

Project Name: **Naga Business Licensing Program (NBLP)**

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### **QUESTIONS**

#### **1. What particular incident prompted you/ the organization to launch a program against corruption?**

During the early 1980's, Naga City had lost its former glory as the premier city of Bicol. The third Spanish royal city's vitality and dynamism as the economic center of the region deteriorated significantly. From a first-class metropolis, Naga slid down into a third-class city where gambling, drug trafficking and prostitution were operating freely. Mistrust of the people to the government was also rampant. Businesses were not properly registered with the city government and, as a result, the latter could not raise enough revenue to fund its services for the underprivileged. The city coffers were empty; and the local government had a stunning budget deficit of P1M.

Hence, in 1988, revenue-generation was the over-arching concern of the late Interior Secretary Jesse M. Robredo when he was elected mayor of Naga. For Naga to recover its honor, it was in dire need to bring back its status as a first-class city. Confidence of the people to the city government should be revitalized and business registration processes should be simplified to encourage entrepreneurs to pay their dues religiously.

Thus, in the early 1990's, the city government started working on building a "culture of excellence" at City Hall. This was borne out of the conviction that the local government structure is a major catalyst and mover for attaining a vision of "growth with equity"

(economic progress which also ensures the delivery of basic services to the marginalized). This reform needed capacity-building measures for city government officials and employees; initiatives to change habits and attitudes; and modifications in systems and procedures. The approach to implementing these changes was institutionalized in the Productivity Improvement Program (PIP).

The PIP, established through Ordinance No. 1997-002 (please see Annex A), has two parts – the systems change and the people change. The “systems change” part of PIP led to the streamlining of government services, through development of software applications, more pervasive use of ICT systems, including GIS planning tools, and the introduction of interconnectivity measures to enhance service delivery. The other half of PIP, the “people change” part, addresses capacity-building, values formation and performance measurement.

Through the PIP, the Business One Stop Shop (BOSS) was conceptualized. In an effort to improve the responsiveness, effectiveness and efficiency of processing business permits, city hall departments and other government agencies involved in the dispensation of business licenses were gathered in one place in the city hall compound. Former Naga City Mayor Jesse Robredo inked a partnership with the Bureau of Fire Protection and the Bureau of Internal Revenue to convene for a coordinated business permit and licensing system every January 2 to 21 of the year. Through this, bureaucracy was then streamlined, quick response systems were institutionalized, and red tape was untangled resulting to marked increases in the number of businesses registering with the city government and, consequently, exponential growths in collected taxes.

BOSS, however, is only active for a limited amount of time. Recognizing this restriction, the City Government of Naga created and institutionalized the Naga City Investment Board. Established through Ordinance No. 1997-114 (please see Annex B), otherwise known as the Naga City Investment Incentives Code, the NCIB has been mandated to serve as a year-round one stop shop for business registration. It has a staff dedicated to facilitating business transactions and liaising with other offices. It is also tasked with the administration of incentives of investors in priority development industries.

The Board is heavily participated and influenced by the business sector. Five out of the 10 regular members of the board, excluding the city mayor who sits as chairman of the board, should come from the said sector. The vice chairman of the board, who is vested with the authority to call for meetings and oversee the day-to-day operations of NCIB, is also required to emanate from the private sector. These mechanisms were set up to ensure the relevance and responsiveness of NCIB to the needs of business in the city.

As an instrument of growth, NCIB also formulates and implements policies designed to enhance Naga’s position as an ideal investment destination and to direct investments to

areas where they can best contribute to a balanced economic development. It is at the forefront of maintaining and enhancing the economic competitiveness of the city.

The gains of the aforementioned initiatives are immense. By the end of the 1990s, Naga's economic and social status had enormously improved and highly incomparable to its status in the '80s. Naga retrieved the prestige of being a first class city and the Heart of Bicol. Confidence of the public to the government was also revived. Businessmen had started to cooperate with the city government and, as a result, collection of business taxes soared by approximately 75 percent from P21.413M in 1995 to P37.538M in 2000. With more funds at hand, social services also improved, resulting for Naga to be named as one of the Most Improved and Most Livable Cities in Asia. The Philippine Chamber of Commerce and Industry also elevated Naga as Most Business-Friendly City Hall of Famer.

While Naga's previous initiatives have brought about significant results in revenue generation, service delivery and transparency/civic engagement, the challenge to the city government, with a new mayor at the helm since June 30, 2010, is not just to sustain these governance efforts but also to innovate and improve on them to further spur economic advancement. Given the stiffer competition and changing dynamics of the global market, there is a need to enhance the competitiveness and business-friendliness of the city. Thus, the Naga Business Licensing Program has been established under the term of new City Mayor John G. Bongat.

## **2. Describe the program (goals, actions, start of implementation).**

### Goals

The Naga Business Licensing Program (NBLP) focuses on developing, implementing and sustaining business-friendly and efficient business process licensing system with the following objectives in mind:

1. Introduce new applications and integrate ICT solutions to make procedures more business-friendly; and,
2. Ensure sustainability and continuous development of programs geared towards streamlined and efficient processing of business permits and licenses.

The program, however, still retains the goals of:

1. Encouraging informal businesses to register with the city government;
2. Promoting creation of new businesses;

3. Generating more revenues; and,
4. Reducing administrative and regulatory burdens on businesses.

### Mechanisms/Initiatives

To attain its goals, the NBLP introduced the following mechanisms and/or changes:

#### **1. Online Business Systems**

Towards the end of 2010, new Mayor John Bongat caused the city website to be re-engineered and scaled-up to engage citizens in the local government's re-branding and marketing of Naga under the tagline of "Naga SMILES to the World." SMILES defines the city's priorities of enhancing tourism and generating investments in commercial development and BPO/IT-enabled services, real estate development including retirement facilities and education to boost economic development. These priorities build on the character of the city as the business, historico-cultural, religious and educational center of the Bicol region. SMILES stands for:

- **S**-ee Naga – which encourages tourists to come to the city and enjoy its natural and historico-cultural attractions
- **M**-eet in Naga – that capitalizes on the city's character as Bicol's economic nucleus, positioning Naga as a hub for meetings, conventions and special events
- **I**-nvest in Naga – which promotes the city as a location for preferred investment activities
- **L**-ive in Naga – that aims to market the city as a perfect community to live in due to modern amenities, low cost of living, peace and order and public safety, and quality of life, among others
- **E**-xperience Naga – which promotes governance tourism, building on the reputation of the city as a center for good urban governance
- **S**-tudy in Naga – that draws more local and foreign students to study in Naga being the region's, and partly Southern Luzon's, center of education.

Through this initiative, features allowing businesses to check the status of business and building permits online were also incorporated as an extension of the re-engineered applications for improving business-related processes. Owners of registered businesses are provided with Business Identification Number (BIN) and Property Index Number (PIN) which give them online access to their business license records such as business date, assessment and payments as well as

notifications if they need to secure clearances from concerned offices the next time they renew their licenses.

Application forms are also made available for download from the city government's website ([www.naga.gov.ph](http://www.naga.gov.ph)), further improving the efficiency of business permit and licensing system in Naga.

In addition, local enterprises, institutions, individuals and enthusiasts are encouraged to develop their own sites and contents, and provide links to [naga.gov.ph](http://naga.gov.ph). The city website's advantage is it is the most visited LGU website in the country since 2011, after its ambitious rebranding. In fact, in 2011 alone, the site received more than 10 million hits according to Alexa. It is the biggest repository of information about the city. It is the topmost link in every search query about Naga. It also has accessibility features for the visually-impaired. Links by websites of media outlets, hotels, malls, academic institutions, non-government organizations and other enterprises and individuals increase traffic to their own site, providing them additional avenue for advertising and e-commerce.

## **2. Processing by Exception**

Computerized business licensing and real property tax applications have been in place since 1989 to facilitate business-related functions. Improvements were only introduced through the years to respond positively and efficiently to the challenges of modern times. In 2010, aside from the re-engineering of the city website, the local government also adopted e-TRACS, a packaged application recommended by the Bureau of Local Government Finance (BLGF). However, as opposed to other LGUs that limited themselves to the transactional system of the package, the city government, on its own, developed applications using e-TRACS as a foundation to improve responsiveness. Among these improvements is the processing by exception program.

Processing by exception refers to the city government's innovation of not requiring enterprises applying for renewal to secure fire, building, sanitary and zoning clearances before they are given a Mayor's Permit. Clearances are based on inspections by the relevant government office during the previous year. Before the end of the year, concerned offices should conduct comprehensive inspection of business premises and should already have a list of enterprises that have delinquencies. These firms are then flagged in the city's computerized system. They will then be required to secure the necessary clearance(s) before issuance of a Mayor's permit.

Businesses with no delinquencies (representing more than 90% of those renewing their licenses), however, only secure the signatures of three (3) government officials. This significantly brings down the number of signatories from seven (7).

### **3. Joint Inspectorate Team**

A cornerstone of the processing by exception program is a coordinated and systematic inspection of concerned city hall departments and national agencies. For the program to work, inspections should be made before an enterprise renews its license for business operation.

Lack of personnel and coordination and conduct of separate, uncoordinated inspections by different regulatory offices involved in the regulation of business establishments unduly cause delay in the processing/renewal of business permits/licenses. These delays do not only create an unfriendly environment for business operators but show an unsystematic and inefficient delivery of service by LGUs and national government agencies, unnecessarily opening opportunities for graft and corruption. In recognition of this fact, a Joint Inspection Team was therefore constituted and institutionalized through Executive Order No. 2012-016 (please see attached Annex C).

The Joint Inspection Team is mandated to facilitate joint interaction and cooperation of various inspection offices for them to accomplish all inspection requirements in a single moment. This provides for faster and more efficient processing of licensing requirements in terms of both manpower requirements and service delivery.

The JIT is composed of the Business Permit and Licensing Officer as the Team Leader, with representatives from the City Engineer's Office, City Health Office, City Planning and Development Office, City Environment and Natural Resources Office, City Treasurer's Office, City Legal Office and City Fire Bureau. Although these officers are formed into a team, their respective functions have not changed and diminished. In fact, Executive Order No. 2012-016 outlined the applicable laws and ordinances that should guide the team members in their functions.

To better facilitate the process of inspection, a checklist of requirements is prepared and handed to business owners applying for renewal of business permits. This checklist has been developed through consultations with industry representatives and professional groups and its legal basis has been properly

identified to ensure that all requirements are indeed necessary, feasible and practical.

For purposes of transparency and to curb graft and corruption in the conduct of inspection, the checklist also bear the name of the inspectors and their positions and signature, the time and date of inspection, and acknowledgement by the owner, operator, or manager of the applicant business establishment of (i) the conduct of inspection, (ii) the fact that negative findings, if there are any, were properly explained, (iii) the period given for the business owner to remedy any negative findings, and (iv) the fact that a copy of the record of inspection was provided to them.

#### **4. Institutionalization of BOSS**

The Business One Stop Shop (BOSS) is an arrangement where all concerned agencies or offices involved in processing and issuance of business permits and licenses are organized by the city government in a single common site or location to receive and process applications for business registration thru a streamlined system. It has been implemented by the City Government of Naga since 1997 as among its leading strategies to improve business and investment climate.

The Business One Stop Shop (BOSS) was conceptualized through the Productivity Improvement Program (PIP). In an effort to improve the responsiveness, effectiveness and efficiency of processing business permits, city hall departments and other government agencies involved in the dispensation of business licenses were gathered in one place in the city hall compound by former Naga City Mayor Jesse M. Robredo.

Under the administration of new City Mayor John G. Bongat, the BOSS has been institutionalized via Executive Order No. 2012-017 (please see Annex D). EO 2012-017 provides for the institutionalization of BOSS as a practice for shortening and simplifying business transactions and, consequently, creating a business-friendly permit process, raising the satisfaction level of the applicants and generating local revenues for the city.

E.O. No. 2012-017 also prescribes the procedures for BOSS. It mandates that BOSS should run for one month, starting from the first working day of January and ending on the 31st. However, after the 20<sup>th</sup>, a penalty shall be imposed on applicants for late registration. The process shall commence at 8:00 AM and end at 7:00PM from Monday to Saturday, and, therefore, all personnel involved in the processing and issuance of business permits and licenses are required to render overtime

services from which 30% shall be granted overtime pay while the rest shall be credited as compensatory time-off (CTO) to promote economy.

It also provides the necessary standard steps in applying or renewing business permits with the full assumption that the Joint Inspection Team is active and the processing by exception system is fully operational. There are pre-processing schemes and color-coding system that are provided to better facilitate the processing and dissemination of business licenses and permits.

The application form prescribed under DILG-DTI Joint Memorandum Circular No. 01, series of 2010, has been an adaptation and improvement of the form being used in Naga. Former Naga City Mayor and then Interior Secretary Jesse M. Robredo aimed to promote the best practices of the city in a bid to advance transparency and accountability in government transactions. E.O. No. 2012-017 of Mayor John G. Bongat recognizes the enhancements made by the DILG and DTI on the original application form of the city government and, therefore, decided to adopt the new form for subsequent implementation of BOSS in Naga.

As part of the institutionalization program, the EO enumerates the composition of the Governing Board tasked with the annual implementation of BOSS. The EO also defines the source of funding for its execution.

### **3. Discuss how it involves others in the fight against corruption.**

At the city government level, the NBLP stakeholders are:

<b>STAKEHOLDER</b>	<b>ROLE(S)</b>
1. City Mayor's Office	- Provides over-all direction and champions NBLP initiatives
2. Sangguniang Panlungsod	- Provides the legal framework and the funds for most initiatives
3. Productivity Improvement and Project Monitoring Committees	- Continuously review service standards of all offices, and provides inputs on improvements
4. City Treasurer's Office	- Leads the registration of businesses and the collection of business taxes
5. Information Technology Office (ITO) (elevated into a full-fledged department as	- Designs, develops, installs and maintains ICT tools

early as November 2010, just a few months after Mayor Bongat assumed office)	
6. City Engineer's Office	- Inspects compliance of businesses with the National Building Code and Accessibility Law
7. City Health Office	- Inspects compliance of businesses with the Naga City Sanitary Code and Philippine Sanitation Code
8. City Planning and Department Office	- Inspects compliance of businesses with the Naga City Zoning Ordinance
9. City Environment and Natural Resources Offices	- Inspects compliance of businesses with environmental laws and city ordinances

Forging partnerships with other government and non-government institutions is built into the project design of NBLP, as with the other development practices of the city. Partnerships are venues for resource pooling that allow the city government to tap community resources. These partners and stakeholders are:

<b>STAKEHOLDER</b>	<b>ROLE(S)</b>
1. Naga City People's Council	- Provides the impetus for development and continuing improvement of civic engagement mechanisms
2. Metro Naga Chamber of Commerce and Industry	- Encourages micro, small and medium and even informal enterprises to register with the city government  - Finances and conducts an annual survey entitled Naga City Business Registry Databank which serves as a repository of all business-related information in the city

3. Bureau of Fire Protection	<ul style="list-style-type: none"> <li>- Inspects compliance of businesses with the Fire Safety Code of the Philippines</li> </ul>
4. Bureau of Local Government Finance	<ul style="list-style-type: none"> <li>- Provides financial and technical support for the eTRACS application</li> </ul>
5. Department of the Interior and Local Government	<ul style="list-style-type: none"> <li>- Provides the framework for the practice of fiscal transparency among LGUs, as well as streamlining of business processes</li> </ul>
6. Barangay Councils	<ul style="list-style-type: none"> <li>- Ensures the efficiency of issuing barangay clearances and other required documents to businesses</li> </ul>
7. Various private academic institutions (Ateneo de Naga University; University of Nueva Caceres, etc.)	<ul style="list-style-type: none"> <li>- Provide the ITO with additional technical support</li> <li>- Provide the city government additional manpower, especially in putting up customer assistance desks and emergency response booths</li> </ul>
8. Various business groups, enterprises, non-government organizations and individuals	<ul style="list-style-type: none"> <li>- Partners with the city government in encouraging micro, small and medium enterprises to register and religiously pay their taxes</li> <li>- Partners with the city government in ensuring that city programs and policies are business-friendly and responsive to the needs of entrepreneurs</li> </ul>

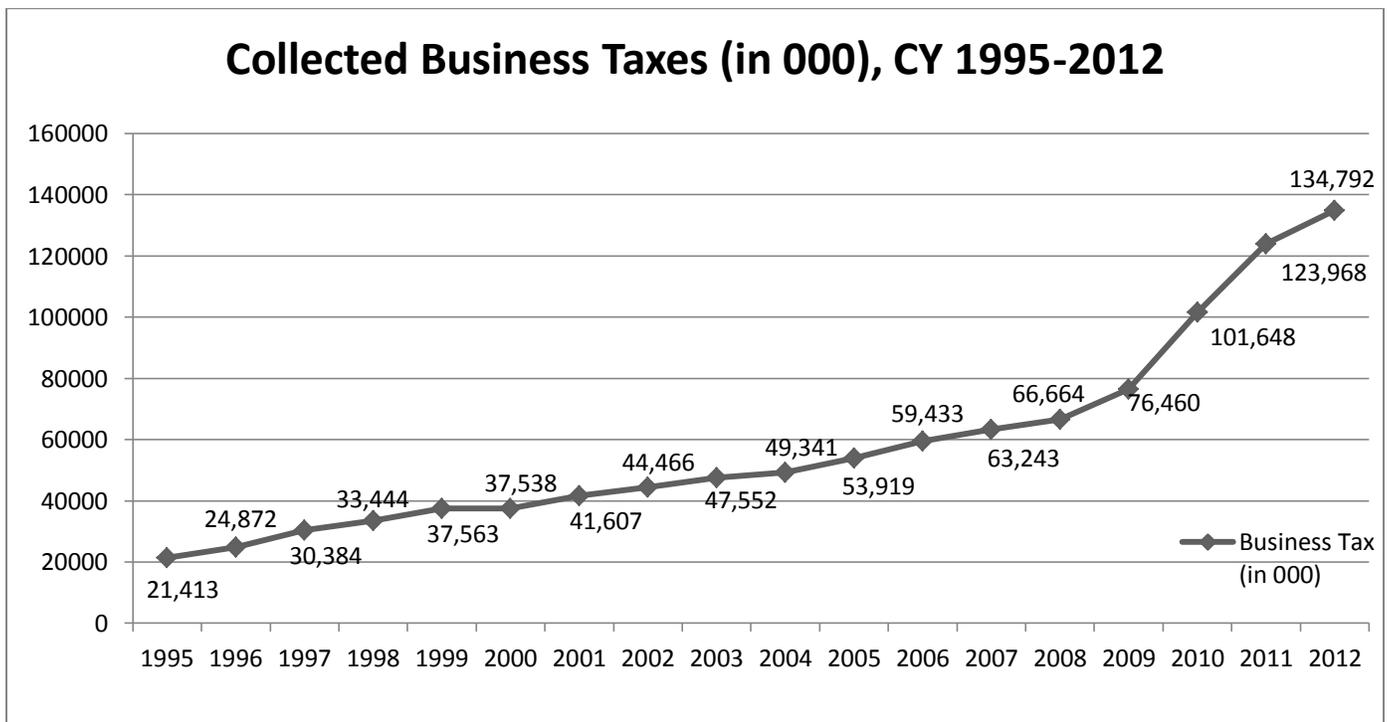
NBLP is a product of the efforts of an entire community, working together to surmount the limitations of a small city, build a better brand of governance, promote economic growth and, ultimately, improve the Nagueño's quality of life (please see Annex E for some pictures of BOSS).

#### 4. What have been the results so far, and how have the results been assessed?

The NBLP is a sustained and improved program founded on the continuing efforts of the city government to streamline business licensing systems, generate more revenues and curb red-tape and corruption. Since the inception of the BOSS in 1997, the number of enterprises that apply for business permits and licenses has gone up on the average of 10 percent per annum, or an addition of approximately 500 new businesses in the city per year.

In 1995, the City Treasurer was able to collect an amount of P 21,413,336.78 in business taxes. In 1998, a year after the implementation of BOSS, the said amount increased by 56.18 percent to P 33,444,040.22. In 2009, a year before Mayor John G. Bongat introduced new initiatives through the Naga Business Licensing Programs, business taxes surged to P 76,459,862.53.

Through sustained efforts and improvements on existing programs, however, collected business taxes have even risen exponentially. In 2010, P 101,647,732.61 were collected. This increased to P 123,968,287.73 and P 134,791,539.08 in 2011 and 2012, respectively, or an annual average growth of 20 percent. Below is a graph showing the city government's business tax collection from 1995 to 2012.



DILG-DTI Joint Memorandum Circular No. 2010-001 provides standard processing time of one to five days for renewal of permits. Through NBLP, however, the renewal of

business in Naga only lasts for four hours, or half day. This results to substantial decrease in transactional and opportunity costs to entrepreneurs.

#### **5. How can the program be replicated by other groups or individuals?**

NBLP and its mechanisms/components is easily replicable. The program is easily transferable as LGUs do not have to adopt all of its components. These are modular. Replicability can be seen in the number of LGUs that already implement BOSS and the eTRACS of BLGF, as well as in the number that have adopted a) the programs enumerated in the Anti-Red Tape Act; and b) streamlining of business permit and licensing system through the DILG-DTI Joint Memorandum Circular No. 2010-001.

A key factor, however, is political will and strong leadership in implementing the initiatives cited above. The other factors of having a legislative/executive framework, building ownership, enhancing personnel and ICT capacities and developing partnerships shall come later.