



Published by
Deutsche Gesellschaft für
Technische Zusammenarbeit (GTZ) GmbH
Vietnamese – German SME Development Program

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BusinessPortal developed and implemented by
OrientSoft (www.orientsoft.vn)

Designed and printed by Golden Sky Co. Ltd.
Tel: 04 3 8634030

Publication License No: 28-44/LĐ date 25/3/2009
293 QĐLK/LĐ date 7/4/2009

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SERVICES FOR ENTERPRISES AND
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**LE DUY BINH
DORIS BECKER**

April 2009

ABOUT GTZ

As an international cooperation enterprise for sustainable development with worldwide operations, the federally owned Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH supports the German Government in achieving its development-policy objectives. It provides viable, forward looking solutions for political, economic, ecological and social development in a globalised world. Working under difficult conditions, GTZ promotes complex reforms and change processes. Its corporate objective is to improve people's living conditions on a sustainable basis.

The German Federal Ministry for Economic Cooperation and Development (BMZ) is its major client. The company also operates on behalf of other German ministries, the governments of other countries and international clients, such as the European Commission, the United Nations and the World Bank, as well as on behalf of private enterprises. GTZ works on a public-benefit basis. All surpluses generated are channeled back into its own international cooperation projects for sustainable development.

GTZ has been working with its partners in Viet Nam since 1993 and promotes sustainable development in the three priority areas of Sustainable Economic Development, Management of Natural Resources including Water Supply, Wastewater and Solid Waste Management and Health. Additional projects are situated within the cross-cutting sector Poverty Reduction, implemented on behalf of other German ministries or realised by GTZ International Services. The Centre for International Migration and Development (CIM), a joint operation of GTZ and the International Placement Services (ZAV) of the German Federal Employment Agency (BA) currently has 20 integrated experts working as professionals for partner institutions in Viet Nam.

ABBREVIATIONS

ASMED	Agency for Small and Medium Enterprise Development
CIEM	Central Institute of Economic Management
DPI	Department of Planning and Investment (at provincial level)
GTZ	German Technical Cooperation
IT	Information Technology
MPI	Ministry of Planning and Investment (national level)
OSS	One-stop-shop
PCI	Provincial Competitiveness Index
SDC	Swiss Agency for Development and Cooperation
SME	Small and Medium Enterprises
SMEDP	Small and Medium Enterprise Development Programme
VNCI	Vietnam Competitiveness Index

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FOREWORD

The objective of the Small and Medium Enterprise Development Programme (SMEDP), funded by the German Federal Ministry for Economic Cooperation and Development and implemented by GTZ and the Ministry of Planning and Investment, is to improve the competitiveness of small and medium sized enterprises in Vietnam.

In order to achieve this objective, SMEDP is working with a multi-stakeholder approach including public and private institutions at national level and in four selected provinces: An Giang, Dak Lak, Hung Yen and Quang Nam. The programme consists of four closely interrelated components: 1. SME Policy, 2. Local Economic Development, 3. Competitiveness of Selected Sub-Sectors and Value Chains and 4. Advanced Technical Services/ Material Testing.

While the programme was originally designed for a total of 12 years, a decision by the German government to concentrate the technical cooperation in a reduced number of areas, resulted in an early phase out of the Programme after only four years, thereby posing a considerable challenge for partners and GTZ alike to assure impacts and sustainability within a limited time frame. In light of this development, SMEDP decided to focus its work in the last year on the most successful products and instruments developed and introduced as far as demand, ownership by partners and potential for sustainability are concerned.

As knowledge management has been an integral part of the programme and was therefore embedded in the programme concept, the idea was

born to "systematise" and document the experiences and lessons learnt during the intervention process for the most successful instruments and products of SMEDP. These product systematizations include the following instruments and approaches: Regulatory Impact Assessment, BusinessPortal, Local Economic Development Process, Local Coordination Board, Public Private Dialogue, the Value Chain approach with a focus on avocado and pangasius and Corporate Social Responsibility as a cross-cutting topic of the programme.

These systematizations were developed by GTZ SMEDP staff and were partially structured by applying the logic of the GTZ management tool Capacity Works, which is based on five success factors, namely strategy, cooperation, steering structure, processes and learning and innovation. The documents also drew on inputs from partners and other stakeholders who were invited to comment before final editing took place.

While these documents might not be perfect, as they can only partially reflect the complex process of interventions within a technical cooperation project and its outcomes, it is our hope that they will be of help to our partners in the future to pursue the further development of the products and can be a guide for other institutions and donors seeking to replicate them wherever they deem them suitable for application.

ACKNOWLEDGEMENT

This paper is part of the effort in knowledge management carried out by GTZ SME Development Program. This paper systemizes the process of developing BusinessPortal - a product that aims at reforming administrative procedures applicable to enterprises, especially in business registration, tax code registration and seal registration and at improving business information transparency at the provincial level.

The implementation process has benefited from the support of Mr. Do Van Hai, Deputy Director General of the Agency for SME Development (ASMED - MPI). The GTZ SMED Development Program would like to express our special thanks to Mr. Doan Anh Quan, Director of the Department of Planning and Investment (DPI) in Hung Yen for his great contribution in concept development and the implementation of BusinessPortal. His view and vision has not only been helpful for the implementation of BusinessPortal in Hung Yen but also in many other provinces. We are very grateful to Ms. Tran Thi Dep, Deputy Director of An Giang DPI, Mr. Tran Van Tri, Director of Quang Nam DPI, Mr. Doan Ngoc Minh (Chief of the Enterprise Division, Quang Nam DPI), Mr. Ho Vinh Chu, Deputy Director of Dak Lak DPI, Mr. Dinh Xuan Ha (Chief of the Business Registration Division, Dak Lak DPI), Mr. Vu Quang Trieu (Chief of the Business Registration Division, Hung Yen DPI), Mr. Nguyen Khac Sang (Business Registration Office, Hung Yen DPI), Mr. Pham Quoc

Khanh (Deputy Director of Nam Dinh DPI), Mr. Vu Tuan An (Business Registration Office, Nam Dinh DPI), Mr. Nguyen Minh Chau (Chief of the Business Registration Office, Quang Binh DPI), Ms. Nguyen Thi Kim Anh (Business Registration Office, Quang Binh DPI), Mr. Le Thanh Son (Director of Hai Phong DPI), and Mr. Tran Viet Tuan (Chief of Business Registration Office, Hai Phong DPI). Their contribution has enabled BusinessPortal to become a sustainable and efficient tool for one-stop-shop business registration in the provinces and a high quality business information gateway.

We highly appreciate the comments and contribution of DPI staff and the business community in Nam Dinh, Quang Binh, Hai Phong, Vinh Phuc, Lang Son, Ha Nam, Bac Ninh, Ninh Thuan and in many other provinces. We would like to thank especially Mr. Pham Thanh Hai from Orient Software Joint-stock Company (OrientSoft) and his team for the dedication, expertise and professionalism in the cooperation with GTZ in developing and implementing BusinessPortal.

Last but not least, our sincere thanks are due to all of the staff of GTZ SMEDP and of partners both at the provincial and national level for their relentless effort in developing, implementing BusinessPortal and in making it the sustainable product it is today.

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I

BACKGROUND AND CONTEXT

1. Despite impressive efforts, Vietnam still lags behind in terms of market entry procedures for enterprises

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to register the new firm in order to operate legally. Economies differ greatly in how they regulate the entry of new businesses. In some countries the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed up the process-or may decide to run their business informally.



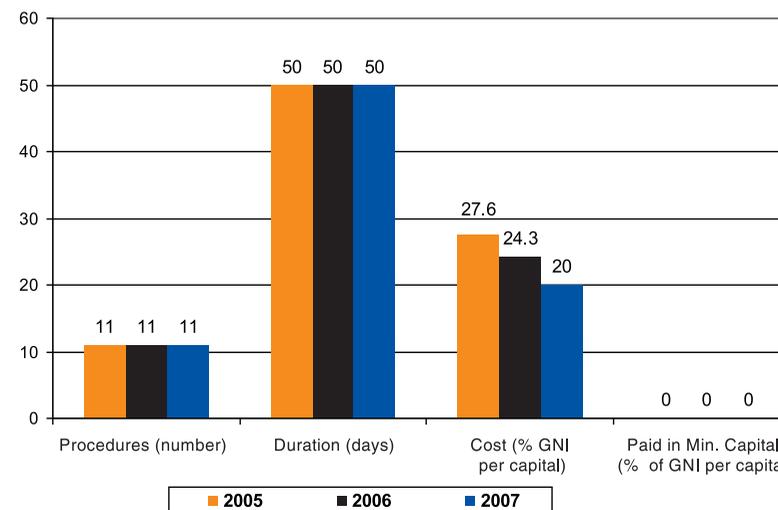
*Grand opening ceremony of
Hung Yen BusinessPortal*

Cumbersome entry procedures are associated with many different, very time-consuming steps and more corruption, particularly in developing countries. Each procedure is a point of contact - an opportunity to extract a bribe. Analysis reveals that comprehensive entry regulations,

including many aspects of business operation, do not increase the quality of products, improve work safety or reduce pollution. Instead, they constrain private investment, push more people into the informal economy, increase consumer prices, and fuel corruption.

Between 1999 and 2005, the Government of Vietnam made tremendous progress to improve start-up procedures for the entrepreneurs doing business in the country. With the adoption of the epochal Enterprise Law in 1999 and the subsequent revision of the same law in 2005, the business environment in Vietnam, particularly the procedures related to market entry for business, has been significantly improved. The Enterprise Law and other legal reforms by the Government have been widely recognized by domestic and international business community. However, the country still lags behind many countries in the region and the world when it comes to procedures for starting up a business. According to *Doing Business 2005* by the World Bank, the number of procedures required to start up a business in Vietnam was 11 and the duration stood at 50 days. The cost for starting up a business at that time was equivalent to 28.6 percent of per capita GDP. This figure was eight procedures, 33 days and 6.7 percent of per capita GDP for Thailand, and seven procedures, eight days and 1.2 percent of per capita GDP for Singapore.

Figure 1- Starting - a - Business Indicators in Vietnam in 2005 to 2007



Source: *Doing Business, 2008* (World Bank)

2. National trends and demands at provincial level call for stronger reforms of business start up procedures and practices

Since 2005, results of the *Doing Business* Surveys by the World Bank have been widely published and discussed at national and provincial forums. The topic has received a great deal of attention by the business community and the Government at all levels. The Government and the Prime Minister have taken immediate action, adopting various directives, Government resolutions and decisions to address the constraints and to improve the procedures that were slow to be reformed in Vietnam. The Government mostly focused on improving the procedures related

to business start-up, tax enforcement, accessibility to credit, business licenses and closing a business (bankruptcy regulations).

The Enterprise Law, which was revised in 2005, requires that business registration procedures must be processed within a mandatory period of ten working days.

The Ministry of Planning and Investment (concretely the Agency for SME Development ASMED), the Ministry of Finance and the Ministry of Public Security have engaged in a concerted effort to substantially reform business registration, tax code registration and seal making procedures for enterprises under the one-stop-stop principle¹. The internet and information technology to provide the services is also emphasized by the three ministries².

As a result, since the introduction of the Enterprise Law 1999 and the new Enterprise Law in 2005, reform of administrative procedures for enterprises, particularly procedures related to business registration, tax code registration, seal making and

¹ In Vietnam, in order for a business to enter the market, it needs to finalize the business registration procedures at the provincial Department of Planning and Investment. Then it must go to the Tax Agency to register their tax code, and then to the Public Security Department to register their official seal. The one-stop-shop principle is introduced in order for a business to finalize all of these three procedures only by visiting the One-Stop-Shop Unit located at DPI without having to visit the other two.

² This mechanism is stipulated in the inter-ministerial Circular No. 02/2007/TTLT-BKH-BTC-BCA and then the inter-ministerial Circular No. 05/2008/TTLT-BKH-BTC-BCA jointly released by the three ministries.

improvement of business information transparency and accessibility have been ranked among the top priorities of local governments in their efforts to improve the business environment climate and to strengthen provincial competitiveness.

The Government of Vietnam lays a strong emphasis on implementing an e-government program and on enhancing the IT readiness of the country. Provincial governments are strongly encouraged to apply information technology to the provision of public services. Applications of information technology and the internet, in providing public services have become a strong pillar in government public administrative reform programs.

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MARKET ENTRY IN SELECTED PROVINCES AT THE OUTSET OF THE PROGRAM

1. Quick Overview of Agencies involved in Market Entry Services for Business

In Vietnam, business registration is carried out at the provincial level. The Business Registration Office of the Department of Planning and Investment is in charge of handling procedures for business registration. After having its business registered, the enterprise needs to register its tax code at the Tax Agency in



Hand-over of Quang Nam BusinessPortal's domain name to Quang Nam DPI by GTZ representative

the province. At the same time, it has to register the official seal at the province's Public Security Department. After finalizing these three procedures enterprise has completed the business entry procedures.

Regulations related to business entry procedures are made by national bodies. The Enterprise Law (to which CIEM contributed a great deal) provides the overall legal framework for business registration. The Agency for SME Development (ASMED of MPI) is in charge of specific issues and regulations related to business registration. The Ministry of

Finance provides regulations related to tax code registration and the purchase of official invoices to be used by the enterprise. The Ministry of Public Security provides specific regulations related to the registration of the official seal. As mentioned, ASMED worked hard to improve the coordination of government agencies in providing one-stop shop services for market entry. ASMED was the driving force in releasing the inter-ministerial Circular No.05/2008/TTLT/BKH-BTC-BCA, which provides a legal framework for coordination between DPI, the Tax Agency and the Public Security Department in providing these three market entry services to enterprises.

2. Starting a Business at the Provincial Level was a Long and Costly Process in An Giang, Hung Yen, Dak Lak and Quang Nam

In 2005, when the first concept of BusinessPortal was developed, many studies showed that business registration and other market entry procedures (tax code registration, seal making procedures) remained complicated and costly. The study "From Business Idea to Reality: Still a Long and Costly Journey", shows that despite progress and efforts made by the Government, Vietnam still lagged behind many countries in the region in terms of market entry cost and time³. The Provincial Competitiveness Index (PCI) Survey by the Vietnam Competitiveness Initiative (USAID) and the Vietnam Chamber of Commerce and Industry (VCCI) also revealed that market entry cost and information transparency were one of

³. From Business Idea to Reality: Still a Long and Costly Journey, CIEM - GTZ (2005).

the major obstacles. Below are the selected details of the PCI in An Giang, Hung Yen, Quang Nam and Dak Lak - the provinces covered by SMEDP⁴. The sub-indices are from 2006 when the BusinessPortal initiative was started by SMEDP.

Table 1 - Sub-indices of Provincial Competitiveness Index in 2006

	Entry Costs		Transparency	
	Provincial indicator	National Median	Provincial indicator	National Median
An Giang	7,64	6,23	6,64	4,67
Hung Yen	6,65	6,23	6,49	4,67
Quang Nam	7,76	6,23	4,44	4,67
Dak Lak	6,48	7,40	4,99	4,67

Source: Provincial Competitiveness Index Reports, VNCI/USAIDS and VCCI, 2005, 2008

3. Most of the business registration work done manually

The study revealed that most business registration procedures are done on a manual basis and mostly in the form of paperwork, due to the absence of a modern and advanced IT-based business registration system. This represents a serious management problem for local authorities as the number of registered enterprises is on the rise and will increase to tens of thousands enterprise in the next few years if the current trend continues.

The management of business registrations is still quite underdeveloped with most provinces only handling incomplete

⁴. To see more about PCI, please visit: www.pcvietnam.org

and outdated databases. A modern updated database is critical to ease business registration procedures and improve economic governance and investment promotion activities. Such a system, if properly put in place, will improve the information accuracy and transparency, and strengthen the coordination between Governmental agencies (for example, tax, public security, customs and planning and investment) in the field of enterprise management and in formulating enterprise-related strategy and policies. It will also help to reduce transaction costs between the business sector and government authorities.

4. Uncoordinated provision of public services related to business, tax code and seal registration

At the outset of the BusinessPortal initiative the intensity of cooperation of state agencies engaged in the process was low and limited. A coordination mechanism between the Department of Planning and Investment, the Tax Agency and the Department of Public Security was not available. The skills and expertise required to provide modern public services and the know-how in providing the public services in a modern and customer-oriented manner were all lacking or faced critical constraints.

5. Public Services to Enterprises were Poor and the Transaction Costs between Government Agencies High

The public services provided by local governments to the business community like business registration, tax code registration, official seal making, product quality announcement, public information on land, announcement of important laws and

legal documents, instructions on business and investment procedure remained limited. In most cases when they were provided, they were often slow and costly due to the work being done manually and the number of required visits to different agencies. For example, in order for an enterprise to register their business, they had to visit DPI twice to apply for the required forms and instructions, to submit the documents, to have the documents revised and then to obtain the business license after all the procedures were finalized. Similarly for many other public services such as tax code registration and product quality announcement.

Besides, public officers are not very business - minded lack a customer orientation when dealing with the business community.

Among local government agencies sharing information about enterprises operating in the province was limited, due to the lack of a common base of information. For example, it often took weeks for the Tax Agency to obtain information on enterprises which are registered during a given month with DPI due to the traditional, paper-based manner of communication between the two agencies. This increased the transaction costs between the two agencies, diminished the efficiency of the public services provided by government agencies and increased the time and financial costs for the business community and the public.

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THE INTERVENTION PROCESS

1. Improving Market Entry Procedures is a Priority of SMEDP and its Partners

In this context, the MPI - GTZ SME Development programme was designed and implemented with the objective of **improving the competitiveness of private small and medium sized enterprises in Vietnam**. In the two components of SME Policy and Local Economic Development it aims at **(i) improving policies and strategies to contribute to an enabling business environment, and (ii) implementing provincial reform initiatives to enhance the provincial business environment.**



Mr. Do Van Hai, Deputy Director General of ASMED (MPI) delivers the opening speech at an advanced training course on BusinessPortal

Based on these objectives, improving market entry procedures emerged as a priority area of intervention for SMEDP. In close cooperation with the Departments of Planning and Investments and their Business

Registration Offices in the four selected provinces⁵ it was agreed that improving business registration should be an impact indicator for the programme. It was decided that the indicator should be measured by (i) the reduction of time and costs in business entry in the four provinces, and (ii) the contribution to improvement of business registration system - an action included in the Five Year SME Development for the period 2006-2010 by the Government.

Under the Local Economic Development Component, one important impact indicator is the contribution to the improvement of selected sub-indices of the PCI in the four provinces. Entry costs, information transparency, private sector development policies and pro-activity of provincial leadership are among the key sub-indices which the SMEDP seeks to improve.

The idea of developing an integrated information system to address the problems in the provinces and at the same time to meet the objective and impact indicators of SMEDP was discussed by GTZ, the national partner agencies (Agency for SME Development of the Ministry of Planning and Investment), provincial partners and provincial business associations. The idea was supported by all the provinces, particularly DPI Hung Yen and was later reflected in all operation documents of the programme, for example, the LED strategy and annual operation plans.

⁵ DPI Hung Yen, Business Registration Office of DPI Hung Yen contributed tremendously to the discussion, development of concept and impact indicators at the initial stage.

2. Development of BusinessPortal - Version 1.0 and the Launch of the Hung Yen BusinessPortal

Early in 2006, a concept paper for the BusinessPortal was developed with strong ownership of DPI Hung Yen and with great contributions from the Director of the Department and professional staff of the Business Registration Department. Hung Yen was particularly interested in developing BusinessPortal since the idea fitted well with the development strategy of the department. At the time, the focus was simply on computerizing the business registration process and on-line business registration. A secondary objective was a coordination mechanism to provide one-stop-shop services with the tax agency and public security department (for tax code registration and seal making).

Figure 2 shows the milestones of the development process of BusinessPortal since the beginning of 2006 and until the end of the programme in April 2009.

Figure 2- Timeline of the Development Process -
Important Milestones ⁶



With an emphasis on local knowledge and building local know how, a local software company was selected through a strict screening process on the basis of past experience with similar projects and the technical and financial solutions offered.

⁶. Public service websites are ranked according to four levels: (a) Level one: the public service portal provides sufficient information about procedures, guides on administrative steps and procedures on a given public service; (b) Level 2: in addition to what is provided in level 1, the public service portal will allow users to download administrative forms so they can complete the printed forms and post or submit them in person to the public agencies involved; (c) Level 3: in addition to services offered at level 2, the public service portal allows users to complete and submit the forms on-line. The portal also allows users to interact with the public agencies via the internet. Payment and collection of results is be done in person; and (d) Level 4: in addition to the services provided at level 3, the public service portal allows users to pay fees on-line and results can be collected on-line or by post.

An international IT consultant was also selected to supervise the development process. The consultant bought international expertise and knowledge to the development of the system and assured the quality of the product.

DPI Hung Yen, the local software company, the international IT consultant and the GTZ SMEDP staff formed a good team in developing the software. A partnership of trust and sharing was developed which lasted over several years and the results are encouraging. The technical design for the system was completed in July 2006 and the first version was piloted in February 2007 at DPI Hung Yen. Many new ideas were generated and adaptations and revisions to the product were quickly made as new regulations from the national level and new demands from the provincial level emerged.

Ownership of DPI Hung Yen and the technical expertise and skills of the software company played a critical role in the success of the product. Prior to launch, the product was already beyond original expectations outlined in the Terms of Reference. For example, the on-line business registration was already possible and the first step towards the coordinated provision of business, tax code and seal registration was already taken.

BusinessPortal of Hung Yen province was officially launched on 4 April 2007. The event caught the attention of the public, national and provincial Government agencies, the business community,

the mass media, and donor projects. The launch of the product helped to put Business Portal under wider and more open scrutiny and to obtain feed back for further improvement and up-grading.

3. Launch of the BusinessPortal in Quang Nam, Nam Dinh, Quang Binh, Dak Lak and Development of Version 2.0.

After the launch of BusinessPortal in Hung Yen, GTZ and the local software company received many encouraging and critical comments. The comments were consolidated and analysed carefully. Together with professional staff in Hung Yen DPI and a control group of enterprises - the first clients of the system - the product was further improved.

Thrilled by the product launched in Hung Yen and driven by local demand, Quang Nam, Nam Dinh, Quang Binh⁷ and Dak Lak requested early implementation in their province. Within six months an upgraded version of BusinessPortal was implemented in each province. The most important enhanced features were related to on-line business registration, a more user friendly interface, a coordination mechanism in providing the three services and adaptation to the specific needs in each of the provinces.

During the process, BusinessPortal was continuously improved

⁷. In Quang Binh and Nam Dinh, BusinessPortal was implemented with support from the Swiss Development Cooperation (SDC) Private Sector Development Project.

following comments and contributions from users and administrators. The diversity of the participating provinces meant the comments were very helpful in making BusinessPortal a product capable of meeting the demands of different provinces.

4. Finalization of BusinessPortal Version 2.0, Launch of BusinessPortal in An Giang and development of subsidiary products

The launch of BusinessPortal in An Giang in July 2008 also marked the finalization of BusinessPortal Version 2.0. This version is a significant improvement on Version 1.0, first launched in Hung Yen more than a year before.

Technical capability, user-friendliness, interactive interface and functionality were all improved dramatically, satisfying the most demanding users.

The development of Version 2.0 was also accompanied by the development of the software for household business registration at district level and software for the management of investment projects. The two subsidiary products were implemented in all four provinces on a pilot basis and were welcomed by the local authorities. "This is an important step towards the full functionality of BusinessPortal", said Mr. Ho Vinh Chu, Deputy Director of Dak Lak DPI. The updated version was applied in all six in mid 2008.

5. The future of BusinessPortal: Development of Version 3.0, further expansion to other provinces and formulation of a sustainability strategy

Legal risk, one of the most important identified risks in Vietnam's business environment, has hindered the development of BusinessPortal. On 29 July 2008, the Ministry of Planning and Investment, Ministry of Finance and Ministry of Public Security jointly issued an inter-ministerial circular to provide the framework for the coordination mechanism between the three agencies involved in providing public services related to business registration, tax code registration and seal making to the businesses. The inter-ministerial circular is a positive step to further improve business start-up procedures and reduce entry costs. However, it also means that BusinessPortal needs to be adapted to the new legal requirements defined in the circular.

The positive aspect of the circular is its emphasis on the use of the internet and IT to reform business start up procedures and its effort to standardize the procedures in all 63 provinces of the country. It also increases the possibilities for BusinessPortal as an IT tool to be easily replicated in other provinces.

In August 2008 Version 3.0. of BusinessPortal was quickly developed to address the new legal requirements. Again, human and financial resources were invested by GTZ, DPIs and the local software company into the new version. Further enhancement and

improvements were made in order to make the product more powerful and competitive.



BusinessPortal benefits tremendously from comments and inputs by many experts and practitioners

Triggered by the Circular No.05, a number of provinces immediately contacted GTZ SMEDP to ask for support in the implementation of BusinessPortal. There were visits between provinces to learn about BusinessPortal and its practical applications.

Hung Yen, Nam Dinh, Quang Nam received lots of delegations from other provinces like Vinh Phuc, Hai Phong, Bac Ninh, Nam Ha, Ninh Binh, Ba Ria Vung Tau, Ninh Thuan, etc. who were eager to get to know the product and how it is administrated.

Based on the demand of the provinces, BusinessPortal is also being updated with additional functions which are needed to make it a more complete product. These features include online registration of investment projects and cooperatives, management of SOEs, and the procedures for enterprise and project management a key industrial zones in the 4 provinces.

Official requests and formal administrative procedures for the replication of BusinessPortal have been initiated in Kien Giang, Hai Phong, Lang Son, Ha Nam, Nghe An and Ninh Thuan. Many among them, e.g. Kien Giang, Hai Phong, Lang Son have officially started the replication process.

GTZ has also taken a proactive approach to market the products to other donor projects, e.g. Danida, EU and others. Interest from these donor projects has been very high and the DANIDA Business Sector programme has suggested to its partners the replication of BusinessPortal in its operational plan for 2009.

The sustainability strategy for BusinessPortal was formulated in mid 2008 and was discussed with the provinces. The focus of the strategy was on introduction of income generating services on BusinessPortal like advertisement, public announcement of business establishment, on-line marketing, etc. Provincial agencies are very confident that they can generate sufficient income to cover the costs for the operation of BusinessPortal and even to upgrade and expand it in the future. Another area of the sustainability strategy is capacity building for staffs at DPI, the Tax Agency and the Department of Public Security. This has been a key to the effective use and operationalization of BusinessPortal. In implementing the strategy, staffs from the different agencies involved in the development and operation for BusinessPortal in the six provinces are continuously trained on different aspects of BusinessPortal and on basic IT knowledge.

6. Taking the BusinessPortal to a New Level: Development of the Beta Version for a Nationwide Business Registration Gateway and Nationwide Enterprise Database

Encouraged by these positive results, the beta version for the Nationwide Business Registration Gateway and the Nationwide Enterprise Database has been developed. The objective is to develop a product which can serve as a possible solution for national business registration and an enterprise database at the national level. This is also in line with the Government's Five Year SME Development Plan.

The beta version is available on-line at www.businessportal.vn. This is the demonstration version for the single-window gateway for business registration in Vietnam. By visiting this single window gateway, an entrepreneur or investor can choose to register his or her business on-line in any of the 63 provinces in Vietnam. All regulations, instructions, and administrative forms on business registration are provided on-line.

The gateway also provides a demonstration version of the national enterprise database. It was developed by integrating all existing enterprise databases of the provinces which have implemented BusinessPortal. At present the database includes information and data of registered enterprises in all of the provinces which have

successfully implemented BusinessPortal. The database is comprehensive and user friendly.

7. A soft structure was developed to secure the success of BusinessPortal in the province

Development of the soft structure for the operationalization of BusinessPortal is critically important for the effective use of the product. With support from GTZ, the six provinces developed the regulations for the one-stop-shop mechanism for the three services to be provided for business registration. It took a long time for the mechanism to be completed and put into operation.

Management of the development of BusinessPortal was gradually transferred from SMEDP via GTZ to the provinces themselves.

8. A marketing campaign was implemented for BusinessPortal

A marketing campaign was an important element for developing BusinessPortal. The information campaign was conducted in parallel with the development of the product.

The marketing campaign had the following objectives:

- BusinessPortal is better known to the public and professionals. Thus, it is under higher scrutiny of the public and relevant professionals (for example, public agencies or

businesses, systems administrators and managers and software engineers) so is under continuous pressure to be further improved and upgraded.

- Commercialization of BusinessPortal, thus strengthening its chance of being replicated in other provinces.
- BusinessPortal known to developers of similar products, thus creating a benchmark for the development of such products.
- Strengthening the possibilities of BusinessPortal being adopted as the product for the national program for on-line and computerized business registration for which MPI (ASMED) is responsible.

The campaign included the following:

- High-profile launch ceremonies with over one hundred participants attending the event in each province.
- Strong participation of the mass media and well-prepared press briefings resulting in over 70 articles carrying news or analysis on BusinessPortal in the last two years.
- Printed brochures for the BusinessPortal in each of the provinces were shared with the public and sent to the DPI and other relevant agencies in all 63 provinces.
- Presentation sessions, information workshops implemented in cooperation with other provinces and other donors.
- A website dedicated solely to providing information about BusinessPortal, including updated product news (www.businessportal.vn).
- Periodical direct mail delivery to all the relevant agencies

(MPI, different ministries, members of the Enterprise Law Implementation Taskforce, donor projects, local authorities in 63 provinces).

- Active word-of-mouth marketing.
- In target provinces, the BusinessPortal was integrated in a national information campaign co-implemented by IFC/MPDF and GTZ in cooperation with the Taskforce for the Implementation of the Enterprise Law and Investment Law. The information campaign promotes the formalization of household business into formally registered enterprises⁸. In provinces which are targeted by GTZ and where BusinessPortal has been launched, BusinessPortal is promoted as an efficient and cost effective way to register household businesses.

⁸. The information campaign covered 63 provinces in Vietnam via national TV channels, national radio, brochures and posters sent to the provinces and workshops held in selected places. The campaign was implemented in late 2008.

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E-GOVERNMENT SOLUTION TO

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TRANSPARENCY**

IV

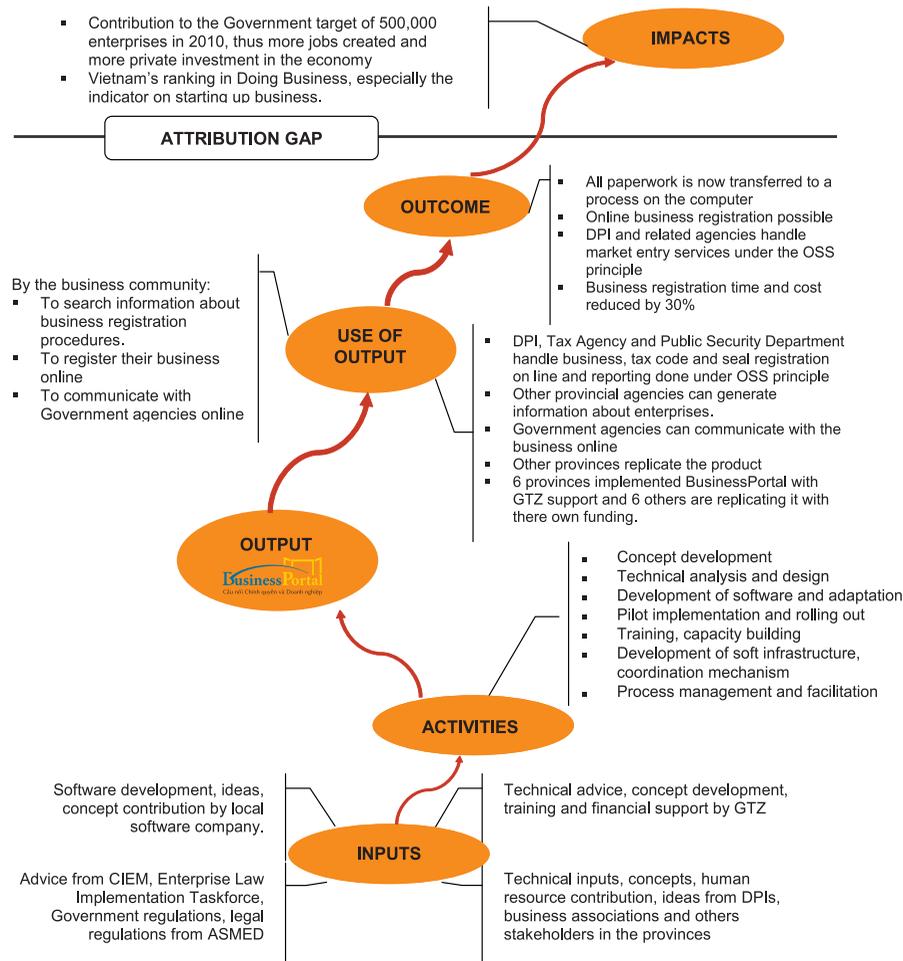
RESULTS ACHIEVED AND CHALLENGES



Advanced training course on BusinessPortal to strengthen capacity for staff of relevant provincial authorities

Figure 3 below illustrates the impact chain of BusinessPortal according to the GTZ impact monitoring concept. The figures show the inputs and resources provided by GTZ and its partners, the main activities implemented to produce BusinessPortal as an output, how BusinessPortal was used and the direct benefits of it. The figure also shows how BusinessPortal contributes to the overall objectives of SMEDP, although there is a significant attribution gap,.

Figure 3 - Result Model of BusinessPortal



1. Major results achieved

BusinessPortal has been developed into a highly competitive product which holds strong potential for further replication, sustainability and development. BusinessPortal's major functions and features include the following:

- Facilitation of the provision of a one-stop-shop market entry service.
- Computerization of the procedures for business registration, tax code registration and seal making.
- Providing on-line market entry services.
- Creation of a powerful and multi-purpose on-line enterprise database.
- Increased transparency and accessibility of administrative procedures applicable to enterprises.
- Creation of an e-bridge linking the Government and the business community: BusinessPortal creates a platform for an on-line dialogue between the local government and the business community. This is very much in line with the international trend that G2B services are becoming international standard now.

Table 2– The Situation Before and After BusinessPortal went into Operation in the Six Provinces

	Before	After
1. On-line business registration	No	Yes
2. Computerized system for business registration	No	Yes
3. One - s t o p - s h o p , coordination in provision of three public services	No or very limited	Yes. Fully operational.
4. Time spent to finish a business registration process	7-15 days	5-7 days, reduced by 30 percent
5. Electronic database/ sharing of enterprise information	No	Yes. Very effective.
6. Regulations, information, administrative forms for business, tax code and seal registration and other business procedures are easily accessible to enterprises, especially via the Internet.	No or very limited	Yes. Fully available and regularly updated.

The following achievements should also be mentioned:

- Strong interest in BusinessPortal from other provinces; many provinces are prepared to fund the product themselves.
- The technical performance and commerciality of BusinessPortal has been proven.
- Strong support for BusinessPortal from both national and provincial agencies. Provincial government agencies are satisfied with the contribution of BusinessPortal to the improvement of administrative reforms for enterprises and the improvement of PCI sub-indices such as entry cost and information transparency.

One important impact indicator of SMEDP is the contribution to the improvement of sub-indices of PCI in An Giang, Dak Lak, Hung Yen, and Quang Nam. In this respect, BusinessPortal and other interventions⁹ have contributed to the improvement of the entry cost and transparency sub-indices. Improvement is apparent in all four provinces between 2006, when BusinessPortal was conceptualized, and the end of 2008. All of the four the provinces (compared with just two in 2006) outperformed the national median for the PCI transparency sub-indicator.

⁹. For example the support to set up a coordination mechanism for a one-stop-shop service in business registration at DPI in four provinces.

Table 3 - Comparison of Sub-indices with Impact by Interventions from SMEDP in the Four Provinces between 2005 and 2008

	Entry Costs *		Transparency *	
	2006	2008	2006	2008
An Giang	7,64	8,99	6,64	6,75
Hung Yên	6,65	7,47	6,49	6,68
Quang Nam	7,76	8,99	4,44	6,75
Đak Lak	6,48	7,58	4,99	6,34

Source: Provincial Competitiveness Index Reports, VNCI/USAIDS and VCCI, 2006, 2008

*In 2008, the national medians are 8.26 for entry cost indicator, and 6.32 for transparency indicator.

Another important result is the replication of BusinessPortal in other provinces. It is anticipated that by the end of 2009, approximately 20 provinces will officially adopt BusinessPortal as the solution to modernize the provision of business start up services. It should also be noted that the development of BusinessPortal in these provinces is funded from the provincial budget or with limited support from other donor projects, thus confirming the technical performance and commercial viability of the product in the long-run.

2. Challenges

While the results are encouraging there remain considerable challenges. these include:

i. The rate of on-line business registration is very low. In provinces like Quang Nam, less than ten percent of enterprises register their businesses online via BusinessPortal. Although still low, the rate is higher in Hung Yen and Nam Dinh. This suggests that BusinessPortal as an IT tool for business registration, has received more acceptance from local authorities than from the business community. The main reasons for the low level include: low level of Internet penetration and awareness among the local business community of the on-line business registration facility; a hesitation among the business community to move from direct and personal contact with government officers to impersonal on-line services.

ii. While there is no doubt about the commitment of provincial authorities to BusinessPortal, constraints in human resources and management expertise may pose risks to its long-term sustainability. These constraints should be addressed as soon as possible; otherwise the image of BusinessPortal may be undermined.

iii. It is important that the provinces work on a feasible mechanism for maintaining and replicating the product beyond the provincial level. For example, the mechanism for replication of household business registration software to all other districts of the province should be developed and implemented.

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LESSONS LEARNT

The implementation of BusinessPortal has been a long process. The process is considered an effective one despite the remaining challenges. The main lessons learnt are as follows:

i. Ownership of the local partner (DPI in this case) is the key to success.

To guarantee ownership, it is important the process is demand-driven. The development of BusinessPortal proved demand driven as it addressed the urgent needs of DPIs, is close to the core function of the departments, promises to bring recognition to the provinces if successfully implemented, and is in

line with Government policy and programs.

Provinces implementing BusinessPortal see tangible and intangible benefits, both, both immediate and long term.



BusinessPortal is replicated in many other provinces without financial support of the Programme

ii. **The whole process must be results oriented.** Stakeholders should be aware of their expectations for the product, how it will be used and the direct benefit of the process and its outcome. The benefits should be measurable, monitored and be communicated to all those who are involved.

iii. **Before wide scale implementation pilot a smaller project.** The first product was first developed and implemented in Hung Yen with only a modest goal: computerization of business registration services in DPI. Having achieved this more ambitious goals were set.

iv. **A bottom-up approach works better than top-down.** A leading economic newspaper in Vietnam compared the process of developing BusinessPortal to the approach adopted under a national program on computerized public services. The newspaper did not conclude which one was more suitable, but did mention that the bottom-up approach adopted by GTZ might trigger a shift in the mindset of the Government in implementing similar programs¹⁰.

¹¹ "Altering the Approach", Vietnam Economic Times, May 2007

v. It is important to have **good cooperation and mutual understanding between provincial agencies (in this case mostly DPIs), GTZ and the software developer.** Cooperation and mutual understanding can easily be translated into a common objective and common aspiration. It is also an important source of encouragement for those involved.

vi. **Soft infrastructure for the implementation of the product plays an important role.** To operate a highly sophisticated product, it is important to develop the coordination mechanism between agencies, build up managerial expertise and develop a more client-oriented approach to the provision of government services. Without such soft infrastructure, even an excellent product risks failure.

vii. **The launch of the product should be accompanied with an information campaign.** The information campaign will put the product under stronger scrutiny of the public and professionals, thus putting stronger pressure for its developer to continuously improve it. It will also increase the use of the product and the chance of it being replicated in other provinces.

viii. A good combination of local and international knowledge is very important. BusinessPortal is developed by a local company but has benefited tremendously from the advice and quality control by an international consultant. The development process has also been managed by GTZ which has added important values to the process.

ix. BusinessPortal is developed as a flexible product which can be easily adapted to new demands as they arise. BusinessPortal has been continuously adapted and upgraded to meet the new demands from provincial partners and to meet the new requirements by law (e.g. the new inter-ministerial Circular No.05 on coordination mechanism in providing business entry services). This has been possible since the development of the product has strictly followed the rule of being flexible and open.

x. In projects of this kind (e-government, reform of public administrative procedures via the adoption of IT), software and technical inputs including training rather than equipment should account for the majority of inputs.

xi. A clear exit strategy for should be developed and implemented in time. The exit strategy should be jointly developed by all stakeholders involved (GTZ, national partners and the developer). In the case of BusinessPortal, the exit strategy and a sustainability

plan were first discussed in May 2008, less than a year before the programme's end. Although much has been achieved since then to achieve technical and financial sustainability, it would have been easier to assure sustainability if the strategy had been developed earlier.

