Speeding Business Application Processes in the Philippines
By Ted Padova

- The Philippines is ranked 162 out of 183 countries in terms of ease of starting a business, according to the Doing Business 2010 Report.

- The Department of Trade and Industry has moved to raise the country’s ranking by simplifying the process necessary to start sole proprietorships and corporations.

- A significant effort has been the development of the Unified Form in the department’s National Economic Research and Business Assistance Center.

Background

Business license renewals and business taxes have been prime revenue sources for Local Government Units (LGU) and the Government of the Philippines. Each year, every city or municipality collects fees for business licenses and their renewal as well as income taxes imposed on employees. The Bureau of Internal Revenue’s (BIR) collections account for approximately 68% of the national budget.

A national priority is to ease the process of acquiring or renewing business licenses. In 1992, DTI established the National Economic Research and Business Assistance Center (NERBAC) through Republic Act 7470 to fast-track investment inflows and strengthen the country’s business and investment climate.

The Center aims to ease the start-up of businesses. However, by 2006, NERBAC had not achieved much in terms of facilitating investment: the World Competitiveness Report of the same year revealed that the Philippines ranked 49 out of 60 countries.

Challenges

In August 2003, the Philippine Business Registry (PBR) office was funded for 160 million Philippine peso (Php). The funds were allocated by DTI to create a proprietary online processing system for registration of Philippine businesses and business license renewals.

Six years later, in 2009, PBR had delivered prototypes of its online registration form. However, proprietary software had been favored over existing tools.

Some challenges the PBR office then faced included:

- Gaining wide acceptance of the PBR form. Each city or municipality functions as an autonomous unit and no two LGUs require the same information when processing applications for business licenses. Cities and municipalities need the ability to modify forms to suit their individual data needs.

- Marketing a unified form. PBR spent much time meeting representatives from cities or municipalities to pitch the new online registration form “as is.” Rather than modifying forms for individual LGUs, PBR’s effort were channelled in to convincing representatives to adopt the form.

- Final approval rests with Local Government Units. The ultimate decision to use the PBR form lies with individual LGUs. The national government offices in the Philippines has no say over approaches that will be used by cities and municipalities on matters of business licenses.

- In an analog workflow, corruption is much more difficult to control. For example, at the beginning of 2009, President Gloria Macapagal-Arroyo asked BIR to audit businesses in the Philippines for potential errors in tax reporting. The national statistics revealed that more business development and business renewals occurred in 2008 than in 2007. Yet BIR’s total revenue was much less in 2008 than in 2007. Although statistics cannot support a claim that graft increased during the audit period, individual interviews with business owners suggested that officials accepted payments to reduce the tax fees of some businesses. The end result was that, although the President anticipated additional revenue from BIR’s audit, the fees and infraction costs were actually lower than expected.
DTI NERBAC’s Unified Form

Regional DTI offices explored alternatives to attack the problems associated with time lags for processing business applications for sole proprietorships and corporations. Although PBR promised delivery of a system to facilitate business development for sole proprietorships and corporations, regional offices wanted more. The local Davao NERBAC office, for example, hoped for something it could use on an interim basis to help ease the burden of processing application forms for start-up businesses.

In October 2008, the DTI Region XI office in Davao City requested Lane Systems, a Davao City-based software development firm to develop a unified form. Since the agency’s forms are all Adobe PDF documents, Lane Systems used that as the platform to create a unified form.

The enterprise aimed to:

- create an instructive form that simplifies the complicated process of applying for a business license;
- make the form intelligent to help reduce potential user error;
- eliminate redundancies in data entry;
- deliver a form as a living document that maximizes constituent interactivity for handling time delays in acquiring various agency approvals;
- integrate cost calculators to produce fixed cost results for application fees, thereby eliminating the arbitrary fees imposed by individual government workers;
- prepare a form that could be later implemented in a complete electronic workflow; and
- provide flexibility for adding unique LGU requirements.

Within 90 days, the Davao City Unified Form was created and delivered to the DTI Region XI office. All objectives sought by the Davao City office were accomplished. In March 2009 the Davao City Unified Form was introduced at a national DTI conference in Cebu hosted by DTI Undersecretary Merly Cruz. The Davao City Unified Form was unanimously received by all 15 DTI regional representatives and 4 representatives in Manila. At the close of the conference all representatives requested support and training in modifying the form for individual LGUs in their respective areas.

In April 2009, a two-day workshop gathered all regional representatives and the National DTI Office. Unified forms were implemented in 14 out of the 15 DTI regions by May 2009. Region XII in General Santos City requested a local training program. The training was provided in July 2009 and 19 LGUs, comprised of cities and municipalities in the region, developed a unified form. In September 2009, 50 LGUs from Region XII implemented the Unified Form.

In June 2009, Region XII presented the Unified Form and letters of acceptance from 24 LGUs in the region to President Gloria Macapagal-Arroyo. The President issued a formal statement of acceptance to the 24 LGUs for their progress in stimulating business growth in the region. The total cost for the project, including the Unified Form development, training, consulting, and related issues for implementation, was less than Php 200,000.

Conclusion

When developing eForms for government, off-the-shelf software can be used to accomplish results similar to those of proprietary systems at a fraction of the cost. Using more electronic workflows for processing form transactions in government can greatly help reduce corruption and support efficient and economical management.