

## Cutting Business Registration Red Tape: Nipping Corruption in the Bud

by Janelle Dumalaon

**“No fixers allowed.”** So reads the sign that is now prominently displayed in the section of Iloilo City Hall in charge of processing business permit applications and renewals. There was a time, however, when no such sign was to be found—a symptom of the conditions as they once were.

*Fixers* are illegally-paid proxies who undergo transaction procedures on behalf of applicants for government issued documents such as driver’s licenses, passports or in the concrete case of Iloilo City Hall, business permits. They find government office contacts to collaborate with them to give undue priority to applications pushed by the fixers.

A few years ago, the unwelcoming conditions of the business permit application and renewal process in Iloilo City drove away many potential new business registrants or permit renewal applicants. These conditions also drove many applicants towards paying such fixers to ease the process and to avoid getting caught in the bottleneck created by the previously mentioned *priority applications*.

One such applicant is **Leting Troncoso**. She relates, “*business permit issuance at the City Hall was rife with red tape and corruption. Some City Hall employees were fixers themselves! Last year, I paid a fixer Php 500 to avoid the very client unfriendly atmosphere at the City Hall. Because of the very chaotic procedures, very low service oriented staff, it can take ages before the business permit is issued. With a fixer, I got my permit in three days.*”



*Leting Troncoso, owner of The Sausage House, that manufactures and distributes high quality gourmet sausages.*

*Oda Silva (left), in charge of the permit renewal for the HC Siangco Corp, the company behind the city’s famous Bob’s Restaurant.*



Business permit applicants in Bacolod City like **Oda Silva** faced similar experiences. Oda shares, “*the process of going through the permit renewal was really taxing. The mere thought of the hassles of long queuing, discomfort, and travel costs of going back and forth from the City Hall to the different regulatory offices within the city for certain requirements and payments—it is almost enough to make one go for the first fixer one can find.*”

However, since initiatives to improve the business registration procedures in the Cities of Bacolod and Iloilo were carried out by the GTZ Private Sector Promotion Program in 2005 and 2007 respectively, the experience of business permit applicants improved markedly. Leting says, “*this year (2008) in January, the application form came attached with a flowchart of the new application and renewal processes. The staff also gives correct and reliable information.*”

Oda in turn says, “*operations moved to the Bay Center, a spacious structure near the City Hall, with all the relevant agencies and offices housed under one roof. Aside from obtaining clearances there, applicants could also have all their data encoded, as a router was installed that had direct access to the main server at City Hall. This One-Stop Shop made the renewal process take just two days. Business owners feel encouraged to obtain permits, and to personally attend to the processing.*” Business owners then have the opportunity to access credit and other services by having their businesses formally registered.

Indeed, the sign at the Iloilo City Hall saying “No fixers allowed” testifies that a fixed system requires no fixers.

To improve the business and investment climate towards the growth of small and medium enterprises (SMEs) and the subsequent reduction of poverty in the Visayas, the GTZ Private Sector Promotion introduced in 2005 the streamlining of the business registration (Mayor's Permit) project in the cities of Bacolod, Province of Negros Occidental in Western Visayas and Ormoc, Province of Leyte in Eastern Visayas.

The successes in these two cities led to the replication of the project in 2007 in two Western Visayas cities - Iloilo and Escalante respectively in Iloilo and Negros Occidental provinces.

Business registration before the days of the program's intervention was long and practically unmanageable without fixers. More than 20 steps, 20 signatures, and 12 forms were required. On top of taxes and fees, permit or renewal applicants paid a minimum of PhP 4000 to facilitate processing. Using a fixer would cost an applicant an additional PhP 500 at least. The circuitous, unautomated procedures also provided the face to face conditions that enabled a number of the processing staff to collect unauthorized fees from applicants.

These unfriendly circumstances also resulted in many business owners opting to remain in the informal economy instead of registering their business with the government. Consequently, the local government unit experiences loss of business tax revenue from these unregistered businesses.

In response to these circumstances, the Department of Trade and Industry and the GTZ Private Sector Promotion Program collaborated with a team of consultants to design a four-phased approach (diagnose, plan, implement, evaluate) that was used to develop and implement a streamlined business permits and licensing model in Bacolod, Ormoc, Iloilo and Escalante.

Results of these assessments served as bases in developing BPLS improvement measures which were implemented during the year in preparation for the next renewal period. Monitoring and evaluations of results during the renewal period in January in subsequent years following the implementation of the project were carried out.

*GTZ, the German Government's international development enterprise, has cooperated with the Philippine partners for more than 33 years. We strengthen the capacity of people and institutions to improve the lives of Filipinos in this generation and generations to come. Together we work to balance economic, social and ecological interests through multi-stakeholder dialogue, participation and collaboration.*

The improvement in the business permits and licenses application conditions resulted in many benefits. The process became easier on business owners, the required transactional steps and expenses were reduced, corruption was addressed and the overall system was improved.

These improvements also represented significant savings and increases in revenue. The city administrations of Bacolod and Ormoc have each seen their bureaucratic costs reduced by 63 percent, while business tax revenue rose by 42 percent and 41 percent respectively. The number of business permits issued in Bacolod rose by 888 and in Iloilo by 1,580. The efficiency of the streamlined procedures saved Bacolod PhP 10,671,088 and PhP 3,617,250 for Iloilo per year.

After the GTZ Private Sector Promotion intervention, Bacolod was recognized as the *most business friendly city in the Philippines* for two consecutive years in 2006 and 2007 by the Philippine Chamber and Commerce and Industry.

Efforts to streamline the business registration system continue to take place in the Visayas. To date, there are a total of 12 cities and municipalities in the Visayas where the streamlining process has been completed and 47 where it is currently ongoing.

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