



Economic Research Institute for ASEAN and East Asia

Reducing Unnecessary Regulatory Burdens in ASEAN

Country Studies

By
Jeremy Gross and Ponciano S. Intal, Jr.

© Economic Research Institute for ASEAN and East Asia, 2018

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form by any means electronic or mechanical without prior written notice to and permission from ERIA.

The findings, interpretations, and conclusions expressed herein do not necessarily reflect the views and policies of the Economic Research Institute for ASEAN and East Asia, its Governing Board, Academic Advisory Council, or the institutions and governments they represent.

The findings, interpretations, conclusions, and views expressed in their respective chapters are entirely those of the author/s and do not necessarily reflect the views and policies of the Economic Research Institute for ASEAN and East Asia, its Governing Board, Academic Advisory Council, or the institutions and governments they represent. Any error in content or citation in the respective chapters is the sole responsibility of the author/s.

Material in this publication may be freely quoted or reprinted with proper acknowledgement.

Cover Art by Artmosphere Design.

Book Design by Fadriani Trianingsih.

National Library of Indonesia Cataloguing-in-Publication Data
ISBN: 978-602-5460-08-0

Foreword

“Why is RURB important?” is the question asked right at the beginning of this book. The answers can be found in the chapters that follow, showing how RURB can be used to identify and review regulations as well as develop solutions through a process of dialogue and discussion between regulators and business.

Now is the time for governments to support the business community by reducing the cost of doing business. This will help free-up resources for businesses and make them more competitive. In turn, this can help stimulate investment, create new jobs, and support a more vibrant and dynamic business sector. However, an absence of systems and procedures to review and assess regulations is holding this back in many ASEAN Member States, resulting in burdensome regulations continuing to be on the statute books.

Pressure for establishing mechanisms for regulatory review is coming not just from the business sector but ASEAN Member States’ commitment to the ASEAN Economic Community 2025 Blueprint. This Blueprint emphasizes good regulatory practice and good governance: a commitment to review existing regulatory procedures and establish regulatory conversations between stakeholders.

In view of these developments, this study of seven ASEAN Member States was undertaken to identify the findings of applying a RURB approach to priority development sectors in each country. This involved a mapping of all regulations and the regulators in the specific sector, their rationale and objective. It necessitated input from both business and regulators to identify the problems and understand the difficulties in revoking regulations. As a consensus-building approach to regulatory review, options for problematic regulations were proposed by the researchers – although implementation of solutions was beyond the remit of this study.

This study would not have been possible without the support of the Malaysian Productivity Corporation, and their willingness to share their time, experience and expertise of RURB with ERIA and the researchers involved in this project. For this, I would especially like to thank Dato’ Abdul Latif Abu Seman for his support of this project, and Mohd Yazid Abdul Majid who managed this project on behalf of MPC. I would also like to thank the MPC experts who contributed greatly to this study at the trainings and technical study workshops: Izhar Che Mee and Goh Swee Seang.

I would like to thank the authors of the country studies, as well as Punita Nook Naidu for writing a case history. From ERIA, I would like to thank Ponciano Intal, Jr., ERIA Senior Economist, for his guidance of this study, Edo Setyadi, Research Associate, Melanie Milo, former ERIA Economist, and Jeremy Gross, Director for Capacity Building, for their contributions to this book.

The participation of government officials from Cambodia and Viet Nam would not have been possible without the generous support ERIA receives for its Capacity Building Programme from the Australian Government, which I gratefully acknowledge here. I would also like to acknowledge the government officials who participated and enriched this study: Sam Chetra, Im Koy and Sok Thida from the Ministry of Commerce, Cambodia, and Va Sophanrorth from the Ministry of Economy and Finance. From Viet Nam, Le Thu Tra and Pham Hoang Thai from the Ministry of Industry and Trade, and Ha Tu Cau from the Ministry of Justice.

I sincerely believe that Reducing Unnecessary Regulatory Burdens in ASEAN: Country Studies makes an important contribution to our understanding of the benefits of better regulatory review, and that this book will help focus our attention on this issue in our joint pursuit of better regulatory management to support a stronger, more competitive businesses sector.



Professor Hidetoshi Nishimura
President, Research Institute for ASEAN and East Asia
September 2018

Contents

List of Figures		vi
List of Tables		ix
List of Boxes		xi
Chapter 1	Reducing Unnecessary Regulatory Burdens in Selected Sectors in ASEAN <i>Jeremy Gross ,Ponciano S. Intal, Jr. and Edo Setyadi</i>	1
Chapter 2	A Comprehensive Horizontal Review on Existing Regulations to Create a Conducive Business Environment <i>Mohd Yazid Abdul Majid, Goh Swee Seang and Lok Lee Lee</i>	48
Chapter 3	Regulatory Reform in the Sewerage Works Approval Process in Malaysia <i>Punita Nook Naidu</i>	70
Chapter 4	Brunei Darussalam: Halal Meat and Meat Products Processing <i>Ahmed Massod Khalid, Masairol bin Haji Masr, Nazdila Muhammad and Pang Wei Loon</i>	89
Chapter 5	A Case Study of Cambodia's Agro-Industry <i>Sothea Oum, Shandre Thangavelu and Monirath Nuth</i>	118
Chapter 6	A Case of the Automotive Industry in Indonesia <i>Haryo Aswicahyono, David Christian and Adinova Faur</i>	144
Chapter 7	Warehousing Services in Malaysia <i>Mohd Yazid Abdul Majid, Goh Swee Seang and Lok Lee Lee</i>	176
Chapter 8	The Philippines' Tuna Industry <i>Gilberto M. Llanto, Maria Kristina P. Ortiz and Cherry Ann D. Madriaga</i>	210
Chapter 9	Road Passenger Services in Thailand <i>Sumet Ongkittikul and Nichamon Thongphat</i>	239
Chapter 10	Value Chain Development: Case Study of Viet Nam's Fishery Export <i>Thanh Tri Vo and Duong Anh Nguyen</i>	265

List of Figures

Chapter 1

Figure 1	The RURB Methodology Stages	24
Figure 2	Stages of Stakeholder Engagement	26

Chapter 2

Figure 1	Comparison Between Staff Cost and Revenue of the Inland Revenue Board of Malaysia	53
Figure 2	Process of Reducing Unnecessary Regulatory Burdens	55

Chapter 3

Figure 1	Ideal Flow of Sewerage Works Approvals	72
Figure 2	Redefining the Problem Statement	73
Figure 3	Result of Reflection on Section 45(1) To Discover its Objectives	76
Figure 4	Definition of Approval and the Methodology	77
Figure 5	Types of Sewerage Infrastructure	77
Figure 6	Types of Sewerage Works	78
Figure 7	Definition of Risk	78
Figure 8	Risk Matrix for Sewerage Works Approval Procedures	79
Figure 9	Number of Sewerage Planning and Design Applications	80
Figure 10	Number of Sewerage Applications for Final Inspections	80
Figure 11	Uptake Rate of the Transformed Procedure in 2014 across States	82
Figure 12	The Sewerage Works Applications Pattern for 2017	85

Chapter 4

Figure 1	GDP Growth of Brunei, 2010-2015	91
Figure 2	GDP Growth by Sector	92
Figure 3	RURB Study Process	100
Figure 4	Value Chain of Halal Meat and Meat Processing Products	101
Figure 5	Detailed Value Chain for Halal Meat Processing in Brunei Darussalam	103
Figure 6	Sourcing Raw Meats	105

Chapter 5

Figure 1	Cambodia's Annual Growth of Agricultural Sub-sectors (Constant Prices), 2005-2017	120
Figure 2	Key Indicators of Cambodia's GDP	121
Figure 3	Share of Cambodia's Export in 2015	121
Figure 4	Major Constraints Faced by Firms in Cambodia (% of Responses)	123
Figure 5	Application Process for Sanitary and Phytosanitary Certificate	132
Figure 6	Application Process for Certificate of Origin	134

Chapter 6

Figure 1	Total Sales and Production, Automotive Sector, 2003-2016	146
Figure 2	ASEAN Automotive Market and Production by Country, 2007-2014	147
Figure 3	The Regulatory Process of Preparing BMDTP Facility, 2016	153
Figure 4	Process of Applying for BMDTP	154
Figure 5	Comparison Between Budget Ceiling and Realisation of BMDTP	156
Figure 6	Process of Indonesian National Standards Certification	165

Chapter 7

Figure 1	Logistics and Value-Added Services Along Supply Chain	182
Figure 2	Warehouse Supply Chain	182
Figure 3	Existing Institutional Framework for Warehousing	183
Figure 4	Project Governance	207

Chapter 8

Figure 1	Supply of Tuna, 2005-2014	213
Figure 2	Major Fishery Export Products, 2014	214
Figure 3	Tuna Value Chain and Regulatory Agencies	216
Figure 4	Map of BFAR and MARINA Central and Regional Offices	227
Figure 5	Food and Drug Administration (FDA) Offices and Food and Beverage Manufacturing Firms, 2012	231

Chapter 9

Figure 1	Number of Licence Holders, Categorised by Size of Firms, 2014	244
Figure 2	Proportion of Licence Holders, Categorised by Size of Firms, 2014	244
Figure 3	Number of Joint Operators, Categorised by Size of Firms, 2014	244
Figure 4	Proportion of Joint Operators Categorised by Size of Firms, 2014	244
Figure 5	Employees in Licence-Holding Bus Operating Firms, 2014	245
Figure 6	Employees in Joint Bus Operating Firms, 2014	245
Figure 7	Number of Licences and Operators of For-Hire Services, 2011-2015	247
Figure 8	Value Chains of Road Passenger Transport Services	248
Figure 9	Vehicle Registration Procedures	250
Figure 10	Conceptual Framework	254

Chapter 10

Figure 1	Issued Documents, 2010-2014	271
Figure 2	Exports of Fishery Products, 1995-2015	272
Figure 3	Output Fishery Exploitation and Aquaculture Activities, 1995-2015	273
Figure 4	Import of Fishery Products, 2011-2015	273
Figure 5	Supply Chain of Fishery Products	274
Figure 6	Minimum Wage in Different Zones, 2010-2016	275

List of Tables

Chapter 1

Table 1	Changing Ranking for Ease of Doing Business	16
Table 2	Study Sectors and Participating Research Organisations	28

Chapter 2

Table 1	Benchmarking on Dealing with Construction Permits in 16 Capital Cities in Malaysia, 2012 and 2015	52
Table 2	Projects to Reduce Unnecessary Regulatory Burdens, 2014-2016	68

Chapter 3

Table 1	Results of Sewerage Works Approval Transformation	81
---------	---	----

Chapter 4

Table 1	Brunei GDP by Economic Activity, 2016	93
Table 2	Import of Meat and Export of Processed Meat in Brunei	93
Table 3	Value Chain Activities and Identified Regulatory Barriers	102
Table 4	Government Agencies Involved in Halal Meat and Meat Products Processing	104
Table 5	Regulations and Their Respective Regulators for Halal Meat and Meat Products Processing	104
Table 6	Summary of Responses (Halal Certification)	109

Chapter 5

Table 1	Cost Breakdown of a Typical Agro-processing Export	137
Table 2	Time Breakdown of a Typical Agro-processing Export	138

Chapter 6

Table 1	Current Condition of Overlapping Central and Local Government Inspection	162
Table 2	Timeline of Conflicting Environmental Regulations Within Industrial Zone	164

Chapter 7

Table 1	Industries Included in the Review	179
Table 2	Acts, Regulations, and Policies by Approval of Agency or Ministry for Warehousing Activities	185
Table 3	Local Authorities Parking by State	19
Table 4	Assessment Tax Rates of Local Authorities (%)	198
Table 5	Multiple Export and Import Permit Approval	200
Table 6	Cargo Clearance Procedures at Border Checkpoint (Johor)	202

Chapter 8

Table 1	Comparative GDP Growth Rates, East and Southeast Asia (2006-2015)	212
Table 2	Per Capita Fish Consumption, 2014	215
Table 3	Regulations and Regulatory Instruments	218
Table 4	Starting a Business, Ranking of Selected Philippine Cities	224
Table 5	MARINA and BFAR Regional Offices	226
Table 6	Municipal Fishing Vessel Licence Process	230
Table 7	Document Inspection Checklist, Bureau of Fishery and Aquatics Resources, and Food and Drug Administration	233

Chapter 9

Table 1	Routes of Public Bus Services	241
Table 2	Different Between Fixed-Route and Non-fixed-Route Licencing	242
Table 3	Number of Operating Licences and Licence Holders for Scheduled Bus Services, 2011-2015	243
Table 4	Costs for Bus Operating Firms, 2014	246
Table 5	Value Chain of Starting a Business Process	249
Table 6	Activities on the Value Chain's Service Provision Process	252
Table 7	Data Collection and Analysis Process	255
Table 8	Comparative Working Experience of Passenger Bus Operators	259

Chapter 10

Table 1	Indicators of Exports in Viet Nam, 2005-2016	268
Table 2	Indicators of Imports in Viet Nam, 2005-2016	269
Table 3	Starting-a-Business Indicators, Viet Nam, 2003-2016	270
Table 4	Regulatory Agencies and Stakeholders	276
Table 5	Law and Ordinance with Potential Implications for Fishery Value Chain	277

List of Boxes

Chapter 1

Box 1	Key Definitions	16
-------	-----------------	----

Chapter 2

Box 1	Role of Malaysia Productivity Corporation in Modernising Business Regulations	50
Box 2	Types of Unnecessary Regulatory Burdens	51
Box 3	Misinterpretation of Regulations Leads to Inefficient Government Delivery	52
Box 4	How the Inland Revenue Board of Malaysia Lowered Internal Operational Costs	53
Box 5	Business Life Cycle of Professionals in Construction Industries in Malaysia	60
Box 6	Regulatory Mapping for Development Process Flow in Malaysia	61
Box 7	Categories of Compliance Costs	64
Box 8	Six Core Principles for Assessing Regulations and Their Administration	65
Box 9	Spectrum of Regulatory and Non-Regulatory Options	67