



# REGULATORY REFORMS

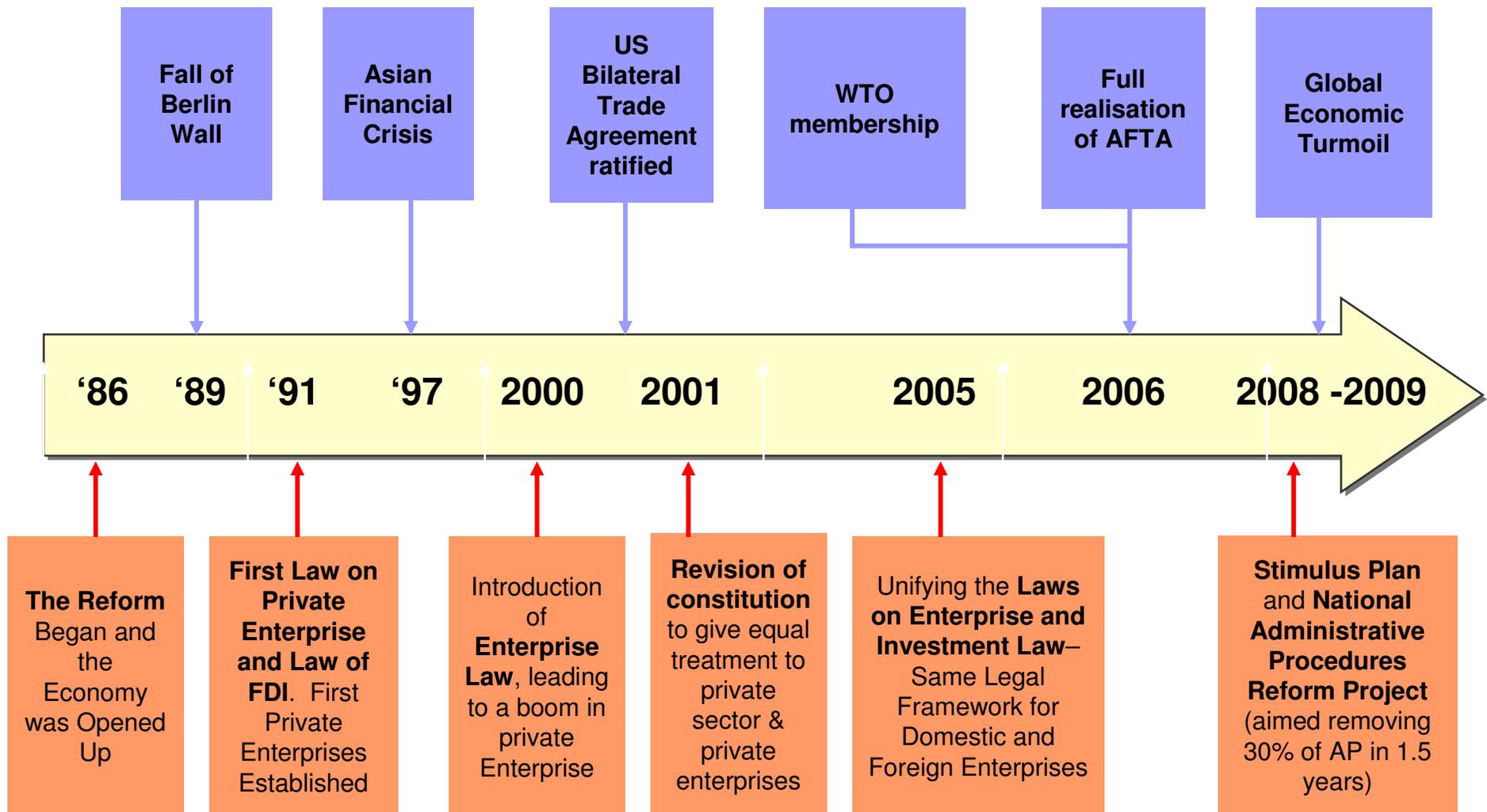
## Experiences from Vietnam

Le Duy Binh  
Economica Vietnam

Creating and Enabling Business Environment  
Workshop in Africa  
Windhoek, Namibia  
20-23 October 2009



# gtz Important Milestones and their Implications to Regulatory Reforms



# gtz Regulatory Reforms have dramatically changed Vietnam's economic and its image



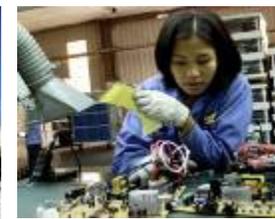
- Regulatory reforms have been driven by:
  - Integration into the world economy, through different international agreements and treaties: ASEAN, AFTA, USBTA and most recently WTO
  - Domestic demand for economic growth and social stability.
- Business regulatory reforms have been on a broad ranges of areas:
  - Enterprise, investment, trade
- The economy has tripled in size in 20 years time (since the Reform began in 1986).
- Poverty reduced from 58% in end of 80s to 12% in 2009.
- Private sector and private business booming with more than 400,000 formally registered enterprises and 2 million micro enterprises (household business).
- With GDP growth rate among the fastest in Asia, the country is poised to be lifted to the status of lower middle income countries by 2010.
- Still in the spotlight in terms of FDI attractiveness.

# gtz The economy could not have been in the shape below without business regulatory reforms



Population	86,9 million (ranked <u>14</u> )
Poverty Rate	14.8% (2007 est.)
Unemployment Rate	4.7% (2008 est.)
Export (2008 est.)	\$61.6 billion (ranked <u>51</u> )
Import (2008 est.)	\$77.61 billion
Human Development Index	114
FDI	61 billion (2008) 12 billion (first 9 months of 2009)

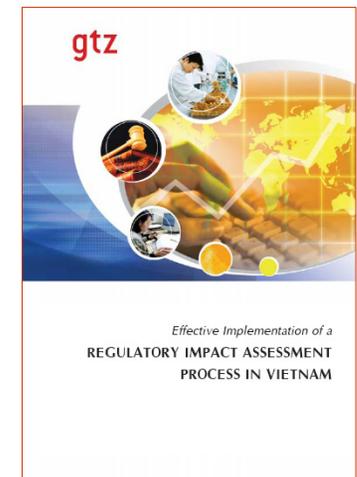
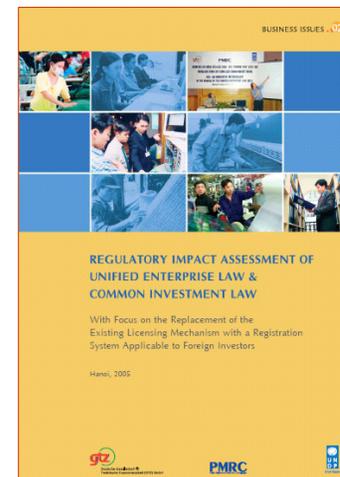
GDP (PPP) (2008 est)	\$241.7 billion (ranked <u>46</u> )
GDP (Official Exchange Rate)	\$89.83 billion
GDP Growth Rate	6.2% (2008 est.) (ranked <u>55</u> ) 8.5% (2007 est.)
GDP per capita (PPP)	\$2,800 (2008 est.) (ranked <u>169</u> )
GDP Composition by Sector	agriculture: 22% industry: 39.9% services: 38.1%



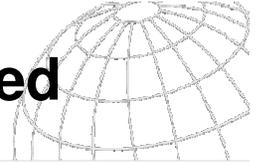
# gtz GTZ introduced different regulatory reform tools in important business regulatory reforms



- Under the context of different business regulatory reforms:
  - Enterprise Law and Investment Law
  - Business license reforms:
- Different tools in regulatory reforms were introduced:
  - Guillotine approach
  - Regulatory Impact Assessment: analyzing likely impact of a policy change and the range of options for implementing it.
  - Compliance cost
  - PPD



## gtz RIA has proven to be a very effective and well-accepted tools



- Introduction of **Regulatory Impact Assessment** to make sure that the good conditions for good regulations are met in the two laws:
  - Have minimal burden on society and business;
  - Be designed to have minimal impact on competition;
  - Be compatible to international or internationally accepted standards and practices in order to minimize impediments to trade
  - Be transparent, consistent and predictable;
  - Focus on the problem with minimal other impacts
  - Have clearly defined accountability for implementation and monitoring.

# gtz So have Public and Private Dialogue and Public Consultation

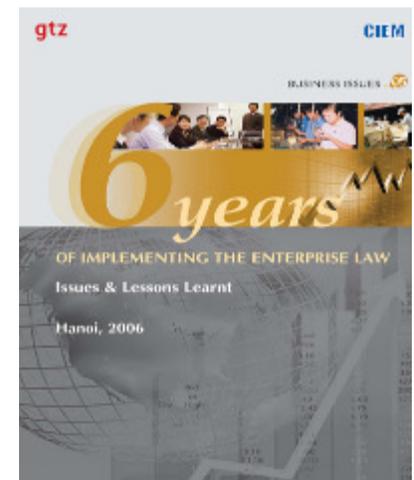


## Key partners:

- Government agencies: CIEM, MPI, local governments
- Business community: VCCI, sectoral business associations, provincial business association
- Other donor projects: IFC/MPDF, UNDP, ADB...

## Process

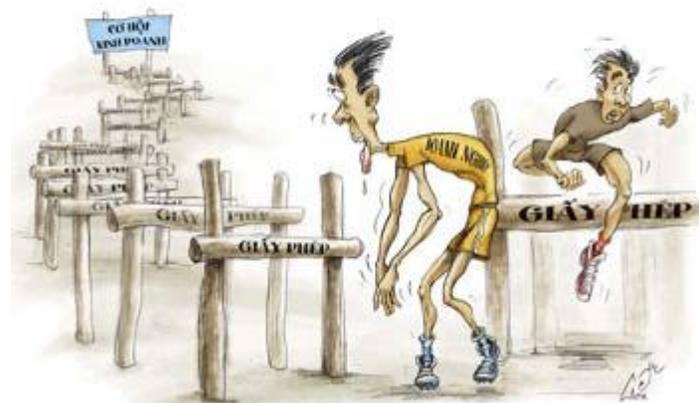
- Starting with good quality studies, surveys, preparations
- Often the activity is owned by a national body: business association or a government agency.
- It is a well-structured process, not a single activity
- Press and media actively involved
- Development of tool: PPD Guideline



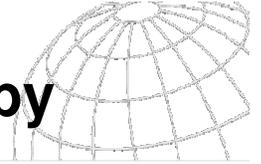
## gtz Business license reform was an area where measurable progress was made



- Strong cooperation with a government think-tank (called CIEM)
- Study on business licenses in Vietnam and stock-staking of business licenses in Vietnam. Business licenses are reviewed on the following principle of the Guillotine Approach (i) necessity; (ii) appropriateness; and (iii) legality.
- By using the approach:
  - Thousands of business licenses in early 2003 as been reduced to approximately 500 in 2007.



# RIA, Public Consultation, PPD need to be Supported by Efforts to Engage the Mass Media



- The press was not in the formal partner structure but was key to success reforms.
- Feeding the discussions to the press, creating public discussion, informing the public and winning public consensus
- Hundreds of article written on subject matters.
- Not only contributed to advocating for making the reform happen but also for the implementation which follows.

**COMMUNIST PARTY OF VIETNAM ONLINE NEWSPAPER**  
**BÁO ĐIỆN TỬ ĐẢNG CỘNG SẢN VIỆT NAM**

Today: 16/11/2008

NEWS AND EVENTS

"Young Vietnamese entrepreneurs are usually more innovative and more market oriented"

Updated on: 10/12/2008 at 17:39

CPV: So said Mrs Denis Becker, Chief Technical Advisor for Vietnamese SMEs support program from GTZ in an interview with a reporter from the Communist Party of Vietnam Online Newspaper on the occasion of the Vietnam Entrepreneur Day (October 13).

Mrs Denis Becker: The private sector has increased its role in the development of Vietnam and is now the most important force for economic development. Although some steps have been taken by the government to include the private sector in decision making its role in this area is still relatively limited. The government often acts as if it knows what the private sector needs without consulting the private sector. Once goods and services are provided by the public sector which could be provided in a more efficient way by the private sector. So there is still a lot to be done.

The entrepreneur community should therefore organize itself to be a competent partner for consultations/ dialogues with the government on issues concerning private sector development.

They should strive to be regulated under a specific decree and not under the general decree for associations. Business associations must become a true representation of the private sector and its interests and not be a prolonged arm of the government.

As young entrepreneurs are usually more open-minded and more willing to take more risks they play an important role in the process of involving the private sector more into socio-economic decision making.

Answering the question, "In regards to young entrepreneurs, what are their strong and weak points?" she said, "Young entrepreneurs are usually more innovative and more adventurous and more risk taking. They often have a better technical background as they have attended higher education and often take a degree abroad. They often possess foreign language skills and the capacity to communicate with other



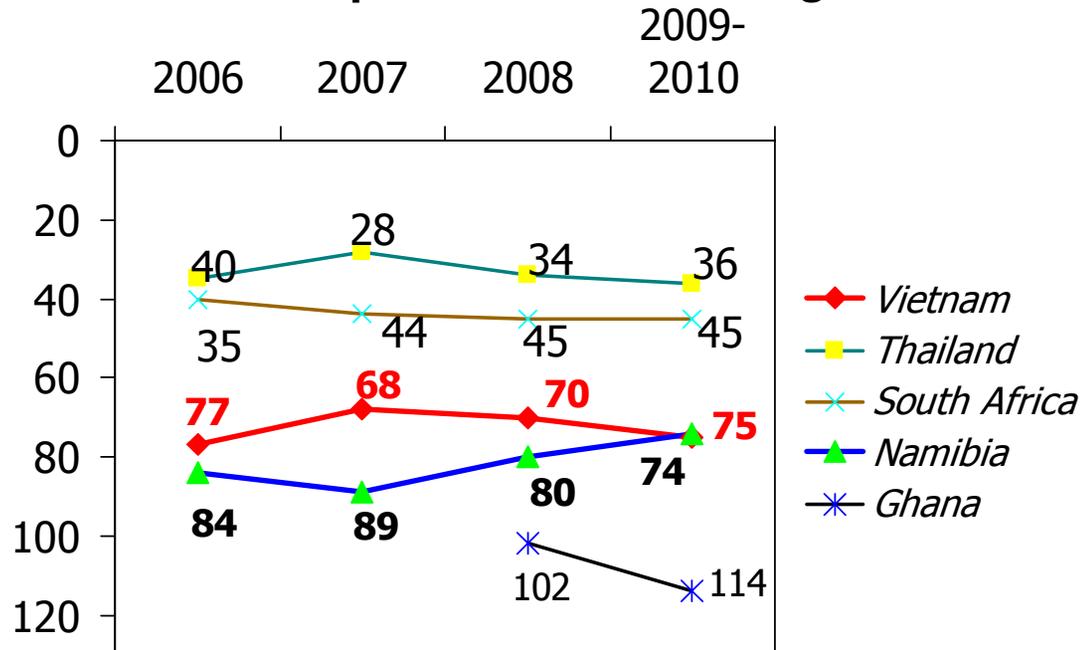
**GTZ support was ended in April 2009 in  
the context that...**

# gtz The domestic demand for deeper and broader-based regulatory reforms has become stronger

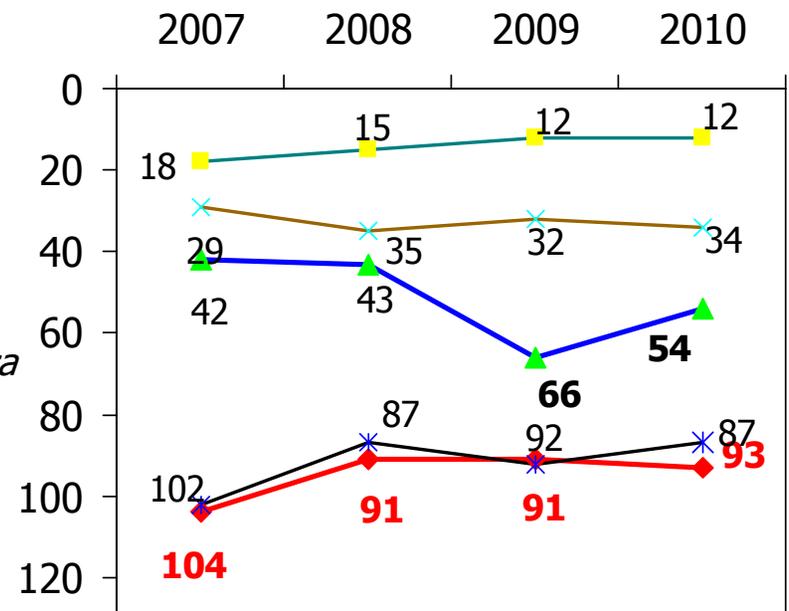


- Regulatory costs on SMEs in Vietnam is estimated at 4% of GDP, equivalent to \$3.5 billion, or two times higher than the amount of ODA inflow and more than recent FDI inflow.
- Global economic turmoil demand for stronger reforms
- Vietnam continue to perform poorly on global business environment ranking (gradual weakening of motivation and faster reforms in other countries)

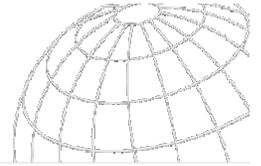
### Global Competitiveness Ranking



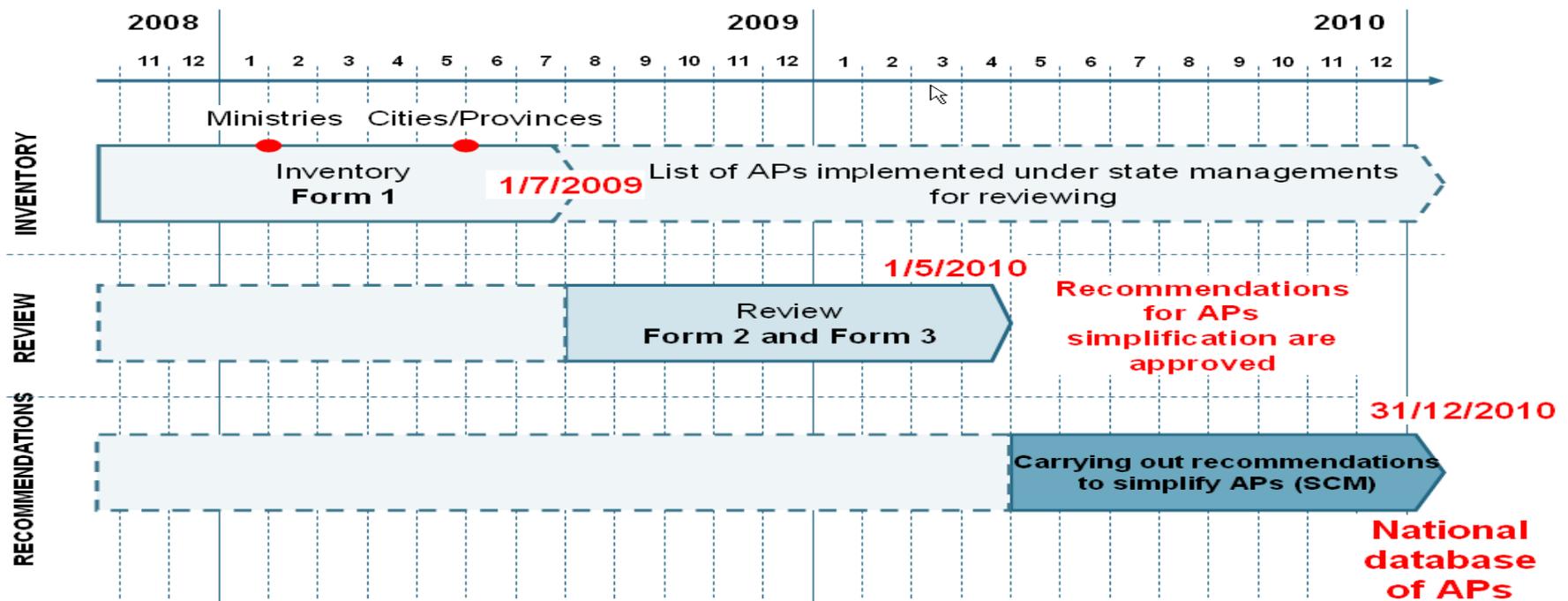
### Doing Business Ranking



# The Government has launched an ambitious regulatory reform project, dubbed as Project 30



- Objective: Remove and simplify 30% of the existing administrative procedures and business licenses applicable to business in 26 months timeframe.
- If objective achieved:
  - Increase Vietnam's GDP by 9 billion in 5 year time frame (USAIDS analysis)
  - Boost labor productivity increase from 5.1% to 8% to the level of China.



# gtz Guillotine is used as the underlying approach



- Political will is especially strong
- The Project is headed by the Prime Minister himself
- The Government really uses international best practices and advices.
- Guillotine is used as the underlying approach, all regulations, administrative procedures, business environment reforms are reviewed on three criteria:
  - Are they necessary?
  - Are they reasonable and appropriate?
  - Are they legal?
- On that basis, alternative options are discussed and the optimal one is selected
- At least **30% of regulations will be either removed or simplified** if they fail to meet these before 31 December 2010.

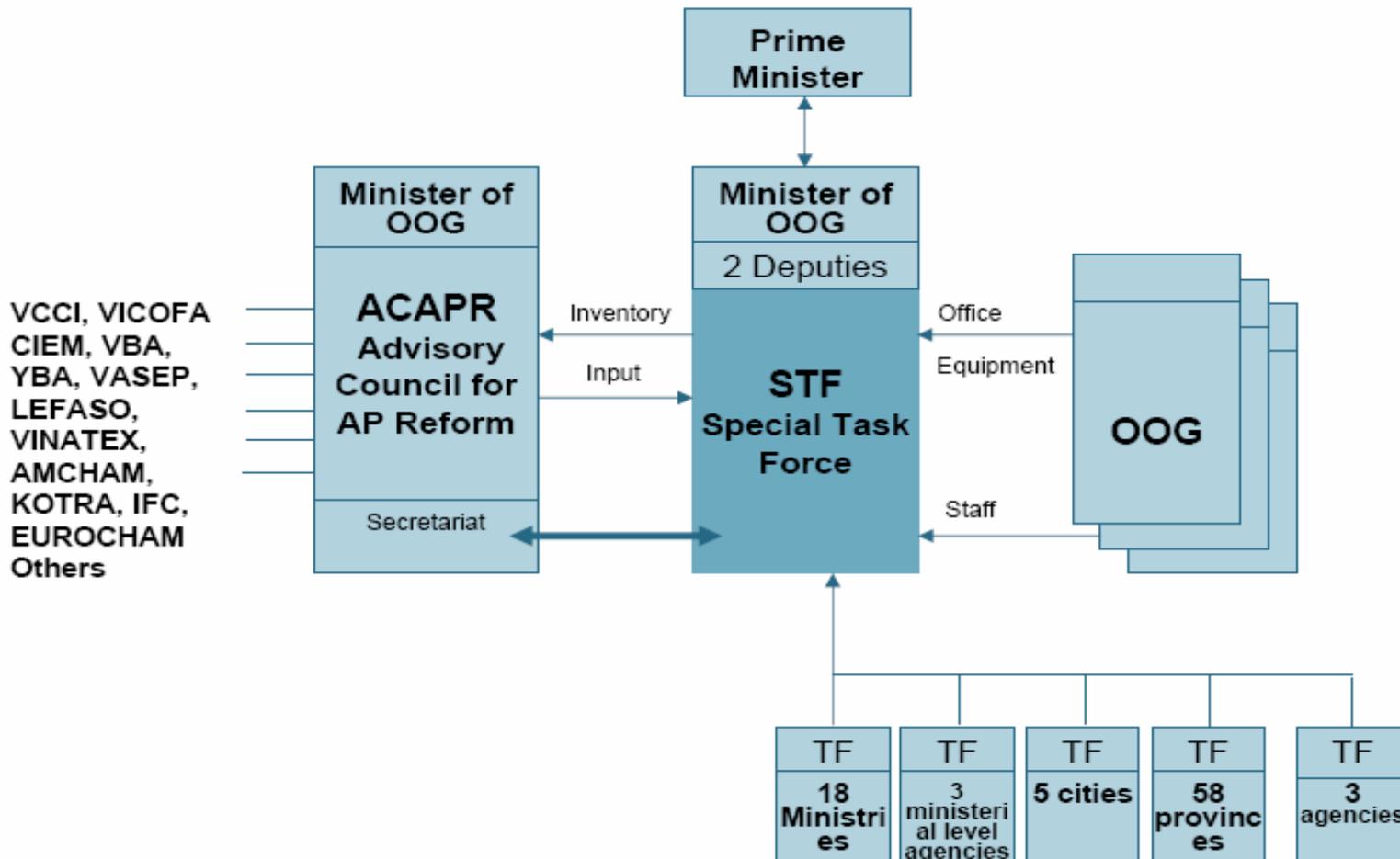
**The Prime Minister's Message**  
Administrative Procedures  
Simplification in the fields of state  
management for the period  
2007-2010 is the key mission  
and a breakthrough in  
administrative reform from  
now till end of 2010



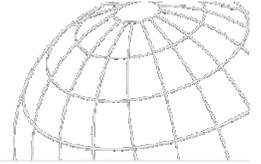
# gtz PPD platform was created and institutionalized



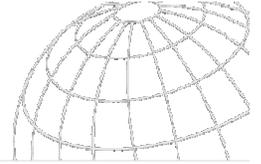
- Private sector and the domestic and foreign business community strongly involved in the process through the Advisory Council which is formalized in the organizational structure.



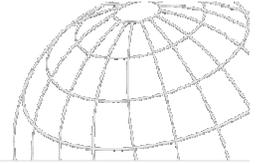
## gtz Innovative Tools and Best Practices in Regulatory Reforms are being used



- Standard Cost Model (SCM)
  - Quantifying the compliance cost of the related regulations
- Procedures mapping
  - Visualizing the complicated steps in the compliance of all regulations and administrative and proposed the optimal process of handling the procedures
- Communication Campaign
- Donors actively involved: USAID and IFC
- Results to date:
  - Phase 1 completed: identification of 5.700 regulations, administrative procedures and business licenses and review of them completed.
  - Phase 2: all regulations and AP are being reviewed and recommendations are being made.
  - Phase 3: Let's see but the hope is high.



- Business regulatory reforms should be driven by national stakeholders. Building genuine motivation for reforms is extremely important.
  - External pressure (WTO, faster reforms in other countries), collective voice of donor agencies, business community, etc.
- Guillotine is an effective approach
  - In Vietnam, the approach was institutionalized into Government regulations under the national Administrative Reform Project.
- Use the right mixture of tools and instruments:
  - RIA, SCM, PPD, involvement of the mass media.
  - Localization of tools to make them simple and understandable



- It's very important to create a mechanism in which the private sector can contribute and provide direct comments and inputs to Government agencies which are in charge of the reforms.
- Donor agencies are expected to play a reasonable profile.
  - While international best practices and advices are always accepted and asked for, the VN Government is always on the driving seat.