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BEST PRACTICES ENHANCING TRANSPARENCY for the Provincial Business Environment in Vietnam

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ENHANCING TRANSPARENCY

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Abbreviations

CIEM	Central Institute for Economic Management
EDB	Economic Development Board
EDO	Economic Development Office
EIA	Environmental Impact Assessment
EP	Environment Protection
ETF	Enterprise Task Force
EU	European Union
IFC	International Finance Corporation
IMF	International Monetary Fund
ITPC	Investment and Trade Promotion Center
IZ	Industrial Zone
MAI	Multilateral Agreement on Investment
NGOs	Non-Governmental Organizations
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OSS	One Stop Shop
PC/PPC	People's Committee/ Provincial People's Committee
PCI	Provincial Competitiveness Index
SMEs	Small and Medium Enterprises
TAF	The Asia Foundation
UNPAN	United Nations Public Administration Network
USA	United States of America
VCCI	Vietnam Chamber of Commerce and Industry
VND	Vietnam Dong
WTO	World Trade Organization

Foreword

As Vietnam decentralizes, provincial authorities are playing an increasingly crucial role in attracting investment and stimulating enterprise development. Over recent years cities and provinces have exchanged experiences on improving the business environment and quality of economic governance. “Pioneering” provinces that have successfully attracted investment and supported enterprise development are studied by others keen to learn the lessons of their success. With improvements to the central legal framework, the exchange of best practices between provinces has become an increasingly important route for improving the business and investment environment in Vietnam.

Transparency is vital to the development of enterprise and the economy. The Party and the Government have emphasized the importance of developing a transparent business environment. The Vietnam Provincial Competitiveness Index (PCI) reports consistently assert the crucial role of transparency in developing a positive environment for business. According to PCI 2009, a one point improvement in transparency leads to a 13 percent improvement in enterprises per thousand citizens, a 17 percent improvement in investment per capita, and a 62 million VND increase in firm profitability.

With support from The Asia Foundation, VCCI conducted this “*Best practices: Enhancing Transparency for the Business Environment in Cities and Provinces in Vietnam*” research to analyze best practices in enhancing transparency in Vietnamese localities. The report contributes to the continuing exchange of experiences between cities and provinces across the country.

The research team from VCCI was made up of Mr. Tran Huu Huynh, Deputy Secretary General and Director of the Legal Department at VCCI, Mr. Dau Anh Tuan, Deputy Director of the Legal Department, and Ms. Le Thanh Ha and Ms. Nguyen Le Ha from the Legal Department. Dr. Tran Van Thang from the National Economics University led the compilation of the first part of the report with Mr. Dau Anh Tuan leading the second part.

The report was developed under the leadership of Mr. Vu Tien Loc, Chairman of VCCI with expert input from The Asia Foundation, in particular Dr. Ninh Ngoc Bao Kim, Country Representative, and Ms. Le Thu Hien, Senior Program Officer. VCCI and The Asia Foundation have contributed to enhancing the business environment at provincial level of Vietnam by sponsoring a series of pieces of research on best practice as well as assisting in the early phase development of the PCI.

The research team also wishes to thank the senior economic experts who contributed to the report. Mme. Pham Chi Lan and Dr. Le Dang Doanh participated in survey trips to ten provinces, joined discussions in Can Tho, Da Nang, and Hanoi and provided a series of key comments. Other experts who made important contributions include Mr. Nguyen Thai Son, Office of the Government, former member of the Group tasked with implementation of the Enterprises Law and the Investment Law, Mr. Phan Duc Hieu, Deputy Head of the Research Department on Business Environment and Competitiveness at the Central Institute for Economic Management (CIEM), and Mr. Pham Ngoc Thach, Vietnam Academy of Social Sciences.

The research also benefited from comments from a large number of local authorities including Provincial People’s Committees, Departments of Planning and Investment, Investment Promotion Centers and other management officers at provincial level. The report provides an introduction to some key best practices currently operating in Vietnam that may facilitate Vietnam’s development if they are spread to other regions. This report represents the start of a discussion. Further comments and contributions from readers on this important topic would be very welcome.

Executive summary

Transparency is broader than publicity. From a good governance perspective, transparency consists of access to appropriate, timely and high-quality information and both the right and opportunity for people, enterprises, and other stakeholders in the economy to supervise and provide feedback on the performance of administrative agencies. These two aspects are closely connected and complement each other. One-way provision of information cannot satisfy requirements for appropriateness, sufficiency, and timeliness. Poor access to information undermines the right and opportunity to supervise or provide feedback.

Enhancing transparency plays a vital role in improving both provincial and enterprise competitiveness. A transparent business environment provides enterprises with better access to information, opportunities to participate in decision making processes and to supervise implementation. This in turn increases enterprises' trust in the business environment and provides the conditions for them to invest more, for the longer term. Enhanced transparency also improves the effectiveness of enterprise resource allocation, cutting down informal charges and providing more equal business opportunities for different types of enterprises. Transparency helps establish positive trends on governance indices including government effectiveness, control of corruption, accountability, rule of law, and regulatory quality, policies aiming at enhancing transparency also boost economic development. According to the Provincial Competitive Index (PCI) 2009 report, a one point improvement in transparency yields a 13 percent increase in enterprises per thousand citizens, a 17 percent improvement in investment per capita, and a 62 million VND increase in firm profitability.

This research report is the result of co-operation between VCCI and The Asia Foundation; conducting desk research, focus group discussions and roundtables and site surveys in ten selected provinces. Research methods included both quantitative - statistical analysis of provincial data and qualitative - case study analysis. The case studies were compiled through semi-structured interviews and focus groups with provincial authorities, management boards of economic zones and business associations in each of the selected provinces. Within Vietnam's rapidly transforming political and administrative system a vast number of best practices designed to enhance transparency in the business environment exist. Many provincial initiatives have not only created favorable business environments but also attracted larger numbers of enterprises and investors. Often, though, positive models and useful lessons have not been replicated as widely as they deserve.

Transparency in Vietnam

This report defines three levels of transparency. Level 1 ensures the availability of information i.e. information being made available at the request of people and enterprises. This level depends on availability of information in state agencies and is primarily passive, i.e. "enterprises and people make requests for information when they need it". Level 2 refers to more active provision of information, i.e. state agencies actively consider demand for information among people and enterprises and facilitate access to that information. At level 3, enterprises and people not only get access to information but also actively participate in the policy making process and supervise implementation.

Currently almost all provinces and cities in Vietnam only deliver transparency at level 1, and then with some limitations. Administrative procedures are only available online in 33 of 63 provinces/cities. Cooperation and feedback from local authorities through websites is limited. The research team drafted a letter on behalf of an investor looking for investment and contact information and sent it to the websites of all provinces/cities. Of 43 emails sent only 14 received a reply. However, there are positive examples of information being provided to enterprises and investors. There are professional publications on procedures for investment and construction in Bac Ninh, Binh Dinh, and Thua Thien - Hue. 67% of city and provincial websites provide information in one or more foreign language. Dong Nai's official provincial website is available in five languages to serve foreign investors looking for investment opportunities in the locality.

Active provision of information (level 2 transparency) requires mechanisms to facilitate the provision of information, connect administrative procedures, collect information, and settle enterprises' difficulties. Our research identified many provinces/cities, including Bac Ninh, Binh Dinh and Thua Thien - Hue, which have managed to link together administrative procedures related to investment. These local innovations improve inter-agency cooperation, minimize overlaps and double demands for documentation and reduce transportation costs for enterprises while still ensuring compliance with the central legal system. Some localities have established one-stop-shops (OSS). The Economic Development Office (EDO) in Ninh Thuan provides a particularly efficient example.

The key to enhancing transparency in administrative procedures is boosting cooperation between departments. Some provinces/cities have developed internal regulations on cooperation and coordination used to reach unanimity between Provincial People's Committees and line departments. Other provinces/cities have tried to deal more efficiently with enterprises' difficulties by establishing task forces of representatives from relevant agencies. In some areas the model has shown it can provide quick response surmounting "sensitive" administrative and relationship obstacles between provincial line departments without creating further administrative machinery.

Level 3 transparency requires dialogue between local authorities, enterprises and enterprise associations. Some provinces and cities have developed mechanisms for real, frequent, and broad dialogue between enterprises and local authorities. Dong Thap sets aside a specific day every month for enterprises to meet with leaders of the province. Dong Nai holds periodical meetings between local authorities and enterprises in industrial zones. Other provinces and cities including Lao Cai and Ho Chi Minh City organize online dialogues between local authorities and enterprises.

However, there are very few examples of enterprises playing an active role in policy making at a provincial level. Our research in 10 provinces showed that enterprises and business associations play almost no role in reviewing administrative procedures at provincial level within the Project 30 framework on administrative reform. Despite being important stakeholders in the provincial policy dialogues, provincial business associations, with their small size, struggle to engage effectively and their role in the policy dialogue is rather passive.



Definitions and the significance of transparency for the provincial business environment

1.1. Scope of research

Transparency is a relatively new concept in Vietnam, igniting controversy in both research and policy discussions. However, people are unanimous about the important role transparency plays in different fields and at different levels of political and socio-economic life.

In developing this research, VCCI in collaboration with The Asia Foundation, organized a focus group discussion in Hanoi gathering economic experts and state management officers to discuss transparency in the business environment at provincial level. Almost all experts affirmed that there is a gap in both understanding and implementation of transparency initiatives among cities and provinces. They also affirmed the correlation between best practices in transparency and rapid economic development. They discussed the understanding of transparency and the need for research to examine procedures, human resources and coordination between state agencies need to be examined along with the incentives for state agencies and officials to be and not to be transparent.

This research seeks to clarify definitions of transparency, to look beyond the common understanding of transparency as publication. It is clear that transparency needs to be evaluated in a broader way, beyond that currently covered by the transparency sub-index of the PCI. A transparent provincial business environment is a place where enterprises have easy access to information on policies and legal documents are involved in the making and enforcement of provincial regulations, and where local authorities genuinely listen to feedback from the business community.

The research team therefore focused on provincial policies and actions to:

- ☆ Enhance access to information for enterprises and citizens
- ☆ Improve the quality of provincial policies and regulations
- ☆ Increase dialogue and consultation between local governments and business communities

In conducting this research, the research team surveyed ten provinces and cities in three regions: the northern mountainous area, the central coastal area, and the Mekong delta. In each region three provinces were selected, two from the top ranking group (of 20 provinces) and one from the lowest ranking group (also of 20 provinces) identified by the PCI in 2009. The selected provinces were Lao Cai, Bac Giang, Dien Bien, Binh Dinh, Binh Thuan, Ninh Thuan, Dong Thap, Long An, Vinh Long, and Tay Ninh.

In each province, the research team met with local authorities and concerned agencies to discuss and exchange information on business and transparency.

Interviews included members of the Provincial People's Committees (to study the local business environment, implementation of Project 30 on public administration reform, dialogues with enterprises and operation and management of provincial websites), provincial Departments of Planning and Investment (investment procedure, local authorities-enterprises dialogues), Investment Promotion Centers and Industrial Zone Management Boards (investment procedure and provision of information to investors), Provincial Tax Departments (tax procedure and dialogue with enterprises), Departments of Information and Communications, Departments of Science and Technology, and units in charge of provincial websites management. In each province the research team also met with representatives of provincial enterprises associations to learn about public private dialogues and to analyze the business community's perspective.

This report is a practical summary of the research project also drawing on previous research conducted by VCCI. Analysis of definitions of transparency was aimed at orienting research activities rather than providing a comprehensive analysis of the term.

1.2. Understanding transparency

Of the topics currently on the public sector agenda, transparency attracts some of the greatest debate. It is a critical factor in every country's political, religious, educational, cultural, and social life, an organizational principle and, in recent years, an administrative management target. The OECD even asserts that transparency can be a competitive advantage of enterprises and countries.

Notions of transparency are diverse and strongly contingent upon content, context, and approach. The classical meaning of transparent is open and direct provision of information when requested; transparency as "passive openness", answering questions when asked. The OECD (2002) describes a transparent business environment as one in which economic stakeholders receive necessary information in an equal and open way, the result of information exchange between the government and other stakeholders. Transparency in the Vietnamese Provincial Competitive Index is "the ability of enterprises to get access to provincial plans and legal documents needed for business activities, the availability of the above-mentioned documents, whether enterprises were consulted during the drafting and promulgation process, the foreseeability of implementation process, and the user-friendliness of provincial websites".

Recent research defines transparency not only as the amount of information made public but also the content, scope, accuracy, and timeliness of information that economic stakeholders (citizens, enterprises, or the government) can conveniently access (Vishwanath and Kaufmann, 1999; Kaufmann and Kraay, 2002; Islam, 2003) and use to hold the government to account. Transparency

is closely tied to the notion of accountability. Transparency requires that stakeholders in the economy (people, enterprises, and the government) account for their own policies and activities. Transparency is also an evaluation tool for public institutions, as well as a means to provide the necessary information for the activities of stakeholders in the economy. With information people find it easier to hold institutions accountable. Transparency is the openness of organizations to allow outsiders (such as people or shareholders) to monitor, supervise, and analyze activities conducted by insiders (such as governmental officials and enterprise managers).

1.3. Defining transparency

We have defined transparency, in terms of state governance, as consisting of two important aspects: (1) access to information and (2) rights and opportunities to supervision/feedback for people, enterprises, and other stakeholders in the economy (hereafter “stakeholders”) towards administrative agencies.

● **Access to information:** availability and access to information for stakeholders. As well as supporting people to get access to information, information should be:

- ☆ **Appropriate:** to the needs/demand of the stakeholders not agency convenience.
- ☆ **Timely:** so people, enterprises, and other stakeholders can utilize that information when they need it. Transparency decreases with delays in information provision.
- ☆ **High quality:** precision requires administrative agencies to not only publicize final decisions but also **criteria** and details of the **policy making process**.

● **Rights and opportunities for monitoring and feedback:** Rights for stakeholders to monitor the decision making process, provide feedback and supervise implementation are operationalized through participatory policies and mechanisms. Exercising them requires access to information and sufficient openness for citizens’ participation.

Good governance requires the participation of stakeholders. Efficient participation requires information. One-way information cannot deliver the requirements of appropriateness, sufficiency, and timeliness. On the other hand, poor access to information leads to poor application of rights and a lack of opportunity to monitor and supervise. The PCI transparency sub-index only assesses the first aspect of transparency (access to information) not the second (right and opportunity for stakeholders to monitor, supervise and provide feedback).

1.4. Levels of transparency

For the purposes of this research transparency is categorized as:

● Level 1: Information is available

At this level, transparency only refers to making information available at the request of people and enterprises. Characteristics of this type of information provision include:

- ☆ Information provided depends on the requests of people and enterprises
- ☆ Information provided depends on the availability of information that state agencies possess
- ☆ Passive timing and methods of provision. At this level, administrative officials usually say: “information is available, just ask and we will provide”. The person that needs information has to rely on administrative officials for access to the information

● Level 2: Information is actively provided

At this level, state administrative agencies actively assess the demand for information among people and enterprises and design responses to meet those demands. Databases and announcements through mass media may facilitate citizens’ and enterprises’ access to information. Characteristics of this level are:

- ☆ Information may be arranged in the form of a database, allowing citizens, enterprises, and other stakeholders’ active and easy access to information
- ☆ Good information systems established to facilitate access-to-information
- ☆ Information is publicly posted through various sources including the mass media, websites, newspapers, workshops, and publications

At this level, people’s dependence on administrative officials is reduced. However they still do not have many opportunities to contribute feedback and participate in monitoring administrative agencies.

- **Level 3: Participation in policy making, feedback and supervision of the implementation process**

At this level, stakeholders not only get access to information but also actively participate in the policy making process and supervise implementation. This participation is part of transparency as it helps stakeholders articulate their needs and thoroughly understand the essence of policies. Clear procedures allow stakeholders to predict policies and the results of management decisions, as well as supervise implementation.

Improvements in transparency in Vietnam mostly reside at the first level - provision of information at the request of stakeholders. There is little analysis of the demand for information and active provision of information for stakeholders (level 2). Although recent years have seen more discussion, stakeholder participation in the policy making, feedback, and supervision process is even more limited.

1.5. Transparency in Vietnam's policies and regulations

The right to information is articulated in the Constitution. Article 69 in the 1992 Constitution says *"Citizens are entitled to freedom of speech and freedom of the press; they have the right to receive information and the right of assembly, association and demonstration in accordance with the law."* Right to information is among the most basic citizen rights protected by law and the Constitution.

Openness and transparency are prominent in Party documents. Documents from the Ninth Party Congress (2001) state that *"Transparency should be ensured in the state budget, public assets, Party and union financing, financing of State Owned Enterprises, as well as in the contribution of funds and foreign aid. Socio-economic plans, including general plans and development plans, should be published to set the foundation for planning in every industry and at every level, as well as in business and for the production planning of enterprises. Openness and transparency should be practiced to allow conflicts of interests among the state, business, and citizens to be settled harmoniously, to encourage development of production and ensure social justice"*.

The Tenth Party Congress (2006) affirmed the Party will *"Create a favorable legal environment, mechanisms and policies to leverage social resources for development, and make sure businesses stakeholders operate in an equal, fair, competitive, open, transparent, and lawful environment. We will practice openness and transparency in public procurement and basic construction, management of investment and construction projects, state budget and financing, mobilization and use of citizens' contributions, management*

and privatization of state enterprises, management and usage of land and public assets, and personnel. We will strongly implement the Regulation on democracy at grassroot levels, ensure openness and transparency in economic and financial activities in administrative agencies, service providers, and state enterprises".

The concept of transparency is close to the notion of grassroots democracy (Direction 30-CT/TW of the Politburo (VIII) on development and implementation of the regulation on grassroots democracy and Decree 79/2003/ND-CP). Grassroots democracy is at essence Ho Chi Minh's notion of "People know, people discuss, people implement, and people monitor". Access to information is linked to "people know". Rights and opportunities to participate in the comment process, feedback, and policy monitoring closely connect to "people discuss, people monitor". As such, enhancing transparency is an important part of promoting grassroots democracy.

Vietnam is now a member of the World Trade Organization (WTO), increasingly connected to the regional and global economy. Transparency and openness are two of the basic principles of the WTO and related multilateral agreements. Those agreements make countries responsible both for publicly posting legal documents and regulations before they come into effect and also for conducting consultation with concerned parties on documents prior to promulgation. Vietnam is obligated to take steps including announcing trade measures that are to be promulgated or revised, setting up "Questions & Answer" (Q&A) booths to provide information for concerned people on specific issues and conducting policy reviews.

1.6. Roles for transparency in the provincial business environment

Enhancing transparency is crucial for the competitiveness of provinces and enterprises:

Improving trust among investors: Enhancing transparency improves enterprises' access to information and connects them to decision making, implementation, and monitoring processes. This increases investor trust in the effective governance of state administrative agencies (OECD, 2003). In the same economic conditions, provinces with higher levels of transparency engender a higher level of trust in the provincial policy environment, encouraging higher investment. For example transparency in the allocation of land for production or award of business licenses makes enterprises feel more secure allowing them to focus on investment and development.

Improving the effectiveness of enterprises’ human resource allocation:

Better access to information and the opportunity to monitor and feedback help enterprises better understand trends in the business environment and especially the policy environment. With greater knowledge enterprises can make more effective decisions on development strategies and human resource allocation. Recent research using PCI data (Nguyen, 2009a) showed that transparency in the provincial institutional environment is a key factor in both export strategies and business results. Enterprises producing goods for export in provinces with higher scores on the transparency index tend to operate more efficiently.

Decreasing informal charges in access to information and problem solving:

Lack of transparency leads to “ambiguity” between formal and informal institutions (Borgia, 2005), as well as increasing fees incurred in the quest for information (informal charges). Non-transparent institutions undermine accountability creating opportunities for corruption and discouraging investors (OECD, 2003). In addition to financial costs, enterprises operating in less transparent institutional environments suffer higher time costs in accessing information or solving problems.

Increasing equality of business opportunity:

Equality of opportunity requires equal access to information and participation in the decision making and monitoring process. A transparent institution offers stakeholders equality in both aspects. This provides the basis for equal opportunity in access to resources and the market, including access to customers in state agencies.

Policies that enhance transparency help the whole economy;

controlling inflation and boosting economic growth (Mauro, 2004). Research by Islam, Kaufmann and Kraay has asserted that countries that are better at and more active in information provision (quantitatively and qualitatively) do better in indices of good governance such as government effectiveness, control of corruption, accountability, rule of law, regulatory quality, and reduce risk of appropriation and confiscation.

Transparent institutions at the provincial level facilitate economic development. According to research by VCCI in 2009, a one point improvement in transparency yields a 13 percent improvement in number of enterprises per thousand citizens, a 17 percent improvement in investment per capita, and a 62 million VND increase in firm profitability. PCI data in 2009 shows positive statistical correlations between transparency and a series of other sub-indices (Table 1). This helps explain the central role that transparency enhancement plays in Vietnamese administrative reform.

● Table 1:

Correlation between transparency sub-index and other sub-indices of PCI 2009

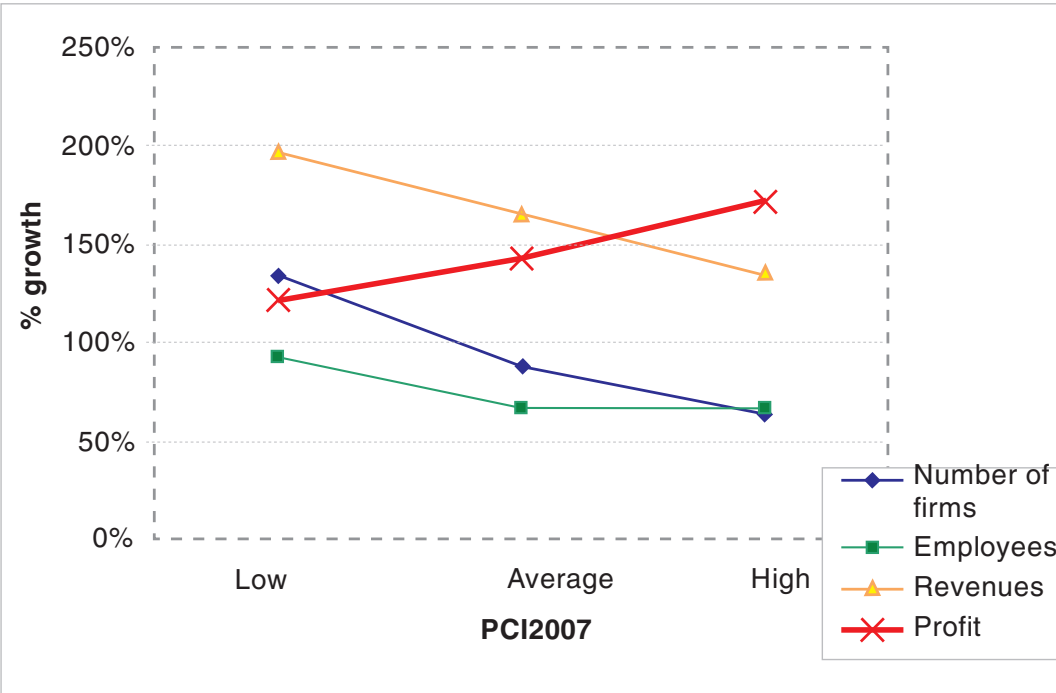
	<i>Transparency</i>
Entry Costs	.252*
Land Access	.202
Time Costs of Regulatory Compliance	.279*
Informal Charges	.333**
Proactivity of Provincial Leadership	.546**
Business Support Services	.022
Labor Training	.319*
Legal Institutions	.252*

* $p < .05$; ** $p < .01$

Transparency’s long and short term impacts on development in Vietnam may vary. Recent research (Nguyen, 2009b) measured the relationship between transparency (in PCI 2007) and the growth of the private sector (data of the General Statistical Office, 2003 - 2007). Figure 1, Table 2, and Table 3 show that transparency has a negative relationship with growth in number of private enterprises, labor, and revenue of private enterprises. This may indicate that administrative reforms to enhance transparency may slow down the pace of growth of the private sector in the short term.

● Figure 1:

Economic growth in private sector 2003 - 2007



● Table 2:

Correlation between provincial transparency in 2007 and economic growth in the private sector between 2003 and 2007

	Provincial transparency
Increase in number of private enterprises	-.485**
Increase in number of workers in private sector	-.323**
Increase in revenue of private sector	-.456**
Increase in profit of private sector	.026

* $p < .05$; ** $p < .01$, *** $p < .001$

● Table 3:

Multiple regression analysis of Transparency and growth indicators in private sector

	Increase in number of enterprises (03 - 07)	Increase in number of workers (03 - 07)	Increase in revenue (03 - 07)
Number of enterprises 2003	.14		
Number of workers 2003		-.03	
Revenue 2003			-.045
Transparency	-.52***	-.33**	-.45***
R ²	.249	.105	.21
F Statistic	10.4***	3.6*	8.1***

* $p < .05$; ** $p < .01$, *** $p < .001$

However, the results also show that private enterprises in provinces with high PCI scores enjoyed faster increases in profit than enterprises in provinces with medium and low PCI scores. In other words, transparent institutions foster improvements in the quality (efficiency and professionalism) of enterprises and facilitate selection of enterprises. Enterprises that are not professional, are “rent-seeking” or dependent on unofficial institutions (especially those undertaking illegal acts such as bribery), will have to change behavior or be excluded. Instead, enterprises with “quality” - efficiency, competitiveness, and professionalism - will prevail. According to Nguyen Van Thang selection and improvement of enterprise quality are the most important effects of transparency on private sector development in Vietnam in the current period.

It should, however, be noted that transparency is accompanied by “burdens” for implementing agencies. First, the process of collecting, analyzing, organizing, and announcing information requires large investment of human resources, time, and money. Normally, state agencies and economic institutions publish a “just sufficient” level of information, with no motive for complete transparency. Transparency is also associated with undesired impacts and responsibilities. Enterprises may lose their competitive advantage when information on their activities is revealed to competitors. For state agencies accountability, responsibility to update information and to correct unclear or wrong information may also lead to negative publicity.

B

Best practices in enhancing transparency in provincial business environments in Vietnam

2.1. Enhancing information provision to enterprises

2.1.1. Providing sufficient, timely and user-friendly information for enterprises and investors

Many provinces provide first contact information to investors. Business registration agencies are supportive, offering timely, convenient and low-cost services. With support from international organizations some provinces have conducted training for business registration officers on basic communication skills, customer service and information provision.

To meet the high demand for information on setting up businesses, the Business Registration Unit of the Department of Planning and Investment in Binh Dinh collected information to provide to potential businessmen. As well as information posted on the website, the unit also prepared documents and forms on CD-roms. Each enterprise approaching the unit for information is given a free CD-rom containing the various forms for business registration. These documents and forms are written in Unicode, Vntime and VNI. The unit also highlights key sections of the documents and forms. This makes it easier for businesses to fill them out, and later, for administrative agencies to handle the registration. Enterprises return the CD-rom to the unit for others to use when they are finished with it.

Some provinces are very open, providing guidelines for enterprises and investors in a considerate and professional manner. Bac Ninh publishes information on administrative procedures through posters, announcement boards and websites. The province has also developed a handbook to guide investors on investment and construction procedures for enterprises outside industrial zones. In the handbook, there is detailed information on procedures that investors should follow, including clear information on administrative agencies, documents to be submitted, timelines, and responsibilities of both enterprises and state agencies. The handbook also lists out all related state agencies with contact details, related legal documents, notes for preparing documents, common mistakes and also a Q&A. This is a very useful tool, full of information that investors can take advantage of.

● Figure 2:

Handbook to guide investment procedures in Bac Ninh



Source: IFC, 2010

Many provinces have decided that active provision of information to enterprises is an effective way to help enterprises grasp state policies. Dong Nai's website is in five languages; Vietnamese, English, Japanese, Chinese, and Korean¹.

1. You can get access to Dong Nai website at the following address: www.dongnai.gov.vn

● Figure 3:

Interface of the website with 5 languages of Dong Nai province



Long An also has a strong record in attracting investment and promoting enterprise development. Long An has established a provincial website with detailed information on administrative procedures related to enterprises. All of the procedures, forms and administrative information are posted on the public website so that enterprises and investors can get easy access.

● Box 1:

Public announcement of administrative procedures on website of Long An Department of Natural Resources and Environment

The website of the Department of Natural Resources and Environment is a module within the official website of Long An Province at the following address: <http://tnmt.longan.gov.vn>. This website publishes information related to the Department including:

- ☆ List of administrative procedures with detailed guidance for each procedure.
- ☆ Information on land planning including planning map of provincial land until 2010, in which web-users can get access to detailed information on district and town planning.
- ☆ Map of existing land-use status, details to commune level.
- ☆ Land price list for the most recent year (2008).
- ☆ Information on legal documents.
- ☆ Status of documents/dossiers being resolved.
- ☆ Results of complaints resolved.
- ☆ News and events.

Procedures with guiding documents and forms are presented in this website so that web-users can access from home, print out, fill in the forms, and submit them to the Department later. The Department also provides “touch screen” facilities at the one-stop-shop so that customers can gain easy access to the website and get related information on natural resources and the environment.

In the documents section individuals, enterprises, and organizations can find out which steps their documents need to go through, where their documents are in the process and when their case will be resolved.

● Figure 4:

Website interface of Long An Department of Natural Resources and Environment



2.1.2. Developing provincial and provincial department websites to provide information for enterprises and investors

Local websites (and state agency websites) are very important in providing the "face" of the locality, allowing people to access information without having to go to the location. For enterprises, the website, if maintained well, can be an official and trusted channel providing information on directions, plans, investment projects, and newly promulgated legal documents for the province. Investors may be able to complete administrative procedures online, minimizing travelling costs. Enterprises may be able to download an administrative form, fill it out, submit online, and get an appointment to receive the results. Also websites, together with hotlines, can be a channel for enterprises to discuss business difficulties with local authorities.

In recent years, cities and provinces have made great efforts to develop the official website system. Many have invested in upgrading websites and information portals. However, the mass media still occasionally points out limitations in the websites of state agencies and local governments. Complaints include out-of-date information, unprofessional web administration, and unstable operations. The foreign language version frequently does not work or works poorly. Usually the website works well immediately after launch but becomes less efficient over time. One reason for this is the information provided is not demand-driven.

The number of enterprises using the websites are limited. According to a survey of nearly ten thousand enterprises in 63 provinces and cities in Vietnam conducted by VCCI in 2009, the percentage of enterprises that said they frequently accessed the websites of the provincial People's Committees or Departments was only 14% while the percentage of enterprises that said they had never accessed the website was 33%. The survey also addressed the effectiveness of website and online forums. Only 4% of enterprises rated provincial websites and online forums as the most effective route for submitting feedback to the State. In contrast 56% nominated government-enterprise dialogues and 17% going through entrepreneur associations.

In 2009, VCCI conducted research on the transparency of provincial websites in Vietnam. The research grouped websites into three levels: Information provided (level 1); Exchange and receipt of information, and provision of administrative services online (level 2); and degree of popularity and whether the website provides a platform for interaction (level 3). Each level included different sub-indices.

Results revealed that almost all websites were rated at level 1. Almost all cities and provinces provide general information such as climate, area, natural

resources, geographical location, population, map, directions/potential for development, and other socio-economic information. 62 out of 63 websites provided information on their medium and long term socio-economic development plans (5-year plan, 10-year plan and plan towards 2020).

However, despite being an important factor for investors, there was limited provision of information on human resources . About 30% of the websites had no information on human resources. Most others provided very brief information.

The organization of provincial administrations is also important to investors. However, 25 out of 63 websites did not have information on assignment of tasks and duties within local authorities. 19 out of 63 did not have information on the working schedules of leaders of provincial People’s Committees. 11 of 63 did not have information on the leadership of the People’s Committees. There were few hotlines for people and enterprises to provide feedback to local authorities with only six out of 63 websites providing details of hotlines.

Local authorities did, however, highlight investment incentives with an introduction to central and local government policy on every website (63/63). 61 out of 63 websites provided information on newly promulgated legal documents. 60 out of 63 had official gazettes online. 59 of 63 contained announcements of provincial policies and legal documents. 58 out of 63 contained post-implementation guidance documents for the provinces/cities. 53 out of 63 provide links to the central legal system.

Data related to production and business, information for investors to make decisions on investment, production, and business in the localities, was posted on almost all websites. Almost all websites posted information on development planning (62/63), major industrial zones/ economic areas (61/63), number of current investors and enterprises (61/63), and infrastructure and supporting industries (61/63). 59 out of 63 websites provided other handy information and provincial statistical data for enterprises. 57 out of 63 had information on projects that are looking for investment. Only nine websites did not have a price list of land in the area.

At the second level, there are quite clear distinctions among cities and provinces. 60/63 websites had online forms. 58/63 have a section for Q&A on administrative procedures. 31 out of 63 provided a portal for dialogues between enterprises and local authorities. Search tools on provincial website remain limited. 17 websites did not have tools or the tools did not work. Few draft legal documents had been published for citizens’ feedback. Only 10 out of 63 websites had held such consultations.

Provision of online administrative services is limited, with only 33/63 providing online services (52%). 41% of the websites provided from one to three online

services. Only two websites provided four services (Hau Giang and Kien Giang), and five websites provided more than five online services (An Giang, Ho Chi Minh City, Dong Nai, Lam Dong, and Ninh Binh).

At the third level (popularity and interaction), the differences between cities and provinces were even clearer. Of 63 websites, 25% only have Vietnamese versions, 67% provided a version in a single foreign language. Only four websites posted information in more than two languages. Dong Nai is the only provincial website with four foreign languages in addition to Vietnamese.

The VCCI research team studied the quality of feedback from the website administrative boards using a mini survey. Almost all the websites posted email addresses for Q&A (except for Ha Nam). To test the interaction with users and website usefulness the research team drafted a letter on behalf of an investor looking for investment information in a specific city/province and sent it to the website administrative boards. The email was sent to all email addresses posted on websites. Of 61 emails sent (either through emails or through Q&A sections), 16 emails did not get through (Failed Delivery) and 43 deliveries were successful.

Of the 43, 14 provinces provided the necessary information and 29 did not reply. Out of the 14 emails received, six (43%) were sent within two working days. Five (36%) were sent within 3-5 working days. The remaining three were sent within 6-13 working days. Out of the 14 emails, 12 clearly provided names of related agencies with contact details and instruction on procedures. One email only introduced the name of an agency to contact, and one email promised an answer but did not get back to reply.

● **Table 4:**

Feedback from provinces through their official websites

<i>Mode/time of feedback</i>	<i>Number of provinces</i>	<i>Province, city</i>
Within a day	2	Kon Tum, Phu Tho
After one day	2	Binh Duong, Kien Giang
After two days	2	Gia Lai, Quang Ngai
After three days	3	Da Nang, Lam Dong, Soc Trang
After four days	1	Hai Phong

After seven days	1	Yen Bai
After eight days	1	Bac Giang
After thirteen days	1	Dak Lak
Promised to reply but did not	1	Ha Tinh
No reply at all	29	Ha Noi, Ho Chi Minh City, An Giang, Ba Ria-Vung Tau, Bac Ninh, Ben Tre, Binh Dinh, Binh Thuan, Cao Bang, Ca Mau, Can Tho, Hung Yen, Hau Giang, Dien Bien, Dong Thap, Khanh Hoa, Long An, Lang Son, Nam Dinh, Nghe An, Ninh Thuan, Son La, Thai Binh, Thua Thien Hue, Tien Giang, Tra Vinh, Tay Ninh, Vinh Long, Hai Duong.
E-mail bounced back (i.e. wrong, non-existing email address)	16	Lao Cai, Quang Ninh, Bac Lieu, Bac Kan, Binh Phuoc, Ha Giang, Dong Nai, Lai Chau, Phu Yen, Quang Binh, Quang Nam, Quang Tri, Thanh Hoa, Thai Nguyen, Tuyen Quang, Vinh Phuc
No email address, no website	4	Ha Nam, Hoa Binh, Ninh Binh, Dak Nong

2.2. Providing information for enterprises and investors

2.2.1. Connecting administrative procedures related to investment

Understanding investment procedures is one of many difficulties faced by businesses and investors. The first stage usually involves determining a location for the investment. Location is subject to many different regulations from investment, land, environment, construction legislation. Frequently there are overlapping and conflicting provisions. The process of surveying and introducing business premises to investors is particularly challenging in some provinces.

Recent research has shown² that although, at this stage, in selecting a site companies should only have to obtain approval of the authorized state agency (the provincial People's Committee) in reality investors have to work with all three levels of management agencies; the commune, district, and provincial departments. The research finds that in Bac Ninh (generally a high performer) just to complete the surveying stage requires 41 steps, submission of 5 types of documents, at least 15 days and a minimum of 13 visits to state agencies³.

● Box 2:

The Procedure Matrix in Hanoi

For an investor to complete all the required procedures needed for a project within a year or two, he needs to be a genius. Most real estate projects in Hanoi are quietly prepared long ahead of the official announcement date. The process of setting up an investment comprises of many steps, and each step involves many different management agencies. Even where everything goes smoothly the persistence required to complete the relevant procedures already provides a great challenge.

For instance, to set up a new urban project in the suburbs, in principle, investors need to make a "preliminary investment report", formerly known

2. IFC/MCG, Report on Administrative procedures related to investment and land access for SMEs in Bac Ninh and Thua Thien-Hue provinces, 8/2008.
3. IFC/MCG, Report on Administrative procedures related to investment and land access for SMEs in Bac Ninh and Thua Thien-Hue provinces, 8/2008.

as the “pre-feasibility report”. To increase the chances of the project being approved investors may first apply for “approval in principle” from the city People’s Committee. This stage is critically important but is of no legal value in the lengthy approval process.

After the “preliminary investment report”, investors then need to make an “investment feasibility report”. Technically, the report should be sent to the city People’s Committee for consideration and approval. However, in reality it must be submitted to the Department of Planning and Investment which is regarded as the main “advisory body” on investment projects.

This report is then sent to dozens of other departments for “consultation”. Total agreement from all of the departments is rare. Moreover, even where every department agrees, the addition of a “but” or “proposal to review the content of A, B, C”, in the documented response puts the project at the risk of being delayed.

To contact each relevant individual investors would have to make lots of appointment with different people. A single unfavorable incident may put the whole project in jeopardy. The Department of Finance may express doubts about investor’s competence. The Department of Planning and Architecture may have concerns over whether the building should have 10 or 30 floors. The Police Department raise concerns about fire rescue or the local district may worry about compensation relating to ground-clearance.

The investor is put in a difficult position with a choice of waiting and possibly losing their opportunity or resorting to “bribery” to push the project forward. In addition public bidding mechanisms are only applied to small lots of land. Most of the projects of over a hectare will have to go through the land assignment mechanism.

Market issues should be solved through market-based mechanisms. Administrative interference makes it extremely difficult to develop a healthy market based on competition, to ensure reasonable prices and enhance the quality of products for end-users.

Source: Anh Minh, Hanoi Real Estate: Attractive but impenetrable, Vietnam Economic Times, Address: <http://vneconomy.vn/2010120511545772P0C17/bat-dong-san-ha-noi-hap-dan-nhung-kho-vao.htm>

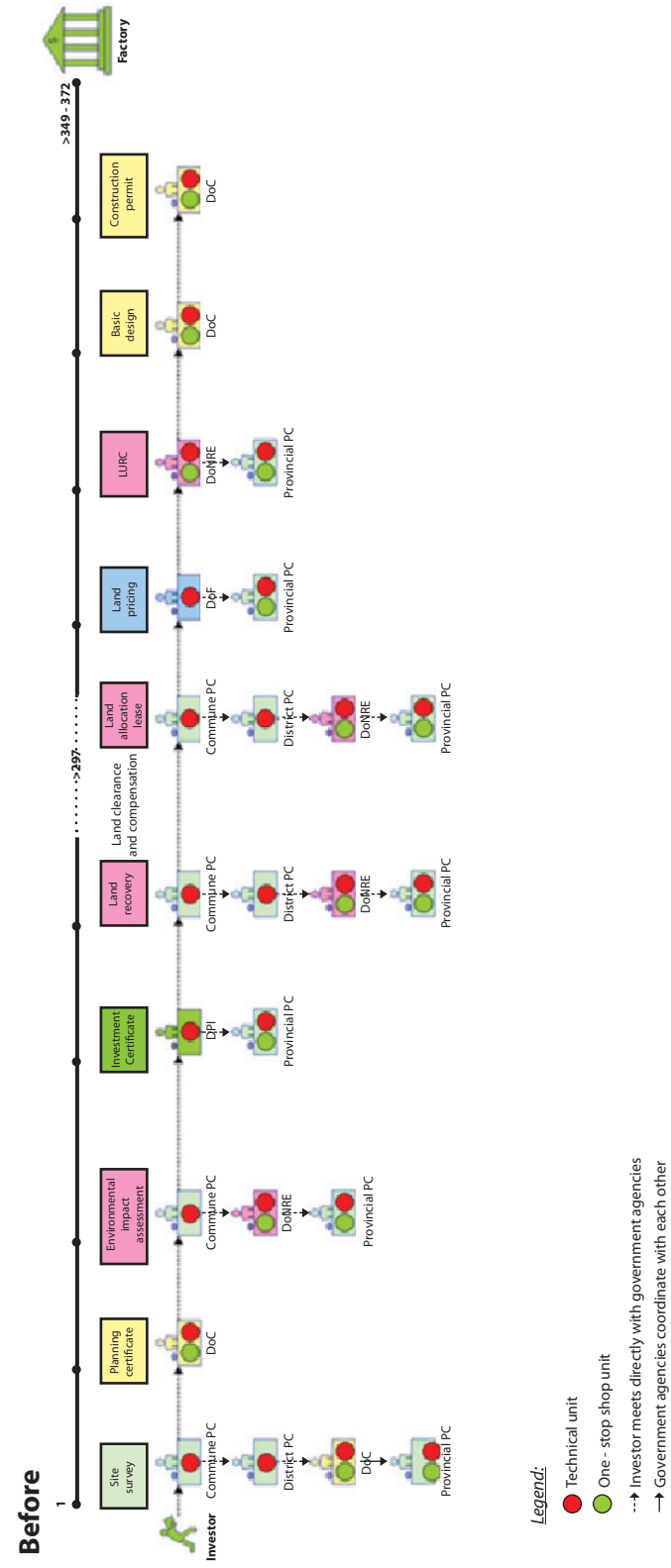
Given this situation, some localities have chosen to standardize provincial processes by using select central documents. The process aims to remove or simplify overlapping procedures, and be easily accessible for and implementable by investors. Provinces are also trying, as much as possible, to reduce timelines.

Provinces, including Bac Ninh, have made remarkable improvements. With the support of the International Finance Corporation, Bac Ninh has mapped the whole construction and investment process. On November 27th, 2009 the People’s Committee issued Decision No. 165/2009/ QD-UBND on procedures for new investment and construction for businesses outside industrial zones. The People’s Committee of Bac Ninh Province has also formed a Provincial Working Group (Decision No.76/QD - People’s Committee).

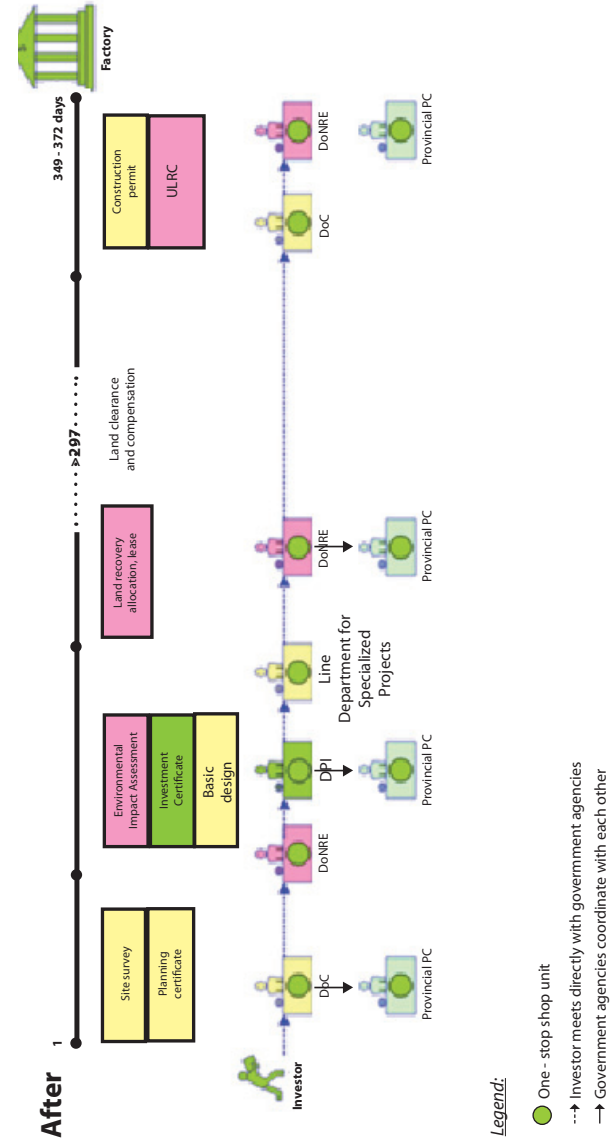
Decision 165 applies organizations, individuals or investment and construction corporations in Bac Ninh who are looking to invest and based outside industrial zones and not using the state budget. Decision 165 established for the first time a comprehensive, transparent process consistent with current administrative procedures. It requires:

- ☆ **Simplifying the stages required:** clearly stating the different steps required by the procedures; the relationship between these steps; details of implementation of each step; it reduces timeline by combining some procedures and allowing other stages to take place in parallel.
- ☆ **Identifying focal contact points:** creating One-Stop Shops for each department responsible for receiving documents to reduce the number of visits investors have to make.
- ☆ **Clarifying agency responsibilities:** agencies in charge of handling documents must actively coordinate with other relevant agencies to address issues within prescribed time limits, and avoid investors having to make direct contact with each agency for resolution.
- ☆ **Rationalising procedural documents:** minimizing the duplication of paperwork.
- ☆ **Setting time limits:** specifying time limits for each step in the process, from reception of documents, consultation with relevant agencies and approval to providing responses; reduction in the time needed for some procedures

● Figure 5:
Procedure Map in Bac Ninh (Before and After)



Source: IFC, 2010



Source: IFC, 2010

● Table 5a:

Changes in required documents per new procedure in Bac Ninh

No.	Procedure	Before	Now (QD 165)
		(> 62 types)	(27-33 types)
1	Site surveying and provision of land planning information	9 types	2 types
2a	Basic design	> 13 types	3 types
2b	The EIA/ EP commitment	6 types	3 types
2c	Investment Certificate	6 types	5-8 types
3	Land Acquisition/ Transfer of land usage, renting and renting Contract.	16 types	6-9 types
4a	Certificate of land using rights	8 types	5 types
4b	Construction permits	4 types	3 types
4b	Giấy phép xây dựng	4 loại	3 loại

● Table 5b:

Changes in timeline per new procedure of Bac Ninh

No.	Procedure	State (days)	Bac Ninh Province (days)	
			Before	Now
1	Site Surveying	No specific regulations	12+	23-30
	Provision of land planning information	20	14	
2a	Basic design	10-15	10-15	10-15
2b	The EIA/ EP Commitment	5-30	According to central regulation	5-30
2c	Investment Certificate	15-25	According to central regulation	10-15
3	Land Acquisition/ Transfer of land usage, renting and renting Contract.	20	20	20
4a	Certificate of land using rights	50	15	15
4b	Construction permits	20	20	15
	Total procedure	140-180+	111+-151+	83-110

Source: IFC, 2010

2.2.2. Establishing a one-stop shop model for information provision

One of major obstacles to local investors is inefficient coordination among provincial agencies and among departments at provincial and district levels. Investors may have to “run around” with provincial agencies in what seems like a never-ending circle. There are some seemingly simple procedures that, if they require consultation with provincial and district departments, are likely to begin a whole series of other procedures that have no clear timeline or destination. One of the solutions is establishing a focal agency in charge of procedures relating to businesses.

Determined to improve the investment environment, on March, 8th, 2010, the People's Committee of Ninh Thuan Province issued Decision No 207/2010 to establish Ninh Thuan ECONOMIC DEVELOPMENT OFFICE, (EDO). This new model is based on the Economic Development Board (EDB) in Singapore and a concept developed by the U.S consulting firm Monitor.

The decision⁴ stated that the EDO is “a public service unit of the Department of Planning and Development of Ninh Thuan Province. Its function is to assist the People's Committee in promoting and attracting investment from different economic sectors (both domestic and foreign investments), official aid (ODA), or aid from non-governmental organizations (NGOs); to be a focal contact, guiding, receiving and processing procedural documents relating to enterprise establishment, construction, land, environment and other relevant licensing procedures required to start a project using the “one-stop shop”; to support investors and sponsors during project implementation in the province.”

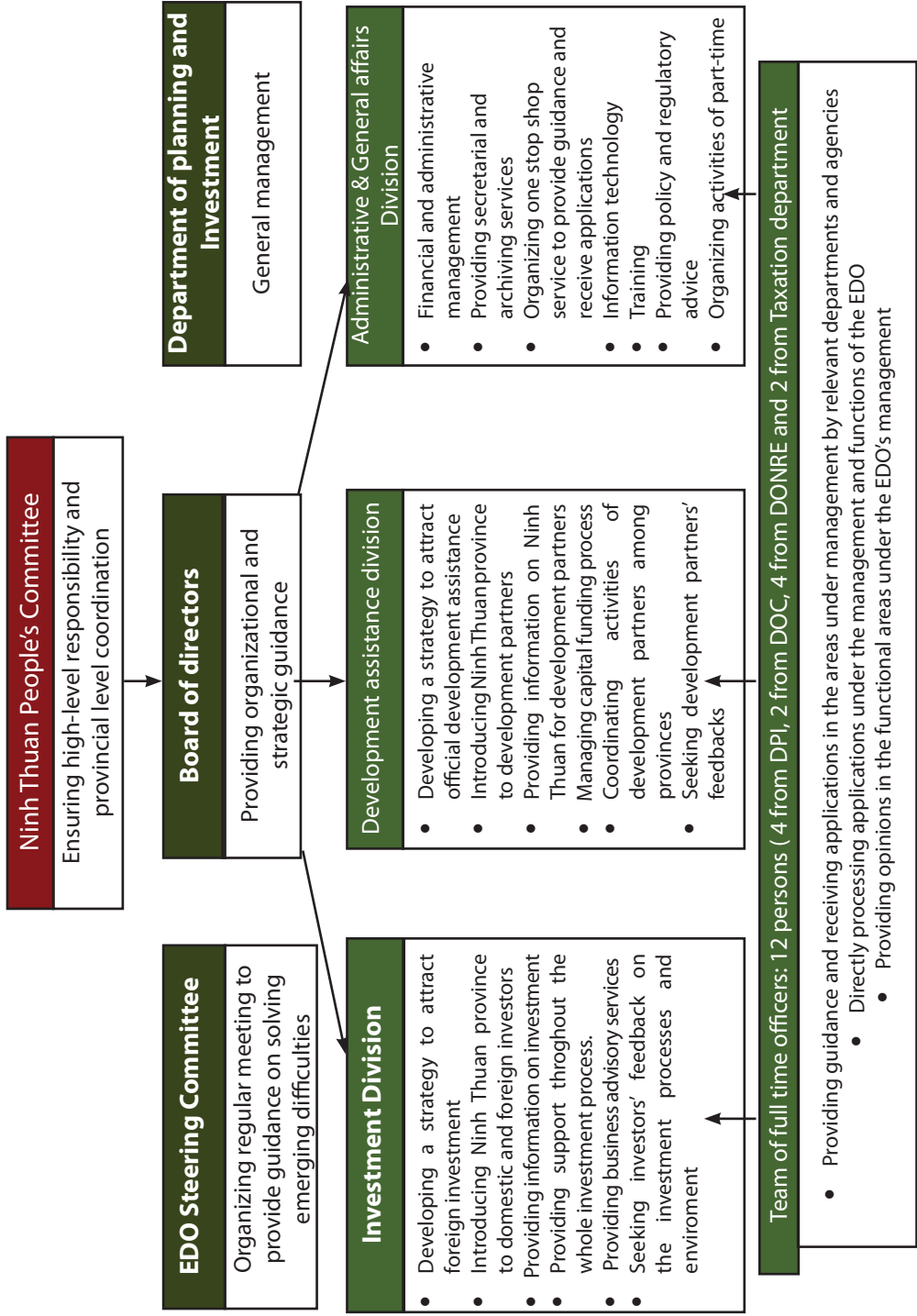
EDO's operation has four goals:

- ☆ To enhance the interests of investors and development partners in Ninh Thuan.
- ☆ To simplify and promote investing activities of investors and development partners.
- ☆ To propose and deliver improvements in the business and administration environment.
- ☆ To improve the competence of relevant agencies in Ninh Thuan.

What is new organizationally is that the EDO is directly under the chairman of the Provincial People's Committee. The chairman of EDO Committee Board is the chairman of the Provincial People's Committee, the vice chairman of the Board is the vice chairman of the Provincial People's Committee. Members include heads of relevant departments and localities. The establishment decisions state that EDO's operational costs come from the state budget and other lawful sources.

4. Decision No. 207/2010/QĐ-UBND dated March 8th 2010 by the provincial People's Committee of Ninh Thuan on the establishment of the Economic Development Office under the provincial Department of Planning and Investment.

**● Figure 6:
The EDO Model**



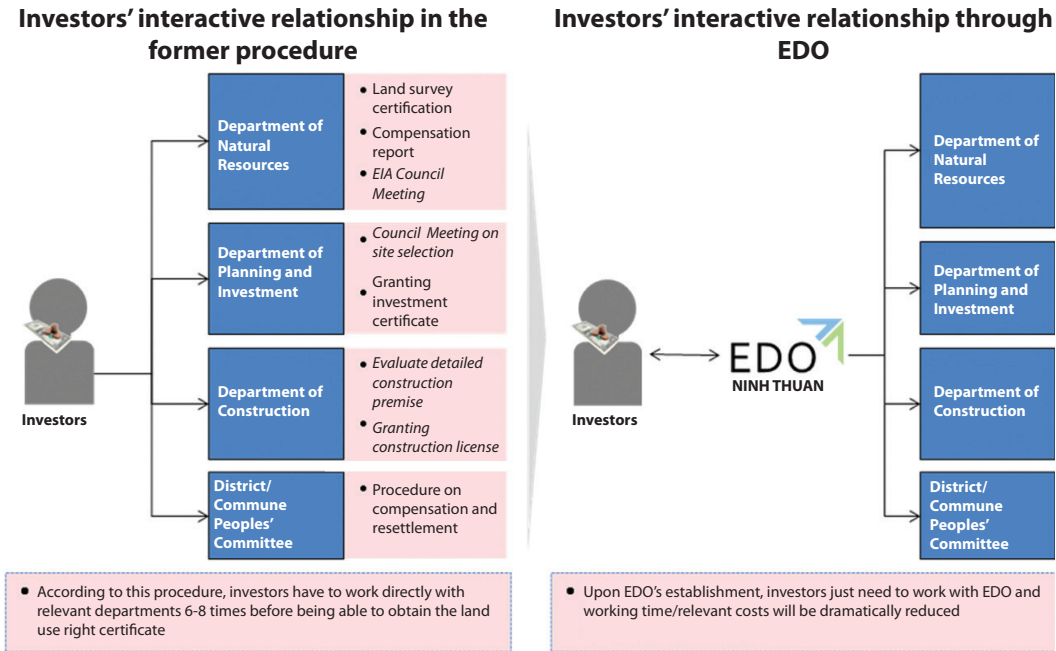
Source: EDO, 2010

Ninh Thuan province also issued Decision 290/2010/QD/UBND dated 17/3/2010 on the coordination mechanisms for administrative procedures according to the “one-stop shop” model of the Economic Development Office. The decision has 14 groups of administrative procedures⁵ related to businesses. It creates a focal point of implementation, the EDO.

In general, investors (except for projects investing in industrial zones) make transactions, turn in documents and receive responses on all the groups of procedures at EDO. Formerly, investors had to work directly with various departments contacting them up to 6 or 8 times to get a certificate of land use right. After establishment of the EDO, investors now only need work with the EDO. This leads to a great reduction in time and costs.

● **Figure 7:**

Procedure before and after EDO



Source: EDO, 2010

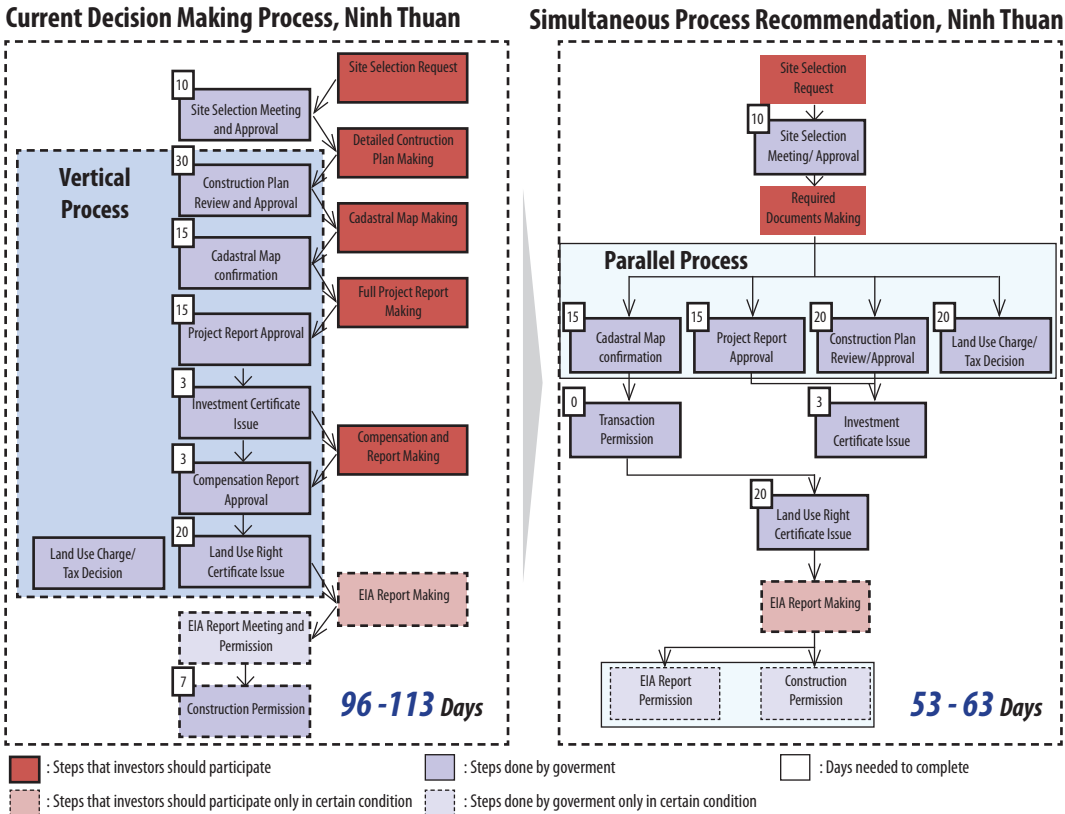
5. Including: 1) Application for the business registration certificate, tax code registration and seal making; 2) approval of investment sites ; 3) Granting of investment licences; 4) Appraisal and approval of detailed construction planning 1/500; 5) Appraisal of foundation designs; 6) Allocation and leasing of land and granting of the land use certificates; 7) Procedures on compensation and support for resettlement; 8) Procedures for development of environmental impact evaluation reports and environmental protection registration; 9) granting of construction licenses; 10) Appraisal and approval on fire protection and fighting; 11) Granting of mining licenses according to the decision of the People's Committee; 12) Establishment of training and vocational training institutions and private health care units according to the decision of the Provincial People's Committee; 13) Granting of working permits for foreign workers; 14) Tax declaration and calculation.

There are three groups of procedures. The first group includes the procedures immediately handled and resolved at the EDO. These simple procedures can be dealt with at official level and can be handled immediately and concurrently by the departmental officers at the EDO. These procedures may include registration of tax declaration, provision of tax identification number, excerpts of location plan, introduction of investment sites, etc.. The second group includes procedures for which the Planning and Investment Department is responsible such as: approval of location, issuance of investment certificate. These can be obtained by the EDO after consulting with the provincial Planning and Investment Department. The third group of procedures requires the approval of local departments such as: procedures on construction, land, and environment, etc.. These are received by the EDO and sent directly to the correct local departments. The primary change is that the EDO has become the only office that can take responsibility for receiving applications and returning results.

This model substantially simplifies administrative processes for an investment project.

● **Figure 8:**

Changes in investment project reception in Ninh Thuan



Nguồn: EDO, 2010

A process that used to take 96 - 113 days has been cut by nearly half to 53 -63 days. More time is required to make a full assessment of the efficiency of the EDO model. However, it appears to be an important step forward in efforts to increase transparency around businesses and investment in Ninh Thuan.

● **Table 6:**

Comparison: handling times for investment procedures in Ninh Thuan and times set by central regulations

<i>Fields</i>	<i>Procedure</i>	<i>Handling time in EDO (days)</i>	<i>Central regulations (days)</i>
Business registration	Issuance of new business registration	3	5
	Changing business registration	3	5
	Changing business form	3	
	Dismissal	7	12
Investment	Approval of investment site and policies	15	
	Investment registration (without investment certificate)	1	
	Investment Certificate Examination level (for projects not subject to Prime Minister ‘ approval before issuing Investment Certificate)	15	30
	Investment Certificate Examination level (for projects subject to Prime Minister ‘ approval before issuing Investment Certificate)	15	37
Construction	Detailed plan	20	35
	Initial Design Idea Group B	13	15

	Group C	8	15
	Issuance of Construction permits	7	20
Land	Transfer of land, renting, issuance of land use rights Certificate	25	
Natural Resources and Environment	Evaluation and Approval on environmental impact assessment (EIA) Report	25	30
	Registration and certification of environment protection (EP) Commitment (under district and city authority)	5	5
Minerals	Licensing of mineral exploration	20	60
	Reissuance, renewal or transfer of rights to mineral exploration.	15	30
	Granting and renewing the mining licenses	20	30

Source: EDO, 2010

Another positive example is Dong Nai. According to Dong Nai’s regulations on projects outside industrial zones, the first stage on entering Dong Nai is to determine whether the location choice conforms to provincial planning or not. Investors should submit a form to the Planning and Investment Department asking about the location. The Planning and Investment Department then organizes various state agencies including the Natural Resources and Environment Department, Industry Department (if relevant to industry), Department of Finance (for rental issues) and the relevant People’s Committee to conduct a site survey and assess the application. In some cases business premises or locations require consultation with the military, for instance for sites more than 10 ha of size.

Within 10 to 15 days all relevant departments must have sent official statements to the Planning and Investment Department. Departmental opinions must include a clear recommendation on the planned investment site. If all departments agree, the Planning and Investment Department drafts a document approving the investment project and presents it to the People’s Committee. If there are

conflicting opinions, the Planning and Investment Department holds meetings for the relevant departments and agencies to reach agreement. Also presented to the People's Committee is a map of site location, produced by the Natural Resources and Environment agency and containing the signature of the district People's Committee. If they find that ground clearance at the site is not possible then they are advised to inform investors of this.

This process has been applied in Dong Nai since 2002. In early 2007, the People's Committee issued a new decision⁶ replacing the decision made 5 years earlier. The 2007 decision decentralizes authorization from the province to the district People's Committee for projects located in 34 specified industrial lots (with the maximum area of 100 ha). These procedures largely apply to domestic projects. With this decentralization, district people's committees are entitled to consider and approve investment planning and location.

These arrangements have the following general advantages:

- ☆ Dong Nai has created a coherent process for location introduction, with a sequence of steps, specific timelines, clarity over which agencies are in charge and which agencies hold responsibility as well as the legal status of these stages/steps.
- ☆ With the Planning and Investment Department as the focal point in coordination and monitoring administrative procedures, businesses and investors will spend less time visiting different administrative agencies.
- ☆ The participation of many departments from an early stage means relevant departments are informed of the project from the start reducing time spent later in the process
- ☆ Decentralization to the district People's Committee of domestic manufacturing projects in some fields has increased the responsibility of district level agencies.

2.2.3 Improving cooperation among agencies and sectors

One of the factors that prevent businesses from getting timely and reliable access to information is poor cooperation among provincial agencies. Improving this coordination is a key priority for many provinces and cities. "Policies are mostly the same across provinces but implementation varies depending on the coordination among agencies in those provinces. Here, whenever a

6. Decision No. 20/2007/QĐ-UBND dated 26/3/2007 regulating agreements on investment sites in Dong Nai.

policy is issued, even one on investment incentives, it includes assignment of responsibilities to individual agencies."⁷

Many provinces have developed internal regulations for cooperation and coordination between relevant offices. They stress the importance of internal regulation in fostering better coordination and uniformity among provincial People's Committee offices. Findings from surveys in Vinh Long province indicate that all Planning & Investment Department, the Natural Resources and Environment Department, and the provincial People's Committee consider the internal regulations developed to be a critical factor in producing smooth coordination. The internal regulation was developed by the province to assign specific tasks and responsibilities to named offices, districts and the provincial People's Committee. "The internal regulation of People's Committee has created internal uniformity in the People's Committee, the relation between upper and lower levels; among different sectors, between the Construction, the Natural Resources and Environment, the Planning and Investment departments..."⁸

● Box 3:

Coordination mechanism among Binh Dinh provincial departments

June, 28th, 2010, Binh Dinh People's Committee issued Decision No 12/2010/QĐ/UBND, regulating coordination mechanisms for agencies and departments of the provincial People's Committee.

The Decree in conjunction with Decision 12 has some important coordinating rules, including:

- ☆ *Agencies should work on the consensus principle. For issues where consensus cannot be reached the agency in charge must sum up opinions and report to the provincial People's Committee or the People's Committee chairman for consideration and resolution. They must also prepare their own proposal on resolution.*
- ☆ *Responsibilities for organization, implementation and coordination are clearly assigned to the department or office with duties and mandate most closely related to the field; or by decisions of the People's Committee and the PC's chairman.*

7. Interview with Mr. Truong Van Sau, Vice Chairman of the provincial People's Committee of Vinh Long, VCCI survey on August 1st 2008.

8. Interview with Mr. Pham Thanh Khon, Deputy Director of the Provincial Department of Planning and Investment in Vinh Long, VCCI Survey on July 30th 2008.

☆ *The opinions of officials appointed by the coordinating agencies are taken as representing the opinion of agency as a whole. In case where coordination takes the form of documented opinions, if the coordinating agency does not reply within the time limit the lack of response is taken as agreement with the opinions of the agency in charge.*

Depending on the nature, content and conditions of the work, the agency in charge should use the following methods of coordination:

1. Consultation by written documents
2. Holding meetings, workshops and conferences.
3. Surveying, investigating.
4. Forming a coordinating inter-agency (Steering Committee, Task Force) to carry out the job.

The stipulation also makes the timeframes for consultation clear. The agency in charge must send documents to relevant departments for consultation at least 05 working days prior to the due date (except for issues that relate to specific regulations on coordinating mechanism among agencies). Agencies are required to respond to requests for their opinion within 5 working days of the receipt of full dossiers. If the deadline passes without replies, agencies are considered to have agreed with the opinion of the agency in charge.

Source: VCCI survey in Binh Dinh province, August 17 2010.

A similar situation is evident in Binh Duong province. A People's Committee representative there identified provincial internal regulations as vital to smooth coordination between agency activities. Each agency's responsibility is set down in the working regulations of the Party Committee, the People's Council, the People's Committee and other provincial and district departments and offices. Authority and responsibility for dealing with each kind of enterprise enquiry is clearly regulated with identified names of officials in charge. The system works on the basis that "policy issues must be discussed and decided upon collectively, but specific issues must be dealt and charged with by individual person/officer". Whenever there is a specific task there is no need to wait for reports, consult or meet for discussion. Weekly handovers include outstanding investor and business issues⁹.

The common thread in the more successful provinces surveyed by VCCI is that the responsibilities for dealing with investors are normally assigned to a specific agency - a 'one job one stop' policy. This agency is in charge of coordinating

9. caicachanhchinh.gov.vn/.../vi.Kinh%20nghiem%20Binh%20Duong.doc

with relevant departments to solve issues. Implementing this policy more widely would tackle weakness in many provinces - where investors have to visit every single office to implement and often fall into an "endless circle of administrative procedures" from those departments.

However, notably, the one-stop-shop mechanism has led to inconsistency between provinces in which agency is responsible for handling investment procedures. For instance, for the introduction of investment sites outside of industrial zones (the first step in investment process), in Dong Nai Province the focal agency is the Planning and Investment Department¹⁰, in Bac Ninh it is the Construction Department¹¹, in Thua Thien - Hue it is the provincial People's Committee office¹². The focal agency receiving applications for Investment Certificates varies between provinces. There are examples of it being the Planning and Investment Department, the Investment Promotion Centre under the provincial People's Committee or the provincial People's Committee's Office.

2.2.4. The council and the task force models in provinces

The most successful provinces in the research aim to solve issues facing investors in a prompt manner. The research shows that the most effective models involve the establishment of a task force comprised of representatives from relevant offices. These task forces are often led by the head of People's Committee (usually the Chairman or Vice Chairman of Provincial People's Committee in charge of economic or investment affairs), members include heads (manager and deputy manager) of departments related to enterprises and investment such as the Planning and Investment Department, the Natural Resources and Environment Department, the Construction Department, the Investment Promotion Centre, the Finance Department. District representatives are rarely regular members of the task force, only involved when issues need to be solved in their particular locales.

It is unclear which province in Vietnam first applied the model. However, surveys do show the model has effectively delivered:

- ☆ A 'fast response' mechanism to solve problems and meet investor requirements.

10. Decision No. 20/2007/QĐ-UBND dated March 26th 2007 by the provincial People's Committee of Dong Nai regulating agreements on investment sites.

11. Decision No. 38/2006/QĐ-UBND dated April 11th 2006 and Decision No. 05/2007/QĐ-UBND dated January 11th 2007 by the provincial People's Committee of Bac Ninh.

12. Document No. 316/UBND-XD dated January 17th 2008 of the provincial People's Committee of Thua Thien-Hue on investment process and procedures.

- ☆ Improved coordination between departments reconciling regulations and administrative procedures.
- ☆ Establishing an agency to lead the resolution process. This reconciles differences taking into account the interests and political priorities of different agencies.
- ☆ A direct channel to work with the heads of provincial People's Committee and the specialized departments without repeated visits to the People's Committee office.
- ☆ A simple, light and flexible system without establishment of new administrative mechanisms (which can often be very complicated as shown by experiences with public administration reform).

● **Box 4:**

The Investment Council Model in Long An

To promote investment and support provincial enterprises effectively, the People's Committee of Long An has formed an Investment Council. The Council was established pursuant to Decision no 2378/QD-UBND dated 20 October 2009. The Council includes 8 members. The People's Committee Chairman is head of the council, with heads of relevant departments as members. According to the regulation, the provincial People's Committee chairman decides which heads of departments and chairmen of district and city People's Committee to invite depending on the content of each meeting.

According to regulations issued along with Decision No 2738, the Investment Council is the organization that helps the Provincial People's Committee chairman to manage both public and privately funded investment and development projects. The chairman of the advisory council of the Provincial People's Committee decides issues including:

- ☆ *Assessment of provincial policies on investment management and attracting investment to develop the socio-economic infrastructure in the province.*
- ☆ *Assessment of provincial development and investment plans including investment budget and budget reconciliation, evaluation of investment projects using the provincial budget.*
- ☆ *Assessment of provincial policies and regulations to develop different economic sectors and policies guiding non-state budget investment.*
- ☆ *Receipt and assessment of investment projects pursuant to provincial regulations on determining sites for investment (issued by the Provincial People's Committee); licensing issues responding to investor proposals*

The Investment Council meets at the end of each month to address problems incurred during the month. As the secretary to the provincial Investment Council, the Planning and Investment Department is in charge of preparing the Council meetings, advising the Provincial People's Committee chairman on relevant issues and making reports after the meeting.

The Planning and Investment Department is responsible for consulting concerned departments. Departments are then responsible for supporting enterprises in implementing follow-on procedures such as acquisition of land, certification of fire protection and construction permit, etc. The Investment Council also helps when problems arise. Problems with reception and implementation are brought up in the Council's meetings through the inter-departmental mechanism.

The Council has worked well. During just August 2010, the Council solved more than 50 cases related to extension and revoke of investment projects.

Source: Information from the interview between VCCI and the Planning and Investment Department of Long An province, dated 15, September, 2010.

The Task Force model is another way of providing effective support to enterprises. It provides more information for investors, deals with differences in administrative procedures among agencies and speeds up processes. According to some provinces, this model also improves relevant agencies responses in tackling business issues.

Box 5:

Enterprise Task Force on administrative procedures for investment in Lao Cai

On 18/3/2010, the chairman of Lao Cai People's Committee issued Decision No. 638/QD-UBND, establishing the Enterprise Task Force (ETF) on investment procedures. It is headed by the deputy director of Planning and Investment Department with directors of departments directly related to the provincial investment sector as members. The office is located in the Investment Examination and Assessment Unit of the provincial Planning and Investment Department.

The ETF is mandated to: (i) receive recommendations from individuals, organizations and enterprises on administrative procedures for consideration by the Chairman and the Provincial People's Committee; (ii) monitor the departments, districts and cities People's Committees to ensure prompt resolution to individual, organizational and business difficulties related to

administrative procedures; (iii) identify authorized state agencies that should revise procedures that obstruct and limit business operations of enterprises; (iv) actively work with departments, district and cities PCs, individuals and organizations, and enterprises to resolve issues related to administrative procedures; and (v) provide quarterly reports to the Provincial People's Committee chairman on how obstacles have been dealt with including responding to suggestions from individuals, organizations and enterprises.

The departments and district and cities PC chairmen coordinate with the ETF to solve problems and concerns of individuals, organizations and businesses on administrative procedures for investment; deal strictly with inappropriate behavior by officials that create difficulties and delays in implementation of administrative procedures for investment in the province.

Source: VCCI survey at the Planning and Investment Department in Lao Cai, dated 10/August 2010. Laocai province website: www.laocai.gov.vn

2.3. Strengthening government - enterprise dialogue and enhancing the role of business associations

2.3.1 The government-enterprise dialogue model

Many provinces and cities have established a regular channel of dialogue between government and enterprises. In Ho Chi Minh City, both city and district level departments and agencies communicate with enterprises. *"In 2009, the city instructed districts to organize meetings with enterprises in their locales. Following that, enterprises now have the opportunity to meet with and work to solve problems with state management agencies more often. In 2009, 13 districts implemented this activity. In 2010, the city instructed every district to hold a meeting with enterprises at least once every quarter. The Investment and Trade Promotion Center (ITPC) co-ordinated the monthly meetings. Through the meetings, state management agencies gained a better knowledge of the appropriateness of policies they had issued."*¹³

13. Interview with Vice Chairman of the provincial People's Committee of Ho Chi Minh City Nguyen Thi Hong, *Dialogues for enterprises development*, Saigon Tiep thi Newspaper 9/6/2010.

Business dialogues are included in a Dong Thap regulation. In April 2006 the province issued document No16/KH-UBND on meeting with enterprises. Regular meetings should include:

- ☆ Receiving information, recommendations and suggestions about issues related to Party and State policy as well as concrete legislations and regulations.
- ☆ Direct communication between provincial and department leaders and representatives of organizations and businesses about difficulties and problems they face through the different phases of investment.
- ☆ Solving specific problems and developing regulations to improve the environment for enterprise investment and business operations.
- ☆ Dissemination of new policies, guidelines or legislations relevant to particular fields of investment and business.
- ☆ These meetings take place on the 10th day of each month unless it is a holiday. In addition the chairman can hold further meetings with businesses if required.

The venue for holding such meetings is the Provincial People's Committee office, with the Provincial People's Committee chairman or vice chairman as chair and heads of local departments as members. All enterprises or businesses in and outside of provincial industrial zones are eligible to join the meeting.

Some provinces have tried to promote the quality of this type of communication activity. For Binh Duong province: *"Meeting with enterprises need not be of great scale or large number. They may be just one industrial zone at a time depending on the area. Meetings with enterprises need the participation of relevant departments to link the issues and to make clear responsibilities. Promises must be linked to concrete actions. Afterward the results must be analyzed."*¹⁴

Authorities actively looking into problems faced by enterprises and organizations through dialogue is a new practice to some provinces. For the last 2 years, Tay Ninh province has sent questionnaires to over 2,000 businesses to collect data on their problems. The issues are aggregated, analyzed and reported to the Provincial People's Committee, sent to departments and integrated into the province's dialogue and meetings with local businesses.¹⁵

14. Interview with Mr. Tran Van Loi, Vice Chairman of the provincial People's Committee of Binh Duong, VCCI Survey in Jult 2008.

15. VCCI Survey at the Center for Investment Promotion in Tay Ninh province on September 16th 2010.

To meet the requirements of different investors and key investment projects, some provinces (such as Dong Nai) have maintained monthly or weekly periodical meeting between the leaders of the Provincial People's Committee and the heads of departments. The timing of such meetings is either scheduled or irregular depending when new issues arise.

● **Box 6:**

Model of Periodical meeting in Dong Nai

Dong Nai is one of the first provinces to hold a meeting between businesses and related departments. Dong Nai continues regular meetings comprising of:

- ☆ *Periodical meeting between state agencies and enterprises in the Industrial Zone (IZ). This activity is implemented quarterly and in each zone or area.*
- ☆ *Periodical meeting between the IZ Management Board representative and other IZ infrastructure companies. This activity is conducted quarterly to discuss and solve problems of IZ infrastructure.*
- ☆ *Periodical meetings between provincial leaders and relevant departments (such as the IZ Management Board, the Planning and Investment Department, the Natural Resources and Environment Department, Taxation Department, the Labor, Invalids and Social Welfare Department..). This activity was initially held quarterly (then semi-annually). This meeting considers existing issues relating to the business environment and investment promotion conditions.*

At these meetings businesses raise the issues they have with state agencies. This is also an occasion for state agencies to disseminate new policies and regulations.

Provincial leaders also hold regular dialogues with enterprises and business associations, through which they can continue public administration reform, enhance the efficiency in state agencies' operations and create a friendly atmosphere between the authorities and businesses.

Source: VCCI survey in Dong Nai, July, 2008

Following these meetings, provinces summarize issues and solutions in a memo and circulate it among departments making clearer their responsibilities. Some provinces have sought alternative ways of engaging with enterprises to ensure the dialogues focus on practical contents for businesses (see Figure 9).

In Tien Giang, the Provincial People's Committee previously held meetings and dialogues with businesses. However, the meetings involved too many people and became too formal. Tien Giang changed so that for at least two meetings annually authorities visited the enterprises themselves. Heads of the Provincial People's Committee and relevant departments would visit and work with the heads of these enterprises, listen to their problems and seek solutions. Representatives of relevant departments came too so any issues falling under the authority of the province could be promptly solved. Issues that were not within the province's authority could be recommended for national level attention. The Provincial People's Committee of Tien Giang has said that the model met the requirements of the province and was highly appreciated by businesses.¹⁶

Long An province has also held similar activities. Provincial leaders have paid visits to enterprises since the start of the economic crisis in 2008 when export and import businesses, in particular, faced challenges. The province organized three groups, led by the Provincial Party Secretary and the chairmen of PPCs for direct visits to enterprises. This activity helped resolve issues faced by businesses including tax deduction policy and access to finance. Long An province often holds these sort of visits in the third quarter of each year, consulting businesses about the future direction of the province's development. The information collected contributes to the province's planning and informs policy making. This activity was first held in 2006. In 2009 four groups of 9-10 businesses each participated.¹⁷

16. Interview with Mr. Nguyen Huu Chi, Chairman of the provincial People's Committee of Tien Giang, and other concerned line departments, VCCI Survey on July 31st 2008.

17. VCCI Survey at the provincial Department of Planning and Investment of Long An on September 15th 2010.

● Figure 9:

Minutes of Periodical meeting in Dong Nai

UBND TỈNH ĐỒNG NAI
BAN QUẢN LÝ
CÁC KHU CÔNG NGHIỆP

CỘNG HÒA XÃ HỘI CHỦ NGHĨA VIỆT NAM
Độc lập – Tự do – Hạnh phúc

Số: 384 /TB-KCNĐN

Biên Hòa, ngày 03 tháng 12 năm 2007.

THÔNG BÁO

Nội dung cuộc họp giao ban Doanh nghiệp lần II/2007

Tháng 11/2007, Ban Quản lý các KCN Đồng Nai đã phối hợp với các Sở, Ngành trong tỉnh tổ chức các cuộc họp giao ban lần II năm 2007 cho các Doanh nghiệp trong KCN, nội dung các cuộc họp như sau:

I. Thời gian và thành phần dự họp:

1. Thời gian:
Vào lúc 8 giờ 30 các ngày 13, 16, 20 và 23 tháng 11/2007.

2. Thành phần dự họp:

- Đại diện Lãnh đạo và các phòng chuyên môn của Ban Quản lý các KCN Đồng Nai;
- Đại diện các Sở, Ngành của tỉnh Đồng Nai gồm: Sở Lao động - Thương binh và Xã hội, Cục Hải quan và các chi cục Hải quan, Liên đoàn Lao động, Cục Thuế (các chi cục), Công ty Điện lực Đồng Nai (các chi nhánh), Sở Thương mại – Du lịch, Công an tỉnh, Bưu điện tỉnh, Công ty TNHH Một thành viên xây dựng và cấp nước Đồng Nai.

UBND TỈNH ĐỒNG NAI
BAN QUẢN LÝ CÁC KHU CÔNG NGHIỆP

CỘNG HÒA XÃ HỘI CHỦ NGHĨA VIỆT NAM
Độc Lập – Tự Do – Hạnh Phúc

BẢNG TỔNG HỢP Ý KIẾN VƯỚNG MẮC ĐÃ ĐƯỢC TRẢ LỜI
TRONG CÁC BUỔI HỌP GIAO BAN DOANH NGHIỆP LẦN II NĂM 2007
(Đính kèm Thông báo số 384 /TB-KCNĐN ngày 03 tháng 12 năm 2007)

Stt	Đơn vị phản ánh	Ý kiến phản ánh	Trả lời, hướng giải quyết
Các ý kiến về tình hình an ninh trật tự và an toàn giao thông			
1	Công ty Suzuki (KCN Loteco)	Gờ giảm tốc trong KCN Loteco hơi cao và sơn phản quang bị mờ làm người tham gia giao thông không thấy (đã có một số người bị té ngã). Đề nghị Công ty Loteco sơn lại các gờ giảm tốc.	Công ty Loteco: - Công ty tiếp thu ý kiến và sẽ cho sơn lại toàn bộ gờ giảm tốc trong KCN.
2	Công ty Happy Cook (KCN Biên Hòa II)	Tại ngã tư Bốn nước (nút giao thông giữa KCN Biên Hòa I và Biên Hòa II) cần kẻ thêm làn sơn để người điều khiển giao thông biết; tuy có đèn giao thông nhưng do giao lộ khá phức tạp khiến người lưu thông không biết nên đi như thế nào là đúng luật, do đó rất dễ xảy ra tai nạn.	Công ty Sonadezi: Nút giao thông giữa KCN Biên Hòa I và Biên Hòa II đã có đèn giao thông 3 pha, tuy nhiên người tham gia giao thông chưa quen hình thức này, đề nghị cảnh sát giao thông có hướng dẫn thêm.
3	Công ty CP cơ khí thực phẩm và xây lắp Biên Hòa (KCN Biên Hòa I) Công ty Showpla (KCN Biên Hòa II)	- Đường vào công ty hiện nay rất nhiều xe ô tô đậu thường xuyên gây cản trở giao thông, ảnh hưởng đến việc đi lại của công ty, đề nghị có hàng rào chắn để các loại xe gần đường vào công ty. - Đề nghị công an KCN Biên Hòa hỗ trợ công ty Sonadezi giải quyết các trường hợp tương tự và các vấn đề khác về giao thông trong các KCN Biên Hòa.	Công ty Sonadezi: - Đề nghị công an KCN Biên Hòa hỗ trợ công ty Sonadezi giải quyết các trường hợp tương tự và các vấn đề khác về giao thông trong các KCN Biên Hòa.

2.3.2 Authority - enterprise dialogue through the internet

Many provinces have also promoted dialogues between authorities and enterprises using the internet. This model has the advantage of expanding possible topics within a limited amount of time. Some provinces and cities have created online dialogue portals or question-answer gateways on provincial websites.

On 18th November, 2002 Decision No133/2002/QĐ-UB launched the “Business - City Authority Talk” led by Ho Chi Minh City People’s Committee under the direct management of People’s Committee. The official online dialogue portal began operation on 20th, May, 2003 at the address: <http://www.doithoaidn.hochiminhcity.gov.vn>.

On 28th July, 2010, the People’s Committee of Ho Chi Minh City issued Decision No53/2010/QĐ-UB regulating the operation and coordination of the “Business- City Authority Talk” portal. From the beginning, the portal was developed to: i) Create an additional information channel for communication between enterprises and state management agencies in the city; ii) Enhance the effectiveness in serving businesses of state management agencies through operating an interactive system; iii) Create infrastructure for a move towards e-government for Ho Chi Minh City.

During the first phase the “Business-City Authority Talk” portal connected only 9 offices. There are now 42 state agencies participating. According to the heads of the City People’s Committee “such talks are to exchange information and solve the problems of domestic and foreign businesses. State management agencies introduce new policies and regulations to enterprises and listen to enterprises’ reflections on their difficulties in implementing these regulations...”¹⁸

State agencies that participate in the “Business-City Authority Talk” portal include a number of ministerial agencies, central departments and cities offices, district People’s Committees (including: management boards of industrial zones and export processing zones, Social Security, Police, Customs, Statistics, Taxation Departments, the Central Bank of Vietnam - Ho Chi Minh City branches and Stock Exchange Center, Fire, Police, Trade and Industry, Transportation, Planning and Investment, Science and Technology, Labor, Invalids and Social Welfare, Planning and Architecture, Finance, Natural Resources and Environment, Information and Communication, Justice, Culture- Sports-Tourism, Construction, Health, Ho Chi Minh City Development Institute and all districts People’s Committees).

One advantage of the online dialogue portal is that all businesses in Ho Chi Minh City can participate. Registration, sending questions and receiving answers are

18. Interview with Vice Chairman of the People’s Committee of Ho Chi Minh City Nguyen Thi Hong, Dialogues for Enterprises Development, Saigon Tiep thi Newspaper 9/6/2010.

all carried out through the internet and are free of charge. With just one click, enterprises can ask questions of all the city's departments with the heads of these state management agencies taking responsibility for answering questions.

The answers from these departments and offices not only help solve enterprises' problems and difficulties, but also help businesses obtain documents and new regulations issued by the State in relevant fields.

After being admitted to the online dialogue system, businesses can ask questions anywhere, anytime and receive answers from state management agencies within 5 days (the 5-day response time is a significant reduction from previous response times). According to a report in 2008, since the portal has been active, only 16.2% answers not been within 5 days.

By the end of 2009, the system had 2,135 members, including 28 business associations and 2,107 enterprises. The portal has had more than 400,000 visits to the website. In 2009, the portal received and answered 2,518 questions from member enterprises. The most common questions focused on taxation, customs service, business establishment procedures, and labor policies¹⁹. The City People's Committee has approved online responses from state agencies as being legally binding, having the same value as an official letter.

In addition to raising their problems, many businesses have taken advantage of the system to find guidance from offices including the Commerce Department, the Ministry of Commerce, and the Southern Center of Foreign Investment, about domestic and foreign markets, relevant regulations and support provided by these departments.

In parallel to the online system, the Business-City Authority Dialogue management board has also gathered a set of frequently asked questions -with answers from the website and published them in series of publications titled "Enterprises ask - Authority answers". These have been distributed free to businesses. Enterprises may find answers in these publications for common problems in the fields of customs service, investment or commerce.

The portal was created to solve business problems, to improve the investment environment of Ho Chi Minh City and gradually move toward an e-administration for Ho Chi Minh City. The Ministry of Justice has assessed the portal operations and concluded it is a good model for replication.

Lao Cai's online communication model on its provincial website is another good example of providing information to enterprises and investors. It demonstrates what can be done even in a northern mountainous province with disadvantages in terms of infrastructure and IT skills.

On its provincial official website www.laocai.gov.vn, the province has created an online communication forum, "an address for organizations, individuals and

19. Information provided by the Department of Planning and Investment of Ho Chi Minh City, Dispatch No. 5180/SKHDT-KT dated 16/7/2010.

provincial departments and offices to communicate, exchange and provide information on regulations, policies and administrative procedures, to discover investment opportunities and other useful information, thereby facilitating an enabling environment for dialogue between organizations, individuals and state agencies in the province." The departments and offices, the People's Committee of the city and districts are obligated to participate while enterprises, individuals and organizations do so on a voluntarily basis. Questions related to a specific department are answered within 5 days with a maximum of 7 days for inter-agency questions.

This online questions-and-answer forum is a part of the e-communication portal of Lao Cai. According to management regulations of Lao Cai e-communication portal²⁰, "the portal has the function of a means of communication between Lao Cai agencies and units and organizations, individuals. The portal helps provide public services, promote administration reform, and gradually move towards e-government for the province."²¹

● Box 7: Performance of the Questions-Answer forum on Lao Cai website

After almost 5 years in operation, the e-communication portal of Lao Cai has expanded in scale and improved in quality. In 2007, 10 provincial departments took part in the forum. In 2009 29 agencies and state offices in the province participated. By June 2010 38 agencies were participating in the forum.

In 2007 the forum received 600 questions; in 2008 nearly 700 questions. In 2009 there were 1,000 questions. During the first 6 months of 2010, there were nearly 600 questions. These even included questions from foreign organizations and individuals.

Through receiving and answering questions asked by organizations and citizens in the forum, management agencies solved problems for citizens in a timely manner and improved administrative efficiency. The questions-and-answers forum has truly become the bridge between the Lao Cai government and enterprises as well as citizens. Online exchange and communication channels between citizens and the Lao Cai authority via the portal on the Lao Cai website received a merit of "For Social Benefit" at the Nhan Tai Dat Viet award ceremony in 2007.

Source: The report of Lao Cai Information and Communication department on operations of the Lao Cai e-portal dated August 10th 2010.

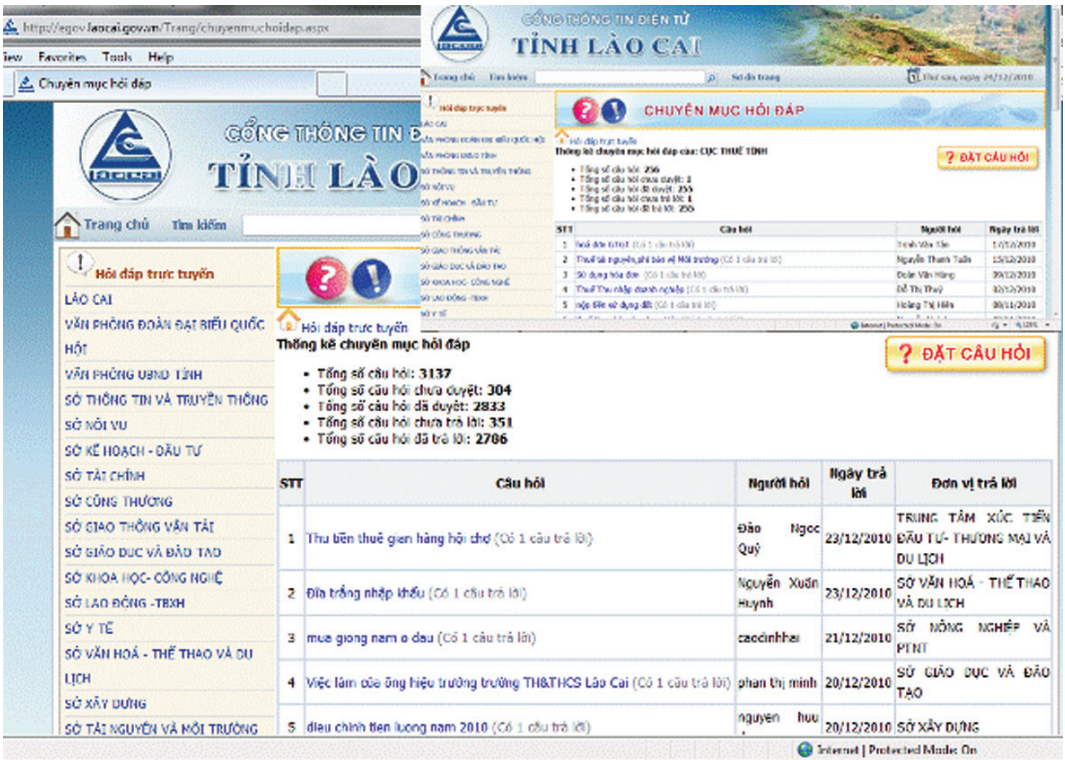
20. Decision 07/2008/QĐ-UBND dated February 25th 2008 by the provincial People's Committee of Lao Cai regulating the management of Lao Cai E-communication Portal.

21. Article 2 (Position, function, and tasks of Lao Cai E-communication Portal) of the Regulation.

Lao Cai has always ranked highly in the PCI over the last 4 years. Lao Cai ranked first in the PCI 2009 index on transparency and access to information scoring 8.85/10. Lao Cai was also the first province to apply a 'One-Stop Shop' (OSS) model for business registration. In 2004, the Lao Cai People's Committee issued Decision No233/2004/QĐ-UB on the OSS mechanism in which enterprises only need to visit the Planning and Investment Department and within 15 days (often in reality only 10 days) they can get all necessary documents including Business Registration Certificates, Tax ID numbers and Seals of Certifications.

● **Figure 10:**

The online Questions-Answers window in Lao Cai



2.3.3 Businesses and associations participation in administrative procedure reviews.

One of the important features of project 30²² is that it calls for extensive participation from the broader community, from enterprises and citizens. Public-private partnerships in administrative procedure improvements are an important direction in the implementation of Project 30. At the central level, the Government established an Advisory Council on administrative procedures with representatives of domestic and foreign enterprises. At all levels, consultation with a wide range of businesses is encouraged while reviewing administrative procedures.

Our surveys revealed different ideas and a variety of innovative ways of fulfilling this task across provinces. Lao Cai made 500 CDs on administrative procedures and distributed them to departments, business associations, as well as creating a website posting every procedure in effect. In addition, Lao Cai added a mail box to receive administrative procedure questions, and to gather comments/advice on relevant procedures from concerned agencies and units. The forms are simplified, accessible for ordinary citizens. The most critical goal is to check whether the procedure in question is reasonable.

In many provinces including Vinh Long, the mapping and reviewing of administrative procedures under Project 30 has been introduced and explained in detail in monthly meetings of the Provincial People's Committee, in visits or annual meetings between the provincial leaders and the enterprises. Feedback and proposals from enterprises provided a lot of important information to map, review and then simplify to ensure the transparency of administrative procedures.

In Long An, when reviewing administrative procedures, the province forms an advisory council of 11 members including former heads of departments and representatives of young enterprises, or law firms. Advisory council members are invited to comment on the results of the local department review. On average, each expert handles 110-120 cases. Next a meeting is held between the advisory council and district line departments to reach a consensus over the results.

However, recently, especially at the local level, few enterprises and associations have participated. Our research across 10 provinces shows that in the second

22. Abbreviation of Decision 30/2007/QĐ-TTg by Prime Minister dated January 10th 2007 to approve project on simplification of administrative procedures in all fields of administrative management 2007-2010. The project is divided into three phases: phase 1 listing all administrative procedures (from August 2008 to September 2009); phase 2 reviewing all administrative procedures (from September 2009 to May 2010); and phase 3 rolling out measures to simplify administrative procedures in 2010.

stage (reviewing administrative procedures) of Project 30 there is no or hardly any participation from businesses and citizens.

There are many reasons for this situation. It may be that the way the state agencies encourage participation from businesses and citizens has been too formal and the broader community has yet to feel the practicality and relevance of such activity. It may also partly be the result of weak professionalism and a low level of responsibility among enterprises, business associations and citizens. Many enterprises associations and Vietnamese businesses or organizations only react when the matter affects them directly. They do not put policy advocacy high on their agenda.

These remain obstacles for the private-public partnership model and for later administrative procedures reform efforts. If civil institutions remain as underdeveloped as now, successful administrative reform in Vietnam is unlikely.

2.3.4 Promoting the role of business associations in the local policy making process.

At a local level, associations are of great importance. They connect business members, enhance member's capacity and conduct business promotion. Associations are also very important in representing the business community to the provincial authority. Associations may contribute by disseminating new policies and regulations of the province to enterprises. In addition when enterprises have difficulties, the association may channel business concerns to the provincial authority. This can deal effectively with where direct reporting by individual enterprises to the provincial authority may lead to risks for future business. Some provinces informed the researchers that to understand businesses during turbulent times, it is best to go through the associations. Getting opinions about a particular policy being considered for issuance is also easier to do using the associations as mediators.

Some provinces have really focused on promoting the development of business associations. These associations are often the most effective. For example in Binh Dinh province, there are 16 business associations and clubs including local business associations. In 2009 and the first six months of 2010, more than 10 meetings were held between the Provincial People's Committee, provincial departments and the business community²³.

Binh Dinh province has always encouraged the establishment of local business associations and their operations. In some cases the Provincial People's Committee has directed relevant departments to help businesses

establish their associations. The support and guidance included assigning personnel to take part in the association canvassing board, arranging office space and initial equipment for the association, assisting in program planning and development and capacity building for the association staff.

Binh Dinh province is positive about the use of these associations. They have represented and promoted the rights of their members in domestic and international relations, held dialogues on policies that impact business community operations and developed relations with local government as well as domestic and international organizations. In particular the provincial business associations have been active as a policy adviser for the local governments.

● Box 8:

Consultation and Policy Advisory of Business Associations in Binh Dinh

Business associations in Binh Dinh have recently participated in various policy consultations which generated good results including:

- ☆ *Developing proposals to relevant agencies for policies and solutions to help local export companies stabilize their production during the economic crisis. These included the timber and forest products association and the stone mining association proposed to the Provincial People's Committee that the Central Bank and other local commercial banks continue preferential interest rates for businesses. They have also proposed to relevant departments that they support these companies in labor training, and provide tax exemptions on particular exports, and reduce business support service fees.*
- ☆ *Many associations have actively contributed in expanding markets, enhancing competitive advantages both in domestic and international markets; protecting their members' rights against unfavorable export policies as well as technical barriers imposed by USA and the EU. These include regulations against illegal fishery from the European Union.*
- ☆ *With their proactivity and flexibility, some business associations have been assigned several critical projects by the Provincial People's Committee, which include: the Timber and Forest Products Association was asked to develop a project on "Developing the production of wooden furniture in Binh Dinh during the period 2010-2015". The Binh Dinh Aquaculture Association ran a project on "Conservation and developing the seaside lagoon biodiversity through development of management models and sustainable use of wetlands in Dam Thi Nai, Dam Tra On in Binh Dinh province".*

Source: VCCI survey in Binh Dinh PPC dated 17th, August, 2010.

23. VCCI Survey in Binh Dinh on August 17th 2010

Surveys show that in some provinces, the role of provincial associations in policy dialogue between the authority and businesses is still vague and passive. Even in Binh Dinh the province admits that some associations have not played an active role. The association's contribution and provision of feedback in the policy making process is not yet professional or effective and networking between associations is weak. Operations among some associations still focus on the administrative and not very effective. The associations have not actively sought external funding, instead relying on subsidies from the State budget.

Conclusions

The primary objective of the research is to map best practices in transparency and access to information in the provincial business environments in order to use them as positive models and lessons for local governments. In carrying out the research, we leveraged data including the Provincial Competitiveness Index and external research carried out by VCCI and others to analyze specific economic policies that successful provinces have put in place to produce better economic governance outcomes, according to their PCI rankings. Despite every province adhering to the same central legal and administrative system the research revealed a large variety of positive practices designed to enhance transparency in the business environment across a range of provinces. While it is still early to declare these practices a long term success and questions remain as to whether these practices will lead to more substantive and transparent re-organization of local government processes, the provinces in the research case studies do show better economic governance outcomes. These practices were based on local innovation, commitment and pro-active local leadership. They deserve attention and further dissemination. We hope that this research will provide a good reference point for provincial governments in better understanding how policies can be used to improve the business environment and to assist them in designing their own governance reform plans.

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