

# **LOCAL REGULATORY GOVERNANCE IN THE PHILIPPINES:**

**Focus on Quezon City**

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# **Parts of the paper**

- 1. Conceptual Framework**
- 2. Legal Framework for Local Regulatory Governance**
- 3. National Regulatory Systems**
- 4. Local Regulatory Systems**
- 5. Case Study of Quezon City**
- 6. Issues & Concerns**
- 7. Concluding Remarks**

## CONCEPTUAL FRAMEWORK

As broadly defined, governance is the “system of values, policies and institutions by which a society organizes collective decision-making and action related to political, economic and socio-cultural and environmental affairs through the interaction of the state, civil society and the private sector” (Work, 2003).

### Key actors in Governance:

- a) State
- b) Civil Society
- c) Private Sector

## Defining Regulation

The concept of regulation has varied meanings. The term can be viewed as:

- **specific set of commands;**
- **as deliberate state influence; and**
- **as all forms of social control or influence.**

## CONCEPTUAL FRAMEWORK

The definitions point out:

- negative implication of the concept, which restricts or constricts activities or behavior of individuals or groups.
- implies occurrence of negative consequences

But what appears important in the state of governance is the *facilitative or enabling aspect of regulation* -- the local government formulates policies and lays down the ground rules for the operations of individuals and groups, most especially the business sector, to promote order and public safety.

## CONCEPTUAL FRAMEWORK

### Regulatory Instruments:

#### Two main forms

- **Economic regulation** “applies to markets which are insufficiently competitive” (Ogus, 2001: 10).
- **Social regulation** deals more on the promotion of public welfare, health and safety. This implies that rules are applied to the operations of the business firms to control their activities for lose abatement. Activities related to this are:
  - 1) **prior approval**;
  - 2) **mandatory standards**;
  - 3) **information disclosure**; and
  - 4) **economic instruments** (Ogus, 2001)

## LEGAL FRAMEWORK FOR LOCAL REGULATORY GOVERNANCE

### 1987 Constitution

- **“ The state shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all.”** (Article II, Section 9)

## LEGAL FRAMEWORK FOR LOCAL REGULATORY GOVERNANCE

### 1987 Constitution

**Spirit of free enterprise -- Section 20: “The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.”**

#### Limitations:

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

## LEGAL FRAMEWORK FOR LOCAL REGULATORY GOVERNANCE

### Local Government Code

The State has granted the local governments **police power** through the General Welfare Clause of the 1991 Local Government Code, which gives them as much power “as necessary, appropriate, or incidental for their efficient and effective governance and those which are essential in promoting the general welfare” (Tabunda and Galang, 1992).

## **LEGAL FRAMEWORK FOR LOCAL REGULATORY GOVERNANCE**

### **The Regulatory Powers of Local Governments**

- 1. reclassify agricultural lands,**
- 2. enforce environmental laws and the Building Code,**
- 3. process and approve subdivision plans,**
- 4. inspect food products, and regulate the operation of tricycles.**
- 5. LGUs may also regulate the provision of health, social welfare, agriculture, public works, & other services devolved to them.**
- 6. tax and to impose levies, fees and charges**

**In terms of economic concerns, LGUs issue business licenses and permits to establishments or enterprises before the firms can operate in their respective local jurisdictions.**

**The collection of business taxes can also be viewed as a form of social regulation.**

## **NATIONAL REGULATORY SYSTEMS**

### **Some National Laws and Executive Orders on the Conduct of Business**

- 1. Republic Act (RA) 8799** – Securities Regulation Code
- 2. RA 3720** -- ensures the safety and purity of foods and cosmetics, and the purity, safety, efficacy and quality of drugs and devices being made available to the public
- 3. RA 8179** – Foreign Investment Act
- 4. RA 8762** – Retail Trade Liberalization Act
- 5. E.O. No. 226** – Omnibus Investment Code of 1987
- 6. RA 7394** – Consumer Act of the Philippines
- 7. RA 7581** – Price Act
- 8. RA 6977** – Small & Medium Enterprise Development
- 9. RA 9178** – Barangay Micro Business Enterprises
- 10. EO No. 133** – reorganized the Department of Trade & Industry
- 11. PD No. 1185** – Fire Code of the Philippines
- 12. PD No. 856** – Sanitation Code of the Philippines
- 13. RA 6541**– National Building Code of the Philippines

## NATIONAL REGULATORY SYSTEMS

### Agencies in the Local Regulatory Regime

- ✓ National government agencies form part of the local regulatory regime most especially in the business licensing system, due to their functions as defined by national laws or executive orders.
- ✓ They grant **certificates, licenses, or clearances** to the business firms or enterprises before they can engage in a business activity in the locality.
- ✓ Among the more important national regulatory agencies are:
  - Bureau of Fire Protection (of the DILG);
  - Department of Trade and Industry;
  - Securities and Exchange Commission;
  - Bureau of Food and Drugs (of the DOH); and
  - Department of the Environment and Natural Resources.

## LOCAL REGULATORY SYSTEMS

- ✓ **Local government** -- principal institution at the local level providing basic services to the constituencies and regulates establishments and operations of business enterprises.
- ✓ **The mayor**, executes policies and implements laws passed by the legislative council ( which is presided by the vice-mayor). There are various departments and offices under the administrative supervision and control of the mayor who serves as the local chief executive.
- ✓ **Some of the regulatory powers of LGUs:**
  1. reclassify agricultural lands
  2. enforce environmental laws and the Building Code
  3. process and approve subdivision plans,
  4. inspect food products, and regulate the operation of tricycles.
- ✓ **LGUs derive their income** mainly from **real property taxes, business taxes, and internal revenue allotment** .

# THE BUSINESS LICENSING SYSTEM OF QUEZON CITY

## A BRIEF PROFILE OF THE CITY

- ✓ **Number of Barangays** -- 142
- ✓ **Land area** -- 16,112.12 has.  
(about 25 % of the total land area of Metro Manila)
- ✓ **Population (2000 census)** -- 2,173,831  
(largest in the metropolitan area)
- ✓ **Ave. pop. growth rate (1995 – 2000)** -- 1.92 %
- ✓ **Actual land use**
  - commercial and industrial uses -- 33.74 %
  - government uses -- 31.44 %
  - residential -- 23.77 %
  - other uses -- 11.05 %



# **THE BUSINESS LICENSING SYSTEM OF QUEZON CITY**

## **Issuance of Business Permit or License**

- ✓ **Business Permit and License Office (BPLO)-- unit in-charge of the issuance of mayor's or business permit.**
- ✓ **BPLO is headed by the Chief of Office and assisted by an Assistant Chief, the office has four (4) divisions for operations, namely:**
  - 1. Business Permit Division**
  - 2. Inspection Division**
  - 3. Occupational Permit Division**
  - 4. Records and Statistics Division.**

**Providing administrative support are:**

- 1. Better Business and Enforcement Group**
  - 2. Administrative Group.**
- ✓ **To make its services accessible to business establishments in the area the city government put up a district office in Novaliches, the biggest district of Quezon City**

# The Procedure of Securing Business Permit

## Required Documents for securing Business Permit:

- **Barangay Clearance**
- **Locational Clearance**
- **Sanitary Permit** (prerequisite: Health Certificate of employees & Safety Inspection Certificate)
- **Certificate of Electrical Inspection**
- **Certificate of Mechanical Inspection**
- **Fire Safety Inspection Certificate**
- **Building Permit & Occupancy Permit** -- if the place of business is yet to be constructed
- **Contract of Lease or Proof of Ownership** -- if the place is rented or owned
- **SEC Registration, Articles of Incorporation and Corporate Tax Payment** -- for corporations or partnerships
- **Trade Registration from DTI** -- for single proprietorship
- **Certificate of Accreditation** from the Cultural and Tourism Affairs Office; and
- all other clearances required from other national government agencies depending on the kind of business to be put up.

## **PROBLEMS IN THE SYSTEM OF SECURING BUSINESS PERMIT**

### **Encountered before the Belmonte Administration**

1. **Process was cumbersome** with too many requirements
2. Process was quite long -- **took months to complete** all requirements
3. **Requirements were inflexible** -- applicants easy prey to fixers
4. **Much discretion** on the part of inspectors -- resulted in **delays**
5. **Physical set-up -- not conducive** for business transaction
6. Inefficient records management -- **data were not accurate**
7. Transactions were on a **personal basis** -- staff kept documents to himself/herself for personal processing; **makes staff vulnerable to corruption**
8. **Lack of staff** to conduct inspection of establishments
9. **Existence of fake permits, fake receipts, and fixers.**
10. **Lack of systematic scheme for payment of taxes and fees.**

## CHANGES MADE IN THE SYSTEM OF SECURING BUSINESS PERMIT

- ✓ **Two Executive Orders signed by the Mayor:**
  - 1) **issued certificates or clearances will have a one year validity;**
  - 2) **classified establishments into low-risk and high risk**  
“**High risk**” businesses are those that require the use of “equipment and machineries or expose individuals to risk caused by overcrowding, prolonged physical confinement, exposure to toxic, environmental hazards, or similar situations.” Examples: shopping malls, hotels, hospitals, assembly plants, theaters, laboratories, gasoline stations, etc.
- ✓ **business permit renewal of low risk establishments would only require: 1) barangay clearance; & 2) locational clearance (if there is a change in the location of the establishment).**  
**Submission of other requirements can follow.**

## **CHANGES MADE IN THE SYSTEM OF SECURING BUSINESS PERMIT**

- **Computerization -- BPLO and Treasury Office started developing an **interconnected data base system** for tax assessment and payment**

✓ **Office of the City Treasurer issued new official receipts with security features to **eliminate the issuance of fake receipts****

✓ **airconditioned lounges for assessment and payment of taxes**

## **CHANGES MADE IN THE SYSTEM OF SECURING BUSINESS PERMIT**

- ✓ **BPLO put up transaction windows to facilitate faster business transactions**
- ✓ **Engineering Office started streamlining procedures in the issuance of building permits**
- ✓ **Health Office shortened processing time for the issuance of health permits.**
- ✓ **Put up a One – Stop Shop for the renewal of business permits of members of Quezon City Association of Filipino-Chinese businessmen in coordination with the Q.C. Business Affairs Coordinating Office.**

## EFFECTS OF INTRODUCED CHANGES

1. Computerization cleansed & updated the list of business taxpayers. New list became a reliable basis for tax collection.
2. Networking of data-base between BPLO and the Office of the Treasurer is facilitating payment and release of business permits
3. Resulted in **69.4% increase** in the number of Business Permits issued (see Table 2)

**Table 2. Total Number of New Business Permits in Quezon City**

Area	Year				
	1999	2000	2001	2002	2003*
District 2	1,597	2,530	1,611	1,350	1,753
Districts 1, 3, and 4	3,328	3,895	4,161	8,426	7,630
Total	<b>4,925</b>	<b>6,425</b>	<b>5,772</b>	<b>9,776</b>	<b>9,383**</b>
Percentage Growth	--	<b>30.5%</b>	<b>- 10.2%</b>	<b>69.4%</b>	

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

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

## EFFECTS OF INTRODUCED CHANGES

4. with the computerization of tax assessment and payment, the opportunity to exercise personal discretion on the determination of the amount of tax to be paid has been diminished; hence, the **opportunity to commit graft has been lessened**

5. **increased collection of business taxes** from P984,381,461 in 2001 to P2,239,281,590 in 2002 or **an increase of 43.96 %**. (See Table 4)

## EFFECTS OF INTRODUCED CHANGES

**Table 4. Local Taxes**

<b>Sources of Income</b>	<b>2001</b>	<b>%</b>	<b>2002</b>	<b>%</b>
1. Real Property Taxes	866,338,995	41.20	990,278,966	27.61
2. Business Taxes and Licenses	984,381,461	46.81	2,239,281,590	62.44
3. Taxes on Delivery Trucks and Vans	775,339	0.037	193,920	0.005
4. Taxes on Peddlers/Hawkers	2,226,118	0.106	4,904,657	0.137
5. Printing & Publications	7,069,029	0.336	9,831,091	0.274
6. Professional Tax	4,397,629	0.21	4,677,996	0.13
7. Franchise Tax	19,381,737	0.92	52,554,769	1.47
9. Community Tax	45,294,442	2.15	46,408,806	1.29
11. Amusement Tax	146,972,903	6.99	127,857,416	3.56
19. Fines & Penalties	25,732,425	1.224	110,319,415	3.076
20. Other Tax	173,967	0.008	152,821	0.004
<b>Total</b>	<b>2,102,744,046.2</b>	<b>100</b>	<b>3,586,461,447</b>	<b>100</b>

Source: City Accountant's Office, Quezon City

## **EFFECTS OF INTRODUCED CHANGES**

### **6. Perceptions about the improvements in the system from the manufacturing sector indicate mixed reactions:**

- Some have stated that they have been accorded better services.
- assisted by a sufficient number of employees while renewing their permits.
- greater convenience with the construction of an airconditioned lounge for the assessment and payment of taxes
- computerized system has shortened the processing time of papers and documents.

However, a number of business establishments still complain about 1. the many requirements imposed; 2. too much paper work to be done. 3. processing time of documents in the other departments or offices has not been that shortened.

## EFFECTS OF INTRODUCED CHANGES

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

## ISSUES AND CONCERNS

1. **Imposition of too many requirements** -- Although there is a particular office which deals directly with the business sector in the issuance of business permit, there are other requirements imposed by certain offices which have to be fulfilled first before one can secure the Business Permit.
2. Aside from city government requirements, there are also **national government requirements** which makes the process doubly difficult and bothersome.
3. On the issue of too many inspectors from different offices. **Should inspection be conducted by just one office to make the system simpler and less bothersome?** Or, should the present system be maintained?

## ISSUES AND CONCERNS

### 4. On the exercise of local autonomy by the local governments.

Shouldn't the responsibility of the local government authority to regulate business operations for the protection of the general public welfare and health, *be matched with more regulatory powers and functions* to enable the local government to make good decisions relative to the grant of clearances and licenses?

## CONCLUDING REMARKS

1. Aside from the policies, laws or ordinances imposed by the local government, there are still a lot of additional impositions by the national government agencies which, by and large, have made the **entry of establishments into the business or economic arena doubly difficult and cumbersome.**
2. Although the main objective of social regulation is to promote the general welfare and to protect the public interest, the imposition of **too much restrictions on the entry and conduct of business does not provide a conducive environment** for the operation of enterprises in the local community.
3. It appears that **too much restrictions may tend to gloss over other concern regarding the promotion of more economic enterprises in the local area** for local economic development.

## CONCLUDING REMARKS

4. The case study has also brought to the fore the **issue of devolved regulation**. As depicted by the study, the local government does not have complete autonomy in regulating the entry and conduct of business in the local area.
5. Complementing the need for the grant of more autonomous powers and authority to the local governments is **the need to develop and enhance further their competencies, most especially in the area of regulatory governance**.

## CONCLUDING REMARKS

6. *On the whole, the case study seems to suggest the need for a single integrated scheme for licensing business operations at the local level.*

*In other words, there should be a **single licensing authority** for the management and enforcement of the local regulatory regime for more efficiency and effectiveness.*

**THANK YOU!!!**