



# REGULATORY REFORMS

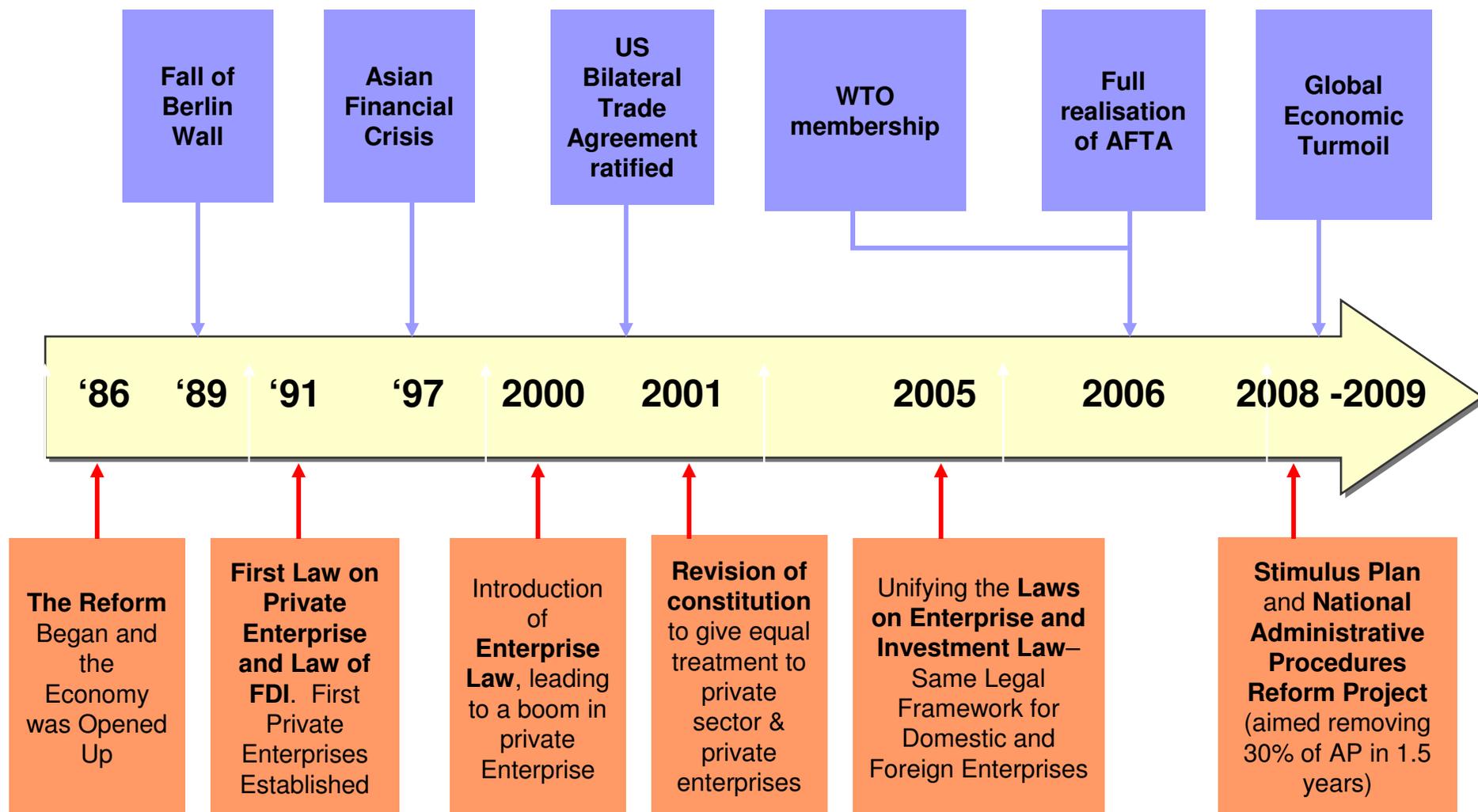
## Experiences from Vietnam

Le Duy Binh  
Economica Vietnam

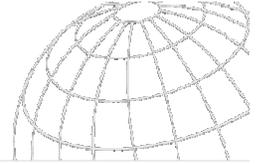
Creating and Enabling Business Environment  
Workshop in Africa  
Windhoek, Namibia  
20-23 October 2009



# gtz Important Milestones and their Implications to Regulatory Reforms



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



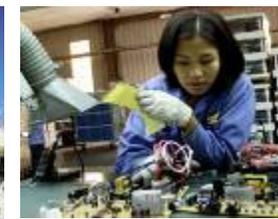
- Regulatory reforms have been driven by:
  - Integration into the world economy, through different international agreements and treaties: ASEAN, AFTA, USBTA and most recently WTO
  - Domestic demand for economic growth and social stability.
- Business regulatory reforms have been on a broad ranges of 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)

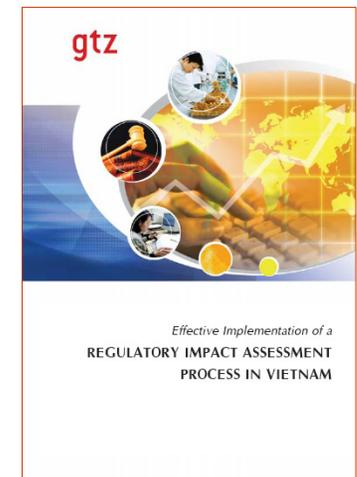
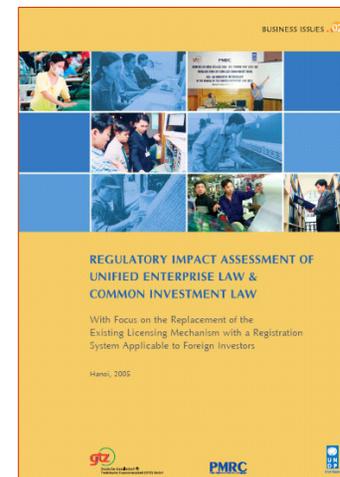
GDP (PPP) (2008 est)	\$241.7 billion (ranked <u>46</u> )
GDP (Official Exchange Rate)	\$89.83 billion
GDP Growth Rate	6.2% (2008 est.) (ranked <u>55</u> ) 8.5% (2007 est.)
GDP per capita (PPP)	\$2,800 (2008 est.) (ranked <u>169</u> )
GDP Composition by Sector	agriculture: 22% industry: 39.9% services: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



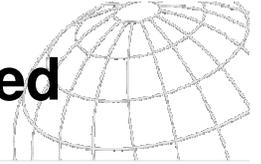
# gtz GTZ introduced different regulatory reform tools in important business regulatory reforms



- 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

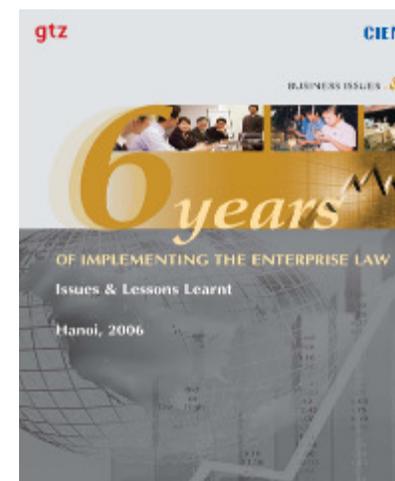


## Key partners:

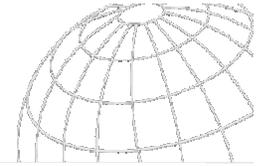
- Government agencies: CIEM, MPI, local governments
- Business community: VCCI, sectoral business associations, provincial business association
- Other donor projects: IFC/MPDF, UNDP, ADB...

## 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



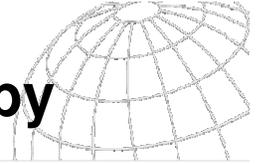
# gtz Business license reform was an area where measurable progress was made



- 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.



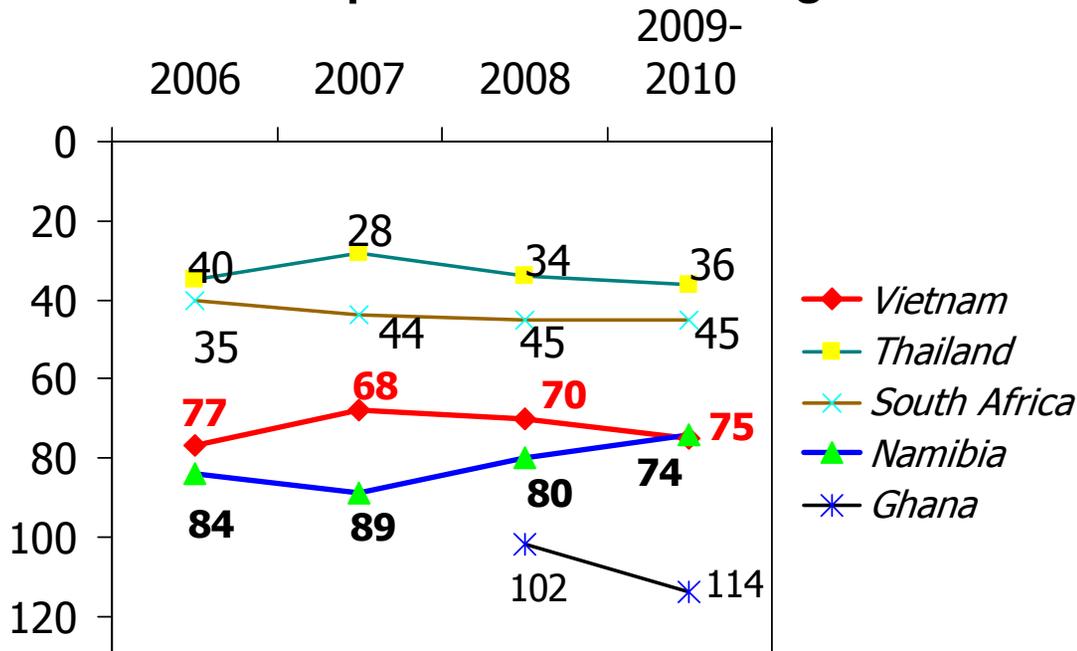
**GTZ support was ended in April 2009 in  
the context that...**

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

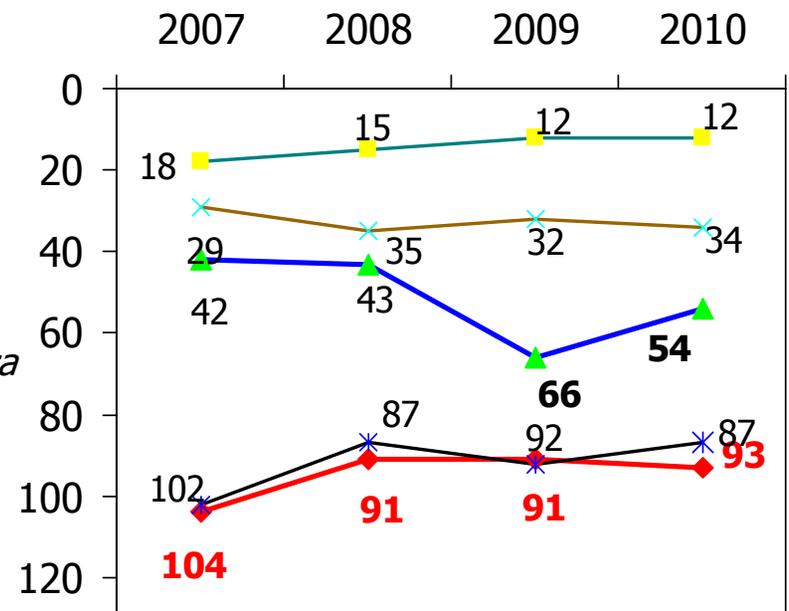


- Regulatory costs on SMEs in Vietnam is estimated at 4% of GDP, equivalent to \$3.5 billion, or two times higher than the amount of ODA inflow and more than recent FDI inflow.
- Global economic turmoil demand for stronger reforms
- Vietnam continue to perform poorly on global business environment ranking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

### Global Competitiveness Ranking



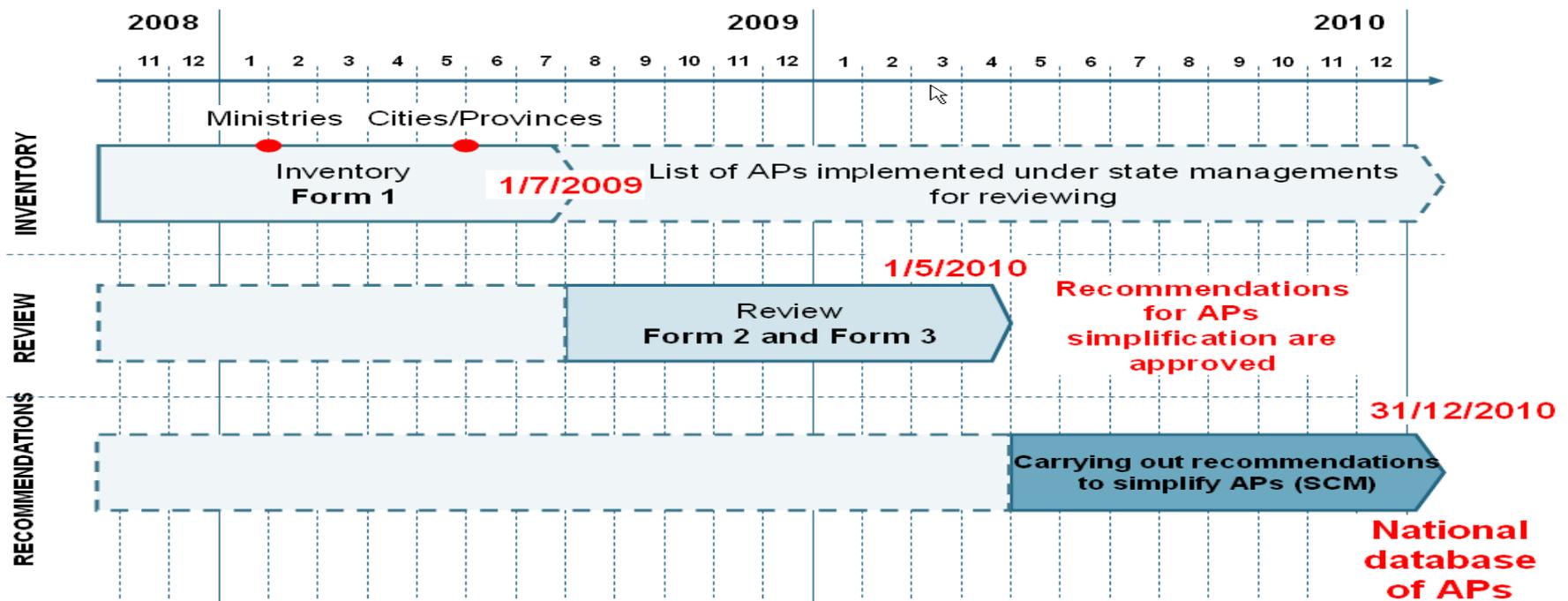
### Doing Business Ranking



# 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.

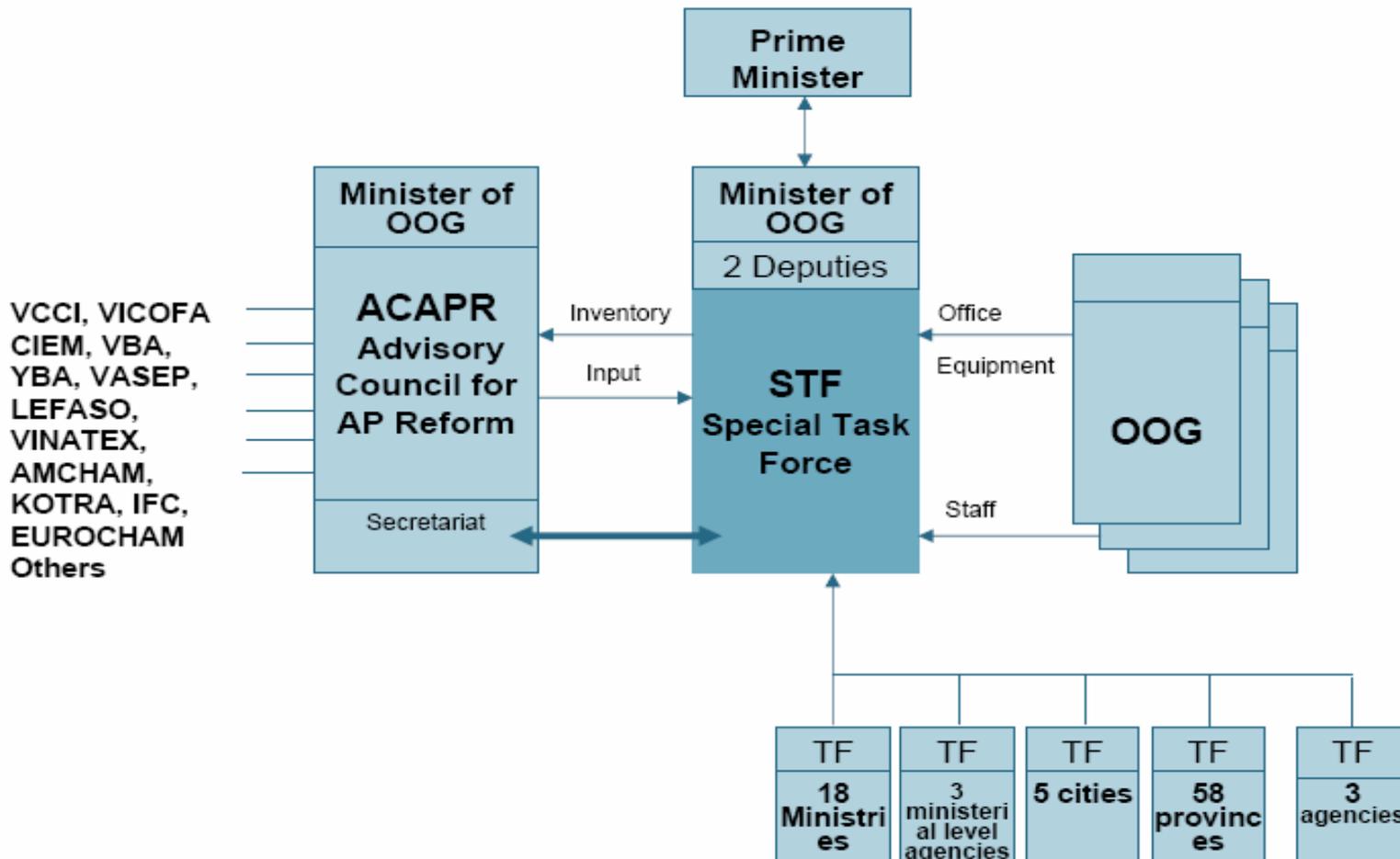
**The Prime Minister's Message**  
Administrative Procedures  
Simplification in the fields of state  
management for the period  
2007-2010 is the key mission  
and a breakthrough in  
administrative reform from  
now till end of 2010



# gtz PPD platform was created and institutionalized



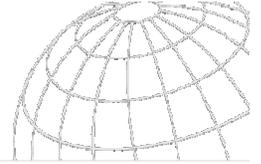
- Private sector and the domestic and foreign business community strongly involved in the process through the Advisory Council which is formalized in the organizational structure.



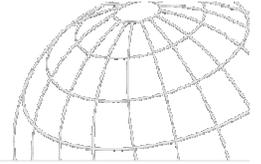
## gtz Innovative Tools and Best Practices in Regulatory Reforms are being used



- 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.