

REFORMS AND PRACTICES IN LOCAL REGULATORY GOVERNANCE: THE CASE OF THE PHILIPPINES

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Introduction

The emergence of a global economy has considerably affected the role of local government in the governance of communities. Environmental changes and complex demands from the community require the local government to be not only a service provider but also an enabling authority which would provide the right kind of environment to facilitate the economic development of the community. This means that local government should take a proactive stance in leading the planning and development of the local economy by providing the necessary framework for the promotion of economic enterprises and activities.

The enabling role of local government in economic development emphasizes a two-way relationship between the private sector and the local government in addressing the concerns in economic promotion. For instance, the local government negotiates with the private sector in coming up with planning agreements on how to develop the community. In areas where the private sector is hesitant to come in as investor, the local government takes the initiative and risks in developing and diversifying the economic base of the locality. It has to provide the necessary support mechanism such as infrastructure facilities, efficient and better goods and services, and policy support for the attraction of more investments into the area and to encourage the spirit of enterprise to pave the way for the generation of more economic activities in the locality.

Given its two-way relationship with the private sector, local government is placed at a focal point of relationships and linkages with the private sector (Legaspi, 2001). It is in this context that the local government role on regulation is given focus and emphasis. It is important that the activities of the private sector and other non-government bodies are regulated and monitored to level the playing field as well as to encourage the development and establishment of more economic enterprises and activities in the local area. This role then gives rise to a number of questions, which have to be answered to improve on the regulatory governance at the local level and thus, facilitate the economic development of the community. First, what is the state of the regulatory framework at the local level? Second, does the regulatory framework facilitate or hinder economic

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development? What are the issues and concerns in regulating business or economic activities in the local area?

This paper attempts to respond to the above queries. It showcases two urban local authorities in the Philippines: Quezon City and Dagupan City. The former is a premier local government authority in the Manila Metropolitan area and the latter is a second class city in terms of income and is located north of Manila. The paper examines closely their regulatory systems, focusing on their business licensing systems. It also looks into the issues, problems and concerns in regulating the operations of business establishments and enterprises in the two cities. The actual practices, changes and reforms in the licensing system are documented by the paper as well as the effects of the regulatory system on the promotion of business or economic activities in the cities.

There are five interrelated parts of the paper. The first section is the conceptual framework where the concepts of regulation and regulatory governance are defined as they are used in the paper. The second part presents the legal framework for local regulatory governance. It discusses the constitutional and the Local Government Code provisions relevant to the regulation and promotion of economic development. The third section focuses on the national regulatory systems. It discusses at length the roles and functions of the national government agencies, which influence or affect the operations of local governments. The fourth part presents the local regulatory systems. It dwells on the structural or economic and legal or administrative systems at the local level. Special discussion is given to the business licensing system of local government. The fifth section focuses on the case studies on Quezon City and Dagupan City, and presents a comparative perspective on the experiences of the two local authorities in terms of the practices and reforms introduced into their business licensing systems. The last part summarizes the key issues and concerns in local regulatory governance and draws some concluding remarks based on the discussions from all the sections.

Conceptual Framework

The new public administration paradigm emphasizes the shift from government to governance. As broadly defined, governance is the “system of values, policies and institutions by which a society organizes collective decision-making and action related to political, economic and socio-cultural and environmental affairs through the interaction of the state, civil society and the private sector” (Work, 2003). This definition points out the key actors in governance: the state, civil society and the private sector. In local governance parlance, the local government as the state, is the principal actor in the local development arena. It is seen as the authority that wields power and influence over the other elements of society. As such, it plays an active role in enabling and facilitating the

participation of these elements. It thus provides the legal and regulatory framework within which the organizations and institutions plan and implement their programs and activities (Carino, 2000).

The civil society and the private sector also wield certain influence in the decision-making processes in the local community. They are seen as partners of the local government in policy formulation, service delivery, program implementation, monitoring and evaluation. The local government is no longer the sole source of policies and information and resources. Thus, it becomes imperative for the local authority to share with the civil society groups, information, resources, technologies and even personnel to attain development objectives in the community. And it does this through the processes of networking and partnership.

In the pursuit of local economic development goals, the local government takes a backseat role as it gives primacy role to the private sector by being the so-called “engine of growth” in developing the local economy. This implies that the local government views the market as the most efficient and economical mechanism in the provision of goods and services. This does not mean however, that the local government abdicates its role in providing a level playing field for those organizations or groups, which cannot compete openly because of certain disadvantages and structural disabilities. In other words, the local authority should be able to provide the “safety nets” for those disadvantaged groups to enable them to compete in the external market.

Although the local government plays a residual role in the economy, it can be an interventionist in providing direction in local economic planning as well as in regulating the operations of business or economic players for the protection of the public interests. Thus, the local government regulates the entry of business through the fulfillment of certain conditions based on legal measures or resolutions passed by the local council. It also conducts post-licensing monitoring to ensure that the license conditions are being complied with. These regulatory measures are undertaken with the imposition of certain sanctions for those who cannot come up with the set standards or conditions for the entry or operations of business.

The state of governance thus stresses the regulatory role of the local government. It is in the business -licensing role that is given focus in this paper.

Defining Regulation

The concept of regulation has varied meanings. According to Baldwin and Cave (1999), the term can be viewed as a “specific set of commands; as deliberate state influence; and as all forms of social control or influence”. In the first sense, regulation involves a set of promulgated rules applied by a body created for this purpose. An

example of this would be the set of environmental protection rules implemented by the Environment Management Bureau of the Department of the Environment and Natural Resources. The second sense of the term covers all actions of the state or local government as used in this paper, that are designed to restrict or influence activities of the various social and economic groups in the community. For instance, the formulated policies by the local government on economic incentives for the business sector definitely influence the decisions regarding the expansion or establishment of new businesses in the area. The third sense of the concept involves all those mechanisms affecting behavior, whether these are derived from the local government or from other sources such as the market.

The above definitions seem to point out the negative implication of the concept, which restricts or constricts activities or behavior of individuals or groups. It implies the occurrence of negative consequences (such as sanctions) if an individual or groups do not follow the given rules. But then, what appears to be important in the state of governance is the facilitative or enabling aspect of regulation. As stated, the local government formulates policies and lays down the ground rules for the operations of individuals and groups, most especially the business sector, to promote order and public safety.

The Regulatory Instruments

There are two main forms of regulatory instruments as explained by Ogus (2001). These are the economic and social regulations. Economic regulation “applies to markets which are insufficiently competitive” (Ogus, 2001: 10). This means that there is a need to come up with certain measures to make or enhance the competitiveness of the market such as the formulation of a law on competition and the passage of legal measures on controlling the price and quality of products and services. On the other, social regulation deals more on the promotion of public welfare, health and safety. This further implies that rules are applied to the operations of the business firms to control their activities for lose abatement. The activities related to this are: 1) prior approval, where the firms are required to first secure a license or permit to operate from an authorizing agency; 2) mandatory standards, where the companies have to meet certain standards, both performance and specification, set by the agency tasked to formulate the standards; 3) information disclosure, where the establishments are required to disclose to the public information regarding harms and risks that may arise from the operational activities and the product; and 4) economic instruments, where the local government can offer incentives to the firms in the form of a tax or charge (Ogus). This could also be seen as a

policy instrument where the local government adopts a policy of tax holiday for business firms for a certain tax payment period to encourage more investments into the area.

Nevertheless, the more important aspect of social regulation in governance is the control of certain operational activities of the firm for the health and safety of the general public. Thus, the enabling role of the local government puts premium on the social aspect of regulation primarily because of the need to protect the interest of the public and to promote more economic activities in the community for the people's general welfare and well being. However, social regulation may also be viewed as an instrument for the consolidation of the economic and political power of the local leaders or politicians (Ogus and Zhang, 2003). By imposing certain regulatory measures on the entry or operations of economic or business firms, the leaders or politicians may be able to block the entry of certain businesses which would run counter to their economic or political interests. This situation is especially true in a third world economy where the distinctions between economic and political elites are blurred. The same case goes for public officials who are tasked to implement the regulatory measures for the entry of business firms. Given certain discretionary powers, they are provided with the opportunity to commit graft and corruption. This may explain their interest to maintain the system of entry controls.

The concept of social regulation implies then the promotion of public welfare and interests as well as the advancement of private interests. The following sections of the paper will therefore explore the operationalization of the concept of social regulation in local governance in a developing economy like the Philippines, focused on the business licensing system.

The Legal Framework for Local Regulatory Governance

Local regulatory governance in the country has its basis on the Constitution and the Local Government Code of 1991. The regulatory and interventionist role of the state is clearly enunciated in the declaration of state policies of the 1987 Constitution while the Local Government Code provides for the regulatory powers of local governments.

The 1987 Constitution

Article II, Section 9 of the 1987 Constitution declares that: " The state shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all." This policy clearly indicates the role of the government as a protector of human rights and promoter of welfare. In terms of

economic policies, the nationalistic orientation of the Constitution can be seen in the provision of Section 19 which states that: “The State shall develop a self-reliant and independent national economy effectively controlled by Filipinos”.

While the above policy lends towards a very nationalistic mode, the spirit of free enterprise is also ordained in the Constitution. Section 20 thus states that: “The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.” However, there are some limitations imposed. These are found in the provisions of the Article on National Economy and Patrimony, which stress the duties of the State to:

- Ensure the right to own, establish, and operate economic enterprises, subject to the duty of the State to promote distributive justice and to intervene when the common good so demands; and
- Regulate or prohibit monopolies when the public interest so requires, and prohibit combinations in restraint of trade or unfair competition.

Apparently, the declared Constitutional policies and provisions highlight the role of the government in social regulation. They provide the basis for the facilitative or enabling role of government in protecting the public interest and promoting the general welfare of the community.

The Local Government Code

The 1987 Constitution devotes an entire article on local governments (Art. X) which includes some significant provisions such as the following:

- The territorial and political subdivisions of the State shall enjoy local autonomy (Sec.2);
- Congress shall enact a local government code which shall provide for a more responsive and accountable local government structure instituted through a system of decentralization (Sec. 3); and
- Each local government unit shall have the power to create its own sources of revenues and to levy taxes, fees, and charges subject to such guidelines and limitations as the Congress may provide, consistent with the basic policy of local autonomy (Sec. 5).

Further, the State has granted the local governments police power through the General Welfare Clause of the Code, which gives them as much power “as necessary, appropriate, or incidental for their efficient and effective governance and those which are essential in promoting the general welfare “ (Tabunda and Galang, 1992). The local

governments then have more flexibility in exercising their powers to ensure the attainment of the objectives of the following:

- Preservation and enrichment of culture;
- Promotion of health and safety;
- Right of the people to a balanced ecology;
- Development of appropriate and self-reliant scientific and technological capabilities;
- Improvement of public morals;
- Economic prosperity and social justice;
- Full employment among the residents;
- Peace and order; and
- Comfort and convenience of the inhabitants.

The Regulatory Powers of Local Governments

Based on the principle and policy of local autonomy, the Code has transferred certain regulatory powers of national government agencies to the local governments. This act serves to enhance the police power conferred on the local governments by the general welfare clause. These powers include the power to reclassify agricultural lands, enforce environmental laws and the Building Code, process and approve subdivision plans, inspect food products, and regulate the operation of tricycles. Aside from these expressly devolved powers, the local governments may also regulate the provision of health , social welfare, agriculture, public works, and other services already devolved to them.

The power to tax and to impose levies, fees and charges by the local governments can be seen likewise as part of their regulatory powers. In terms of economic concerns, they give business licenses and permits to establishments or enterprises before the firms can operate in their respective local jurisdictions. The collection of business taxes can also be viewed as an economic instrument, a form of social regulation imposed by the local governments.

The National Regulatory Systems

The power and functions to regulate are lodged with both the national and local governments. There are national laws and executive orders, which form part of the regulatory regime. For the purpose of this paper, discussion will center on the national government agencies, whose mandates affect or influence the operations of local governments particularly the business licensing system at the local level.

Agencies in the Local Regulatory Regime

A number of national government agencies form part of the local regulatory regime most especially in the business licensing system, by virtue of their mandated functions as defined by national laws or executive orders creating them. They grant certificates, licenses, or clearances to the business firms or enterprises before they can engage in a business activity in the locality. Among the more important agencies are the Bureau of Fire Protection of the Department of the Interior and Local Government, the Department of Trade and Industry, Securities and Exchange Commission, the Bureau of Food and Drugs of the Department of Health, and the Department of the Environment and Natural Resources. The other government agencies are outlined in the succeeding sections of the paper.

The **Bureau of Fire Protection** has its fire station in every municipality or city in the country. The head of the station is designated as the Fire Marshall of the locality and forms part of the team of the local chief executive in safeguarding the community against conflagration. However, the head of the station is under the administrative supervision and control of the Secretary of the Department of the Interior and Local Government (DILG). In other words, the mayor does not exercise administrative control over the fire station which operates in the local jurisdiction. By virtue of the provisions of the Fire Code, the fire station is responsible for the implementation of the said Code. Thus, it grants the fire safety inspection certificate to business establishments as one of the requirements in the issuance of business permit or license.

As mandated by Executive Order No. 133, the **Department of Trade and Industry** practically covers all aspects of the country's economy through the functions of its attached agencies and its line operating bureaus. The DTI has regional offices in all the administrative regions of the country and provincial and city offices. As a requirement, business corporations or partnerships should register with the Securities and Exchange Commission, an attached agency of the DTI. For single proprietorship type of business, proprietors must register the tradenames of their businesses with the local offices of the Department.

The **Bureau of Food and Drugs** is one of the bureaus of the Department of Health. As provided for by R.A. 3720, the BFAD issues licenses to business establishments engaged in the manufacture of food, drugs, and cosmetics. It can also revoke said licenses in case of violations of the promulgated rules and regulations pertaining to the implementation of the said law.

Executive Order No. 192 has mandated the **Department of Environment and Natural Resources (DENR)** as the primary government agency responsible for the

conservation, management, development and proper use of the country's environment and natural resources, including those in reservations, watershed areas and lands of the public domain, as well as the licensing and regulation of all natural resources utilization as may be provided by law. Among its powers and functions are:

- Promulgate rules and regulations in accordance with law governing the exploration, development, conservation, extraction, disposition, use and replenishment of the country's resources;
- Exercise supervision and control over forest lands, alienable and disposable lands, and mineral resources and impose appropriate payments, fees, charges, rentals and any such form of levy and collect such revenues for the exploration, development, utilization or gathering of such resources;
- Implement measures for the regulation and supervision of the processing of forest products, grading and inspection of lumber and other forest products and monitoring of the movement of timber and other forest products; and
- Promulgate rules and regulations for the control of water, air and land pollution; promulgate ambient and effluent standards for water and air quality including the allowable levels of other pollutants and radiations.

Based on the above mandate and functions, the DENR requires business establishments particularly the manufacturing ones, to come up with their waste disposal and anti-pollution programs before they are issued an environmental clearance certificate (ECC). This certificate is an indication that the firm has complied with all the rules and regulations pertaining to the protection of the environment. In fact, one of the requirements for the firms is to appoint or designate a pollution officer who would be responsible for overseeing the waste disposal and anti-pollution programs of the company.

The Local Regulatory Systems

The local government is the principal institution at the local level, which provides basic services to the constituencies and regulates the establishment and operations of business enterprises. The executive branch, headed by the mayor, executes policies and implements laws passed by the legislative council, which is presided over by the vice-mayor. There are various departments and offices under the administrative supervision and control of the mayor who serves as the local chief executive. These include the offices on health, agriculture, engineering, social welfare and development, planning,

environmental management and protection, treasury, accounting, budget, assessment, and office on business permit and license. All of these offices and departments are mandated to provide basic services and functions to the community.

As pointed out earlier, the local government has been granted by the Local Government Code with some regulatory powers to enhance its police power which has been conferred by the general welfare clause of the Code. These include the power to reclassify agricultural lands into residential, commercial, or industrial through the passage of an ordinance; enforce environmental laws via the creation of an office for this purpose; enforce the Building Code through the Office of Engineering where the City or Municipal Engineer acts as the building official of the local unit; process and approve subdivision lands based on the zoning ordinance and approved land use plan of the local unit; inspect food products in accordance with the Sanitation Code; and regulate the operation of the tricycle (a local mode of transportation similar to the rickshaw).

The local government derives its income mainly from real property taxes, business taxes, and internal revenue allotment share from the proceeds of taxes imposed by the national government. In particular, the city and municipal governments, most especially the urban centers and the urbanizing ones derive a large amount of income and revenues from business taxes. Income derived from license fees is not much compared with the proceeds from business taxes. This makes the office on business permit and licensing a very important unit in the organizational set-up of the local government. It takes charge of the issuance of business permits and licenses to the business establishments. Usually, the office is placed directly under the Office of the Mayor for the purpose of regulating the issuance of permits to operate and for monitoring the operations of business enterprises to promote public welfare and safety, and to encourage more business activities in the local area.

Requirements for the Issuance of Business Permit and license

Business establishments are usually categorized into new and old. For the new ones, business proprietors have to get a building permit from the Engineering Office to be able to construct their offices or buildings; barangay clearance (this indicates that the village government approves the operation of the business in the area); locational clearance (whether business location is within the approved zone area based on the land use plan of the local government) from the Planning and Development Office; certificate of electrical inspection from the Engineering Office; fire safety inspection certificate from the Fire Station of the Department of Interior and Local Government; contract of lease (if business place is rented) or proof of ownership (if place of business is owned); occupational permit of employees from the Office of Business Permit and

License; and health and sanitary permit from the Health Office. Except for the building permit required of new businesses, the other clearances are also required of old businesses renewing their licenses to operate.

In the case of corporations or partnership type of business, the following are required to be submitted to the Office of Business Permit and License: 1) Securities and Exchange Commission registration; 2) articles of incorporation; and 3) corporate community tax. For single proprietorship, trade name from the Department of Trade and Industry must be submitted.

There are other required licenses, certificates, and clearances from various government agencies that have to be availed of in addition to those listed above. These would depend on the type of business as shown below.

Type of Business	Agency
1. Retailer/wholesaler/manufacturing of veterinary feeds and veterinary clinics	Bureau of Animal Products, Industry
2. Retailer/wholesaler/manufacturing of pharmaceutical and food products (including importation)	Bureau of Food Administration
3. Business corporations with foreign investors having big shares of stocks, 100 % foreign investors	Board of Investment
4. Custom broker, real estate broker, insurance broker	Broker's license
5. Foreign exchange dealer, lending investor, money Changer/shop	Central Bank Accreditation or License
6. Drug test center	Dangerous Drug Board
7. Auto repair shop, electronic repair shop, telecommunication repair shop, and other repair shops except shoe repair shop and upholstery and furniture shop	Department of Trade and Industry Certificate of Accreditation
8. Private schools (elementary and secondary) and Preparatory schools (nursery to kindergarten)	Department of Education
9. Hospitals, clinical, dental, and x-ray laboratory Drug rehabilitation centers	Department of Health
10. Local employment agency	Department of Labor and Employment
11. Gasoline station	Energy Regulatory Board
12. Pest control services; importers/retailers/wholesalers of fertilizers and pesticides	Fertilizer and Pesticide Authority license
13. Insurance agency, insurance broker	Insurance Commission license
14. Retailer of liquor; wholesaler/importer of local and imported wines and liquor	Liquor Licensing Regulatory Board

15. Franchise for taxi/jeepney/bus operators	Land Transportation Franchise Regulatory Board
16. Smoke emission test centers; driving school	Land Transportation Office
17. Movie theaters, movie producers, radio and T.V. stations	Movie and Television Review and Classification Board
18. Retailer and wholesaler of rice	National Food Authority
19. Telecommunication site; repair of telecommunication equipment; internet provider	National Telecommunication Commission
20. Retailer/wholesaler/contractor in the repair of firearms and ammunition; retailer/wholesaler of firecrackers and other polytechnic items	Philippine National Police- Firearms and Explosives Office
21. Overseas recruitment agency; shipping manning agency	Phil. Overseas Employment Agency
22. Manufacturers of plastic, chemical; industrial, pharmaceutical and food (meat and fish products); fabrication of glass, steel and aluminum products	Department of Environment and Natural Resources Environment Compliance Certificate
23. Training centers for: caregivers, dancers/singers, skilled workers	Technical Education and Skills Development Authority
24. Retailer/wholesaler of video, CD,DVD, and cassette tapes	Videogram Regulatory Board
25. Bingo games in shopping malls	Games and Amusement Board
26. Security agency, security guard and training school	Philippine National Police -Supervisory Office for Security Investigation Agency
27. Vocational school	Unified Technical Vocational Education Training Program Registration and Accreditation System

The Process or Procedure in Securing the Business Permit or License

Generally, a business proprietor goes to the Office of the Mayor for application of business permit or license to operate annually. This is usually done on the first month of the year. If the proprietor has to construct yet the building or facility, then he/she has to apply first for a building permit from the Office of the Engineer for the construction of the building or facility. Parts of the building permit to be issued are the electrical, plumbing or sanitary, excavation, and mechanical permits based on the building plan. If the building already exists, then the proprietor has to submit a copy of the contract of

lease if the place of business is rented, or proof of ownership if it is owned. The proprietor also has to obtain clearances or licenses from the various agencies listed above depending on the kind of business he/she is operating.

Aside from the above listed licenses or clearances, the proprietor has to secure first the following before the permit is issued: 1) barangay clearance from the barangay government where the business is located and pay for the clearance fee. However, if such clearance is not acted upon by the barangay within seven (7) days after filing thereof, then the municipal or city government may issue the permit applied for; 2) locational clearance from the Office of the Planning and Development Coordinator to ensure that the place of business is within the approved zoning or land use plan based on the zoning ordinance of the municipality or city; 3) certificate of electrical inspection from the Office of the Engineer; 4) fire safety inspection certificate from the Fire Station; and 5) health certificate for all employees of the establishment and sanitary permit for the business place.

Before the certificates of electrical inspection and fire safety inspection and sanitary permit are issued to the business proprietor, the establishment has to be inspected by the representatives of the Office of Engineer, Fire Station, and Health Office respectively. This is to ensure that the establishment has complied with all the sanitation and safety standards and requirements imposed by the said offices, based on the national codes passed such as the Sanitation Code, Building Code and Fire Safety Code. After submission of the said permits, the representative of the Business Permit and License Office makes the final visit to the establishment to make sure that the facility is located in the proper place in accordance with the zoning ordinance of the local unit.

The last stage of the process is the payment of permit fees. The fees to be paid would be based on the revenue code or tax ordinance of the local government unit, which specifies the rate of payment depending on the kind of business or the aggregate area utilized by the business.

As part of the regulatory or police powers of the local government, it is imperative for the local unit to conduct ocular inspections of all business establishments even after they are granted the permit to operate, to ensure the promotion of the health, moral, peace, good order and safety, and general welfare of the people. This is part of the local authority's post-licensing monitoring to know whether or not the license conditions are being complied with. Most local governments do not institute a monitoring scheme or feedback mechanism for the purpose of getting reactions or complaints from the consumers or clients. What some consumers or clients do is file a formal complaint to the local government. But this is rarely done. With a formal complaint, the local government officials are constrained to respond to the problems. Nonetheless, most clients are not

encouraged to follow this mode because of the expected hassles and sometimes, harassment from the public officials concerned.

The Business Licensing System at the Local Level: The Quezon and Dagupan Experiences

To understand better how the business licensing system operates at the local level, the cases of Quezon City and Dagupan City are presented below. Data and information were gathered from documents, annual reports, accomplishment reports, and financial statements from the city governments. Interviews with the city officials concerned and other key informants were conducted. Perceptions from the business community particularly some members of the manufacturing sector were also gathered through interviews.

The Quezon City Experience

A Brief Profile of the City

Located at the northern part of Metro Manila, the city is bounded on the north by Caloocan City and San Juan Del Monte, on the south by Pasig, Mandaluyong and San Juan, on the west by Manila, Caloocan, Valenzuela and on the east by Rodriquez, San Mateo and Marikina. Comprising of 142 barangays, it has a total land area of 16,112.12 hectares, representing about 25 % of the total land area of Metro Manila. Its population is considered to be the largest in the metropolitan area with 2, 173,831 people (2000 census) and an average growth rate of 1.92 % (1995 – 2000).

Based on actual use of land, a large portion of the area is devoted to commercial and industrial uses with 33.74 %; followed by government uses, 31.44 %; residential, 23.77 %; and other uses, 11.05 %. With a big portion of the area used for commercial and industrial purposes, there is a great potential for the increase in the number of business establishments in the city most particularly the manufacturing type of business. A look at the number of business permits newly issued and renewed in CY 2001 shows that there are 52,245 establishments. The major types are: Retailers, 35 %; Wholesalers, 18 %; Restaurants, 11 %; Small-Scale Service Providers, 11 %; Manufacturers, 10 %; and Contractors, 10 %.

The total income of the city was placed at P3.64 B (General Fund) in CY 2001 with the following major sources: 1) Internal Revenue Allotment, 35%; 2) Business Taxes, 28%; Real Property Taxes, 24%; 3) Non-Tax Revenues, 7%; and 4) Other Taxes, 6 %. In terms of the income from business taxes, the manufacturing sector contributed the biggest, about 28% to the total business tax revenues of the city government.

The city government expenditures totaled to P3.83 B in CY 2001. Most of the expenditures went to public welfare and safety, getting 60% of the total amount; general government, 2 %; loan amortization, 3%; economic development/ operation of economic enterprises, 4 %; and other charges, 13 %. The figures indicate that the city government had given priority to the concerns regarding the promotion of public welfare and safety. This further implies that part of the amount was spent for the exercise of its regulatory or police powers over business establishments in the local area.

The Structure for the Issuance of Business Permit or license

The Business Permit and License Office (BPLO) under the Office of the City Mayor is the organizational unit in-charge of the issuance of mayor's or business permit. Headed by the Chief of Office and assisted by an Assistant Chief, the office has four (4) divisions for operations, namely: Business Permit Division, Inspection Division, Occupational Permit Division, and Records and Statistics Division. Providing administrative support to the whole office are two groups: the Better Business and Enforcement Group and the Administrative Group. To respond to the need of making the office accessible to the business establishments in the area where most of the manufacturing firms are located, the city government put up a district office in Novaliches, one of the biggest districts of Quezon City (please see Figure 1 for the Organizational Chart of BPLO).

The Business Permit Division supervises the processing, preparing and encoding of all business permits. It has four (4) sections or groups: the Evaluation Section, New Business Section, Renewal Section, and Releasing Section. It must be noted that for the purpose of facilitating the issuance of permits, applications of new businesses are acted upon separately from those coming from the old establishments or those which need only to renew their permits; hence, the two separate sections. The Evaluation Section takes charge of the issuance of application form and extends assistance in filling up and accomplishing the form. It also receives and reviews duly accomplished application forms and refers them to the different city departments or offices concerned. As the name implies, the Releasing Section releases the approved business permits and issues the business plates and stickers.

The function of inspecting the business firms is lodged with the Inspection Division. It takes charge of the inspection or verification of the operations of business establishments and other occupational undertakings. It also investigates complaints received by the office. Meanwhile, the Occupational Permit Division processes, prepares and records the occupational permits issued.

The Records and Statistics Division receives, sorts, records and files all copies of business and occupational permits issued. These include the new and renewed business permits. Under this division is the Clearance Section, which receives, sorts, records, and updates violation reports from the Inspection Division. An important function of this section is to verify whether the business firm applying for a permit has any pending case of violation of rules and regulations, and laws with the BPLO.

On the Better Business and Enforcement Group, the unit is tasked to take charge of all legal matters pertaining to business operations. It also refers cases to the City Attorney or the City Prosecutor's Office for evaluation and action.

The BPLO has a total number of 126 staff or personnel distributed as follows: Business Permit Division, 32; Inspection Division, 29; Occupational Permit Division, 9; Records and Statistics Division, 17; Better Business and Enforcement Group, 7; Office of the Chief, 14; Administrative Group, 8; and the Novaliches District, 9. It can be noted that the number of staff assigned to do inspection before and after the issuance of the permit is not adequate considering the big number of establishments (more than 50,000) in the city.

The Process or Procedure of Securing Business Permit

The procedures for getting business permit are not the same for new and old business establishments. For a new establishment, the business proprietor fills up an application form from the BPLO. The Evaluation Section checks the form if it is properly filled up and advises the proprietor to secure all the required documents for the processing of the permit. These include the following: barangay clearance, locational clearance from the Office of the Zoning Officer; sanitary permit from the City Health Officer; certificate of electrical inspection from the City Engineer; certificate of mechanical inspection from the City Engineer; fire safety inspection certificate from the Office of the City Fire Marshall; certificate of accreditation from the Head of the Cultural and Tourism Affairs Office; and all other clearances required from other national government agencies and offices listed previously, depending on the kind of business to be put up in the city.

There are specific types of businesses, which need the approval of the city council such as telecommunication site center, contractor of installation of telecom

equipment and cabling, wholesaler/retailer of telecom equipment, gasoline stations, bingo games, off-track betting, “perumahan” station, private markets, shopping malls, and slaughterhouses.

Aside from the sanitary permit required by the City Health Officer, employees of the establishment must also secure a health certificate to ensure that they are in the best of health. Likewise, a copy of the safety inspection certificate must be submitted to the office before the release of the sanitary permit to the business proprietor.

If the place of business is to be constructed yet, then the proprietor must secure a building permit from the City Engineer. After the completion of the construction, there is a need for the issuance of occupancy permit from the same office. However, before the issuance of the said permit, the proprietor must present a copy of the health and sanitary permit and the certificate of fire safety inspection. On the other hand, if the place is rented, then the contract of lease is required to be presented to the BPLO and proof of ownership if the proprietor owns the place.

For corporations or partnership type of business, copies of the Security and Exchange Commission registration, articles of incorporation and corporate tax payment are required to be submitted to the BPLO. For single proprietorship, trade registration from the Department of Trade and Industry is required.

The issuance of the above permits from the different city offices require the conduct of visitations or ocular inspections by representatives of the offices or departments concerned. This takes sometime considering that there are many establishments in the city.

After securing all the necessary documents, the business proprietor submits them to the Evaluation Section for another review. If everything is in order, then the evaluator prepares the claim stub and states on the stub the date the business applicant should return to pay the fees and charges. The papers are then forwarded to the Records Section for encoding the data on the application to update the database. Copies of the mayor’s permit or business permit are generated from the computer and forwarded to the Chief of the Business Permit Division for his initials. The copies of the permit are submitted to the Chief of the BPLO for his final signature. The proprietor goes to the Assessment Section of the City Treasurer’s Office for an assessment of the fees and charges to be paid after getting a copy of the signed permit. A computerized tax bill is generated for the review and approval of the City Treasurer. The proprietor pays the fees and charges upon approval of the tax bill, and presents to the Releasing Section of the BPLO the official receipt of payment and the copy of the tax bill for the final release of

the business permit (please see Figure 2 for the flow chart on the process of securing business permit).

In the case of old establishments, the City Administration has made a distinction between “low risk” and “high risk” businesses. As defined in the Executive Order No. 30 issued by the City Mayor, the “high risk” businesses are those that require the use of “equipment and machineries or expose individuals to risk caused by overcrowding, prolonged physical confinement, exposure to toxic, environmental hazards, or similar situations”. These establishments include shopping malls, hotels, motels, apartelles, inns, dormitories, theaters, auditoriums, cockpits, boxing arenas, firing ranges, convention halls, concert halls, hospitals, laboratories, junk shops, gasoline stations, cooking gas outlets, LPG refilling stations, schools, manufacturing plants, assembly plants, distilleries and breweries, compound mixing plants, chemical warehouses, night clubs, sauna bath houses, beer houses, KTV bars, disco houses, and cocktail lounges.

In the renewal of the business permit of the low risk type of businesses, the minimum requirement is the submission of the barangay clearance and the locational clearance if there is a change in the location of the establishment. The submission of the other clearances and permits can follow after the issuance of the permit provided these are issued within one year from the date of the application. This procedure is expected to facilitate the renewal of business permits. But in the case of the high risk ones, they are required to secure all the clearances and permits from the other city offices and submit all of them to the BPLO before the issuance of the business permit.

The Problems in the System of Securing Business Permit

When the present leadership took over the reins of the city government in 2001, many problems were encountered regarding the grant of business permit or license to business establishments operating in the city. It was a common complaint among the businesses that there were too many requirements, making it too cumbersome for them to get the necessary permit. It took weeks or months to complete all the clearances needed before the issuance of the said permit. This was especially true in the case of the fire safety inspection clearance. Aside from this, the requirements were described to be inflexible which made the business proprietors easy prey to fixers. Some business proprietors commented that they tried to meet all the requirements but there were always some loopholes in the system to enable the inspectors to deny the clearance or delay the processing of the document.

The above situation was reinforced by the physical set-up or arrangement in the BPLO. There were no windows for client transactions such that people tended to crowd the premises inside the office. Transaction was more on a personal basis where an

employee of the office would keep application forms or papers to himself or herself for processing. Due to the poor recording system in the office, application forms or documents could not be readily found or accessed by the business proprietor when needed. This problem became more evident when the employee with whom the proprietor had been dealing was absent.

The delay in the issuance of business permit could also be traced to the delay in the conduct of ocular inspections of business firms by the offices tasked to do this such as the Fire Station, Health, and Engineering. In turn, this could be attributed to the lack of staff in the said offices assigned to do inspection. Presently, the Fire Station of the city has 57 inspectors; the Health Office has 50 sanitary inspectors; and the Engineering Office has 40 inspectors. With around 52,000 business establishments located in the various districts of the city, the number of inspectors in each of the said offices is not sufficient to inspect all the establishments in a month's time.

Because of inefficient records management system of the BPLO, data on business establishments and business permits were not accurate. The list of establishments had double or multiple entries. Also, there were unrecorded permits, fake permits, and fake receipts. This situation made the function of monitoring and evaluation difficult.

Another problem cited was in the area of assessment and payment of taxes, fees and charges. There was no networking of data between the BPLO and the Treasurer's Office. Apparently, each office had its own set of data pertaining to business establishments. This did not go well with the campaign to increase the collection of business taxes in the city. What seemed to be a problematic spot then was the discretion given to the assessor in determining the amount of taxes, fees and charges to be paid. Although the amended revenue code of the city government provided for the schedule of minimum gross receipts or sales as basis for determining the amount of tax to be paid, still, the assessor had the leeway to adjust the presumptive income level of the business firm. This could be traced to the lack of available data and information about the operations of the firm. Moreover, business proprietors felt that it was not easy for them to pay because of the lack of a systematic scheme for payment coupled with overcrowding in the offices designated as assessment and payment places. This was especially true during the first quarter of the year when businesses had to renew their permits or licenses.

The Introduced Changes in the System

The new City Administration has crafted the vision and mission of the city government. It envisions the city government to be a model of "effective governance and

responsible leadership, working in partnership with the citizenry in building an ideal community". To be able to translate this into action, the city government intends to provide a quality of life for the people in Quezon City; create a climate conducive to business and productivity; and create a climate for good governance and social responsibility. The City Administration believes that a critical foundation for effective governance are "systems that foster honesty and efficiency in service, streamlining procedures to cut down service processing time, upgrading the quality of operations so that work become smarter and more competent, and eliminating opportunities for graft by reducing areas where personal discretion can be exercised and by instituting automatic checks and balances".

Based on the above elements of good governance, the City Administration has started introducing system changes in the area of business permit and license in line with the policy of making the city more business-friendly. In response to the cited problems regarding the issuance of business permit and license, the City Mayor signed two executive orders to facilitate the said process and make it more convenient and easy for the business sector. The first one which was signed on May 13, 2002, provided guidelines on the validity of the annual certificates and clearances issued by the different city offices. It states that the required certificates and clearances must be issued only after the required inspection and/or verification is conducted; that the certificates or clearances issued will have a one (1) year validity to be reckoned from the date of issue; and that the prior year certificate or clearance shall be used to secure the issuance of the business permit.

The second executive order, signed on November 29, 2002, purports to ensure the early release of renewed business permits to applicants and at the same time, it ensures the safety of the public patronizing the business establishments. The order classifies establishments into low-risk and high risk (the distinction has been made earlier in the discussion). For the low-risk business firms, the minimum requirements for renewal of permit are the barangay clearance and the locational clearance (if there has been a change in location). The other required certificates and clearances can be secured within a 12-month period as spelled out in the first executive order. On the part of the high-risk businesses, they have to secure all the required certificates and clearances.

Complementing the above executive orders is the computerization of systems. The BPLO and the City Treasurer's Office have started developing a central database for tax assessment and payment. The BPLO is completing the list of business establishments by categories and is networking its data with those of the City Treasurer's Office. A significant change in the system is the computerization of the assessment and

payment of fees and taxes. This would help delimit the area for the exercise of personal discretion of the assessor in determining the amount to be paid by the taxpayer.

The City Treasurer has adopted some strategies relative to the problems on the assessment and payment of business taxes. With the discovery of fake receipts, the City Treasurer issued new official receipts with security features to eliminate the issuance of fake receipts. He has also issued a directive to the business taxpayers indicating that those with gross income of P500,000 and above shall submit the previous year's financial statement of the firm or company and copies of the monthly payments of value added tax and non-value added tax from the Bureau of Internal Revenue. This would be counterchecked with the declared gross income of the establishment for the year, before the business permit would be renewed for another year.

To make payment of taxes a more pleasurable experience, the City Administration has renovated and opened a comfortable lounge for both assessment and payment of taxes with free coffee and ice tea to tax payers while waiting. Similarly, with the comfort and easy transaction in mind for the business sector, the BPLO has initiated some physical changes in its office layout. It has provided windows for business transactions so that the business representatives do not have to enter the premises of the office. The entry of non-employees would be prevented and thus reduce the use of fixers for transacting business in the office. This would also avoid overcrowding which gives displeasure to the clients. Moreover, during peak season (first quarter of the year), the office deploys contractual employees who are in uniformed T-shirts to distinguish them from other people, to assist the clients by giving directions and help them out in filling application forms.

In the same vein, the City Engineer's Office has begun streamlining the procedures for securing building permits. As pointed out earlier, one of the problem areas is the length of time spent in securing building permits and the certificate of electrical inspection. To shorten the processing time, the City Engineer has designated a documentary officer to be responsible for determining the completeness of documents submitted for processing before these would go to the various sections concerned, rather than the clients themselves doing it. This situation would lessen the opportunity for fixers to make their services available to the clients. Further, the physical layout of the office has also been rearranged such that all sections or units performing functions related to the grant of building permit are located in one area. This would minimize the effort spent by the client in transacting business with office units, which are located in different areas in the building,

Another measure adopted is the policy of not allowing non-employees inside the premises. Only building owners, contractors and duly authorized representatives of

businesses are allowed to apply. This would prevent the use of fixers in facilitating the processing of papers. In addition, the City Engineer has instituted the use of time frame in determining the length of time that a staff processes documents starting from the date of acceptance of documents until the date of the issuance of the certificate or building permit. This measure would serve as a basis for computing the number of days that the staff processes papers and thus, would make him/her aware of the need to shorten the processing time.

In the case of the City Health Officer's Office, it has likewise started shortening the processing time for health certificates from one week to only four or three days for a fee of P20. This is in response to the problem of the issuance of fake health certificates by fixers, which can be obtained within five or ten minutes, in exchange for a fee of P300 to P350.

Aside from improving on the office systems, the City Administration, through the Quezon City Business Affairs Coordinating Office, has put up a One-Stop Shop for the renewal of business permits of members of the Quezon City Association of Filipino-Chinese Businessmen. This means that the representatives of the Fire Station, Health Office, Engineering Office, and the City Cultural and Tourism Office are all located in one place of transaction during the renewal period of business permits to facilitate the processing of documents. This would make it easier for the business sector to renew their permits and be able to continue operating their businesses in the city with less or no hassles at all. This serves as an encouragement and promotion for more business activities in the city.

Some Effects of the Introduced Changes

The changes introduced in the system of issuance of business permit and license have brought about some positive effects on the city government and the business sector. On the part of the city government, the computerization of the system has cleansed the list of the business taxpayers. As mentioned earlier, the list of establishments was inaccurate due to double and multiple entries, fake and unrecorded business permits. With computerization, the list has become more reliable as basis for tax collection. Moreover, the improvement has brought about the networking of data between the BPLO and the City Treasurer's Office, although this has not been completed yet. So far, this also led to better assessment of taxes to be paid by the taxpayer.

The improvement of the system has resulted in the increase of the number of new business permits issued. A look at Table 1 below reveals that from CY 2001 to CY

2002, there is a growth of 69.4 %. It must be noted that the new City Administration took over the reins of the city government in July 2001. As reflected from the table, there is a negative percentage growth of the number of establishments in 2001. However, the number increased considerably in 2002. The following year, from January to June 2003, the number of registered establishments totaled to 9, 383, almost as big as the total registered businesses in 2002. This suggests that more new establishments have been registered formally, doing away with the unrecorded and fake permits.

Table 1. Total Number of New Business Permits in Quezon City

Number of New Business Permits Issued	Year				
	1999	2000	2001	2002	2003*
District 2	1,597	2,530	1,611	1,350	1,753
Districts 1, 3, and 4	3,328	3,895	4,161	8,426	7,630
Total	4,925	6,425	5,772	9,776	9,383**
Percentage Growth	--	30.5%	- 10.2%	69.4%	

*Pertains to new business permits issued between January to June 2003 only.

** Represents only new business license issuances for half a year but is almost as big as the total of 2002.

Table 2 also shows the increasing trend in the number of registered new businesses in the three districts of the city, districts 1, 3 and 4. As indicated by the table, almost all types of business establishments have registered an increase such as the manufacturer, contractor, and wholesaler. These figures are considered to be a positive result of the instituted changes in the system.

Table 2. New Business Permits Issued for Districts 1, 3 & 4 of Quezon City

Nature of Business	1998	1999	2000	2001	2002	2003
Agricultural	0	0	0	1	0	0
Amusement Bars & Cocktail Lounge	10	19	40	66	47	85
Charitable Institution	0	0	0	0	0	1
Contractor	808	885	1,116	1,225	2,252	1,516
Eating Place	87	132	152	179	394	635
Exporter	21	33	21	20	29	52
Financial Establishment	99	92	85	65	69	112
Importer	88	115	96	93	78	132
Learning Institution	16	11	4	17	24	22
Manufacturer	35	56	60	61	90	98
Other Business w/ fixed rate (Admin ofc., warehouse)	395	529	586	609	1,721	1,972
Other Commercial Establishments	0	0	0	0	1	0
Retailer	806	942	1,141	1,273	2,310	1,770
Shopping Center	0	0	0	1	1	0
Wholesaler	385	514	594	551	1,410	1,235
Number of Business Permits Issued	2,750	3,328	3,895	4,161	8,426	7,630

** This only pertains to January to June 2003, not the entire year.

Further, with the computerization of tax assessment and payment, the opportunity to exercise personal discretion on the determination of the amount of tax to be paid has been diminished; hence, the opportunity to commit corruption has been lessened. Added to this is the instituting of countercheck measure whereby the taxpayer is asked to present the last year's financial statement of the company or firm plus copies of value added tax (VAT) or non-value added tax payments from the Bureau of Internal Revenue. This situation has given rise to an increased amount in the collection of business taxes as evidenced by Tables 3 and 4 on the sources of income of the city from local taxes imposed by the city government. As reflected from the table, the collection on business

Table 3. Local Taxes: 1998-2002

Sources of Income	1998	1999	2000	2001	2002
1. Real Property Taxes	956,282,022	799,629,717	941,886,299	866,338,995	990,278,966
2. Business Taxes and Licenses	809,770,850	857,137,908	908,526,762	984,381,461	2,239,281,590
3. Taxes on Delivery Trucks and Vans	770,975	892,549	809,039	775,339	193,920
4. Taxes on Peddlers/Hawkers	174,626	231,202	312,497	2,226,118	4,904,657
5. Printing & Publications	5,883,671	5,468,649	5,745,858	7,069,029	9,831,091
6. Professional Tax	3,730,073	3,852,220	4,428,671	4,397,629	4,677,996
7. Franchise Tax	13,760,129	21,930,786	21,718,172	19,381,737	52,554,769
8. Community Tax	38,696,333	38,189,687	45,657,768	45,294,442	46,408,806
9. Amusement Tax	223,565,745	154,961,438	158,836,808	146,972,903	127,857,416
10. Fines & Penalties	6,943,563	17,150,079	21,178,652	25,732,425	110,319,415
11. Other Tax	210,181	205,171	200,812	173,967	152,821
Total	2,059,788,169	1,899,649,406	2,109,301,338	2,102,744,046.2	3,586,461,447

Source: City Accountant's Office, Quezon City

taxes has increased from P 984, 381, 461 in CY 2001 to P2 239,281,590 in CY 2002 or a increase of 43.96 %. The percentage share of business taxes to the total income of the city government in CY 2002 is very significant with a high of 62.44 % compared with its contribution of 46.81 % in 2001. It can also be seen from the same table that real property taxes as a source of income comes as a poor second to the contribution of the business taxes with a share of 27.61 %.

Table 4. Local Taxes: 1998-2002

Sources of Income	Percentages Across the Years				
	1998	1999	2000	2001	2002
1. Real Property Taxes	46.43	42.09	44.65	41.20	27.61
2. Business Taxes and Licenses	39.31	45.12	43.07	46.81	62.44
3. Taxes on Delivery Trucks and Vans	0.037	0.047	0.038	0.037	0.005
4. Taxes on Peddlers/Hawkers	0.008	0.012	0.015	0.106	0.137
5. Printing & Publications	0.29	0.29	0.27	0.336	0.274
6. Professional Tax	0.18	0.20	0.21	0.21	0.13
7. Franchise Tax	0.67	1.15	1.03	0.92	1.47
8. Community Tax	1.88	2.01	2.16	2.15	1.29
9. Amusement Tax	10.85	8.16	7.53	6.99	3.56
10. Fines & Penalties	0.34	0.90	1.004	1.224	3.076

11. Other Tax	0.01	0.011	0.010	0.008	0.004
Total	100	100	100	100	100

Source: City Accountant's Office, Quezon City

Overall, local taxes have the biggest share of 67.85 % to the total income of the city compared with the internal revenue allotment share from the national government with only 25.34% (see Table 5). What is noteworthy as well is that the city government reached its revenue target of P5.2 billion with collections totaling to P5.29 billion, 68.89% more than the 2001 income of P3.64 billion (see Table 6). On this basis, the Commission on Audit has declared Quezon City as the richest local government not only in Metro Manila but also in the entire country.

Table 5. Statement of Income and Revenues: 1998 - 2002

Sources of Income	1998	1999	2000	2001	2002
I. Local Taxes	2,059,788,169	1,899,649,406	2,109,301,338	2,102,744,046.2	3,586,461,447
1. Real Property Taxes	956,282,022	799,629,717	941,886,299	866,338,995	990,278,966
1.1 Current	662,532,518	559,870,453	569,132,787	553,391,957	620,288,266
1.2 Previous	176,630,835	89,994,867	207,702,796	176,978,287	193,578,089
1.3 Penalties	6,929,308	22,570,193	17,560,103	22,473,082	
1.4 Transfer Tax	100,303,948	123,622,059	147,490,613	113,495,669	176,412,612
1.5 Miscellaneous	9,885,413	3,572,145			
2. Business Taxes and Licenses	809,770,850	857,137,908	908,526,762	984,381,461	2,239,281,590
3. Taxes on Delivery Trucks and Vans	770,975	892,549	809,039	775,339	193,920
4. Taxes on Peddlers/Hawkers	174,626	231,202	312,497	2,226,118	4,904,657
5. Printing & Publications	5,883,671	5,468,649	5,745,858	7,069,029	9,831,091
6. Professional Tax	3,730,073	3,852,220	4,428,671	4,397,629	4,677,996
7. Franchise Tax	13,760,129	21,930,786	21,718,172	19,381,737	52,554,769
9. Community Tax	38,696,333	38,189,687	45,657,768	45,294,442	46,408,806
11. Amusement Tax	223,565,745	154,961,438	158,836,808	146,972,903	127,857,416
19. Fines & Penalties	6,943,563	17,150,079	21,178,652	25,732,425	110,319,415
20. Other Tax	210,181	205,171	200,812	173,967	152,821
II. Operating & Miscellaneous Revenues	232,358,453	234,233,516	283,037,418	266,242,330.34	360,003,857
III. Internal Revenue Allotment	1,120,136,898	1,152,150,555	1,396,186,887	1,272,875,571	1,339,567,994
IV. Other Sources	2,330,801	363,224	162,203		
V. Borrowings		1,250,000,000			
TOTAL	3,414,614,321	4,536,396,701	3,788,687,846	3,641,861,948	5,286,033,298

Source: City Accountant's Office, Quezon City

Perceptions about the improvements in the system from the business sector particularly from the manufacturing sector indicate some mixed reactions. Some have stated that they have been accorded better services. They have been assisted by a sufficient number of city employees while renewing their permits. The construction of an airconditioned lounge for the assessment and payment of taxes has made the payment of taxes very convenient for them. Also, the computerized system has shortened the

processing time of papers and documents. However, a number of business proprietors still complain about the many requirements imposed. To them, there is too much paper work to be done. While the processing time of documents or papers in the BPLO has been shortened, the processing time of documents in the other departments or offices has not been that shortened. This is particularly true in the case of the requirements pertaining to the fire safety inspection certificate, sanitary permit, and occupational permit. One business proprietor commented that it took him three (3) months to get the sanitary permit, and another two (2) months to get the fire safety inspection certificate.

Table 6. Summary Statement of Income and Revenues: 1998-2002

Sources of Income	1998	1999	2000	2001	2002
I. Local Taxes	2,059,788,169	1,899,649,406	2,109,301,338	2,102,744,046.2	3,586,461,447
II. Operating & Miscellaneous Revenues	232,358,453	234,233,516	283,037,418	266,242,330.34	360,003,857
III. Internal Revenue Allotment	1,120,136,898	1,152,150,555	1,396,186,887	1,272,875,571	1,339,567,994
IV. Other Sources	2,330,801	363,224	162,203		
V. Borrowings		1,250,000,000			
TOTAL	3,414,614,321	4,536,396,701	3,788,687,846	3,641,861,948	5,286,033,298

Source: City Accountant's Office, Quezon City

The business sector likewise views the conduct of too many inspections by different city offices as bothersome. Although inspection is recognized to be an important tool for safeguarding public safety, some business proprietors have seen this as an opportunity for some inspectors to hassle them and thus, delay the processing of the permit.

The Dagupan City Experience

A Brief Profile of the City

Located on the northern part of the province of Pangasinan in Region 1, the city is bounded on the north by the Lingayen Gulf, on the northeast by San Fabian, on the south by Calasiao, on the east by Mangaldan, and on the west by Binmaley. With 31 barangays (villages) occupying a total land area of 44.46 sq. kms., it had a total population of 130,328 in 2000 and an average growth rate of 0.69 (1995-2000).

The land use allocation of the city indicates that the largest portion is devoted to agricultural uses with around 36 % of the total land area. Most of the areas utilized for

agriculture are fishponds (22%) and cropland (14%). The city is famous for its production of “bangus” or milkfish. Based on a survey conducted in June 2002, the total production of milkfish from fishponds and fishpens was 11,315.30 metric tons. This represented about 31% of the total production in the province of Pangasinan.

Meanwhile, the area used for commercial purposes constitute about 3%; industrial, 1%; and institutional, 2%. The rest of the land areas are parks and playground (2%); open spaces (7%); roads (12%); and water bodies (15%). With only a small portion of the total land area utilized for commercial and industrial uses, the commercial activities within the city are not extensive compared with other cities with larger areas in the country, particularly with Quezon City.

As of December 2002, the registered business establishments totaled to 4,721. The types of business establishments include: manufacturer (141); distributor (134); rice, fish, meat retailer (167); sari-sari store (652); real estate lessor, services, printing press, boarding house, hotel, inn, contractor, security agency (1,527); insurance, lending investor, banks (241); clinic, hospital (62); general merchandize, trading, food house (1770); and educational institution, schools (27).

The city is classified as second class in terms of income. In CY 2002, its total income was placed at P260,362,922 with the proceeds from local taxes contributing around 28.5 % to the total income. The collections from business taxes and licenses contributed the biggest portion to the local taxes with 67.4%. This shows that the city government draws a lot of financial resources from the business sector. Still, it could be said that the city is dependent on national grants where its share from the Internal Revenue Allotments (collections of the national government from taxes) represented about 58.6% of the total city income.

The Structure for the Issuance of Business Permit or License

The City Administration established the One Stop Business Center, which takes charge of the issuance of business permit or license. This structure is directly under the supervision of the City Administrator. An Office Manager who supervises and manages the operations of the Center heads the office. There are six (6) sections: 1) Processing, 2) Inspection, 3) Assessment, 4) Collection, 5) Releasing and 6) Records. There are 16 personnel including the Chief of the Division who are assigned to the six sections, as follows: three in Processing; one in Inspection; two in Assessment; six in Records; and one in Collection.

The Procedure or Process of Securing Business Permit

The One Stop Business Center does not make any distinction between new and old business establishments insofar as the process of securing permits or license goes. The same procedure is followed where the applicant fills up form and completes the requirements. These are: barangay business clearance where the establishment is located; Social Security System clearance (for renewal only); Bureau of Internal Revenue registration (for renewal only); Certificate of Occupancy (for new only); current official receipt of Fire Suppressant System; and two passport size ID pictures. For single proprietorship type of business, the office requires the registration certificate from the Department of Trade and Industry and community tax certificate issued in Dagupan City. For partnership or corporation or cooperative type, the office requires the registration certificate from the Securities and Exchange Commission or Cooperative Development Authority as the case maybe; articles of partnership or corporation or cooperation (for new only); and current community tax certificate issued in the city. After careful examination of the documents, the receiving clerk then issues claim stub to the applicant indicating thereon the date when the applicant should return. For new applicants, the process takes about five working days and for old establishments, it would take around three working days (pls. see Process Flow Chart).

The application form is forwarded to the Office Manager where he signs the referral slips to the representative each of the City Engineering Office, City Health Office, and Fire Department, requesting for the conduct of ocular inspection of the establishment. The purpose of the ocular inspection is to see whether or not it complies with the regulatory measures imposed by the city government. These offices are given three working days within which to inspect the establishments and to submit a written report on the results of the activity. If favorable, the office representatives sign the endorsement form indicating therein the necessary fees to be paid by the applicant.

The application form is then forwarded to the Business Tax Assessment Counter for recording and assessment of license and other fees. The Counter generates a statement of account and attaches it to the form. Before it goes to the desk of the Office Manager for final approval, the Business License Supervisor verifies appropriateness of assessment. The supervisor signs the form if the assessment is found to be appropriate. The client pays the license tax and other fees. The payment receipt is given to the Permit Processing Desk for the preparation of the business permit to be forwarded to the Office Manager for final assessment and verification. The Manager initials the permit if found to be satisfactory and forwards it to the Office of the Mayor for the final signature of the Mayor. The applicant gets the permit from the releasing counter of the Center.

The Problems in the Business Licensing System

When the present City Administration took over the reins of government in 2001, it resolved to review the structure, functions, systems and procedures of the city government with the end view of understanding the problems besetting the city government. Part of the review and study undertaken was in the area of financial management. The review revealed that there was a decrease in the collection of local taxes, which contributed to the overall decrease in the total income of the city in 2001. In fact, the city was reclassified into second class from first class status.

The decrease could be attributed to the poor tax collection effort on the part of the city government personnel. Partly, this could also be explained by the non-maximization of the proceeds from business taxes and licenses because of the lack of database pertinent to the total collectibles arising from the existing number of business establishments in the city. What was available then was the list of businesses operating in the city based on the payments made when they go the Treasurer's Office for renewal of their permits to operate.

It was also a common complaint among the businesses that the procedure of getting a permit was too cumbersome. It took weeks or even months to complete all the requirements or clearances before the issuance of the said permit. This also contributed to the delays in the processing of permits, which oftentimes gave rise to opportunities for the commission of graft and corruption. The business proprietors referred to this as the "standard operating procedure" in the transaction where they are constrained to give "grease" money to make the process faster.

Related to the above was the problem aired concerning the payment of license tax and fees. The assessor had the leeway to adjust the presumptive income level of the business, which gave opportunity for the commission of corruption. Ultimately, the city government coffers would be deprived of the full payment of taxes and fees.

The delay in the conduct of ocular inspections, which is a requirement for the issuance of permit, could partly be traced to the lack of inspectors in the City Engineering Office, City Health Office and Fire Department. Presently, the Engineering Office has three (3) inspectors for the occupancy permit; the Fire Department has five (5); and the Health Office has nine (9). With these numbers, it would be difficult for the said offices to inspect establishments at a faster rate. This has become a great concern during the post-licensing period when the inspectors could not monitor the operations of the establishments. Admittedly, they rarely visit the business firms after the issuance of the permit.

Aside from the limited number of inspectors, a complaint among the inspectors was the unresponsive stance adopted by the city government leaders or officials regarding some business firms, which did not comply with certain conditions required for

entry. Such attitude could be explained by the influence of the proprietors over the city officials or leaders who may have been recipients of some economic favors from them. Understandably, imposing sanctions on the violators of the set conditions may diminish the officials' economic and political clout in the city.

The Introduced Reforms or Changes in the System

The development goal of the city government is to make the city the center of education, agriculture and aqua culture, trade, commerce and industry north of Manila. Among the challenges faced by the city to make this goal a reality is the absence of a legal measure on economic promotions; the tourism potential is not fully developed; the fishpond resources are underutilized due partly to lack of government support; and the limited capital of marginalized fisherfolk. To respond to these challenges, some strategies have been spelled out such as the prioritization of the passage of an ordinance or council resolution on investment incentives and economic promotions; capitalize on milkfish (bangus) to attract tourists; strict enforcement of the City Land Use Plan and zoning ordinance; and extension of financial assistance to residents for micro-enterprises.

The City Administration believes that a way of providing a conducive environment for the business sector to grow and develop is to streamline procedures in the granting of business permits and to provide convenience in transacting business in city hall. Thus, a major reform introduced is the establishment of the One Stop Business Center where a taxpayer pays all taxes and fees to the city government less than one roof. This means that the taxpayer does not have to go from one office to another to pay his/her financial obligations. The payment of all taxes and fees is centered in the office such as the payment of real estate tax, business tax, license tax and fees, permits for the use of government facilities and for the conduct of activities, professional and community tax certificates, and documentary requirements, i.e., civil registry certificates.

The Center has been equipped with facilities to make payment of taxes more convenient. The office is well ventilated with airconditioning facility. It has an information counter to assist taxpayers with their transactions. The collection counters provide online transactions and payment gateway. It has bulletin board that contains relevant information and regular updates on the city's taxation system. The taxpayers are provided with water station for their drinking needs and newspapers while waiting for their turn in paying their obligations. And most of all, the city government has placed a suggestion box inside the center to get feedbacks from the taxpayers on the service delivery system of the Center.

To facilitate the issuance of business permit, representatives of the Engineering and Health Offices and the Fire Department are located in the Center. They are given only three days to conduct inspection of the establishment. This limits the waiting period for the completion of the inspection and in effect, this lessens the opportunity for the commission of corruption where the inspectors demand “grease” money to complete the inspection in a short period of time.

The city government responded to the need to have database on the number of establishments operating in the area through the conduct of business tax mapping activity. Before completely computerizing the system, the city government thought it wise to tax map the area first. So far, the process has produced a list of establishments with permits to operate and without permits. This provided information to the Center to go after the establishments without permits to operate.

Aside from the changes in the system, the city government has also taken steps towards the promotion of business activities in the local area. Improvements in infrastructure facilities have been done such as lighting the city streets most especially in the business section of the city; this has added to the attraction of their products. The city government has encouraged local entrepreneurs to participate in trade fairs where their products could be displayed for promotion purposes. Furthermore, the business proprietors are asked to participate in all the city activities such as the “Bangus” Festival where they put up their streamers advertising their products and produce. In addition, the city government has improved its delivery system such as its waste disposal and the cleaning of the environment. In a way, this has made the city more business friendly.

Some Results of the Introduced Reforms or Changes

Are there positive results from the reforms or changes introduced into the system of business licensing? A look at the Statement of Revenues and Receipts of the city government from 1998 – 2003, as shown in Table 7 below shows that the income has decreased in 2001 (from an income of P247,728,180 in 2000 to P243,405,748 in 2001) but it has increased to P260,362,922 in 2002, and to P276,583,110 in 2003. In terms of the contribution of the business taxes and licenses to the total income, it can be noted that this source is the biggest contributor.

Table 7. Statement of Revenues and Receipts*

Sources of Income	1998	1999	2000	2001	2002	2003
I. Local Taxes	58,108,148	65,249,555	64,312,024	67,411,248	74,191,867	84,798,254
1. Real Property Taxes	9,234,994	10,200,159	12,026,361	11,451,279	9,918,057	10,590,237
2. Business Taxes and Licenses	39,797,687	44,811,364	42,446,139	44,577,665	50,042,611	58,470,338

3. Other Taxes	9,075,467	10,238,032	9,839,524	11,382,304	14,231,199	15,737,679
II. Operating & Miscellaneous Revenues	24,442,165	30,951,381	29,202,845	28,873,257	33,721,456	32,864,113
III. IRA	128,444,562	132,726,791	154,213,311	147,121,243	152,449,599	158,920,743
TOTAL	210,994,874	228,927,727	247,728,180	243,405,748	260,362,922	276,583,110

Source: City Accountant's Office, Dagupan City

*There may be some slight deviations due to rounding off

From 2001 to 2003, this sector has steadily increased its share from 66.1% to 69% (see Table 8).

Table 8. Percentage Distribution of Revenues and Receipts

Sources of Income	1998	1999	2000	2001	2002	2003
I. Local Taxes	27.5%	28.5%	26%	27.7%	28.5%	30.7%
▪ Real Property Taxes	15.9%	15.6%	18.7%	17.0%	13.4%	12.5%
▪ Business Taxes & Licenses	68.5%	68.7%	66.0%	66.1%	67.4%	69.0%
▪ Other Taxes	15.6%	15.7%	15.3%	16.9%	19.2%	18.6%
II. Operating & Miscellaneous Revenues	11.6%	13.5%	11.8%	11.9%	13.0%	11.9%
III. IRA	60.9%	58.0%	62.2%	60.4%	58.6%	57.5%
Total	100%	100%	100%	100%	100%	100%

In terms of actual amounts collected from the business sector, Table 9 shows that the collection has steadily increased from P44,577,665 in 2001 to P58,441,603 in 2003.

Table 9. Trend in Business Tax Collection

Nature of Business	2001	2002	2003*
Manufacturer	P2,704,596	P3,279,542	P2,079,299
Wholesaler	12,578,259	13,633,739	16,312,629
Exporter	1,295,560	2,296,254	2,068,961
Retailer	2,445,892	1,925,266	2,804,916
Contractor	7,854,978	8,207,523	9,956,364
Banks	4,856,257	5,250,588	5,532,939
Other Business	12,842,122	15,449,698	19,686,496
Total	P44,577,665	P50,042,611	P58,441,603

Source: One-Stop Business Center

* The total business tax collection reported by the City Accountant's office cites a higher figure at P58,470,338. The difference may be explained by their date of reckoning

The number of business establishments operating within the city, to wit, validates these figures:

Year	Number
1999	3,782

2000	3,798
2002	4,721
2003	5,545

The above data could be attributed to the business tax mapping conducted by the city government.

From the perspective of the business proprietors, the establishment of the One Stop Business Center has made the processing of permits faster and more efficient. It has been very convenient for them because they pay all their taxes and fees in one roof. The shortened period of processing permits, especially in the conduct of inspection for clearances, has also reduced opportunities for giving “bribe” money to inspectors.

Moreover, the proprietors appreciate the policy of the city government to assist businesses in the promotion and marketing of their produce or products. To them, this is the right step towards the promotion of more entrepreneurial activities in the city. What they need right now is not only assistance in getting their permit to operate their businesses but more of providing them with the conducive environment where their business activities can grow and further develop with the proper incentives given by the city government.

The Two Business Licensing Systems in Comparison

Generally, both systems follow the same procedures of securing business permit. Nonetheless, the system in Quezon City appears to be more cumbersome in the sense that there is a need to separate the “high risk” establishments from the “low risk”. The large number of establishments compared with that of Dagupan could explain this move.

Moreover, both local authorities seem to encounter the same problems in their licensing system. There is the delay in the issuance of permit due to the imposition of too many clearances and due to the lack of inspectors tasked to conduct ocular inspections. The delay in the issuance of permit exacts some economic costs on the part of the businesses. To avoid this, the proprietors would readily follow the so-called “standard operating procedure” where some bribes would be given to the public officials to facilitate the issuance of permit. As indicated in the case studies, the cumbersome procedures plus the discretion of public officials to determine the amount of taxes and fees to be paid gave opportunities for the commission of graft and corruption.

What appears to be lacking in both systems is the conduct of post-licensing monitoring. Obviously, the local authorities emphasize more the regulation entry rather than the post-licensing phase of the system. This is validated in the case studies where the inspectors and the interviewed proprietors admitted that they seldom encounter the inspectors after the issuance of the permit.

In responding to the identified problems, both local authorities introduced reforms or changes in the licensing system. They streamlined their procedures to facilitate the issuance of permit. They came up with a new list of establishments for their database. Dagupan even went further to tax map the business establishments. The process produced a list of businesses with no permits.

Thinking about the convenience of taxpayers particularly the business sector in paying their taxes and other obligations to the city government, Quezon City put up its payment and assessment lounges which are airconditioned with free coffee and ice tea for the taxpayers. Dagupan went beyond by establishing the One Stop Business Center. The taxpayers need not go from one office to another to pay their taxes and fees. They just go to the Center for all their payments. What is noteworthy here is the presence of all the representatives of the Engineering and Health Offices and the Fire Department in the Center, which facilitate the issuance of permit.

The city government of Dagupan did not just look at the regulation entry of businesses. It also provided assistance to the business sector to enable them to participate in trade fairs; encouraged them to be involved in the city activities where their products would be advertised; and made their environment more business-friendly through the lighting of city streets, and proper waste disposal and collection. To the proprietors, these are promotional activities for their businesses.

Summary

On the whole, the examination of the business licensing systems conveys the fact that the regulation entry of businesses is part of the social regulation instrument of the local government. It is aimed at protecting the public interests and welfare by imposing certain conditions for the operation of the business firms. However, the case studies show that there are private interests that go with the imposition of conditions. As indicated in the experiences of the two cities, previous city administrations did not attempt to introduce any changes in the licensing system. Any change would be construed to mean a reduction in their political and economic clout in the local area. This is particularly true if the change in the system would affect their political and economic allies. This is validated by complaints from some inspectors whose reports on non-compliance of certain conditions by some business firms are not attended to by the political leaders or officials.

Any change in the system would also be antithesis to the maintenance of the system as far as the public officials are concerned. As shown by the case studies, the imposition of too many requirements, which has caused too much delay in the issuance of permit, has given rise to opportunities for the commission of corruption. The imposition

of too many clearances seems to work well with the private interests of the public officials.

Issues and Concerns

The above discussions have brought about certain issues and concerns in the business licensing system at the local level. First, is there a need for the regulation entry of businesses? While it is admitted that this is part of social regulation, which is for the protection of the public interests, the case studies have shown that there are also private interests that go with it. As depicted by the experiences of the local authorities, the imposition of too many requirements at the entry level tend to promote private interests more than the public interests.

Second, there is the concern regarding the effect of the commission of corruption on the local government system of licensing. The case studies have indicated the opportunities for the commission of corruption in the issuance of permit as well as in the post-licensing phase of the operations of the business firms. This deprives the local authority with the much - needed resources for the improvement of the community. Besides, the system, which promotes more the private interests of public officials tends to be very particularistic and may prove disastrous to the interests of the community in the long run.

Third, there is the issue on the exercise of local autonomy by the local governments. Seemingly, the regulation of the operations of business enterprises is not the sole responsibility of the local government authority. As presented in the case studies, a number of national government agencies impose certain clearances and licenses on the business firms or companies before they can be granted their permit or license to operate in the local area. And yet, it is the local government that is held accountable for whatever incidents or disastrous events that may happen as a result of the operations of businesses in the community. In other words, the decision-making process at the local level is constricted by the imposition of certain requirements by the national government. Shouldn't the responsibility of the local government authority to regulate business operations for the protection of the general public welfare and health, be matched with more regulatory powers and functions to enable the local government to make good decisions relative to the operations of businesses?

Concluding Remarks

The business licensing systems of Quezon City and Dagupan City have shown how the regulatory regime works at the local level. The cases have indicated the restrictions and constraints faced by a local government authority in regulating the entry

and conduct of business at the local level. Aside from the policies, laws or ordinances implemented, and the rules and regulations imposed by the local government, there are still a lot of impositions by the national government agencies which, by and large, have made the entry of establishments into the business or economic arena doubly difficult and cumbersome. Although the main objective of social regulation as a regulatory instrument is to promote the general welfare and to protect the public interest, the imposition of too much restrictions on the entry and conduct of business does not provide a conducive environment for the operation of enterprises in the local community. On the other, it provides opportunities for the advancement of private interests and the commission of corruption, which negatively impact on the community as a whole. Apparently, the regulatory instrument works the opposite way.

The case studies have also brought to the fore the issue of devolved regulation. As depicted by the studies, the local government does not have complete autonomy in regulating the entry and conduct of business in the local area. The assumption here is that given more regulatory powers and functions, the local government would be in a better position to regulate the operations of business establishments than the national government agencies, for the simple reason that it is the closest government to the people in the community. As pointed out earlier, the local community holds the local government accountable for whatever consequences may result from the operations of said establishments. But then, the fundamental issue here is whether the regulation entry is necessary? If not, then it becomes imperative for the local government to exercise more powers and authority over the conduct of business in the local area based on the standards set by the national government. Policies and laws have to be crafted by the national government for universal application but the local government, for more efficiency and effectiveness, would do the implementation.

Complementing the need for the grant of more autonomous powers and authority to the local governments is the need to develop and enhance further their competencies, most especially in the area of regulatory governance. As depicted by the case studies, the local government should have the expertise in monitoring and evaluating the operations of business enterprises. Unfortunately, the local authorities have not really gone deeply into the area of monitoring and evaluation. What has been done so far is to streamline the procedures for the issuance of business permit and license with the end view of collecting more taxes from the business sector. Not much has been done on the monitoring and evaluation of business operations.

Overall, the case studies seem to suggest that the business licensing system is neither necessary for the promotion of public interests and welfare nor necessary for the promotion of more economic activities in the local community.

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