisted the BPLO during meetings with the SIMM Project and UP Visayas for the establishment of an online BPLS. On July 4, 2014, through the facilitation of the Project, officials from Iloilo City, together with counterparts from Batangas City, visited Valenzuela City to learn about their streamlined process for building and occupancy permits.

## **b. Streamlining of BPLS**

Iloilo City's efforts on streamlining its BPLS entailed a lot of hard work. Based on the assessment conducted in 2012, the City's BPLS was not compliant with the service standards set by the JMC.

*Pursued Streamlining Reforms.* The Project exerted efforts to streamline the city's BPLS. The Project worked with the city in preparing an action plan that identified the areas of reform to streamline the BPLS. At the start of Year 2, the Project also conducted the inspection workshop (October 7-8, 2012) and the Basic Customer Service Skills training (December 3-5 and December 13-14, 2012). The inputs from these activities were incorporated in the BPLS action plan of the city's CIP-TWG.

The findings of the third-party assessment in 2012 and 2013, however, showed the need for the city to further streamline its business processes in order to meet the standards set by the JMC. This prompted the holding of a series of meetings of the Project with the Mayor and city officials to discuss what can be done to address the bottlenecks in the implementation of BPLS reforms. As a result, the Mayor decided to personally take the lead in ensuring that city officials will comply with the action plan and targets for BPLS reforms.

To ensure that the city will implement reforms to enable it to meet the JMC standards, a study tour was again organized by the Project for the LEIPO, who is also in charge of automation in the city, and the CTO. The Project brought the officials to Valenzuela City, which is currently allowing online payment for real property and business taxes, San Miguel Bulacan, which has started to accept online submission of business applications and to Batangas City which has designed an effective BOSS. The exposure trip helped the LEIPO in refining the design of the BPLS for the 2014 renewal period.

In January 2014, its Business One Stop Shop (BOSS) facilitated the processing of business permits so that renewals were completed in less than a day while permits for new applications were released in less than three days. The City started implementing an on-line registration system (online application and submission) during the renewal period of 2014, which made the process of getting a business permit easier and faster.

By having a clear BPLS direction and indicators of success, implementing streamlined processes for renewal and new business permit application, setting up the Business One-Stop Shop (BOSS) and pilot testing an on-line business application and submission facility, Iloilo City was able not only to comply with the JMC BPLS Standards but to surpass them. Being a trailblazer in on-line business permit registration enabled Iloilo City to surpass the current BPLS standards. It inspired other LGUs to go into on-line business registration as well.

With the help of the public-private-led Oversight Committee that conducted the third party assessments, the BPLS-TWG that conducted the regular city planning and workshops, the Project's technical assistance, training and study tour, and the hands-on support of the mayor, the city succeeded in implementing reforms in 2014. Results include: (1) increased compliance of businesses renewing their applications during the renewal period; (2) increased in number of business registrants; (3) increased city revenues; and (4) more satisfied business clients especially those who used the on-line business registration facility.

Assisted in Next Set of Reforms. With the initial gains in January 2014, the city pursued new reforms in automating its BPLS. Its goal was to have an end-to-end on-line BPLS for both new and renewal business applications where:

- (1) Business owners can manage the registration and renewal of licenses of their various business concerns in the comfort of their homes or offices;
- (2) The city's approval entities (OCZA, BFP, CTO and BPLO) can view business application queues and act on them immediately;
- (3) The city's approval entities can officially communicate with business owners regarding business license applications without interface or personal interventions;
- (4) Other agencies of the city can make use of the data gathered by the system to augment or build related services, i.e., data gathered on business locations and business categories can be used for real-estate property tax discoveries and zoning compliance;
- (5) Online payment module can accept GCash and all major credit cards; and
- (6) There are more reporting modules to assist administrators in analyzing the performance of various offices and employees as it pertains to business licensing.

An online BPLS was launched on December 4, 2014 in time for the January 2015 renewal. The target is for Iloilo City to surpass the proposed new BPLS Standards set by the DILG/DTI JMC for 2015 and to influence more LGUs to go into on-line BPLS. The targets for 2015 are:

- (1) Reduce number of steps- 0 interface for mobile payment; 1 step for payment at the City Hall
- (2) Reduced number of signatories (1)
- (3) No hard copy of UAF needed
- (4) Faster Processing (30 minutes- 1 hour)
- (5) More Satisfied Customers

### **c. Enhancing Investment Planning and Promotion**

The Project helped improved investment planning of the city, not just by focusing of public investments but on private investments and public-private partnership investments.

Provided Visioning Exercises. Through visioning exercises, it directed the city to focus on four key industries. As part of the preparations for the Business Forum, the Project assisted the City (and also the province) in preparing sectoral profiles. The Project helped the City, the province and even the private sector develop project briefs through the conduct of investment planning workshops. Finally, it helped the city include these projects in their LDIP and even in the plans of Metro Guimaras Iloilo Economic Development Council (MIGEDC).

Assisted in Organizing the Business Forum. The Project supported the city in attracting and raising big ticket investments. Launching the best private-public sector-led business forum in March 2014 was the most memorable achievement of the City and Provincial Governments. The City and Provincial Governments, private sector groups, national government line agencies and academic institutions work in unity as members of the Business Forum Organizing Committee to promote and acquire investments in Iloilo.

The Project conducted an exploratory meeting with the city officials and representatives of both IBC-ILED and ICTIPB on May 3, 2013 in Lansaka Hotel in Makati City. The concept of CBF was discussed in the context of Iloilo City as an "APEC City" and in consideration of the upcoming events of MIGEDC and the BOI. Thereafter, the Project convened the first meeting of the local

organizing committee on June 5, 2013 at Iloilo Business Hotel. The LEIPO and his associate, the CPDO, the Chair, Vice-Chair and a board member for academic affairs of the ICTIPB, the DTI Provincial Director and the IBC-ILED Executive Director attended the meeting. The concept of the city business forum was presented by the Project. An initial action plan was crafted, including the proposed working structure for presentation and approval of the mayor and the private sector organizations.

USAID and the Project met with other private sector organizations to facilitate buy-in on the Business Forum. The first presentation was for the ILED in June 8, 2013 wherein USAID presented its programs and the CBF concept. The next presentation was with the ICTIPB in June 11, 2013 at Eon Centennial Hotel. In both meetings the mayor was present. All agreed to support the CBF and hold separate meetings to discuss their levels of engagement. Key activities that needed to be conducted in preparation for the CBF were the conduct of investment programming and the development of project briefs and promotional collaterals. The Project also participated in the meeting of Ilongos in that paved the way for the adopted by ILED of the Business Forum as its project.

The Project, in partnership with COMPETE and ILED, also organized an FGD on Agriculture and Fisheries Development in Iloilo City on August 14, 2013. The FGD brought together representatives from government and private organizations involved in agriculture and fisheries and discussed issues and concerns affecting them. The FGD also identified general directions that can be pursued to promote investments in the sectors.

#### **d. Building Partnerships**

The Project was undertaken in Iloilo through partnerships at various levels of implementation. Iloilo City had eight influential business groups: the Iloilo Business Club (IBC), Chamber of Commerce and Industry of Iloilo, Inc. (CCII), 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.

- (1) The City INVEST Project-Technical Working Group, created in April 12, 2012, was 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.
- (2) The Project contracted a local university, the University of the Philippines Visayas to conduct a third-party assessment of business permitting reforms in Iloilo City starting January 2013. This assessment will cover the processes involving new applications for

business permits and renewals, the operation of the BOSS and the inspection system. By contracting the university, the Project acted as a liaison between the city government and the academic sector that will hopefully start the process of engagement and assistance between the two parties in the areas of BPLS reform and in other aspects of governance, even after the end of the Project.

- (3) The Project identified civil society organizations, which were trained to do the Report Card Survey of the CSC. This activity was conducted as part of the requirements of the ARTA.
- (4) The preparations for the Business Forum likewise created many opportunities to establish partnerships with various organizations. In this regard, the Project conducted Individual meetings with the Mayor of Iloilo City, the Chairperson of the Iloilo City Trade and Promotion Board, the Executive Director of the Iloilo Business Club and Iloilo Economic Development Foundation Inc., the program officer of LGSP-LED in Iloilo City, and the Provincial Director of the Department of Trade and Industry.
- (5) The Project, through the City Program Adviser, also attended the events conducted by the DTI in the city and the various meetings with city officials and private sector groups. These are the DTI Seminar on Doing Business in Free Trade Areas (May 21, 2013), NCC FGD on Satisfaction Survey (May 22, 2013), Meeting with the Marketing Officer of the Embassy of Malaysia (May 21, 2013) and the Meeting with Megaworld VP and associates (June 18-19, 2013).
- (6) The Project supported the conduct of the PBED-Braintrust Scenario Building workshop on April 15-16, 2013 and the academe and industry FGDs on April 20-21, 2013. This culminated in a lunch fellowship meeting with the Mayor and the ICTIPB at Eon Centennial Hotel.
- (7) The Project also organized meetings with the Mayor, ICTIPB and ILED for the USAID.

**e. CDI-related activities**

Finally through the Project, the CDI and other USAID funded projects in the city were introduced. The Project's CPA at the local level served as coordinator of CDI initiatives and assisted their project teams and monitored the progress of CDI plan implementation. By November 2014, a city level CDI technical working group was formed by the City Government to coordinate the activities of all USAID funded projects in Iloilo City.



### III. METHODS OF WORK AND DESCRIPTION OF ACTIVITIES

#### 1. Vision-setting

INVEST introduced vision-setting processes to each of the cities. The purpose of setting a vision, as in any organization, was to define what the group wishes to be and achieve in the long-term. This meant painting a picture of the desired future state or condition. The vision served as an anchor and a guiding framework. In setting the city's vision, it was also important to have a multiplicity of stakeholders so that various perspectives can be incorporated. This also fostered a sense of ownership which was crucial in the implementation of future interventions. Once the vision was established, the next step was to identify actions that can be undertaken to achieve such a state.

The exercise primarily involved the members of the City INVEST Project-Technical Working Group, composed of city government officials and representatives from the private sector, national government agencies, universities, and civil society. The session also identified an initial list of initiatives that can be undertaken to achieve the various elements of the vision. Succeeding efforts were undertaken to firm up these actions, including follow-up action planning workshops.

#### 2. Action Planning

The Project introduced action planning processes in each of the three partner cities to be able to achieve the reforms it had planned to undertake. This was one way by which the vision established by the city could be realized.

The Project's thesis for fostering a conducive environment for investments was largely hinged on reforms in transaction costs with the government and the ability to improve attractiveness by providing incentives, letting businesses know what investment opportunities exist, and putting in place mechanisms for providing services that businesses need and are looking for. The Project's activities were clustered along these two areas accordingly.

The Project emphasized action planning processes in each of the critical areas of reform. These were to identify targets and timelines. These processes were guided by the "logical framework" method where desired outcomes were first agreed upon followed by outputs, and specific activities, that would yield desired results. As the Project targeted improved capacities of city government personnel and ownership, its CPAs acted more as facilitators and coaches and let responsible officials take the lead in planning processes.

For streamlining permitting processes, several action plans for the different areas were formulated, including (a) streamlining the BPLS system and its automation; and (b) creating a business-friendly inspection system. Action plans included specific activities, outputs, and deadlines. Setting timelines for the BPLS work was especially important given that the renewal period is pegged at January every year. The Project's CPAs worked with the BPLO Officer to develop the plan with the latter taking the lead in drafting the document.

For improving investment planning and promotion, the key action plan that was formulated was the LEIPO Action Plan. This plan was meant to indicate activities targeting outputs that would

attract businesses to the city, including organization of business forum, as well as efforts to strengthen the LEIPO office and raise staff competencies, including formal training seminars and study visits. Similarly, the CPA and LEIPO collaborated on the development and review of the plan.

### **3. “Learning by Doing” Approach**

The Project recognized the importance of building capacities through different methods. The key is complementing formal methods with “learning by doing” approaches. Formal activities, such as training seminars, lectures, and study visits served as inputs while using basic knowledge or skills acquired to produce concrete outputs, further solidified and reinforced what was learned.

For example, the relevant officials of each city – members of the CIP-TWG – participated in local study tours to Valenzuela, Manila, and Quezon City and an international study visit to Malaysia and Singapore to learn from their streamlined permitting processes and investment promotion centers. Training seminars on BPLS processes, including computerization and automation were organized, as well as in-depth orientation for designated LEIPO officers on roles and functions. With guidance from the CPA, the Mayor’s offices and BPLO Officers used the knowledge and skills acquired to plan and gradually implement interventions that helped them dramatically speed up and make their processes more convenient.

CPAs in the three cities acted more as facilitators and coaches. For City Government employees to learn better, to the extent possible, the CPA pushed concerned staff to take the lead in implementing the activities that led to impressive reforms.

### **4. Conduct of Assessment Studies and Surveys**

For a more systematic assessment of the reforms, the Project subcontracted to local academic institutions and research groups the assessment of the cities’ business renewal activities, similar to the baseline assessment undertaken in Year 1. Aside from a time and motion study of the new processes and exit interviews, a customer satisfaction survey was conducted in Year 2. The results of the assessment determined the partner cities’ extent of compliance with the BPLS standards and was critical in the assessment of Component 1 of the INVEST Project.

### **5. Building Partnerships**

Each of the key reform areas required involvement of multiple actors. For example, processing of permits was not just undertaken by the BPLO office but needed the support of other city government offices, plus other agencies not within the control of the City (such as the Bureau of Fire Protection). On the investment side, the active participation of the business sector was important in providing recommendations to the City Government and to help attract other investors.

The Project capitalized on the USAID brand. Similar to other development partners, the brand has strong convening/pulling power among government and non-government players. In the start-up phase, multiple efforts to introduce the Project were made so that potential partners would be familiar with, and would hopefully participate in the Project’s activities. The Project “cast a wide net” among stakeholders first followed by smaller, targeted activities.

The approach undertaken by the Project was to map out critical stakeholders in the area of economic and investment growth and competitiveness. For streamlining BPLS systems, having

an idea of the process helped identify crucial players, including both city government offices and national agencies. For investment promotion, the Project worked with organized business groups to garner support from the private sector.

In general, partnerships, whether within city government, with NGAs, or private sector were built through constant involvement in the Project's activities. Partners that were deemed important were invited in regular meetings (e.g. CIP-TWG)), planning workshops (e.g. CDI Action Planning), training seminars, and assessment meetings. Regular, substantial interaction served as confidence-building activities among stakeholders which made it easier to facilitate collaboration among the different parties. For example, the local fire marshal's constant involvement in activities related to BPLS made it easier for the BPLO office to work with BFP given sense of familiarity among the two parties. Further, giving partners direct participation in achieving desired outputs and outcomes fostered sense of importance, ownership, and belonging. CPAs also engaged in informal meetings and dialogues to further sustain relationships.

## **6. Investment Promotion Through the Business Forums**

The objectives of the business forums are contained in various Project documents. Pursuant to the INVEST Project's Revised Workplan (October 2011 to September 2012), dated May 16, 2012, organizing the business forums had the following objectives: *"(i) enhance the capacity of Local Economic and Investment Promotion Officers (LEIPOs) in promoting the target cities as investment destinations in a way that they could easily do on their own even after the INVEST Project; and (ii) provide a venue for the target cities to showcase their economic and industry potentials, manifest the need of small and medium enterprises (SMEs) and industries for investors to help further develop or strengthen their capacities to contribute to the economic well-being of the cities, and stage business matching among SME and industry players, potential investors, and financing groups or institutions."*

The objectives were clarified in the second year of Project implementation. The Year 2 INVEST Project Workplan (October 2012 to September 2013), dated November 7, 2012, stated that the project *"will assist each partner city to mount a City Business Forum which will primarily be intended to: (i) demonstrate the capacity and readiness of the city to plan and promote itself as an investment hub; (ii) involve the private sector and business groups in investment promotion and marketing activities; and (iii) attract local and foreign private investors."*

This was reiterated in the Proposed Option Year Work Plan (October 2013 to September 2014), dated September 27, 2013, which expressed the objectives using the same three items: *"(i) to demonstrate the capacity and readiness of the city to plan and promote itself as an investment destination and hub, (ii) to involve the private sector and business groups in investment promotion and marketing activities, and (iii) to attract local and foreign private investments in the cities."*

Given these objectives, the Project assisted the partner cities in mounting their respective Business Forums. The activities followed a common roadmap, consisting of eleven (11) general segments, namely:

- (1) Establishing the Organizing Committee;
- (2) Determining investment priorities and projects;
- (3) Updating investment incentives;

- (4) Generating investment commitments;
- (5) Estimating budget requirements and determining fund sources;
- (6) Preparing tagline, logo, and program;
- (7) Inviting participants and speakers;
- (8) Preparing the venue;
- (9) Managing the event;
- (10) Communicating the results, and
- (11) Conducting follow-up activities.

It should be emphasized, however, that the segments were not necessarily sequential. Many activities related to the Business Forums happened simultaneously. The abovementioned segments can further be grouped into those that are related to the holding of the event and those that focus on providing the content of the activity. The diagram below shows the segments grouped according to these categories.

In addition, there were several parameters that guided the Project in organizing the business forum.

First, the Business Forum should highlight **public-private partnership**. Although coordination may be less complicated by dealing with only one sector, say the City Government alone, the Project realized that the Business Forum would not be truly successful if private sector support was not obtained.

Second, the Business Forum was an investment promotion initiative of the City. The local organizers should recognize the value of the Business Forum as an activity that could help the City generate investments. The Business Forum should not be seen as an external imposition. There should be **ownership of the Forum**, by the City and its stakeholders.

Third, the Business Forum should have **consistency in messaging**. Consistency should be seen in various levels: (1) between the city's vision/mission statements, plans and programs, and investment priorities/project profiles contained in the Business Forum kits, and (2) between the investment priorities, tagline/logo, forum collaterals, and over-all "look" of the activity.

And fourth, the Business Forum should be a **sustainable endeavor**. This meant that the activities leading to the Forum should create partnerships between the City and the private sector that would support similar initiatives in the future. The City should also be able to undertake post-Business Forum activities to build on the gains of the Business Forum.

While the segments (as enumerated above) were generally the same for three cities, the actual implementation changed due to varying situations on the ground. Thus, the Project approached the organization of the Business Forums with an option to have a common template, but cognizant of the differences among the partner cities.

To further assist the cities in the preparations for the Business Forums, the Project obtained the services of an Event Organizer. The event organizer was not only assigned to manage the actual event. The Event Organizer was also tasked to provide technical support for the Organizing Committee in designing the collaterals, preparing the program, preparing solicitation packages (if needed), inviting speakers and participants, and in messaging. The Project held a competitive bid for the selection of the event organizer. The sub-contract was awarded to Meetings, Exhibitions, and Events Team (MEET).

## **7. Assistance to and Partnerships with National Government Oversight Agencies**

As reiterated earlier, major policies implemented at the local level emanate from national government agencies. Hence, the Project assisted several committees at the national level through policy advice to the technical secretariats. These committees also served as venues to discuss the recommendations of several studies commissioned by the Project. The involvement of the Project in the committees ensured sustainability of the reforms even beyond the life of the Project and ensured better coordination in the reforms on business permitting and local investment promotion, among government agencies and development partners.

A number of the Project's trailblazing activities were undertaken in partnership with oversight national government agencies – DTI, DILG, DOST - e.g. the 1<sup>st</sup> and 2<sup>nd</sup> Cities and Municipalities Competitiveness Forum, the ICT Innovations Forum, the BPLS Automation and Inspection Forum, the Liveable Cities Design Challenge.

The partnerships developed in the project with NGAs also led to better leveraging of the project's limited resources. A number of activities of the Project, e.g. the Competitiveness Forums and the ICT Innovations Forum, were co-funded with NGAs, development partners and the private sector.

## IV. AREAS FOR FUTURE WORK

The accomplishments of the Project in the partner cities can serve as a foundation for future reforms. In the same manner, the Project's experience on the ground can guide new CDI cities in their respective work programs. This section presents some recommendations for future work, categorized according to project components and partner cities. Some areas where follow-up work can be pursued in the future in order to consolidate the achievements of the Project or expand the Project's coverage to other sectors or cities are as follows:

### A. AREAS BY COMPONENT

#### Component 1: Streamlining Business Permitting and Reducing Transactions Costs

1. Next Wave of Reforms. Streamlining of the processes to obtain business permits should be expanded to cover the next wave of business permitting reforms initiated by the Project.

1.1 At the national level, the Project prepared several draft issuances that are already being reviewed by the concerned agencies. Once signed, these issuances can provide an improved policy framework for the reforms to be undertaken by CDI cities:

- DILG-DTI-DOST Memorandum Circular on the “*Revised Guidelines in Implementing Standards in Processing Business Permits and Licenses in all Cities and Municipalities in the Philippines*”
- BFP Circular on “*Amending Certain Sections of the Implementing Rules and Regulations of Republic Act 9514 (Fire Code of the Philippines of 2008) Related to Inspections, Issuance of the Fire Inspection Safety Certificate (FSIC), Assessment and Collection of Fire Code*”
- DILG Circular on “*Streamlined Procedures for Securing Fire Safety Inspection Certificate (FSIC) as a Requirement for the Grant of Business Permit in Cities and Municipalities*”
- DOT-DILG Circular on “*Guidelines For Processing Business Permit Applications of Tourism Enterprises*”
- DOF Circular on “*Guidelines In Setting Reasonable Fees And Charges For Inspection Services Rendered By Local Governments.*”
- DILG Circular on “*Guidelines For Implementing A Business Friendly Inspection System In All Cities And Municipalities*”
- DPWH-DILG Joint Memorandum Circular entitled “*Guidelines in the Implementation of a Streamlined Processes in the Issuance of Building Permits and Certificates of Occupancy*”
- DOH Circular on “*Streamlining of Procedures on Sanitary Permit Application and Risk-Based Sanitary Inspection of Business Establishments as part of the Business Permit and Licensing Process in all Cities and Municipalities*”

1.2 At the local level, the first three CDI cities can continue with the next wave of business permitting reforms:

- The end-to-end online business permit system developed in the Project's partner cities should also be institutionalized and strengthened further. These systems

were developed in-house by partner cities, with the support of local educational institutions or IT consultants. An end-to-end business registration system can also be adopted as a target for other cities, utilizing as models the system elements and processes used in the first three CDI cities. An online payment or mobile money mechanism should be part of this system.

- The reforms on construction-related permits (building and occupancy permits) should be promoted to the CDI cities. The DPWH and DILG are keen on streamlining the procedures for these permits in response to various clamors by the private sector.
- Similarly, the permitting reforms for securing sanitation permits and those involving tourism enterprises should also be pushed for implementation in the CDI cities.
- Using the Project's recommendations in the Inspection Fee Study, the cities should be encouraged to review their methodology for setting inspection fees, which should be based on an accounting framework. This will hopefully reduce the wide discrepancy in fees set by LGUs

## **Component 2: Investment Planning and Promotion**

2. *Strategies for Investment Promotion*. The Business Forums were useful as investment promotion mechanisms. If Business Forums<sup>31</sup> will be replicated in new CDI cities, there should be proper scheduling to avoid “investor fatigue”<sup>32</sup> in attending several conferences over a short period of time.

2.1 An alternative to a single-city forum is clustering according to themes. The themes may be organized in the following manner:

- Sectors (e.g. Business Forum for cities promoting manufacturing as primary investment area),
- Geographical areas (e.g. Business Forum for Southern Philippine cities), or
- Metro-City (e.g. City plus adjacent municipalities or cities, similar the Iloilo Business Forum).

Coordination for such activity will be more complicated and will require strong support from other levels of government (e.g. national, province).

Other than an understanding of economic linkages, a good grasp of local dynamics and political relationships will be helpful (national-local, public-private, intra-local, intra-business).

(6) For the first three CDI cities, investment promotion activities other than holding another Business Forum may be pursued, such as investment missions, targeted

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<sup>31</sup>The Project submitted to USAID (on December 28, 2014) a separate report on the Business Forums, which incorporates processes undertaken to organize the Forums, the experience of partner cities, and lessons gained.

<sup>32</sup>This concern was raised in one of the meetings of the Iloilo Business Forum Organizing Committee. The Iloilo Business Forum came barely a month after the CDO Business Forum, and three months after the Batangas Business Forum.

communication with investors, market and product development sessions, and business matching.

### **Component 3: Cross-Cutting Concerns**

1. Competitiveness Index. The CMCI developed by the Project for the NCC established a method to measure the competitiveness of cities on a regular basis. It will be worthwhile to sustain this effort, either within the NCC, or as part of the regular work of the statistical agencies of government. It may be noted that the Project has already produced three manuals on the CMCI: for local government units, for regional competitiveness councils, and for NCC. These manuals contain information on the indicators used in the index, the procedures for data gathering, and the processing and computation of the index per city.
2. Liveable Cities Design Challenge. The LCDC was a good initiative that should be continued. It allowed cities to create models of resilient development and promote liveable and resilient urban centers. Only 16 out of the 21 invited cities joined the competition (15 eventually submitted entries) in 2014. In its second year, the contest may be able to generate more entries if cities are given more time to prepare.
3. ICT Innovations for Local Governments. The Project worked with national government agencies and the private sector in organizing an ICT Innovations Forum for local governments. The workshop generated a lot of interest from local governments, reflecting a dearth of information on technologies that can be applied to address local governance concerns. There is need to have a regular forum on ICT innovations in view of the fast pace of development in ICT and the evolving needs of local governments.
4. City-level M&E. There is need to formally establish a monitoring and evaluation system at the local government level, particularly if there are more cities to be covered. This local system should be linked to a central Project Monitoring database. In addition to the usual economic variables, the system should also capture gender and development (GAD) and political development indicators.

### **B. AREAS BY CITY**

5. Batangas City has an online business registration system that was piloted-tested in the 2014 Business Registration. It also has a relatively advanced system for joint inspection. The Business Forum showed the value of public-private collaboration for investment promotion. The City should build on the gains that it has achieved and institutionalize the reforms adopted.
  - 7.1 Ordinance to Institutionalize Streamlined BPLS. Since 2013, the City Government has been issuing a revised manual to concerned departments detailing processes to be followed in processing of business permits. Enforcement is undertaken through an executive order. If there are changes in administration, however, any EO issued by the previous Mayor can easily be repealed. The recommendation, as suggested by some city government staff, is to elevate the BPLS processes into an ordinance so that these are in effect even with administration turnovers. While ordinances can be amended, they are typically more difficult as it needs to go through legislative procedures.



- 7.2 Passage of the Revised LIIC. The draft LIIC was transmitted by Mayor Dimacuha to the *Sanggunian* on November 25, 2014 to initiate the legislative process. The City Government should pursue its passage. Following the passage of the LIIC, the City Government should issue corresponding issuances to concerned departments to implement the provisions of the ordinance, including ensuring adequate LEIPO secretariat support to the Investment Board and arrangements to implement incentives registration procedures.
- 7.3 Hiring of LEIPO Staff. Additional positions for the LEIPO Office were created by City Ordinance 10, series of 2013. Such positions, however, have not been filled up. One recommendation is to open up applications to individuals outside the city government as there may be better qualified personnel than existing staff complement (majority are contractual in nature at present). In more competitive cities (e.g. Cagayan de Oro), LEIPO staff have direct private sector/investment-related experience.
- 7.4 Pursue Streamlining of Pre-Registration Processes. Many businesses have commended the City Government for having streamlined the BPLS process, enabling them to secure Mayor's Permits in less than two hours. They continue to complain, however, about lengthy pre-registration processes (i.e. securing building and occupancy permits), which as they claimed take at least one month to complete. The impact of a streamlined business registration process is minimized when prerequisite steps are cumbersome and takes a long time to complete. EO no. 16, series of 2014 which formalizes the Building and Occupancy Permits One-Stop-Shop (BPOSS), the co-location facility for processing construction-related permits, commits a maximum of seven (7) working days for the building permit (assuming complete and sufficient requirements) and a maximum of five (5) working days for the certificate of occupancy assuming complete and sufficient requirements). Based on preliminary results of the process tracking of a small sample of businesses that applied for occupancy permits in May and June 2014, such processes took no less than 10 days to process.

The Project commissioned a study to review construction-related permitting processes and to propose recommendations for streamlining these activities. Results were presented to the city government in August 26, 2014. In addition, INVEST facilitated a study visit to Valenzuela City for BPOSS offices in July 2014 to learn how the city was able to cut down steps and processing times for each type of permit; Valenzuela issues each permit no longer than two (2) days upon receipt of complete applications.

The Project recommended that the City Government pursue a streamlined BPOSS system based on general recommendations from its study as well as specific processes employed in Valenzuela City. The Building Official, who is also the City Engineer, the lead person for BPOSS, has expressed interest in replicating majority of the processes being implemented by Valenzuela.

Some critical elements for reforms in this area are the following: 1) establishing the "Compliance" JIT to collapse construction-related inspections into a single activity; 2) establishing efficient backroom processes to complement frontline tasks; and 3) implementing automated, computerized systems. A corresponding

executive order (EO) should be issued to enforce measures that will be developed.

- 7.5 Maximize Utilization of the Port. Another area that should be looked at more closely is maximizing the utilization of the port given that studies estimate utilization rates to be only around five (5) percent. The recent truck ban ordinances in Manila helped divert some cargo traffic to the Batangas Port but companies have reportedly instituted these as stop-gap measures and will return to utilizing Manila ports once constraints have been lifted. LEIPO and CPDO, possibly with the support of the MBBC (since Asian Terminals, Inc. the operator of Batangas Port, is an incorporator), should study bottlenecks and identify recommendations to boost traffic which will have spillover benefits to the city. Moreover, there should be a master plan for immediate areas outside the port. These include designating areas suitable for commercial enterprises, including malls, shops, accommodation facilities, and restaurants, and inviting prospective developers and other investors. Another issue reported by industry players is security outside the port, specifically extortion activities targeting cargo traffic entering and exiting the ports.
- 7.6 In-Depth Sectoral Profiles and Identification of Investment Potentials. Aside from port utilization, LEIPO, together with CPDO and the MBBC should undertake more in-depth sectoral profiling and studies for the priority sectors, namely agriculture, infrastructure, industry, human resource development, and tourism. Sectoral profiles were crafted for the December 2013 Business Forum but these should further be improved to provide in-depth analysis of constraints. One key item that needs to be included in each of the profiles is a comprehensive identification of potential investment opportunities, building on initial attempts to generate such for the business forum.
- 7.7 Information Dissemination. Another important strategy to making the city more business-friendly is to make documents easily accessible and available to the public. In many cases, clients, especially members of the MBBC, have requested for information, including tax-related information, steps in securing government permits, specific ordinances, etc. While the official city website provides some information, many improvements can still be made with regard to uploading useful documents. LEIPO's current efforts at establishing a virtual IPC covers some aspects but this has to be done by the entire City Government. Each frontline department/division to identify common information requested by clients. For those that can be uploaded, this should be posted on the city website. Documents that have been published (e.g. Local Revenue Code, Environment Code) should be posted as PDF documents; concerned lead offices should be able to request soft copies from publishers if publishing has been outsourced.
2. Cagayan de Oro City has established an end-to-end BPLS. In the business registration period next year, businesses in CDO will have an option to register at City Hall (BOSS), at a mall (off-site BOSS), or at home (online). CDO has also established its Trade and Investment Promotion Center. The areas for future work lie in further improving these initiatives.

- 2.1 Streamlining of Procedures for Building and Occupancy Permits. The City intends to pursue the streamlining of the internal processes of the Office of Building Official for building and occupancy permits in a two-year program for automation and change management. This is in accordance with the recommendations of the study conducted by the Project and adopted in the Building Permit Management System prepared by the Mindanao University of Science and Technology.
  - 2.2 Risk-based Sanitary Inspection. The Project is also now assisting the City Health Office in the application of the risk based inspection system as recommended in the study. The CHO already follows a prioritization system, e.g., eateries near public or private schools but further refinements need to be introduced and a rating system established to be able to effectively and efficiently perform their function.
  - 2.3 Training for TIPC Personnel. The TIPC planning workshop defined the functions and responsibilities of an IPC that will be compliant with the DILG Memorandum Circular on the LEIPO. Additional MFOs of the TIPC will require training in sector studies and project evaluation for the LEIPO and personnel who will handle the administration of incentives.
  - 2.4 Forge Agreement with the BFP for the Payment of Fire Code Fees by the City. The City should forge an agreement with the BFP which will allow it to collect fire code fees, especially for applicants who will register online.
3. Iloilo City has significant gains that need to be sustained and institutionalized. It has recently launched its end-to-end online business registration system and started work on the conduct of joint inspections and reforms in building and occupancy permits. Iloilo has a virtual Investment Promotion Center, linked to the online BOSS and the APEC website. The areas for future work are as follows:
- 3.1 Organizational Strengthening of Key LGU Offices. There is need to continue capability building initiatives to further strengthen key LGU offices that will carry the reform efforts in streamlining and investment promotion, such as the members of the BPLS Oversight Committee, Building and Occupancy Permits Technical Working Group, and the CDI Coordinating Committee.
  - 3.2 Preparation of Strategic Plan. The existing strategic plan of the City will end on 2015. A new strategic planning exercise will be needed, leading to a revised plan by the first half of 2015. Such exercise can build on the achievements of the City in the past three years and obtain guidance from the lessons gained from their reform initiatives.
  - 3.3 Develop an End-to-End Online Business Registration System. The current online business registration system of the city still requires the applicant to wait for its tax order of payment through email. The city needs to develop a system, similar to CDO, where the computation of business tax and fees are also done online. The city needs to further work on its database of business registrants and database sharing of different offices involved in business permitting including the BFP.

- 3.4 *Streamlined Building and Occupancy Permits.* Iloilo City should continue its reforms to streamline building and occupancy permits in order to further reduce the transaction costs to investors in dealing with government. On July 4, 2014, through the facilitation of the Project, officials from Iloilo City, together with counterparts from Batangas City, visited Valenzuela City to learn about their streamlined process for building and occupancy permits. The City can build on this exposure and on its experience with BPLS streamlining.
- 3.5 *Physical Investment Promotion Center.* Among the activities conducted by the Project to assist the City in setting up the Investment Promotion Center was the workshop held on July 9, 2014. This was a follow-through activity to the Business Forum Originally, the City planned to set up an Investment Promotion Center at Robinson's Iloilo, adjacent to the DTI's Business Resource Center. Funding for the Center was committed by DTI. In view of delays in funding, the City decided to instead focus on setting up the virtual IPC first. This web-based Investment Promotion Center was launched on December 4, 2014 during the visit to Iloilo of USAID. The physical IPC, however, still needs to be set up.
- 3.6 *Investment Facilitation and Monitoring.* The Iloilo Business Forum generated significant commitments from various groups to set up businesses or expand existing ones. There may be need for facilitative work to assist these businesses in realizing additional investments in the City. The facilitative work can be in the form of assistance in getting the necessary permits or help in solving problems related to the investment commitments. This activity can be undertaken by the IPC once it is fully operational. The IPC should also establish its own monitoring system for these investment leads.

## ANNEX

### GENDER REPORT

The Philippines is one of the countries that have significantly improved in bridging gender disparities ranking 9<sup>th</sup> out of 142 countries in the 2014 World Economic Forum (WEF) Global Gender Gap Report. Despite improvements achieved in the areas of literacy and human resource competence, the country still needs to significantly address gender-based violence (GBV), human trafficking and unequal access to income and productive resources.

Although primarily dealing with systems improvement, the Project recognizes its role in the eradication of gender discrimination and the promotion of gender equality. It realizes that both women and men play a vital role in boosting a locality's economic activity and competitiveness. With the assistance of a gender expert, a Gender and Development Action Plan (GAD-AP) was formulated to address gender-related concerns. The project's goal is to create investment enabling environments for its partner cities where it seeks to improve the equality of access to, and control over economic resources, and to ensure that both women and men are given equal opportunities to benefit from and participate in project activities. Furthermore, the GAD-AP envisions that gender sensitivity is incorporated in project/activity planning, monitoring and evaluation.

The GAD-AP has four main targets as stated in the Performance Indicator Sheets (PIRS) 33- 36 of the Revised Monitoring and Evaluation Plan:

- Percentage of project personnel trained on gender sensitivity and mainstreaming;
- GAD perspective integrated in project component activities;
- Capability building programs for MSMEs attended by female business owners and;
- Sex-disaggregated data included in the project's monitoring and evaluation system.

These indicators have been monitored and executed throughout the project's three-year period. Additionally, other efforts have been initiated to streamline gender sensitivity and women empowerment as will be discussed below.

#### 1. **Percentage of project personnel trained on gender sensitivity and mainstreaming**

To equip the INVEST team in addressing gender related concerns, a gender training was conducted on November 17, 2012 as an orientation to USAID's gender policy; the training included all project staff, long-term consultants and city program advisers employed during that project period. Additionally, a gender orientation workshop was organized for the senior officials of Batangas city with the city mayor attending the event.

It is noteworthy, however, that after the orientation, not all project staff and consultants were briefed on the USAID gender policy given the differing start and end dates of their project engagements. The oriented project staff and consultants, primarily through team meetings and materials used during the workshops, then carried out the responsibility of promoting gender sensitivity and mainstreaming to the team.

## **2. GAD perspective integrated in project component activities**

Streamlining business registration processes and reducing transaction costs were the main goals of the Project's Component 1. It aimed to reduce unnecessary burden (i.e. long processes and additional costs) on applicants, which were especially taxing for women given the general expectation of earning income coupled with the primary responsibility of child rearing.

The project was instrumental in the automation of BPLS related processes which cut these unnecessary steps alongside reducing possibilities for cases of gender discrimination given less person-to-person interaction. This meant that both women and men were given more time and resources to pursue more productive activities.

Also, the physical set-up of the business process related offices such as the Business One-Stop-Shop (BOSS) of the three cities and particularly, the Batangas Building Permit and Occupancy Permit One-Stop-Shop (BPOSS), provided special lanes for the elderly, pregnant women and persons with disability in addition to breastfeeding stations.

The Project's Component 2, on the other hand, aimed to improve investment planning and promotion in the partner cities. With women's participation usually downplayed in productive activities, there was need to provide more spaces for women to provide creative and substantive input. The Project assisted in the institutionalization of the Local Economic and Investment Promotion Offices (LEIPO) of the three partner cities with female staff fully involved. Participation of women in the cities' local Investments promotions offices/centers was significant with Batangas City having 4 female staff out of 7; Iloilo City having 5 female staff out of 8; and Cagayan de Oro City with 3 female staff out of 4 –of the 3 offices 2 (Cagayan de Oro and Iloilo) are headed by women. Relatively, the Project's Component 3, which dealt with cross-cutting concerns such as cities' competitiveness, benefited from the enhanced capacity of its LEIPO.

## **3. Capability building programs for MSMEs attended by female business owners**

The project was not able to facilitate capacity building programs for MSMEs. Other capacity building activities, however, were initiated such as the Training on Local Economic and Investment Promotion on July 18-20, 2012 with 14 out of the 27 participants being female. A comprehensive sex-disaggregated data on participants of INVEST activities is shown in Table 1.1.

Qualitatively, through the help of the Project's City Program Advisers (CPAs), several female city staff were capacitated and empowered. Having spearheaded radical BPLO reforms in Batangas, the BPLO head presented Batangas' business streamlining efforts to several LGUs. In Cagayan de Oro, the LEIPO, helped the city garner several awards in the span of the project. Notable achievements include placing 1<sup>st</sup> in the Liveable Cities Design Challenge (LCDC) under the city/government evacuation center category; her team provided significant inputs to the city's entry.

Part of increasing women's empowerment is the concept of participatory monitoring. The Project was able to execute this through its CPAs who were tasked to collect data and to facilitate city reforms; 2 out of the 3 cities (Cagayan de Oro and Iloilo) have females as CPAs.

#### 4. Sex-disaggregated data included in the project's monitoring and evaluation system

As part of the GAD-AP, all project activities were monitored through preparing sex-disaggregated data quarterly and annually. Table 1.1 summarizes the collected sex-disaggregated data from year 1 to year 3:

Table 1.1  
Participants to INVEST-supported Activities, by Gender

Year	Participants				Total
	Female		Male		
	No.	%	No.	%	
Year 1	552	47.42	612	52.58	1,164
Year 2	604	54.17	511	45.83	1,115
Year 3	1,168	44.13	1,479	55.87	2,647
TOTAL	2,324	47.18	2,602	52.82	4,926

As seen in the table, a small variance was observed between the number of women and men participants. Although males have greater participation, several of these INVEST activities had women as the general participants. Details on these activities can be accessed in the INVEST project's annual and quarterly reports.

In place of a capacity building workshop for MSMEs, a consultant/gender expert conducted a study on the business sector profiles of each city. The study delineated the number of business owners per line of business according to the Philippine Standard Industrial Classification (PSIC) through data gathered from the Business Permits and Licensing Office (BPLO) and the City Treasurer's Office (CTO). The report included a sex-disaggregated profile of business owners accompanied by a gender analysis. According to the 2007 Global Entrepreneurship Monitor (GEM) report, women own six out of ten businesses under MSMEs in the Philippines. Profiling provided each city with data on specific sectors that affect and benefit women. With such information the city government could identify strategic areas of assistance and create an action plan for the improvement of women's empowerment in these areas.

Incomplete data on businesses however hindered the creation of the Iloilo City gender profile and analysis. It should also be noted that only businesses owned by sole proprietors have been sorted as no individual names are stated in partnerships, corporations and cooperatives. The data presents a high participation of women in the business sector with CDO having 51% female business owners and 49% male owners (2012 data); food and trade are the main industries where women are involved. The Project saw a greater number of women business owners in Batangas with 60% of businesses named after them, this leaves 40% of businesses owned by men (2012 and 2013 data). Similar to CDO, the food industry was also the primary involvement of women.

Although the data presented a good gender balance, control over decision-making cannot necessarily be equated to the owners themselves. Thus, although a significant number of women were business owners, it may only be a case of nominal ownership (i.e. decision-making might not be given to them). However, given the data presented, the city governments could utilize this to target industries where gender streamlining activities could be instituted and trainings for women could be given.

## **Recommendations**

The business profiling study verifies that gender conditions in the country are improving, however, the work of increasing gender equality has to continue given the areas in which disparities are still present. Future projects should ensure that not only project staff are trained on gender sensitivity and streamlining, but that the city government leadership and staff are also equipped so that women and men are given equal opportunities in planning, decision-making, implementation and evaluation.

The analysis on the business profiling study, although a significant contribution to the cities, should also be augmented to include an analysis on women's participation in business decision-making. Cities should continue to gather sex-disaggregated data in order for them to make more informed decisions on improving its gender situation. Holding stakeholder consultations would also enrich the process of planning, implementation and evaluation of city GAD projects. Operationally, the city government could allot part of its GAD budget to provide trainings or financially assist business start-ups in industries directly affecting women. Ultimately, all these efforts should directly improve the quality of life of both women and men and ensure that discrimination should be eliminated.