



29 November 2011

Dear Mr. Yohannes,

We are pleased to submit this report highlighting updates/progress on the three (3) Policy Improvement Projects (PIP) since we last submitted to your Office in March 2010.

As you know, the Philippine government embarked on the development of a unique and innovative approach on the Philippine PIPs by having a strong **Public-Private Sector Collaboration** to ensure a successful implementation of the PIPs. In doing so, we created teams composed of senior government officials in the concerned department as champion as well as private sector representatives as a co-champion. We are pleased with the MCC's support to this unique and innovative approach to policy improvement as the process took shape promptly and with broad-based and active participation of public and private sector partners.

In our March 2010 Report, the Government of the Republic of the Philippines (GRP) submitted to the MCC its Policy Improvement Process Final Action Plan namely:

- 1) Developing 120 LGUs as Sparkplugs for Economic Development;
- 2) Institutionalization of the Balanced Scorecard System in Six (6) National Government Agencies, and
- 3) Improving Transparency in Budget Delivery

The action plan's objective is to enhance GRP's efforts in controlling corruption and instituting good governance in the public sector which should ultimately result in continuing improvements in the Control of Corruption index.

With the signing of the Philippines Millennium Challenge Corporation (MCC) Compact Agreement in September 2010, and in keeping with the GRPs commitment to implement this (PIP) Plan of Action, in parallel with the Compact Projects, we are pleased to give you updates on the PIPs.

**1) Developing 120 LGUs as Sparkplugs for Economic Development;**

Specifically, Local Government Units (LGUs) embarked on a three-pronged program aimed at:

- A. Streamlining regulatory processes, initially those dealing with businesses, as a means of cutting down the opportunities for bribery and other forms of corruption
- B. Implementing the Anti-Red Tape Act of 2007 which is aimed at expediting transactions with government through the formulation of the Citizen's Charter

### C. Streamlining of Business Permits and Licensing System (BPLS)

The foremost intent of streamlining the BPLS is to reduce cost of doing business by fostering greater efficiency in processing business permits and licenses. This will be achieved through the implementation of the following standards in processing permits:

1. limiting the processing time of LGUs to a maximum of ten days for new business applications and five days for business renewals
2. using a single, standardized form for new applications and renewals by LGUs
3. limiting the number of steps in processing new applications to maximum of five steps and renewals to a maximum of four steps.

### STREAMLINING OF BUSINESS PERMITS AND LICENSING SYSTEM PROJECT (BPLS)

With an original target of 120 LGUs, the Department of Interior and Local Government and the Department of Trade and Industry expanded the target to cover 480 cities and municipalities nationwide based on their high number of business establishments and high potential for generating new investments. To date, a total of 266 LGUs have completed streamlining while the remaining are targeted for completion by next year. This would mean that these LGUs have already streamlined their BPLS by way of limiting processing time and steps as well as using a single form. Early assessments of sample cities already indicate a 7% increase in city revenues from permits in Lapu-Lapu City, Cebu; a 12.6% increase in San Fernando, Pampanga; and an 18% increase in Butuan City, Agusan del Norte. The long-term plan is to eventually automate these processes so that applications can be filed online.

The BPLS project - which was supposed to complete its first phase by end-2014 has been accelerated to the point where it will now finish the first phase by end-2012. (Refer to Annex A for detailed Accomplishment Status)

A Survey on Business Registration Process Quality and Management conducted by the Ateneo School of Government for NCC was completed in May 2010 covering the period February to April 2010 in 17 LGUs in Metro Manila. The survey was meant to determine private sector perception on LGU efficiency in the issuance of business permits and licenses as determined by the number of steps needed to obtain/renew a permit and the length of time needed to do so. The study identified nine of 17 MM LGUs whose business permit processing was done in one week or less. These 9 LGUs are Muntinlupa, Marikina, Las Pinas, Makati, Navotas, Paranaque, Caloocan, Mandaluyong and Malabon. We plan to conduct a more comprehensive client satisfaction survey by next year to cover more LGUs nationwide.

### IMPLEMENTATION OF THE ANTI-RED TAPE ACT OF 2007

The Anti-Red Tape Act (ARTA) of 2007 (R.A. 9485) was enacted to reduce red tape and expedite transactions in government. This legislation directs all government entities with frontline services to develop their Citizen's Charter, an official service charter or

pledge that describes the step-by-step procedure for availing of a particular service; and the guaranteed performance level that the public may expect for the service. Information such as procedures to avail of the service, responsible person/office, processing time, documentary requirements, applicable fees or charges, and procedures for filing complaints are reflected in the Citizen's Charter. The Citizen's Charter is published and posted in agency websites and on billboards in conspicuous places within the agency.

Among the 5,156 government units nationwide being monitored by the Civil Service Commission, 3,794 are found to be fully compliant with the ARTA's requirements on the institutionalization of a Citizen's Charter, 86.23% or 1,478 of which are LGUs. The remaining 1,243 government entities are in the various stages of ARTA compliance. (See Annex B).

## 2) Institutionalization of the Balanced Scorecard in Six National Agencies

The Performance Governance System (PGS) is a local adaptation of the Balanced Scorecard (BSC) for tracking performance using critical measures to ensure organizational reform. The PGS allows for multi-sectoral participation in translating the agency vision into executable strategies and realizable initiatives. The original six (6) target agencies were the **Dept. of Public Works and Highways (DPWH)**, **Dept. of Transportation and Communication (DOTC)**, **Bureau of Internal Revenue (BIR)**, **Dept. of Health (DOH)**, **Dept. of Education (DepEd)**, and **Philippine National Police (PNP)**. This was further expanded to include another six agencies – **Dept. of Social Welfare and Development (DSWD)**, **Development Academy of the Philippines (DAP)**, **Civil Service Commission (CSC)**, **Philippine Army**, **Philippine Navy**, and **Maritime Industry Authority (MARINA)**.

Please note that the agencies engaged in the implementation of the MCC Compact projects also form part of the PGS-BSC agencies, namely DPWH, BIR and DSWSD. (See Annex C for the Balanced Scorecards of the 6 agencies.)

Following is a list of National Government Agencies in the various stages of PGS progression:

Stage 1 - Initiation	Stage 2 - Compliance	Stage 3 - Proficiency	Stage 4 - Institutionalization	Hall of Fame
Development Academy of the Philippines	Department of Social Welfare and Development	Philippine Military Academy	National Electrification Administration	
Department of Education	Department of Health	Philippine Navy		
Department of Transportation and	Bureau of Internal Revenue			

Communications				
League of Cities of the Philippines	Philippine Army			
Maritime Industry Authority	Department of Public Works and Highways			
	Philippine National Police			
	Civil Service Commission			

Their key performance targets and performance are posted publicly in their respective agency websites and they undergo discussions with external review panels every semester to evaluate their progress. The latest revalida was conducted last October 11 and 14 before multi-sectoral panels.

Current efforts are also underway to harmonize the various Performance Monitoring and Reporting Systems being adopted by the government (e.g., Organizational Performance Indicator Framework, Strategic Performance Monitoring System) in order to come up with a unified Performance Monitoring and Reporting Systems.

### 3) Improving Budget Transparency in Budget Delivery

To improve transparency in the budget delivery process, the Department of Budget and Management (DBM) is intensifying its efforts to enhance its internal management system towards transparency, equity, and accountability. DBM operates under the principle that IT-based systems and improvements are effective anti-corruption tools since they reduce personal discretion and minimize direct contact between clients and process owners, while enhancing efficiency and transparency. Hence, DBM is currently developing a number of projects: 1) **the second phase of the Electronic Transparency and Accountability Initiative in Lump Sum Funds (eTAILS, formerly eLAMP)** and 2) **the Document Management System (DMS, formerly DTS).**

This PIP aims to:

- Automate the preparation of 1) **Special Allotment Release Orders (SARO)** for monitoring of Priority Development Assistance Fund (PDAF), Department of Public Works and Highways-Congressional Allocation for Infrastructure (DPWH-CA), School Building Program (SBP), and Internal Revenue Allotment (IRA), and 2) **Notice of Cash Allocations (NCA)** and budget releasing process nationwide
- Upgrade/enhance document management system to ensure accurate tracking of document approval status including accuracy of contents
- Ensure client satisfaction through surveys

To date, following are the highlights of accomplishments for this PIP:

**A. eTAILS Phase 1**

This phase of the system focuses on the **transparency initiative** by automating the processing of releases from lump-sum funds which are then posted on the DBM website. The PDAF module has been fully implemented ([www.dbm.gov.ph/pdaf.php](http://www.dbm.gov.ph/pdaf.php)). The systems design for the IRA, DPWH-CA, and SBP modules are currently under development while full implementation is slated for 2012.

**B. eTAILS Phase 2**

This phase of the system pursues the **accountability initiative**. Government entities will be able to upload and submit their Statement of Allotments, Obligations and Balances (SAOB) reports into the system, which will upload it to the DBM website to be made available for public scrutiny and feedback.

Development of the system and assessment of hardware and software requirements are in process. The terms of Reference for the systems design has been submitted to prospective donors. The system will be ready for installation in 2012 and for pilot testing in 2013. It will be launched in 2014, coupled with an information campaign to raise public awareness and promote the use of the system. Site visits and public usage of the system will be monitored.

**C. Document Management System (DMS)**

The DMS is envisioned as a digital repository of all DBM documents with an integrated facility for document management, which will enable capture, location tracking, transmission, archiving and retrieval of documents. In relation to budget delivery, the DMS centrally logs requests for fund releases, keeps track of and manages action documents, and prevents unnecessary delays up to the issuance of the Notice of Cash Allocation (NCA) which authorizes the release of the check from banks. The system will be ready for pilot testing by the DBM by the end of the 1<sup>st</sup> quarter of 2012.

**OTHER ANTI-CORRUPTION INITIATIVES**

Although not originally a part of the GRP commitment, we are pleased to inform you about a current private sector-initiated project on the Integrity Initiative which seeks to stop corruption and tax evasion as part of efforts to improve the business environment in the country. About 700 companies and 25 national government agencies (among others, DPWH, DOF, DBM and DOTC and the Supreme Court) signed the pledge last September 14 during the Integrity Summit, to promote and adhere to ethical standards. A unified code of conduct and monitoring system for the Integrity Initiative will be put in place in 2012. (Refer to Annex D for list of signatories).

Moreover, the Office of the Ombudsman has taken the initiative to further enhance the implementation and monitoring of the APEC Code of Conduct for Business Against Corruption. Under the support of APEC, the Ombudsman will host a planning workshop and conference in Q1-2012 on the APEC Code of Conduct. The National Competitiveness Council serves as co-chairman for the conference.

All of these anti-corruption and good governance thrusts are in line with the Philippines' participation in the Steering Committee of the Open Government Project which was recently organized by President Barack Obama and which held its first meeting in New York last September.

Our work on good governance as illustrated in the three PIPs outlined above. These new initiatives lie at the core of our competitiveness strategy along with our efforts to improve our infrastructure, education, and other basic sectors. We reiterate our commitment to a successful partnership with the MCC in improving transparency and governance in the country. Thank you.

Sincerely,



**ALBERT F. DEL ROSARIO**  
Secretary  
Department of Foreign Affairs



**CESAR V. PURSIMA**  
Secretary  
Department of Finance



**GUILLERMO M. LUZ**  
PIP Point of Contact and Co-Chair  
National Competitiveness Council

The Honourable

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Cc: Sec. Gregory L. Domingo, DTI  
Sec. Jesse M. Robredo, DILG  
Sec. Florencio B. Abad, DBM  
Chairman Francisco T. Duque, CSC  
Mr. Matthew Bohn, Resident Country Director, Philippines

**ANNEX A**

**Streamlining Business Permit and  
Licensing System Project**

**ACCOMPLISHMENT STATUS**

**2011 BPLS STREAMLINING PROGRAM**  
**Program Updates (Component 1) as of October 18, 2011**

**Summary of BPLS Streamlining – TARGET and NON-TARGET LGUs**

Region	TARGETED LGUs/ REGION	COMPLETED		ON GOING		Not Yet Started (Target)	TOTAL # OF LGUs TRAINED/REGION		
		Target	% of Actual Accomplishment to Target	Target	Non-target		Target	% of LGUs Trained to Target (480)	Non-target
NCR	1	1	100%				1	100%	1
CAR	3	1	33%	2			3	100%	3
I	16	3	19%	10	14		13	81%	27
II	7	4	57%	1	3		5	71%	8
III	130	92	71%	38			130	100%	130
IV-A**	142	44	31%	69			113	80%	113
IV-B	15	4	27%	10	1		14	93%	16
V	9	9	100%	6			9	100%	15
VI	19	8	42%	3	1		9	47%	12
VII	29	21	72%	26	14	2	29	100%	69
VIII	31	3	10%		2		20	65%	22
IX	8	1	13%		3		4	50%	4
X	12	1	8%		2		9	75%	11
XI	20	15	75%	1		1	16	80%	17
XII	32	6	19%		1	1	8	25%	8
XIII	6	6	100%	10	7		6	100%	23
<b>Total</b>	<b>480</b>	<b>219</b>	<b>46%</b>	<b>47</b>	<b>43</b>	<b>4</b>	<b>389</b>	<b>81%</b>	<b>479</b>

\*\* Still awaiting the list of LGUs added in Region IV-A. A total of 90 (44 complete from the previous 23 and 69 on-going from 10) LGUs were added from the last update.

List of Target LGUs with Completed/On-going BPLS Streamlining  
As of October 31, 2011

Included in the original list of 120 LGU Sparkplugs

REGIONS	PROVINCES	COMPLETED				ON GOING			NOT YET STARTED
		Target LGUs				Target LGUs			Target LGUs
		(2010)	(2011)	(2012)	(2013-14)	(2010)	(2011)	(2012-14)	(2010-14)
NCR		Pateros							
CAR	BENGUET					Baguio City La Trinidad			
	ABRA	Bangued							
	ILOCOS NORTE	Laoag City							
	ILOCOS SUR	Vigan City							
	LA UNION	San Fernando City				Bauang (*still consuming the old form, and applying the old process) Agoo (on-going preparation of EO re BPLS simplification)			
	PANGASINAN					Alaminos City (*still with 7 signatories) <i>Bani</i> <i>Burgos</i> Urdaneta City (*TWG still working on the streamlining process)	Agno Anda Mabini City <i>Sual</i> (*TWG still working on the streamlining process)		

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(\*latest submission includes Executive issuances by the LCEs of the respective LGUs)



List of Target LGUs with Completed/On-going BPLS Streamlining  
As of October 31, 2011

REGIONS	PROVINCES	COMPLETED					ON GOING			NOT YET STARTED	
		Target LGUs					Target LGUs			Target LGUs	
		(2010)	(2011)	(2012)	(2013-14)	(2010)	(2011)	(2012-14)	(2010-14)		
PAMPANGA	Angeles City San Fernando City Mabalacat	Arayat	Floridablanca	Candaba ('13)							
		Apalit Guagua	Lubao Magalang Porac	Macabebe ('13) Masantol ('14) Minalin ('14) San Simon ('14) San Luis ('14) Sta. Rita ('14) Sto. Tomas ('13)				Mexico	Bacolor ('13) Sasmuan('14) Sta. Ana ('13)		
BULACAN	Baliuag Mecauayan City Marilao San Jose Del Monte City	Plaridel	Balagtas	Angat ('14)	Malolos City						
		Puilián Sta. Maria	Bocaue Guiginto Hagonoy Obando	Bulacan ('13) Bustos ('13) Norzagaray ('14) Pandi ('14) Paombong ('14) San Ildefonso ('13) Doña Remedios Trinidad ('13)	(*June 8 reported w/ 1 form now w/ 3 forms)	Calumpit	San Miguel ('13) San Rafael ('13)				
NUEVA EJICA	Gapan City Muños City Talavera	Guimba	Bongabon	Aliaga ('13)	San Jose City						
		San Isidro San Leonardo Sta. Rosa	Cabiao Cuyapo Jaen Rizal Zaragoza	Carranglan ('14) Gabaldon ('14) Laur ('13) Licab ('14) Llanera ('13) Lupao ('13) Nampicuan('14) Pantabangan('14) Peñaranda ('13) Quezon ('14) Sto. Domingo(13) Talugtug (14)	Cabanatuan City	San Antonio Palayan	Gen. Natividad ('13) Gen. Tinio ('12)				

