

The Improving Business Environment for Prosperity (IBEP) Program implemented by the World Bank Group aims to strengthen the design and implementation of business environment reforms in middle-income countries. IBEP is supported by the UK Prosperity Fund, whose mission is to support the inclusive economic growth needed to reduce poverty in partner countries, contributing to the UN Sustainable Development Goals.

REFORM STORY

JANUARY 2021



STRENGTHENING THE BUSINESS REGULATORY FRAMEWORK IN THE PHILIPPINES

Thanks to the support provided by the World Bank Group through the UK-funded Improving Business Environment for Prosperity (IBEP) Program, the Philippines strengthened the regulatory framework around the 2018 Ease of Doing Business Act, enabling the full implementation of this foundational law. As a result, the Anti-Red Tape Authority issued notices to automatically approve more than 7,000 pending permit applications across different government entities. This reform is expected to reduce firms' compliance costs through a reduction in the time and number of procedures to obtain required permits and licenses.

THE CHALLENGE

Governments in many economies adopt or maintain regulations that unduly burdens entrepreneurs. When regulations are restrictive, entrepreneurs are more likely to engage in informal activities, seek opportunities abroad or join the ranks of the unemployed. The negative impact of restrictive regulations has been demonstrated repeatedly, with research indicating a causal relationship between economic freedom and GDP growth; freedom regarding wages and prices, property rights, and licensing requirements leading to economic development.

Despite the positive economic growth, Philippines' business environment remains complex and constrains private sector development. The Philippines ranked 124th out of 190 countries in the Doing Business 2019 report—well below its neighboring ASEAN 5 countries, namely Singapore (2nd), Malaysia (5th), Thailand (27th), Vietnam (69th), and Indonesia (73th). Multiple operating permits and licenses are required from unrelated agencies that need to be renewed on an annual basis, both by national agencies, bureaus and bodies as well as those issued by subnational government units.



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'This year we are working to improve the performance of the country not only in the Doing Business but also in ways that will be felt by everyone. It is time to remove outdated, redundant, and unnecessary requirements and practices that serve no purpose but unduly burden the people.' Atty. Jeremiah B. Belgica, ARTA Director General

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OBJECTIVES AND APPROACH

Acknowledging these constraints, the Government of the Philippines is working to improve the country's competitiveness. With the support of the UK-funded IBEP Program, the Bank Group advised the Government of the Philippines on improving the country's business regulations framework. Upon the adoption of the Ease of Doing Business (EODB) Act in 2018, the program supported the crafting of the Implementing Rules and Regulations (IRRs), which aimed to enable the full implementation and enforcement of the EODB Act. The program provided benchmarking reports detailing the newly created Anti-Red Tape Authority's (ARTA) legal powers and structure in comparison to 13 other regulatory oversight bodies in different countries. IBEP also supported the implementation of different subsections of the law, particularly as it pertains to the Citizen's Charter, process reengineering, report card survey, complaints referral and feedback mechanism. Finally, the Bank Group also facilitated inter-agency coordination between ARTA and other stakeholders such as the Department of Trade and Industry, the Civil Service Commission, and the private sector.

In July 2019, the IRRs of the EODB Act were adopted based on the support provided by the program. These secondary regulations, under ARTA's jurisdiction, enable the full implementation of this overarching, foundational law. Specifically, the IRRs mandate: (i) the expedition of business permits and licenses through a unified application form, a preliminary evaluation, and a one-stop-shop; (ii) deadlines for government agencies, with a three-day deadline for simple transactions, seven days for complex transactions and a maximum of 20 days for highly technical licenses; and (iii) the automatic approval for any permit or license that is not approved within the prescribed timeframe; and (iv) the creation of an online Central Business Portal for the electronic processing of business permits and licensing, among others.

EARLY RESULTS

ARTA has undertaken several issuances designed to jumpstart the regulatory reform program embedded in its mandate. In August 2019, it issued guidelines to all national agencies and local government units with instructions to develop and revise their existing Citizens' Charters detailing the procedures and fees associated with obtaining licenses and permits in compliance with the provisions of the Ease of Doing Business Act. This issuance has led to the revision and submission, as of November 2020, of more than 7,300 Citizen's Charters from different government units. The revisions of the Citizen's Charters have been included among the indicators measured in the latest guidelines for the issuance of the performance-based bonus by the Department of Budget and Management.

In addition, ARTA has issued notices to automatically approve more than 7,000 pending permit applications across different government entities. With inputs from the project team, ARTA has also provided in-depth policy recommendations based on legal and procedural analyses to two agencies, the Land Transport and Franchising Regulatory Board and the Food and Drug Administration. Ultimately, this reform is expected to reduce firms' compliance costs through a reduction in the time and number of procedures to obtain required permits and licenses, as well as to improve the operation and expansion of businesses and the overall competitiveness and ease of doing business in the Philippines.

ADDITIONAL RESOURCES

[Anti-Red Tape Authority \(ARTA\)](#)

[EODB Act: Implementing Rules and Regulations](#)

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