

JOINT FOREIGN CHAMBERS OF THE PHILIPPINES

American Chamber of Commerce of the Phils. Inc. • Australian-New Zealand Chamber of Commerce of the Phils.
Canadian Chamber of Commerce of the Phils., Inc. • European Chamber of Commerce of the Phils., Inc.
Japanese Chamber of Commerce & Industry of the Phils., Inc. • Korean Chamber of Commerce of the Phils., Inc.
Philippine Association of Multinational Companies Regional Headquarters, Inc.

September 29, 2020

MAJORITY LEADER JUAN MIGUEL ZUBIRI

Chairperson, Sub-Committee on Ease of Doing Business (SB 1844)

Senate of the Philippines

GSIS Building, Financial Center

Diokno Boulevard

Pasay City



AMCHAM
PHILIPPINES
AMERICA



AUSTRALIAN-NEW ZEALAND



CANADIAN



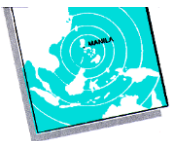
EUROPEAN



JAPANESE



KOREAN



PAMURI

Dear Senator Zubiri:

Preliminarily, we wish to commend the Senate for the difficult work it is doing in crafting timely and much-needed legislation to help the country effectively fight the coronavirus pandemic and the social and economic problems it has created.

We thank you for the opportunity to comment on Senate Bill 1844 entitled “An Act Authorizing the President to Expedite the Processing and Issuance of National and Local Permits and Licenses,” which aims to further ease the burden of doing business in the Philippines to help industries and businesses recover faster from losses due to COVID-19 pandemic.

The Philippine economy has long been burdened by excessive paperwork from a bureaucracy that often seems to be more inclined to regulate businesses than support their rapid development and commensurate job creation. In this regard, the country has been low-ranked for competitiveness in numerous global rankings.

Since 2007 when President Gloria Macapagal-Arroyo created the National Competitiveness Council (NCC), three successive presidents have prioritized reforms to reduce the inefficient, time-consuming, paper-intensive, and, at times, corrupt practices of national government agencies and local government units. The NCC was strengthened under the Aquino Administration, which initiated Project Repeal to identify, remove, and consolidate thousands of government issuances and laws. And more recently, RA No. 11032 or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 was enacted amending RA No. 9845 (2007) or the “Anti-Red Tape Act of 2007.”

President Rodrigo Duterte has been more vocal and insistent than his predecessors on reforming red tape, often highlighting the issue in his five State of the Nation addresses. The president has been particularly vocal about the burden on individual citizens, who must spend so much of their time moving from agency to agency to process paperwork required by bureaucrats. And now - and for the foreseeable future - most citizens cannot easily move between offices because of quarantine restrictions and inadequate public transportation.

We understand SB 1844 resulted from a recent meeting of Congressional leaders with President Duterte where he appealed yet again to reduce the burden from bureaucratic paperwork. We commend the bill authors for their quick response in introducing SB 1844 and Majority Leader Zubiri for soon after holding today’s hearing.

The expressed purpose of the bill is to authorize the president to suspend or waive all permits, licenses, clearances, certifications, or authorizations of the executive branch and local government.

In this position paper, we do the following:

- (1) Examine how the Philippines is rated by the World Bank in its annual Ease of Doing Business Report,
- (2) Discuss how the World Economic Forum ranks the Philippines for “inefficient government bureaucracy” among the 16 concerns of business measured,
- (3) Dispute the assertion in the Explanatory Note that “the Philippines is a top foreign investment destination,
- (4) Share recent UNCTAD slides on FDI prospects in 2020 in ASEAN, and
- (5) Recommend amendments to SB 1844 for your consideration.

1. World Bank Ease of Doing Business Report. The explanatory note for SB 1844 cites the World Bank’s 2020 Ease of Doing Business score for the Philippines as “jumping 29 notches from 124th to 95th in the previous year. This was good news, but why did the ranking regress? The Philippines was in 86th position in 2014 and 97th in 2015 but declined after four years to 124th in 2019. Since 2006, its lowest rank was 146th in 2009.

To truly become more competitive in this ranking the country must show continuous progress and avoid falling back. This is not an easy task, since other countries are working hard to improve their rankings; it requires strong leadership, endurance, and an all-of-government approach. Attached slides 1 and 2 shows this rating for the Philippines in comparison to the other 5 largest ASEAN economies from 2006 to 2020. It is clear the bureaucracy in the Philippines has much room to improve in order to catch up with Indonesia, Malaysia, Thailand, and Vietnam.

(Comment: This ranking measures small firms registering in Quezon City. In regard to foreign investors locating in PEZA and special economic zones the experience of locators has been excellent with the famous “red carpet treatment” of PEZA making it fast for investors to get approved and establish and continue operations. However, the ongoing pandemic has created new issues of meeting the IATF requirements for operating during quarantine, often creating new expenses which reduce competitiveness vis-à-vis Vietnam and Thailand, for example, where business-as-usual for manufacturers quickly resumed.)

2. How the World Economic Forum ranks the Philippines for “inefficient government bureaucracy.” The WEF until 2017 published a survey with its annual Global Competitiveness Index listing 16 factors that businesses consider their concerns that impede doing business in each country. For the Philippines “inefficient government bureaucracy” was identified as the number 1 issue and “tax regulations” as the number 4 issue. Please see the attached slide 3 which shows the rating for the Philippines and slide 4 for the ASEAN-6, where this concern is ranked below the top concern for other economies.



AMCHAM
PHILIPPINES
AMERICA



ANZCHAM
Philippines
AUSTRALIAN-NEW
ZEALAND



CANADIAN



EUROPEAN



JAPANESE



KOREAN



PAMURI



AMCHAM
PHILIPPINES
AMERICA



ANZCHAM
Philippines
AUSTRALIAN-NEW
ZEALAND



CANADIAN



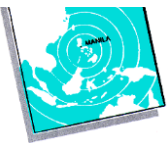
EUROPEAN



JAPANESE



KOREAN



PAMURI

The Philippines is hardly alone around the world for inefficient government bureaucracy as the top issue for doing business. Among the countries where the factor “inefficient government bureaucracy” is the top concern of business at the top are: Algeria, Bahrain, Bosnia and Herzegovina, Brunei, Chile, Costa Rica, Croatia, Czech Republic, Honduras, Israel, Kuwait, Mauritius, Nicaragua, Peru, South Africa, and Tunisia. Please see attached slide 5.

- 3. Dispute the assertion in the Explanatory Note that “the Philippines is a top foreign investment destination.** It is unfortunate that we are compelled to question the statement that “the Philippines is a top foreign investment destination largely attributable to its continuing digital transformation and combined ICT and infrastructure efforts.” The data (see slide 6) shows the Philippines 6th of the ASEAN-6 in total investment between 2001 and 2019.

We would rephrase the statement as “the Philippines was becoming and still has great potential to be a top foreign investment destination when it implements reforms necessary to become more competitive. “

It is true that ASEAN as a region is a top foreign investment destination, receiving more FDI than China in 2018 and 2019 (see slide 7). However, from 2001 to 2019, the Philippines only received 4% of the US\$ 1.555 trillion invested in ASEAN. When the Philippines is behind Singapore, Indonesia, Vietnam, Thailand, and Malaysia it should not be described as a “top destination” in ASEAN. Only in 2017 did the Philippines reach an annual total of US\$ 10 billion (per BSP data). The amounts reported in 2018 and 2019 were lower and will certainly be lower in 2020 and most likely in 2021 as the pandemic and its impact on the global economy persist. Slide 8 shows FDI in the Philippines compared to the other four largest ASEAN economies except Singapore from 2001 to 2019.

Standard Chartered Bank recently released a survey of clients that asked their preferred sites for relocating supply chain manufacturing in ASEAN. The results in Slide 9 reveal that the firms selected Vietnam by 37%, Indonesia by 24%, Malaysia by 13%, Singapore by 10%, Thailand by 7%, and the Philippines by 5%.

Slide 10 is a list of the top 30 developing economies receiving FDI in 2019, per UNCTAD, (Philippines 21st)

A matrix of 143 factors comparing the Philippines with Vietnam is also attached for the information of the Subcommittee. This matrix may be used as a resource for the country to consider how it might become competitive in those factors were the Philippines ranks below Vietnam. (see slide 11)

- 4. UNCTAD slides on FDI prospects in 2020 in ASEAN.** In a recent presentation on September 25, 2020, the UNCTAD official in charge of the annual UNCTAD Investment Report for ASEAN predicted FDI in Developing Asia would decrease between -30 to -45 in 2020. (see slide 12).

The official gave 7 reasons for the depressed FDI prospects (see slide 13) as well as 5 reasons to expect FDI flows into Developing Asia to recover in the future (see slide 14).

5. **Recommend three amendments to SB 1844** for the consideration of the Subcommittee. SB 1844 proposes the third law to reform and regulate red tape since 2007. The first was not successful. The second is a work in progress. And the third, if enacted, only has an impact during the period of the state of emergency.



AMCHAM
PHILIPPINES
AMERICA



ANZCHAM
Philippines
AUSTRALIAN-NEW
ZEALAND



CANADIAN



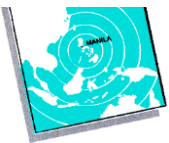
EUROPEAN



JAPANESE



KOREAN



PAMURI

Our first recommendation is to require all agencies to report within 30 days from effectivity of the law a list of recommended actions which the president may use his emergency power to suspend, waive, etc. Each list should include key requirements which when acted upon by the president would have the most benefit to the public and to business in terms of efficiency and cost. Each agency should be required to eliminate minor fees and processes and streamline their bureaucratic interface with the public.

Our second recommendation concerns the sunset of the president's action. What happens after the state of emergency is lifted? Currently the “sunset provision” for the bill is the end of the state of emergency. Do all the actions of the president then revert to the status quo ante? Were that to happen, the benefits to the economy of less red tape could be lost. We recommend that SB 1844 state that the ARTA Director General is encouraged to prepare a Regulatory Impact Assessment (RIA) before restoring the bureaucratic requirement. The RIA should contain recommendations to continue, modify, and even eliminate the regulatory requirement. The RIA should also recommend the repeal of requirements based on laws and the inclusion of sunset provisions in administration issuances requiring re-authorization and before continuing a rule.

Our third recommendation concerns reporting and Congressional oversight. We suggest a monthly report by the president of all actions taken under the authority of SB 1844 to reduce red tape using the powers granted under the law.

The COVID-19 pandemic has changed our lives, forced millions out of work, and forced millions to work from home. The country's public health system was ill-prepared for this pandemic, nor was the bureaucracy prepared to conduct its work on-line. Indeed, continuation of the old practices of requiring physical delivery of paperwork and payments by citizens actually became a public health hazard.

But the pandemic is not without blessings, if the country learns lessons and applies solutions to create an “efficient government bureaucracy” and, reduces its inefficiency.

Thus we welcome the proposed legislation to further make doing business in the Philippines seamless especially during this difficult and trying time with the COVID-19 pandemic. We have reviewed SB 1844 and could not agree more with the rationale of its authors acting with a sense of urgency to rescue the Philippine economy and the struggling industries and businesses gravely affected by the COVID-19 pandemic.

Reducing the heavy burden of the government on doing business will be very welcome to the business community, both domestic and foreign. If successful, it will accelerate recovery and support higher GDP growth.

Hopefully, when the state of emergency ends and the economy moves into the post-pandemic era the economy will be less burdened by the bureaucracy. This means less time will be spent with red tape, there will be less paperwork, fewer procedures to follow, more one-stop shops, fewer minor fees and taxes to pay, and more digital access and usage by all


concerned, both bureaucrats and citizens. These will significantly improve value creation for both citizens and government.

This will not be easy, but it can be accomplished. If airlines can go digital with tickets, payments, and boarding passes, if e-commerce can thrive on-line, then so can the bureaucracy. And if this reform succeeds, there will be more FDI for the Philippines as the country acquires a reputation for a bureaucracy that supports rather than hinders business.


To quote the good Senators' explanation, "[t]he COVID-19 virus is spreading fast, so our action must likewise be swift."

Very best regards,




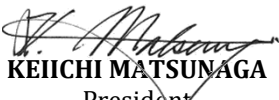

PETER HAYDEN
 President
 American Chamber of
 Commerce of the Philippines,
 Inc.


 President
 Australia-New Zealand
 Chamber
 of Commerce of the
 Philippines

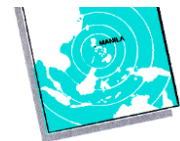

JULIAN PAYNE
 President
 Canadian Chamber of
 Commerce of the Philippines,
 Inc.

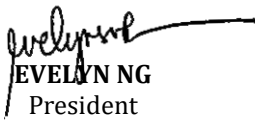



NABIL FRANCIS
 President
 European Chamber of
 Commerce
 of the Philippines


KEIICHI MATSUNAGA
 President
 Japanese Chamber of Commerce
 and Industry
 of the Philippines, Inc.


HO IK LEE
 President
 Korean Chamber of
 Commerce
 of the Philippines, Inc.




EVELYN NG
 President
 Philippine Association of
 Multinational Companies
 Regional Headquarters, Inc.

Attachments:

1. WB EODB Report Rankings, ASEAN-6, 2006-2020 (graph)
2. WB EODB Report Rankings, ASEAN-6, 2006-2020 (table)
3. WEF Top Concerns of Business, Philippines, 2017
4. WEF Inefficient Government Bureaucracy concern, ASEAN-6, 2017
5. WEF, Inefficient Government Bureaucracy concern, countries with #1 ranking, 2017
6. Country shares of FDI for ASEAN-6, 2001-2019
7. FDI China and ASEAN, 2001-2019
8. FDI in ASEAN-5, 2001 to 2019
9. Standard Chartered Bank ASEAN preferred locations for supply chain investments, 2020
10. UNCTAD top 30 developing economies receiving FDI, 2019
11. Matrix comparing Philippines with Vietnam in 143 factors
12. UNCTAD, FDI in Developing Asia, 2020 prediction
13. UNCTAD, reasons for depressed FDI flows in Developing Asia, 2020
14. UNCTAD, reasons to expect recovery of FDI in Developing Asia