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Streamlining Business Registration and Licensing Procedures

Experiences from the Philippines and Vietnam

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Table of contents

Executive Summary	3
1. The Rationale for Streamlining Business Registration and Licensing Procedures	5
2. Donor Support to National and Local Reforms – The Case of the Philippines	7
2.1 Background	7
2.2 Support of GTZ – our approach and results achieved	8
2.2.1 Diagnosis	9
2.2.2 Planning	9
2.2.3 Implementation	10
2.2.4 Evaluation	10
2.3 Increasing the outreach of reforms by peer learning at the local level and “bubbling up” lessons learnt into the national policy dialogue	11
2.4 Challenges and success factors	12
3. Streamlining Business Licensing Procedures – Experiences from Vietnam	14
3.1 Background	14
3.2 Support of GTZ – our approach and results achieved	14
3.2.1 Research on business licensing	14
3.2.2 Feeding recommendations into the national policy dialogue	15
3.2.3 Establishing networks of reform-oriented institutions	15
3.2.4 Evaluation	15
3.3 Challenges and success factors	16
4. Summary and conclusions	17
References	18

Executive Summary

Facilitating the market entry of new firms is high on the international development agenda thanks to the path-breaking work of de Soto (1990) on the informal economy in Peru and the efforts of the World Bank to benchmark the cost of doing business across 175 countries. Policymakers and the public at large in developing countries as well as donor representatives are eager to understand what factors in the business enabling environment promote or hinder the creation of new firms. In many government-led policy initiatives and donor-funded programs special attention is devoted to the role of regulatory and administrative barriers to business registration and licensing.

In general, the costs of strict entry regulations outweigh their benefits. Potential entrepreneurs are discouraged to set up businesses by the lack of information, prohibitively high costs and time-consuming registration procedures, or they deliberately remain in the informal sector and forgo business opportunities in order to stay “invisible” for the public sector. In the informal sector their access to credit and other financial products, business development services, commercial dispute settlement mechanisms, and government procurement is restricted. These bottlenecks further restrict the potential of informal enterprises to grow, invest and create productive employment. At the same time, a high degree of informality implies that public revenues from corporate, income and value-added tax are lost and only few employees are covered by basic social and health standards.

Against this background, German Technical Cooperation (GTZ) has been supporting partner governments’ efforts to streamline business registration and licensing procedures worldwide. This paper presents the experiences made in Vietnam – where GTZ supported the reform process at the national level – and the Philippines – where GTZ used the local level as entry point. It describes the approach taken and the results achieved. Additionally, it derives critical success factors and important lessons learnt relevant for policy makers and donor representatives. The paper fits under the Conference Theme 1 “Regional Priorities for Business Environment Reform” as well as the Conference Hot Topic 5 “Sub-National Business Environment Reform”.

In the Philippines, GTZ followed a process-oriented and participatory 4-step approach – diagnosis, planning, implementation, and evaluation – to support the streamlining of the business registration procedures in the two pilot cities Bacolod and Ormoc. First, time-and-motion studies were conducted to document (a) the steps involved, (b) the amount of time per step, and (c) the required forms, clearances and signatures during the application process for the Mayor’s Permit. Second, the findings were discussed with key public and private stakeholders, and action plans were agreed upon that spelled out the activities, processes, roles and responsibilities as well as the time frame for the necessary reforms. Third, GTZ consultants provided technical advice and capacity development to support the two pilot cities to streamline the application process for the Mayor’s Permit. Fourth, a second time-and-motion study was conducted to evaluate the impact of these activities. The results are very encouraging. Both cities made considerable progress in reducing the number of steps as well as the time and the cost of the business registration procedures. Having achieved such tangible results in Ormoc and Bacolod, GTZ started to use two replication

mechanisms to increase the outreach of the reforms over and beyond the two pilot cities: (a) peer learning at the local level from one mayor to the other and (b) “bubbling up” lessons learnt into the national policy dialogue.

To streamline business licensing procedures in Vietnam, GTZ conducted a number of studies in close cooperation high-level Vietnamese policy-making and/or policy-advocacy institutions. Building upon the local contacts and the reputation of these institutions, the findings were then channelled into the national policy dialogue. Most studies were published and presented at various dissemination workshops and press campaigns were organized to achieve wide media coverage. Additionally, GTZ facilitated the cross-border knowledge transfer by inviting international experts and translating key documents on business licensing into Vietnamese. Finally, GTZ played a proactive role in harmonizing the donor activities in this field. A mid-term evaluation of GTZ’s activities shows that they have raised the awareness of government agencies, business associations and the public at large for the importance of streamlining business licensing procedures. This has contributed to the removal of more than one hundred business licenses in Vietnam in the last few years. Additionally, the Government of Vietnam is considering taking up a recommendation of GTZ (and other donors) to set up a mechanism for regulatory impact assessment in the design of new business licenses.

The experiences of the Philippines and Vietnam show that donor support to streamlining business registration and licensing procedures can yield high returns. Yet, these returns tend to be neither quick nor telegenic. To maintain the necessary momentum for regulatory and administrative reforms and to fend off populism from pressure groups, donors have to engage on a long-term basis and to support all stages of the reform process.

1. The Rationale for Streamlining Business Registration and Licensing Procedures

The market entry of new firms is a critical part of the process of creative destruction¹ that Joseph Schumpeter (1911) argued is so important for continued economic dynamism and growth. Today, this issue is high on the international development agenda thanks to the path-breaking work of de Soto (1990) on the informal economy in Peru and the efforts of the World Bank² to benchmark the cost of doing business across 175 countries. Policymakers and the public at large in developing countries as well as donor representatives are eager to understand what factors in the business enabling environment promote or hinder the creation of new firms. In many government-led policy initiatives and donor-funded programs special attention is devoted to the role of regulatory and administrative barriers to business registration and licensing.

There are always good (and not so good) arguments for entry regulations among them preventing fraud and the abuse of intellectual property rights, maintaining a “healthy” degree of competition, enforcing quality, safety, social and ecological standards, protecting the rights of workers and consumers, and reducing the environmental pollution. Yet, there is extensive literature that describes entry regulations as means to protect the private interests of incumbent firms (Smith 1776, Stigler 1971) or of regulators and bureaucrats (Krueger 1974). Their existence protects the monopoly rents in goods and factor markets and enables regulators and bureaucrats to extract bribes. Each registration procedure is a point of contact and an opportunity to extract a bribe.

In general, the costs of stricter entry regulations outweigh their benefits. Most importantly, they have a perverse effect on the very people they are (allegedly) meant to protect. The rich and well-connected may be able to avoid cumbersome entry regulations, or may even be protected by them. By contrast, the poor are hardest hit. They are either discouraged to set up businesses by lack of information, prohibitively high costs and time-consuming registration procedures, or they deliberately remain in the informal sector and forgo business opportunities in order to stay “invisible” for the public sector. In the informal sector their access to credit and other financial products, business development services, commercial dispute settlement mechanisms, and government procurement is restricted. These bottlenecks further restrict the potential of informal enterprises to grow, invest and create productive employment. At the same time, a high degree of informality implies that public revenues from corporate, income and value-added tax are lost and only few employees are covered by basic social and health standards. The unwanted effects go on. Cumbersome entry regulations are associated with higher consumption prices and greater administrative

¹ The concept of creative destruction describes the process of innovation-induced economic transformation that sustains long-term economic growth. In Schumpeter's vision, firm entry is the basis of sustainable economic development even as it destroys the value of established companies.

² See <http://www.doingbusiness.org/>

corruption. By contrast, there are no discernible benefits in terms of improving the product quality or reducing undesirable externalities such as pollution.

Against this background, German Technical Cooperation (GTZ) has been supporting partner governments' efforts to streamline business registration procedures worldwide.³ Past experience has shown that this support can be standardized to a certain degree. For instance, GTZ always pursues a process-oriented and participatory approach to streamlining business registration procedures working within the existing institutional structure and involving capacity development as well as public-private dialogue at all stages of the reform process (i.e., assessment, design, implementation, monitoring & evaluation, and documentation & replication of lessons learnt). At the same time, it is self-evident that the success of the reform efforts very much depends on the local context and – above all – on the political economy in the partner country. Hence, we take a flexible and pragmatic approach in terms of the regional and sectoral focus of our support. This point can be illustrated drawing on the cases of Vietnam, where GTZ supported the reform process at the national level, and the Philippines, where GTZ followed an incremental approach to policy reforms using the local level as entry point.

This paper presents the different experiences made in Vietnam and the Philippines by describing the approach taken and results achieved, and derives critical success factors and lessons learnt. Giving answers to these questions, this paper serves as a good basis for comparison with other country experiences.

³ GTZ's showcases in the field of business registration are Ghana, Mozambique, the Philippines, and Vietnam.

2. Donor Support to National and Local Reforms – The Case of the Philippines

2.1 Background

Despite the Philippines' favorable human and physical asset endowment (highly educated English-speaking labor force, natural resources etc.), overall development outcomes in the Philippines over the last decades have lagged significantly behind its East Asian competitors. Relatively low domestic and foreign investment flows reflect weaknesses in the investment climate. According to "Doing Business in 2007" (World Bank and International Finance Corporation 2006), the Philippines rank 108th in 175 economies in terms of the ease of starting a business, falling behind Thailand, Malaysia, Vietnam and even Bangladesh. It takes 11 steps, 48 days and 19% of average gross national income per capita to start a business. The informal economy in the Philippines (about 43% of GNP) is the second largest informal economy in the region after Thailand.

Business registration procedures in the Philippines require companies to go through a number of administrative steps both at national and local level. At the national level, there are nine business registration agencies⁴. Depending on the legal form of the business, an enterprise has to register with at least four of them to start a business: the Department of Trade and Industry (DTI)⁵, the Social Security System (SSS), the Philippine Health Insurance Corporation (PhilHealth), and the Bureau of Internal Revenues (BIR). Furthermore, depending on the sector in which the enterprise operates and the type of products or services it offers, licenses from other government agencies are required, e.g. from the Bureau of Food and Drugs (BFAD) or the Bureau of Fisheries and Aquatic Resources (BFAR)⁶.

The Local Government Code of 1991 devolved substantial powers, responsibilities and resources from the central government in Manila to the Local Government Units (LGUs). This includes, inter alia, the power to create their own sources of revenue through taxes, fees and charges. LGUs grant permits and licenses to allow enterprises to operate in their locality and

⁴ Department of Trade and Industry (DTI), Securities and Exchange Commission (SEC), Cooperative Development Authority (CDA), Social Security System (SSS), Bureau of Internal Revenue (BIR), Department of Labor and Employment (DOLE), Bureau of Investment (BOI), Philippine Economic Zone Authority (PEZA), and Philippine Health Insurance Corporation (PhilHealth).

⁵ DTI is responsible for the administration of business names of single proprietors. Partnerships and corporations have to register with SEC, and cooperatives are required to register with CDA.

⁶ Further agencies are National Food Authority, Fiber Industry Development Authority, Bureau of Animal Industry (BAI), Bureau of Plant Industry (BPI), Forest Management Bureau, National Tobacco Administration, DTI Bureau of Product Standards (BPS), National Subcontractors Exchange (DTI NCR), Intellectual Property Office (IPO), and DTI Bureau of Trade Regulation and Consumer Protection (BTRCP), Department of Environment and Natural Resources – Environmental Certificate Compliance (DENR-ECC), Garments and Textile Export Board (GTEB), and Philippine Coconut Authority (PCA).

regulate businesses operating within their jurisdiction. As the code does not prescribe any details, the LGUs have the discretion to design their own business registration procedures. As a result, steps, requirements and costs involved differ tremendously among LGUs. One of the permits for which every enterprise has to apply for at the local level in order to start a business is the Mayor's Permit. Among the 11 business registration procedures, this permit is the most expensive (137 USD) and the second most time consuming procedure (11 days).⁷

2.2 Support of GTZ – our approach and results achieved

The Small and Medium Enterprise Development for Sustainable Employment Program (SMEDSEP) of GTZ started in the Philippines in January 2004. Its overall objective is to contribute to the improvement of the business environment in the Philippines, and in particular in the Visayas⁸ region. To identify promising areas of intervention, SMEDSEP commissioned a consultant to review the existing laws and policies that affect enterprises in their decisions to employ staff or to invest in the Philippines. The report covered the areas of business registration, financing, taxes and infrastructure, labor and human resource development, trade, and technology and competition (Tecson 2004). The results of the study were discussed at a workshop with key actors such as the Department of Trade and Industry (DTI) and private sector representatives. The participants agreed that administrative reforms at the local level – specifically streamlining business registration procedures – were most likely to achieve quick and tangible results since they could be implemented without legislative changes. Amending laws at the national level was considered too difficult due to the complex political economy of the Philippines and its negative impacts on the pace and quality of national reforms.

To identify reform areas and pilot cities at the local level, SMEDSEP built upon the Philippine Cities Competitiveness Ranking Project (PCCRP), conducted by the Asian Institute of Management (AIM). This bi-annual survey assesses the ability of Philippine cities to attract investments, entrepreneurs and residents, and provides a benchmarking tool that enables cities to measure their locational competitiveness. The PCCRP 2003 covered eight cities in the Visayas region and identified the strengths and weaknesses in their business and investment climate. In these eight cities, SMEDSEP conducted focus group discussions with local private and public sector representatives. Out of six indicators⁹, streamlining business registration procedures was identified as the most promising area for local reform with regard to visible short-term impact achievable at low cost (“quick wins”). As a result, GTZ chose its

⁷ www.doingbusiness.org.

⁸ In previous Philippine-German government negotiations it had been agreed that German Development Co-operation should focus on the Visayas.

⁹ 1. In general, the city's regulatory environment is conducive to business; 2. Securing a business permit is simple and efficient; 3. Local policies and regulations in the city are reflective of business needs; 4. The city's master development plan is appropriate to business sector's needs; 5. Business taxes imposed by the city are reasonable; 6. The city government is honest and transparent in its dealings.

strategic focus accordingly. Ormoc and Bacolod¹⁰ were selected as pilot cities due to the strong political will and commitment of their mayors. The reform process was designed in four steps – diagnosis, planning, implementation, and evaluation – involving public and private stakeholders from the start in December 2004 to the end in April 2006.

2.2.1 Diagnosis

While new businesses can apply for a business permit anytime of the year, the Local Government Code requires that all enterprises renew their Mayor's Permit every year in January. To analyze the existing business registration procedures from the perspective of an entrepreneur, SMEDSEP conducted time and motion studies in the cities of Ormoc and Bacolod in January 2005. The consultants hired by GTZ observed the applicants and documented the process with respect to (a) steps involved, (b) amount of time per step, and (c) required forms, clearances and signatures.¹¹ The studies also noted actions of the frontline personnel¹² that affected the provision of timely services to the applicants.

The quantitative data collected was supplemented with qualitative data on client satisfaction of the LGU service obtained by means of individual and group interviews with applicants as well as LGU staff. In addition, secondary data was collected, e.g. on the cities' regulations, their organizational structures, and administrative processes. In February 2005, validation workshops with selected enterprises in Ormoc and Bacolod were conducted. The objectives of the meetings were to ensure the accuracy and validity of the findings, to get additional inputs, to further specify the recommendations, and to obtain the permission of the respondents to present the findings to the LGU officials.

2.2.2 Planning

In March 2005, action planning workshops were conducted in Ormoc and Bacolod with LGU officials, representatives of national government agencies, chambers of commerce and private enterprises. The participants discussed the findings of the time and motion studies and agreed on actions to improve the business registration procedures until the next registration period in January 2006. To secure the buy-in of all stakeholders and to stimulate their competitive spirit, SMEDSEP also invited a representative from Muntinlupa City, which had already streamlined its business registration procedures and served as a benchmark. Action plans were passed that recommended activities, responsibilities, processes, and the time frames for the necessary administrative reforms.

¹⁰ Ormoc is a small sized city (population: 168,569 in 2000) in province of Leyte, Visayas. Bacolod is a medium sized city (population: 429,076 in 2000) in the province of Negros Occidental, Visayas.

¹¹ The tracking focused on businesses persons who completed the registration process. Random sampling was applied to track as many applicants as possible. For the time and motion studies in 2006, a total of 30 and 29 applicants were observed in Ormoc and Bacolod, respectively.

¹² Frontline personnel are LGU employees providing services and working in direct contact with the client.

2.2.3 Implementation

From October to December 2005, the consultants provided technical assistance to Ormoc and Bacolod and supported the monitoring of the action plans. Additionally, half-day workshops were conducted in both cities with representatives of regional DTI offices, the LGUs (in particular the Business Permit and Licensing Office (BPLO)), several national government agencies¹³, and the representative from Muntinlupa City. Major milestones achieved through this support include:

- unnecessary administrative steps and requirements were removed (e.g. the land and water tax clearance);
- process flowcharts for the registration procedures and schedules of the fees involved were posted, and registration forms were made easily accessible;
- pre-registration (e.g. for complying with the Social Security System (SSS) and the Philippine Health Insurance Corporation (PhilHealth)) and post-audit inspections were allowed;
- national government agencies provided lists of cleared businesses to the BPLO prior to the registration period;
- a customer service training was conducted by the Civil Service Commission in Ormoc¹⁴. The two-day training was attended by about 40 participants working as frontline personnel in various government agencies involved in the business registration process;
- the dissemination process was improved. Information on the streamlined business registration procedures was published in local newspapers, radio and TV channels.

Furthermore, the regional DTI office of Leyte and the city of Ormoc organized a business forum in November 2005. About 70 participants from the private and public sector including the Ormoc Chamber of Commerce and several national agencies (SSS, PhilHealth, Bureau of Internal Revenues (BIR), Home Development Mutual Fund (Pag-ibig)) were invited to the event and agreed on a Memorandum of Understanding (MOA). In this document, they committed themselves to improve the business registration procedures by January 2006 and to establish a technical committee composed of the agencies mentioned above. Both, the MOA and the technical committee have proven to be very important tools for creating momentum and ensuring sustainability of the reform process.

2.2.4 Evaluation

To evaluate the success in streamlining the administrative procedures, a second time-and-motion study was conducted by the same consultants during the next business registration

¹³ Philippine Health Insurance Corporation (PhilHealth), the Bureau of Internal Revenues (BIR), Social Security System (SSS), etc.

¹⁴ In Bacolod no customer service skills seminar was conducted because the city did not submit its proposal on time.

period in January 2006. LGU staff in Ormoc and Bacolod was trained to apply this tool on their own in the future. In addition a written customer feedback survey was carried out with the applicants after they had completed the registration process. The findings of the study including recommendation for further reforms were validated in two workshops in both cities. Representatives of the LGUs, national government agencies and chambers of commerce attended the first workshop, business people that had applied for a Mayor's Permit attended the second.

The table below shows that business registration procedures in Ormoc and Bacolod have been streamlined significantly. To register a business in Ormoc in 2005, an applicant had to take 17 steps, to submit 12 requirements and to wait 17 days. Now it only takes 10 steps, 6 requirements and 2 days. In Bacolod, the time to get a business permit has also been shortened to 2 days. Further reductions in registration times are expected in both cities for 2007 as additional computers have been installed since January 2006. As a result of these activities, customer satisfaction has also improved in both cities. Of course, the increase in business permits approved – +25% in Ormoc and +10% in Bacolod – can only partly be attributed to the greater efficiency of LGU services. Yet, it is reasonable to assume that the administrative reforms supported by SMEDSEP were one of the most important factors behind this success.

Indicator	Bacolod		Ormoc	
	2005	2006	2005	2006
No. of steps to get a permit - renewal/new	19/21	15/15	14/17	5/10
No. of days to get a permit	9	2	17	2
No. of documents and forms required	19	10	12	6
No. of permits approved during the registration period	12 681	14 010 (+9.5%)	2 013	2 681 (+24.9%)

2.3 Increasing the outreach of reforms by peer learning at the local level and “bubbling up” lessons learnt into the national policy dialogue

Having achieved such tangible results in Ormoc and Bacolod, GTZ started to use two replication mechanisms to increase the outreach of the reforms: (a) peer learning at the local level and (b) “bubbling up” lessons learnt into the national policy dialogue.

First, the experiences of Ormoc and Bacolod have already generated the interest of other LGUs of the Visayas region, e.g. Iloilo, Escalante, Dumagete, and Tacloban. This interest in GTZ's work will be very useful for the replication of streamlining business registration procedures in more LGUs through peer learning during the second phase of SMEDSEP. GTZ has supported DTI's proposal to document the Ormoc and Bacolod experience in a short video. Additionally, DTI and GTZ launched an initiative to document the lessons learnt in 16 cities all over the Philippines (including Ormoc and Bacolod) in a publication of good practices on streamlining business registration procedures at local level. Other national

institutions – among them the Department of Interior and Local Government (DILG), the League of Cities of the Philippines (LCP), and the Philippine Chamber of Commerce and Industry (PCCI) – as well as other donors – Asia Foundation, International Finance Corporation (IFC) and Canadian International Development Agency (CIDA) – have joined this initiative and supported the dissemination of these products.

Second, the lessons learnt from the two pilot cities were “bubbled up” into the policy dialogue at the national level. To this end, GTZ organized several meetings in Manila involving inter alia representatives from DTI, DILG, LCP, and PCCI. Furthermore, GTZ championed this issue in the SME Group – a forum where DTI and donors discuss and coordinate their activities – and it was jointly decided to increase the efforts to streamline business registration procedures. These activities created awareness and demand for replication in other LGUs and for policy reforms at the national level. The message was also taken up by the DTI Secretary who highlighted the importance of streamlining business registration procedures during the Philippine Development Forum in March 2006.

2.4 Challenges and success factors

Streamlining business registration at the local level involves a wide range of public and private stakeholders. Most of them have their own agendas, and resistance to change is common. The challenge is to bring all stakeholders together and to get their commitment to jointly streamline business registration procedures. GTZ experiences show that the success in Ormoc and Bacolod largely depended on the following factors:

- political will and commitment of the Mayor (MOA) to adopt changes;
- full support of LGU employees, i.e. Business Permits and Licensing Office (BPLO) Chief;
- participatory process that brings together public and private partners and builds consensus and local ownership.

Further lessons learnt include

- in choosing the pilot cities, clear selection criteria (e.g. political will and commitment of the mayor, economic potential of LGU) have to be applied;
- signing a memorandum of understanding is a prerequisite for starting the reform process;
- a technical working committee composed of public and private sector representatives should be set up to build consensus and local ownership;
- bringing in good practices from other LGUs and using benchmarking tools can create a competitive spirit among LGUs and stimulate administrative reforms;
- LGUs need to be capacitated to regularly monitor and evaluate the business registration procedures;

- the Business Permits and Licensing Office (BPLO) chiefs in the pilot cities should be capacitated to act as resource persons and be encouraged to share their experience with other LGUs;
- flexible, tailor-made and process-oriented reform strategies are required. There are no blueprints.

3. Streamlining Business Licensing Procedures – Experiences from Vietnam

3.1 Background

In Vietnam, the adoption of the Enterprise Law of 1999 marked the start of the first wave of reforms of business licensing procedures. Driven by the strong commitment of the national government, nearly 150 business licenses were abolished resulting in a significant reduction of the cost of doing business and the non-commercial risks for the private sector. Yet, over time the zeal for policy reforms faded and the resistance of different ministries in fear of losing their political influence and opportunities for bribes built up. New administrative procedures were put in place which started to erode the economic freedoms created by the Enterprise Law. At the same time, many interest groups intensified their efforts to lobby for policies and regulations that favour their vested interests and limit competition.¹⁵

As a result, the number of business licenses started to grow again from 194 in 2002 to 298 by the end of 2004. On average, one business license was born every week. Worryingly, these figures do not include the hundreds of “hidden” business licenses or “approvals” set up arbitrarily by individual government agencies. Even if there is good will to streamline the licensing procedures,¹⁶ the interests of the different line ministries and other stakeholders tend to vary so much that it is difficult to agree on the removal of certain administrative steps. Entrepreneurs, therefore, spend significant time, effort and resources on administrative burdens such as obtaining official stamps, trade promoting licenses and business permits as well as complying with the tax code and official inspections.

3.2 Support of GTZ – our approach and results achieved

The activities of GTZ to support the streamlining of the business licensing procedures in Vietnam started in 2003 as part of its efforts to develop business development services markets and were significantly expanded with the start of the new SME Development Program in 2005. In addition to this, GTZ is supporting the improvement of the design and the implementation of business-related laws, the adoption of a mechanism of ex ante impact assessment of business laws and regulations (often referred to as regulatory impact assessment), and the improvement of market entry and business information at provincial level.

3.2.1 Research on business licensing

GTZ supported a number of studies on business licensing in Vietnam such as “Business Licensing: Current Status and the Way Forward” and “6 Years of Implementing the

¹⁵ Tran Phuong (2005). *White Collar Criminals*, Vietnam Law Newspaper, issue 230, 23 September 2005.

¹⁶ E.g. the Ministry of Agriculture and Rural Development and the Ministry of Labor and Social Affairs were very proactive in scrapping business licenses.

Enterprise Law”. These studies were conducted in close cooperation with high-level policy-making and/or policy-advocacy institutions, for instance the Prime Minister’s Research Commission (PMRC), the Central Institute of Economic Management (CIEM) – a public economic think tank – and the Vietnamese Chamber of Commerce and Industry (VCCI). Teaming up with strong national partners brought a number of benefits. First, they improved the quality of the studies by bringing in their in-depth knowledge on the social, economic and political context in Vietnam. Second, the policy recommendations made were locally owned, perceived as credible, and could easily be channeled to the most influential public and private stakeholders in the field of business licensing. A recurring issue that emerged from these studies was that a mechanism to monitor the emergence of new business licenses should be set up.

3.2.2 Feeding recommendations into the national policy dialogue

New studies only provide value added if the policy recommendations are heard and taken up by the policy makers, line ministries at national and provincial level, business associations and the public at large. In order to channel the findings to the different target groups, GTZ used a variety of tools and instruments. First, most of the studies were published and presented at a number of dissemination workshops. These events facilitated the exchange between policy makers, researchers and the business community. To stimulate the debate, influential keynote speakers were invited to provide comments. Second, GTZ organized press campaigns in the final quarter of 2005 to achieve wide media coverage on the topic. Before each dissemination workshop, selected journalists were informed about the event and received written press releases and background information. During the events, interviews with the keynote speakers were facilitated.

3.2.3 Establishing networks of reform-oriented institutions

GTZ also contributed to the establishment of networks of reform-oriented institutions in Vietnam. Most activities were carried out jointly with the VCCI, PMRC and CIEM – the pioneers in business environment reforms in Vietnam. As a result, the three institutions often spoke with one voice on issues related to business licenses. In order to bring in international good practice on business licensing and to facilitate cross-border knowledge transfer, GTZ also invited international experts – inter alia from South Korea and Mexico – to provide inputs to the studies and to speak at the dissemination workshops. Furthermore, important documents on business licensing were translated into Vietnamese to share the knowledge more easily. Finally, GTZ played a proactive role in harmonizing the donor activities in the field of business licenses. The most successful cooperation was realized with the Asian Development Bank (ADB), the IFC Mekong Private Sector Development Facility (MPDF), and UNDP.

3.2.4 Evaluation

Measuring the impact of GTZ’s support to streamlining business licensing procedures in Vietnam is difficult for two reasons. First, it takes very long to implement national policy reforms, and it takes even longer for their effects to materialize at the enterprise level. One year down the line, it is too early to expect a significant increase in the number of business start-ups, investment in physical and human capital, employment, and value-added. Second,

GTZ's support is embedded in similar activities of other donors. Hence, even if we saw improvements in the business environment, it would be impossible to determine to what extent they are attributable to GTZ's support.

Still it is worthwhile to record some intermediate results. The GTZ activities and press campaigns resulted in nearly 100 news articles and interviews. As a result, the awareness of government agencies, business organizations and the public at large for the importance of streamlining business licensing procedures has increased considerably, and business licenses became a "hot topic" in Vietnam. This has contributed to the removal of more than one hundred business licenses in Vietnam in the last few years, enabling Vietnam to rise to the 25th rank in terms of "dealing with licenses" in "Doing Business in 2006" (World Bank and International Finance Corporation 2006).

More importantly, the Government of Vietnam is considering taking up a recommendation of GTZ (and other donors) to set up a mechanism for regulatory impact assessment in the design of new business licenses. To this end, it is discussing this issue with national stakeholders – particularly CIEM – and it has established a Government Taskforce on the Enforcement of the Unified Enterprise and Investment Law. Under the new institutional setting, the burden of proof would be shifted. The government agency championing the introduction of a new license would have to prove that the new license is in public interest, and it would be required to assess ex ante the economic costs and benefits of the new license.

3.3 Challenges and success factors

In recent years, Vietnam has seen a proliferation of analytical studies on the business environment. The main challenge now consists in translating their policy recommendations into sustainable policy reforms and to develop the institutional capacities to implement them. Important lessons for successful donor support at national level are:

- the activities should always start at the perceived needs of national stakeholders. Donors cannot create national ownership for policy – only strengthen it;
- involving different stakeholders from the public and private sector and establishing alliances among them is important to build up the momentum for policy reforms;
- cooperating closely with the media increases the outreach and leverage of donor support;
- changing the mindset of the most important stakeholders and developing their capacities is important for the sustainability of reforms.

4. Summary and conclusions

The experiences of the Philippines and Vietnam show that donor support to streamlining business registration and licensing procedures can yield high returns. Yet, these returns tend to be neither quick nor telegenic. To maintain the necessary momentum for regulatory and administrative reforms and to fend off populism from pressure groups, donors have to engage on a long-term basis and to support all stages of the reform process. In the past, donors too often went for the “easy option”, that is using ever more sophisticated diagnostic tools to identify the priorities of reforms. By contrast the more intricate and contentious design, implementation and monitoring of the reforms was left to the national counterparts.

An important – yet sometimes forgotten – stage of the reform process is the documentation and replication of good practices and lessons learnt. Good value for donor money is only achieved if the reforms have a large outreach over and beyond the pilot cities. In the Philippines both peer-to-peer learning from one mayor to the other and “bubbling up” the lessons learnt at the local level into the national policy dialogue proved effective means of replication. The case of Vietnam highlighted the importance of comprehensive press campaigns to achieve wide media coverage.

In both countries, involving strong national champions – the representatives from Muntinlupa City in the Philippines, and the Prime Minister’s Research Commission, the Central Institute of Economic Management and the Vietnamese Chamber of Commerce and Industries in Vietnam – was a key success factor. Not only did they bring in in-depth knowledge on the social, political and economic context. But they also paved the way for reforms by providing contacts to influential public and private stakeholders, by lending credibility to the policy recommendations or by demonstrating local ownership and the feasibility of reforms.

Finally, the case studies of the Philippines and Vietnam highlight the importance of donor harmonization and alignment. In both countries, the donor community joined forces and aligned to a national development strategy – the SME Development Plan in the Philippines and the Unified Enterprise and Investment Law in Vietnam. Doing so, they were able to increase the leverage of their support as well as the outreach of the legislative and administrative reforms to streamline business registration and licensing procedures.

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