

NPM, Business Process Re-engineering and Local Governments: The Case of Local Business Permitting and Licensing System Regulatory Reform

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The article explores the process of re-engineering in the business permitting and licensing systems (BPLS) of local governments over a five-year period (2010-2015). Review of secondary data and official documents on the BPLS reform program and process analysis of the streamlining approaches used by two local government units (LGUs) for their BPLS procedures both reveal differences, limitations, and constraints in implementation at the local level. The article argues that, despite the attempt to converge BPLS streamlining efforts by issuing uniform standards and guidelines, implementation varies due to the decentralized and political context, the local government officials' understanding of the process and its elements, and their perception of the policy problem. The article then suggests areas for future research along this line.

Keywords: *new public management, business process re-engineering, business permitting and licensing system, local government units*

Introduction

Recent administrative and regulatory reforms in many countries are often attributed to the influence of new perspectives on governance, particularly new public management (NPM) (Howlett, 2004; Gruening, 2001). These reforms emphasize a diminished and steering role for government and are marked by institutional changes to rules, processes and structures at the level where the public and private sectors interact (Minogue, 2006; Andrews, 2013). Regulatory reforms associated with NPM have traveled by way of policy transfer to developing countries in Asia and other parts of the developing world (Minogue, 2006), and most countries in Southeast Asia have embraced NPM-based reforms in various degrees (Haque, 2007).

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Studies of regulatory reform in the Philippines tend to focus on the national government level, and little has been written about it at the level of local government. This article thus seeks to contribute to the literature on regulatory reform in the Philippines at the local government level by focusing on the business permitting and licensing system (BPLS), which is an important regulatory system in local governments. It looks at the experience of applying a new public management (NPM) approach—business process re-engineering (BPR)—to reform and streamline the BPLS and to support the overall national government goal of improving the country's competitiveness and creating a more conducive business environment. The article is exploratory in nature and scope. It does not provide generalized findings but identifies possible areas for further analysis in terms of policy and evaluation research.

Studying regulatory reform in local governments through the case of BPLS streamlining is significant in fostering a broader understanding of how reform works in the government. There is always an underlying expectation of universality in reforms prescribed by NPM—that best practices that worked in other settings can be applied elsewhere. By examining a particular reform program applied in local governments, both policy makers and students of policy reform and implementation can develop a more prudent and reasonable assessment of how reform works and its limitations and constraints.

From the lens of NPM, local governments also experience the stress and dilemma of most national government agencies in providing frontline services and in dealing directly with stakeholders and clients. The nature of local governments as political institutions, however, provides for a more nuanced understanding of how regulatory reform works and how it shapes and is shaped in turn by inter-governmental relations.

The article argues that the process of BPLS re-engineering at the level of local governments has been influenced by the decentralized and political context of its implementation, the nature of local government officials' understanding of the process and its different elements, and their perception of the policy problem.

This article is structured in several parts. The next section provides a conceptual review and understanding of new public management and one of its more popular approaches—process reengineering. The BPLS streamlining program, its legal framework and administrative history, and how it tried to operationalize process reengineering at the local government level are then explained. The experience and implications of the results of the streamlining program are identified in the next section, while the concluding part identifies some points for research and policy.

Much of the article is based on review of secondary materials, technical reports and official documents on the BPLS streamlining program. The article also includes a process analysis of at least two cases of local government units (LGUs) that have attempted to streamline their business permitting procedures.

New Public Management, Business Process Re-engineering and Regulatory Reform

NPM has been characterized as a loose term (Hood, 1991) or a descriptive label for a set of administrative doctrines that rose to prominence as prescriptions for bureaucratic reform. It was described as “a marriage of two different streams of ideas”—of new institutional economics combining with modern managerialist practices in the mold of scientific management (Hood, 1991, pp. 5-6). Pollitt (2007) and Drechsler and Randma-Liiv (2014), on the other hand, described NPM as a two-level phenomenon. At one level, it presents a theory or doctrine on public administration reform, and at the second level, it presents a toolbox of market-based approaches and practices that could be adapted for use by the public sector. The toolbox of approaches and practices include performance measurement, lean and flat organization, contracts, competition in the supply of services or goods, performance-based pay, quality improvement techniques, and the general treatment of citizens as customers (Pollitt, 2007).

NPM espouses the transformation of public sector activity to a businesslike, professional management. A common theme of this set of administrative reforms is that private sector managerial techniques and market mechanisms can improve public sector efficiency, given the oft-cited issues of bureaucratic red tape and inefficiencies of the public sector, the cost and burden of regulatory policies of government, and a general dissatisfaction with government (Ventriss, 2000).

Business Process Re-engineering (BPR)

One of the popular tools in the NPM toolbox is business process re-engineering (BPR). Hammer and Champy (1993) described BPR as “the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service, and speed” (p. 32). As the definition suggests, BPR involves radical rather than incremental change, fundamental redesign instead of cosmetic changes in systems and procedures, a focus on the business process rather than on the

organization, expectations of dramatic rather than gradual improvement, substantive use of information technology and a customer orientation. (Hammer & Champy, 1993; Reyes, 2003).

BPR's main attributes are its emphasis on the review of processes and their outcomes and the elimination of unnecessary procedures and requirements, use of information technology to speed up processes and decision making, reduction of paper and document, and focus on the customer (Reyes, 2003). However, recent studies have argued that the perspective on BPR has evolved, learning from the successes and failures of implementation. Current definition of BPR now includes both radical and incremental improvements, rather than a strict definition focused on radical changes in business processes (Ozcelik, 2010). Newer terms were also used. For example, business process improvement (BPI) was also used to refer to BPR, although it is considered as less radical than the latter (Adesola & Baines, 2005). A broader concept, business process management (BPM), was also suggested, to take into account not only BPR but other management processes and the activities that are important to manage after the introduction of the reform (Kohlbacher, 2010).

BPR has thus evolved in terms of how it is seen and the extent that it covers, but the key processes and principles involved appear to be consistent. These include understanding the business needs and processes; modeling and analyzing the processes; benchmarking business processes and their outcomes; using the information to redesign and implement the new processes; and reviewing and assessing the performance of the new processes as input to further refinements (Adesola & Baines, 2005).

Recent studies show an increasing role of NPM, through BPR, in the reform of the public sector. These studies indicate also that the institutional context of the public sector, the legal and cultural setting, executive leadership, customer orientation, and use of information and communication technologies (ICTs) have an impact on the BPR process. BPR projects in the public sector were characterized by higher investments and commitment to stakeholder management, building consensus for change, and managing political risks (Jurisch, Palka, Wolf, & Krcmar, 2014; Haque, 2007; Ongaro, 2004).

Reyes (2003) identified several constraints that are faced by the public sector in adopting process re-engineering. He noted that the incremental nature of government policymaking reduces the likelihood of radical redesign and restructuring of public organizations. Current arrangements and the bureaucratic culture could be so ingrained as to foster resistance to changes. LGUs may need to invest further on

information technology to realize its benefits. Most importantly, Reyes (2003) said there is a challenge in harmonizing re-engineering efforts with the legal and institutional frameworks.

BPLS Streamlining in the Philippines: A Case of BPR and NPM

Ogus and Zhang (2006) described licensing systems in many developing countries as “over-elaborate and dysfunctional,” and are maintained in such a state to support rent-seeking activities of officials. Streamlining and reduction of processes and procedures are thus ideal, but these reforms always go against political and bureaucratic self-interest and “political values that favor governmental control of a wide range of economic activities” (Ogus & Zhang, 2006, p. 9).

This article looks at the experience of applying NPM through BPR in the case of BPLS of local governments in the Philippines. Studies on business permitting and licensing systems at the local government level are few (Legaspi, 2006; Ilago, 2014). Nevertheless, these studies show the probable constraints, such as cases of over-regulation and instances of corruption. Legaspi’s (2006) study pointed to multiple but conflicting lines of authority and responsibility, and the issue of a lack of adequate resources and capacity for effective regulation at the local government level.

Institutional and Legal Framework for BPLS

In the Philippines, while regulatory authority for issuing a business license and permit is assigned to the local government, it is not necessarily true that the authority is completely concentrated with it. The institutional framework can be more aptly described as shared at three different levels that involve various stakeholders. While the municipal/city level is most visible, the authority for business registration, permitting and licensing is made up of three levels.

The highest is the national level, where national legislation and regulations affecting the issuance of the business permit at the local government level are crafted and implemented. Examples of national government requirements are those of business name and corporate name registration, environmental compliance certification, registration of the employer with the Bureau of Internal Revenue (BIR) for taxation purposes, and with the Social Security System (SSS), Pag-IBIG, and PhilHealth for social security, housing and health insurance purposes. The second level is the city/municipal level, where the application for and issuance of permit

is formally situated. The third level is the barangay/community level, where the barangay clearance is issued as required by the 1991 Local Government Code.

The legal framework for BPLS streamlining is derived from the Constitution and made operational by way of the Anti-Red Tape Act of 2007 and the joint memorandum circular between the Department of the Interior and Local Government (DILG) and the Department of Trade and Industry (DTI) issued in 2010.

The Anti-Red Tape Act of 2007. Republic Act 9485 (Anti-Red Tape Act of 2007 or ARTA) mandates all government agencies to provide efficient services to the public by reducing bureaucratic red tape and preventing graft and corruption. In at least two ways, ARTA draws from the administrative reform ideas of NPM by emphasizing a citizen-as-customer orientation in the provision of services, and by mandating agencies to simplify their procedures and thus reduce bureaucratic red tape and processing time.

The citizen-as-customer orientation was to be operationalized through the publication of service standards, known as Citizen's Charters, that would provide clients of government services with information on maximum processing time, responsible persons, procedures to avail of the service, cost of the service, forms and documents to be presented, and procedures for filing complaints. Reducing bureaucratic red tape was envisioned to be achieved by agencies doing the following: "regularly undertake time and motion studies, undergo evaluation and improvement of their transaction systems and procedures and re-engineer the same if deemed necessary" (Sec. 5). It can be said that Section 5 seems to prescribe NPM—of scientific management, continuous improvement, and reengineering.

BPLS streamlining did not actually begin in 2010, but started way earlier courtesy of separate donor-initiated governance programs focusing on targeted local government units, independent actions by several local governments to improve their performances using standards of the International Organization for Standardization (ISO), and national government efforts to develop knowledge products such as manuals and guidebooks (Philippine Development Forum [PDF], 2008).

Under the umbrella of the Philippine Development Forum (PDF), a national-level program was initially considered in 2009 to streamline as many local governments as possible. However, it was recognized that, for the program to work effectively, the government agencies and other stakeholders involved would need to set service standards for

streamlining, develop a capacity-building program to help LGUs in the process, harmonize development partners' initiatives, and organize the responsible agencies—Department of Trade and Industry [DTI] and Department of the Interior and Local Government [DILG])—at the level of the region to work with LGUs and other stakeholders in the streamlining process.

These efforts gained traction in 2010. In his first state of the nation address, President Benigno Aquino III indicated the overall policy direction towards regulatory reform affecting business. President Aquino declared that the business name registration process at the national level (administered by DTI) will be drastically improved. The president also called out on local government units to review their own procedures:

While we look for more ways to streamline our processes to make business start-ups easier, I hope the LGUs can also find ways to implement reforms that will be consistent with the ones we have already started. (Aquino, 2010, para. 79)

Joint Memorandum Circular No. 01, series of 2010. On 6 August 2010, the DILG and the DTI jointly issued Joint Memorandum Circular (JMC) No. 01, series of 2010 (hereafter referred to as the JMC) and an accompanying Joint Administrative Order to set the standards for processing applications for new businesses and business renewals.

Under the JMC, four standards were set in processing business permits. These were:

1. The use of a unified application form;
2. Maximum of two signatories;
3. Maximum of five steps; and
4. Processing time compliant with or below the requirements set forth under the ARTA for both simple and complex transactions.

Further, the JMC also contained guidance that could help the cities and municipalities to comply with the standards, such as removing redundancies related to inspections and grants of clearances in connection with the business permitting process.

The four standards under JMC No. 01 aim to reduce the compliance burden on the part of the business applicant as a customer of the LGU. For example, the use of a unified application form will spare the business

applicant the time-consuming task of filling out separate application forms required by various local government departments and the Bureau of Fire Protection (BFP). Limiting the number of signatories to two means that the LGU will have to examine which other signature will be retained aside from the signature of the city/municipal mayor. The traditional process requires the business applicant to personally appear and secure the signature in various offices. However, this meant reducing as well the processing time and the procedures which the business applicant has to comply with personally. Limiting the number of steps means the LGU has to either combine similar procedures into one or remove unnecessary steps in the process. Observing the ARTA provisions on processing time implies that LGUs have to be creative, and they may have to review not just their procedures, but their physical arrangements as well.

The JMC provided that implementation should proceed based on a prioritized phasing, where targeted LGUs that together make up the critical mass of business establishments in the country and those with investment potential made up the priority list. The JMC also provided that training workshops and coaching sessions were to be extended to the LGUs under the priority list. A total of 480 LGUs included in the list were expected to receive training and coaching from trainers and coaches that made up the pool of implementers for the JMC (Local Government Academy [LGA], 2013).

For the LGUs that were not part of the priority list, they were envisioned to undertake streamlining on their own, but they are expected to enroll in training programs provided by the Local Government Academy (LGA) and other private sector providers.

To prepare for the rollout, the government, through LGA-DILG, organized a series of training and coaching workshops for BPLS facilitators in the regions. A pool of consultants was tapped to shape the design and content of the training and coaching sessions. Development partners, such as the U.S. Agency for International Development (USAID), World Bank-International Finance Corporation (IFC), and the German Agency for International Development (GIZ), supported the work of the consultants, but this support did not extend to the actual rollout of the BPLS streamlining project in the rest of the LGUs.

Initial Results of BPLS Streamlining

Coverage and compliance. In terms of coverage, the annual report of the LGA in 2012 indicated that 94% (451) of the priority LGUs have already streamlined their processes. Outside of the priority LGUs, an additional 574 LGUs also began training with DILG and DTI coaches, and

65% were reported to have completed the process. The figures were based on monitoring results received by the LGA from both DTI and DILG regional offices, which gathered reports submitted by the LGUs to the DILG field offices (LGA, 2013).

As of July 2015, the Department of Budget and Management (DBM) reported in its proposed National Expenditure Program (NEP) that 1,447 out of 1,516 LGUs or 95% have completed their business process re-engineering. The remaining 69 LGUs are expected to become compliant with the BPLS standards by yearend (DBM, 2015). The reported coverage is based on data capture forms and monitoring reports by both DTI and DILG.

A recent BPLS Customer Experience Survey (National Competitiveness Council [NCC], 2015) showed improvements. In terms of processing time, 89% of the customers surveyed said it took them five days or less. In terms of the number of steps or procedures, 77% reported it took them five steps or less. Most (86%) reported at most two signatories signed their forms, and 73% reported using only one form. Almost all (99%) said they did not pay any facilitation fees.

The same 2015 BPLS Customer Experience Survey also showed the compliance rate of LGUs in meeting the BPLS standards. As shown in Table 1, the compliance rate in terms of the four standards can still be improved, particularly among LGUs in Visayas, where the compliance rates appear to be lowest in terms of processing time and use of unified application form, and LGUs in Mindanao in terms of number of signatories and number of steps.

Table 1. Compliance Rates on BPLS Standards (in percent)

<i>BPLS Standard</i>	<i>Luzon</i>	<i>Visayas</i>	<i>Mindanao</i>
Number of forms	77	57	64
Number of signatories	70	58	47
Number of steps	84	67	65
Processing time	93	75	87

Source: NCC (2015)

In the next section, the discussion focuses on one of the JMC standards, that of the five standard steps. Among the standards, this is where the idea of business process re-engineering is best seen and is most applicable.

Five-step requirements under the JMC No. 01. JMC No. 01 provides that all cities and municipalities shall ensure that applicants for business registration (either for new business application or renewal of permit) shall follow five steps in applying for new business permits or for business renewals. The steps identified are:

1. Securing an application form from the city or municipality;
2. Filing or submission of the accomplished application form with attached documentary requirements;
3. One-time assessment of taxes, fees and charges;
4. One-time payment of taxes, fees and charges; and
5. Securing the mayor's permit upon submission of official receipt as proof of payment of taxes, fees, and charges imposed by the LGU.

The aforementioned steps were apparently prescribed from the point of view of the business applicant based on the action words used. For example, the steps call for *securing* an application form, *filing or submission* of the form and *securing* the permit. This citizen-as-client perspective is indicated in the steps except perhaps for step three (one-time assessment of taxes, fees and charges), which can either be interpreted as an action received by the applicant or an action done by the LGU staff or officers.

To be able to reduce their procedures to the suggested five standard steps, LGUs were encouraged to review, assess, take out or combine steps and procedures. They were also encouraged to follow a process re-engineering approach, either using the procedure applied by GIZ in its technical assistance for LGUs in Visayas, or the WB-IFC approach piloted in two cities in Metro Manila. Table 2 compares the process as indicated in the seminal work by Hammer and Champy (1993) with a much later methodology (Adesola & Baines, 2006) and with the approaches used in BPLS streamlining.

While the number of steps vary, the main ideas of process re-engineering appears to be followed in both GIZ and IFC, namely: the diagnosis of the existing process and identification of procedural gaps, redundancies and unnecessary steps or requirements; process redesign; implementation of the new process; and monitoring and review of the new design.

Table 2. Process Re-engineering Steps

<i>Hammer and Champy (1993)</i>	<i>Adesola and Baines (2005)</i>	<i>BPLS Streamlining</i>	
		<i>GIZ model (2008)</i>	<i>IFC Regulatory Simplification model (2011)</i>
1. Defining a vision for the organization	1. Understand business needs	1. Obtaining commitment to reform	1. Diagnosis
2. Articulating and recording important assumptions	2. Understand the process	2. Diagnosis	2. Design
3. Plan development	3. Model and analyze the process	3. Process design	3. Implementation
4. Business analysis	4. Redesign the process	4. Institutionalization	4. Monitoring and evaluation
5. Business redesign	5. Implement new process	5. Implementation	
6. Implementation phase	6. Assess new process and methodology	6. Sustainability	
7. Measuring performance	7. Review new process		

Sources: Adesola and Baines (2005); U.S. Agency for International Development (2011); International Finance Corporation (IFC) (2011)

BPLS Streamlining as an experiment in process re-engineering. While the DBM hopes all remaining LGUs will complete their process re-engineering by the end of 2015, the eventual coverage and compliance to the standards set forth in JMC No. 01 remains to be seen. As the NCC survey in 2015 has shown, compliance rates insofar as the number of steps is concerned remain under 100%. The reported compliance by LGUs with the mandated standards need to be validated and assessed inasmuch as the reports are based on self-reporting by the LGUs to the regional offices of DTI and DILG.

Various reports to the LGA and World Bank-IFC under the Regulatory Simplification for LGUs (RS4LGUs) Project indicate that several LGUs that reported having complied with the standard five-step process were not compliant at all when their processes were reviewed and validated as part of the diagnosis of their existing BPLS (IFC, 2014). An earlier validation assessment conducted by the LGA in 2013 using a small sample noted the confusion among LGUs on how to follow the five-step standards. This finding was echoed in a recent review of the

implementation of the JMC standards that noted variations among LGUs (Ilago, 2014). For the purposes of this article, two examples of BPLS procedures published in the websites of two Metro Manila LGUs are presented in Table 3 to show the variations in application of or compliance with the five-step standards. The steps are provided as numbered, and the writer's notes and comments on the steps as published are indicated in italics within the parentheses.

Table 3. Steps in the BPLS of Mandaluyong and Pasay Cities

<i>Mandaluyong City</i>	<i>Pasay City</i>
<p>1. The applicant/taxpayer submits a duly accomplished and notarized business permit application form together with the required documents to the designated officer-of-the-day after which the application form undergoes verification at the EDP Section and Records Section of this Department. <i>(This first step is actually the second based on the JMC standards, where the first step is getting the application form. It is not clear if the form is downloadable to make it possible that the applicant has carried the application form already complete and notarized. Moreover, in the protocol of regulatory simplification, notarization is considered one separate step inasmuch as the applicant has to look for a notary public to perform the act.)</i></p> <p>2. After verification, the applicant/taxpayer is advised to secure a zoning clearance from the City Planning and Development Office. Exempted from obtaining the said clearance are businesses located in selected shopping malls. <i>(One step.)</i></p> <p>3. After a zoning clearance has been obtained, the taxpayer/applicant is instructed to endorse the application form to the Engineering Department for assessment of the prescribed regulatory fees <i>(One step.)</i></p> <p>4. Businesses requiring environmental clearance certificate (ECC) such as; manufacturers, gasoline stations, warehouses, etc., as well as eateries and restaurants, night clubs, beer gardens, cocktail lounges etc., are advised to have their application forms registered and stamped at the City Health Office. <i>(One step.)</i></p>	<p>1. Go to the Business Permits Office, located at the 2nd floor of the City Hall, and have the receiving or processing clerks furnish you an application form and inform you of the requirements. <i>(One step.)</i></p> <p>2. Proceed to the Engineering Department at the 3rd floor and have them (prepare an) order of payment for annual inspection fees for building, electrical, plumbing, mechanical, and other requirements. Then proceed to the City Planning and Development Office at the second floor and have them also (prepare an) order of payment for locational clearance fee. <i>(Two steps, one each for Engineering and CPDO. The offices are located on different floors.)</i></p> <p>3. Proceed to BPLO 2nd floor Rm. ___ for your Business Account Number (BAN). <i>(One step.)</i></p> <p>4. Proceed to Ground floor Treasury Office for your Assessment of taxes and fees, pay the necessary amount at the Teller Division and secure an official receipt. <i>(One step.)</i></p> <p>5. After payment, proceed to the following offices for counter-signing of the Business Permit application: Sanitation Office <i>(one step)</i> City Planning and Development Office <i>(one step)</i> Tourism Office <i>(one step)</i> Engineering Office <i>(one step)</i> City General Hospital, City Veterinary Office (if applicable) <i>(one or two steps if both are needed)</i> City Fire Marshall <i>(one step)</i></p> <p>6. Go back to the Business Permit for the Mayor's permit and approved business permit/license. <i>(One step.)</i></p>

Table 3, continued

<i>Mandaluyong City</i>	<i>Pasay City</i>
<p>5. Businesses classified as strictly regulated, such as entertainment, amusement and/or gaming establishments (nightclubs, beerhouses, bars and videoke, off-track betting [OTB], computer rentals, internet café, billiards and similar establishments) are required to submit a duly notarized memorandum of agreement (MOA) approved by both the license chief and the Task Force Anti-Vice. Businesses requiring permit and/or clearance from other government offices and agencies should attach a clear copy of the same to the application form. <i>(This could anywhere be between three to four steps for the applicant, considering that he/she would require (1) approval of the license chief, (2) approval of the Task Force Anti-Vice head; (3) notarization of the MOA; and (4) clearances obtained from other government offices and agencies.)</i></p> <p>6. After assessment by the Engineering Department, the taxpayer applicant bring back the application form to this Department for assessment of the corresponding taxes and fees by the designated licensing officer who thereafter affixes his signature as the assessor. <i>(One step.)</i></p> <p>7. The application form is forwarded to the assigned examiner who reviews the assessment and checks the accompanying documents therein and then affixes his signature if found to be in order. <i>(One step.)</i></p> <p>8. The form is brought to the Assistant Chief of BPLD Chief for final review and approval. <i>(One step, but it can be done by the BPLO as a backroom procedure and not necessarily by the applicant.)</i></p> <p>9. After approval, the application form is transmitted to the EDP Section for billing of the tax order of payment (TOP). <i>(Backroom procedure for the BPLO but one step for the applicant. He/she gets the TOP to be able to pay at the City Treasurer's Office.)</i></p> <p>10. After TOP encoding, the taxpayer/applicant is instructed to obtain a separate order of payment (for the fire fee assessment) from the Fire Department, and to pay it separately with the remaining net payable (as indicated in the TOP) at the City Treasurer's Office. <i>(Two steps: (1) getting the fire assessment, and (2) paying the fire code fees at the Treasurer's Office.)</i></p> <p>11. The taxpayer/applicant goes back to the BPLO and presents the paid TOP together with the corresponding official receipts (original copies) of both the fire fee and business permit payments to the Records Section to claim the computerized mayor's permit for approval by the BPLD Chief. <i>(One step.)</i></p> <p>12. Thereafter, the taxpayer/applicant is advised to claim the license plate and sticker. <i>(One step.)</i></p>	

Sources: Mandaluyong City Government (2015); Pasay City (2015)

All in all, the applicant actually needs to go through 11 steps instead of the published six steps to get a new business permit in Pasay City; 12 if he/she has to go to City General Hospital or City Veterinary Office, or 13 if he/she has to go to both. In the case of Mandaluyong City, the number of steps would range from 15 to 16 steps and not 12 steps as published.

The two examples above illustrate some of the issues related to the LGUs' attempt at process re-engineering to comply with the five-step standards. For example, the two LGUs differ in their interpretation of the first step. Is it the securing of the application form or the submission of the completed application form with the attached documentary requirements? For a successful BPR application, the steps from the start to the end must be clearly mapped. The JMC standard is clear but a number of LGUs (such as Mandaluyong City) consider step two (submission of the application form) as the first step because it is also starts the counting of the processing time. Other LGUs argue that some business applicants get the application form but defer the time in submitting it, or do not proceed to apply at all (Ilago, 2014).

Another issue shown in the above example is how local governments could interpret a series of steps on the part of the applicant as only one step. This is seen in the case of Pasay City, where one step represents a series of actions on the part of the applicant to get the desired countersigns and initials on the form. Its counterpart issue is also the tendency of some LGUs to split a process into two or more separate actions, when these could be combined into a single interface or step. For example, in the case of Mandaluyong City, the applicant returns to the BPLO in step 11 to present the official receipts as proofs of payment to claim the computerized mayor's permit. But the applicant needs to return in step 12 to claim the business sticker and plate. In the more streamlined LGUs, the applicant could get at the same time the permit, business sticker and plate upon submission of proofs of payment.

BPR's one characteristic is the radical nature of process change. Such radical transformation is hinged on the application of information technology. By applying emergent information technologies, redundant, overlapping and inconsequential aspect of the whole process can be redesigned. In the case of BPLS streamlining, this assumption underpins the standard steps that mandate one-time assessment of fees and charges (step three in the JMC), and one-time payment (step four in the JMC). The traditional process of each department making separate assessments and the applicant making separate trips to the Treasurer's Office for payment would now be combined to only a single step or a single point of transaction for assessment and payment. The use of information technology is expected to achieve this. However, the two examples above

show that the assessments and payments are still made as separate steps in separate transactions.

Echoing NPM, the BPLS reform approach is premised on the whole-of-organization. This means that decisions of various departments related to business permitting and licensing must be made coherent and logical. Decisions need to be taken based on what makes the process most efficient, overriding particularistic considerations of functional units. But again, as can be seen in the two examples, some of the decisions remain with various departments because the information that could be used in decision making is not shared.

The foregoing discussion and analysis of the experience of LGUs in BPLS streamlining point to variations in how the standards are operationalized, particularly in how the current procedures are simplified into the mandated five-step process. The focus on the standard steps shows that process re-engineering at the local government level faces certain difficulties and constraints. The experience of the two LGUs shows that the challenge of simplifying rules and procedures would differ from one LGU to another.

For one, unlike in the private sector, steps are not just a sequence of interactions producing a result, but are representations of power and interests as distributed within the local government organization. A step may produce a required clearance, a required certificate, or a required signature—each represents an indication if not an affirmation of the importance and relevance of the office or the individual. This is a political nuance that BPR will not be able to take into account. As Buchanan (1997) noted, BPR, unlike other organization development interventions, is not a “context sensitive” approach. As an approach, BPR is technically rational and logical, which may not be effective when removed from organizational practices, behavior and attitudes that are rooted in historical and cultural institutions (Arellano-Gault, 2000).

The observations made by Reyes (2003) in his review of BPR appear appropriate in discussing the BPLS streamlining experience thus far. In the BPLS streamlining experience, this means convincing local governments to review their procedural systems and ask the right questions—on the legal basis for the procedural requirements, on whether the requirements are still relevant given this day and age, and whether the legal basis for some of the procedural requirements had been superseded by succeeding legislation.

Local government officials and staff may benefit from the cumbersome character and opacity of their BPLS process, and given that, they will likely be reluctant to reform the process. Departments may guard their part in the process. This explains why it is difficult to persuade various departments and offices to take out a particular step or activity, or to consider combining it with another. For example, the following cases were observed in the diagnostic reports made as part of the RS4LGUs implemented by LGA with funding support from the WB-IFC (IFC, 2014):

1. A mayor insists that he meets personally with the business applicant before signing the business permit to get to know the business locators in his/her area.
2. A treasurer refuses to take out a step where the business applicant has to bring his/her taxpayer order of payment (the equivalent of an invoice or billing statement) to his/her office so s/he could scrutinize the entries and see if the business applicant's declaration of capitalization is realistic or not, and to review if the business tax imposed is either high or low.
3. An environmental office requires a business permit applicant to go the office so the applicant could be personally briefed about the proper way of waste disposal.
4. An administrator insists that the mayor's permit must have his/her initials before the mayor signs it.

All the four steps stated above are considered as critical steps by the LGU officials concerned.

One can argue that the reform package to streamline business permits and licensing systems in local government represents a one-size-fits-all approach. Uniform standards were issued and were expected to be followed by local governments, regardless of the size or diversity of the business community, the administrative and regulatory capabilities of the local offices performing the regulatory functions, and economic and political context of local governments. Future research could explore how decentralization affected the adoption and adaptation of the JMC standards by the LGUs, and whether such expectation of uniform adoption and implementation must be cultivated in a decentralized context. It should be noted that because of the decentralized system of local government, both the DTI and DILG came out with a joint memorandum circular, which is comparatively weaker in terms of enforcement powers.

Implications for Future Research

Future research could also validate if the reform process and outcomes have led to a condition described by Pritchett, Woolcock and Andrews (2010) as “isomorphic mimickry,” a condition in which organizations adopt modern or best practices, or advocate notions of good governance, although functional performance, given their actual capability for implementation, may be weak or non-existent. In the case of BPLS streamlining, this may mean having LGUs report that they have complied with the standards, and thus seem to look alike in terms of their BPLS process, but they may not necessarily be compliant in actual administration of the system. Again, research along this line could further clarify the extent to which factors such as institutional relations through decentralization, and institutional characteristics such as decisionmaking within local governments, bureaucratic policymaking, and local governments’ understanding of their conditions and problems related to attracting business and investments, play a role in the outcome of the reform process.

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